

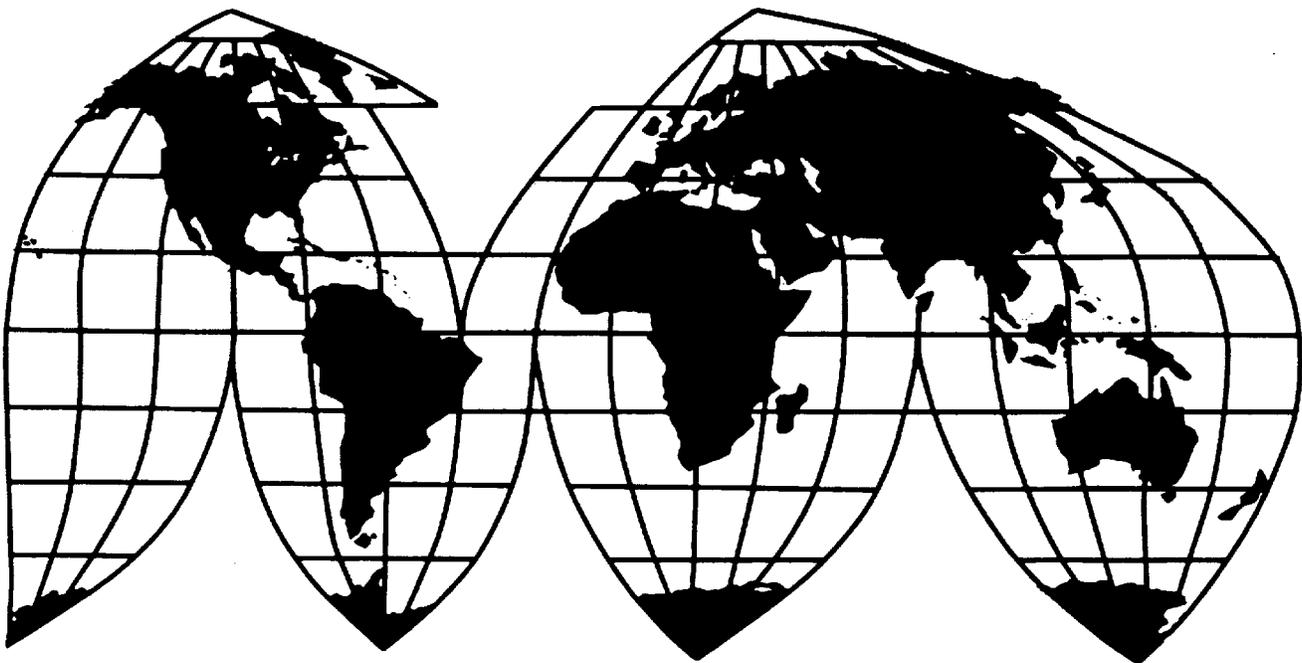
# **Petroleum Wax Candles From China**

Investigation No. 731-TA-282 (Second Review)

**Publication 3790**

**July 2005**

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

# UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-282 (Second Review)

## PETROLEUM WAX CANDLES FROM CHINA

### DETERMINATION

On the basis of the record<sup>1</sup> developed in the subject five-year review, the United States International Trade Commission (Commission) determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)) (the Act), that revocation of the antidumping duty order on petroleum wax candles from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

### BACKGROUND

The Commission instituted this review on August 2, 2004 (69 F.R. 46182) and determined on November 5, 2004 that it would conduct a full review (69 F.R. 68175, November 23, 2004). Notice of the scheduling of the Commission's review 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* on January 21, 2005 (70 F.R. 3224). The hearing was held in Washington, DC, on May 25, 2005, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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



## VIEWS OF THE COMMISSION

Based on the record in this five-year review, we determine under section 751(c) of the Tariff Act of 1930, as amended (“the Act”), that revocation of the antidumping duty order covering petroleum wax candles from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. In making this determination, the Commission defines the domestic industry as that producing candles containing any amount of petroleum wax except for candles containing more than 50 percent beeswax.

### I. BACKGROUND

In August 1986, the Commission determined that an industry in the United States was being materially injured by reason of imports of petroleum wax candles from China that were being sold at less than fair value.<sup>1</sup> On August 28, 1986, the Department of Commerce (“Commerce”) issued an antidumping duty order on imports of petroleum wax candles from China.<sup>2</sup>

In August 1999, the Commission completed its first five-year review (which was an expedited review) and determined that revocation of the order would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.<sup>3</sup>

The Commission instituted the present review on August 2, 2004.<sup>4</sup> The National Candle Association (“NCA”), a trade association a majority of whose members manufacture petroleum wax candles in the United States, filed a response to the Notice of Institution as well as comments on adequacy.<sup>5</sup> No respondent interested party filed a response.

On November 5, 2004, the Commission determined that the domestic interested party response was adequate, the respondent interested party response was inadequate, and that other circumstances warranted conducting a full review.<sup>6</sup> The Commission explained that a full review was warranted in light of numerous scope rulings made by Commerce since the issuance of the order in 1986. Conducting a full review would allow the Commission to seek information concerning the effect of the scope rulings, make an accurate assessment of the likely effects of revocation of the order, and provide an opportunity for the Commission to closely examine any like product issues raised by the scope rulings.<sup>7</sup>

NCA was the only party that participated in this review. Because of limited import data coverage through questionnaire responses and the lack of a meaningful method to break out subject Chinese imports from nonsubject (out-of-scope) Chinese imports, our analysis of import volumes generally relies on official Commerce statistics for all Chinese candles imported under Harmonized Tariff Schedule of

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<sup>1</sup> Petroleum Wax Candles from the People’s Republic of China, Inv. No. 731-TA-282 (Final), USITC Pub. 1888 (August 1986) (“Original Determination”). Chairman Liebler and Vice Chairman Brunsdale dissented.

<sup>2</sup> 51 Fed. Reg. 30686 (August 28, 1986).

<sup>3</sup> Petroleum Wax Candles from China, Inv. No. 731-TA-282 (Review), USITC Pub. 3226 (August 1999) (“First Five-Year Review Determination”). Commissioners Crawford and Askey dissented.

<sup>4</sup> 69 Fed. Reg. 46182 (Aug. 2, 2004).

<sup>5</sup> The NCA was the petitioner in the original investigation, and also filed a response in the first five-year review.

<sup>6</sup> 69 Fed. Reg. 68175 (Nov. 23, 2004).

<sup>7</sup> Explanation of Commission Determination on Adequacy in Petroleum Wax Candles from China (Second Review) (Nov. 2004). Confidential Staff Report, Memorandum INV-CC-092 (June 17, 2005) (“CR”) and Public Staff Report, USITC Pub. 3790 (July 2005) (“PR”) at Appendix A.

the United States (“HTS”) heading 3406.00.00.<sup>8</sup> In addition to candles within the scope of the order, this HTS heading includes candles that have been excluded from the scope.<sup>9</sup> However, given the high degree of substitutability between in-scope and out-of-scope Chinese candles, as discussed below, we find the broad HTS data is instructive for purposes of addressing the likely effects of revocation of the order.

## II. DOMESTIC LIKE PRODUCT AND INDUSTRY

### A. Domestic Like Product

In making its determination under section 751(c), the Commission defines the “domestic like product” and the “industry.”<sup>10</sup> The Act defines “domestic like product” 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 under this subtitle.”<sup>11</sup> As explained below, based on the evidence in the record of this review, we have defined the domestic like product to include candles containing any amount of petroleum wax except for candles containing more than 50 percent beeswax.

#### 1. *The Subject Merchandise*

The language provided by Commerce regarding the scope of this investigation has remained unchanged in the first and second five-year reviews,<sup>12</sup> although Commerce issued more than 50 scope clarifications or exclusions during the period between reviews.<sup>13</sup> In the final results of its expedited second sunset review, Commerce defined the imported merchandise within the scope of the order as:

certain scented or unscented petroleum wax candles made from petroleum wax and having fiber or paper-cored wicks. They are sold in the following shapes: tapers, spirals and straight-sided dinner candles; rounds, columns, pillars, votives; and various wax-filled containers. The products were classified under the Tariff Schedules of the United States (TSUS) item 755.25, Candles and Tapers. The products are currently classified under the Harmonized Tariff Schedule (“HTS”) item number 3406.00.00.<sup>14</sup>

Commerce noted that, since the original investigation, it has determined that several products were excluded from the scope of the order. In addition, Commerce stated that additional scope determinations were pending.<sup>15</sup>

The scope language itself does not set a numerical percentage for petroleum wax content that determines whether a particular imported candle falls within the scope’s definition of “petroleum wax

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<sup>8</sup> See CR at I-10 and IV-1, PR at I-8 and IV-1.

<sup>9</sup> CR at I-10-11, PR at I-10.

<sup>10</sup> 19 U.S.C. § 1677(4)(A).

<sup>11</sup> 19 U.S.C. § 1677(10). See Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996); Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int’l Trade 1990), aff’d, 938 F.2d 1278 (Fed. Cir. 1991). See also S. Rep. No. 96-249 at 90-91 (1979).

<sup>12</sup> 64 Fed. Reg. 32481 (June 17, 1999) and 69 Fed. Reg. 75303 (Dec. 16, 2004).

<sup>13</sup> CR and PR at Appendix E.

<sup>14</sup> 69 Fed. Reg. 75302 (Dec. 16, 2004).

<sup>15</sup> *Id.* See CR and PR at Appendix E.

candles.” In a number of scope rulings, however, Commerce has ruled that certain candle imports from China were excluded from the scope based on petroleum wax content.<sup>16</sup>

In a 1998 scope ruling, Commerce determined that imported candles from China that contained 50 percent or less petroleum wax were not within the scope of the order.<sup>17</sup> This ruling concerned candles containing 80 percent beeswax and 20 percent petroleum wax. In reaching its determination, Commerce relied in part on the Commission’s original determination in which the Commission defined domestically produced petroleum wax candles as candles containing over 50 percent petroleum wax, as contrasted to beeswax candles which contained over 50 percent beeswax.<sup>18</sup> Commerce has since applied a 50 percent rule in a number of rulings concerning the scope of the *Candles* order, concluding that candles containing blends of more than 50 percent vegetable wax mixed with under 50 percent petroleum wax are not within the scope of the order.<sup>19</sup>

## 2. *Types of Candles*

During and since the original investigation, the bulk of candle manufacturing (both domestic and elsewhere) has used natural waxes, as opposed to synthetic waxes.<sup>20</sup> There are three broad categories of natural waxes that are used in candle making. The most common type of candle wax is paraffin derived from petroleum wax.<sup>21</sup> The second type of wax used in candle manufacturing is beeswax. Beeswax candles are manufactured by U.S. producers principally for religious and specialty markets.<sup>22</sup> At the time of the original investigation, they accounted for a small volume of domestic candle production,<sup>23</sup> and there is no evidence in the record of this or the prior review indicating that this has changed.<sup>24</sup> The third type of wax that may be used in candle production is vegetable wax, such as palm oil or soy wax.

Candles may be made purely of one type of wax or contain a combination of waxes. Nearly all candles produced in the United States during and since the original investigation contain over 50 percent

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<sup>16</sup> CR at I-11 & n.13, PR at I-10, n.13.

<sup>17</sup> Final Scope Ruling – Antidumping Duty Order on Petroleum Wax Candles from the People’s Republic of China, Ocean State Jobbers (December 18, 1998).

<sup>18</sup> Under Commerce regulations, currently codified at 19 CFR § 351.225(k), Commerce considers a number of factors in determining whether a particular item is included in the scope. These factors include, *inter alia*, the determination of the Commission. 19 CFR § 351.225(k)(1).

<sup>19</sup> E.g., Final Scope Ruling – Antidumping Duty Order on Petroleum Wax Candles from the People’s Republic of China, JC Penney, (Nov. 9, 2001); Final Scope Ruling – Antidumping Duty Order on Petroleum Wax Candles from the People’s Republic of China, Avon Products, Inc. (Nov. 17, 2003); Final Scope Ruling – Antidumping Duty Order on Petroleum Wax Candles from the People’s Republic of China, Pei Eichel (Feb. 8, 2005); Final Scope Ruling – Antidumping Duty Order on Petroleum Wax Candles from the People’s Republic of China, Kathryn Beich, Inc. (Jan. 19, 2005); Final Scope Ruling – Antidumping Duty Order on Petroleum Wax Candles from the People’s Republic of China, Pier I Imports, Inc. (May 13, 2005).

<sup>20</sup> See Original Confidential Staff Report, Inv-J-131 (August 6, 1986) at A-4, *cited in* Second Five-Year Review Confidential Staff Report (“CR”), INV-CC-092 (June 17, 2005) at I-13. No issue was raised in the original investigation or during either of the reviews concerning the use of synthetic wax.

<sup>21</sup> Original Confidential Staff Report at A-4; Transcript of Hearing in Second Five-Year Review, May 25, 2005 (“Tr.”) at 82-86 (Pappas); 104 (Goddard); 104-105 (La Zar). Microcrystalline is also a petroleum wax.

<sup>22</sup> Original Determination at 5. Tr. at 87 (Pappas), 87-88 (La Zar).

<sup>23</sup> Original Confidential Staff Report at A-18, Table 5.

<sup>24</sup> See Tr. at 61-62 (Stayin).

petroleum wax.<sup>25</sup> During the original investigation, the candles that were not pure petroleum wax were combined with beeswax.<sup>26</sup> At the time of the original investigation, all candles imported into the United States from China were either pure petroleum wax or contained more than 50 percent petroleum wax.<sup>27</sup>

In recent years, producers began blending vegetable waxes with petroleum wax to produce so-called “blended candles.”<sup>28</sup> According to the NCA, this type of candle had not been developed and was not commercially produced anywhere at the time of the original investigation.<sup>29</sup> Beginning in 2001 (after the first five-year review), candles produced in China from a blend of petroleum wax and vegetable wax began to enter the U.S. market;<sup>30</sup> and the record indicates that by 2004, blended candles accounted for a majority of imported candles from China.<sup>31</sup> Blended candles accounted for only a small percentage (slightly more than \*\*\* percent) of U.S. producers’ 2004 domestic shipments.<sup>32</sup>

### 3. *Like Product Determination in the Original Investigation and First Review*

In the original investigation, the Commission considered whether candles made of materials other than petroleum wax, principally beeswax, should be considered a part of the like product.<sup>33</sup> The Commission defined petroleum wax candles as those composed of more than 50 percent petroleum wax, and beeswax candles as those composed of more than 50 percent beeswax.<sup>34</sup> Comparing beeswax and petroleum wax candles, the Commission defined the like product as consisting “only of petroleum wax candles.”<sup>35</sup> In reaching this conclusion, the Commission found that, in comparison to petroleum wax candles, beeswax candles have different physical characteristics and uses (religious purposes), are sold mainly through different channels (principally in religious and specialty markets), are priced considerably higher, and are produced only in small quantities by major domestic producers of petroleum wax.<sup>36</sup> Further, the Commission found that beeswax candles are not interchangeable with petroleum wax candles because of a threefold difference in the costs of production and because beeswax and petroleum wax candles are perceived by producers as not competing with each other.<sup>37</sup>

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<sup>25</sup> Tr. at 47-52; Original Confidential Staff Report at A-18, Table 5; CR at I-14, PR at I-12.

<sup>26</sup> Original Determination at 4.

<sup>27</sup> Original Determination at 4, n.5.

<sup>28</sup> CR at I-13, n.19, PR at I-11, n.19.

<sup>29</sup> CR at I-13, n.19, PR at I-11, n.19; NCA’s Prehearing Brief at 11. We note that the original staff report indicated that some types of “exotic” vegetable waxes were used for specialty candles during the period of the original investigation. Original Confidential Staff Report at A-4. The report did not specify whether those candles contained 100 percent vegetable wax or some combination of waxes. The record in the current review, however, indicates that candles made of petroleum wax and vegetable wax blends were not commercially produced until recently. CR at I-13, n.19, PR at I-11, n.19; NCA’s Prehearing Brief at 11.

<sup>30</sup> CR at I-13, n.19, PR at I-11, n.19; Tr. at 17-18 (Higgins), 23 (Pappas), 26 (La Zar), 31 (Goddard).

<sup>31</sup> CR and PR at Table IV-2.

<sup>32</sup> CR at I-14-15, PR at I-12.

<sup>33</sup> Original Determination at 5.

<sup>34</sup> Original Determination at 4-5.

<sup>35</sup> Original Determination at 9. See also Original Determination at 19 (Views of Chairman Liebeler) and 35 (Dissenting Views of Vice Chairman Brunsdale).

<sup>36</sup> Original Determination at 5.

<sup>37</sup> Original Determination at 5-6 & n.11.

None of the parties that provided information in the expedited first five-year review objected to the original like product definition.<sup>38</sup> The Commission found that none of the additional information collected in the review warranted a departure from that its original definition of petroleum wax candles. Accordingly, based on the facts available, the Commission again defined the domestic like product as petroleum wax candles as originally defined.<sup>39</sup>

#### 4. Domestic Like Product Issues Raised in the Second Five-Year Review

NCA argues that the Commission should re-examine the like product definition and determine to include all blended candles within the domestic like product, regardless of the proportions between petroleum wax and vegetable wax.<sup>40</sup> We define “blended candles” for purposes of these views as candles containing any blend of petroleum and vegetable wax.

The evidence in the record of this review indicates that there was no commercial production in the United States (or elsewhere) of blended candles in 1986, when the Commission made its original determination.<sup>41</sup> The Commission therefore did not consider in the original investigation whether to include blended candles containing 50 percent or less petroleum wax in the domestic like product.<sup>42</sup> Beginning in the late 1990s, however, some U.S. candle-makers began commercial production of blended candles, and such production continued over the period of the second review.<sup>43</sup>

In a five-year review, we start our analysis by examining the like product definition in the original determination and considering whether there is any reason to change that definition. The Commission has redefined the domestic like product in five-year reviews in appropriate circumstances.<sup>44</sup>

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<sup>38</sup> In the first five-year review, NCA and Woodbridge Candles, Inc., a small domestic producer that is not a member of the NCA, filed responses to the notice of institution.

<sup>39</sup> Commissioners Crawford and Askey, who dissented from the Commission’s affirmative determination, joined in the Commission majority’s like product and domestic industry findings. First Five-Year Review Determination at 3, n.1.

<sup>40</sup> There is no new information obtained in this review that would suggest that the Commission should revisit the exclusion of beeswax candles from the domestic like product.

<sup>41</sup> NCA’s Prehearing Brief at 11.

<sup>42</sup> As the Commission has repeatedly noted, it cannot define the domestic like product as something not produced in the United States. See, e.g., Certain Cold-Rolled Steel Products from Australia, India, Japan, Sweden, and Thailand, Inv. Nos. 731-TA-965, -971-72, -979, and -981 (Final), USITC Pub. 3536 (September 2002) at 10, n. 30; Certain Frozen Fish Fillets from Vietnam, Inv. No. 731-TA-1012 (Preliminary), USITC Pub. 3533 (August 2002) at 5; Ferrovandium from China and South Africa, Inv. Nos. 731-TA-986 and -987 (Preliminary), USITC Pub. 3484 (January 2002) at 6 & n. 26; Silicomanganese from India, Kazakhstan, and Venezuela, Inv. Nos. 731-TA-929-931 (Preliminary), USITC Pub. 3427 (May 2001) at 4-5 & n. 15; Synthetic Indigo from China, Inv. No. 731-TA-851 (Preliminary), USITC Pub. 3222 at 7 (August 1999); Extruded Rubber Thread from Malaysia, Inv. No. 753-TA-34, USITC Pub. 3112 at 5 (June 1998); Professional Electric Cutting and Sanding/Grinding Tools from Japan, Inv. No. 731-TA-571 (Preliminary), USITC Pub. 2536 at 17 (July 1992); Nepheline Syenite from Canada, Inv. No. 731-TA-525 (Final), USITC Pub. 2502 at 7 (April 1992), *aff’d*, Feldspar Corp. v. United States, 825 F. Supp. 1095 (Ct. Int’l Trade 1993).

<sup>43</sup> NCA’s Prehearing Brief at 11; CR at I-14, PR at I-12.

<sup>44</sup> E.g., Greige Polyester/Cotton Printcloth from China, Inv. No. 731-TA-310 (Second Review), USITC Pub. 3776 at 5-7 (May 2005); Cut-to-Length Carbon Steel Plate from China, Russia, South Africa and the Ukraine, Inv. Nos. 731-TA-753-756 (Review) USITC Pub. 3626 at 8-9(Sept. 2003); Certain Pipe and Tube From Argentina, Brazil, Canada, India, Korea, Mexico, Singapore, Taiwan, Thailand, Turkey, and Venezuela, Inv. Nos. 701-TA-253 (Review) and 731-TA-132, 252, 271, 273, 276, 277, 296, 409, 410, 532–534, 536, and 537 (Review) USITC Pub.

(continued...)

In this review we applied our six-factor test to evaluate whether all candles containing petroleum wax, including blended candles, should be included in the domestic like product. Based on this analysis, we determine that the domestic like product, which we define as petroleum wax candles, includes all candles that contain any amount of petroleum wax, except those candles that contain more than 50 percent beeswax.

NCA states that blended candles containing predominantly vegetable-based waxes have the same appearance, odor and feel as, and are chemically similar to, candles that contain more than 50 percent petroleum wax.<sup>45</sup> Testimony at the hearing, as well as submissions from three NCA members that produce both types of candles, confirmed the similarities in physical characteristics.<sup>46</sup> To the extent those producers described any differences in physical characteristics, they defined such differences as minor. For example, one producer stated that \*\*\*.<sup>47</sup> At the hearing, domestic interested parties introduced side-by-side examples of candles of each type, noting that the candles were nearly identical in appearance.<sup>48</sup>

Further, irrespective of the percentage of petroleum wax, all non-beeswax candles containing petroleum wax are used for the same types of purposes.<sup>49</sup> That is, all types are used mainly in the home or yard to provide light, heat, or scent, or are used for celebration or votive purposes.<sup>50</sup>

Candles that contain predominantly vegetable-based waxes and those containing predominantly petroleum wax share common manufacturing facilities, processes and employees.<sup>51</sup> Both types of candles are made through pouring, dipping, molding or extrusion.<sup>52</sup> The main difference is the type of wax used. As confirmed by comments by producers who produce both types, the equipment, process, employees, and manufacturing facilities used in the production of both are essentially the same.<sup>53</sup>

Producers who manufacture both types of candles perceive them to be completely interchangeable.<sup>54</sup> Those producers also indicated that their customers likewise perceive no differences between the products, and use both types for the same purposes.<sup>55</sup> In most cases, the ultimate consumer is not even aware of the different composition of the candles.<sup>56</sup>

Both types of candles are sold in the same channels of distribution and are advertised and displayed in the same manner. For example, NCA provided evidence of a mass merchandiser displaying both types of candles in the same aisles, and of specialty web sites selling both types at the same site

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<sup>44</sup> (...continued)  
3316 at 13 (July 2000).

<sup>45</sup> NCA's Prehearing Brief at 16-17.

<sup>46</sup> Tr. at 23 (Pappas); NCA's Posthearing Brief at Exhibit 1. A fourth producer, which produces \*\*\*, agreed. NCA's Posthearing Brief at Exhibit 1 (response of \*\*\*).

<sup>47</sup> NCA's Posthearing Brief at Exhibit 1 (response of \*\*\*).

<sup>48</sup> Tr. at 10-11 (Stayin); 39-41 (Love). See also NCA's Prehearing Brief at Exhibits 4 and 7; NCA's Posthearing Brief at Exhibit 2.

<sup>49</sup> NCA's Prehearing Brief at 19.

<sup>50</sup> *Id.*; CR at I-13, PR at I-12.

<sup>51</sup> NCA's Prehearing Brief at 21; NCA's Posthearing Brief at 12.

<sup>52</sup> NCA's Prehearing Brief at 21.

<sup>53</sup> NCA's Posthearing Brief at 12 and Exhibit 1. To the degree there are any differences at all, some of those producers identified minor differences in production processes. See NCA's Posthearing Brief at Exhibit 1.

<sup>54</sup> NCA's Posthearing Brief at Exhibit 1.

<sup>55</sup> CR at II-11-15, PR at II-6-9; Tr. at 30-31 (Goddard); NCA's Posthearing Brief at 12 and Exhibit 1.

<sup>56</sup> NCA's Prehearing Brief at 22; NCA's Posthearing Brief at Exhibit 1.

without content-based distinction.<sup>57</sup> The responses from NCA members who sell both types of candles support NCA's contention that both types are sold through the same channels of distribution.<sup>58</sup>

Data regarding the per pound average unit value of domestic producers' candles indicate that \*\*\*. The 2004 weighted average unit value for the former was \$\*\*\* per pound, and for the latter, \$\*\*\* per pound.<sup>59</sup> At the hearing, one witness explained that the cost for vegetable wax is higher than the cost for petroleum wax, which would be expected to be reflected in prices for the candles produced from different blends of these waxes.<sup>60</sup> The record confirms this cost difference.<sup>61</sup>

With the possible exception of prices, the evidence in the record regarding each of the like product factors favors inclusion of all blended wax candles in the domestic like product. The record does not reflect a clear dividing line between blended wax candles with more than 50 percent petroleum wax content and those with 50 percent or less petroleum wax content. Rather, candles containing differing combinations of vegetable wax and petroleum wax appear to fall within a continuum. Accordingly, we define the domestic like product to include all blended candles. As in the original investigation, candles containing more than 50 percent beeswax are not included in the domestic like product definition.

In sum, we define the domestic like product as candles with fiber or paper-cored wicks and containing any amount of petroleum wax, except for candles containing more than 50 percent beeswax.<sup>62</sup>

## B. Domestic Industry and Related Parties

Section 771(4)(A) of the Act defines the relevant industry 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."<sup>63</sup> In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market, provided that adequate production-related activity is conducted in the United States.<sup>64</sup>

In defining the domestic industry in this review, we considered whether any producers of the domestic like product should be excluded from the domestic industry pursuant to the related parties provision in section 771(4)(B) of the Act. That provision of the statute allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an

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<sup>57</sup> NCA's Prehearing Brief at 20, n.57 and Exhibits 7 and 8.

<sup>58</sup> NCA's Posthearing Brief at Exhibit 1.

<sup>59</sup> CR at I-15, PR at I-12. We note, however, that there was \*\*\* among the reporting producers concerning the relative average unit values of their blended and petroleum wax candles.

<sup>60</sup> Tr. at 49-50, 68-69, 82, 84 (Pappas). See also CR at I-21, PR at I-17; NCA's Posthearing Brief at Exhibits 1 and 4.

<sup>61</sup> See CR at I-21, PR at I-17.

<sup>62</sup> Commissioner Pearson concurs that the record supports including blended wax candles in the domestic like product. However, he makes this finding reluctantly in light of NCA's actions. NCA had stated its agreement with the like product as defined in the original determination and the first review in its response to the Commission's notice of institution and did not raise the like product issue until after questionnaires had been drafted and sent. CR at I-13 n.20.

<sup>63</sup> 19 U.S.C. § 1677(4)(A).

<sup>64</sup> See, e.g., United States Steel Group v. United States, 873 F. Supp. 673, 682-83 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

exporter or importer of subject merchandise, or which are themselves importers. Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each case.<sup>65</sup>

### 1. Identification of related parties

During this review period, \*\*\* U.S. producers imported subject candles from China,<sup>66</sup> and therefore fall within the related parties provision. Those producers are \*\*\*.<sup>67</sup>

\*\*\* purchased, but did not directly import, subject candles. The Commission has concluded that a domestic producer that does not itself import subject merchandise, or does not share a corporate affiliation with an importer, may nonetheless be deemed a related party if it controls large volumes of imports. The Commission has found such control to exist when the domestic producer was responsible for a predominant portion of an importer's purchases and the importer's purchases were substantial.<sup>68</sup>

\*\*\* purchased \*\*\* pounds of candles from China in 2004 from importer \*\*\*.<sup>69</sup> \*\*\* was not among the 137 importers identified from Customs records as having imported more than \$500,000 worth of candles over the period of review, and therefore was not sent a questionnaire.<sup>70</sup> This fact indicates that \*\*\* imports were not substantial. Therefore, irrespective of what percentage of \*\*\* imports was purchased by \*\*\*, the record does not reflect that \*\*\* controls large volumes of imports. Consequently, we do not consider \*\*\* to be a related party producer on the basis of its purchasing activities.

### 2. Appropriate Circumstances

We next consider whether there are appropriate circumstances to exclude any of the \*\*\* related party producers from the domestic industry.

\*\*\*: \*\*\*, the producer that imported the largest volume of subject candles from China was \*\*\*. \*\*\* is the \*\*\* U.S. candle producer, accounting for \*\*\* percent of total industry production in 2004.<sup>71</sup> \*\*\* imported \*\*\* pounds of subject merchandise in 2002, \*\*\* pounds in 2003, and \*\*\* pounds in 2004.<sup>72</sup> The ratio of these imports to \*\*\* domestic production was \*\*\* percent in 2002, \*\*\* percent in 2003, and \*\*\* percent in 2004. \*\*\* questionnaires reflect that it imports \*\*\* candles that complement its

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<sup>65</sup> See, e.g., Allied Mineral Products, Inc. v. United States, \_\_\_ Fed. Supp.2d \_\_\_, Slip Op. 04-139 (Ct. Int'l Trade, Nov. 12, 2004); Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir. 1993); Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), aff'd without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

<sup>66</sup> CR and PR at Table III-6.

<sup>67</sup> *Id.*

<sup>68</sup> See, e.g., Foundry Coke from China, Inv. No. 731-TA-891 (Final), USITC Pub. 3449 at 8-9 (Sept. 2001); Certain Cut-to-Length Steel Plate from the Czech Republic, France, India, Indonesia, Italy, Japan, Korea, and Macedonia, Inv. Nos. 701-TA-387-392, 731-TA-815-822 (Preliminary), USITC Pub. 3181 at 12 (April 1999).

<sup>69</sup> CR and PR at Table III-6; \*\*\* Producer Questionnaire Response at II-11.

<sup>70</sup> See CR at IV-1, PR at IV-1.

<sup>71</sup> CR and PR at Table III-1.

<sup>72</sup> CR and PR at Table III-6.

own line.<sup>73</sup> \*\*\* operating margin in 2002 was \*\*\*, and in 2003 and 2004, its operating margins were \*\*\*, whereas the industry average was approximately 16 percent during both of those years.<sup>74</sup>

\*\*\* financial performance over the period of review does not indicate that its use of subject merchandise has shielded it from the effects of those imports. Moreover, \*\*\* has substantial U.S. production and is one of the industry's \*\*\* producers. It supports continuation of the order.<sup>75</sup> We consequently find that appropriate circumstances do not exist to exclude \*\*\* from the domestic industry.

\*\*\*: Although not as large as \*\*\*, \*\*\* is a fairly large domestic candle producer, accounting for \*\*\* percent of 2004 production.<sup>76</sup> \*\*\* imported subject candles during only one of the past six years.<sup>77</sup> In 2003, \*\*\* imported \*\*\* pounds of subject merchandise, equivalent to only \*\*\* percent of its production that year.<sup>78</sup> \*\*\* operating margins were \*\*\*.<sup>79</sup> However, this appears to reflect the fact that \*\*\*.<sup>80</sup> Particularly given that \*\*\* was \*\*\* throughout the review period, imported only a small volume of candles during only one year of the review period, and supports continuation of the order,<sup>81</sup> we do not find that appropriate circumstances exist to exclude it from the domestic industry.

\*\*\*: \*\*\* accounted for \*\*\* percent of 2004 domestic candle production.<sup>82</sup> \*\*\*.<sup>83</sup> Through \*\*\*, \*\*\* imported \*\*\* pounds of subject merchandise in 1999, \*\*\* pounds in 2000, \*\*\* pounds in 2001, \*\*\* pounds in 2002, \*\*\* pounds in 2003, and \*\*\* pounds in 2004.<sup>84</sup> The ratio of these imports to \*\*\* domestic production was \*\*\* percent in 1999, \*\*\* percent in 2000, \*\*\* percent in 2001, \*\*\* percent in 2002, \*\*\* percent in 2003, and \*\*\* percent in 2004. \*\*\* explained in its Producer Questionnaire Response that \*\*\*.<sup>85</sup> \*\*\* indicated in its Importer Questionnaire Response that it imports a different type of petroleum wax candle from China, *i.e.*, \*\*\*.<sup>86</sup>

\*\*\* operating margins were \*\*\* throughout the period of the second review.<sup>87</sup> These margins were below the industry average in 1999 and 2000, but above the industry average in each year from 2001 to 2004.<sup>88</sup> It thus appears that \*\*\* may be shielded to some extent from injury that may be caused by the \*\*\*.<sup>89</sup> On the other hand, \*\*\* seems committed to domestic production of certain types of petroleum wax candles, as evidenced by its questionnaire response and the ratio of its total imports to

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<sup>73</sup> See \*\*\* Importer Questionnaire Response at II-6 and II-8 and \*\*\* Producer Questionnaire Response at II-9.

<sup>74</sup> CR and PR at Tables III-7 and III-9.

<sup>75</sup> CR and PR at Table I-8.

<sup>76</sup> CR and PR at Table III-1.

<sup>77</sup> CR and PR at Table III-6.

<sup>78</sup> CR and PR at Table III-6.

<sup>79</sup> CR at III-12-14 and Table III-9, PR at III-6-8 and Table III-9.

<sup>80</sup> CR at III-12-14, PR at III-6-8. See also NCA's Prehearing Brief at 38-39.

<sup>81</sup> CR and PR at Table I-8.

<sup>82</sup> CR and PR at Table III-1.

<sup>83</sup> \*\*\* Producer Questionnaire Response at II-8.

<sup>84</sup> CR and PR at Table III-6. \*\*\* also imported \*\*\* volumes of nonsubject candles from China during that period. CR and PR at Table III-6. Of the U.S. producers, it is the \*\*\* importer of nonsubject candles from China.

<sup>85</sup> \*\*\* Producer Questionnaire Response at IV-B-17 and IV-B-26.

<sup>86</sup> \*\*\* Importer Questionnaire Response at II-8.

<sup>87</sup> CR and PR at Table III-9.

<sup>88</sup> CR and PR at Table III-9.

<sup>89</sup> CR and PR at Table I-8.

production, which was lower in the later review years than the earlier ones. On balance, we determine not to exclude \*\*\* from the domestic industry.

\*\*\*: These producers each imported only small quantities of subject merchandise. During each of the past three years, the individual ratios of subject imports to domestic production for each of these producers was below 1 percent. These low ratios indicate that the interests of each of these producers lies in domestic production, and that none of them obtained significant benefit from their importation. All of these producers support continuation of the order.<sup>90</sup> Accordingly, we do not find that appropriate circumstances exist to exclude any of these \*\*\* producers from the domestic industry.

Based on the above analysis, we do not exclude any of the related producers from the domestic industry. We therefore define the domestic industry as consisting of all domestic producers of candles containing petroleum wax, except for candles that contain more than 50 percent beeswax.

### **III. REVOCATION OF THE ORDER WOULD BE LIKELY TO LEAD TO CONTINUATION OR RECURRENCE OF MATERIAL INJURY WITHIN A REASONABLY FORESEEABLE TIME**

#### **A. Legal Standard**

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke an antidumping duty order unless: (1) it makes a determination that dumping is likely to continue or recur, and (2) the Commission makes a determination that revocation of the antidumping duty order “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”<sup>91</sup> The SAA states that “under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining effects on volumes and prices of imports.”<sup>92</sup> Thus, the likelihood standard is prospective in nature.<sup>93</sup> The

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<sup>90</sup> CR and PR at Table I-8.

<sup>91</sup> 19 U.S.C. § 1675a(a).

<sup>92</sup> SAA, H.R. Rep. No. 103-316, vol. I, at 883-84 (1994). The SAA states that “[t]he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed.” SAA at 883.

<sup>93</sup> While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued [sic] prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

U.S. Court of International Trade has found that “likely,” as used in the sunset review provisions of the Act, means “probable,” and the Commission applies that standard in five-year reviews.<sup>94 95 96 97 98</sup>

The statute states that “the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time.”<sup>99</sup> According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ timeframe applicable in a threat of injury analysis [in antidumping investigations].”<sup>100 101</sup>

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<sup>94</sup> See NMB Singapore Ltd. v. United States, 288 F. Supp. 2d 1306, 1352 (Ct. Int’l Trade 2003) (“‘likely’ means probable within the context of 19 U.S.C. § 1675(c) and 19 U.S.C. § 1675a(a)"); Nippon Steel Corp. v. United States, Slip Op. 02-153 at 7-8 (Ct. Int’l Trade Dec. 24, 2002) (same); Usinor Industeel, S.A. v. United States, Slip Op. 02-152 at 4 n.3 & 5-6 n.6 (Ct. Int’l Trade Dec. 20, 2002) (“more likely than not” standard is “consistent with the court’s opinion”; “the court has not interpreted ‘likely’ to imply any particular degree of ‘certainty’”); Indorama Chemicals (Thailand) Ltd. v. United States, Slip Op. 02-105 at 20 (Ct. Int’l Trade Sept. 4, 2002) (“standard is based on a likelihood of continuation or recurrence of injury, not a certainty”); Usinor v. United States, Slip Op. 02-70 at 43-44 (Ct. Int’l Trade July 19, 2002) (“‘likely’ is tantamount to ‘probable,’ not merely ‘possible’”).

<sup>95</sup> Vice Chairman Okun notes that the Court has interpreted the word likely to mean probable or “more likely than not.” The Court’s “likely” standard means that the continuation or recurrence of material injury must be “more likely than not,” otherwise the order must be revoked. Accordingly, she applies this standard. See Additional Views of Vice Chairman Deanna Tanner Okun Concerning the “Likely” Standard in Certain Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe from Argentina, Brazil, Germany, and Italy, Invs. Nos. 701-TA-362 (Review) and 731-TA-707-710 (Remand).

<sup>96</sup> Commissioner Hillman interprets the statute as setting out a standard of whether it is “more likely than not” that material injury would continue or recur upon revocation. She assumes that this is the type of meaning of “probable” that the Court intended when the Court concluded that “likely” means “probable”. See Separate Views of Vice Chairman Jennifer A. Hillman Regarding the Interpretation of the Term “Likely,” in Certain Carbon Steel Products from Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, The Netherlands, Poland, Romania, Spain, Sweden, Taiwan, and the United Kingdom (Views on Remand), Invs. Nos. AA1921-197 (Review), 701-TA-231, 319-320, 322, 325-328, 340, 342, and 348-350 (Review), and 731-TA-573-576, 578, 582-587, 604, 607-608, 612, and 614-618 (Review) (Remand), USITC Pub. 3526 (July 2002) at 30-31.

<sup>97</sup> Commissioner Lane notes that, consistent with her views in Pressure Sensitive Plastic Tape from Italy, Inv. No. AA 1921-167 (Second Review), USITC Pub. 3698 at 15-17 (June 2004), she does not concur with the U.S. Court of International Trade’s interpretation of “likely,” but she will apply the Court’s standard in this review and all subsequent reviews until either Congress clarifies the meaning or the U.S. Court of Appeals for the Federal Circuit addresses the issue.

<sup>98</sup> While, for purposes of this review, Commissioner Pearson does not take a position on the correct interpretation of “likely,” he notes that he would have made the same determination under any interpretation of “likely” other than that equating “likely” with merely “possible.” See Commissioner Pearson’s dissenting views in Pressure Sensitive Plastic Tape from Italy, Inv. No. AA1921-167 (Second Review), USITC Pub. 3698 at 15-17 (June 2004).

<sup>99</sup> 19 U.S.C. § 1675a(a)(5).

<sup>100</sup> SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

<sup>101</sup> In analyzing what constitutes a reasonably foreseeable time, Chairman Koplán examines all the current and likely conditions of competition in the relevant industry. He defines “reasonably foreseeable time” as the length of time it is likely to take for the market to adjust to a revocation or termination. In making this assessment, he considers all factors that may accelerate or delay the market adjustment process including any lags in response by foreign producers, importers, consumers, domestic producers, or others due to: lead times; methods of contracting;

(continued...)

Although the standard in a five-year review is not the same as the standard applied in an original antidumping investigation, it contains some of the same fundamental elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated.”<sup>102</sup> It directs the Commission to take into account its prior injury determinations, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).<sup>103</sup>

For the reasons stated below, we determine that revocation of the antidumping order on petroleum wax candles from China would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.

## B. Conditions of Competition

In evaluating the likely impact of the subject imports on the domestic industry if a finding is revoked, the statute directs the Commission to evaluate all relevant economic factors “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>104</sup> In performing our analysis under the statute, we have taken into account the following conditions of competition in the U.S. market for petroleum wax candles.

Petroleum wax candles come in different shapes, colors, and scents that may be preferred in different market segments.<sup>105</sup> The questionnaire responses indicate that wax-filled containers consistently accounted for the largest share – between 40 percent and 50 percent – of U.S. producers’ domestic shipments, followed by columns and pillars.<sup>106</sup> Among imported subject candles from China, columns and pillars accounted for the largest share of U.S. shipments in 2004, followed by “other” candles.<sup>107</sup>

Petroleum wax candles are used for relaxation, aromatherapy, scenting, home decoration and lighting, and some religious purposes. Demand has a seasonal component, increasing at the end of the year during the holiday season.<sup>108</sup>

As the Commission found during the first review, demand for petroleum wax candles surged in the mid-1990s. Apparent domestic consumption of petroleum wax candles grew substantially between

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<sup>101</sup> (...continued)

the need to establish channels of distribution; product differentiation; and any other factors that may only manifest themselves in the longer term. In other words, this analysis seeks to define “reasonably foreseeable time” by reference to current and likely conditions of competition, but also seeks to avoid unwarranted speculation that may occur in predicting events into the more distant future.

<sup>102</sup> 19 U.S.C. § 1675a(a)(1).

<sup>103</sup> 19 U.S.C. § 1675a(a)(1). Commerce has made no duty absorption findings for petroleum wax candles. 69 Fed. Reg. 75302 (Dec. 16, 2004). The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission’s determination. 19 U.S.C. § 1675a(a)(5). While the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

<sup>104</sup> 19 U.S.C. § 1675a(a)(4).

<sup>105</sup> CR at II-1, PR at II-1.

<sup>106</sup> CR and PR at Table I-5.

<sup>107</sup> CR and PR at Table I-6.

<sup>108</sup> CR at II-7, PR at II-4.

the original investigation and the first review, rising from 153.6 million pounds in 1985 to 676.3 million pounds in 1998.<sup>109</sup>

In 1999, apparent domestic consumption rose further to 729.5 million pounds.<sup>110</sup> Apparent domestic consumption continued to grow through 2000, when it reached 759.9 million pounds.<sup>111</sup> Since 2000, consumption has fluctuated slightly, declining to 701.1 million pounds in 2001, then rising to 712.6 million pounds in 2002, followed by a drop to 693.8 million pounds in 2003, and then an increase in 2004 to 729.9 million pounds.<sup>112</sup> Overall, apparent domestic consumption remained relatively flat during the period of the second review.<sup>113</sup>

The large increase in demand since the original investigations was due to greater use of petroleum wax candles for non-traditional purposes such as aromatherapy, scenting, and home decoration.<sup>114</sup> The flattening of demand since 2000 appears to reflect a saturation of the market for such uses.<sup>115</sup> Some purchasers, importers, and producers, however, predicted additional growth in demand for specialty products in the future.<sup>116</sup>

Domestic producers, importers of candles from China, and importers of candles from nonsubject countries have shared in the growth of apparent U.S. consumption since the original investigation.<sup>117</sup> However, during the period of the second review, while the volume and market share of imported Chinese candles and U.S. product continued to grow, the volume of imports from nonsubject countries declined by 44 percent.<sup>118</sup> Given the flat demand during that period, nonsubject country imports lost market share. In 1999, 39 percent of U.S. consumption of petroleum wax candles was from nonsubject countries, but by 2004, 22 percent of U.S. consumption was from nonsubject countries.<sup>119</sup>

During the original investigation, there were a few major domestic producers and many smaller manufacturers of candles. At that time, the Commission identified more than 100 producers of candles for commercial sale in the United States, in addition to many small craft producers for local, noncommercial use.<sup>120</sup> During the decade between the original investigation and the first review, the number of domestic producers doubled to more than 200 manufacturers.<sup>121</sup> Since the first review, the number of domestic producers has again doubled to over 400 candle producers.<sup>122</sup>

As in the original investigation and the first review, the industry consists of a few large producers and many small producers. Since the original investigation, there has been some contraction among the original large producers. Blyth/Candle Corp. acquired the candle production operations of three of the large producers identified in the original investigation, and Home Fragrance Holdings acquired another

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<sup>109</sup> CR and PR at Table I-1. See First Five-Year Review Determination at 8.

<sup>110</sup> CR and PR at Table I-1.

<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.*

<sup>114</sup> CR at II-7-8, PR at II-5.

<sup>115</sup> See CR at II-8-9, PR at II-5-6.

<sup>116</sup> CR at II-9, PR at II-5-6.

<sup>117</sup> CR and PR at Table I-1. See First Five-Year Review Determination at 8.

<sup>118</sup> CR and PR at Table I-1 and C-1.

<sup>119</sup> CR and PR at Table I-1.

<sup>120</sup> CR at I-24, PR at I-19, *citing* Original Determination at A-12.

<sup>121</sup> CR at I-24, PR at I-19; First Five-Year Review Determination at 9.

<sup>122</sup> CR at I-24, PR at I-19.

of the original large producers.<sup>123</sup> However, NCA identified five new firms that have entered the business and become sizeable U.S. candle producers since the original investigation.<sup>124</sup> NCA also identified six smaller firms that have ceased production since the first review.<sup>125</sup>

Petroleum wax candles are sold to consumers through a variety of channels, including large retail outlets such as mass merchandisers and department stores, discount retailers, card and gift shops, door-to-door sales, local sales, and sales to individual organizations.<sup>126</sup> As in the original investigation and the first review, department and specialty stores and mass merchandisers continue to be the principal outlets for candle sales.<sup>127</sup> Since the original investigation, mass merchandisers' share of the market has grown, while that of gift and specialty stores and department stores has diminished.<sup>128</sup> During the period of review, the role of mass merchandisers continued to grow, mostly at the expense of membership warehouse clubs and department and crafts stores.<sup>129</sup> The mass merchandise portion of the market continues to be characterized by high-volume sales and competition among retailers. Testimony at the hearing indicated that, as in the original investigation and first review, mass merchandisers are most likely to base purchasing decisions on price.<sup>130</sup>

The \*\*\* profitable candle producers during the period of the second review were those who supply the direct sales segment of the market.<sup>131</sup> This channel includes those selling directly to end-use consumers through home parties, as well as those selling through wholly-owned retail establishments.<sup>132</sup> According to NCA, because these producers are tied through ownership or other contractual arrangement to the direct sales distribution system, they experience less competition from imports.<sup>133</sup>

Finally, the record in the original investigation and the expedited first five-year review indicated that purchasers viewed price as the most important factor in their purchasing decisions.<sup>134</sup> The information collected in the second five-year review indicates that purchasers continue to view price as an important factor, although not all of them always buy the lowest price candle available.<sup>135</sup>

We find that these conditions in the petroleum wax candle market provide us with a reasonable basis on which to assess the effects of revocation of the order.

### C. Likely Volume of Subject Imports

In evaluating the likely volume of imports of subject merchandise if an order is revoked or a suspended investigation is terminated, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the

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<sup>123</sup> CR at III-1, PR at III-1.

<sup>124</sup> CR at III-2, PR at III-1.

<sup>125</sup> CR at III-2, PR at III-1-2.

<sup>126</sup> CR at II-1, PR at II-1.

<sup>127</sup> CR and PR at Table I-7.

<sup>128</sup> CR at II-2, PR at II-1.

<sup>129</sup> CR and PR at Table I-7.

<sup>130</sup> See, e.g., Tr. at 22 (Pappas), 25-26 (La Zar), 30 (Goddard), 108 (Higgins). See also CR at II-25, PR at II-15.

<sup>131</sup> Compare Table F-2 with Table F-1.

<sup>132</sup> NCA's Prehearing Brief at 30.

<sup>133</sup> NCA's Prehearing Brief at 31.

<sup>134</sup> First Five-Year Review Determination at 9; Original Confidential Report at A-70.

<sup>135</sup> CR at II-20-21, PR at II-11-12.

United States.<sup>136</sup> In doing so, the Commission must consider “all relevant economic factors,” including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.<sup>137</sup>

As an initial matter, we note that, because of the limited import data coverage obtained through questionnaire responses,<sup>138</sup> we relied on official Commerce statistics, which include all wax candles imported from China, including candles that Commerce has ruled are outside the scope of the order.<sup>139</sup> The record indicates that the out-of-scope blended candles and the subject imports are not distinguishable to the consumer and are highly substitutable.<sup>140</sup> Given that they compete equally in the U.S. market, we believe the best available information, *i.e.*, the official data for all candle imports from China, is probative of the likely volume, price effects and impact of the subject imports upon revocation.

In the expedited first five-year review, the Commission found that subject import volumes would likely be significant if the order were revoked. The Commission noted that China was the largest exporter of petroleum wax candles to the United States during the original investigation, and was the fastest growing exporter in the 1990s.<sup>141</sup> Although subject imports declined in 1986 after the order was issued and continued to decline for another year, imports from China increased every year between 1988 and 1998.<sup>142</sup> The Commission observed that this rapid increase took place even with the antidumping order and a 54.21 percent antidumping duty, indicating that the increase would have been greater absent the order.

The Commission also found that the record in the first review indicated that the Chinese producers had increased their production capacity since the original investigation, and that the expansion of Chinese production was ongoing.<sup>143</sup> The Commission found that the Chinese producers already had manufacturing capacity and channels of distribution in place, along with an abundant source of labor and raw materials to expand Chinese candle production and increase exports to the U.S. market were the order to be revoked.<sup>144</sup>

The Commission also found that Mexico’s imposition in 1993 of an antidumping duty order on candles from China, subject to 103 percent antidumping duties, would create an incentive for Chinese producers to ship more candles into the United States if the order were revoked.<sup>145</sup> Finally, the

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<sup>136</sup> 19 U.S.C. § 1675a(a)(2).

<sup>137</sup> 19 U.S.C. § 1675a(a)(2)(A-D).

<sup>138</sup> Importer questionnaire responses accounted for 22 percent of total candle imports from China in 1999 and slightly more than 50 percent in 2004. CR at IV-1, PR at IV-1.

<sup>139</sup> CR at IV-1, PR at IV-1. We note that the record indicates that the majority of these out-of-scope candles are blended candles containing 50 percent or less petroleum wax, while only a minority are novelty shapes. CR and PR at Table I-6.

<sup>140</sup> See Tr. at 30-31 (Goddard). The record also indicates that some out-of-scope imports consist of candles containing a pure petroleum wax exterior covering a vegetable or blended core. Tr. at 133, 147 (La Zar). For those candles, the distinctions from subject candles become even more blurred.

<sup>141</sup> First Five-Year Review Determination at 11.

<sup>142</sup> *Id.*

<sup>143</sup> *Id.*

<sup>144</sup> *Id.*

<sup>145</sup> First Five-Year Review Determination at 12.

Commission found a number of factors suggesting a potential for the Chinese producers to shift from production of out-of-scope candles to subject candles if the order were to be revoked.<sup>146</sup>

We again find that subject import volumes are likely to be significant if the order is revoked. Many of the same factors that the Commission relied on in the first five-year review continue to support this conclusion. First, notwithstanding the existence of the order on petroleum wax candles, China continues to be the largest single source of candle imports into the United States.<sup>147</sup> Likewise, the United States continues to be the largest market for exports of candles produced in China.<sup>148</sup> Chinese exports of candles to the United States increased from 140.6 million pounds in 1999 to 245.1 million pounds in 2004, even with the order in place.<sup>149</sup> Chinese imports' share of the U.S. market climbed from 20.8 percent in 1999 to 28.5 percent in 2004.<sup>150</sup> The record does not allow a definite calculation of the portion of this increase that is due to a shift to out-of-scope blended candles. However, the overall increase in volume is large enough to indicate the likelihood of significant additional imports if the order were revoked.

There are no aggregate data available on Chinese candle production due to the lack of cooperation by all but a few Chinese producers with the Commission's requests for information.<sup>151</sup> However, the substantial increase in the volume of U.S. imports of candles from China since the original investigation suggests that the Chinese producers have increased their production capacity since the original investigation and further still since the first five-year review.<sup>152</sup> In addition to the 245.1 million pounds of candles exported from China to the United States in 2004, China exported 656.7 million pounds of candles to other countries, a significant increase from the 1999 level of 452.7 million pounds.<sup>153</sup> The large volumes of current exports to other markets provide an additional source of Chinese candles that would be available for diversion to the United States were the order revoked.

Further, the consistent increases in the volume of Chinese candles imported into the United States, as well as the growth of Chinese candle exports to other countries, indicate that the expansion of Chinese production is ongoing.<sup>154</sup> The evidence indicates that the Chinese producers already have manufacturing capacity and channels of distribution in place, along with an abundant source of labor and raw materials to expand Chinese candle production and increase exports to the U.S. market were the order to be revoked.<sup>155</sup> The record indicates that there is an excess of paraffin wax in China, as demonstrated by the increased imports into the United States of paraffin wax from China since the mid-1990s.<sup>156</sup> The ready availability of paraffin wax in China would support increased production of candles by Chinese candle producers.

During the period of the second review, total candle imports from China rose to record levels, despite the existence of the antidumping order.<sup>157</sup> Conversely, the unit value of candle imports from China since 1999 has generally been declining, reaching levels below the unit value of such imports in

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<sup>146</sup> *Id.*

<sup>147</sup> CR and PR at Table I-1.

<sup>148</sup> NCA's Prehearing Brief at 51.

<sup>149</sup> CR and PR at Table IV-4.

<sup>150</sup> CR and PR at Table I-9.

<sup>151</sup> CR at IV-7-8, PR at IV-6-7.

<sup>152</sup> See CR and PR at Table IV-4 (China's exports of candles, as reported in the World Trade Atlas).

<sup>153</sup> CR and PR at Table IV-4.

<sup>154</sup> See CR and PR at Table I-1 and Table IV-4.

<sup>155</sup> See CR at IV-8-10, PR at IV-7-9; Tr. at 144 (Higgins).

<sup>156</sup> NCA's Response to Notice of Initiation at Attachment P.

<sup>157</sup> CR and PR at Table I-1.

1998, and well below the values observed in 1996 and 1997.<sup>158</sup> For example, between 1998 and 1999, the quantity of candle imports from China increased from 86.9 million pounds to 151.9 million pounds, while the unit value of such imports fell from \$1.10 to \$0.98.<sup>159</sup> NCA attributes these changes to the intensification of efforts by U.S. Customs beginning in 1998 to improve enforcement of the order.<sup>160</sup> The data support NCA's suggestion that Chinese exporters responded to stricter enforcement by dropping prices in order to maintain their U.S. market share and volume.

The NCA attributes the further increases in market share and volume since 2000 to a shift by importers of candles from China away from candles containing more than 50 percent petroleum wax to predominantly vegetable wax candles that are not subject to the restraining effects of the antidumping order.<sup>161</sup> Chinese exporters have increased their exports to the United States of candles that have slightly less than 50 percent petroleum wax content and which therefore fall outside the scope of the order as Commerce has interpreted it through its scope rulings.<sup>162</sup> Domestic producers of candles have argued that this shift to predominantly vegetable wax candles amounts to circumvention of the order.<sup>163</sup> Based on these assertions, Commerce has initiated anticircumvention inquiries to determine whether these types of blended candles should be subject to the antidumping duty order because they have been subject to a minor alteration or are later developed products.<sup>164</sup>

We find it likely that, if the order is revoked, Chinese importers will shift their exports from these blended candles which are not currently subject to the order back to predominantly petroleum wax candles. First, the record indicates that there is an excess of paraffin wax, which is used for the production of all of the Chinese candles containing petroleum wax.<sup>165</sup> Second, the evidence in the record indicates that the price of vegetable wax, which is the predominant component in out-of-scope blended candles, is more expensive than petroleum wax.<sup>166</sup> Third, the record indicates that there are no significant benefits to the predominantly vegetable wax candles in terms of quality or how well they burn.<sup>167</sup> The NCA asserts that the nonsubject blended wax candles are indistinguishable from subject petroleum wax candles in virtually all candle types and end uses.<sup>168</sup> Fourth, the Chinese producers have been able to produce and increase their exports to the United States of nonsubject blended candles following Commerce's issuance of scope exclusion orders, suggesting that they can easily shift to production of varying wax blends. The questionnaire data demonstrate that, with the order in place, imports of predominantly vegetable wax candles have increased tremendously, and have far overtaken reported imports of subject candles.<sup>169</sup> Viewed together, this information suggests that, if the order were revoked, Chinese candle producers would shift their production of candles intended for the U.S. market from candles containing predominantly vegetable wax, which are more expensive to produce, to subject candles containing predominantly petroleum wax.

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<sup>158</sup> CR and PR at Table I-1.

<sup>159</sup> *Id.*

<sup>160</sup> NCA's Prehearing Brief at 33-34.

<sup>161</sup> NCA's Prehearing Brief at 35.

<sup>162</sup> See CR and PR at Table IV-2.

<sup>163</sup> Tr. at 23 (Pappas), 42 (Love), Higgins (52, 100); NCA's Prehearing Brief at 55-56.

<sup>164</sup> CR at I-11-12, PR at I-10-11.

<sup>165</sup> NCA's Response to Notice of Institution at 25-26.

<sup>166</sup> Tr. at 68-69 (Pappas); NCA's Posthearing Brief at Exhibit 4.

<sup>167</sup> Tr. at 52 (Higgins).

<sup>168</sup> NCA's Prehearing Brief at 55.

<sup>169</sup> CR and PR at Table IV-2.

Finally, as in the first five-year review, we find that barriers to importation of Chinese candles into Mexico would create an incentive for Chinese exporters to ship more candles into the United States if the order were revoked. Mexico recently completed a five-year review of its antidumping duty order on candles from China, and determined to maintain the order with duties at 103 percent.<sup>170</sup>

Based on the foregoing, we find it likely that the exporters who have reduced exports of subject candles to the United States would, upon revocation of the order, increase such exports to the U.S. market. As a result, the volume of subject imports would likely rise significantly and their already high market share would likely increase significantly, if the discipline of the order were removed.<sup>171 172</sup>

#### D. Likely Price Effects of Subject Imports

In evaluating the likely price effects of subject imports if an order is revoked or a suspended investigation is terminated, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to domestic like products and whether the subject imports are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.<sup>173</sup>

In the original determination, the Commission found that candles imported from China undersold by large margins all varieties of domestic candles in all segments of the market.<sup>174</sup> The Commission further found evidence of price suppression or depression in the mass merchandise segment, the marketing channel most affected by imports.<sup>175</sup> In this regard, the Commission observed that domestic prices to mass merchandisers generally declined during the period of investigation, as domestic producers responded to the market penetration of the low-priced Chinese imports in mass merchandise outlets by pricing their products competitively.<sup>176</sup>

In the expedited first five-year review, the Commission found that the limited price information in the record indicated that imports from China would undersell the domestic product and have significant adverse price effects, as they did before the imposition of the order, if the order were revoked.<sup>177</sup> Noting the importance of price in purchasing decisions, the Commission found that Chinese candle producers would likely have an incentive to undersell the domestic producers in order to regain market share.<sup>178</sup> As in the original determination, the Commission found that price effects were likely to be the most adverse in the mass merchandise portion of the market, where high volumes and intense

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<sup>170</sup> CR at IV-10, PR at IV-9.

<sup>171</sup> See SAA at 890.

<sup>172</sup> U.S. importers' inventories of subject Chinese candles declined, absolutely and as a ratio to both U.S. imports and U.S. shipments of imports, during the second half of the review period. CR and PR at Table IV-3. Overall reported inventories of subject imports declined by 81.8 percent during the period of review. *Id.* Inventories of total Chinese candle imports, including nonsubject candles, also declined, but to a lesser extent (by 29.7 percent). CR and PR at Table C-1. In light of these data, we do not find that existing or likely future inventories are necessarily indicative of likely increases in the volume of shipments of subject imports.

<sup>173</sup> 19 U.S.C. § 1675a(a)(3). The SAA states that “[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices.” SAA at 886.

<sup>174</sup> Original Determination at 16.

<sup>175</sup> Original Determination at 16-17.

<sup>176</sup> Original Determination at 17.

<sup>177</sup> First Five-Year Review Determination at 13-14.

<sup>178</sup> First Five-Year Review Determination at 13.

competition among retailers make it likely that purchasers will switch suppliers readily, based on relatively small changes in price.

Price remains a very important factor in purchasing decisions. All responding purchasers described price as important in their purchasing decisions.<sup>179</sup> Virtually all indicated that the U.S. and Chinese products were always or frequently interchangeable.<sup>180</sup> These data indicate that the market is highly price sensitive. As in the original investigation and first review, we find that purchasers, particularly those in the high volume mass merchandiser segment of the market, are likely to switch suppliers based upon small differences in prices.

During the period of the second review, mass merchandisers continued to be the principal outlet for candle sales.<sup>181</sup> The record indicates that an increasing percentage of imported candles from China are being sold in the mass merchandise market. Throughout the period of review, mass merchandisers accounted for more than half of subject candle imports from China, reaching more than two-thirds of such imports in 2003 and 2004.<sup>182</sup> The increasing share of sales being made through mass merchandisers is significant because, as the Commission found in the original determination and the first five-year review, price competition is particularly strong in this channel. As in the first five-year review, this channel is characterized by high-volume sales and price-based competition. The evidence indicates that price competition in the mass merchandise channel eventually affects the smaller retail channels as well.<sup>183</sup>

Pricing data obtained in this review are not particularly probative for several reasons. First, within many product categories, the data represent a wide variety of candles and are based on only small volumes of sales.<sup>184</sup> Second, it was not possible to make some price comparisons at equivalent levels of trade, because many reporting importers sell candles directly at the retail level.<sup>185</sup> The limited data available, however, confirm that the mass merchandiser market is particularly price sensitive, as reflected in the domestic price declines in products sold to this segment.<sup>186</sup>

Other information in the record indicates that Chinese candles currently are priced lower than domestic candles even with the order in place. Although some purchasers rated U.S. and Chinese candles comparable in price, others rated Chinese candles as lower priced; none rated the U.S. candles as lower priced.<sup>187</sup> The testimony of all hearing witnesses confirms that the Chinese candles compete aggressively in the U.S. market by underselling domestic candles.<sup>188</sup> While this price competitiveness has been most prevalent in the mass merchandiser segment, it has begun affecting prices in the specialty and gift segments.<sup>189</sup>

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<sup>179</sup> CR and PR at Table II-2.

<sup>180</sup> CR and PR at Table II-4.

<sup>181</sup> CR and PR at Table I-7.

<sup>182</sup> CR and PR at Table I-7. In 2003, mass merchandisers accounted for 75 percent of candle imports from China, and for 68 percent in 2004. *Id.*

<sup>183</sup> Tr. at 21-22, 131(Pappas).

<sup>184</sup> CR at V-7, PR at V-4-5.

<sup>185</sup> CR at V-6, PR at V-4.

<sup>186</sup> Compare trends in prices for products sold to department and specialty stores (products 1, 3, 5, and 7) with trends in prices for comparable products sold to mass merchandisers (products 2, 4, 6, and 8). Compare CR and PR Table V-2 with CR and PR Table V-3; compare CR and PR Table V-4 with CR and PR Table V-5; compare CR and PR Table V-6 with CR and PR Table V-7; compare CR and PR Table V-8 with CR and PR Table V-9.

<sup>187</sup> CR and PR at Table II-3.

<sup>188</sup> Tr. at 16-17 (Higgins), 22 (Pappas), 26-27 (La Zar), 30-31 (Goddard).

<sup>189</sup> Tr. at 22, 131 (Pappas).

We view the average unit value (“AUV”) data with caution due to possible differences in product mix and the fact that the data for Chinese candles combine subject and nonsubject merchandise. Nonetheless, the spread between the AUVs for Chinese candles and domestic candles is so great as to be probative of aggressive pricing for the Chinese product. Throughout the period of the second review, the AUVs for Chinese candles have been consistently well below the AUVs for the domestic product, as they were during the original investigation.<sup>190</sup> Indeed, the AUVs for Chinese candles throughout the period were less than one-third of the AUVs for domestic candles.<sup>191</sup> The AUVs for Chinese candles were also lower than those for candles from nonsubject countries.<sup>192</sup>

As we have noted, the import data for candles from China include candles that Commerce has ruled out-of-scope because they contain 50 percent or less petroleum wax. However, these out-of-scope candles compete directly with subject candles from China and with the domestic like product.<sup>193</sup> As we have found in our analysis of likely volumes, it is likely that Chinese exports of these out-of-scope blended candles will to a significant degree be replaced with subject Chinese candles if the order is revoked. The low average unit values for the aggregated imports from China suggest that, absent the order, the values and prices for subject candles will remain low or decline even further. In particular, revocation of the order will likely lead to a switch to production of less costly candles, *i.e.*, candles containing 50 percent or more petroleum wax.<sup>194</sup> This switch will allow Chinese candle producers, exporters, and importers to sell their candles at even lower prices than the current prices for more costly candles containing predominantly vegetable wax.

In turn, the likely price declines for subject candles are likely to result in further significant underselling of the domestic product. The increased and significant volumes of subject imports at even lower prices would likely have significant depressing or suppressing effects on prices for the domestic like product. Accordingly, we find that revocation of the antidumping order would be likely to lead to significant price effects, including significant underselling of the domestic like product by the subject imports, as well as significant price depression or suppression, in the reasonably foreseeable future.

#### E. Likely Impact of Subject Imports

In evaluating the likely impact of imports of subject merchandise if an order is revoked or a suspended investigation is terminated, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.<sup>195</sup> All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the

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<sup>190</sup> CR and PR at Table I-1.

<sup>191</sup> CR and PR at Table I-1. The AUVs for imported candles from China were \$0.98 in 1999, \$1.09 in 2000, \$1.13 in 2001, \$1.03 in 2002, \$1.01 in 2003, and \$1.06 in 2004, as compared to the domestic AUVs of \$3.61 in 1999, \$3.65 in 2000, \$3.37 in 2001, \$3.27 in 2002, \$3.53 in 2003, and \$3.36 in 2004. *Id.*

<sup>192</sup> CR and PR at Table I-1. The cumulated AUVs for nonsubject country imports of candles were \$1.31 in 1999, \$1.29 in 2000, \$1.34 in 2001, \$1.32 in 2002, \$1.46 in 2003, and \$1.50 in 2004. *Id.*

<sup>193</sup> Tr. at 17-18 (Higgins), 26-27 (La Zar), 30-31 (Goddard).

<sup>194</sup> The record indicates that the cost of petroleum wax is significantly lower than that for palm or soy wax. CR at I-21, PR at I-17.

<sup>195</sup> 19 U.S.C. § 1675a(a)(4).

industry.<sup>196</sup> As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the orders at issue and whether the industry is vulnerable to material injury if the orders are revoked.<sup>197</sup>

In the original determination, the Commission found that the domestic industry suffered material injury by reason of significantly increasing volumes of dumped imports of petroleum wax candles that were underselling the domestic product by substantial margins and taking market share from domestic producers in each segment of the market.<sup>198</sup> The Commission also found that the domestic industry's employment levels and all financial indicators declined during the period of investigation.<sup>199</sup> Also, the domestic industry's capacity utilization was just over 50 percent and declined throughout the period investigated.<sup>200</sup>

In the expedited first five-year review, the Commission found that the antidumping duty order had a significant restraining effect on subject imports.<sup>201</sup> After imposition of the order, the volume of subject imports sharply declined and the average unit value for the imports doubled. U.S. producers were able to raise their prices and regain market share. However, despite the initial volume declines and price increases following imposition of the order, imports from China during the review period decreased in per-unit value and regained a significant market presence, while U.S. producers lost market share. The Commission found it likely that the most immediate impact of revocation would be upon prices, particularly in the mass merchandise segment, in which producers would likely seek to protect their high volume sales. The price and volume declines would likely have a significant adverse impact on the production, shipment, sales, and revenue levels of the domestic industry. This reduction in the industry's production, sales, and revenue levels would have a direct adverse impact on the industry's profitability as well as its ability to raise capital and make and maintain necessary capital investments. In addition, the Commission found it likely that revocation of the order would result in employment declines for domestic firms, particularly the smaller and medium-sized companies that do not utilize heavily automated processes.

Since the imposition of the antidumping duty order, the domestic industry's condition has improved. Whereas the industry showed \*\*\* throughout the original investigation, during the period of review, the industry operated profitably.<sup>202</sup> In 2004, the industry had an operating income margin of 15.9

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<sup>196</sup> 19 U.S.C. § 1675a(a)(4). Section 752(a)(6) of the Act states that "the Commission may consider the magnitude of the margin of dumping" in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the "magnitude of the margin of dumping" to be used by the Commission in five-year reviews as "the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title." 19 U.S.C. § 1677(35)(C)(iv). See also SAA at 887. In the final results of its expedited second sunset review of the antidumping duty order on petroleum wax candles from China, Commerce determined that revocation of the order would be likely to lead to a continuation or recurrence of dumping at a China-wide weighted-average margin of 108.30 percent. 69 Fed. Reg. 75302 (Dec. 16, 2004).

<sup>197</sup> The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, the Commission "considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." SAA at 885.

<sup>198</sup> Original Determination at 13 and 17.

<sup>199</sup> Original Determination at 13-14.

<sup>200</sup> Original Determination at 13. See CR and PR at Table I-1.

<sup>201</sup> First Five-Year Review Determination at 15.

<sup>202</sup> CR and PR at Table I-1.

percent.<sup>203</sup> Domestic shipments and total shipments of U.S. candles increased during the period of review.<sup>204</sup> Capacity also increased as more domestic firms entered the industry.<sup>205</sup> Under these circumstances, we find that the domestic industry is not vulnerable to material injury if the antidumping order on subject imports from China is revoked.<sup>206</sup>

Although the industry has remained profitable with the order in place, its financial condition declined over the period of review.<sup>207</sup> As imports of candles from China increased and their prices declined over the review period, the industry's operating income margin fell from 20.1 percent in 1999 to 15.9 percent in 2004.<sup>208</sup> Of those companies reporting sales throughout the period, over half reported lower sales revenue in 2004 as compared to 1999.<sup>209</sup> While only 3 producers reported operating losses in 1999, 13 reported operating losses in 2004.<sup>210</sup>

The domestic industry's capacity utilization also declined during the period of review, from 65.7 percent in 1999 to 51.9 percent in 2004.<sup>211</sup> Much of this decline was attributable to increases in capacity, reflecting that new companies were able to enter the business in light of low initial capital requirements.<sup>212</sup> Employment indicators also declined during the review period, as the industry employed fewer production-related workers working fewer hours.<sup>213</sup> Capital expenditures and return on investment similarly declined.<sup>214</sup>

The financial and other declines during the period of review were most marked for producers who sell to high volume customers such as mass merchandisers and chain stores.<sup>215</sup> As increased volumes of imports from China entered this segment at decreasing prices, it placed pressure on the domestic producers to lower their prices in order to retain their high volume customers. While U.S. producers' raw material costs were marginally higher at the end of the period of review,<sup>216</sup> the price pressure from increased imports of candles from China forced them to lower their prices, cutting into their profit margins. We find that if the antidumping duty order is revoked, these conditions will likely be further exacerbated as lower-priced subject candles containing 50 percent or more petroleum wax replace out-of-scope vegetable wax-based Chinese candles in the U.S. market.

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<sup>203</sup> CR and PR at Table III-7.

<sup>204</sup> CR and PR at Table III-3.

<sup>205</sup> CR at I-24 and Table III-2, PR at I-19 and Table III-2.

<sup>206</sup> Commissioner Lane notes that the continuing decline in profitability, which is discussed below, could lead to vulnerability.

<sup>207</sup> The positive financial data \*\*\*. \*\*\* sells \*\*\*. CR at III-11, n.12, PR at III-6, n.12.

<sup>208</sup> CR and PR at Table III-7. A number of U.S. producers received disbursements under the Continued Dumping and Subsidy Offset Act of 2000 (CDSOA or "the Byrd Amendment"). See CR and PR at Table I-3. Those disbursements are not included in operating income. CR at III-12, n.13, PR at III-6, n.13.

<sup>209</sup> CR at III-15, PR at III-8-9.

<sup>210</sup> CR and PR at Table III-7.

<sup>211</sup> CR and PR at Table III-2.

<sup>212</sup> CR at III-21, PR at III-9.

<sup>213</sup> CR and PR at Table III-5. In 1999, 5,076 production-related workers worked 9.6 million hours, while in 2004, 4,389 production-related workers worked 8.7 million hours. *Id.*

<sup>214</sup> CR and PR at Tables III-10 and III-11. Total capital expenditures dropped from \$26.3 million in 1999 to \$18 million in 2004. CR and PR at Table III-10. The industry's return on investment, based on a ratio of operating income to assets, declined from 23.6 percent in 1999 to 20.5 percent in 2004.

<sup>215</sup> CR at III-21 and Table III-9, PR at III-9 and Table III-9; Tr. at 25-26, 91 (La Zar), 30 (Goddard), 108 (Higgins).

<sup>216</sup> CR at III-22, PR at III-9.

NCA urged the Commission to focus its analysis on the financial experience of the producers that sell to the traditional, high volume sales channels, exclusive of the data for direct sellers, as the latter are significantly insulated from the effect of Chinese imports.<sup>217</sup> As discussed above, we based our findings of likely adverse impact on the conditions of, and likely impact of revocation upon, the industry as a whole. Nonetheless, we note that the producers who sell primarily in the direct sales channel have performed better than those who sell in the non-direct sales channels, where import competition is greater.<sup>218</sup> The industry's overall current operating income is \*\*\* attributable to the performance of the direct sales producers. Even the producers in that segment of the market, however, experienced a \*\*\* decline in operating income ratio during the period of review.<sup>219</sup> The record indicates that, as prices for candles sold in the mass merchandise and department store channels decline in response to large volumes of subject imports, the consequent price depression is ultimately likely to result in price reductions and lower revenues in the direct sales channel as well. We find that, in turn, even the \*\*\* profitable direct sales producers are likely to experience an adverse impact if the order is revoked.

We conclude that revocation of the antidumping order would likely lead to a significant increase in the volume of subject imports that would undersell the domestic like product and significantly suppress or depress U.S. prices. Particularly given the substitutable nature of the product, we find that a significant volume of low-priced subject imports would likely have a significant adverse impact on the production, shipment, sales, and revenue levels of the domestic industry. This reduction in the industry's production, shipment, sales, and revenue levels would have a direct adverse impact on the industry's profitability and employment levels, as well as its ability to raise capital and make and maintain necessary capital investments. Accordingly, we conclude that, if the antidumping order were revoked, subject imports would be likely to have a significant adverse impact on the domestic industry within a reasonably foreseeable time.

## CONCLUSION

For the foregoing reasons, we determine that revocation of the antidumping duty order on petroleum wax candles from China would be likely to lead to continuation or recurrence of material injury to the domestic petroleum wax candle industry within a reasonably foreseeable time.

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<sup>217</sup> NCA's Prehearing Brief at 40 and Exhibit 15; NCA's Posthearing Brief at 7-9.

<sup>218</sup> Compare CR and PR at Table F-2 with CR and PR at Table F-1. For domestic producers' non-direct sales activity, the operating income ratio \*\*\* percent in 1999 to \*\*\* percent in 2004. In contrast, for direct sales activity, the operating income ratio was \*\*\* percent in 1999 and \*\*\* percent in 2004. The total operating income for non-direct sales activities \*\*\* in 1999 to \*\*\* in 2004, while for direct sales activities it \*\*\* in 1999 to \*\*\* in 2004.

<sup>219</sup> CR and PR at Table F-2.



## PART I: INTRODUCTION AND OVERVIEW

### BACKGROUND

On August 2, 2004, the International Trade Commission (“Commission”) gave notice, pursuant to section 751(c) of the Tariff Act of 1930 (the Act), that it had instituted a review to determine whether revocation of the antidumping duty order on petroleum wax candles<sup>1</sup> from China would likely lead to the continuation or recurrence of material injury to a domestic industry within a reasonably foreseeable time. On November 5, 2004, the Commission determined that it would conduct a full review pursuant to section 751(c)(5) of the Act. The Commission found that the domestic interested party group response to its notice of institution was adequate and that the respondent interested party group response to its notice of institution was inadequate. Information relating to the background and schedule of the review is provided in the following tabulation.<sup>2</sup>

Effective date	Action	Federal Register citation
August 28, 1986	Commerce's antidumping duty order	51 FR 30686
September 23, 1999	Commerce's continuation of antidumping duty order after first five-year review	64 FR 51514
August 2, 2004	Commission's institution of second five-year review	69 FR 46182
November 5, 2004	Commission's decision to conduct a full review	69 FR 68175, November 23, 2004
December 16, 2004	Commerce's final results of expedited review	69 FR 75302
January 13, 2005	Commission's scheduling of the review	70 FR 3224, January 21, 2005
May 25, 2005	Commission's hearing <sup>1</sup>	N.A.
July 12, 2005	Commission's vote	N.A.
July 28, 2005	Commission's determination to Commerce	N.A.
<sup>1</sup> App. B contains a list of witnesses who appeared at the hearing.		

### STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Section 751(c) of the Act requires the Department of Commerce (“Commerce”) and the Commission to conduct a review no later than five years after the issuance of an antidumping or countervailing duty order or the suspension of an investigation to determine whether revocation of the order or termination of the suspended investigation “would be likely to lead to continuation or recurrence of dumping or a countervailable subsidy (as the case may be) and of material injury.”

Section 752(a) of the Act provides that in making its determination of likelihood of continuation or recurrence of material injury--

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<sup>1</sup> A complete description of the product subject to investigation is presented in *The Subject Product* section of this part of the report.

<sup>2</sup> The Commission's notice of institution, notice to conduct full reviews, scheduling notice, and statement on adequacy appear in app. A and may also be found at the Commission's web site (internet address [www.usitc.gov](http://www.usitc.gov)). Commissioners' votes on whether to conduct an expedited or full review may also be found at the web site.

*(1) IN GENERAL.-- . . . the Commission shall determine whether revocation of an order, or termination of a suspended investigation, would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. The Commission shall consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated. The Commission shall take into account--*

*(A) its prior injury determinations, including the volume, price effect, and impact of imports of the subject merchandise on the industry before the order was issued or the suspension agreement was accepted,*

*(B) whether any improvement in the state of the industry is related to the order or the suspension agreement,*

*(C) whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated, and*

*(D) in an antidumping proceeding . . . , (Commerce's findings) regarding duty absorption . . . .*

*(2) VOLUME.--In evaluating the likely volume of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether the likely volume of imports of the subject merchandise would be significant if the order is revoked or the suspended investigation is terminated, either in absolute terms or relative to production or consumption in the United States. In so doing, the Commission shall consider all relevant economic factors, including--*

*(A) any likely increase in production capacity or existing unused production capacity in the exporting country,*

*(B) existing inventories of the subject merchandise, or likely increases in inventories,*

*(C) the existence of barriers to the importation of such merchandise into countries other than the United States, and*

*(D) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.*

*(3) PRICE.--In evaluating the likely price effects of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether--*

*(A) there is likely to be significant price underselling by imports of the subject merchandise as compared to domestic like products, and*

*(B) imports of the subject merchandise are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.*

*(4) IMPACT ON THE INDUSTRY.--In evaluating the likely impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated, the Commission shall consider all relevant economic factors which are likely to have a bearing on the state of the industry in the United States, including, but not limited to--*

- (A) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,*  
*(B) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, and*  
*(C) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.*

*The Commission shall evaluate all such relevant economic factors . . . within the context of the business cycle and the conditions of competition that are distinctive to the affected industry.*

Section 752(a)(6) of the Act states further that in making its determination, “the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy.”

Information relating to the original investigation, the first five-year review, and injury determinations is presented in Part I. Information on conditions of competition and other relevant economic factors is presented in Part II. Part III contains information on the condition of the U.S. industry, including the financial experience of U.S. producers. Information on the likely volume and price effects of imports is presented in Parts IV and V, respectively.

#### **SUMMARY DATA**

A summary of data collected in this review is presented in appendix C. U.S. industry data are based on useable questionnaire responses of 39 U.S. producers. U.S. import data are based on official Commerce statistics. Available comparative data from the original investigation, the first five-year review, and the second five-year review are presented in table I-1. Responses by U.S. producers, importers, and purchasers of petroleum wax candles to a series of questions concerning the significance of the existing antidumping duty order and the likely effects of revocation are presented in appendix D.

#### **THE ORIGINAL INVESTIGATION AND FIRST FIVE-YEAR REVIEW**

On September 4, 1985, a petition was filed with Commerce and the Commission alleging that an industry in the United States was materially injured by reason of dumped imports of petroleum wax candles from China.<sup>3</sup> On July 10, 1986, Commerce made a final affirmative dumping determination of sales at LTFV regarding imports of the subject product from China.<sup>4</sup> The Commission made its final affirmative injury determination on August 13, 1986 and Commerce issued an antidumping duty order on August 28, 1986, with a weighted-average margin of 54.21 percent for all Chinese producers/manufacturers/exporters.<sup>5</sup>

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<sup>3</sup> The petition was filed by the National Candle Association (“NCA”), Arlington, VA.

<sup>4</sup> 51 FR 25085, July 10, 1986.

<sup>5</sup> 51 FR 30686, August 28, 1986.

Table I-1

Candles: Summary data from the original investigation, first review, and current review, 1983-85, 1996-98, and 1999-2004

(Quantity=1,000 pounds; value=1,000 dollars; unit values, unit labor costs, and unit financial data are per pound)

Item	1983	1984	1985	1996	1997	1998	1999	2000	2001	2002	2003	2004
U.S. consumption quantity	136,589	154,340	153,610	432,749	498,422	676,260	729,543	759,862	701,128	712,618	693,799	729,896
Producers' share <sup>1</sup>	66.6	60.4	59.2	70.5	67.3	55.6	40.2	41.5	47.6	47.3	47.6	49.5
Importer's share: <sup>1</sup> China <sup>1</sup>	12.1	17.3	18.8	9.5	9.2	12.8	20.8	20.6	19.0	24.4	26.5	28.5
All other countries <sup>1</sup>	21.3	22.3	22.0	20.0	23.5	31.6	39.0	37.9	33.4	28.3	25.9	22.0
Total imports <sup>1</sup>	33.4	39.6	40.8	29.5	32.7	44.4	59.8	58.5	52.4	52.7	52.4	50.5
U.S. consumption value	181,796	194,222	192,889	( <sup>2</sup> )	( <sup>2</sup> )	1,396,803	1,579,735	1,693,640	1,588,527	1,545,117	1,612,477	1,674,383
Producers' share <sup>1</sup>	79.6	74.4	70.8	( <sup>2</sup> )	( <sup>2</sup> )	73.9	67.0	67.9	70.8	71.3	72.3	72.5
Importer's share: <sup>1</sup> China <sup>1</sup>	5.0	8.3	9.3	( <sup>2</sup> )	( <sup>2</sup> )	6.8	9.4	10.1	9.5	11.6	11.5	13.1
All other countries <sup>1</sup>	15.3	17.3	19.8	( <sup>2</sup> )	( <sup>2</sup> )	19.2	23.5	22.0	19.7	17.1	16.3	14.4
Total imports <sup>1</sup>	20.4	25.6	29.2	( <sup>2</sup> )	( <sup>2</sup> )	26.1	33.0	32.1	29.2	28.7	27.7	27.5
U.S. imports from-- China:												
Quantity	16,539	26,705	28,949	41,108	45,939	86,897	151,908	156,765	133,553	174,165	183,644	208,073
Value	9,170	16,123	18,009	75,591	76,378	95,126	149,240	171,593	151,162	179,244	185,143	219,540
Unit value	\$0.55	\$0.60	\$0.62	\$1.84	\$1.66	\$1.10	\$0.98	\$1.09	\$1.13	\$1.03	\$1.01	\$1.06
All other sources:												
Quantity	29,121	34,456	33,728	86,516	117,088	214,148	284,396	288,054	233,886	201,401	179,851	160,551
Value	27,880	33,654	38,263	137,564	165,958	268,793	371,697	372,136	312,808	264,855	262,067	241,178
Unit value	\$0.96	\$0.98	\$1.13	\$1.59	\$1.42	\$1.26	\$1.31	\$1.29	\$1.34	\$1.32	\$1.46	\$1.50
Total imports:												
Quantity	45,660	61,161	62,677	127,624	163,027	301,045	436,304	444,819	367,439	375,566	363,495	368,624
Value	37,050	49,777	56,272	213,155	242,336	363,919	520,937	543,729	463,970	444,099	447,211	460,717
Unit value	\$0.81	\$0.81	\$0.90	\$1.67	\$1.49	\$1.21	\$1.19	\$1.22	\$1.26	\$1.18	\$1.23	\$1.25

Table continued on next page.

**Table I-1--Continued**

**Candles: Summary data from the original investigation, first review, and current review, 1983-85, 1996-98, and 1999-2004**

(Quantity=1,000 pounds; value=1,000 dollars; unit values, unit labor costs, and unit financial data are *per pound*)

Item	1983	1984	1985	1996	1997	1998	1999	2000	2001	2002	2003	2004
U.S. producers'-- Capacity quantity	171,596	183,554	181,709	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	548,420	597,371	618,609	614,811	644,047	695,671
Production quantity	94,427	95,769	94,708	( <sup>2</sup> )	( <sup>2</sup> )	411,872	360,164	357,383	315,577	324,359	328,936	361,269
Capacity utilization <sup>1</sup>	55.0	52.2	52.1	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	65.7	59.8	51.0	52.8	51.1	51.9
U.S. shipments: Quantity	90,929	93,179	90,933	305,125	335,395	375,515	293,239	315,042	333,688	337,052	330,304	361,272
Value	144,746	144,445	136,617	( <sup>2</sup> )	( <sup>2</sup> )	1,032,884	1,058,798	1,149,911	1,124,558	1,101,018	1,165,266	1,213,666
Unit value	\$1.59	\$1.55	\$1.50	( <sup>2</sup> )	( <sup>2</sup> )	\$2.75	\$3.61	\$3.65	\$3.37	\$3.27	\$3.53	\$3.36
Export shipments: Quantity	3,157	2,304	1,437	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	13,855	14,211	11,879	11,784	11,843	11,886
Value	3,528	3,207	1,807	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	65,427	61,680	58,534	65,878	64,157	70,485
Unit value	1.12	1.39	1.26	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	\$4.72	\$4.34	\$4.93	\$5.59	\$5.42	\$5.93
Ending inventory quantity	20,353	20,190	20,890	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	223,250	197,458	164,090	138,771	126,614	113,655
Inventories/total shipments <sup>1</sup>	21.6	21.1	22.6	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	72.7	60.0	47.5	39.8	37.0	30.5
Production workers	3,272	3,191	2,875	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	5,076	5,025	4,692	4,828	4,680	4,389
Hours worked (1,000 hours)	3,358	3,229	2,928	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	9,556	9,527	8,855	9,098	9,136	8,735
Wages paid (1,000 dollars)	19,980	20,961	20,562	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	107,247	112,103	104,915	108,215	110,601	106,839
Hourly wages	\$5.95	\$6.49	\$7.02	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	\$11.20	\$11.72	\$11.81	\$11.83	\$12.05	\$12.16
Productivity (pounds per hour)	28.1	29.7	32.3	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	37.6	37.4	35.6	35.6	35.9	41.3
Unit labor costs (per pound)	\$0.21	\$0.22	\$0.22	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	\$0.30	\$0.31	\$0.33	\$0.33	\$0.34	\$0.30

Table continued on next page.

**Table I-1--Continued**

**Candles: Summary data from the original investigation, first review, and current review, 1983-85, 1996-98, and 1999-2004**

(Quantity=1,000 pounds; value=1,000 dollars; unit values, unit labor costs, and unit financial data are per pound)

Item	1983	1984	1985	1996	1997	1998	1999	2000	2001	2002	2003	2004
U.S. producers'-- Net sales:												
Quantity	( <sup>2</sup> )	294,484	333,537	354,875	349,524	339,123	367,227					
Value	***	***	***	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	1,039,120	1,205,903	1,213,118	1,269,768	1,326,889	1,356,196
Unit value	( <sup>2</sup> )	\$3.53	3.62	\$3.42	\$3.63	\$3.91	\$3.69					
Cost of goods sold	***	***	***	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	526,148	618,764	638,424	663,534	686,927	709,141
Gross profit or (loss)	***	***	***	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	512,971	587,139	574,694	606,234	639,962	647,055
SG&A	***	***	***	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	303,664	364,677	368,169	406,548	427,030	432,080
Operating income or (loss)	***	***	***	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	209,308	222,462	206,524	199,687	212,932	214,975
Capital expenditures	***	***	***	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	26,310	31,095	23,929	24,207	20,056	17,951
Unit cost of goods sold	( <sup>2</sup> )	\$1.79	\$1.86	\$1.80	\$1.90	\$2.03	\$1.93					
Unit SG&A	( <sup>2</sup> )	\$1.03	\$1.09	\$1.04	\$1.16	\$1.26	\$1.18					
Unit operating income or (loss)	( <sup>2</sup> )	\$0.71	\$0.67	\$0.58	\$0.57	\$0.63	\$0.59					
Cost of goods sold/sales <sup>1</sup>	***	***	***	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	50.6	51.3	52.6	52.3	51.8	52.3
Operating income or (loss)/sales <sup>1</sup>	***	***	***	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	20.1	18.4	17.0	15.7	16.0	15.9

<sup>1</sup> In percent.  
<sup>2</sup> Not available.

Note 1.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from *Candles from the People's Republic of China*, Inv. No. 731-TA-282 (Final), USITC Publication 1888, August 1986; confidential staff report, INV-J-131, August 6, 1986; *Petroleum Wax Candles from China*, Inv. No. 731-TA-282 (Review), USITC Publication 3226, August 1999; data submitted in response to Commission questionnaires; and official Commerce statistics.

The Commission instituted the first five-year review on January 4, 1999, and determined on April 8, 1999, that it would conduct an expedited review.<sup>6</sup> On June 17, 1999, Commerce made its determination that the revocation of the antidumping duty order on petroleum wax candles from China would be likely to lead to continuation or recurrence of dumping at a rate of 54.21 percent.<sup>7</sup> The Commission published its affirmative injury determination on September 8, 1999 and Commerce published notice of the continuation of the antidumping duty order on September 23, 1999.<sup>8</sup> The review covered imports from all manufacturers and exporters of petroleum wax candles in China.

### COMMERCE'S FINAL RESULTS OF EXPEDITED REVIEW

On December 16, 2004, Commerce determined that revocation of the antidumping duty order on petroleum wax candles from China would likely lead to continuation or recurrence of dumping at the China-wide rate of 108.30 percent *ad valorem*.<sup>9</sup> Commerce has not issued a duty absorption determination with respect to this order.

### COMMERCE'S ADMINISTRATIVE REVIEWS

Commerce has conducted four administrative reviews of the antidumping duty order on petroleum wax candles from China as shown in table I-2.

**Table I-2**  
**Candles: Commerce administrative reviews, 1986-2004**

Period of review	Date results published	Margin (percent)
February 19, 1986 to July 31, 1987	November 25, 1988 (53 FR 47742)	P&C Enterprises (Hong Kong) . . . . . 54.21 China-wide rate . . . . . 54.21
August 1, 1998 to July 31, 1999	March 13, 2001 (66 FR 14545)	China-wide rate . . . . . 54.21
August 1, 2000 to July 31, 2001	March 19, 2003 (68 FR 13264)	Dongguan Fay Candle Co., Ltd. . . . . 65.02 China-wide rate . . . . . 54.21
August 1, 2001 to July 31, 2002	April 19, 2004 (69 FR 20858)	Dongguan Fay Candle Co., Ltd. . . . . 108.30 Shanghai Charming Wax Co., Ltd. . . . . 108.30 Shandong Jiaye General Merchandise Co., Ltd. . . . . 108.30 China-wide rate . . . . . 108.30
Source: Cited <i>Federal Register</i> notices.		

<sup>6</sup> 64 FR 365, January 4, 1999 and 64 FR 19197, April 19, 1999.

<sup>7</sup> 64 FR 32481, June 17, 1999.

<sup>8</sup> 64 FR 48851, September 8, 1999 and 64 FR 51514, September 23, 1999.

<sup>9</sup> *Petroleum Wax Candles From China; Final Results of the Expedited Sunset Review of the Antidumping Duty Order*, 69 FR 75302, December 16, 2004.

**DISTRIBUTION OF CONTINUED DUMPING AND SUBSIDY  
OFFSET FUNDS TO AFFECTED DOMESTIC PRODUCERS**

Qualified U.S. producers of petroleum wax candles are eligible to receive disbursements from the U.S. Customs and Border Protection (“Customs”) under the Continued Dumping and Subsidy Offset Act of 2000 (“CDSOA”), also known as the Byrd Amendment.<sup>10</sup> Table I-3 presents CDSOA claims and disbursements for federal fiscal years 2001-04.

**THE SUBJECT PRODUCT**

The imported products subject to the antidumping duty order under review, as defined by Commerce are:

*certain scented or unscented petroleum wax candles made from petroleum wax and having fiber or paper-cored wicks. They are sold in the following shapes: tapers, spirals and straight-sided dinner candles; rounds, columns, pillars, votives; and various wax-filled containers.*<sup>11</sup>

Petroleum wax candles were originally provided for in the former Tariff Schedules of the United States (now repealed) under item 755.25 and are currently provided for under Harmonized Tariff Schedule of the United States (“HTS”) heading 3406.00.00, which includes candles that have been excluded from the scope of the order and nonsubject candles made from materials other than petroleum waxes. A column 1-general duty rate of “free” is applicable to imports of petroleum wax candles from China. Table I-4 presents current tariff rates for candles.

**Table I-4  
Candles: Tariff rates, 2005**

HTS provision	Article description	General <sup>1</sup>	Special	Column 2 <sup>2</sup>
<b>Rates (percent ad valorem)</b>				
3406.00.0000	Candles, tapers and the like	Free		27.5
<sup>1</sup> Normal trade relations, formerly known as the most-favored-nation duty rate. <sup>2</sup> Applies to imports from a small number of countries that do not enjoy normal trade relations duty status. Source: Harmonized Tariff Schedule of the United States (2005).				

<sup>10</sup> 19 CFR 159.64 (g).

<sup>11</sup> *Petroleum Wax Candles From the People’s Republic of China; Final Results of the Expedited Sunset Review of the Antidumping Duty Order*, 69 FR 75302, December 16, 2004.

**Table I-3**

**Candles: CDSOA claims and disbursements, by firms, and clearing account amounts, federal fiscal years 2001-04**

Item	2001	2002	2003	2004
<i>Dollars (actual)</i>				
Amount of claim filed: <sup>1</sup>				
A.I. Root Co.	( <sup>2</sup> )	( <sup>2</sup> )	154,383,697	163,393,408
Candle Artisans Inc.	( <sup>2</sup> )	( <sup>2</sup> )	53,207,493	57,421,924
Cathedral Candle Co.	( <sup>2</sup> )	( <sup>2</sup> )	53,555,838	56,565,862
General Wax Co.	118,934,902	141,478,680	147,679,190	150,256,642
Home Fragrance Holdings, Inc. (successor to WNS)	( <sup>2</sup> )	371,309,363	( <sup>2</sup> )	444,243,884
Candle-lite Division of Lancaster Colony Corp.	1,118,093,198	1,215,282,861	1,285,509,591	1,382,869,375
Lumi-Lite Candle Co.	76,915,050	84,381,208	86,403,312	89,582,027
Muench Kreuzer Candle Co.	( <sup>2</sup> )	197,015,548	202,856,268	212,476,879
Reed Candle Co.	( <sup>2</sup> )	127,691,490	136,777,497	152,164,485
Will & Baumer	( <sup>2</sup> )	19,873,008	21,823,386	913,379
Total	1,313,943,150	2,157,032,157	2,142,196,272	2,709,887,864
Amount disbursed: <sup>3</sup>				
A.I. Root Co.	( <sup>2</sup> )	( <sup>2</sup> )	239,629	3,098,689
Candle Artisans Inc.	( <sup>2</sup> )	( <sup>2</sup> )	82,587	1,088,983
Cathedral Candle Co.	( <sup>2</sup> )	( <sup>2</sup> )	83,128	1,072,749
General Wax Co.	1,658,099	4,560,848	229,223	2,849,556
Home Fragrance Holdings, Inc. (successor to WNS)	( <sup>2</sup> )	11,969,900	( <sup>2</sup> )	8,424,904
Candle-lite Division of Lancaster Colony Corp.	15,587,593	39,177,072	1,995,323	26,225,555
Lumi-Lite Candle Co.	1,072,290	2,720,197	134,112	1,698,887
Muench Kreuzer Candle Co.	( <sup>2</sup> )	6,351,190	314,866	4,029,537
Reed Candle Co.	( <sup>2</sup> )	4,116,390	212,301	2,885,737
Will & Baumer	( <sup>2</sup> )	640,646	33,874	17,322
Total	18,317,982	69,536,244	3,325,043	51,391,920
Amount in clearing account <sup>4</sup>	( <sup>2</sup> )	44,010,730	58,973,816	31,839,188
<sup>1</sup> Qualifying expenditures incurred by domestic producers since the issuance of an order, as presented in Section I of Customs' CDSOA <i>Annual Reports</i> . <sup>2</sup> None reported. <sup>3</sup> As presented in Section I of Customs' CDSOA <i>Annual Reports</i> . <sup>4</sup> Amount of antidumping duty cash deposits and bonds on all unliquidated dumping duty entries as of October 1, as presented in Section III of Customs' CDSOA <i>Annual Reports</i> .				
Source: U.S. Customs and Border Protection's CDSOA <i>Annual Reports</i> . Retrieved at <a href="http://www.cbp.gov/xp/cgov/import/add_cvd/">www.cbp.gov/xp/cgov/import/add_cvd/</a> .				

## Scope Exclusions and Clarifications

Over the course of the antidumping duty order on petroleum wax candles from China, the Department of Commerce determined that a number of products were excluded from the scope of the order. In July 1987, Commerce determined that

*certain novelty candles, such as Christmas novelty candles, are not within the scope of the antidumping duty order on petroleum-wax candles from the Peoples's Republic of China (PRC). Christmas novelty candles are candles specially designed for use only in connection with the Christmas holiday season. This use is clearly indicated by Christmas scenes or symbols depicted in the candle design. Other novelty candles not within the scope of the order include candles having scenes or symbols of other occasions (e.g., religious holidays or special events) depicted in their designs, figurine candles, and candles shaped in the form of identifiable objects (e.g., animals or numerals).*<sup>12</sup>

In addition, Commerce has determined through its scope rulings over the years that, “where the petroleum-based wax content of a candle model is less than 50 percent, the candle is outside of the scope of the Order.”<sup>13</sup> Appendix E provides a complete list of Commerce’s scope rulings, including the types of candles that have been excluded from the order and those that are still within the scope of the order. Also, additional scope determinations are pending. The scope remained unchanged in the first and second five-year reviews, although Commerce noted that, “There have been numerous clarifications to the scope of this order.”<sup>14</sup>

## Commerce’s Anticircumvention Inquiries

On March 7, 2005, Commerce published a notice of initiation of anticircumvention inquiries of the antidumping duty order on petroleum wax candles from China.<sup>15</sup> Commerce initiated anticircumvention inquiries to determine whether mixed wax candles composed of petroleum wax and varying amounts of either palm or vegetable-based waxes:

- (1) have been subject to a minor alteration such that the addition of the non-petroleum content to these candles results in products that are “altered in form or appearance in minor respects” from the subject merchandise and that these mixed wax petroleum candles can be considered subject to the antidumping duty order on petroleum wax candles from China under the minor alterations provision; and
- (2) are later-developed products that can be considered subject to the antidumping duty order on petroleum wax candles from China under the later-developed merchandise provision.

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<sup>12</sup> See Russ Berrie & Co., Inc. v. United States, 57 F. Supp. 2d 1184, 1194 (CIT July 1999), citing Customs Information Exchange, CIE N-212/85, 09/21/87, AR doc. 7; and Commerce’s *Final Scope Ruling of Antidumping Duty Order on Petroleum Wax Candles from the People’s Republic of China (A-570-504)*; JC Penney (November 9, 2001) citing Letter from the Director, Office of Compliance, to Burditt, Bowles & Radzius, Ltd., July 13, 1987.

<sup>13</sup> *Final Scope Ruling of Antidumping Duty Order on Petroleum Wax Candles from the People’s Republic of China (A-570-504)*; Pei Eichel (February 8, 2005); Avon Products Inc. (November 17, 2003).

<sup>14</sup> 64 FR 32481, June 17, 1999; and 70 FR 75303, December 16, 2004.

<sup>15</sup> *Petroleum Wax Candles From the People’s Republic of China: Initiation of Anticircumvention Inquiries of Antidumping Duty Order*, 70 FR 10962, March 7, 2005.

Commerce's final determinations in the inquiries are scheduled for early January 2006.

### THE DOMESTIC LIKE PRODUCT

In its original determination, the Commission found the appropriate domestic like product to be petroleum wax candles and the domestic industry to consist of the U.S. producers of petroleum wax candles.<sup>16 17</sup> In the first five-year review, the Commission found that the definition of the domestic like product remained unchanged from that in the original determination. The NCA, in its response to the notice of institution in this second five-year review, indicated that it supported the Commission's decisions regarding the domestic like product and domestic industry as stated in the original determination.<sup>18</sup> The Commission did not receive a response from any respondent interested party to its notice of institution in this second five-year review.

In its prehearing brief, however, the NCA requested that the Commission (1) include blended wax candles in its definition of the domestic like product, or, (2) in the alternative, clarify that the domestic like product consists of all candles containing petroleum wax, including candles made of a blend of petroleum wax and palm, soy, or other vegetable waxes and that blended wax candles were not excluded from the original investigation in 1985-86.<sup>19</sup> Information regarding the Commission's domestic like-product factors is set forth below.<sup>20</sup>

### Characteristics and Uses<sup>21</sup>

A candle is made of solid, fusible, combustible waxes or fatty substances surrounding and saturating a combustible wick. Candles are used to give light, heat, or scent, or are used for celebration or votive purposes. As a candle burns, its flame is fed by a supply of melted wax which flows up the wick

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<sup>16</sup> *Candles from the People's Republic of China*, Inv. No. 731-TA-282 (Final) ("*Original Determination*"), USITC Pub. 1888, August 1986, p. 9.

<sup>17</sup> The Commission's decision regarding the appropriate domestic products that are "like" the subject imported product is based on a number of factors, including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price.

<sup>18</sup> NCA's response to notice of institution, September 21, 2004, p. 36. The NCA also did not raise the issue of an expanded domestic like product in its comments on the Commission's draft questionnaires, February 14, 2005.

<sup>19</sup> NCA's prehearing brief, pp. 7-26 and posthearing brief, p. 14. Counsel for the NCA testified that blended wax candles are candles that contain a blend of petroleum wax and palm or other vegetable waxes where the non-petroleum wax makes up slightly more than 50 percent of the content. These candles had not been developed and were not being commercially produced anywhere at the time of the original investigation. Beginning in 2001, however, blended candles produced in China began to enter the U.S. market. Hearing transcript, pp. 7-9 (Stayin). The NCA stated that, based on (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes and production employees; (5) customer and producer perceptions; and, where appropriate, (6) price, petroleum wax candles and blended wax candles are "like" products. NCA's prehearing brief, pp. 16-25.

<sup>20</sup> Because the NCA did not raise the issue of an expanded like product in its comments on the Commission's draft questionnaires, the questionnaires did not request, and the Commission did not receive, information from a broad spectrum of questionnaire respondents regarding this issue. The information presented in this section of the report on the differences and similarities between petroleum wax candles and blended candles is based principally on NCA's briefs and testimony at the Commission's hearing.

<sup>21</sup> The following discussion is from the original investigation, unless otherwise noted. *Original Determination*, USITC Pub. 1888, August 1986, pp. A-3-A-12.

as a result of capillary action. Wax is melted as the flame runs down the wick, and a cup of melted wax forms as the outside layer of the candle is cooled by the upward current of air produced from the heat of the candle. A candle burning properly is the result of interactions among candle diameter, wax, wick, air movements, drafts, and other factors.

There are two broad categories of wax used for commercial purposes: natural and synthetic. The bulk of candle manufacturing utilizes various combinations of natural waxes, principally paraffins, microcrystallines, stearic acid, and beeswax.<sup>22</sup> Selection of wax for candle-making takes into consideration a number of characteristics of wax, such as melting point, viscosity, and burning power. Typically, U.S. manufacturers will use higher melt-point waxes (130-160 degrees F.) for tapers, columns, and votives, and use lower melt-point or slack waxes for wax-filled containers. U.S. manufacturers use both refined and semi-refined waxes in candle production. In the Commission's original determination, it defined petroleum wax candles as those composed of over 50 percent petroleum wax.<sup>23</sup> The Commission noted that these candles may contain other waxes in varying amounts, depending on the size and shape of the candle, to enhance the melt-point, viscosity, and burning power.

During this second five-year review, the NCA asserted that candles made of palm or other vegetable-based waxes have essentially the same chemical composition, appearance, odor, and feel as petroleum wax candles.<sup>24</sup> It argued that blended and petroleum wax candles are both used in the home or yard to provide light, heat, or scent or are used for celebration or votive purposes.

The NCA identified five of its members that produce some candles as blends of petroleum wax and vegetable waxes. U.S. shipments of blended wax candles by these firms accounted for slightly more than \*\*\* percent of total U.S. producers' U.S. shipments during 2004, as indicated in the tabulation below:<sup>25</sup>

\* \* \* \* \*

There are many different sizes and types of wicking available for candle manufacturing. Wicks may be flat braid, square braid, stranded, twisted, metal core, glass fiber, or hollow. Wick sizing depends upon the number of threads used, such as a 30-ply wick which consists of a 3-strand braid of 10 threads each. The size of the wick must be adjusted to the diameter of the candle for proper burn. A candle of lower melting-point wax should have a wick of looser plait than one with a higher melting point and less ready combustion.

In addition to wax and wick, scents, dyes, labeling, and packaging are other components in the production of candles. Scents added to wax are created by the same companies that produce expensive perfumes, and they are specially compounded for use in petroleum wax; scents as a share of production costs can range from 0 for unscented candles to 60 percent for scented votives. Special wax soluble dyes are used in color formulations, which are controlled in order to produce color consistency. Labeling and

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<sup>22</sup> The Commission determined during the original investigation that beeswax candles should not be included within the domestic like product. Beeswax candles are composed of more than 50 percent beeswax, are manufactured by U.S. producers principally for religious and specialty markets, and are priced considerably higher than petroleum wax candles. *Original Determination*, USITC Pub. 1888, August 1986, pp. 5-6.

<sup>23</sup> *Original Determination*, USITC Pub. 1888, August 1986, pp. 4-5.

<sup>24</sup> NCA's prehearing brief, pp. 16-19 and exh. 5.

<sup>25</sup> NCA posthearing brief, exh. 1; and e-mail from Randy Stayin, counsel to NCA, May 2, 2005. \*\*\*. E-mail from Randy Stayin, counsel to NCA, May 2, 2005. All five of these producers indicated in conversations with staff that the data provided in their producer questionnaires included data for their blended candles.

packaging as costs of production may be provided at the request of purchasers (e.g., private labeling and UPC labels) or may be required (e.g., warning labels).<sup>26</sup>

At the time of the original investigation, candles manufactured in China for export reportedly used only semi-refined petroleum waxes. In addition, stearic acid or plastic wax (used as a hardening agent) accounted for approximately 1 percent of the composition. Candle export factories in China used high melt-point wax in the range of 133-140 degrees F. Wicks in Chinese candles were 18, 21, or 27 ply, and often were not braided nor chemically treated to deter smoke and rapid burn.

Many varieties of candles are sold in the U.S. market. Tables I-5 and I-6 present data on U.S. producers' and importers' U.S. shipments of candles by types. The types of candles shipped by U.S. producers was little changed during the period of review. In 1999, wax-filled containers, columns/pillars, and votives accounted for 41.4 percent, 29.6 percent, and 14.7 percent, respectively, of the total quantity of U.S. shipments of candles. In 2004, these respective percentages were 46.6 percent, 32.7 percent, and 10.0 percent. With respect to U.S. producers' shipments of candles by seasonal nature, during each year of the period of review, more than 85 percent of these shipments were of a non-Christmas nature. The composition of U.S. shipments of candles by scent (either scented or unscented) experienced some change between 1999 and 2004. Scented candles as a share of total U.S. shipments increased from 73.7 percent to 82.6 percent, and, correspondingly, unscented candles as a share of total U.S. shipments fell from 26.3 percent to 17.4 percent.

U.S. importers' U.S. shipments of imports of subject and nonsubject candles from China by types and outlets differ in some respects from U.S. producers' shipments of candles. Columns/pillars, "other," novelty shapes and sizes, and wax-filled containers accounted for the largest share of importers' shipments of candles. In 1999, these types of candles accounted for 56.2 percent, 15.5 percent, 6.3 percent, and 6.9 percent, respectively, of the total quantity of importers' shipments of subject candles. By 2004, these percentages had changed to 48.1 percent, 21.1 percent, 9.0 percent, and 6.9 percent, respectively. Importers shipped predominantly non-Christmas candles during the period of review, but the percentages of non-Christmas subject candles ranged from 67.2 percent in 1999 to 93.3 percent in 2003. The percentage of importers' shipments of subject candles accounted for by scented candles varied widely during the period, from 36.0 percent in 2001 to 75.7 percent in 1999. In 2004, scented candles equaled 57.8 percent of shipments.

Producers, importers, and purchasers who named nonsubject candles as substitutes for petroleum wax candles generally stated that such nonsubject candles could be used in the same forms and uses; i.e., tapers, votives, jars, etc.<sup>27</sup> The NCA argued that "in most cases the ultimate consumer is not even aware of the different compositions of waxes used in candles."<sup>28</sup>

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<sup>26</sup> *Original Determination*, USITC Pub. 1888, August 1986, p. A-4.

<sup>27</sup> See Part II of this report for a discussion of substitute products.

<sup>28</sup> NCA's prehearing brief, p. 22.

**Table I-5**  
**Petroleum wax candles: U.S. producers' U.S. shipments, by types, 1999-2004**

Item	1999	2000	2001	2002	2003	2004
<b>Share of quantity (percent)</b>						
<b>Type of candle:</b>						
Columns/pillars	29.6	28.3	29.8	31.1	30.2	32.7
Wax-filled containers	41.4	45.2	44.5	44.5	45.5	46.6
Spirals	***	***	***	***	***	***
Straight-sided dinner	***	***	***	***	***	***
Tapers	5.3	3.8	3.3	3.3	3.4	2.5
Votives	14.7	13.8	12.2	12.6	12.7	10.0
Novelty shapes and sizes	1.2	0.9	1.1	1.2	1.1	0.6
Other	6.0	6.4	7.5	5.9	5.5	6.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>Seasonal nature:</b>						
Christmas	11.2	12.3	13.1	13.4	13.0	13.6
Non-Christmas	88.8	87.7	86.9	86.6	87.0	86.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>Scent:</b>						
Scented	73.7	76.7	79.0	80.1	80.9	82.6
Unscented	26.3	23.3	21.0	19.9	19.1	17.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
1 ***						
Source: Compiled from data submitted in response to Commission questionnaires.						

**Table I-6**  
**Petroleum wax candles: U.S. importers' U.S. shipments of imports from China, by types, 1999-2004**

Item	Subject product						Nonsubject product					
	1999	2000	2001	2002	2003	2004	1999	2000	2001	2002	2003	2004
<b>Share of quantity (percent)</b>												
<b>Type of candle:</b>												
Columns/pillars	56.2	39.6	27.0	31.5	26.7	48.1	41.8	32.8	33.6	38.1	35.4	28.8
Wax-filled containers	6.9	7.2	8.4	9.8	11.3	6.9	12.8	11.9	12.8	13.9	15.1	23.5
Spirals	***	***	***	***	***	***	***	***	***	***	***	***
Straight-sided dinner	***	***	***	***	***	***	***	***	***	***	***	***
Tapers	1.3	0.9	0.7	1.9	3.4	3.8	0.6	1.0	0.4	0.4	0.7	0.6
Votives	8.6	3.5	5.1	9.3	8.9	6.3	3.5	4.4	2.6	2.7	2.1	3.0
Novelty shapes and sizes	6.3	8.2	15.4	9.3	6.1	9.0	29.4	38.9	32.8	26.6	22.9	29.6
Other	15.5	38.1	42.8	35.4	40.8	21.1	8.8	9.7	16.7	17.3	22.9	13.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Seasonal nature:</b>												
Christmas	32.8	23.1	25.3	11.5	6.7	16.1	24.6	23.0	23.3	22.7	19.2	14.2
Non-Christmas	67.2	76.9	74.7	88.5	93.3	83.9	75.4	77.0	76.7	77.3	80.8	85.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Scent:</b>												
Scented	75.7	48.1	36.0	45.2	51.1	57.8	54.1	50.8	54.3	51.7	44.8	60.8
Unscented	24.3	51.9	64.0	54.8	48.9	42.2	45.9	49.2	45.7	48.3	55.2	39.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1 ***												
Source: Compiled from data submitted in response to Commission questionnaires.												

## Manufacturing Processes<sup>29</sup>

As reported during the original investigation, candle manufacturing has evolved over the years from hand dipping at a few dozen candles per hour to the automatic rotary molding machines that produce at the rate of 6,000 per hour. At one time, all candles were produced from hot liquid wax, but technology has created a cold process that allows wax to be compressed into various candle shapes and forms. In the hot wax process, wax is shipped and stored in liquid form. Steam-heated storage tanks and remote-controlled pumping systems permit custom blending of each batch of candle wax in its individual steam kettle. Cold wax processes take hot liquid wax and freeze the liquid in towers or through rotating drums to a powdered form, which is then supplied through tanks into compression and extrusion machines. Manufacturing techniques currently in use by U.S. manufacturers include dipping, molding, pouring, extrusion, and compression. A discussion of the principal manufacturing techniques is presented below.

### Pouring & Dipping

U.S. candle manufacturers employ hand-poured processes for certain types of candles, when unusual shapes or dimensions impose physical or cost restrictions on the method of production. Dipping is a repeated, hot process. It consists of the following procedures: free-hanging wicks are attached to candle dipping boards or cages; dipping stations containing liquid wax are positioned along the path, either straight line or circular; candles are cooled and cut or melted to the desired length, then tapered, including any reverse taper at the base; two final dips in microcrystalline or high melt-point wax are applied as a color over dip, and to harden the candle exterior for better burning; and the candles are cut down from the dipping board, inspected, and packaged.

### Molding

Machine molding techniques are also a hot process and may be semi-automated or fully automated. The procedures for semi-automated machine molding include the following: wicks are tended (made taut or straight, and centered); the molding machine is heated; liquid wax stored in steam kettles is poured into the molds encased in the machine; the machine is water cooled and the candles are ejected from the molds; wicks are cut for the removal of the set (group of candles) in the rack; and the set of candles is removed, inspected, and packaged.

The domestic interested party argued that both petroleum and blended wax candles are made through pouring, dipping, molding, or extrusion at the same manufacturing facilities. The NCA argued that the major difference in the manufacturing process is the type of wax used and the cost of the wax.<sup>30</sup> Three NCA member companies provided information regarding the relative prices of petroleum, palm, and soy waxes during the period of review, and the data (presented below) indicate that the cost of palm and soy waxes was considerably higher than petroleum wax during the period of review.<sup>31</sup>

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<sup>29</sup> The following discussion is from the original investigation, unless otherwise noted. *Original Determination*, USITC Pub. 1888, August 1986, pp. A-8-A-9.

<sup>30</sup> NCA's prehearing brief, p. 21.

<sup>31</sup> NCA's posthearing brief, exh. 1.

Wax type	1999	2000	2001	2002	2003	2004
<b>Average purchase price (per pound)</b>						
Petroleum	\$***	\$***	\$***	\$***	\$***	\$***
Palm	---	---	---	***	***	***
Soy	***	***	***	***	***	***

### Channels of Distribution

Information relating to U.S. producers' and importers' U.S. shipments by sales outlets is presented in table I-7. For both U.S. producers and U.S. importers of candles from China, mass merchandisers and department/craft stores were the primary channels of distribution for sales of candles during 1999-2004. U.S. producers increased their sales of product to the two channels from 65 percent of total sales in 1999 to 73 percent in 2004. U.S. importers' sales of subject imports from China to the two channels increased from 92 percent to 97 percent from 1999 to 2004, while sales of nonsubject imports declined slightly from 95 percent to 92 percent. The domestic interested party argued that blended wax candles are sold "at all levels of the marketplace."<sup>32</sup>

### Price

With respect to price, the average unit value of U.S. shipments of blended wax candles for the five U.S. producers of petroleum and blended wax candles in 2004 was \*\*\* that of their sales of petroleum wax candles.<sup>33</sup>

\* \* \* \* \*

Conversely, shipments of blended wax (nonsubject) candle imports from China were priced lower than petroleum wax (subject) candle sales over the period of review (ranging from 21 percent lower during 1999 to 35 percent lower during 2004), as indicated in the tabulation below:

Item	1999	2000	2001	2002	2003	2004
Petroleum wax (subject) candles:						
U.S. producers	\$3.61	\$3.65	\$3.37	\$3.27	\$3.53	\$3.36
Imports from China	1.89	1.63	1.67	1.68	1.41	2.05
Blended wax (nonsubject) candles:						
U.S. producers	---	---	---	---	---	***
Imports from China	1.49	1.42	1.50	1.47	1.31	1.34

<sup>32</sup> NCA's prehearing brief, p. 20.

<sup>33</sup> NCA's posthearing brief, exh. 1.

**Table I-7**  
**Petroleum wax candles: U.S. producers' and importers' U.S. shipments, by sales outlets, 1999-2004**

Item	1999	2000	2001	2002	2003	2004
<b>Share of quantity (percent)</b>						
<b>U.S. producers:</b>						
Religious institutions	***	***	***	***	***	***
Department & crafts stores	25.3	24.2	21.0	22.4	23.3	20.7
Mass merchandisers	39.7	39.6	46.7	46.4	45.1	52.3
Own retail outlets/private labels	4.4	7.6	7.1	7.4	7.5	7.6
Direct to customer	7.4	7.4	6.1	6.4	7.8	6.6
Internet	***	***	***	***	***	***
Membership warehouse clubs	14.8	13.1	11.3	10.9	11.3	9.2
Other	6.0	5.5	5.2	3.9	2.6	1.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>Imports from China, subject:</b>						
Religious institutions	***	***	***	***	***	***
Department & crafts stores	38.4	29.0	35.6	31.4	16.0	28.7
Mass merchandisers	53.2	57.3	50.1	57.2	74.7	67.9
Own retail outlets/private labels	***	***	***	***	***	***
Direct to customer	***	***	***	***	***	***
Internet	***	***	***	***	***	***
Membership warehouse clubs	( <sup>1</sup> )	6.0	6.1	5.0	1.9	1.0
Other	7.1	2.6	0.0	0.0	0.0	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>Imports from China, nonsubject:</b>						
Religious institutions	***	***	***	***	***	***
Department & crafts stores	32.1	32.7	26.9	24.1	18.4	13.6
Mass merchandisers	63.3	61.0	66.0	69.7	73.2	77.9
Own retail outlets/private labels	***	***	***	***	***	***
Direct to customer	2.9	5.4	6.4	5.8	8.3	7.7
Internet	***	***	***	***	***	***
Membership warehouse clubs	***	***	***	***	***	***
Other	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0
1 ***.						
Source: Compiled from data submitted in response to Commission questionnaires.						

## **U.S. MARKET PARTICIPANTS**

### **U.S. Producers**

In 1986, there were over 100 identified producers of candles for commercial sale in the United States, in addition to many small craft producers for local, noncommercial use.<sup>34</sup> At the time of the first five-year review, there were over 200 known commercial, religious, and institutional manufacturers of candles in the United States, as well as many small craft producers. During this second five-year review, petitioner identified over 400 U.S. producers of candles.<sup>35</sup> Table I-8 presents information on 48 U.S. producers of petroleum wax candles, of which 39 provided useable questionnaire data and accounted for approximately 63 percent of U.S. production in 2003.<sup>36</sup> Forty-one of these 48 producers support the continuation of the antidumping duty order on petroleum wax candles from China; four oppose the continuation of the order; and three take no position with respect to the order.

### **U.S. Importers**

During this second five-year review, the NCA identified over 125 U.S. importers of candles.<sup>37</sup> Importer questionnaires were sent to 137 importers, identified through proprietary Customs data. Useable responses were received from 47 of these importers. Importers included mass merchandisers, department stores, arts and crafts stores, mail catalogue firms, and U.S. candle producers.

### **U.S. Purchasers**

During this second five-year review, the Commission received purchaser lists from 20 U.S. petroleum wax candle producers<sup>38</sup> and mailed purchaser questionnaires to 55 purchasers. The Commission received 22 purchaser questionnaires, with an additional two purchasers reporting that they did not purchase petroleum wax candles. Further information on purchasers is contained in Part II.

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<sup>34</sup> *Original Determination*, USITC Pub. 1888, August 1986, p. A-12.

<sup>35</sup> NCA's response to notice of institution, September 21, 2004, attach. Q.

<sup>36</sup> Estimate based on data presented in NCA's supplement and clarification of response to notice of institution, October 7, 2004, revised attach. S.

<sup>37</sup> NCA's response to notice of institution, September 21, 2004, attach. R.

<sup>38</sup> The largest importers are generally retail sellers of petroleum wax candles. Thus, they were not asked for purchaser lists and instead received purchaser questionnaires.

**Table I-8**  
**Petroleum wax candles: U.S. producers, position on continuing the order, and production location(s)<sup>1</sup>**

<b>Firm</b>	<b>Position on continuation</b>	<b>Production location(s)</b>
A.I. Root Company dba Root Candles	Support	Medina, OH San Antonio, TX
Alene Candles, Inc.	Support	Milford, NH Putnam, CT
American Greetings Corp.	Support	Cleveland, OH
Arizona Natural Resources, Inc.	Support	Phoenix, AZ
Aromatique, Inc.	Support	North Heber Springs, AR
Aspen Bay Candles	***	Starkville, MS
BMC Manufacturing, LLC	Support	Spartanburg, SC
Botanicus Inc.	***	Gaithersburg, MD
Bright Lights Candle Co.	***	Lower Lake, CA
Bright of America	Support	Summersville, WV
Byrne Candle Inc./ Perpetual Candle Light Co.	***	Scranton, PA
Candle Artisans, Inc.	***	Washington, NJ
Candle Corporation of America <sup>2</sup>	Support	Des Plaines, IL
Cathedral Candle Co.	Support	Syracuse, NY
Changing Paradigms LLC	Support	Ludlow, KY
Charis Enterprises Inc. dba Park Avenue Candles	Support	Winter Park, FL
A Cheerful Giver	***	Elmer, NJ
Creative Products LLC	***	Buckhannon, WV
Dadant & Sons, Inc.	Support	Hamilton, IL Kahoka, MO
Dianne's Custom Candles LLC	***	Burnsville, MN
Empire Candle Manufacturing, LLC	Support	Kansas City, KS
Evan Scent, Inc.	Support	Gauley Bridge, WV
Faultless Starch/Bon Ami Company	***	Kansas City, MO
General Wax & Candle Company	Support	North Hollywood, CA

Table continued on next page.

**Table I-8--Continued****Petroleum wax candles: U.S. producers, position on continuing the order, and production location(s)**

Firm	Position on continuation	Production location(s)
Gold Canyon Candle Co.	Support	Chandler, AZ
Hanna's Candle Co.	Support	Fayetteville, AR
Heartland Fragrance & Herb Co.	Support	Springfield, MO
Home Fragrance Holdings, Inc.	Support	Houston, TX
Lancaster Colony/Candle-lite, Inc.	Support	Columbus, OH
The Lang Companies LLC	***	Delafield, WI
Laredo Candle Company	Support	Laredo, TX
Lumi-Lite Candle Co., Inc.	Support	Norwich, OH
MVP Group International, Inc.	***	Charleston, SC Mayfield, KY
Missouri Candle & Wax Co. Inc.	***	St. Louis, MO
Muench-Kreuzer Candle Company	***	Syracuse, NY
Nelson Candles Inc.	***	Phoenix, AZ
Olio, Inc.	Support	San Angelo, TX
PartyLite Gifts, Inc. <sup>2</sup>	Support	Plymouth, MA
Reed Candle Company	Support	San Antonio, TX
Southern Candle Lights, Inc.	***	Spartanburg, SC
Suzzette Cabin Candles Inc.	Support	Canton, TX
Trinity Manufacturing Co. Inc.	***	Mars, PA
Warm Glow Candle	***	Centerville, IN
Will & Baumer Inc.	***	Liverpool, NY
Williamsburg Soap and Candle Co.	Support	Williamsburg, VA
Willowwoods Candles & Candlemaking Supplies	***	Albion, PA
Worldwood Industries	***	Oklahoma City, OK
The Yankee Candle Company, Inc.	Support	South Deerfield, MA
<p><sup>1</sup> Some producers provided their position on continuing the order but provided no data or incomplete data with respect to other parts of the producer questionnaire.</p> <p><sup>2</sup> Owned 100% by Blyth, Inc.</p>		
Source: Compiled from responses to Commission questionnaires.		

## APPARENT U.S. CONSUMPTION AND MARKET SHARES

Table I-9 presents apparent U.S. consumption and market shares for petroleum wax candles for the review period. Table I-10 presents U.S. imports from China and ratios to U.S. production during the period. Import data provided in response to the Commission's questionnaires accounted for 22 percent of total candle imports from China during 1999 and slightly more than 50 percent of the quantity of candle imports from China during 2004. Therefore, import data represent imports of candles reported under HTS heading 3406.00.00, which includes candles that have been excluded from the scope of the order and nonsubject candles made from materials other than petroleum waxes.

Apparent U.S. consumption of candles fluctuated between 1999 and 2004 but in 2004 was unchanged from consumption in 1999. The share of the quantity of U.S. consumption accounted for by U.S. shipments increased from 40.2 percent in 1999 to 49.5 percent in 2004. The share of the quantity of U.S. consumption of candles accounted for by imports from China declined from 20.8 percent in 1999 to 19.0 percent in 2001. Import market share for China then increased steadily to 28.5 percent in 2004. U.S. imports from China as a share of U.S. production increased irregularly over the period from 42.2 percent in 1999 to 57.6 percent in 2004.

**Table I-9**  
**Petroleum wax candles: U.S. shipments of domestic product, U.S. imports, apparent U.S. consumption, and market shares, 1999-2004**

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
<b>Quantity (1,000 pounds)</b>						
U.S. producers' U.S. shipments	293,239	315,042	333,688	337,052	330,304	361,272
U.S. imports from--						
China	151,908	156,765	133,553	174,165	183,644	208,073
All other sources	284,396	288,054	233,886	201,401	179,851	160,551
Total imports	436,304	444,819	367,439	375,566	363,495	368,624
Apparent consumption	729,543	759,862	701,128	712,618	693,799	729,896
<b>Value (\$1,000)</b>						
U.S. producers' U.S. shipments	1,058,798	1,149,911	1,124,558	1,101,018	1,165,266	1,213,666
U.S. imports from--						
China	149,240	171,593	151,162	179,244	185,143	219,540
All other sources	371,697	372,136	312,808	264,855	262,067	241,178
Total imports	520,937	543,729	463,970	444,099	447,211	460,717
Apparent consumption	1,579,735	1,693,640	1,588,527	1,545,117	1,612,477	1,674,383
<b>Share of quantity (percent)</b>						
U.S. producers' U.S. shipments	40.2	41.5	47.6	47.3	47.6	49.5
U.S. imports from--						
China	20.8	20.6	19.0	24.4	26.5	28.5
All other sources	39.0	37.9	33.4	28.3	25.9	22.0
Total imports	59.8	58.5	52.4	52.7	52.4	50.5
Apparent consumption	100.0	100.0	100.0	100.0	100.0	100.0
<b>Share of value (percent)</b>						
U.S. producers' U.S. shipments	67.0	67.9	70.8	71.3	72.3	72.5
U.S. imports from--						
China	9.4	10.1	9.5	11.6	11.5	13.1
All other sources	23.5	22.0	19.7	17.1	16.3	14.4
Total imports	33.0	32.1	29.2	28.7	27.7	27.5
Apparent consumption	100.0	100.0	100.0	100.0	100.0	100.0
Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.						

**Table I-10****Petroleum wax candles: U.S. production, imports from China, and ratio to production, 1999-2004**

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
<b>Quantity (1,000 pounds)</b>						
U.S. production	360,164	357,383	315,577	324,359	328,936	361,269
U.S. imports from China	151,908	156,765	133,553	174,165	183,644	208,073
<b>Ratio to production (percent)</b>						
U.S. imports from China	42.2	43.9	42.3	53.7	55.8	57.6
Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.						

## PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

Demand for petroleum wax candles has increased substantially since the imposition of the antidumping order, and the nature of the demand has changed. However, U.S.-produced petroleum wax candles are increasingly competing with nonsubject products from China, specifically candles made with less than 50 percent petroleum wax.<sup>1</sup>

### U.S. MARKET SEGMENTS, MARKET STRUCTURE, AND CHANNELS OF DISTRIBUTION

Petroleum wax candles come in different shapes, colors, and scents that may be preferred by particular market segments. According to one petroleum wax candle producer's website, 50 percent of U.S.-produced petroleum wax candles are pillars, tapers, and votives; 35 percent are wax-filled containers; and 15 percent are straight-sided dinner petroleum wax candles and novelties.<sup>2</sup> As examples of the variety of products available, General Wax said at the hearing that it offered 1,000 different products in 1998 (down to 600 in 2005, allegedly due to competition from imported Chinese candles),<sup>3</sup> and \*\*\* said in its questionnaire response that it offered approximately \*\*\* different products. \*\*\*.

Petroleum wax candles are sold to consumers through retail outlets, including department stores, mass merchandisers, discount retailers, card and gift shops, and door-to-door sales through membership groups (such as \*\*\*). There are additional, much smaller market segments involving local sales and sales to individual organizations, especially churches. \*\*\* described the domestic retail market for candles as worth approximately \$\*\*\* in 2003, with \$\*\*\* of that accounted for by the domestic "home ambience" market.

U.S. petroleum wax candle supply consists of several large U.S. petroleum wax candle producers and hundreds of smaller ones of varying sizes. Many large importers are also direct retailers who may purchase domestic petroleum wax candles as well as imports. As purchasers, mass merchandisers may be playing a larger role in the petroleum wax candle market than previously, while the role of gift and specialty stores and department stores has diminished somewhat.<sup>4</sup> Petitioners described losing sales both directly to mass merchandisers and as a result of other customers' fear of retail competition with mass merchandisers. General Wax described losing approximately \$900,000 in sales to one mass merchandiser over 1998 to 2005. Lumi-Lite said that its sales of petroleum wax candles to its traditional customer base of small retail gift stores is threatened by larger "big box" retailers selling Chinese candles.<sup>5</sup>

Petitioners described one market segment, that consisting of sales of petroleum wax candles through channels integrated with the producer, as continuing to have financial success over 1999-2004. However, petitioners alleged that the remainder of U.S. candle producers (allegedly 80 to 90 percent of

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<sup>1</sup> Seven producers (\*\*\*) also submitted importers' questionnaires, but produce more domestically than they import. For the purposes of this section, their answers are counted only as a producer except where otherwise noted. Two importers (\*\*\*) also submitted producer questionnaires, but their imports are more than their U.S.-produced commercial shipments. For the purposes of Part II, their answers are counted only as an importer unless otherwise noted. One producer (\*\*\*) and nine importers (\*\*\*) also submitted purchaser's questionnaires. Their responses to both producer's/importer's and purchaser's questionnaires are counted.

<sup>2</sup> Retrieved at [http://www.kokimo.com/data\\_candle.html](http://www.kokimo.com/data_candle.html). In addition, petroleum wax candles may be sold as part of a decorative accessory. \*\*\* described the bulk of the petroleum wax candles it purchased as being part of such decorations, in which the cost of the metal and glass accessory mattered more \*\*\* than the cost of the petroleum wax candle.

<sup>3</sup> Hearing transcript, p. 26, (Lazar).

<sup>4</sup> See table I-7.

<sup>5</sup> Hearing transcript, pp. 22, 26, and 30 (Pappas, Lazar, and Goddard).

the U.S. petroleum wax candle market) are experiencing a decline in financial performance due to competition from Chinese candles. Petitioners stated that the integrated production-and-sales channel would always be a small part of the overall candle market, as this channel predominantly sells to upper income consumers.<sup>6</sup>

### **Geographic Markets**

The majority of petroleum wax candles are produced and imported for national markets. Thirty-seven producers and 36 importers reported that they sold their petroleum wax candles to national markets, while four producers and five importers reported serving only regional markets.<sup>7</sup>

### **U.S. SUPPLY: DOMESTIC PRODUCTION FOR THE U.S. MARKET**

U.S. producers have ample room to increase capacity utilization, and have high (though falling) inventories. While export markets are not large and there are few production shifting options, U.S. producers still have enough available capacity to make significant responses to changes in demand.

When asked if they could produce other products on the same equipment on which they produce subject petroleum wax candles, 45 producers (including \*\*\*) said no, and three (including \*\*\*) said they could produce nonsubject soy wax candles. When asked what sets the limits on their production, producers cited market demand, machinery capacity, availability and cost of raw materials and labor, physical space, and the speed of pouring petroleum wax candles by hand.

When asked if there had been any changes in factors (other than raw material prices) affecting supply, 25 producers, 27 importers, and 18 purchasers said that there had not. However, 17 producers indicated that there had been changes in other factors, citing increased freight and energy costs and increased labor costs, including increases in health insurance of up to 84 percent. \*\*\* predicted higher regulatory costs to avoid losing customers who may have had a candle fire with a Chinese candle, and hence reduced petroleum wax candle purchases. The firm reported that it had spent “many hours and thousands of dollars” developing ASTM standards for petroleum wax candles. Eleven importers also indicated that there had been changes in other factors of supply, citing increased transportation and labor costs, their own attempts to buy from countries other than China, and an inability to purchase decorative candles from U.S. producers. \*\*\* noted that the decreasing availability of U.S. producers that “meet our value-based strategy” had caused it to look at international sources for new petroleum wax candle products. Among purchasers, four saw changes in factors affecting supply, but all cited increased input costs.<sup>8</sup>

Most producers did not anticipate any changes in the availability of U.S.-produced petroleum wax candles. Thirty-two producers indicated that they did not anticipate any changes, nine anticipated a decrease, and two anticipated an increase. \*\*\* did not anticipate an increase in the availability of U.S.-produced petroleum wax candles, but stated that their assessment depended upon the antidumping duties remaining in place. \*\*\* also warned of the antidumping duty order being revoked, but said that U.S. petroleum wax candles faced an additional threat from nonsubject candles imported from China. \*\*\* agreed that U.S. petroleum wax candle production was threatened by imports of nonsubject candles from

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<sup>6</sup> Hearing transcript, pp. 56-57 and 129-130 (Stayin, Lazar, and Higgins).

<sup>7</sup> Twenty-six producers and 17 importers had at least a plurality of their sales of petroleum wax candles between 100 and 1,000 miles of their storage or production facilities. Two producers and three importers shipped less than 100 miles for a majority of their sales, while seven producers and eight importers shipped at least 50 percent of their sales more than 1,000 miles.

<sup>8</sup> \*\*\* reported that increased petroleum prices were having a significant effect on the price of petroleum wax candles, with \*\*\* describing the effect of increased transportation costs as significant as well.

China. \*\*\* saw increased costs due to Federal regulations and energy and raw material costs as hindering the ability of U.S. firms to compete with foreign manufacturers.

Home Fragrance reported that in response to the rising presence of Chinese imports, it had reduced production of more basic petroleum wax candles, which were previously among its most profitable and high-volume products. Instead, it now focuses on increasingly complex petroleum wax candle designs to maintain its premium petroleum wax candle customers. However, it reported that such changes forced it to invest more in products with lower yields and higher production costs.<sup>9</sup>

Most producers stated that shifting sales between the U.S. and alternative country markets would be difficult to impossible. U.S. producers reported that they are generally focused on the U.S. market. Producers cited a lack of overseas sales and contacts, high transportation costs, long lead times, and lower international prices (allegedly because of Chinese candles) as hindrances to shifting sales from the United States to other countries.<sup>10</sup>

Nineteen producers reported that their exports of petroleum wax candles were not subject to tariffs or other barriers in other countries, while six said that they were. Those six cited EU tariffs as of 2004 and recently revoked Australian tariffs. However, \*\*\* noted the majority of its exports are to North America, so EU tariffs have not had much effect.<sup>11</sup>

### **U.S. SUPPLY: SUBJECT IMPORTS**

Chinese producers have shown the ability to increase shipments rapidly and substantially of both subject and nonsubject candles to the United States.<sup>12</sup> When asked if they anticipated any change in the availability of petroleum wax candles imported from China to the U.S. market, 29 importers said they saw no change. Twelve importers saw a decrease, due to falling demand, competition from candles from nonsubject countries, and increases in the antidumping duty. \*\*\* said that it was seeing an immediate price increase on current production. Three importers saw an increase, with \*\*\* stating that U.S. producers and Chinese importers sell complementary products.

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<sup>9</sup> Hearing transcript, pp. 31-32 (Goddard).

<sup>10</sup> \*\*\* described itself as a supplier of petroleum wax candles to most of the major industrialized countries, but indicated that it sells to distributors in these other countries, and thus does not maintain its own sales force abroad. It says it has experienced growth in overseas sales over the last 12-18 months, but it attributed that growth to a weaker dollar and did not think it could significantly shift sales to other countries. \*\*\* also stated that the Euro has helped its overseas sales, but that more shifts would not be realistic. \*\*\* noted that it would be difficult to compete in countries where labor and other regulatory laws were not as strict as in the United States. \*\*\* reported that it had tried to serve overseas markets, but had had limited success and only sold about 5 percent of its petroleum wax candles overseas. \*\*\* described spending \*\*\* building brand equity and goodwill in the United States, and that these advantages did not exist for it in foreign countries. \*\*\* indicated that fragrance is not widely accepted outside of North America. \*\*\* noted that it is successfully exporting petroleum wax candles to Canada, but faces competition there from Chinese petroleum wax candles, and alleged that some Chinese petroleum wax candles are being re-labeled as Canadian petroleum wax candles and shipped to the United States. It added that threatened EU tariffs over the Byrd Amendment could affect sales to Europe.

<sup>11</sup> When asked if they sell petroleum wax candles on the internet, 20 producers and 15 importers reported that they did, but the majority of those firms indicated that internet sales accounted for less than eight percent of sales, and often less than two percent of sales. Most other producers and importers indicated that they did not sell petroleum wax candles over the internet. Twenty-two purchasers said that they did not purchase petroleum wax candles on the internet.

<sup>12</sup> In addition, petitioners described Chinese imports of petroleum wax candles as rising substantially after 1998 (allegedly due to increased use of fraudulent Customs declarations) and then Chinese imports of palm wax candles as rising after 2001. Hearing transcript, pp. 22, 25-26, and 36 (Pappas, Lazar, and Love).

When asked how easily they could shift their sales of petroleum wax candles between the U.S. and alternative country markets, most importers said it would be difficult, citing their extensive retail infrastructure in the U.S. market, and lack of contacts in other markets. However, four importers said that it would be easy to shift sales between the U.S. and other markets. When asked if their exports of petroleum wax candles to other markets are subject to tariffs or other barriers to trade, 19 importers said no and three said yes, with \*\*\* citing Canada.

Petitioners alleged that it would be fairly easy for Chinese producers to switch from producing palm wax candles to petroleum wax candles, as the production equipment used is the same and petroleum wax is widely available in China.<sup>13</sup>

## **U.S. SUPPLY: NONSUBJECT IMPORTS**

When asked if the availability of nonsubject imported petroleum wax candles has changed since 1999, 18 producers and 30 importers said it had not. However, 21 producers reported that it had, almost all citing increased imports of nonsubject candles from China. \*\*\* noted that it found it could buy nonsubject votive candles from China for less than it would cost to manufacture them, and consequently had ordered \*\*\* pounds of such a candle. \*\*\* described the increase in Chinese palm wax candles in the U.S. market as an “explosion” since 2001. \*\*\* reported that the availability of imported petroleum wax candles from other Asian countries (Indonesia, Malaysia, Thailand, Vietnam, and Cambodia) had increased in the United States, and \*\*\* described the U.S. petroleum wax candle market as “saturated with Asian candles.” Fourteen importers indicated that the availability of nonsubject imports had changed since 1999, citing novelty candles with unique designs from China, increased production in nonsubject countries, and palm wax/petroleum wax blends.<sup>14</sup>

## **U.S. DEMAND**

### **Demand Characteristics**

Candle manufacturers have estimated that 96 percent of candles are bought by women.<sup>15</sup> Petroleum wax candles are used for relaxation, aromatherapy, scenting, dinner lighting, and religious purposes. Petroleum wax candle demand has a highly seasonal component, increasing at the end of the year during the holiday season. Petroleum wax candle producers indicated that they believe that petroleum wax candles command high retail margins.<sup>16</sup>

When asked if the petroleum wax candle market is subject to distinctive business cycles or conditions of competition, eleven purchasers said no. However, ten other purchasers stated that the petroleum wax candle market does have distinctive business cycles, with six noting that the latter part of the year (the holiday season) is the period of greatest sales. \*\*\* also said that trends in home decor play a key role in the petroleum wax candle market, while \*\*\* noted the connection with petroleum prices. In addition, Candle-Lite described petroleum wax candle demand as fairly resistant to wider economic recessions, as consumers may stay home more and use more candles.<sup>17</sup>

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<sup>13</sup> Hearing transcript, p. 144 (Higgins and Lazar).

<sup>14</sup> In addition, petitioners alleged that candles made of a palm wax/ paraffin wax blend were only available from China, and that candles from nonsubject countries were generally petroleum wax. Hearing transcript, pp. 119-120 (Love).

<sup>15</sup> Retrieved at [http://www.kokimo.com/data\\_candle.html](http://www.kokimo.com/data_candle.html) .

<sup>16</sup> See \*\*\*.

<sup>17</sup> Hearing transcript, p. 138 (Higgins).

## Demand Trends

Petroleum wax candle demand surged in the mid-90s, growing at an estimated 20-30 percent annually between 1993 and 1998, before leveling off. That rise in petroleum wax candle demand was due to petroleum wax candles being used more often for what were previously nontraditional uses, such as aromatherapy, scenting, and home decoration (in addition to more traditional uses as dinner candles and religious items).<sup>18</sup> However, General Wax described demand as near a saturation point, as retailers have devoted as much shelf space as they can to candles.<sup>19</sup> \*\*\*.<sup>20</sup>

Other future trends for candle demand focus on improvements in material quality. There may be a current consumer demand trend toward “cleaner-burning” candles that use materials other than petroleum wax.<sup>21</sup> Petitioners at the hearing indicated that their own companies are moving toward higher quality petroleum wax candles with better fragrance “throw,” but described the move not so much as a change in demand as their own market segment move away from standard candles that compete more with Chinese imports.<sup>22</sup> Eighteen purchasers said that no new markets for petroleum wax candles had emerged since 1999, although \*\*\* indicated that there was an increase in supply options due to the increased demand.

Questionnaire responses on demand trends varied widely. When asked how U.S. demand for petroleum wax candles had changed since 1999, 15 producers, 11 importers, and seven purchasers reported that it had increased. However, 11 producers, 10 importers, and four purchasers indicated it had decreased. Furthermore, 12 producers, 13 importers, and three purchasers reported it was unchanged.

Producers who saw decreased demand cited low consumer confidence, shifts to substitute products, an alleged general economic slowdown, and a decreased number of Catholic churches. \*\*\* reported that its traditional sales are to specialty gift stores, but that these stores are afraid to stock new products as they worry that “big box” retailers will undercut them by circumventing the antidumping order. Importers who saw decreased demand attributed it to lower consumer demand and heightened consumer interest in cleaner burning candles.<sup>23</sup> Two purchasers also cited consumer preference for substitute products (either for lower prices or cleaner burn) as a reason for decreased petroleum wax candle demand.

Producers who saw an increase in demand cited increased shelf space at retailers and increased consumer interest from “cocooning”<sup>24</sup> and a greater emphasis on home and family. \*\*\* said that petroleum wax candle demand grew from 1999 to 2001, but has since slowed. \*\*\* indicated that demand had increased, but at a slower pace than pre-1999. Importers who saw increased demand attributed it to higher consumer demand for scented and decorated candles. Purchasers attributed increased demand to consumer trends toward more emphasis on home decor and scented candles, plus an increase in the number of channels of distribution.

When asked if they anticipated future changes in demand, 27 producers, 38 importers, and 13 purchasers said no. Eleven producers said yes, noting interest in nonsubject candles for health reasons, internet sales, and lower prices (from China). Five importers also said yes, predicting more relative consumer demand for cleaner-burning candles and the increased cost of petroleum wax. Four purchasers

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<sup>18</sup> NCA’s response to the notice of institution, September 21, 2004, p. 34; and staff telephone interview with Mark Love, economic consultant to NCA, April 20, 2005.

<sup>19</sup> Hearing transcript, pp. 124-125 (Lazar).

<sup>20</sup> NCA’s posthearing brief, exhibit 11.

<sup>21</sup> See, for example, information retrieved at <http://www.scented-soy-wax-candles.com/paraffin-candles.html> .

<sup>22</sup> Hearing transcript, p. 163 (Lazar and Goddard).

<sup>23</sup> In addition, purchaser \*\*\*.

<sup>24</sup> “Cocooning” is an industry term for increased interest in home decor.

anticipated changes in demand. \*\*\* cited predictions that the U.S. home fragrance market would grow to be a \$3.5 billion industry by 2006. It added that stress is a major motivator for the increase in sales, a motivator that it anticipated would not diminish in the near future. \*\*\* predicted new designs, especially hand-crafting that would require a high degree of manual labor. \*\*\* said that if the antidumping duty is not extended to nonsubject candles, then demand for petroleum wax candles in the United States will erode.

When asked if there had been any changes in the product range, mix, or marketing of petroleum wax candles since 1999, 22 producers and 29 importers said there had not. However, 19 producers said that there had been. \*\*\* reported that it had tried to increase shipments through new channels of distribution, such as catalogues, direct sales, and internet sales, but that all these remained small parts of their overall business. \*\*\* added that there was a growing trend toward direct consumer sales, including both home sales and the internet. Five other producers also cited internet sales as a new marketing development since 1999. \*\*\* stated that competition had increased. \*\*\* said that their sales of glass-filled petroleum wax candles relative to other types of petroleum wax candles had increased. \*\*\* noted that poured petroleum wax candles had increased while votives and pillars had decreased. \*\*\* stated that there had been a large shift to wax filled containers and pillars. \*\*\* indicated that U.S. manufacturers are moving away from petroleum wax candles that the Chinese can make easily. \*\*\* stated that Chinese imports have avoided duties by bundling petroleum wax candles with overvalued packaging and by importing petroleum wax candles without wicks (which the importer can add). \*\*\* reported that fewer petroleum wax candles are sold at gift stores because of inexpensive candles sold at large retailers such as Wal-Mart.

Additionally, 14 importers indicated that there had been changes in product mix, range or marketing since 1999. \*\*\* reported that consumer pressure was leading to more cleaner-burning candles. \*\*\* noted that petroleum wax candles for decoration (and some never even burning) were a growing demand segment. \*\*\* also cited “tremendous growth” in the decorative candle market segment. \*\*\* indicated that the antidumping duties and lower consumer demand had caused a “dramatic” decrease in product range, mix, and marketing. \*\*\* reported that it had begun an internet sales site in 2001.<sup>25</sup>

### **Substitute Products**

Petroleum wax is the least expensive material from which one can make an effective candle. Other materials popular for use in making candles include palm wax, soy wax, other vegetable waxes, beeswax, and gel. Petroleum wax is less expensive than these other waxes and gels, but its burn releases chemicals that some consumers are concerned may have ill effects on human health.<sup>26</sup> On the other hand, petroleum wax may still make the best candle in terms of burn quality.<sup>27</sup> In addition to nonsubject candles, other substitutes for subject petroleum wax candles include other lights and (in a smaller market segment) other types of aroma-producing or air-freshening products.

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<sup>25</sup> Twenty-eight producers and 32 importers did not anticipate any changes in product range or marketing. Fourteen producers did anticipate changes, such as increased internet and direct mail sales, more variety of candle products, U.S. specialization in higher-end candles, and more safety concerns and product regulations. Ten importers anticipated changes such as less variety, lower demand, continued demand for decorative candles, and seasonal consumer taste differences.

<sup>26</sup> Producer \*\*\* reported that petroleum wax candles are best for throwing scent; however, it said that they also generate the most soot.

<sup>27</sup> Hearing transcript, p. 51 (Pappas).

Beeswax has been used for centuries in candle-making, and remains a common material in candles produced for Roman Catholic religious ceremonies.<sup>28</sup> However, beeswax candles remain a small portion of the overall U.S. candle market; one website estimates that only one percent of domestic candles are made of beeswax.<sup>29</sup>

Soy wax candles and gel candles are two additional recently developed substitutes for petroleum wax candles. Soy wax is a relatively recent (1996) discovery for use in making candles. It has the reputation of burning cleaner than petroleum wax in candles and could be edible as well.<sup>30</sup> It remains more expensive than petroleum wax.<sup>31</sup> On the other hand, gel candles are produced by adding a gelling agent to paraffin-based mineral oil.<sup>32 33</sup>

Palm wax is another important and recent development for use in candles. \*\*\* reported that in 2001, importers began filing scope requests for the purpose of labeling imports of palm wax candles as outside the scope of the antidumping order. It noted that the prices of such candles were “much” lower than subject petroleum wax candles despite the higher cost of palm wax over petroleum wax. \*\*\* added that its own research indicated that formulations involving more than 50 percent vegetable waxes, including palm wax, were not desirable to its customers.<sup>34</sup> According to some U.S. producers, palm wax is approximately two times more expensive than petroleum wax.<sup>35</sup>

Reportedly, it is not easy to distinguish subject and nonsubject candles without chemical testing. Importer \*\*\* indicated that it had used beeswax but found it difficult to determine the exact percentage of beeswax, and so switched to palm oil. \*\*\* noted that visual inspection will not distinguish a subject petroleum wax candle from a palm wax nonsubject candle, and that chemical analysis would be required.

When asked what products can substitute for subject petroleum wax candles, 17 producers, 21 importers, and 10 purchasers named nonsubject candles made of more than 50 percent palm wax. Fifteen producers, seven importers, and seven purchasers named nonsubject candles made of soy wax. Three

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<sup>28</sup> For most uses, Catholic rules permit the use of nonsubject candles made of a petroleum wax/beeswax mix, as long as the beeswax constitutes at least 50 percent of the wax content of the candle. Staff telephone interview with Mark Love, economic consultant to NCA, April 20, 2005.

<sup>29</sup> Information retrieved at [http://www.kokimo.com/data\\_candle.html](http://www.kokimo.com/data_candle.html).

<sup>30</sup> See, for example, information retrieved at [http://home.comcast.net/~timelessserenity/candle\\_history.htm](http://home.comcast.net/~timelessserenity/candle_history.htm) and <http://ask.yahoo.com/ask/20030207.html>.

<sup>31</sup> \*\*\*. \*\*\* continued that it has not yet seen competition involving nonsubject soy wax candles from China, but did not rule it out in the future. It added that importers of nonsubject palm wax candles sometimes make the same claims about longer burning times and less smoking that soy wax candle producers make, but called these claims “unfounded.”

<sup>32</sup> Producer’s questionnaire response of \*\*\*, section IV-B-10.

<sup>33</sup> \*\*\* asserted that gel candles from China had been used to circumvent the antidumping order in the late 1990s, appearing at prices much lower than similar subject petroleum wax candles. According to this argument, after Commerce ruled that gel candles were an in-scope product, the Chinese-made gel candles became much harder to find in U.S. stores.

<sup>34</sup> However, petitioners alleged that while palm wax, vegetable wax, and petroleum wax candles may have differences in burn quality, they are basically indistinguishable at the consumer level. Hearing transcript, pp. 9-10 and 101 (Stayin and Higgins).

<sup>35</sup> Hearing transcript, p. 68 (Pappas). Petitioners supplied additional information on the relative prices of petroleum, soy, and palm wax in their posthearing brief, exhibit 4. General Wax added that Chinese petroleum wax candles cost less than Chinese palm wax candles. See hearing transcript (Lazar), p. 104. Additionally, \*\*\* argue that, to their knowledge, there is no market for palm wax candles outside the United States, nor is there any domestic production of palm wax candles. Staff telephone interview with \*\*\*. However, the website of Aloha Bay Candles, a U.S. and Indonesian producer of palm wax and vegetable wax candles, says that most European households burn palm wax tapers. See information retrieved at [www.alohabay.com/about\\_us/why\\_palmwax.html](http://www.alohabay.com/about_us/why_palmwax.html).

producers, six importers, and three purchasers named nonsubject candles made of beeswax. Other producers, importers, and purchasers named other waxes (e.g., other vegetable wax) or gels, other forms of light diffusers, or nonsubject novelty candles.<sup>36</sup> However, nine producers, five importers, and four purchasers reported that there were no substitutes for subject petroleum wax candles. Importer \*\*\* indicated that it believed that consumers prefer cleaner burning candles that had less petroleum wax, and thus did not consider such candles substitutes for subject petroleum wax candles.

Producers, importers, and purchasers who named nonsubject candles as substitutes for subject petroleum wax candles generally stated that such nonsubject candles could be used in the same forms and uses, e.g., tapers, votives, jars, etc., as petroleum wax candles. Importer \*\*\* described palm oil candles as directly replacing petroleum wax candles. However, importers \*\*\* said that nonsubject candles with less than 50 percent petroleum wax are more expensive than petroleum wax candles, as the alternative waxes are more expensive than petroleum wax. Importer \*\*\* described palm wax candles as being used more often as decorations than for illumination, but burning cleaner than petroleum wax candles when lit. Importer \*\*\* added that nonsubject soy wax candles are too expensive for its cost targets. Producer \*\*\* stated that end users do not know the difference between subject and nonsubject (including palm, vegetable, and soy) candles. Producer \*\*\* agreed. \*\*\* indicated that it had discontinued its production of 100 percent soy candles as the quality was not as high as for a petroleum wax candle. Producer \*\*\* reported that nonsubject soy candles have little effect on subject petroleum wax candles because soy wax is more expensive than petroleum wax and because most soy wax candles are manufactured domestically. However, it stated that Chinese imports of nonsubject palm wax candles were displacing sales of domestic petroleum wax candles, as most consumers do not distinguish between palm wax candles and petroleum wax candles. Producer \*\*\* agreed with \*\*\* concerning petroleum wax compared to palm wax, but added that the high price of beeswax candles also restricted their use as a substitute for petroleum wax candles.<sup>37</sup>

When asked if changes in the price of substitutes had affected the price of petroleum wax candles, 14 producers, six importers, and three purchasers said yes, while 19 producers, 24 importers, and 13 purchasers said no.<sup>38</sup> Most producers who said yes cited competition from nonsubject candles from China as driving down prices for U.S.-made petroleum wax candles.

When asked if there had been any changes in the number or type of substitutes since 1999, 21 producers, nine importers, and nine purchasers indicated that there had been, while 16 producers, 31 importers, and eight purchasers reported that there had not been. The producers and importers who indicated that there had been new substitutes generally cited palm wax candles and soy candles as the new substitutes. Importers \*\*\* noted that some novelty candles were new substitutes, but needed to be made

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<sup>36</sup> For example, importer \*\*\* reported that novelty candles can be used as substitutes for decorations and filled candles as substitutes for scent.

<sup>37</sup> Among purchasers, \*\*\* indicated that candles with less than 50 percent petroleum wax may be slightly more expensive than petroleum wax candles. \*\*\* reported that it had purchased more vegetable wax candles to please customers who are demanding more “wellness” products. \*\*\* described palm wax candles as being used as pillar and poured candles while soy wax candles are used as poured candles.

<sup>38</sup> Among purchasers who answered “no,” \*\*\* noted that the price of vegetable blend candles were the same as the price for subject petroleum wax candles. Among purchasers who answered yes, \*\*\* stated that the low prices of duty-free nonsubject Chinese candles depress U.S. petroleum wax candle prices. \*\*\* reported that candles with less than 50 percent petroleum wax are more expensive than petroleum wax candles as vegetable wax is more expensive than petroleum wax. \*\*\* indicated that antidumping regulations had resulted in higher prices for petroleum wax candles. In addition, \*\*\* reported that it does not carry beeswax candles as beeswax candles are more expensive than petroleum wax candles.

from petroleum wax and were not always available because of the antidumping duties. However, importer \*\*\* stated that all waxes currently in use for candle production were developed before 1999.<sup>39</sup>

When asked if they anticipated any changes in the substitutability of other products for petroleum wax candles, 28 producers, 38 importers, and 18 purchasers reported that they did not anticipate any changes in the substitutability of other products for petroleum wax candles.<sup>40</sup> However, ten producers, three importers, and two purchasers said yes. The producers generally alleged that importers may continue to try to avoid duties using nonsubject candles.<sup>41</sup> Producer \*\*\* noted that soy candles may be used increasingly due to their cleaner burns, and petroleum wax may have higher prices. Two purchasers (\*\*\*) basically agreed with producer predictions. Importers \*\*\* stated that cleaner burning vegetable waxes will substitute more for subject petroleum wax candles, while importer \*\*\* predicted that importers may evade the antidumping tariffs with new products or imports from countries other than China.

## **SUBSTITUTABILITY ISSUES**

### **Lead Times**

Petroleum wax candles are generally, but not always, sold from inventory. Among producers, 14 reported that 100 percent of their sales of petroleum wax candles were from inventory, seven reported 90 to 99 percent were, and 11 reported 50 to 89 percent were. These producers state that lead times were generally between one day and two weeks. Among importers, 14 indicated that 90 percent or more of their sales were from inventory, with lead times of three to 14 days. However, six producers and 12 importers reported that the majority of their sales were produced to order, although these importers included retailers such as \*\*\*. Lead times for petroleum wax candles produced to order ranged from a few weeks to multiple months for both producers and importers. In addition, \*\*\* noted that lead times for petroleum wax candles had improved as a result of competition among U.S. suppliers.

### **U.S. Purchasers**

The Commission received questionnaire responses from 23 purchasers<sup>42</sup> of petroleum wax candles. As petroleum wax candles are often sold in national chains of department stores, discount stores, and mass merchandisers, many purchasers are also importers. The Commission has received 11 purchaser questionnaires from firms that also submitted importer questionnaires.<sup>43</sup> An additional two firms, \*\*\*,

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<sup>39</sup> Among purchasers who did see changes in substitutes since 1999, \*\*\* reported that it had introduced vegetable blend candles in \*\*\*. \*\*\* indicated that nonsubject palm and other vegetable wax candles have been entering the United States as votive, pillar, and taper candles since 2001. \*\*\* noted that it had become increasingly difficult to import \*\*\* because of the antidumping duty, even though it thinks these products should be excluded. \*\*\* said that soy wax candles were introduced a few years ago. However, \*\*\* answered no, and reported that while the mix of petroleum wax versus palm wax may have changed, the number of product types has not.

<sup>40</sup> \*\*\* noted that it was difficult for them to provide purchaser data either due to difficulty in distinguishing country of origin and/or whether the candle was subject or nonsubject.

<sup>41</sup> However, producer \*\*\* anticipated more use of natural plant oil.

<sup>42</sup> Two purchasers, \*\*\*, submitted multiple purchaser questionnaires for different sections of their companies. For \*\*\*, answers here are generally (unless otherwise indicated) from the questionnaire filled out by \*\*\*, as this questionnaire indicates the highest purchase volumes. For \*\*\*, answers here are generally (unless otherwise indicated) from the questionnaire filled out for \*\*\*.

<sup>43</sup> In addition, purchasers \*\*\*.

were mailed purchaser questionnaires but responded only with importer questionnaires.<sup>44</sup> In addition, two producers, \*\*\*, also submitted purchaser questionnaires (under the name \*\*\* for \*\*\*).

Eight purchasers (\*\*\*,<sup>45</sup> \*\*\*) reported being mass merchandisers, two (\*\*\*) reported being supermarket chains, two (\*\*\*) reported being discount retailers, two (\*\*\*) reported being department stores, two (\*\*\*) reported being drug stores, one (\*\*\*) reported being a home improvement/ specialty store, one (\*\*\*) reported being a card and gift store, and one (\*\*\*) reported being a direct retailer. Almost all the purchasers sold to retail consumers except \*\*\* and \*\*\*. Seven purchasers (\*\*\*) reported competing with their suppliers for sales of petroleum wax candles.<sup>46</sup>

Seventeen purchasers expressed familiarity with U.S. petroleum wax candles, 15 with Chinese petroleum wax candles, and seven with petroleum wax candles from nonsubject countries. (Four purchasers did not answer the question.) Only two purchasers (\*\*\*) expressed familiarity with petroleum wax candles from only one country, and 13 purchasers expressed familiarity with both U.S. and Chinese petroleum wax candles.

Purchasers were asked to report their purchases of subject petroleum wax candles from the United States, China, and nonsubject countries, and their purchases of Chinese petroleum wax candles excluded from the antidumping order. Some purchasers had difficulty providing data due to inadequate records, but among those who did provide data for 1999-2004, eight purchasers reported increased purchases of U.S. petroleum wax candles, and one purchaser reported decreased purchases of U.S. petroleum wax candles. Three purchasers indicated increased purchases of Chinese subject petroleum wax candles over 1999-2004, and two indicated decreased purchases. Four purchasers reported increased purchases of Chinese candles excluded from the order, and one reported decreased purchases. Finally, five purchasers indicated increased purchases of petroleum wax candles from nonsubject countries, and three indicated decreased purchases.

Purchasers were also asked if their relative share of purchases from particular countries had changed since 1999. Five purchasers reported increasing their relative share of purchases from the United States, citing increased sales and faster lead times. Two purchasers reported decreasing their relative shares of purchases from the United States, with one stating that lower Chinese prices were the reason. Three purchasers indicated increasing their relative share of purchases from China, citing price and demand, while five indicated decreasing their relative share of purchases from China, citing the antidumping order and competitive prices from other sources. Five purchasers reported increasing their relative share of purchases from nonsubject countries, and four indicated decreasing their relative share of purchases from nonsubject countries. Changes in purchases from nonsubject countries were attributed to changes in demand, competition between suppliers, and the antidumping order on Chinese petroleum wax candles.

When asked if they had purchased Chinese petroleum wax candles before 1999, eight purchasers said no and 14 said yes. Of those 14, six stated they had reduced their purchases from China because of the order, three<sup>47</sup> stated they changed their purchasing pattern from China for other reasons, and six stated their purchasing pattern was essentially unchanged.

Purchasers were asked if they had changed their purchasing pattern for petroleum wax candles from nonsubject countries since 1999. Four indicated that they had increased their purchases of petroleum wax candles from nonsubject countries as a result of the order. Two stated that they had changed their purchases of petroleum wax candles from nonsubject countries for other reasons, and

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<sup>44</sup> It should also be noted that other importers, even those not mailed purchaser questionnaires, are retail sellers of petroleum wax candles. These importers include \*\*\*.

<sup>45</sup> \*\*\*.

<sup>46</sup> When asked to name their competitors, purchasers generally named other companies in the same general category, i.e., mass merchandiser, discount retailer, department store, etc.

<sup>47</sup> \*\*\* reported that \*\*\*.

another reported that it had decreased its purchases of petroleum wax candles from nonsubject countries. However, 12 purchasers indicated that their purchasing pattern for petroleum wax candles from nonsubject countries was essentially unchanged.

Seven purchasers said that they had not changed suppliers in the last five years, while 14 said that they had, and cited price and quality as reasons. (Several purchasers cited extensive lists of changes in suppliers over the last five years.) \*\*\*, for example, noted that it dropped and added suppliers annually or seasonally based on product selection and profitability. Twenty purchasers indicated they were not aware of any new suppliers in the last three years, while three reported that they were, naming \*\*. Twelve purchasers expressed that they did not expect any new suppliers, while five did, citing increased demand for petroleum wax candles. \*\*\* stated that it is concerned about the prices it is paying for petroleum wax candles, and will be investigating options involving \*\* petroleum wax candles. It added that the resolution of the antidumping order could affect its future sourcing.

### **Factors Affecting Purchasing Decisions**

Seventeen purchasers said that whether petroleum wax candles were produced in the United States or not was not an important factor in their purchasing decision. However, six stated that it was. \*\*\* estimated that \*\*\* percent of their petroleum wax candles were domestically produced, as preferred by their customers. Similarly, \*\*\* estimated that \*\*\* percent of its petroleum wax candles were domestically produced, again as preferred by its customers rather than required by law. \*\*\* also noted that some of its customers prefer domestically produced petroleum wax candles. \*\*\* reported that it buys all its regular line products from domestic producers.

Available data indicate that price, quality, and availability are the most important factors that influence purchasing decisions for petroleum wax candles.<sup>48</sup> Purchasers were asked to list the top three factors that they consider when choosing a supplier of petroleum wax candles. Table II-1 summarizes responses to this question. Purchasers were also asked to describe the importance of various purchasing factors, as summarized in table II-2. Price was an important factor for most purchasers, but many purchasers also reported not always buying the lowest price petroleum wax candles available.<sup>49</sup> Summaries of purchaser comparisons of domestic, subject, and nonsubject petroleum wax candles are presented in table II-3.

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<sup>48</sup> When asked what defines the quality of petroleum wax candles, purchasers listed many factors, including burn quality (soot, wick used, burn time), fragrance load, consumption of wax during burn, finish, leaking, styling, color, safety, consistent blend of wax and fragrance, smoking, stability, and consumer acceptance.

<sup>49</sup> When asked how often they purchase the petroleum wax candles offered to them at the lowest price, two purchaser said always, seven said usually, eight said sometimes, and six said never.

**Table II-1****Petroleum wax candles: Ranking of purchasing factors by purchasers**

Factor	Number of firms reporting		
	Number 1 factor	Number 2 factor	Number 3 factor
Quality	8	11	1
Price/cost	6	5	8
Color/ design/ style	3	1	1
Reliability	2	2	2
Availability	1	0	4
Customer service	0	1	0
Delivery time	0	0	5

Note.--Other factors mentioned include range and packaging. These answers were not included above.

Source: Compiled from data submitted in response to Commission questionnaires.

**Table II-2****Petroleum wax candles: Importance of purchasing factors**

Factor	Number of firms reporting			
	Very important	Somewhat important	Not important	No answer
Availability	19	4	0	0
Delivery terms	12	11	0	0
Delivery time	14	9	0	0
Discounts	7	11	4	1
Extension of credit	5	9	8	1
Price	20	3	0	0
Minimum quantity	6	7	9	1
Packaging	17	4	2	0
Product consistency	22	1	0	0
Quality meets industry standards	20	2	1	0
Quality exceeds industry standards	10	12	1	0
Product range	5	15	3	0
Reliability of supply	22	1	0	0
Technical support/service	4	12	7	0
U.S. transportation costs	5	11	7	0
Other	4	0	0	19

Note.--Other factors mentioned include design, style, trend, and compliance.

Source: Compiled from data submitted in response to Commission questionnaires.

**Table II-3**  
**Petroleum wax candles: Number of purchasers' comparisons of U.S.-produced and imported petroleum wax candles**

Factor	U.S. vs. China <sup>1</sup>			U.S. vs. nonsubject <sup>1</sup>			China vs. nonsubject <sup>1</sup>		
	S	C	I	S	C	I	S	C	I
Availability	4	12	1	0	12	0	0	11	0
Delivery terms	2	15	0	0	12	0	0	11	0
Delivery Time	10	7	0	3	9	0	0	10	1
Discounts	2	13	1	0	12	0	0	11	0
Extension of credit	0	15	0	0	12	0	0	11	0
Lower price <sup>2</sup>	0	9	7	0	10	2	1	10	0
Minimum quantity	2	12	2	0	10	2	0	11	0
Packaging	4	13	0	1	11	0	0	11	0
Product consistency	3	13	0	1	11	0	0	11	0
Quality meets industry standards	2	14	0	0	12	0	0	11	0
Quality exceeds industry standards	6	10	0	0	12	0	0	11	0
Product range	0	11	5	0	11	1	1	10	0
Reliability of supply	3	13	0	1	11	0	0	11	0
Technical support/service	5	11	0	2	10	0	0	11	0
U.S. transportation costs	3	13	0	0	12	0	0	11	0
Other	1	0	0	0	0	0	0	0	0

<sup>1</sup> S = first named source superior, C = products comparable, I = first named source inferior.

<sup>2</sup> A rating of superior means that the price is generally lower. For example, if a firm reports "U.S. superior," it means that the price of the U.S. product is generally lower than the price of the imported product.

Note.— Nonsubject consists of many countries including El Salvador, Germany, Guatemala, Hungary, India, Italy, Taiwan, and Thailand. One purchaser said that the U.S. was superior to China in communication. \*\*\* did not compare U.S. and China on price, but wrote that lower Chinese prices came at the expense of lower quality and availability. \*\*\* did not compare petroleum wax candles from different countries in its \*\*\* questionnaire, so no answers are included above. However, in its \*\*\* questionnaire, it described \*\*\* from the U.S., China, and Hong Kong as comparable in all the above factors.

Source: Compiled from data supplied in response to Commission questionnaires.

When asked how often U.S.-produced petroleum wax candles meet minimum quality specifications for their or their customers' uses, 10 purchasers said always, 10 said usually, and one said rarely or never. When asked how often Chinese subject petroleum wax candles meet minimum quality specifications, eight purchasers reported always, six reported usually, one reported sometimes, and one reported rarely or never. When asked how often Chinese nonsubject candles meet minimum quality specifications, four purchasers stated always and five stated usually. When asked how often nonsubject country petroleum wax candles meet minimum quality specifications, seven purchasers indicated always and five indicated usually, citing many countries, including El Salvador, Guatemala, Hong Kong, India, Italy, Korea, Mexico, Philippines, Poland, Taiwan, and Thailand.

Eleven purchasers reported that they required certification or qualification of their suppliers for 100 percent<sup>50</sup> of their purchases, while 10 did not require approval of suppliers for their purchases. The qualification process involves looking at quality (including laboratory burning tests) and available capacity. Approving a new supplier is usually based on candle burn quality, price, factory compliance, financial health, reliability, and brand. Approving a new supplier can take one to six months. Seventeen purchasers reported that no suppliers had failed to receive approval. However, four did report instances of failures to certify.

Purchasers were asked how often they make purchasing decisions on the basis of the producer of the petroleum wax candles involved. Five stated always, four stated usually, seven stated sometimes, and seven stated never. Those who answered always or usually cited quality (including candle burn), design, reputation, brand awareness, price, and reliability as reasons for choosing particular producers. Among those who answered sometimes, \*\*\* indicated that there were \*\*\*, and \*\*\* said that it looks at producers' quality, price, and reliability.

Purchasers were also asked how often their customers make purchasing decisions on the basis of the producer of the petroleum wax candles involved. Six reported sometimes, one reported usually, and 12 reported never. \*\*\* stated that some candle products benefit from increased awareness. \*\*\* also cited brand awareness and quality as reasons why customers sometimes or usually base purchasing decisions on producer.

Purchasers had mixed responses when they were asked how often they make purchasing decisions on the basis of the country of origin of the petroleum wax candles involved. One said always, two said usually, 10 said sometimes, and ten said never. Among those who answered sometimes, issues of transportation time, quality, preference for domestic product, and seasonal purchases were important.

Purchasers generally felt that their customers rarely made purchasing decisions on the basis of the country of origin of the petroleum wax candles involved. Four indicated sometimes, and 16 indicated never. \*\*\* noted that consumers will prefer U.S. petroleum wax candles if they are competitive on style and price, and \*\*\* reported that some customers will read the label to see if a product is domestically produced or not.

When asked if they ever specifically ordered petroleum wax candles from one country over others, 18 purchasers reported that they did not. However, five purchasers stated that they did, with four of those mentioning the United States as at least one of the countries. \*\*\* cited shorter U.S. lead times and more consistent product. \*\*\* also cited U.S. lead times and domestic origin cachet. \*\*\* said that it has preferred to order only U.S. petroleum wax candles in the past, but was becoming more interested in Chinese candles as quality improved. \*\*\* indicated that it purchased only from U.S. sources due to the antidumping order. \*\*\* also named China as its preferred source for novelty candles, and \*\*\* expressed that it sometimes prefers Chinese or Thai petroleum wax candles for price reasons.

Similarly, when purchasers were asked if certain grades or types of petroleum wax candles are only available from a single country source, 18 said no and four said yes. The four who answered yes generally cited high quality handcrafted or figural candles that are unique to China because of labor cost issues.

Purchasers cited a variety of reasons, including quality, lead times, product consistency, brand, and availability, when asked why they had sometimes purchased more expensive petroleum wax candles when less expensive petroleum wax candles were available. \*\*\* said it had purchased more expensive candles from \*\*\* because the \*\*\* firms were willing to use its scents and colors.

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<sup>50</sup> \*\*\*.

## Comparisons of Domestic Products and Subject Imports

Producers, importers, and purchasers were asked to assess how interchangeable petroleum wax candles from the United States were with petroleum wax candles from China and nonsubject countries. Their responses are summarized in table II-4.

**Table II-4**  
**Petroleum wax candles: U.S. producers', importers', and purchasers' perceived degree of interchangeability of product produced in the United States and in other countries**

Country comparison	Number of firms reporting											
	U.S. producers				U.S. importers				U.S. purchasers			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. China	20	5	3	1	13	6	10	4	8	9	0	1
U.S. vs. nonsubject	20	2	4	0	12	4	9	2	6	6	0	0
China vs. nonsubject	18	3	4	0	13	4	6	2	6	7	0	0

Note: A = Always; F = Frequently; S = Sometimes; N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Producers offered further comments on interchangeability of U.S. and Chinese petroleum wax candles. \*\*\* said that in the mass market, price is the only factor in petroleum wax candle sales. However, it added that in the high end markets, a petroleum wax candle needs to burn well and be well-packaged, and the Chinese can not yet supply petroleum wax candles with those qualities. \*\*\* also noted that Chinese petroleum wax candles are not of high enough quality to be interchangeable with premium petroleum wax candles. \*\*\* stated that Chinese petroleum wax candles have been known to use lead in their wicks and decorative paint, and are not tested under the same guidelines that the National Candle Association has agreed to follow. \*\*\* reported that it had observed copycat versions of its jar petroleum wax candles coming from China, with a similar jar yet lower quality wax that does not throw scent as well. It indicated that these copycat petroleum wax candles sell retail at prices \*\*\* that it sells at wholesale, while its own petroleum wax candles retail at \*\*\*. It added that U.S. consumers are primarily price-oriented in purchasing petroleum wax candles, and that quality differences are not as important. In contrast, \*\*\* expressed that “candles are candles” and are always interchangeable.

Importers also supplied further commentary on the interchangeability of U.S. and Chinese petroleum wax candles. \*\*\* stated that pillars and votives from most countries are interchangeable, but that U.S. jar petroleum wax candles are never interchangeable with other countries’ jar petroleum wax candles. \*\*\* also indicated that votives and pillars are interchangeable, and added that novelties are not, as U.S. producers do not manufacture them.<sup>51</sup> \*\*\* stated that U.S. producers will not make shaped or novelty petroleum wax candles at marketable prices. \*\*\* reported that it had not purchased U.S.-made petroleum wax candles since 1999, as U.S. producers could not meet its price targets. \*\*\* also indicated that it purchases on a case-by-case basis, and if it can not get the price it wants, it does not purchase. \*\*\*, while not filling out the chart, expressed that petroleum wax candles are always interchangeable. \*\*\* responded that it purchases on the basis of style and price, and that country of origin does not matter. \*\*\* indicated that many countries have limited product range. \*\*\* described U.S. producers as “very limited” in their ability to produce decorative candles, especially with hand detailing, silicone molding, and variety

<sup>51</sup> \*\*\*.

in texture and color. \*\*\* stated that it sells its U.S.-produced petroleum wax candles on the basis of their high quality and scent, but sells their Chinese petroleum wax candles as decorations, and described the two petroleum wax candle types as separate markets. \*\*\* reported that when petroleum wax candles are produced to specific quality and safety standards, they are interchangeable. It added that U.S. producers are more familiar with its standards. \*\*\* indicated that it believes that Chinese petroleum wax candles are of lower quality than other countries' petroleum wax candles in terms of burn and fragrance. \*\*\* expressed that unique designs, hand painting, decoration, and fragrance can make petroleum wax candles from different national sources only sometimes interchangeable.

Producers and importers were asked to assess how often differences other than price were significant in sales of petroleum wax candles from the United States, subject countries, or nonsubject countries. Their answers are summarized in table II-5.

**Table II-5**  
**Petroleum wax candles: U.S. producers' and importers' perceived importance of factors other than price in sales of petroleum wax candles produced in the United States and in other countries**

Country comparison	Number of firms reporting							
	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
U.S. vs. China	6	3	14	4	11	2	12	6
U.S. vs. nonsubject	3	3	14	4	6	2	6	12
China vs. nonsubject	4	1	10	4	6	2	12	5

Note: A = Always; F = Frequently; S = Sometimes; N = Never.  
Source: Compiled from data submitted in response to Commission questionnaires.

Producers offered further commentary on the importance of factors other than price. \*\*\* said that quality and lead times do have an impact in its sales of petroleum wax candles. \*\*\* indicated that low quality has been an issue with Chinese petroleum wax candles in the past, but that Chinese petroleum wax candle quality has improved since 1999. However, it added that quality is still an issue with Mexican petroleum wax candles. \*\*\* stated that price is the most important issue when consumers buy petroleum wax candles, but speed-to-market is also important. \*\*\* reported that U.S., Chinese, and Indian petroleum wax candles are similar because they are produced on the same equipment made by the same companies, and that the wicks also come from the same companies. \*\*\* said that in comparing U.S., Chinese, and nonsubject country petroleum wax candles, quality, availability, and lead times were key issues. \*\*\* stated that lead wicks used by Chinese petroleum wax candle manufacturers have been rejected by U.S. consumers. It added that U.S. manufacturers have not used lead wicks for ten years. \*\*\* expressed that even with the antidumping duty, it cannot compete with Chinese petroleum wax candles on price. It indicated that low-priced Chinese subject petroleum wax candles and even lower-priced Chinese nonsubject candles have forced it to sell product to higher end channels. \*\*\* noted that burn characteristics, fragrance, availability, and other quality issues are important in sales competition between U.S. and Chinese petroleum wax candles. \*\*\* stated that quality differences, brand equity, product innovation, customer service, and supply chain flexibility are important factors in sales, but that these differences (favorable to its sales versus Chinese petroleum wax candles) do not make its product immune to pressure from price differences. \*\*\* reported that its primary market is for premium petroleum wax candles. It stated that Chinese petroleum wax candles never compete on quality, but that for many consumers, price will usually decide the purchase. It added that some European imports are of comparable quality to its petroleum wax candles. \*\*\* indicated that sales of Chinese candles to big box

retailers (e.g., \*\*\*) take away from its sales to gift shop stores. \*\*\* reported that raw material and labor costs are two important areas where U.S. petroleum wax candle producers will never compete with Chinese manufacturers.

Importers also had further commentary on the importance of factors other than price. \*\*\* expressed that its imports of \*\*\* petroleum wax candles are not competitive in terms of price but are unique in terms of design and artistic value. \*\*\* did not fill out the chart but stated that non-price differences are never significant. \*\*\* indicated that petroleum wax candles are not easily sourced from the United States because of poor product range and availability. \*\*\* both emphasized that price is the most important factor, especially as \*\*\*. \*\*\* reported that China has the expertise to produce novelty petroleum wax candles, and that the United States and Thailand do not have sufficient production capacity for all its needs. \*\*\* noted that product range is also important, \*\*\* noted that style and production can affect purchasing decisions, and \*\*\* emphasized quality, craftsmanship, and consistency of product. \*\*\* indicated that quality from China has not been acceptable in the past. \*\*\* stated that lead time for petroleum wax candles from China (8 weeks) and other countries (4-8 weeks) is significant.

## **ELASTICITY ESTIMATES**

### **U.S. Supply Elasticity**

The domestic supply elasticity for petroleum wax candles depends on factors such as the level of excess capacity, the ability to shift production to alternate products, and the availability of alternate markets. U.S. producers have limited alternative production possibilities and \*\*\*, but substantial room to increase capacity utilization. Analysis of these factors indicates that the domestic producers of petroleum wax candles have \*\*\* ability to alter domestic shipments in response to a change in the relative price of petroleum wax candles. An estimate in the range of 3 to 5 is suggested.

### **U.S. Demand Elasticity**

The U.S. demand elasticity for petroleum wax candles depends on the availability of substitute products as well as the importance of petroleum wax candles to their consumers. There are few substitutes for petroleum wax candles in the same price range, but petroleum wax candle demand may be somewhat price sensitive. Based on the available information, the aggregate demand elasticity for petroleum wax candles is likely to be in the range of -0.5 to -1.5.

### **Substitution Elasticity**

The elasticity of substitution depends on the extent of product differentiation between the domestic and imported products. Product differentiation depends on factors such as the range of products produced, quality, availability, and the reliability of supply. Based on available information, Chinese petroleum wax candles are substitutable for domestic petroleum wax candles in almost all end uses; there are differences in quality and lead time, but these differences seem relatively unimportant in purchasing decisions given the extent to which even nonsubject petroleum wax candles have competed with U.S. petroleum wax candles. Based on these factors, staff estimates the substitution elasticity between domestic petroleum wax candles and that imported from China to be in the range of 4 to 8.



## PART III: CONDITION OF THE U.S. INDUSTRY

During this second five-year review, the NCA identified over 400 U.S. producers of candles.<sup>1</sup> Questionnaires were sent to the 62 member companies of the NCA, as these firms are estimated to account for approximately 75 percent of U.S. candle production.<sup>2</sup> Useable responses were received from 39 firms, which accounted for an estimated 63 percent of U.S. production of petroleum wax candles during 2003.<sup>3 4</sup> Table III-1 presents a list of the responding firms, their U.S. production, and shares of U.S. production during 2004.

**Table III-1**

**Petroleum wax candles: U.S. producers, U.S. production, and shares of production, by firm, 2004**

\* \* \* \* \*

### CHANGES IN THE DOMESTIC INDUSTRY

According to the NCA, the number of U.S. candle producers increased significantly subsequent to the original investigation through 1998, followed by a contraction in the industry.<sup>5</sup> Some consolidation in the industry has also occurred since the original investigation.

All but four (Colonial Candle of Cape Cod, Lenox Candles, Hallmark Cards, and WNS, Inc.) of the large U.S. candle producers identified in the original investigation continue to produce candles. Candle Corporation of America ("Candle Corp."), which is now owned by Blyth, acquired Colonial Candle of Cape Cod in 1990-91 and Lenox Candles in 1987. Blyth/Candle Corp. acquired Hallmark's Canterbury candle product line and related candlemaking equipment in February 1996. Hallmark Cards thus no longer manufactures candles, but \*\*\* candles. WNS, Inc. sold its candle manufacturing facilities to Home Fragrance Holdings, a U.S. candle producer.<sup>6</sup>

Since the original investigation, numerous companies have begun candle production and many companies have ceased production of candles. According to the NCA, five firms have entered the candle business and become sizeable U.S. producers of candles: Aspen Bay, Barn Candles, Gold Canyon, Hanna's, and Salt City.<sup>7</sup> Since 1999, six firms (Best Candle, LLC; Hillhouse Naturals Farm, Ltd.; Hot Wax Candle Company, Inc.; Lamplight Farms; CERES; and Stone Candles) have ceased production of candles.<sup>8</sup> \*\*\* indicated in its questionnaire response that it ceased production of candles in October 2003.

Blyth/Candle Corp. has been the most responsible for consolidation in the U.S. candle industry since the original investigation. In addition to the acquisitions mentioned above, it acquired Old Harbor Candles (located in Hyannis, MA) in the 1985-86 period but shut this production facility down by 1989.

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<sup>1</sup> NCA's response to notice of institution, September 21, 2004, attach. Q.

<sup>2</sup> NCA's response to notice of institution, September 21, 2004, p. 2 and attach. A.

<sup>3</sup> Estimate based on data presented in NCA's supplement and clarification of response to institution, October 7, 2004, revised attach. S.

<sup>4</sup> Five of these firms indicated in conversations with staff that the data provided in their producer questionnaires included data for their blended candles.

<sup>5</sup> E-mail from Randy Stayin, counsel to NCA, May 2, 2005.

<sup>6</sup> Ibid.

<sup>7</sup> The Commission received producer questionnaires from Aspen Bay, Gold Canyon, and Hanna's. The Commission \*\*\*. Barn Candles stated that it produces \*\*\*. Staff telephone interview with \*\*\*, Barn Candles, June 6, 2005.

<sup>8</sup> E-mail from Randy Stayin, counsel to NCA, May 2, 2005.

In 1992, Blyth/Candle Corp. acquired Aromatics Industries, which has a facility in Ontario, CA. This facility was relocated to Fontana, CA in 1993-94.<sup>9</sup>

### U.S. PRODUCERS' CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Data on U.S. producers' capacity, production, and capacity utilization are presented in table III-2. The production data are compiled from responses from 39 responding producers, which represent approximately 63 percent of total U.S. production, by quantity, during 2003. U.S. producers' capacity to produce candles increased from 548.4 million pounds in 1999 to 695.7 million pounds in 2004. U.S. production of candles fluctuated over the period of review but by 2004 was flat compared to production in 1999. Capacity utilization thus fell from 65.7 percent in 1999 to 51.9 percent in 2004.

**Table III-2**

**Petroleum wax candles: U.S. producers' capacity, production, and capacity utilization, 1999-2004<sup>1</sup>**

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Capacity (1,000 pounds)	548,420	597,371	618,609	614,811	644,047	695,671
Production (1,000 pounds)	360,164	357,383	315,577	324,359	328,936	361,269
Capacity utilization (percent)	65.7	59.8	51.0	52.8	51.1	51.9
<sup>1</sup> The data herein differ from that presented in the prehearing report due to large revisions reported by ***. Source: Compiled from data submitted in response to Commission questionnaires.						

### U.S. PRODUCERS' DOMESTIC SHIPMENTS, COMPANY TRANSFERS, AND EXPORT SHIPMENTS

Data on the U.S. industry's commercial shipments, internal consumption, transfers to related firms, and export shipments of petroleum wax candles are presented in table III-3. The quantity of U.S. commercial shipments of candles increased between 1999 and 2002, declined slightly in 2003, and then grew in 2004. Commercial shipments in 2004 of 332.0 million pounds were 18.7 percent larger than in 1999. The value of U.S. commercial shipments of candles fluctuated over the period of review, with shipments in 2004, valued at \$962.2 million, 3.8 percent higher than in 1999. Average unit values of U.S. commercial shipments generally decreased over the period, from \$3.31 per pound in 1999 to \$2.90 per pound in 2004. The average unit value in 2004 was 12.4 percent less than in 1999.

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<sup>9</sup> Ibid.

**Table III-3**  
**Petroleum wax candles: U.S. producers' shipments, by type, 1999-2004<sup>1</sup>**

Item	1999	2000	2001	2002	2003	2004
<b>Quantity (1,000 pounds)</b>						
Commercial shipments	279,806	290,202	307,940	308,834	302,630	332,005
Internal consumption <sup>2</sup>	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***
U.S. shipments	293,238	315,042	333,688	337,052	330,304	361,272
Export shipments <sup>3</sup>	13,855	14,211	11,879	11,784	11,843	11,886
Total shipments	307,094	329,253	345,567	348,837	342,147	373,158
<b>Value (\$1,000)</b>						
Commercial shipments	927,270	947,962	919,143	893,636	935,193	962,214
Internal consumption <sup>2</sup>	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***
U.S. shipments	1,058,797	1,149,911	1,124,558	1,101,018	1,165,266	1,213,666
Export shipments <sup>3</sup>	65,427	61,680	58,534	65,878	64,157	70,485
Total shipments	1,124,224	1,211,591	1,183,092	1,166,897	1,229,423	1,284,151
<b>Unit value (per pound)</b>						
Commercial shipments	\$3.31	\$3.27	\$2.98	\$2.89	\$3.09	\$2.90
Internal consumption <sup>2</sup>	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***
U.S. shipments	3.61	3.65	3.37	3.27	3.53	3.36
Export shipments <sup>3</sup>	4.72	4.34	4.93	5.59	5.42	5.93
Average	3.66	3.68	3.42	3.35	3.59	3.44
<b>Share of quantity (percent)</b>						
Commercial shipments	91.1	88.1	89.1	88.5	88.5	89.0
Internal consumption <sup>2</sup>	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***
U.S. shipments	95.5	95.7	96.6	96.6	96.5	96.8
Export shipments <sup>3</sup>	4.5	4.3	3.4	3.4	3.5	3.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
<sup>1</sup> The data herein differ from that presented in the prehearing report due to large revisions reported by ***. <sup>2</sup> ***. <sup>3</sup> Sixteen U.S. producers reported exports of candles. Major export markets included Canada, Mexico, the EU, and Australia. <sup>4</sup> ***.						
Source: Compiled from data submitted in response to Commission questionnaires.						

The quantity and value of U.S. producers' transfers of candles to related firms increased over the period. The quantity of transfers to related firms \*\*\*. The value of transfers grew \*\*\*. The quantity of U.S. producers' exports of candles was less than 5 percent of total shipments of candles in each year of the period. Exports of candles fell from 13.9 million pounds in 1999 to 11.9 million pounds in 2004, but the value of these exports increased by 7.7 percent.

### U.S. PRODUCERS' INVENTORIES

Data relating to U.S. producers' end-of-period inventories of petroleum wax candles are presented in table III-4. These inventories steadily declined over the period. Year-end 2004 inventories were one-half of year-end 1999 inventories. U.S. producers' inventories as a share of U.S. production and as a share of U.S. shipments decreased between 1999 and 2004, from 62.0 percent to 31.5 percent and from 76.1 percent to 31.5 percent, respectively.

**Table III-4**  
**Petroleum wax candles: U.S. producers' inventories, and ratios to production and shipments, 1999-2004<sup>1</sup>**

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Inventories (1,000 pounds)	223,250	197,458	164,090	138,771	126,614	113,655
Ratio to production (percent)	62.0	55.3	52.0	42.8	38.5	31.5
Ratio to U.S. shipments (percent)	76.1	62.7	49.2	41.2	38.3	31.5
Ratio to total shipments (percent)	72.7	60.0	47.5	39.8	37.0	30.5

<sup>1</sup> The data herein differ from that presented in the prehearing report due to large revisions reported by \*\*\*.

Source: Compiled from data submitted in response to Commission questionnaires.

### U.S. PRODUCERS' EMPLOYMENT, WAGES, AND PRODUCTIVITY

Information regarding U.S. producers' employment-related data is presented in table III-5. The number of production and related workers (PRWs) declined by 13.5 percent between 1999 and 2004, from 5,076 to 4,389. Reflecting the drop in employment, the number of hours worked by PRWs fell by 8.6 percent during the period. Wages paid to PRWs, however, declined by only 0.4 percent, as hourly wages increased from \$11.20 to \$12.16. The productivity of U.S. candle producers rose by 9.8 percent between 1999 and 2004, while unit labor costs were flat.

**Table III-5****Petroleum wax candles: U.S. producers' employment-related data, 1999-2004**

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
PRWs ( <i>number</i> )	5,076	5,025	4,692	4,828	4,680	4,389
Hours worked ( <i>1,000</i> )	9,556	9,527	8,855	9,098	9,136	8,735
Wages paid ( <i>\$1,000</i> )	107,247	112,103	104,915	108,215	110,601	106,839
Hourly wages	\$11.20	\$11.72	\$11.81	\$11.83	\$12.05	\$12.16
Productivity ( <i>pounds per hour</i> )	37.6	37.4	35.6	35.6	35.9	41.3
Unit labor costs ( <i>per pound</i> )	\$0.30	\$0.31	\$0.33	\$0.33	\$0.34	\$0.30
Source: Compiled from data submitted in response to Commission questionnaires.						

**U.S. PRODUCERS' IMPORTS AND PURCHASES**

Table III-6 presents information regarding U.S. producers' U.S. imports and purchases of imports of petroleum wax candles from China. \*\*\* U.S. producers imported and/or purchased candles from China and other sources. Imports of candles from China and purchases of imports of candles from China accounted for a small share of these \*\*\* companies' production of candles during the period of review.

**Table III-6****Petroleum wax candles: U.S. producers' production, imports, purchases of imports, and ratios to production, 1999-2004**

\* \* \* \* \*

## FINANCIAL EXPERIENCE OF U.S. PRODUCERS

### Background

This section of the report presents the financial results of 30 U.S. producers of petroleum wax candles.<sup>10</sup> The majority of firms reported their financial results based on U.S. generally accepted accounting principles (“GAAP”) representing a mix of financial periods.<sup>11</sup>

Most of the overall petroleum wax candle activity represented commercial sales. Smaller volumes of transfers and internal consumption were also reported.<sup>12</sup>

On May 16 and 17, 2005, staff conducted a verification of the U.S. producers’ questionnaire response of Candle Corp., a subsidiary of Blyth. Revisions pursuant to verification are reflected in this and other affected sections of the report. As indicated in footnote 12 and the note to table III-7, the industry’s financial results were also affected by the use of \*\*\*.

### Operations on Petroleum Wax Candles

Income-and-loss data for petroleum wax candle producers are presented in table III-7 and on an average unit basis in table III-8.<sup>13</sup> Selected company-specific financial information is presented in table III-9.

U.S. producers ranged from relatively small producers to large manufacturing operations. Some companies produce only petroleum wax candles, while others manufacture and sell a range of complementary products.<sup>14</sup> The types of candles being sold, based on company-specific average unit values, also reflect variations in product mix and marketing channels.<sup>15</sup> Two of Blyth’s subsidiaries, Candle Corp. and Party Lite, reported their operations separately and help to illustrate these differences, as shown in table III-9. Blyth’s 10-K indicates that the company is currently divided into three reporting segments – Direct Selling, Wholesale, and Catalog & Internet. Party Lite is reportedly the brand name of all products (including petroleum wax candles) marketed through the Direct Selling segment – which itself is the largest and most profitable of Blyth’s segments. According to the company’s 10-K, “{Party Lite} products are designed, packaged and priced in a manner appropriate to the premium nature of their quality and exclusivity and distribution channel through which they are sold.”<sup>16</sup> In response to a question

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<sup>10</sup> Companies that provided incomplete financial data and/or that were unable/unwilling to provide corrections or clarification regarding their data were generally excluded from this section of the report and related parts of app. C, and app. F.

<sup>11</sup> \*\*\*.

<sup>12</sup> \*\*\*.

<sup>13</sup> CDSOA receipts are included in the other income section of table III-7. This is the standard income statement classification used by companies for external reporting purposes. Table I-3 of this report shows total CDSOA disbursements reported by Customs from 2001 through 2004. Total disbursements reported in table I-3 and total receipts reported in table III-7 do not match on an annual basis. Based on a company-by-company review of annual receipts, this is primarily due to fiscal period differences between the U.S. government and companies receiving CDSOA funds.

<sup>14</sup> Firms reporting that they only produce petroleum wax candles represented the majority of companies.

<sup>15</sup> Because of inter/intra-company variations in product mix, a variance analysis is not presented in this report.

<sup>16</sup> Blyth 10-K for the period ending January 31, 2004, p. 4.

Table III-7

## Results of petroleum wax candle operations, calendar and fiscal years 1999-2004

Item	Calendar and fiscal year					
	1999	2000	2001	2002	2003	2004
<b>Quantity (1,000 pounds)</b>						
Commercial sales	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***
Transfers	***	***	***	***	***	***
Total net sales quantity	294,484	333,537	354,875	349,524	339,123	367,227
<b>Value (\$1,000)</b>						
Commercial sales	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***
Transfers	***	***	***	***	***	***
Total net sales value	1,039,120	1,205,903	1,213,118	1,269,768	1,326,889	1,356,196
Cost of goods sold:						
Raw material	336,898	411,689	419,738	431,912	446,878	464,057
Direct labor	58,360	68,200	69,132	73,589	77,108	79,152
Other factory costs	130,890	138,875	149,554	158,033	162,941	165,932
Total cost of goods sold	526,148	618,764	638,424	663,534	686,927	709,141
Gross profit	512,971	587,139	574,694	606,234	639,962	647,055
SG&A expenses	303,664	364,677	368,169	406,548	427,030	432,080
Operating income	209,308	222,462	206,524	199,687	212,932	214,975
Interest expense	24,694	23,021	15,944	9,890	8,007	7,910
Other expenses	2,479	6,830	7,962	6,365	10,988	14,062
CDSOA funds received	0	0	1,658	33,379	48,644	20,126
Other income items	2,126	7,269	9,267	7,305	15,397	9,401
Net income	184,261	199,880	193,544	224,116	257,978	222,530
Depreciation included above	45,218	41,248	42,499	44,619	47,449	47,981
Estimated cash flow	229,479	241,129	236,043	268,735	305,427	270,511
<b>Ratio to net sales (percent)</b>						
Raw material	32.4	34.1	34.6	34.0	33.7	34.2
Direct labor	5.6	5.7	5.7	5.8	5.8	5.8
Other factory costs	12.6	11.5	12.3	12.4	12.3	12.2
Cost of goods sold	50.6	51.3	52.6	52.3	51.8	52.3
Gross profit	49.4	48.7	47.4	47.7	48.2	47.7
SG&A expenses	29.2	30.2	30.3	32.0	32.2	31.9
Operating income	20.1	18.4	17.0	15.7	16.0	15.9
Net income	17.7	16.6	16.0	17.7	19.4	16.4
<b>Number of producers reporting</b>						
Operating losses	3	5	7	6	10	13
Data	25	27	28	28	29	29

Note: \*\*\*.

Source: Compiled from data submitted in response to Commission questionnaires.

regarding \*\*\*.<sup>17</sup> While Blyth's 10-K does not separately describe the operations of Candle Corp., at verification the company confirmed that Candle Corp. is part of \*\*\* and does business as \*\*\*.<sup>18</sup> According to Blyth, \*\*\*.<sup>19</sup>

**Table III-8**  
**Results of petroleum wax candle operations (*per pound*), calendar and fiscal years 1999-2004**

Item	Calendar and fiscal year					
	1999	2000	2001	2002	2003	2004
<b>Unit value (<i>per pound</i>)</b>						
Commercial sales	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***
Transfers	***	***	***	***	***	***
Total net sales	\$3.53	\$3.62	\$3.42	\$3.63	\$3.91	\$3.69
Cost of goods sold:						
Raw material	1.14	1.23	1.18	1.24	1.32	1.26
Direct labor	0.20	0.20	0.19	0.21	0.23	0.22
Other factory costs	0.44	0.42	0.42	0.45	0.48	0.45
Total cost of goods	1.79	1.86	1.80	1.90	2.03	1.93
Gross profit	1.74	1.76	1.62	1.73	1.89	1.76
SG&A expenses	1.03	1.09	1.04	1.16	1.26	1.18
Operating income	0.71	0.67	0.58	0.57	0.63	0.59
Note: See footnote 12, note to table III-7, and note to table III-9 regarding revision of financial results compared to the prehearing report.						
Source: Compiled from data submitted in response to Commission questionnaires.						

While overall revenue was higher at the end of the period, company-specific trends varied as shown in table III-9. Of those companies reporting sales throughout the period, over half reported lower sales revenue in 2004 compared to 1999. While the remaining companies reported higher sales, the increase in the industry's sales is \*\*\*.<sup>20</sup> In addition to \*\*\*. What appear to be relatively low initial capital requirements may help to explain the ability of newer companies, at least from a manufacturing standpoint, to enter the market.<sup>21</sup>

<sup>17</sup> Blyth supplemental response to staff questions, April 19, 2005.

<sup>18</sup> Staff verification report, Candle Corp., p. 4.

<sup>19</sup> Blyth supplemental response to staff questions, April 26, 2005. Appendix F separately presents estimated financial results on non-direct sales activity (all companies and operations reflected in table III-7 except Gold Canyon, Party Lite, and Yankee Candle's estimated wholesale activity) and direct selling activity (Gold Canyon, Party Lite, and Yankee Candle's estimated retail sales activity).

<sup>20</sup> E-mail from \*\*\*, April 16, 2005.

<sup>21</sup> \*\*\*, April 6, 2005.

**Table III-9**  
**Results of petroleum wax candle operations, by firm, calendar and fiscal years 1999-2004**

\* \* \* \* \*

With respect to companies reporting lower sales at the end of the period, firms indicated that in some cases this was caused by lost volume to mass merchandiser accounts with core business shrinking to specialty shops.<sup>22</sup> In other cases, sales were entirely dependent on specialty stores whose purchases reportedly declined during the period.<sup>23</sup> Lancaster/Candle-lite, Inc., which reported \*\*\*, states in its 10-K that “. . . candles, candle accessories, and other home fragrance products . . . are primarily sold to the mass merchandise markets as well as to supermarkets, drug stores and specialty shops . . .”<sup>24</sup> Given the specialized nature of production equipment, reduced company-specific sales were generally not attributed to a shift to non-candle products.

Raw material costs include petroleum wax, additives, fragrance, wicks, glass, and other container/packaging-related items. \*\*\* noted that \*\*\*.<sup>25</sup> While some producers indicated that the price of petroleum wax increased throughout the period, others stated that significant increases only occurred at the end of the period.

As shown in table III-8, overall average unit raw material costs were marginally higher at the end of the period compared to the beginning. According to one producer, it was specifically the price of \*\*\*.<sup>26</sup> While some producers indicated that the grade of petroleum wax used did not change, it appears that reformulation to different grades/quality of petroleum wax and fragrances was relatively common during the period. Several companies stated that they were able to reduce petroleum wax costs by more intensively recovering waste wax. In other cases, the accuracy of the reported raw material value (and the trends reported) may be somewhat limited. For example, one company official stated that he was confident that total manufacturing costs reported to the Commission were correct, but noted that the allocation of cost to raw material was only an estimate.<sup>27</sup> This is likely true, to a greater or lesser extent, for other companies as well. Finally and as confirmed by a number of companies, product mix changed somewhat during the period which would have in turn affected average unit raw material costs.

Gross margins shown in table III-7 are relatively high compared to what the Commission typically sees, but are offset somewhat by SG&A ratios which are also relatively high.<sup>28</sup> While the majority of U.S. producers reported lower gross profit in 2004 compared to 1999, higher absolute profitability at the end of the period was primarily due to the companies, referenced above, that reported notable revenue growth.

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<sup>22</sup> According to \*\*\*. E-mail from \*\*\*, April 18, 2005.

<sup>23</sup> \*\*\*. Staff telephone interview with \*\*\*, April 14, 2005. This company’s data are not presented in the report because of the absence of volume and cost break outs.

<sup>24</sup> Lancaster/Candle-lite, Inc. 10-K for period ending June 30, 2004, p. 4.

<sup>25</sup> Staff telephone interview with \*\*\*, April 6, 2005.

<sup>26</sup> Lancaster/Candle-lite, Inc. supplemental response to staff questions, April 12, 2005. \*\*\*.

<sup>27</sup> Staff telephone interview with \*\*\*, April 7, 2005.

<sup>28</sup> The relatively high gross profit and SG&A expense ratios appear to be similar to what the industry reported in the mid-1980’s. During that time average gross profit ratios for petroleum wax candles ranged from \*\*\* percent. SG&A expense ratios ranged from \*\*\* percent. *Candles from the People’s Republic of China, Investigations Nos. 731-TA-282 (Final Staff Report)*, August 6, 1986, table 16 and table 17, pp. A-40-41.

As indicated previously, a number of the U.S. producers represent smaller businesses. In follow-up interviews, staff asked whether or not SG&A expenses included distributions to owners beyond routine salaries. In most cases, the response was that SG&A expenses included salaries, and in some instances bonuses. \*\*\*.

Although relatively high SG&A expense ratios appear to be normal for this industry, some companies also reported large period-to-period variations.<sup>29</sup> \*\*\*.<sup>30</sup> Lancaster/Candle-lite, Inc.'s 2002 SG&A expenses \*\*\*,<sup>31</sup> while American Greetings' \*\*\*.<sup>32</sup>

### Capital Expenditures and Research and Development Expenses

Data on capital expenditures and research and development (“R&D”) expenses are shown in table III-10.

**Table III-10**  
**Petroleum wax candles: Capital expenditures and R&D expenses, calendar and fiscal years 1999-2004**

Item	Calendar and fiscal year					
	1999	2000	2001	2002	2003	2004
	Value (\$1,000)					
Capital expenditures	26,310	31,095	23,929	24,207	20,056	17,951
R&D expenses	2,381	2,791	3,031	3,259	3,597	3,706

Source: Compiled from data submitted in response to Commission questionnaires.

\*\*\* share of cumulative capital expenditures, followed by \*\*\*. The remaining companies' share of total capital expenditures was \*\*\* percent or less. With respect to its \*\*\* in sales during the period, Yankee Candle stated that \*\*\*.<sup>33</sup> According to Yankee Candle's 10-K, the company's retail store count also grew from 102 stores in 1999 to 345 stores in 2004.<sup>34</sup>

While most companies reported some level of capital expenditures during the period, somewhat less than half reported R&D expenses. About \*\*\* of cumulative R&D expenses were accounted for by \*\*\*. Narrative information in that company's questionnaire response states that \*\*\*\*\*. While \*\*\* (Yankee Candle) \*\*\* were also incurred by Yankee Candle.<sup>35</sup> Whether or not isolated specifically to R&D, this activity would normally be classified as a component of SG&A expenses.

<sup>29</sup> See note to table III-7 regarding \*\*\*.

<sup>30</sup> Blyth supplemental response to staff questions, April 26, 2005.

<sup>31</sup> Lancaster/Candle-lite, Inc. supplemental response to staff questions, April 12, 2005.

<sup>32</sup> \*\*\*. E-mail from \*\*\*, April 23, 2005.

<sup>33</sup> E-mail from \*\*\*, April 16, 2005.

<sup>34</sup> Yankee Candle 10-K for the period ending January 1, 2000, p. 5. Yankee Candle 10-K for the period ending January 1, 2005, p. 2.

<sup>35</sup> Yankee Candle's 10-K states “{w}e have a long history as a product innovator in the premium candle segment of the giftware industry. We have a strong and experienced in-house product design and development team comprised of artists, fragrance specialists, designers, packagers and buyers who work collaboratively to design new products that are attractive to customers and can be manufactured cost-effectively. New products are typically developed in less than a year.” Yankee Candle 10-K for the period ending January 1, 2005, p. 6.

## Assets and Return On Investment

The reported value of assets and calculated return on investment is shown in table III-11.

**Table III-11**

**Petroleum wax candles: Consolidated value of assets and return on investment, calendar and fiscal years 1999-2004**

Item	Calendar and fiscal year					
	1999	2000	2001	2002	2003	2004
	<i>Value (\$1,000)</i>					
<b>Total assets<sup>1</sup></b>	885,407	991,282	1,034,912	1,036,659	1,037,703	1,047,810
	<b>Ratio of operating income to assets (<i>percent</i>)</b>					
<b>Return on investment<sup>1</sup></b>	23.6	22.4	19.9	19.3	20.5	20.5
<p><small>1 ***</small></p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>						



## **PART IV: U.S. IMPORTS AND THE FOREIGN INDUSTRY**

### **U.S. IMPORTS**

Importer questionnaires were sent to 137 importers, which were identified in a search of proprietary Customs data (HTS subheading 3406.00.00) as having imported more than \$500,000 worth of wax candles over the period of review. Useable responses were received from 47 importers, and the import data provided by these firms accounted for 22 percent of total candle imports from China during 1999 and slightly more than 50 percent of the quantity of candle imports from China during 2004. Because of the limited data coverage through questionnaire responses and the lack of a meaningful method to breakout subject imports from nonsubject imports, the import data in this report, therefore, generally are based on official Commerce statistics which are overly broad and include all wax candles.

Data regarding U.S. imports of candles, as reported by Commerce, are presented in table IV-1 and graphically depicted in figure IV-1. Total U.S. imports of wax candles declined by 15.5 percent between 1999 and 2004, from 436.3 million pounds to 368.6 million pounds. The value of total U.S. imports of wax candles also decreased, from \$520.9 million in 1999 to \$460.7 million in 2004. U.S. imports of wax candles from China declined from 151.9 million pounds in 1999 to 133.6 million pounds in 2001, but then rose steadily over the next 3 years to total 208.1 million pounds in 2004. The value of these imports grew from \$149.2 million in 1999 to \$219.5 million in 2004. The average unit value of U.S. imports of wax candles from China fluctuated over the period and ranged from \$0.98 per pound in 1999 to \$1.13 per pound in 2001. China's share of the quantity of total U.S. imports of wax candles steadily increased from 34.8 percent in 1999 to 56.4 percent in 2004.

Information regarding U.S. imports of candles from China (subject and nonsubject), as reported by U.S. importers, is presented in table IV-2 and graphically depicted in figure IV-2. Imports of subject types of candles from China decreased over the period of review, from 43 percent of reported imports from China in 1999 to 13 percent during 2004,<sup>1</sup> while imports of nonsubject candles, conversely, increased.

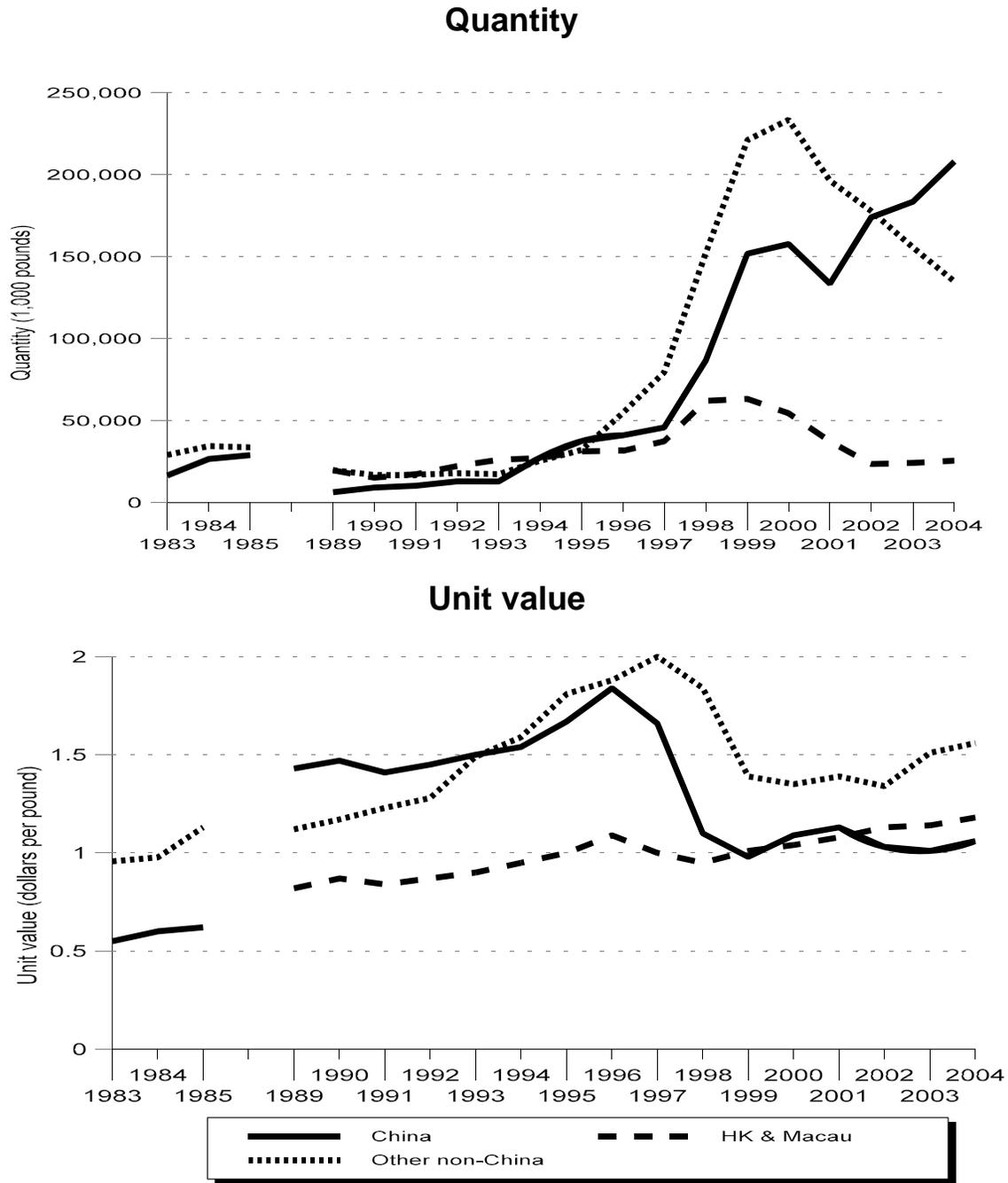
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<sup>1</sup> The NCA states that Customs investigations in 1998 and 2000 involving false declarations by some U.S. importers of petroleum wax candles from China and annual Customs data on the value of candle entries from China assessed the antidumping duty indicate that the volume of subject imports reported herein is significantly understated. According to the NCA, the volume of subject imports from China totaled at least 61.3 million pounds in 1999, 72.7 million pounds in 2000, and 57.6 million pounds in 2001. NCA's posthearing brief, pp. 27-30.

**Table IV-1**  
**Candles: U.S. imports, by sources, 1999-2004**

Source	Calendar year					
	1999	2000	2001	2002	2003	2004
	<b>Quantity (1,000 pounds)</b>					
China	151,908	156,765	133,553	174,165	183,644	208,073
Hong Kong & Macau	63,319	54,526	37,435	23,557	24,238	25,577
All other sources	221,077	233,528	196,451	177,844	155,613	134,975
Total imports	436,304	444,819	367,439	375,566	363,495	368,624
	<b>Value, landed duty-paid (\$1,000)</b>					
China	149,240	171,593	151,162	179,244	185,143	219,540
Hong Kong & Macau	63,746	56,669	40,528	26,554	27,725	30,303
All other sources	307,950	315,468	272,280	238,302	234,342	210,874
Total imports	520,937	543,729	463,970	444,099	447,211	460,717
	<b>Unit value (per pound)</b>					
China	\$0.98	\$1.09	\$1.13	\$1.03	\$1.01	\$1.06
Hong Kong & Macau	1.01	1.04	1.08	1.13	1.14	1.18
All other sources	1.39	1.35	1.39	1.34	1.51	1.56
Total imports	1.19	1.22	1.26	1.18	1.23	1.25
	<b>Share of quantity (percent)</b>					
China	34.8	35.2	36.3	46.4	50.5	56.4
Hong Kong & Macau	14.5	12.3	10.2	6.3	6.7	6.9
All other sources	50.7	52.5	53.5	47.4	42.8	36.6
Total imports	100.0	100.0	100.0	100.0	100.0	100.0
	<b>Share of value (percent)</b>					
China	28.6	31.6	32.6	40.4	41.4	47.7
Hong Kong & Macau	12.2	10.4	8.7	6.0	6.2	6.6
All other sources	59.1	58.0	58.7	53.7	52.4	45.8
Total imports	100.0	100.0	100.0	100.0	100.0	100.0
Source: Compiled from official Commerce statistics.						

**Figure IV-1**  
**Candles: U.S. imports, by sources, 1983-85 and 1989-2004**



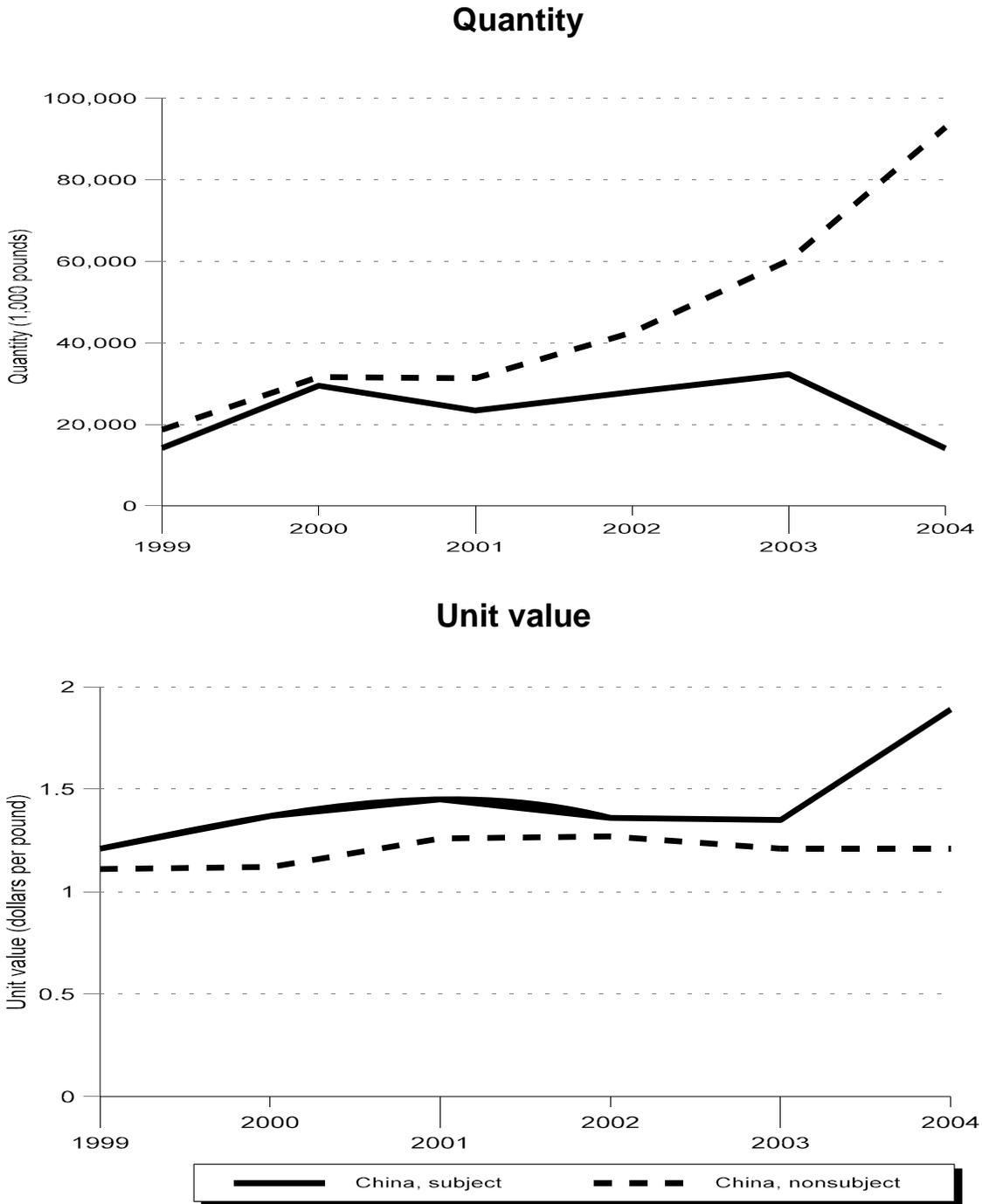
Note: Data for years 1986-88 are not available.

Source: Compiled from official Commerce statistics and *Petroleum Wax Candles From China*, Inv. No. 731-TA-282 (Review), USITC Publication 3226, August 1999, table I-2.

**Table IV-2**  
**Candles: U.S. imports of subject and nonsubject product from China, 1999-2004<sup>1</sup>**

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
	<b>Quantity (1,000 pounds)</b>					
China (subject)	14,207	29,494	23,420	27,946	32,324	14,076
China (nonsubject) <sup>2</sup>	18,699	31,606	31,305	42,545	60,258	92,915
Total imports from China	32,906	61,100	54,725	70,491	92,582	106,990
	<b>Value, landed duty-paid (\$1,000)</b>					
China (subject)	17,207	40,317	34,021	38,105	43,650	26,635
China (nonsubject)	20,720	35,545	39,432	54,072	72,715	111,984
Total imports from China	37,927	75,862	73,452	92,177	116,365	138,618
	<b>Unit value (per pound)</b>					
China (subject)	\$1.21	\$1.37	\$1.45	\$1.36	\$1.35	\$1.89
China (nonsubject)	1.11	1.12	1.26	1.27	1.21	1.21
Total imports from China	1.15	1.24	1.34	1.31	1.26	1.30
	<b>Share of quantity (percent)</b>					
China (subject)	43.2	48.3	42.8	39.6	34.9	13.2
China (nonsubject)	56.8	51.7	57.2	60.4	65.1	86.8
Total imports from China	100.0	100.0	100.0	100.0	100.0	100.0
	<b>Share of value (percent)</b>					
China (subject)	45.4	53.1	46.3	41.3	37.5	19.2
China (nonsubject)	54.6	46.9	53.7	58.7	62.5	80.8
Total imports from China	100.0	100.0	100.0	100.0	100.0	100.0
<sup>1</sup> The data herein for subject imports for 2000 and 2004 differ from that presented in the prehearing report primarily due to revisions reported by ***.						
<sup>2</sup> Novelty candles excluded from the scope of the order accounted for approximately 30 percent of nonsubject imports from China during the period (see table I-6, p. I-15).						
Source: Compiled from data submitted in response to Commission questionnaires.						

**Figure IV-2**  
**Candles: U.S. imports from China, by types, 1999-2004**



Source: Table IV-2.

## U.S. IMPORTERS' INVENTORIES

Data regarding U.S. importers' end-of-period inventories of subject petroleum wax candle imports from China are provided in table IV-3. Subject inventories increased from 6.5 million pounds in 1999 to 8.6 million pounds in 2002 and then declined to 1.2 million pounds in 2004. The ratio of inventories to U.S. imports and the ratio of inventories to U.S. shipments of imports fluctuated downward during the period. The ratio of inventories to U.S. imports fell from 45.9 percent in 1999 to 8.4 percent in 2004. The ratio of inventories to U.S. shipments of imports declined from 45.6 percent in 1999 to 8.1 percent in 2004.

**Table IV-3**  
**Petroleum wax candles: U.S. importers' end-of-period inventories of subject imports from China, 1999-2004**

Item	1999	2000	2001	2002	2003	2004
	<b>Inventories (1,000 pounds)</b>					
Imports from China (subject)	6,525	6,645	7,642	8,624	2,026	1,186
	<b>Ratio (percent)</b>					
Inventories/U.S. imports	45.9	22.5	32.6	30.9	6.3	8.4
Inventories/U.S. shipments of imports	45.6	22.7	34.3	32.3	5.3	8.1
Source: Compiled from data submitted in response to Commission questionnaires.						

## THE INDUSTRY IN CHINA

During the Commission's original investigation, the NCA identified 44 factories and the China Native Products Corp. identified 11 factories in China that produced candles for export.<sup>2</sup> Many of the candle producers in China were rural enterprises that operated largely outside centralized control.<sup>3</sup> Approximately \*\*\* percent of the U.S. imports of petroleum wax candles from China were exported by the China Native Products Corp. The corporation is an import/export entity that purchases from candle factories that are primarily devoted to export production. However, industry sources indicated that at least two U.S. producers of petroleum wax candles had established direct ties for importing certain Chinese petroleum wax candles.<sup>4</sup> Minimal information was available on the candle industry in China for the period examined during the original investigation.<sup>5</sup>

In its response to the Commission's notice of institution in this review, the NCA identified approximately 70 current manufacturers/exporters of candles in China.<sup>6</sup> Questionnaires were faxed to 41

<sup>2</sup> *Original Determination*, USITC Pub. 1888, August 1986, p. A-18, n. 2.

<sup>3</sup> 51 FR 25085, July 10, 1986.

<sup>4</sup> *Original Determination*, USITC Pub. 1888, August 1986, p. A-48.

<sup>5</sup> The U.S. embassy in Beijing was unable to provide any data on Chinese production or exports and counsel for Chinese respondents was unaware of any statistics compiled from the Chinese Government, or any other party. *Original Determination*, USITC Pub. 1888, August 1986, pp. A-48-A-49.

<sup>6</sup> NCA's response to notice of institution, September 21, 2004, attach. R.

of these producers.<sup>7</sup> No responses were received from any of them.<sup>8</sup> The U.S. embassy in Beijing attempted to gather data on the candle industry in China by contacting the China Chamber of Commerce and individual candle producers. The China Chamber of Commerce for Import and Export of Foodstuffs, Native Produce and Animal By-Products reported that 104 Chinese companies are active in the Chinese petroleum wax candle industry.<sup>9</sup> The actual number of Chinese candle producers may be less than 104, however, because some of these companies appear to be related or to have multiple names.<sup>10</sup> The U.S. embassy attempted to contact 89 Chinese companies believed to produce candles, with the following results: 8 companies provided limited data on their candle operations; 11 companies asserted that they no longer export candles; 11 companies refused to provide any information about their candle operations; and 59 companies could not be located or contacted.

Available data on the exports of candles from China are presented in table IV-4 and graphically depicted in figure IV-3. Total exports of candles from China increased by 52 percent between 1999 and 2004, from 593.3 million pounds to 901.8 million pounds. Chinese exports of candles to the United States rose by 74 percent, from 140.6 million pounds in 1999 to 245.1 million pounds in 2004. The share of total Chinese exports of candles accounted for by exports of candles to the United States grew from 24 percent in 1999 to 27 percent in 2004.

According to the NCA, and as was the case during the original investigation, Chinese manufacturers continue to produce petroleum wax candles using highly labor-intensive production methods that require minimal capital investment to start-up.<sup>11</sup> In addition, since the issuance of the order, Chinese manufacturers reportedly have supplemented traditional methods and expanded their manufacturing capacity with the purchase of “highly sophisticated candle making equipment.”<sup>12</sup>

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<sup>7</sup> These producers are: (1) ADP (Shanghai Asian Development Intl. Trans. Pu Dong Co., Ltd.); (2) Aroma Consumer Products (Hangzhou) Co., Ltd.; (3) Candle World Industrial Co.; (4) Dalian Talent Gift Co., Ltd.; (5) Dongguan Fay Candle Company, Ltd.; (6) Fritz Logistics Service Co., Ltd.; (7) Elegance Asia Limited; (8) Far Going Candle Gifts Co., Ltd.; (9) Fushun Candle Corporation; (10) Fushun Huaiyuan Wax Products Co., Ltd.; (11) Gansu Textiles Import & Export Corp.; (12) Green Islands Industry Shanghai Co., Ltd.; (13) Jintan Foreign Trade Corp.; (14) Kingking A.C. Co., Ltd.; (15) Kuehne & Nagel Beijing; (16) Liaoning Xinyuan Textiles Import and Export; (17) Li & Fung Trading Ltd.; (18) Ningbo Free Zone Top Rank Trading Co.; (19) Ningbo Kwung’s Giftware Co., Ltd.; (20) Ningbo Sincere Designers & Manufacturers Ltd.; (21) Qingdao Kingking Applied Chemistry Co., Ltd.; (22) Red Sun Arts Manufacture (Yixing) Co., Ltd.; (23) Round-the-World International Trade & Transportation Service (Tianjin) Co., Ltd.; (24) Shandong H&T Corp.; (25) Shandong Jiaye General Merchandise Co., Ltd.; (26) Shandong Native Produce International Trading Co., Ltd.; (27) Shanghai Jerry Candle Co., Ltd.; (28) Shanghai Sincere Gifts Designers & Manufacturers Ltd.; (29) Shanghai Success Arts & Crafts Factory; (30) Shanghai Zhen Hua; (31) Taizhou International Trade Corp.; (32) Taizhou Sungod Gifts Co., Ltd.; (33) Tianjin Native Produce Import & Export Group Corp. Ltd.; (34) Thi Group Ltd./THI (HK) Ltd.; (35) Universal Candle Company Ltd.; (36) World-Green (Shangdong) Corp., Ltd.; (37) Xiamen C&D Inc.; (38) Zhong Hang-Scanwell International (Qingdao); (39) Zhongnam Candle; (40) Zhong Nam Industrial (International) Co., Ltd.; and (41) Zhongshan Zhongnam Candle Manufacturer Co., Ltd.

<sup>8</sup> A Hong Kong-based firm, Simon International Ltd., obtained and completed a copy of the questionnaire. Simon International Ltd. indicated that it was \*\*\*.

<sup>9</sup> U.S. Department of State telegram No. 006127, Beijing, April 12, 2005.

<sup>10</sup> Ibid.

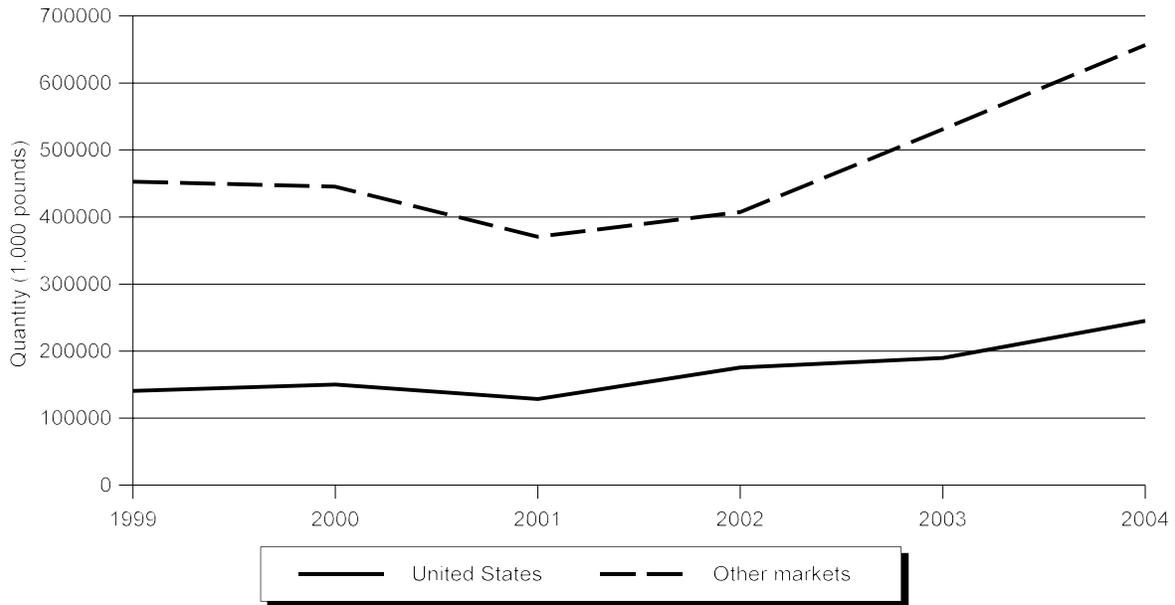
<sup>11</sup> NCA’s response to notice of institution, September 21, 2004, p. 7.

<sup>12</sup> The NCA cites purchases of “significant” amounts of modern machinery directly from Germany, the primary source of advanced candle-making equipment. NCA’s response to notice of institution, September 21, 2004, pp. 7-8.

**Table IV-4**  
**Candles: China's exports, 1999-2004**

Item	1999	2000	2001	2002	2003	2004
	<b>Quantity (1,000 pounds)</b>					
Exports to:						
United States	140,629	150,331	128,333	175,557	189,747	245,073
Other	452,698	445,239	370,600	407,295	530,941	656,720
Total exports	593,327	595,570	498,933	582,852	720,688	901,793
Source: Compiled from World Trade Atlas data, 3406.0000 (Candles, tapers and the like).						

**Figure IV-3**  
**Candles: China's exports, 1999-2004**



Source: Table IV-4.

The NCA also states that Chinese candle-makers continue to have access to large supplies of inexpensive, fully refined petroleum (paraffin) wax which comes from the country's expanding production of petroleum.<sup>13</sup>

The NCA is aware of one other antidumping order that exists concerning the importation of candles from China (i.e., Mexico imposed an antidumping duty of 103 percent on candles from China in August 1993).<sup>14</sup> Mexico just completed a sunset review of this antidumping order. The order remains in effect and the antidumping duty is unchanged at 103 percent. The order applies to all types of candles, without limitation or exception.<sup>15</sup>

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<sup>13</sup> NCA's response to notice of institution, September 21, 2004, p. 9. The NCA states that China is "known to have been increasing its petroleum wax production capacity significantly in recent years . . . with a sharp increase in exports of paraffin wax to the United States." The NCA alleges that "the build-up of {Chinese} wax production capacity and the need for an outlet of the increasing excess production by {China} has been an additional factor fueling the dramatic increase in candle imports from (China) in 1998." Further, there are "reports of increasing candle production equipment being purchased by the wax refiners themselves." NCA's response to notice of institution, September 21, 2004, pp. 36-37.

<sup>14</sup> NCA's response to notice of institution, September 21, 2004, p. 13.

<sup>15</sup> E-mail from Randy Stayin, counsel to NCA, May 3, 2005.



## **PART V: PRICING AND RELATED INFORMATION**

### **FACTORS AFFECTING PRICING**

#### **Raw Material Costs**

Petroleum wax, or paraffin, comes from crude oil. The price of petroleum wax depends greatly on the price of crude oil, which has been rising since 1998.<sup>1</sup> When asked how the price of raw materials has affected their selling prices since 1999, many producers noted that petroleum wax prices have been rising (especially during and since 2004), leading to pressure on their own selling prices for petroleum wax candles. However, producers reported a variety of responses, from some price increases tied to higher raw material costs, to few price increases restrained by competition from subject and nonsubject candles from China. At least 16 producers<sup>2</sup> stated that they had not been able to raise petroleum wax candle prices sufficiently to cover increased costs. Producers estimated that wax costs had increased 10-20 percent in the last year, and often cited increases continuing in 2005. Among importers, 16 indicated that raw material costs had affected the price of petroleum wax candles since 1999, causing increases in petroleum wax candle prices of between 10 and 20 percent, or anticipated increases. However, 12 importers reported that they had not increased prices or that they had not been able to pass along higher raw material costs completely.

#### **Transportation Costs to the U.S. Market**

Transportation costs for petroleum wax candles from China to the United States (excluding U.S. inland costs) are estimated to be approximately 10.8 percent of the total landed U.S. cost for petroleum wax candles from China.<sup>3</sup>

#### **U.S. Inland Transportation Costs**

Thirteen producers and 16 importers estimated U.S. inland transportation costs as between two and nine percent of the total delivered cost of petroleum wax candles. However, nine producers and eight importers also reported higher inland transportation costs, ranging from 10 to 28 percent.<sup>4</sup>

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<sup>1</sup> Other raw materials for candle production include fragrances and dyes, with fragrances generally playing a large part in the cost of a candle while dyes are a small part. Hearing transcript, pp. 90-91 (Goddard).

<sup>2</sup> Seven producers (\*\*\*) also submitted importers' questionnaires, but produce more domestically than they import. For the purposes of this section, their answers are counted only as a producer except where otherwise noted. Two importers (\*\*\*) also submitted producer questionnaires, but their imports are more than their U.S.-produced commercial shipments. For the purposes of Part V, their answers are counted only as an importer unless otherwise noted. The pricing data itself, however, contains data from all questionnaires, including firms that submitted both producer and importer questionnaires. One producer (\*\*\*) and nine importers (\*\*\*) also submitted purchaser's questionnaires. Their responses to both producer's/importer's and purchaser's questionnaires are counted.

<sup>3</sup> These estimates are derived from official import data and represent the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value, for the period March 2004 through February 2005.

<sup>4</sup> As in many investigations, additional producers and importers indicated inland transportation costs of 0 or 100 percent. These answers are not reported here. Transportation costs are reportedly high because petroleum wax candles are dense, and may meet a truck's weight limit before filling it. Additionally, candles are classified as a "class 9" product by the trucking industry, which means they are heat-sensitive and command a higher transportation tariff. Other potential reasons for high transportation costs include small volume shipments and refrigerated shipments. Staff telephone interviews with Mark Love, economic consultant to NCA, April 20, 2005, and April 22, 2005.

## **U.S. Price Levels**

According to data from the Bureau of Labor Statistics, the consumer price index rose 16.0 percent from January-March 1999 to October-December 2004 while the producer price index rose 15.3 percent over the same period.<sup>5</sup>

## **Exchange Rates**

The nominal value of the Chinese yuan (fixed against the dollar) was flat over January 1999-December 2004.

## **PRICING PRACTICES**

### **Pricing Methods**

When asked how they determine prices, 22 producers reported using a price list at least some of the time. Other methods reported, and also cited in developing the prices on price lists, included standard mark-ups over cost and recognizing market prices. Transaction-by-transaction negotiation was also reported for some producers, especially on larger volume sales. Discounts, if any, are volume-based or, in one instance, time-of-year based, and often negotiated on a case-by-case basis. Fewer importers (at least 10) indicated using price lists,<sup>6</sup> but importers were more likely to report selling petroleum wax candles at retail. Sixteen importers stated that they had no discount policy, while 15 importers noted that they had some volume discounts, sometimes on a case-by-case basis.

Most purchasers reported contacting two to five suppliers when purchasing, with some variation for one-time purchases, seasonal purchases, or unique items. Twenty purchasers said that their purchases involve negotiations, generally on quality and price (although two purchasers said that competing prices are not quoted). Three purchasers (\*\*\*) stated that their purchases usually do not involve negotiations. Fifteen purchasers said that they do not tend to vary their purchases from a given supplier based on price, while six said that they did vary their purchases this way.<sup>7</sup>

Petroleum wax candles are generally sold on a spot basis. Twenty-six producers and 21 importers reported selling 90 percent or more of their petroleum wax candles on a spot basis. Additionally, two producers and one importer reported selling between 70 and 90 percent of their petroleum wax candles in the spot market.

Five producers and four importers reported selling the majority of their petroleum wax candles under short-term contracts. Eight producers and five importers indicated that short-term contracts were not renegotiated, but producer \*\*\* and importer \*\*\* stated that their one-year contracts could be renegotiated. Five producers and one importer responded that short-term contracts fix price only, while three producers and three importers stated that short-term contracts fixed both price and quantity. Two importers (and no producers) reported meet-or-release provisions on short-term contracts. \*\*\* indicated selling 100 percent of its petroleum wax candles under long-term contracts. Only five producers and one importer reported any long-term sales contracts of over a year, but differed greatly on whether these contracts could be renegotiated or whether they fixed price, quantity, or both.

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<sup>5</sup> The consumer price index and producer price index for each quarter was constructed by taking an average of the seasonally adjusted price index for each month of the quarter. The consumer price index and producer price index for all products were used.

<sup>6</sup> Several producers and importers supplied sample price lists. These lists generally contained dozens of products, with size, design, and color descriptions and prices.

<sup>7</sup> \*\*\*.

When asked how frequently they make purchases of petroleum wax candles, 10 purchasers answered weekly, four answered monthly, four answered as needed, four answered bi-monthly or more, and one answered daily.<sup>8</sup> Twenty-two purchasers did not expect their purchasing pattern to change, while \*\*\* did expect to respond to the overall decrease in demand for petroleum wax candles.

Purchasers offered a fairly wide range of responses when asked how frequently prices change. Four said that prices change every 1-3 years, and three indicated that prices rarely or never change. However, three others indicated that prices change 1-2 times per year, and still others said that prices could change with every order.

### **General Price Trends**

Purchasers were asked to identify any price leaders in the petroleum wax candles market over the period since 1999. Four cited Candle-Lite, two cited Wal-Mart, and two cited Colonial. However, no other firm was mentioned by more than one purchaser. Additional named price leaders include American Greetings, Blyth, Old Williamsburg, Empire Candle, Garden Ridge, Yankee Candle, and Old Virginia. Price leaders generally led by setting higher or lower prices, although \*\*\* cited \*\*\* as leading by introducing higher quality and branding.

Three purchasers felt that U.S. and Chinese petroleum wax candle prices had stayed the same relative to each other since 1999, and two indicated that they had changed by the same amount. However, 12 purchasers reported that U.S. prices were now relatively higher than in 1999, and one purchaser said that U.S. prices were relatively lower.

U.S. producer \*\*\* submitted a detailed history (supported with documentation of transactions) of its pricing compared to the pricing of imported Chinese petroleum wax candles. It stated that in 1999 the delivered price of paraffin wax was \$\*\*\* per pound, a price which increased \*\*\* percent to \$\*\*\* by December of 2004. Additionally, the prices for candle wraps and packaging increased as well. However, it was only able to raise prices \*\*\* percent, from \$\*\*\* for a dozen 12-inch tapers in 1999 to \$\*\*\* for a dozen 12-inch tapers in 2004. It also supplied a comparison of its prices to importer \*\*\*.

When asked to compare prices of petroleum wax candles in U.S. and foreign markets, most producers expressed that they were not familiar with foreign pricing, but four indicated that prices in at least some other countries was comparable to U.S. pricing. \*\*\* stated that prices in non-U.S. markets can be more than 50 percent lower than U.S. prices because of the absence of an antidumping duty. Most importers also did not know enough about foreign market pricing to compare prices.<sup>9</sup> However, \*\*\* described U.S. petroleum wax candle prices as “much higher” than in other countries.

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<sup>8</sup> Thirty-one producers and 26 importers indicated that they arranged transportation, while five producers and eight importers stated that their purchasers do.

<sup>9</sup> However, \*\*\* said that in general, Chinese petroleum wax candles are the least expensive, U.S. petroleum wax candles are moderately expensive, and European petroleum wax candles are the most expensive.

## PRICE DATA

The Commission requested U.S. producers and importers of petroleum wax candles to provide quarterly data for the total quantity and f.o.b. value of petroleum wax candles that were shipped to unrelated customers in the U.S. market. Data for purchase prices were also requested of importers who then sold their imported petroleum wax candles at retail. All data were requested for the period January 1999 through December 2004. The products for which pricing data were requested are as follows:

***Product 1.***—Sales of tapered dinner-table candles, 12 inches in length (do not include fragrance candles) to department stores and craft/card/gift/specialty chains and stores (e.g., Sears, J. C. Penney).

***Product 2.***—Sales of tapered dinner-table candles, 12 inches in length (do not include fragrance candles) to mass merchandisers ( e.g., food, drug, discount, and home improvement chains).

***Product 3.***—Sales of column candles, 3 inches in diameter and 6 inches in length (include only fragrance candles) to department stores and craft/card/gift/specialty chains and stores (e.g., Sears, J. C. Penney).

***Product 4.***—Sales of column candles, 3 inches in diameter and 6 inches in length (include only fragrance candles) to mass merchandisers ( e.g., food, drug, discount, and home improvement chains).

***Product 5.***—Sales of votive candles, 15-hour burning time (include only fragrance candles) to department stores and craft/card/gift/specialty chains and stores (e.g., Sears, J. C. Penney).

***Product 6.***—Sales of votive candles, 15-hour burning time (include only fragrance candles) to mass merchandisers ( e.g., food, drug, discount, and home improvement chains).

***Product 7.***—Sales of 6 oz. capacity glass containers, with 3 1/2 oz. wax to department stores and craft/card/gift/specialty chains and stores (e.g., Sears, J. C. Penney).

***Product 8.***—Sales of 6 oz. capacity glass containers, with 3 1/2 oz. wax to mass merchandisers ( e.g., food, drug, discount, and home improvement chains).

Given that many importers sell the petroleum wax candles they import at the retail level, importers were asked to supply sales price data for Chinese petroleum wax candle pricing products that they sold to other firms, and purchase price data for Chinese petroleum wax candle pricing products that they sold retail. Twenty-one U.S. producers and five importers of Chinese petroleum wax candles sold to other firms provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Pricing data reported by U.S. producers accounted for approximately \*\*\* percent of U.S. producers' shipments of petroleum wax candles in 2004. Pricing data reported by U.S. importers for sales to other firms accounted for approximately \*\*\* percent of U.S. importers' shipments of Chinese petroleum wax candles in 2004. Nine importers supplied purchase price

data, with these pricing data accounting for approximately \*\*\* percent of U.S. importers' shipments of Chinese petroleum wax candles in 2004.<sup>10</sup>

Pricing data for both U.S. and Chinese pricing products showed a great deal of variation within pricing products.<sup>11</sup> Table V-1 summarizes the different average prices reported by firms for the same pricing products.<sup>12</sup> In addition, appendix G summarizes the change in prices by company and pricing product for the period from October-December 1999 to October-December 2004.

Tables V-2 through V-9 and figures V-1 to V-8 show pricing data for the eight pricing products for which data were collected.<sup>13</sup> While the data make it difficult to discern clear trends, pricing products may be competing with other, nonsubject candles as well.

**Table V-1**

**Petroleum wax candles: Weighted-average of all quarterly f.o.b. prices over 1999-2004 as reported by U.S. producers and importers, by product**

\*       \*       \*       \*       \*       \*       \*

**Table V-2**

**Petroleum wax candles: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 1, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-December 2004**

\*       \*       \*       \*       \*       \*       \*

**Table V-3**

**Petroleum wax candles: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 2, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-December 2004**

\*       \*       \*       \*       \*       \*       \*

**Table V-4**

**Petroleum wax candles: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 3, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-December 2004**

\*       \*       \*       \*       \*       \*       \*

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<sup>10</sup> When firms submitted both producer and importer questionnaires, data from both questionnaires were used in the tables and figures.

<sup>11</sup> According to \*\*\*, the Commission's pricing products may contain substantial price variation within products. Some companies may hand-dip products while others use machines. Fragrance costs may also have an effect. Staff telephone interview with \*\*\*.

<sup>12</sup> In its prehearing brief, the NCA took exception to the inclusion of pricing data from importers \*\*\*. NCA's objection to the data of \*\*\* focused on the allegation that these candles may be high-end candles or packaged with accessories, while its objection to \*\*\* is that these data allegedly include data for more than just purchases of subject candles from China. All of NCA's allegations may be true; however, staff notes that U.S. producers' price data also show enough variability that probably product mix problems have occurred there as well. In presenting all the data and changes by company in app. F, the report allows consideration of price changes on a company by company basis. (However, staff has removed \*\*\* from the pricing data, as recommended by the NCA.) NCA's prehearing brief, pp. 67-70, and staff interview with \*\*\*.

<sup>13</sup> A few outlying pricing points have been removed, and there have been other changes based on contacting firms that supplied data.

**Table V-5**

**Petroleum wax candles: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 4, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-December 2004**

\* \* \* \* \*

**Table V-6**

**Petroleum wax candles: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 5, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-December 2004**

\* \* \* \* \*

**Table V-7**

**Petroleum wax candles: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 6, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-December 2004**

\* \* \* \* \*

**Table V-8**

**Petroleum wax candles: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 7, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-December 2004**

\* \* \* \* \*

**Table V-9**

**Petroleum wax candles: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 8, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-December 2004**

\* \* \* \* \*

**Figure V-1**

**Petroleum wax candles: Weighted-average prices, as reported by U.S. producers and importers of product 1, by quarters, January 1999-December 2004**

\* \* \* \* \*

**Figure V-2**

**Petroleum wax candles: Weighted-average prices, as reported by U.S. producers and importers of product 2, by quarters, January 1999-December 2004**

\* \* \* \* \*

**Figure V-3**

**Petroleum wax candles: Weighted-average prices, as reported by U.S. producers and importers of product 3, by quarters, January 1999-December 2004**

\* \* \* \* \*

**Figure V-4**

**Petroleum wax candles: Weighted-average prices, as reported by U.S. producers and importers of product 4, by quarters, January 1999-December 2004**

\* \* \* \* \*

**Figure V-5**

**Petroleum wax candles: Weighted-average prices, as reported by U.S. producers and importers of product 5, by quarters, January 1999-December 2004**

\* \* \* \* \*

**Figure V-6**

**Petroleum wax candles: Weighted-average prices, as reported by U.S. producers and importers of product 6, by quarters, January 1999-December 2004**

\* \* \* \* \*

**Figure V-7**

**Petroleum wax candles: Weighted-average prices, as reported by U.S. producers and importers of product 7, by quarters, January 1999-December 2004**

\* \* \* \* \*

**Figure V-8**

**Petroleum wax candles: Weighted-average prices, as reported by U.S. producers and importers of product 8, by quarters, January 1999-December 2004**

\* \* \* \* \*



**APPENDIX A**

***FEDERAL REGISTER* NOTICES AND  
ADEQUACY STATEMENT**



**INTERNATIONAL TRADE  
COMMISSION****[Investigation No. 731-TA-282 (Second  
Review)]****Petroleum Wax Candles From China****AGENCY:** United States International  
Trade Commission.**ACTION:** Institution of a five-year review  
concerning the antidumping duty order  
on petroleum wax candles from China.

**SUMMARY:** The Commission hereby gives notice that it has instituted a review pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)) (the Act) to determine whether revocation of the antidumping duty order on petroleum wax candles from China would be likely to lead to continuation or recurrence of material injury. Pursuant to section 751(c)(2) of the Act, interested parties are requested to respond to this notice by submitting the information specified below to the Commission;<sup>1</sup> to be assured of consideration, the deadline for responses is September 21, 2004. Comments on the adequacy of responses may be filed with the Commission by October 18, 2004. For further information concerning the conduct of this review and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

**EFFECTIVE DATE:** August 2, 2004.

**FOR FURTHER INFORMATION CONTACT:** Mary Messer (202) 205-3193, Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on (202) 205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this review may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

<sup>1</sup> No response to this request for information is required if a currently valid Office of Management and Budget (OMB) number is not displayed; the OMB number is 3117-0016/USITC No. 04-5-095, expiration date June 30, 2005. Public reporting burden for the request is estimated to average 7 hours per response. Please send comments regarding the accuracy of this burden estimate to the Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436.

**SUPPLEMENTARY INFORMATION:**

**Background.** On August 28, 1986, the Department of Commerce issued an antidumping duty order on imports of petroleum wax candles from China (51 FR 30686). Following five-year reviews by Commerce and the Commission, effective September 23, 1999, Commerce issued a continuation of the antidumping duty order on imports of petroleum wax candles from China (64 FR 51514). The Commission is now conducting a second review to determine whether revocation of the order would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time. It will assess the adequacy of interested party responses to this notice of institution to determine whether to conduct a full review or an expedited review. The Commission's determination in any expedited review will be based on the facts available, which may include information provided in response to this notice.

**Definitions.** The following definitions apply to this review:

(1) *Subject Merchandise* is the class or kind of merchandise that is within the scope of the five-year review, as defined by the Department of Commerce.

(2) The *Subject Country* in this review is China.

(3) The *Domestic Like Product* is the domestically produced product or products which are like, or in the absence of like, most similar in characteristics and uses with, the *Subject Merchandise*. In its original determination and its expedited five-year review determination, the Commission defined the *Domestic Like Product* as petroleum wax candles.

(4) The *Domestic Industry* is the U.S. producers as a whole of the *Domestic Like Product*, or those producers whose collective output of the *Domestic Like Product* constitutes a major proportion of the total domestic production of the product. In its original determination and its expedited five-year review determination, the Commission defined the *Domestic Industry* as producers of petroleum wax candles.

(5) An *Importer* is any person or firm engaged, either directly or through a parent company or subsidiary, in importing the *Subject Merchandise* into the United States from a foreign manufacturer or through its selling agent.

**Participation in the review and public service list.** Persons, including industrial users of the *Subject Merchandise* and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to

participate in the review as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11(b)(4) of the Commission's rules, no later than 21 days after publication of this notice in the **Federal Register**. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the review.

Former Commission employees who are seeking to appear in Commission five-year reviews are reminded that they are required, pursuant to 19 CFR 201.15, to seek Commission approval if the matter in which they are seeking to appear was pending in any manner or form during their Commission employment. The Commission is seeking guidance as to whether a second transition five-year review is the "same particular matter" as the underlying original investigation for purposes of 19 CFR 201.15 and 18 U.S.C. 207, the post employment statute for Federal employees. Former employees may seek informal advice from Commission ethics officials with respect to this and the related issue of whether the employee's participation was "personal and substantial." However, any informal consultation will not relieve former employees of the obligation to seek approval to appear from the Commission under its rule 201.15. For ethics advice, contact Carol McCue Verratti, Deputy Agency Ethics Official, at (202) 205-3088.

**Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and APO service list.** Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI submitted in this review available to authorized applicants under the APO issued in the review, provided that the application is made no later than 21 days after publication of this notice in the **Federal Register**. Authorized applicants must represent interested parties, as defined in 19 U.S.C. 1677(9), who are parties to the review. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

**Certification.** Pursuant to § 207.3 of the Commission's rules, any person submitting information to the Commission in connection with this review must certify that the information is accurate and complete to the best of the submitter's knowledge. In making the certification, the submitter will be deemed to consent, unless otherwise specified, for the Commission, its employees, and contract personnel to use the information provided in any

other reviews or investigations of the same or comparable products which the Commission conducts under Title VII of the Act, or in internal audits and investigations relating to the programs and operations of the Commission pursuant to 5 U.S.C. Appendix 3.

**Written submissions.** Pursuant to § 207.61 of the Commission's rules, each interested party response to this notice must provide the information specified below. The deadline for filing such responses is September 21, 2004. Pursuant to § 207.62(b) of the Commission's rules, eligible parties (as specified in Commission rule 207.62(b)(1)) may also file comments concerning the adequacy of responses to the notice of institution and whether the Commission should conduct an expedited or full review. The deadline for filing such comments is October 18, 2004. All written submissions must conform with the provisions of §§ 201.8 and 207.3 of the Commission's rules and any submissions that contain BPI must also conform with the requirements of §§ 201.6 and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by § 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Also, in accordance with §§ 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the review must be served on all other parties to the review (as identified by either the public or APO service list as appropriate), and a certificate of service must accompany the document (if you are not a party to the review you do not need to serve your response).

**Inability to provide requested information.** Pursuant to § 207.61(c) of the Commission's rules, any interested party that cannot furnish the information requested by this notice in the requested form and manner shall notify the Commission at the earliest possible time, provide a full explanation of why it cannot provide the requested information, and indicate alternative forms in which it can provide equivalent information. If an interested party does not provide this notification (or the Commission finds the explanation provided in the notification inadequate) and fails to provide a complete response to this notice, the Commission may take an adverse inference against the party pursuant to section 776(b) of the Act in making its determination in the review.

**Information To Be Provided in Response to This Notice of Institution:**

As used below, the term "firm" includes any related firms.

(1) The name and address of your firm or entity (including World Wide Web address if available) and name, telephone number, fax number, and e-mail address of the certifying official.

(2) A statement indicating whether your firm/entity is a U.S. producer of the *Domestic Like Product*, a U.S. union or worker group, a U.S. importer of the *Subject Merchandise*, a foreign producer or exporter of the *Subject Merchandise*, a U.S. or foreign trade or business association, or another interested party (including an explanation). If you are a union/worker group or trade/business association, identify the firms in which your workers are employed or which are members of your association.

(3) A statement indicating whether your firm/entity is willing to participate in this review by providing information requested by the Commission.

(4) A statement of the likely effects of the revocation of the antidumping duty order on the *Domestic Industry* in general and/or your firm/entity specifically. In your response, please discuss the various factors specified in section 752(a) of the Act (19 U.S.C. 1675a(a)) including the likely volume of subject imports, likely price effects of subject imports, and likely impact of imports of *Subject Merchandise* on the *Domestic Industry*.

(5) A list of all known and currently operating U.S. producers of the *Domestic Like Product*. Identify any known related parties and the nature of the relationship as defined in section 771(4)(B) of the Act (19 U.S.C. 1677(4)(B)).

(6) A list of all known and currently operating U.S. importers of the *Subject Merchandise* and producers of the *Subject Merchandise* in the *Subject Country* that currently export or have exported *Subject Merchandise* to the United States or other countries after 1998.

(7) If you are a U.S. producer of the *Domestic Like Product*, provide the following information on your firm's operations on that product during calendar year 2003 (report quantity data in pounds and value data in U.S. dollars, f.o.b. plant). If you are a union/worker group or trade/business association, provide the information, on an aggregate basis, for the firms in which your workers are employed/which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total U.S. production of the *Domestic Like Product* accounted for by your firm's(s') production;

(b) the quantity and value of U.S. commercial shipments of the *Domestic Like Product* produced in your U.S. plant(s); and

(c) the quantity and value of U.S. internal consumption/company transfers of the *Domestic Like Product* produced in your U.S. plant(s).

(8) If you are a U.S. importer or a trade/business association of U.S. importers of the *Subject Merchandise* from the *Subject Country*, provide the following information on your firm's(s') operations on that product during calendar year 2003 (report quantity data in pounds and value data in U.S. dollars). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) The quantity and value (landed, duty-paid but not including antidumping or countervailing duties) of U.S. imports and, if known, an estimate of the percentage of total U.S. imports of *Subject Merchandise* from the *Subject Country* accounted for by your firm's(s') imports;

(b) the quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. commercial shipments of *Subject Merchandise* imported from the *Subject Country*; and

(c) the quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. internal consumption/company transfers of *Subject Merchandise* imported from the *Subject Country*.

(9) If you are a producer, an exporter, or a trade/business association of producers or exporters of the *Subject Merchandise* in the *Subject Country*, provide the following information on your firm's(s') operations on that product during calendar year 2003 (report quantity data in pounds and value data in U.S. dollars, landed and duty-paid at the U.S. port but not including antidumping or countervailing duties). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total production of *Subject Merchandise* in the *Subject Country* accounted for by your firm's(s') production; and

(b) the quantity and value of your firm's(s') exports to the United States of *Subject Merchandise* and, if known, an estimate of the percentage of total exports to the United States of *Subject Merchandise* from the *Subject Country* accounted for by your firm's(s') exports.

(10) Identify significant changes, if any, in the supply and demand conditions or business cycle for the *Domestic Like Product* that have occurred in the United States or in the market for the *Subject Merchandise* in the *Subject Country* after 1998, and significant changes, if any, that are likely to occur within a reasonably foreseeable time. Supply conditions to consider include technology; production methods; development efforts; ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production); and factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad). Demand conditions to consider include end uses and applications; the existence and availability of substitute products; and the level of competition among the *Domestic Like Product* produced in the United States, *Subject Merchandise* produced in the *Subject Country*, and such merchandise from other countries.

(11) (OPTIONAL) A statement of whether you agree with the above definitions of the *Domestic Like Product* and *Domestic Industry*; if you disagree with either or both of these definitions, please explain why and provide alternative definitions.

**Authority:** This review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to § 207.61 of the Commission's rules.

Issued: July 27, 2004.

By order of the Commission.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. 04-17568 Filed 7-30-04; 8:45 am]

**BILLING CODE 7020-02-P**

**INTERNATIONAL TRADE  
COMMISSION**

[Investigation No. 731-TA-282 (Second Review)]

**Petroleum Wax Candles From China**

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

**ACTION:** Notice of Commission determination to conduct a full five-year review concerning the antidumping duty order on petroleum wax candles from China.

**SUMMARY:** The Commission hereby gives notice that it will proceed with a full review pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) to determine whether revocation of the antidumping duty order on petroleum wax candles from China would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. A schedule for the review will be established and announced at a later date. For further information concerning the conduct of this review and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

**EFFECTIVE DATE:** November 5, 2004.

**FOR FURTHER INFORMATION CONTACT:** Mary Messer (202-205-3193), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>). The public record for this review may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

**SUPPLEMENTARY INFORMATION:** On November 5, 2004, the Commission determined that it should proceed to a full review in the subject five-year review pursuant to section 751(c)(5) of the Act. The Commission found that the domestic interested party group response to its notice of institution (69 F.R. 46182, August 2, 2004) was adequate and that the respondent interested party group response to its notice of institution was inadequate.

The Commission also found that other circumstances warranted conducting a full review. A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's web site.

**Authority:** This review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

By order of the Commission.

Issued: November 17, 2004.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. 04-25894 Filed 11-22-04; 8:45 am]

**BILLING CODE 7020-02-P**

**DEPARTMENT OF COMMERCE****International Trade Administration**

[A-570-504]

**Petroleum Wax Candles From the People's Republic of China; Final Results of the Expedited Sunset Review of the Antidumping Duty Order**

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

**SUMMARY:** On August 2, 2004, the Department of Commerce ("the Department") initiated a sunset review of the antidumping duty order on Petroleum Wax Candles ("candles") from the People's Republic of China ("PRC") pursuant to section 751(c) of the Tariff Act of 1930, as amended ("the Act"). On the basis of a notice of intent to participate and an adequate substantive response filed on behalf of domestic interested parties and inadequate response (in this case, no response) from respondent interested parties, the Department conducted an expedited (120-day) sunset review. As a result of this sunset review, the Department finds that revocation of the antidumping duty order would be likely to lead to continuation or recurrence of dumping. The dumping margins are identified below in the "Final Results of Review" section of this notice.

**EFFECTIVE DATE:** December 16, 2004.

**FOR FURTHER INFORMATION:** Hilary E. Sadler, Esq., Office of Policy for Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street & Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-4340.

**SUPPLEMENTARY INFORMATION****Background**

On August 2, 2004, the Department published the notice of initiation of the second sunset review of the antidumping duty order on candles from the PRC pursuant to section 751(c) of the Act. *See Initiation of Five-Year ("Sunset") Reviews*, 69 FR 46134 (August 2, 2004). The Department received the Notice of Intent to Participate from the domestic interested parties, the National Candles Association ("NCA") and its participating member companies: AcScents Aromatics Fine Candles, Inc.; Alene Candles, Inc.; Arizona Natural Resources, Inc.; Armadilla Wax Works, Inc.; Aromatique, Inc.; Best Candle, LLC; Blyth HomeScents Intl.; BMC Manufacturing, LLC; Bright Glow Candle Corp.; Bright of America; Bullfrog Light Co.; Candle Lamp Co.;

Candle-Lite, Inc.; Carolina CandleLites, Inc.; Casey Pottery Co.; Cathedral Candle Co.; Changing Paradigms, LLC; Covered Bridge Candle Co.; Dadant & Sons, Inc.; Dial Corp.; Dianne's Custom Candles; Dreamers Candles; Early American Candle; Empire Candle Manufacturing, LLC; Evan Scent, Inc.; General Wax & Candle Co.; GlobalTech Industries, Inc.; Gold Canyon Candles, LLC; Guildhouse—An American Greetings Corp.; Hanna's Candle Co.; Heartland Fragrance & Herb Co.; Heritage Candles, Inc.; Hillhouse Natural Farms, Ltd.; Home Essentials, LLC; Home Fragrance Holdings, Inc.; Hot Wax Candle Co., Inc.; Lamplight Farms; Laredo Candle Co.; Latitudes Intl.; Lumi-Lite Candle Co., Inc.; Miracle Candle Co.; Natures Finest Candles; Old Virginia Candle Co.; Old Williamsburgh Candle Corp.; Olio, Inc.; Panacea Products Corp.; Park Avenue Candles; Primal Elements, Inc.; Private Gardens—Trapp Candles; Reed Candle Co.; Root Candles; Salt City Candle Co.; Starlume, Inc.; Surgipath Medical Industries, Inc. dba Cera Bella; Suzzette's Cabin Candles; Tyler Candle Co.; USA Labs, Inc.; Votivo, Ltd.; Williamsburg Soap and Candle Co.; Wizard Candles, Inc.; and Yankee Candle Co, Inc. (collectively "the domestic interested parties"), within the deadline specified in section 351.218(d)(1)(i) of the Department's Regulations ("Sunset Regulations"). The domestic interested parties claimed interested party status under section 771(9)(E) of the Act, as a trade association, the majority of members of which manufacture, produce, or wholesale a domestic-like product in the United States. We received a complete substantive response only from the domestic interested parties within the 30-day deadline specified in 19 CFR 351.218(d)(3)(i). We received no response from the respondent interested parties. As a result, pursuant to section 751(c)(5)(A) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2), the Department conducted an expedited (120-day) sunset review of this order.

**Scope of the Order**

The products covered by this order are certain scented or unscented petroleum wax candles made from petroleum wax and having fiber or paper-cored wicks. They are sold in the following shapes: tapers, spirals and straight-sided dinner candles; rounds, columns, pillars, votives; and various wax-filled containers. The products were originally classifiable under the Tariff Schedules of the United States item 755.25, Candles and Tapers. The products are currently classifiable under

the Harmonized Tariff Schedule item number 3406.00.00.

The Department determined several products were excluded from the scope of this order. For a complete list of the Department's scope rulings, please check our Web site at <http://www.ia.ita.doc.gov/download/candles-prc-scope>. Also, additional scope determinations are pending. The written description remains dispositive.

**Analysis of Comments Received**

All issues raised in these reviews are addressed in the "Issues and Decision Memorandum" ("Decision Memo") from Ronald K. Lorentzen, Acting Director, Office of Policy, Import Administration, to James J. Jochum, Assistant Secretary for Import Administration, dated December 10, 2004, which is hereby adopted by this notice. The issues discussed in the Decision Memo include the likelihood of continuation or recurrence of dumping and the magnitude of the margins likely to prevail if the order were revoked. Parties can find a complete discussion of all issues raised in this review and the corresponding recommendations in this public memorandum which is on file in room B-099 of the main Commerce Building.

In addition, a complete version of the Decision Memo can be accessed directly on the Web at <http://ia.ita.doc.gov/frn>, under the heading "December 2004." The paper copy and electronic version of the Decision Memo are identical in content.

**Final Results of Reviews**

We determine that revocation of the antidumping duty order on candles from the PRC would be likely to lead to continuation or recurrence of dumping at the following weighted-average percentage margins:

Manufacturers/exporters/producers	Weighted average margin (percent)
PRC-wide .....	108.30

This notice also serves as the only reminder to parties subject to administrative protective orders ("APO") of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305 of the Department's regulations. Timely notification of the return or destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an

APO is a violation which is subject to sanction.

We are issuing and publishing the results and notice in accordance with sections 751(c), 752, and 777(i)(1) of the Act.

Dated: December 10, 2004.

**James J. Jochum,**  
Assistant Secretary for Import Administration.

[FR Doc. E4-3676 Filed 12-15-04; 8:45 am]

BILLING CODE 3510-DS-P

injury within a reasonably foreseeable time. For further information concerning the conduct of this review and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

**DATES:** *Effective Date:* January 13, 2005.

**FOR FURTHER INFORMATION CONTACT:** Vincent Honnold (202-205-3314), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this review may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

**SUPPLEMENTARY INFORMATION:**

*Background.* On November 5, 2004, the Commission determined that responses to its notice of institution of the subject five-year review were such that a full review pursuant to section 751(c)(5) of the Act should proceed (69 FR 68175, November 23, 2004). A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements are available from the Office of the Secretary and at the Commission's Web site.

*Participation in the review and public service list.* Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in this review as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, by 45 days after publication of this notice. A party that filed a notice of appearance following publication of the Commission's notice of institution of the review need not file an additional notice of appearance. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the review.

*Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.* Pursuant to section

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**INTERNATIONAL TRADE  
COMMISSION**

[Investigation No. 731-TA-282 (Second Review)]

**Petroleum Wax Candles From China**

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

**ACTION:** Scheduling of a full five-year review concerning the antidumping duty order on petroleum wax candles from China.

**SUMMARY:** The Commission hereby gives notice of the scheduling of a full review pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) (the Act) to determine whether revocation of the antidumping duty order on petroleum wax candles from China would be likely to lead to continuation or recurrence of material

207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this review available to authorized applicants under the APO issued in the review, provided that the application is made by 45 days after publication of this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the review. A party granted access to BPI following publication of the Commission's notice of institution of the review need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

**Staff report.** The prehearing staff report in the review will be placed in the nonpublic record on May 4, 2005, and a public version will be issued thereafter, pursuant to section 207.64 of the Commission's rules.

**Hearing.** The Commission will hold a hearing in connection with the review beginning at 9:30 a.m. on May 24, 2005, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before May 16, 2005. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on May 18, 2005, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), 207.24, and 207.66 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 days prior to the date of the hearing.

**Written submissions.** Each party to the review may submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.65 of the Commission's rules; the deadline for filing is May 13, 2005. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.67 of the Commission's rules. The deadline for filing posthearing briefs is June 2, 2005; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the review may submit a written statement of information pertinent to

the subject of the review on or before June 2, 2005. On June 24, 2005, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before June 28, 2005, but such final comments must not contain new factual information and must otherwise comply with section 207.68 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002).

Additional written submissions to the Commission, including requests pursuant to section 201.12 of the Commission's rules, shall not be accepted unless good cause is shown for accepting such submissions, or unless the submission is pursuant to a specific request by a Commissioner or Commission staff.

In accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the review must be served on all other parties to the review (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

**Authority:** This review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

Issued: January 14, 2005.

By order of the Commission.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. 05-1137 Filed 1-19-05; 8:45 am]

**BILLING CODE 7020-02-P**

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**DEPARTMENT OF COMMERCE****International Trade Administration**

[A-570-504]

**Petroleum Wax Candles From the People's Republic of China: Initiation of Anticircumvention Inquiries of Antidumping Duty Order**

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

**ACTION:** Notice of Initiation of Anticircumvention Inquiries of Antidumping Duty Order: Petroleum Wax Candles from the People's Republic of China.

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**SUMMARY:** In response to a request from the National Candle Association ("NCA" or "Petitioners"), the Department of Commerce ("the Department") is initiating an anticircumvention inquiry pursuant to section 781(c) of the Tariff Act of 1930, as amended, ("the Act") to determine whether mixed wax candles composed of petroleum wax and varying amounts of either palm or vegetable-based waxes have been subject to a minor alteration such that the addition of the non-petroleum content to these candles results in products that are "altered in form or appearance in minor respects" from the subject merchandise that these mixed wax petroleum candles can be considered subject to the antidumping duty order on petroleum wax candles from the People's Republic of China ("PRC") under the minor alterations provision. *See Notice of Antidumping Duty Order: Petroleum Wax Candles from the People's Republic of China*, 51 FR 30686 (August 28, 1986) ("Order").

In addition, in response to a request from the NCA, the Department is also initiating an anticircumvention inquiry pursuant to section 781(d) of the Act to determine whether mixed wax candles composed of petroleum wax and varying amounts of either palm or vegetable-based waxes are later-developed products that can be considered subject to the antidumping duty order on petroleum wax candles from the PRC under the later-developed merchandise provision.

**EFFECTIVE DATE:** March 7, 2005.

**FOR FURTHER INFORMATION CONTACT:** Alex Villanueva, Julia Hancock, or Nicole Bankhead, AD/CVD Operations, Office 9, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC, 20230; telephone: (202) 482-3208, (202) 482-1394, and (202) 482-9068, respectively.

**SUPPLEMENTARY INFORMATION:**

**Background**

On October 8, 2004, Petitioners requested that the Department conduct an anticircumvention inquiry pursuant to section 781(d) of the Act to determine whether candles containing palm or vegetable-based waxes as the majority ingredient and exported to the United States are circumventing the antidumping duty order on petroleum wax candles from the PRC.

On October 12, 2004, Petitioners requested that the Department conduct an anticircumvention inquiry pursuant to section 781(c) of the Act to determine whether candles containing palm or vegetable-based waxes and exported to the United States are circumventing the antidumping duty order on petroleum wax candles from the PRC.

On November 15, 2004, the Candle Corporation of America ("CCA"), a domestic producer, submitted comments in opposition to Petitioners' request that the Department initiate this anticircumvention inquiry. On November 15, 2004, the Department extended the deadline by three weeks for initiating the later-developed merchandise anticircumvention inquiry from November 22, 2004, to December 13, 2004. In addition, on November 15, 2004, the Department extended by three weeks the deadline for initiating the minor alterations anticircumvention inquiry, from November 26, 2004, to December 17, 2004.

On November 16, 2004, Russ Berrie & Company, Inc. ("Russ Berrie"), a domestic importer, submitted comments in opposition to Petitioners' request that

the Department initiate an anticircumvention inquiry.

On December 2, 2004, J.C. Penney Company, Inc., Target Corporation, the National Retail Federation, the MVP Group, the Candle Company, and the World at Large, hereinafter collectively known as the Coalition for Free Trade in Candles ("CFTC"), which represents these domestic importers, submitted comments in opposition to Petitioners' request that the Department initiate an anticircumvention inquiry.

On December 6, 2004, Fine Arts Marketing, Inc.; HomeScents, Inc.; Lava Enterprises Inc.; Makebest Industries, Ltd.; Silk Road Gifts, Inc.; Tag Trade Associates Group, Ltd. and Zodax, Inc., hereinafter collectively referred to as the "Tuttle Importers," submitted comments in these domestic importers' opposition to Petitioners' request that the Department initiate an anticircumvention inquiry.

On December 9, 2004, Petitioners submitted rebuttal comments to the Department in response to comments made by those parties opposing Petitioners' request for the initiation of an anticircumvention inquiry.

On December 10, 2004, Pier 1 Imports (U.S.), Inc. ("Pier 1"), a domestic importer, submitted comments in opposition to Petitioners' request that the Department initiate an anticircumvention inquiry.

On December 13, 2004, the Department extended the later-developed merchandise anticircumvention initiation deadline because additional information was needed for the Department to make a decision within the established time limits to initiate an anticircumvention inquiry. The deadline for initiating the later-developed merchandise anticircumvention inquiry was extended by sixty days from December 13, 2004, to February 11, 2005. Also on December 13, 2004, the Department issued a supplemental questionnaire to Petitioners regarding several areas in the later-developed merchandise anticircumvention request that needed further clarification.

In addition, on December 13, 2004, the Department extended the minor alterations anticircumvention initiation deadline a second time because additional information was needed Department to make a decision within the established time limits to initiate an anticircumvention inquiry. The deadline for initiating the minor alterations anticircumvention inquiry was extended by sixty days from December 17, 2004, to February 15, 2005. Also, on December 13, 2004, the Department issued a supplemental

questionnaire to Petitioners addressing several areas in the minor alterations anticircumvention request that needed further clarification.

On December 17, 2004, Petitioners requested an extension of three weeks to respond to the Department's supplemental questionnaires. On December 20, 2004, the Department granted Petitioners an extension of fifteen days from December 27, 2004, to January 14, 2005, to respond to the Department's supplemental questionnaires. On January 14, 2005, Petitioners submitted a response to the supplemental questionnaires issued by the Department.

On January 24, 2005, the CFTC requested that the Department extend the deadline for initiating the anticircumvention inquiry by one month from February 11, 2005, to March 11, 2005.

On January 25, 2005, Petitioners submitted samples of candles, which were referenced in the supplemental questionnaire response filed on January 14, 2005.

On January 27, 2005, Petitioners submitted comments in opposition to the CFTC's request to extend the deadline for initiating the anticircumvention inquiry.

On January 28, 2005, CCA submitted comments in response to Petitioners' supplemental questionnaire response.

On January 31, 2005, the Department extended the later-developed merchandise anticircumvention initiation deadline a third time because domestic interested parties needed additional time to respond to Petitioners' supplemental response. The deadline for initiating the later-developed merchandise anticircumvention inquiry was extended by ten days from February 11, 2005, to February 22, 2005. Also, on January 31, 2005, the Department extended the anticircumvention initiation deadline for the minor alterations anticircumvention inquiry by ten days from February 15, 2005, to February 25, 2005. In addition, on January 31, 2005, the Department granted CFTC and other interested parties an extension of ten days from January 28, 2005, to February 7, 2005, to submit factual information rebutting, clarifying, or corroborating factual information submitted by Petitioners to respondents on January 18, 2005.

Also on January 31, 2005, Russ Berrie requested that the Department extend the deadline for initiation. In its submission, Russ Berrie noted that it had submitted interim comments rebutting Petitioners' supplemental response in case in which the

Department did not extend the deadline as previously requested by the CFTC.

On February 2, 2005, CFTC submitted comments in response to Petitioners' supplemental questionnaire responses.

On February 7, 2005, Petitioners submitted rebuttal comments in response to comments made by interested parties regarding Petitioners' supplemental response. On February 7, 2005, Silk Road Gifts, Ltd. ("Silk Road"), a domestic importer, submitted comments in response to Petitioners' supplemental response. Also on February 7, 2005, CFTC submitted additional comments and samples of candles.

On February 11, 2005, the Department placed a memorandum on the file regarding the ex parte meeting the Department had with counsel for Petitioners on February 10, 2005.

On February 16, 2005, the Department placed a memorandum on the file regarding the ex parte meeting Acting Assistant Secretary Joseph Spetrini had with members of the Coalition for Free Trade in Candles on February 15, 2005.

On February 18, 2005, the Department extended the initiation deadline of the anticircumvention inquiry by three days from February 22, 2005, to February 25, 2005. Additionally, on February 18, 2005, Qindao Kingking Applied Chemistry Co., Ltd.; Shonfeld's (USA), Inc.; Alef Judaica, Inc.; and Amscan, Inc. submitted comments in response to Petitioners' supplemental questionnaire response.

On February 24, 2005, a memorandum to the file was placed by the Department regarding the ex parte meeting that the Acting Assistant Secretary Joseph Spetrini had with counsel for Petitioners on February 23, 2005. Additionally, on February 24, 2005, Petitioners filed further rebuttal comments.

#### Scope of Order

The products covered by this order are certain scented or unscented petroleum wax candles made from petroleum wax and having fiber or paper-cored wicks. They are sold in the following shapes: tapers, spirals, and straight-sided dinner candles; round, columns, pillars, votives; and various wax-filled containers. The products were classified under the Tariff Schedules of the United States ("TSUS") 755.25, Candles and Tapers. The product covered are currently classified under the Harmonized Tariff Schedule of the United States ("HTSUS") item 3406.00.00. Although the HTSUS subheading is provided for convenience purposes, our written description remains dispositive. See

*Order; see also Notice of Final Results of the Antidumping Duty New Shipper Review: Petroleum Wax Candles from the People's Republic of China*, 69 FR 77990 (December 29, 2004).

#### Initiation of Minor Alterations Anticircumvention Proceeding

Section 781(c)(1) of the Act provides that the Department may find circumvention of an antidumping duty order when products which are of the class or kind of merchandise subject to an antidumping duty order have been "altered in form or appearance in minor respects \* \* \* whether or not included in the same tariff classification."

Based on the language contained in the petition, the antidumping duty order, and the fact that the domestic "like product" determinations of the ITC are not dispositive, the Department finds that there is sufficient basis to initiate an anticircumvention inquiry pursuant to section 781(c) of the Act to determine whether the addition of vegetable and/or palm-based wax results in a minor alteration, and thus, a change so insignificant as to render the petroleum based, mixed candle subject to the antidumping duty order on petroleum wax candles from the PRC.<sup>1</sup>

#### Scope of the Minor Alterations Anticircumvention Proceeding

Petitioners argue that it is almost impossible to specify in this application all or most all PRC producers and importers of mixed wax petroleum wax candles containing varying amounts of palm or other vegetable-based waxes because of the continuously increasing quantity of imports of these candles into the United States. Additionally, Petitioners argue that an application requesting an anticircumvention inquiry and a resulting determination finding circumvention limited to only a few companies and specific candles would have little to no effect in preventing circumvention of the order.

The Department recognizes that Petitioners have limited information available to them at this time regarding the production, exportation and importation of mixed wax petroleum wax candles containing varying amounts of palm or other vegetable-based waxes. Specifically, we agree that obtaining subject and non-subject import data from the only tariff classification for all candles and the unknown number of companies producing and exporting to the United

<sup>1</sup> The various comments submitted by interested parties will be considered by the Department in its final determination.

States mixed wax petroleum wax candles containing varying amounts of palm and/or vegetable-based waxes is difficult. However, we also note that Petitioners have provided a list of companies importing and, to a certain extent, identified those companies producing/exporting mixed wax petroleum wax candles varying amounts of palm and/or vegetable-based waxes based on that companies' scope ruling request submitted to the Department. See *Petitioners' Minor Alterations Supplemental Response* (January 14, 2005) at Appendix I. In addition, Petitioners have provided, where available, specific model/product/SKU numbers for consideration in this anticircumvention inquiry using the data from the companies' scope ruling requests previously submitted to the Department. See *Petitioners' Minor Alterations Submission* (October 12, 2004) at Appendix 1.

We are initiating this anticircumvention inquiry on particular PRC exporters, as identified by Petitioners in Appendix 1 of their January 14, 2005, submission. However, within 45 days of the date of initiation of this inquiry, if the Department receives sufficient evidence that other PRC manufacturers are involved in the production of mixed wax petroleum wax candles containing varying amounts of palm and/or vegetable-based waxes for export to the United States, we will consider examining such additional manufacturers.

The Department will not order the suspension of liquidation of entries of any additional merchandise at this time. However, in accordance with 19 CFR 351.225(l)(2), if the Department issues a preliminary affirmative determination, we will then instruct U.S. Customs and Border Protection ("CBP") to suspend liquidation and require a cash deposit of estimated duties on the merchandise.

#### Initiation of Later-Developed Merchandise Anticircumvention Proceeding

Section 781(d)(1)(A) of the Act provides that the Department may find circumvention of an antidumping duty order when merchandise is developed after an investigation is initiated ("later-developed merchandise").

Based on the language contained in the petition and the antidumping duty order, and the fact that the domestic like product determinations of the International Trade Commission ("ITC") is not dispositive, the Department finds that there is sufficient basis to initiate an anticircumvention inquiry pursuant to section 781(d) of the Act to determine whether candles produced through the

addition of vegetable and/or palm-based wax to petroleum wax are later-developed products that can be considered subject to the antidumping duty order on petroleum wax candles from the PRC under the later-developed merchandise provision.<sup>2</sup>

The Department recognizes that the ITC's final injury determination states that "commercial production of candles generally uses "natural" waxes (paraffins, microcrystallines, stearic acid, and beeswax) in various combinations." See *Candles from the People's Republic of China*, Investigation No. 731-TA-282 (Final), USITC Publication 1888 (August 1986) at 2 ("ITC Final Determination"). In addition, we note that the *ITC Final Determination* defined petroleum wax candles "as those composed of over 50 percent petroleum wax," and noted that such candles "may contain other waxes in varying amounts, depending on the size and shape of the candle, to enhance the melt-point, viscosity, and burning power." *Id.* However, because the Department did not address the proportion of these waxes that would be indicative of petroleum wax candles, there is no clear basis for the Department to make a conclusive determination that candles with non-petroleum waxes in a different proportion are not later-developed merchandise. Consequently, we are initiating this inquiry under section 781(d) of the Act.

In addition, parties may submit comments regarding the appropriateness of our later-developed analysis as provided in this notice, no later than thirty days from the date of publication of this notice. Rebuttal comments are due no later than forty days from the date of publication of this notice.

The Department will not order the suspension of liquidation of entries of any additional merchandise at this time. However, in accordance with 19 CFR 351.225(l)(2), if the Department issues a preliminary affirmative determination, we will then instruct CBP to suspend liquidation and require a cash deposit of estimated duties on the merchandise.

We intend to notify the ITC in the event of an affirmative preliminary determination of circumvention, in accordance with 781(e)(1) of the Act and 19 CFR 351.225(f)(7)(i)(C). The Department will, following consultation with interested parties, establish a schedule for questionnaires and comments on the issues. The

Department intends to issue its final determinations within 300 days of the date of publication of this initiation. This notice is published in accordance with sections 781(c) and 781(d) of the Act and 19 CFR 351.225(i).

Dated: February 25, 2005.

**Joseph A. Spetrini,**

*Acting Assistant Secretary for Import Administration.*

[FR Doc. E5-918 Filed 3-4-05; 8:45 am]

**BILLING CODE 3510-DS-S**

<sup>2</sup> The Department recognizes that certain parties submitted comments addressing certain factors as required by section 781(d) of the Act, however the Department will address these comments in the final determination.

General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

**SUPPLEMENTARY INFORMATION:** On January 14, 2005, the Commission established a schedule for the conduct of the subject five-year review (70 FR 3224, January 21, 2005). The Commission hereby gives notice that it is revising the schedule for its final determination in the subject five-year review.

The activities of the Commission's schedule that are revised are as follows: the prehearing staff report will be placed in the nonpublic record and released to the parties on May 5, 2005; prehearing briefs are due May 16, 2005; requests to appear at the hearing are due May 17, 2005; the prehearing conference (if necessary) will be held on May 19, 2005; the hearing will be held on May 25, 2005; and posthearing briefs are due June 3, 2005.

For further information concerning this review investigation see the Commission's notice cited above and the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

**Authority:** This five-year review is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to § 207.21 of the Commission's rules.

Issued: April 21, 2005.

By order of the Commission.

**Marilyn R. Abbott,**

*Secretary to the Commission.*

[FR Doc. 05-8361 Filed 4-26-05; 8:45 am]

**BILLING CODE 7020-02-P**

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## INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-282 (Second  
Review)]

### Petroleum Wax Candles From China

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

**ACTION:** Revised schedule for the subject  
five-year review.

**EFFECTIVE DATE:** April 21, 2005.

**FOR FURTHER INFORMATION CONTACT:**

Vincent Honnold (202-205-3314),  
Office of Investigations, U.S.  
International Trade Commission, 500 E  
Street SW., Washington, DC 20436.  
Hearing-impaired persons can obtain  
information on this matter by contacting  
the Commission's TDD terminal on 202-  
205-1810. Persons with mobility  
impairments who will need special  
assistance in gaining access to the  
Commission should contact the Office  
of the Secretary at 202-205-2000.

## **EXPLANATION OF COMMISSION DETERMINATION ON ADEQUACY**

in

*Petroleum Wax Candles from China*, Inv. No. 731-TA-282 (Second Review)

On November 5, 2004, the Commission determined that it should conduct a full review in the subject five-year review pursuant to section 751(c) of the Tariff Act of 1930, as amended, 19 U.S.C. § 1675(c).

The Commission received a response to the notice of institution from the National Candle Association (NCA), a trade association a majority of whose members manufacture petroleum wax candles in the United States. The Commission determined that NCA's response was individually adequate. Because NCA's response accounted for a substantial percentage of U.S. production, the Commission determined that the domestic interested party response was adequate.

The Commission did not receive a response from any respondent interested party. Consequently, the Commission determined that the respondent interested party response was inadequate.

Since the issuance of the order in 1986, the Department of Commerce has made over fifty scope rulings excluding certain candles from the scope of the order. In light of these scope rulings, the Commission found that circumstances warranted conducting a full review. The data currently on the record regarding Chinese imports combine, in non-segregable fashion, both subject and non-subject imports. Conducting a full review will allow the Commission to seek information concerning both the effect of the scope rulings and an accurate assessment of the likely effects of revocation of the order. In addition, a full review will provide an opportunity for the Commission to closely examine any like product issues raised by the scope rulings.

Therefore, the Commission did not exercise its discretion to conduct an expedited review, but instead determined to conduct a full review. A record of the Commission's votes is available from the Office of the Secretary and the Commission's web site (<http://www.usitc.gov>).

**APPENDIX B**  
**HEARING WITNESSES**



## CALENDAR OF PUBLIC HEARING

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

**Subject:** Petroleum Wax Candles from China

**Inv. No.:** 731-TA-282 (Second Review)

**Date and Time:** May 25, 2005 - 9:30 a.m.

Sessions were held in connection with this second review investigation in the Main Hearing Room, 500 E Street (room 101), SW, Washington, D.C.

### **OPENING REMARKS:**

Support of Continuation of Orders (**Randolph J. Stayin**,  
Barnes & Thornburg)

### **In Support of the Continuation of the Antidumping Duty Order:**

Barnes & Thornburg  
Washington, D.C.  
on behalf of

National Candle Association ("NCA")

**Robert A. Higgins**, Vice President, Manufacturing  
and Logistics, Candle-Lite, Inc.

**George G. Pappas**, President, Lumi-Lite Candle Co.

**Colton La Zar**, Sales and Marketing Director, Research  
and Development, General Wax & Candle Co.

**Chris Goddard**, Director, Engineering and Quality,  
Home Fragrance Holdings, Inc.



**APPENDIX C**  
**SUMMARY DATA**



Table C-1

## Petroleum wax candles: Summary data concerning the U.S. market, 1999-2004

(Quantity=1,000 pounds of wax, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per pound; period changes=percent, except where noted)

Item	Reported data						Period changes					
	1999	2000	2001	2002	2003	2004	1999-2004	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
<b>U.S. consumption quantity:</b>												
Amount	729,543	759,862	701,128	712,618	693,799	729,896	0.0	4.2	-7.7	1.6	-2.6	5.2
Producers' share (1)	40.2	41.5	47.6	47.3	47.6	49.5	9.3	1.3	6.1	-0.3	0.3	1.9
<b>Importers' share (1):</b>												
China	20.8	20.6	19.0	24.4	26.5	28.5	7.7	-0.2	-1.6	5.4	2.0	2.0
Other sources	39.0	37.9	33.4	28.3	25.9	22.0	-17.0	-1.1	-4.6	-5.1	-2.3	-3.9
Total imports	59.8	58.5	52.4	52.7	52.4	50.5	-9.3	-1.3	-6.1	0.3	-0.3	-1.9
<b>U.S. consumption value:</b>												
Amount	1,579,735	1,693,640	1,588,527	1,545,117	1,612,477	1,674,383	6.0	7.2	-6.2	-2.7	4.4	3.8
Producers' share (1)	67.0	67.9	70.8	71.3	72.3	72.5	5.5	0.9	2.9	0.5	1.0	0.2
<b>Importers' share (1):</b>												
China	9.4	10.1	9.5	11.6	11.5	13.1	3.7	0.7	-0.6	2.1	-0.1	1.6
Other sources	23.5	22.0	19.7	17.1	16.3	14.4	-9.1	-1.6	-2.3	-2.6	-0.9	-1.8
Total imports	33.0	32.1	29.2	28.7	27.7	27.5	-5.5	-0.9	-2.9	-0.5	-1.0	-0.2
<b>U.S. imports from:</b>												
<b>China:</b>												
Quantity	151,908	156,765	133,553	174,165	183,644	208,073	37.0	3.2	-14.8	30.4	5.4	13.3
Value	149,240	171,593	151,162	179,244	185,143	219,540	47.1	15.0	-11.9	18.6	3.3	18.6
Unit value	\$0.98	\$1.09	\$1.13	\$1.03	\$1.01	\$1.06	7.4	11.4	3.4	-9.1	-2.0	4.7
Ending inventory quantity	11,862	13,270	14,770	16,110	9,884	8,334	-29.7	11.9	11.3	9.1	-38.6	-15.7
<b>Other sources:</b>												
Quantity	284,396	288,054	233,886	201,401	179,851	160,551	-43.5	1.3	-18.8	-13.9	-10.7	-10.7
Value	371,697	372,136	312,808	264,855	262,067	241,178	-35.1	0.1	-15.9	-15.3	-1.1	-8.0
Unit value	\$1.31	\$1.29	\$1.34	\$1.32	\$1.46	\$1.50	14.9	-1.2	3.5	-1.7	10.8	3.1
Ending inventory quantity	22,198	20,356	20,492	10,346	8,122	8,566	-61.4	-8.3	0.7	-49.5	-21.5	5.5
<b>All sources:</b>												
Quantity	436,304	444,819	367,439	375,566	363,495	368,624	-15.5	2.0	-17.4	2.2	-3.2	1.4
Value	520,937	543,729	463,970	444,099	447,211	460,717	-11.6	4.4	-14.7	-4.3	0.7	3.0
Unit value	\$1.19	\$1.22	\$1.26	\$1.18	\$1.23	\$1.25	4.7	2.4	3.3	-6.4	4.0	1.6
Ending inventory quantity	34,060	33,625	35,262	26,455	18,006	16,900	-50.4	-1.3	4.9	-25.0	-31.9	-6.1
<b>U.S. producers':</b>												
Average capacity quantity	548,420	597,371	618,609	614,811	644,047	695,671	26.9	8.9	3.6	-0.6	4.8	8.0
Production quantity	360,164	357,383	315,577	324,359	328,936	361,269	0.3	-0.8	-11.7	2.8	1.4	9.8
Capacity utilization (1)	65.7	59.8	51.0	52.8	51.1	51.9	-13.7	-5.8	-8.8	1.7	-1.7	0.9
<b>U.S. shipments:</b>												
Quantity	293,239	315,042	333,688	337,052	330,304	361,272	23.2	7.4	5.9	1.0	-2.0	9.4
Value	1,058,798	1,149,911	1,124,558	1,101,018	1,165,266	1,213,666	14.6	8.6	-2.2	-2.1	5.8	4.2
Unit value	\$3.61	\$3.65	\$3.37	\$3.27	\$3.53	\$3.36	-7.0	1.1	-7.7	-3.1	8.0	-4.8
<b>Export shipments:</b>												
Quantity	13,855	14,211	11,879	11,784	11,843	11,886	-14.2	2.6	-16.4	-0.8	0.5	0.4
Value	65,427	61,680	58,534	65,878	64,157	70,485	7.7	-5.7	-5.1	12.5	-2.6	9.9
Unit value	\$4.72	\$4.34	\$4.93	\$5.59	\$5.42	\$5.93	25.6	-8.1	13.5	13.5	-3.1	9.5
Ending inventory quantity	223,250	197,458	164,090	138,771	126,614	113,655	-49.1	-11.6	-16.9	-15.4	-8.8	-10.2
Inventories/total shipments	72.7	60.0	47.5	39.8	37.0	30.5	-42.2	-12.7	-12.5	-7.7	-2.8	-6.5
Production workers	5,076	5,025	4,692	4,828	4,681	4,389	-13.5	-1.0	-6.6	2.9	-3.1	-6.2
Hours worked (1,000s)	9,556	9,527	8,855	9,098	9,136	8,735	-8.6	-0.3	-7.1	2.7	0.4	-4.4
Wages paid (\$1,000s)	107,247	112,103	104,915	108,215	110,601	106,839	-0.4	4.5	-6.4	3.1	2.2	-3.4
Hourly wages	\$11.20	\$11.72	\$11.81	\$11.83	\$12.05	\$12.16	8.6	4.6	0.7	0.2	1.8	1.0
Productivity (pounds per ho	37.6	37.4	35.6	35.6	35.9	41.3	9.8	-0.5	-5.0	-0.0	1.1	15.0
Unit labor costs	\$0.30	\$0.31	\$0.33	\$0.33	\$0.34	\$0.30	-0.8	5.3	6.0	0.3	0.8	-12.1
<b>Net sales:</b>												
Quantity	294,484	333,537	354,875	349,524	339,123	367,227	24.7	13.3	6.4	-1.5	-3.0	8.3
Value	1,039,120	1,205,903	1,213,118	1,269,768	1,326,889	1,356,196	30.5	16.1	0.6	4.7	4.5	2.2
Unit value	\$3.53	\$3.62	\$3.42	\$3.63	\$3.91	\$3.69	4.7	2.5	-5.5	6.3	7.7	-5.6
Cost of goods sold (COGS)	526,148	618,764	638,424	663,534	686,927	709,141	34.8	17.6	3.2	3.9	3.5	3.2
Gross profit or (loss)	512,971	587,139	574,694	606,234	639,962	647,055	26.1	14.5	-2.1	5.5	5.6	1.1
SG&A expenses	303,664	364,677	368,169	406,548	427,030	432,080	42.3	20.1	1.0	10.4	5.0	1.2
Operating income or (loss)	209,308	222,462	206,524	199,687	212,932	214,975	2.7	6.3	-7.2	-3.3	6.6	1.0
Capital expenditures	26,310	31,095	23,929	24,207	20,056	17,951	-31.8	18.2	-23.0	1.2	-17.1	-10.5
Unit COGS	\$1.79	\$1.86	\$1.80	\$1.90	\$2.03	\$1.93	8.1	3.8	-3.0	5.5	6.7	-4.7
Unit SG&A expenses	\$1.03	\$1.09	\$1.04	\$1.16	\$1.26	\$1.18	14.1	6.0	-5.1	12.1	8.3	-6.6
Unit operating income or (lo	\$0.71	\$0.67	\$0.58	\$0.57	\$0.63	\$0.59	-17.6	-6.2	-12.7	-1.8	9.9	-6.8
COGS/sales (1)	50.6	51.3	52.6	52.3	51.8	52.3	1.7	0.7	1.3	-0.4	-0.5	0.5
Operating income or (loss)/												
sales (1)	20.1	18.4	17.0	15.7	16.0	15.9	-4.3	-1.7	-1.4	-1.3	0.3	-0.2

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.



**APPENDIX D**

**RESPONSES ON SIGNIFICANCE OF THE ORDER/  
ANTICIPATED CHANGES**



## U.S. PRODUCERS' COMMENTS

### Anticipated Operational/Organizational Changes

The Commission's questionnaires in this review requested comments from U.S. producers (question II-4) regarding any anticipated changes in the character of their operations or organization relating to the production of petroleum wax candles in the future if the antidumping duty order on petroleum wax candles from China were to be revoked. The following comments were received:

- \*\*\* U.S. producers of petroleum wax candles responded "No." The firms include: \*\*\*.
- \*\*\*: "While difficult to quantify or comment with precision, we would expect that many US manufacturers would go out of business or at least cease producing domestically in whole or in part, as it would be incredibly difficult to compete on cost alone given what we believe to be the unfair Chinese pricing practices and systemic advantages. We would of course attempt to compete on quality and brand equity grounds and would hope to be successful doing so, but would undoubtedly feel enormous pressure to lower prices and find cost reductions and efficiencies to try to be more competitive with the artificially low Chinese prices. In addition to negatively impacting revenues and profits, those types of pressures often lead to job losses and other restructurings, and/or decisions to rely increasingly on foreign imports instead of domestic manufacturing."
- \*\*\*: "Our markets would be flooded with inexpensive candles. This would lessen demand and would have a decisive and immediate major financial impact on our company."
- \*\*\*: "We would most likely have to reduce headcount by 25% within one year."
- \*\*\*: "If the antidumping duty from China was revoked it would put us at a competitive disadvantage. This position would result in decreased production resulting in lay offs, employee separation and/or entire business closure."
- \*\*\*: "We have a patented candle of higher quality."
- \*\*\*: "We believe that the dumping of Chinese candles in the US market will have an immediate negative impact on the sale of our candles due to cost."
- \*\*\*: "The majority of our current candle sales are to independent gift shops (small mom and pop operations). We would expect a significant decline in our candle sales to these customers if the antidumping tariff on Chinese candles were to be reduced or revoked. Substantial overhead costs are required to simply operate a candle operation, such as ours, that maintains an active research and development program and that is capable of producing candles in any significant volumes. It is nearly impossible to maintain an operation such as this based solely on the sales generated by our \*\*\* customers. In order to remain a viable candle operation, we have been forced to look outside the \*\*\* to grow our candle sales, so as to profitably operate a US based candle operation. Our main growth emphasis over the last year has been (and in the coming years will continue to be) selling candles to large volume \*\*\* buyers. We are beginning to make significant progress in penetrating this market and are finding that we are able to compete effectively based on price as

a US based candle manufacturer. However, should the antidumping duty be reduced or revoked, we would expect a dramatic and rapid influx of significantly less expensive Chinese candles into the US market in less than 6 months. There is no doubt that we would be forced to decrease our selling price significantly to remain competitive. This would force our company to abandon selling to the large volume \*\*\* market, as we would be unable to compete based on price with the Chinese. As a result, we would find it difficult to cover the overhead required to maintain our current candle operation through the candle sales we generate from the \*\*\*. We would likely be forced to either consider exiting the candle business altogether, or close our manufacturing operation and turn to importing candles, becoming a middle-man supplier. We fear that it would be very difficult for us to compete as an importer of candles because of the capital requirements and cash flow strain that would result from maintaining the increased levels of inventory (due to long lead times) that we would need to meet our customer's needs. We believe that revoking the antidumping tariff on Chinese produced petroleum wax candles could potentially force us to exit the candle market altogether.”

\*\*\*: “Our business would shrink significantly as we would not be able to compete with cheap candles from China if the duty were revoked.”

\*\*\*: “Imported candles will cut into our market.”

\*\*\*: “\*\*\* estimates that within one year from the date of revoking the antidumping order, the company would have such a reduction in sales it would go out of business and close. This is obviously due to the below market price of the Chinese candles being sold in the United States. Our sales are already dropping due to the unfair pricing of candles from China with the current anti-dumping duty order in effect.”

\*\*\*: “Increased imports of low cost petroleum wax candles from China would be likely to displace many of the candle products that \*\*\* now produces in the US. The net impact on the business would be to effectively idle 75% of that factory in less than 18 months. Overall, idling of the factory would, at a minimum, cost in excess of \*\*\* jobs and \*\*\* dollars in out of pocket (direct) restructuring costs. Because, at 25% of current volume the factory would not be sustainable, the lost investment would be an additional \*\*\* impact as the factory would not have a significant resale value.”

\*\*\*: “I would expect market pricing to plunge to a level that would be difficult if not impossible for us to produce a competitive product at.”

\*\*\*: “Sales would drop, so production would decrease. We need this to continue in order to remain competitive in an already saturated candle market here in the United States.”

\*\*\*: “We are currently beginning to make gift candles that are under the order. I would anticipate ceasing our efforts in this area. I would also anticipate severe pricing pressure on petroleum based church candles.”

\*\*\*: “It would severely hurt our business and hurt our manufacturing jobs. It would limit the number of customers we could call on as the big retailer would import direct.”

\*\*\*: “We would find it difficult to maintain our existence without the antidumping order. Our prices wouldn't be competitive without the order.”

- \*\*\*: “Continuing operations would be at risk. It would be doubtful that we could compete with Chinese candle manufacturers long term.”
- \*\*\*: “If the antidumping order is revoked we can experience irreparable damage; our costs are significantly higher than China’s.”
- \*\*\*: “We believe that the antidumping duty is critical to the health of domestic candles manufacturers. Since the late 1990’s, sales and margins of US manufacturers, including \*\*\*, of petroleum wax candles have greatly declined due to increased dumping of product imported from China. Without the antidumping duties, it would be very difficult for our company to compete with Chinese manufacturers selling petroleum wax candles in the United States. Without the antidumping duties, we would likely lose market share and price pressure from the imported candles from China would greatly reduce margins. Loss of market share and price pressure would likely lead to decreased employment and the hesitation of our company to make significant capital investments in the business.”
- \*\*\*: “\*\*\* would most likely be forced to cease operations as would the rest of US candle producers. Look at what the Chinese have done since 1998. We are hopeful that the 108.3% antidumping duty imposed in 2004, circumventions investigation at Commerce and improved enforcement at Customs will level the playing field and give US candle manufacturers a fair chance to compete in the US market.”
- \*\*\*: “Business will increase in \*\*\* as more products derived from China can be complemented with our products from \*\*\*.”
- \*\*\*: “See answers for II-15 and II-16.”
- \*\*\*: “Our business has declined to the point that I’m not sure what effect it will have on us.”
- \*\*\*: “Revocation of the antidumping duty order would be expected to result in increased pressure on pricing. \*\*\* would consider sourcing certain types of products from China.”
- \*\*\*: “A further reduction in our labor force resulting from a decrease in our sales revenue due to cheaper competition from China.”
- \*\*\*: “If the antidumping duty order were to be revoked, the current demand for our product could be minimized by the lower price of a similar product. Currently, the demand of our candles depends on the availability of like products in the wholesale industry. If similar products become available in the wholesale market for a lesser price, our increased production and expansion plans would be in jeopardy. This could also affect the number of staff needed to produce our product.”
- \*\*\*: “We would anticipate immediate further sales volume losses.”
- \*\*\*: “Would result in import prices dropping at the same time that US mfg. faces rising raw material costs because of crude costs.”
- \*\*\*: “Could not sell as many candles to customers. I always hear how the price of \*\*\* candles are better.”
- \*\*\*: “Attached.”

## Significance of Order In Terms of the Effects on Trade and Related Factors

The Commission's questionnaires in this review requested comments from U.S. producers (question II-15) regarding the significance of the existing antidumping duty order on petroleum wax candles from China in terms of the effect on their production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values. The following comments were received:

\*\*\* U.S. producers of petroleum wax candles responded that the antidumping duty order had no or little impact on their petroleum wax candle operations. The firms include: \*\*\*.

\*\*\*: "By providing for a more level playing field, the Order allows the Company to focus on quality, produce domestically and re-invest in the business while still remaining relatively cost- and price- competitive. Domestic production is the key to our ability to control and enhance product quality, provide first rate customer service to our wholesale customers and maintain sufficient supply chain flexibility for both wholesale and the servicing and replenishment of our own retail stores. We believe this vertically integrated supply chain and business model, based on our domestic manufacturing, has been a significant competitive advantage for us. The order has helped to maintain this as a viable operating and financial strategy by preventing the market from being distorted by Chinese imports at artificially low prices. We are almost certainly employing more people than we otherwise would have, spending more money on capital investments and growing our business and profits more rapidly. Our business has grown significantly since 1999."

\*\*\*: "The anti-dumping duty has been essential for the \*\*\* to maintain its market position. We would face severe sales declines if the order were not renewed, as we're not able to effectively price our product at levels comparable to those made in China. This would have a devastating effect on our operations and could force the company to cease operations."

\*\*\*: "Our sales and employment levels would decrease an estimated 25% within one year and 50% within two. Our labor costs are much higher than those in China."

\*\*\*: "Without the antidumping order, we would be at a significant disadvantage most likely resulting in the closing of business line and loss of more than \*\*\* jobs."

\*\*\*: "It is hard to determine the significance because \*\*\* candle sales have actually declined during this period. We view this decline to be attributable to slump in retail sales at the upper end and increased competition. Allowing more Chinese candles to be dumped during this period would have made matters worse."

\*\*\*: "Because the majority of our candle sales and sales focus since 1999 has been to \*\*\*, we probably did not recognize the full impact of the antidumping duty, as many of these \*\*\* do not have the sophistication, or the sales volume to support the importing of Chinese petroleum wax candles. However, substantial overhead costs are required to simply operate a candle operation, such as ours, that maintains an active research and development program and is capable of producing candles in any significant volumes. It is nearly impossible to maintain an operation such as this based solely on the sales generated by our \*\*\* customers. In order to remain a viable candle operation, we have been forced to look outside the \*\*\* market more recently to grow our candle sales so as to profitably operate a US based candle operation. As a result our

main growth emphasis over the last year has been (and in the coming years will continue to be) selling candles to large volume \*\*\* buyers. We have found that the main focus of these buyers is not quality or delivery lead times, but price. We are beginning to make significant progress in penetrating this market and are finding that we are able to compete effectively based on price. The current anti-dumping tariff allows us to compete based on price as a US based manufacturer of candles. Our ability to penetrate and sell to this market is critical to the ongoing viability of our US based candle operation.”

\*\*\*: “Sales of petroleum wax candles have, for our company, steadily declined since 1996. However, the antidumping duty may have slowed that decline to the point of almost stabilizing from 2003 to 2004.”

\*\*\*: “Our production dropped after the imposition of the antidumping order due to loopholes and ways around the law that allowed imports from China to increase. Our production drop would have been even larger had no duty been in place.”

\*\*\*: “The existing antidumping order covering imports of petroleum wax candles has allowed us to stay in the business of domestically manufacturing candles since its inception. However, unfair pricing from Chinese candles, has resulted in a 30% decrease in production, a 20% reduction in PRW’s, and a 55% reduction in our export sales to name a few. Without having the existing antidumping duty order in place, we would have not been able to remain in business.”

\*\*\*: “The antidumping duty somewhat levels the field for domestic production. For example, the FOB China quoted cost of a bag of 50 4 to 5 hour tealights is \*\*\* than the cost of the petroleum wax and tealight cups, without considering wick, packaging, labor, overhead and transportation costs. Without the duty many formats would be 100% imported. In terms of the effects on the operation, there are approximately \*\*\* people employed at the \*\*\* location. A full 75% of the people would likely lose their jobs in a period of a year from revocation of the duty. Additional job attrition could be expected in R&D positions. In addition to the human cost, an equivalent fraction of the capital invested in this facility would be lost as well.”

\*\*\*: “The Chinese have a strong desire to export their candles into the US and capture the market through extremely low pricing. Over the years the duty has served to keep their pricing at a level I have been able to retain business at.”

\*\*\*: “Without the antidumping law we would not be producing candles.”

\*\*\*: “There is little impact because our primary products do not compete directly. We mainly make unscented candles for home decor. We experience some price/volume depression.”

\*\*\*: “We just found an almost exact copy of one of jar candles being sold “retail” @ \*\*\* vs. our wholesale cost of \*\*\*. Our customers pay \*\*\* plus. This import is retailed at \*\*\* less than what we wholesale it for.”

\*\*\*: “I don’t think it has an effect on our company.”

\*\*\*: “It is difficult to quantify the impact of the order on our company. We have tried to market \*\*\* candles with limited success. The bulk of our petroleum production goes to the \*\*\*. To date the impact of Chinese candles has not been a major concern in this area, primarily I believe because

the overall usage in this area is minor compared to the \*\*\* industry, the order has allowed us to remain competitive, margins are lower and sales are often based on long-time personal relationships and friendships. \*\*\*. I can only conclude from our experience that were the antidumping order to be lifted, all manufacturers of US candles would be severely impacted.”

\*\*\*: “It is giving the ten companies an incredible leverage over other domestic companies. The millions of dollars they are receiving are enabling them to control a portion of the mass market by under pricing the product. Some of the companies also import which pays themselves a portion. They are undercutting their own domestic competition unfairly with inferior product.”

\*\*\*: “It protects domestic manufacturers to allow them to compete with imported items. Without the order our business would continually decline from lost sales to imported products.”

\*\*\*: “The duty gives us a better chance to compete within the market which allows us better opportunities in keeping production levels higher, better purchasing power, higher employment, better revenues, more efficient costing, higher profits, better capital expenditures, further R & D developments, etc...”

\*\*\*: “The duty allows us to maintain sales and profit levels to continue investing in additional production capacity, hire more employees and stay in business.”

\*\*\*: “Devastating describes the impact of revoking the antidumping order. We cannot compete with their low labor costs. It will destroy our candle business.”

\*\*\*: “Our company had sales growth in petroleum wax candles in 1986 following implementation of the antidumping duties on petroleum wax candles from China. Imports of petroleum wax candles greatly increased in 1998 and thereafter (see attached) and have had an adverse affect on our company’s revenue, employment and margins. However, without the antidumping duties, it would be very difficult for our company to compete with Chinese manufacturers selling product in the United States. Without the antidumping duties we would likely lose additional market share and price pressure from the imported candles from China would greatly decrease margins. The antidumping duties have allowed our company to compete with imported Chinese petroleum wax candles which has helped us maintain employment, margins and production that would not be possible without the antidumping duties.”

\*\*\*: “This order contributed to the decision to cease manufacturing of candles by \*\*\* as we cannot compete with domestic suppliers that receive the subsidies.”

\*\*\*: “\*\*\* grew from 1986 to 1998 and has declined from June of 1998 through 2004 despite the existence of the antidumping order. Market share began to erode in 1998 when orders were lost to lower cost Chinese candles with our larger mass and department store customer. Inventories during this period have declined, as have purchases, employment, revenues, and profits. Operating losses were incurred beginning in 2000 and continue to the current time. \*\*\* were used to help support operations during these years of operating losses. Cash flow from operations has been negative except for \*\*\* received in various years. This has been despite decreasing accounts receivable and inventory levels. Expenditures for capital projects and research and development continue despite falling sales. Expenditures for capital improvement have continued and are focused on process improvement. Research and development expenditures have increased as a percentage of sales and been focused on candle fire safety,

candle smoking and new products. The firm has been issued many utility patents for candle safety and several design patents for candles during this period.”

\*\*\*: “As an owner of a US manufacturing company, we oppose our competitors receiving Byrd money creating an unfair advantage for select domestic manufacturers.”

\*\*\*: “90% of our products produced are \*\*\* candles, so we would not notice a significant difference unless huge quantities of wax were dumped but not finished candles.”

\*\*\*: “The antidumping duty order on petroleum wax candles from China has enabled \*\*\* to remain in business in the face of high volumes of low priced Chinese imported candles. Even with the duty order in place, our company struggles to compete with the low market prices driven by cheap Chinese imports. \*\*\* is operating at below 50% of capacity and has shown a loss in five of the last six years in the portion of the business strictly related to petroleum wax candles. The one year in which \*\*\* was ultimately profitable in this portion of the business was partially due to a distribution of antidumping duties for Chinese candles that was distributed to the Company under the CDSOA. Moreover, the cost of raw materials, overhead, energy, and freight have all increased dramatically since 1999, and these increases cannot be passed on to the customer, as retail prices have largely remained flat or have decreased since 1999 resulting in a cost-price squeeze which has significantly impacted \*\*\* profitability. Shipments have also steadily decreased since 1999, while the volume of Chinese candle imports, inversely, has grown significantly.”

\*\*\*: “Business down 90% since 2000.”

\*\*\*: “Our figures continue to decline with or without.”

\*\*\*: “The antidumping duty offsets the otherwise much lower cost of petroleum wax candles available from China.”

\*\*\*: “The anti-dumping order has allowed \*\*\* to be competitive in our markets and compete against the imports from China.”

\*\*\*: “The order has made it impossible to import petroleum wax candles from China.”

\*\*\*: “At this time in the wholesale market place our petroleum wax candles are in a competitive price range. Our production is up and we have a steady influx of orders. Should a similar candle be allowed to be sold, at a lesser price, we would lose our competitive pricing. Therefore minimizing the demand for our candles.”

\*\*\*: “The order is helping to prevent further erosion of sales volume.”

\*\*\*: “We cannot make a comparative judgement. We assume that unregulated Chinese sales would negatively impact us. We also assume that the duty payments unfairly made to several of our US competitors are negatively impacting us to an unknown extent.”

## Anticipated Changes in Trade and Related Factors

The Commission's questionnaires in this review requested comments from U.S. producers (question II-16) regarding anticipated changes in their production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, or asset values relating to the production of petroleum wax candles in the future if the antidumping duty order on petroleum wax candles from China were to be revoked. The following comments were received:

\*\*\* U.S. producers replied "No" when asked if they could anticipate any of the changes listed above if the antidumping duty order were to be revoked: \*\*\*.

\*\*\*: "As stated elsewhere, this is difficult to quantify, but we would certainly expect to be adversely impacted by the revocation of the Order. Without the Order, the disparity in price would be so much larger that we would almost undoubtedly lose revenues, particularly wholesale sales as some of our customer base would feel compelled to substitute the cheaper imports for our products. We would of course attempt to compete on the strength of quality, brand equity, customer service, product innovation and the like, but would likely face significant pressures to lower prices and find cost efficiencies, whether through job reductions, increased importing, lesser quality products or otherwise. We may be unable or less able to raise prices to offset future raw material price increases such as those incurred in 2004. Over time these factors would be expected to adversely impact our sales, profits and ability to re-invest in the business and would pressure our decision to remain a domestic manufacturer."

\*\*\*: "If the dumping duty was dropped it would decrease domestic candle sales significantly. The decrease in sales would lead to a decrease in production and US shipments. Manufacturing costs would rise as our factories production runs became smaller and overall production declined. Revenues would decrease and profits would decrease exponentially. Due to reduced production and US shipments, employment would be decreased and layoffs would be a certainty. Capital and R&D expenditures would decrease due to no reasonable investment return or payback. Production capacity would remain the same as long as production assets did not have to be sold due to low sales and low profits. The asset values would be lower due to a buyer market. Cash flow would decrease due to low sales and low profits, and re-investment in additional assets would be difficult."

\*\*\*: "Our sales would decrease 25% within one year."

\*\*\*: "Without the antidumping order, we would be at a significant disadvantage most likely resulting in the closing of business line and loss of more than \*\*\* jobs."

\*\*\*: "We have a patented candle of higher quality."

\*\*\*: "We would expect to see shrinking sales, lost accounts, lower revenues, increased costs due to lower quantities purchased, and decreased margins/profitability."

\*\*\*: "The majority of our current candle sales are to \*\*\*. We would expect a significant decline in our candle sales to these customers if the antidumping tariff on Chinese candles were to be reduced or revoked. Substantial overhead costs are required to simply operate a candle operation, such as ours, that maintains an active research and development program and that is

capable of producing candles in any significant volumes. It is nearly impossible to maintain an operation such as this based solely on the sales generated by our \*\*\* customers. In order to remain a viable candle operation, we have been forced to look outside the \*\*\* market to grow our candle sales, so as to profitably operate a US based candle operation. Our main growth emphasis over the last year has been (and in the coming years will continue to be) selling candles to large volume \*\*\* buyers. We are beginning to make significant progress in penetrating this market and are finding that we are able to compete effectively based on price as a US based candle manufacturer. However, should the antidumping duty be reduced or revoked, we would expect a dramatic and rapid influx of significantly less expensive Chinese candles into the US market in less than 6 months. There is no doubt that we would be forced to decrease our selling price significantly to remain competitive. This would force our company to abandon selling to the large volume \*\*\* market, as we would be unable to compete based on price with the Chinese. As a result, we would find it difficult to cover the overhead required to maintain our current candle operation through the candle sales we generate from the \*\*\*. We would likely be forced to either consider exiting the candle business altogether, or close our manufacturing operation and turn to importing candles, becoming a middle-man supplier. We fear that it would be very difficult for us to compete as an importer of candles because of the capital requirements and cash flow strain that would result from maintaining the increased levels of inventory (due to long lead times) that we would need to meet our customer's needs. We believe that revoking the antidumping tariff on Chinese produced petroleum wax candles could potentially force us to exit the candle market altogether.”

- \*\*\*: “We would as a very small manufacturer be squeezed by Chinese candle manufacturers who pay such low wages and undercut US manufacturers pricing. We are industry leaders in the high end candle trade. We see many Chinese manufacturers and their consultants walking US trade shows. They are there looking for ideas and fragrance trends.”
- \*\*\*: “Petroleum wax candles are only a minor part of our business anymore (about \*\*\* of sales in 2004).”
- \*\*\*: “I would expect a significant impact if the antidumping order is revoked. Revenues, profits, cash, employment; all of these would drop significantly.”
- \*\*\*: “If the antidumping duty order on petroleum wax candles from China was revoked, our firm would dramatically lose sales of our domestically produced candles. This reduction would occur because candles produced in China would enter the US market with far below market pricing. We cannot manufacture candles domestically and sell them at the Chinese candle price point and stay in business. As a result, in a major reduction in sales, our firm would have to reduce its work force and shut down domestic production. We would then have to become an importer to survive. Importing candles and reselling them.”
- \*\*\*: “As discussed above in response to question II-4, it is anticipated that revocation of the antidumping duty order and the resulting increase in imports of low cost petroleum wax candles from China would result in imports displacing some 75% of \*\*\* current production in less than 18 months leading to reduction in investments in plant and equipment and closure of the facility.”
- \*\*\*: “If the duty order was revoked, I would fully expect market prices to plunge. Most likely I would not be able to produce and compete at such a low level and my sales would drop accordingly.”

With a drop in sales I would expect that production, profits, expenditures and employment would also drop.”

\*\*\*: “We would probably cease producing candles.”

\*\*\*: “Would like to see the duty’s increased, even with current duties waged we a US manufacturer are taking a hit (revenue, cost and profits). We need to increase our prices yet we can’t.”

\*\*\*: “Our production capacity available would increase due to loss of volume. We would be forced to lay off employees. US shipments would decrease. Inventories would increase for a time until we are forced to sell at distressed prices. Purchases, revenues and cash flow would all decline as demand would drop. Capital expenditures would be halted. Asset values would decline as receivables, inventories and investments decrease.”

\*\*\*: “This could work one of two ways. One - it would force the domestic candle market to become more fairly leveled or it could create a higher volume of imported poor quality candles which could affect domestic candle sales. If the dumping money is not shared equally and fairly among domestic candle manufacturers - increasing the duty will only allow the ten receiving money to continue to force average manufacturers out of business.”

\*\*\*: “As our customers continued to increase their direct imports, we would begin shutting down manufacturing and have to become an import only business.”

\*\*\*: “If the duty were to be revoked, our company would struggle to stay in business. Production levels would drop significantly, our purchasing power would weaken, our employment would shrink, less revenues, costing would rise across the board, profits will turn into losses and future developments would be at risk. This would all happen within months of a revoke and within a year or two our company could be in jeopardy.”

\*\*\*: “We would immediately experience a decrease in candle prices. Potentially below our cost of manufacturing. Eventually we would have to evaluate whether or not to continue manufacturing operations.”

\*\*\*: “It would cause us to stop producing candles and thus our employees to lose their jobs.”

\*\*\*: “We believe that the antidumping duty is critical to the health of domestic candles manufacturers. Without the antidumping duties it would be very difficult for our company to compete with Chinese manufacturers selling petroleum wax candles in the United States. Without the antidumping duties we would likely lose market share and price pressure from the imported candles from China would greatly reduce margins. Loss of market share and price pressure would likely lead to decreased employment, production, profits, cash flow and capacity utilization and the hesitation of our company to make significant capital investments in the business. Additionally, in the event that the antidumping order is revoked, our company would likely dramatically reduce domestic manufacturing of petroleum wax candles.”

\*\*\*: “Decision to cease US production in \*\*\* was already made and manufacturing facility closed resulting in an elimination of >\*\*\* full-time positions.”

\*\*\*: “\*\*\* would most likely be forced to cease operations.”

- \*\*\*: “Business will increase in \*\*\* as more products derived from China can be complemented with our products from \*\*\*.”
- \*\*\*: “\*\*\* anticipates that without a level playing field created by the antidumping duty order on Chinese candles, production, US shipments, purchases, employment, revenues, profits, and cash flow would all decrease significantly in a presently tight market making it virtually impossible for \*\*\* to remain competitive and stay in business.”
- \*\*\*: “Our figures continue to decline with or without.”
- \*\*\*: “Revocation of the antidumping duty order would be expected to result in increased pressure on pricing. \*\*\* would consider sourcing certain types of products from China.”
- \*\*\*: “The waiving of the antidumping duty would severely affect \*\*\* by reducing our shipments, which would impact our inventories, purchases from our suppliers and reduce our profits, cash flow, capital expenditures and research and development. These changes would begin to occur within 6 months after the antidumping order is rescinded. We have not incorporated a revision into our marketing plans, but our entire forecast for 2005-2006 would need to be revisited and appropriate reductions injected into the plan. We can’t be entirely definitive but sales reductions would probably force us to close our doors if the antidumping duty is reversed.”
- \*\*\*: “I would seriously consider importing wax candles from China.”
- \*\*\*: “The wholesale market is extremely competitive. Should a lower priced petroleum wax candle be introduced to the market in large volumes, we would not be as price competitive as present. This would undoubtedly lead to a decrease in the amount of orders we receive. This would mean a decrease in production, production staff, a loss in employment, decreased purchases of raw materials, loss of profits, and cash flow.”
- \*\*\*: “We would anticipate a major erosion in existing sales volumes which are already well below production capacities.”
- \*\*\*: “We would be unable to compete on pricing.”
- \*\*\*: “We assume that unregulated Chinese imports, by undercutting our prices, would significantly negatively affect sales to an unknown level.”

## U.S. IMPORTERS' COMMENTS

### Anticipated Operational/Organizational Changes

The Commission's questionnaires in this review requested comments from U.S. importers (question II-4) regarding any anticipated changes in the character of their operations or organization relating to the importation of petroleum wax candles in the future if the antidumping duty order on petroleum wax candles from China were to be revoked. The following comments were received:

- \*\*\*: "More candles, more sales, more jobs for fulfilment workers."
- \*\*\*: "For future our options would increase allowing greater opportunity for growth potential."
- \*\*\*: "We would increase production in China, but there are no plans at this time."
- \*\*\*: "Would explore possibility of limited importation. Would focus more on candle gift set/accessories (as opposed to just candles)."
- \*\*\*: "We would expect imports from China to increase. However, we are unable at this time to forecast the extent of that increase."
- \*\*\*: "Yes, would look at importing wax candles."
- \*\*\*: "To the limited extent \*\*\* purchases petroleum wax candles in the future, revocation of the anti-dumping duty can be expected to cause \*\*\* to procure more petroleum wax candles from China. \*\*\* business plan does not specifically address this issue."
- \*\*\*: "Will import more."
- \*\*\*: "Importation may increase."
- \*\*\*: "We would import and sell more candles. Some of these are available from U.S. manufacturers, some are not."

The following companies replied "No" when asked if they would anticipate any changes in the character of their operations were the antidumping duty revoked: \*\*\*.

### Significance of Order In Terms of the Effects on Trade and Related Factors

The Commission's questionnaires in this review requested comments from U.S. importers (question II-9) regarding the significance of the antidumping duty order concerning petroleum wax candles from China in terms of its effect on the firms' imports, U.S. shipments of imports, and inventories. The following comments were received:

- \*\*\* U.S. importers of petroleum wax candles did not respond. The firms include: \*\*\*.
- \*\*\*: "The firm is no longer an importer of record for petroleum wax candles because of the antidumping duty order."
- \*\*\*: "We will continue to explore possibilities for sourcing product that is not subject to countervailing or antidumping duties."
- \*\*\*: "Did not import before order."
- \*\*\*: "We did not import candles prior to the imposition of the order."
- \*\*\*: "Insignificant. Candles constituted 0.2% of sales in 1999. Decreases since were due to lessening of customer interest."
- \*\*\*: "Reduced our options as to what we could or could not cost effectively import."
- \*\*\*: "Our imports of candles are limited due to the high duty. We continually look for new sources outside China to produce candles to avoid the high duty."
- \*\*\*: "Has driven us to buy blended to avoid ADD and to find other sources without ADD on 100% paraffin wax."
- \*\*\*: "The imposition of the order has caused us to diversify our sources of candles."
- \*\*\*: "\*\*\*\* elects to manufacture the majority of its product offering and complement it with seasonal novelty items made in China outside the scope of the duty."
- \*\*\*: "\*\*\*\* imports of petroleum wax candles from China have declined."
- \*\*\*: "The company imports less candles from China than it might due to the antidumping order."
- \*\*\*: "Continuous erratic fluctuation of the ADD % has made it extremely difficult for us to make long term purchasing decisions in the candle category."
- \*\*\*: "As an owner of US manufacturing company, we oppose our competitors receiving Byrd Money creating an unfair advantage for select domestic manufacturers."
- \*\*\*: "We keep petroleum wax candles out of our product offerings, i.e., we can't compete with US manufacturers if we have to pay penalties, we would be out of business."

- \*\*\*: “Our firm has been hindered and lost the opportunity to grow our customer base and our overall candle business due to antidumping duty. Future growth potential has been limited due to this order.”
- \*\*\*: “With the antidumping order in place, we do not import candles from China.”
- \*\*\*: “Since the new duty rate was imposed, we have reluctantly laid off entire staff, our candle line was/is considered an upscale line, and we could not be competitive.”
- \*\*\*: “Purchasing decision are made based on supplier (vendor) cost and any additional duties would limit purchases from subject countries.”
- \*\*\*: “As of \*\*\* no longer importing candles.”
- \*\*\*: “The antidumping duty order has limited the importation, shipment and inventories of petroleum wax candles from China. The antidumping duty order also had the effect of increasing procurements of petroleum wax candles from other markets.”
- \*\*\*: “The existing antidumping order has significant negative impact to our company’s imports.”
- \*\*\*: “We do not import petroleum based candles from China that are covered by the order.”
- \*\*\*: “The country of origin and petroleum wax content of candle styles we import are evaluated based on product quality and cost. We evaluate sourcing candles from more countries due to the cost impact of ADD on petroleum wax candles from China. Our inventories and sales are based on consumer demand.”
- \*\*\*: “We only import candles from China. Therefore, we can not provide the comparison.”
- \*\*\*: “It has greatly limited our import of petroleum based candles.”
- \*\*\*: “The existing ADD order covering imports of petroleum wax candles from China limits our ability to source the best product for our customer from any area.”
- \*\*\*: “Not significant at all.”
- \*\*\*: “The existing order has caused additional compliance and customs entry work.”
- \*\*\*: “Our candle imports have been negatively impacted greatly by antidumping. The definition of recognizable and novelty candles have been extremely confusing/complicated and ever changing; meanwhile no US candle manufacturer can make them.”
- \*\*\*: “Had no effect.”
- \*\*\*: “The level of ADD assessed was prohibitive. We feel that the high level of ADD contributed significantly to higher prices/costs domestically and in other import markets. We did not import candles prior to the ADD order.”
- \*\*\*: “Minimize the Chinese sourcing of petroleum wax candles.”

- \*\*\*: “I have only bought candles with the order imposed, but, I would say I would buy or manufacture the best candles at the best price regardless of where it was made.”
- \*\*\*: “None as we mainly buy candles here in the US.”
- \*\*\*: “No Change.”
- \*\*\*: “Estimate down 20%.”
- \*\*\*: “Importing of petroleum wax candles decreased, vendor base decreased.”
- \*\*\*: “Inadequate supply of petroleum wax candles at reasonable prices, coupled with increase demand for more environmentally friendly candles based on natural substances such as palm oil- shift due to market demands - as a result of the changing market conditions any possible future purchases orders from China would be small due to severely trended downward candles.”
- \*\*\*: “The effect of the dumping of Chinese made petroleum wax candles in the US and the negative effects such dumping has had on prices, margins and employment have caused our company to import petroleum wax candles. Without the antidumping duties, our company would likely dramatically reduce domestic manufacturing of petroleum wax candles and increase importation of petroleum wax candles from China. Prior to the imposition of the order relating to antidumping duties, the amount of imports from China was small but growing (see attachment). After the imposition of the antidumping order, our sales increased until the late 1990's when imported petroleum wax candles from China began to greatly increase, affecting our sales and margins.”
- \*\*\*: “See Producers’ Questionnaire.”
- \*\*\*: “The duty helps us to keep competitive with our domestic product line and therefore, reduces the need to import.”
- \*\*\*: “The existing antidumping duty order imposes a significant additional cost on importation of the subject petroleum wax candles from China, thereby making domestically produced petroleum wax candles cost competitive, and otherwise limiting the volume of such imports sourced from China.”
- \*\*\*: “The existing antidumping duty order imposes a significant additional cost on importation of the subject petroleum wax candles from China, thereby making domestically produced petroleum wax candles cost competitive, and otherwise limiting the volume of such imports sourced from China.”
- \*\*\*: “\*\*\* business involves decorative accessories not individual candles. Typically, decorative accessories are display pieces of which candles comprise a small component both in terms of value and percentage of the overall item. \*\*\* imports were driven by fashion and customer preference rather than the existence of the AD order. \*\*\* seeks suppliers that can meet the decorative needs of its customers (in terms of beading, glasswork, metal work or ceramic containers) rather than seeking the lowest cost candle producer. These decorative pieces are generally not available from US suppliers or only available in limited quantities. Due to the small percentage of an overall decorative piece that candles comprise and the extended length of

time of the AD order on petroleum wax candles, historically the AD order had minimal impact on \*\*\* imports of petroleum wax candles from China.”

\*\*\*: “Main impact would be on seasonal orders due to not falling under festive category.”

\*\*\*: “The significance of the antidumping duty order is to make the price of Chinese-made candles higher than candles made in other countries such as Taiwan and Vietnam. \*\*\* will always purchase those candles which meet quality standards and have the lowest price.”

\*\*\*: “None, only purchasing from US manufacturers.”

\*\*\*: “Profit lost due to antidumping duty, increase retail prices to consumers shift to palm oil based candles.”

\*\*\*: “The duty has significantly limited our sales of basic pillar candles. It has also limited sales of decorative pillar candles not available from U.S. manufacturers which does not help the consumer.”

### Anticipated Changes in Trade and Related Factors

The Commission's questionnaires in this review requested comments from U.S. importers (question II-10) regarding any anticipated changes in their imports, U.S. shipments of imports, or inventories of petroleum wax candles in the future if the antidumping duty order on petroleum wax candles from China were to be revoked. The following comments were received:

- \*\*\* U.S. importers of petroleum wax candles responded "No." The firms include: \*\*\*.
- \*\*\*: "The firm considers total costs as the primary point in the decision to purchase petroleum wax candles."
- \*\*\*: "If the antidumping duty were revoked, we would likely investigate sourcing candles from China. We would anticipate that this may reduce the price of candles from China."
- \*\*\*: "Our imports from China may increase as candles and other goods tend to be cheaper in China. This effect would be immediate. Imports from other countries would probably decrease."
- \*\*\*: "The corporation would have to examine the entire financial impact on keeping a domestic factory open. It may be a cost benefit (cost effective) to close \*\*\* plant and import 100%. Revocation would have an impact in the future."
- \*\*\*: "Although \*\*\* would reevaluate its candle program, it is possible that there would be no material impact on the program as a whole, in view of the quality issues discussed in question III-B-26."
- \*\*\*: "The assumption is that candle prices (landed cost basis) will be competitive with other sources allowing for the potential of increased purchases from China."
- \*\*\*: "Business will increase in \*\*\* as more products derived from China can be complemented with our products from \*\*\*."
- \*\*\*: "We would offer more candles and increase jobs, as they significantly increase our companies sales."
- \*\*\*: "With revocation of this order, we would have a tremendous opportunity to expand our business in basic candle product and grow our customer base substantially."
- \*\*\*: "Would not have to pay 100% antidumping fees."
- \*\*\*: "Would explore possibility of importation of limited quantity."
- \*\*\*: "We would expect imports from China to increase. However, we are unable at this time to forecast the extent of that increase."
- \*\*\*: "Sales comparable to 2003-2004. Candles sales make up less than \*\*\* of total sales."

- \*\*\*: “The revocation of the antidumping order would cause \*\*\* to reevaluate the country of origin of petroleum wax candles \*\*\* purchases in the future. \*\*\* business plan does not specifically address this issue.”
- \*\*\*: “Business will increase significantly.”
- \*\*\*: “We would anticipate comparing pricing on items from China with our current sources that might lead us to increase our imports from China.”
- \*\*\*: “We consider our products unique in the market. We do not compete on a basis of price, our products are unique and often far more expensive than alternative products. Our customers purchase our product because of the unique design and we consider it unlikely that they would be lured away by cheaper Chinese imports. Even today, with the restriction on Chinese imports in place, our customers have many cheaper alternatives to our product.”
- \*\*\*: “Unknown overall impact. It doesn’t change the business plan, however, if there was no antidumping we might possibly offer more candle programs.”
- \*\*\*: “Our sales will be doubled in 60 days.”
- \*\*\*: “It is likely that our imports would change (shift) if the ADD order were to be revoked. It would open up more sourcing opportunities for us that we would at least be able to consider.”
- \*\*\*: “We would source candles from China.”
- \*\*\*: “Estimate sales could increase 20% along with imports and inventories.”
- \*\*\*: “In the event that the antidumping order on petroleum wax candles is revoked, our company would likely dramatically reduce domestic manufacturing of petroleum wax candles and increase importation of petroleum wax candles from China.”
- \*\*\*: “See Producers’ Questionnaire.”
- \*\*\*: “If the duty were to be revoked, our company would struggle to stay in business. Production levels would drop significantly, our purchasing power would weaken, our employment would shrink, less revenues, costing would rise across the board, profits will turn into losses and future developments, would be at risk. This would all happen within months of a revoke and within a year or 2, our company could be in jeopardy. As a result, I do not think we will be able to import much.”
- \*\*\*: “Revocation of the antidumping duty order would be expected to lead to a marked increase in availability in the market of low cost petroleum wax candles from China, resulting in downward pressure on market prices. This downward price pressure would cause the company to consider sourcing certain additional products from China.”
- \*\*\*: “Revocation of the antidumping duty order would be expected to lead to a marked increase in availability in the market of low cost petroleum wax candles from China, resulting in downward pressure on market prices. This downward price pressure would cause the company to consider sourcing certain additional products from China.”

- \*\*\*: “We would consider potentially increasing import volume of subject candles from China. Further details are not available at this time.”
- \*\*\*: “There are many criteria that go into \*\*\* sourcing decisions. Cost alone of one component of an item is not determinative of where an item will be sourced. Sourcing decisions are based upon the quality of product, quality and fashion trend of the product design, reliability of supplier, speed to market and cost. If the AD order were revoked, this would become one more factor for \*\*\* to consider when making sourcing decisions regarding decorative accessories.”
- \*\*\*: “Minimal increase on seasonal items.”
- \*\*\*: “\*\*\* will buy Chinese made candles if the prices are competitive, i.e., lower, and meet quality standards.”
- \*\*\*: “Our total candle sales could increase 10-20 percent.”

## U.S. PURCHASERS' COMMENTS REGARDING THE EFFECTS OF REVOCATION

The Commission's questionnaires in this review requested comments from U.S. purchasers (question III-33) regarding the effects of revocation of the antidumping duty order on (1) the future activities of their firms and (2) the U.S. market as a whole. The following comments were received:

\*\*\*

(1) **Activities of firm.**--"We are currently looking into possible vendors in China. Any revocation might eliminate our search in China"

(2) **Entire U.S. market.**--"Will look into other countries like Guatemala for less expensive candles"

\*\*\*

(1) **Activities of firm.**--"will not result in material change in our activities"

(2) **Entire U.S. market.**--"importers will lower prices. We believe the big three importers are mass retailers such as Target and Walmart."

\*\*\*

(1) **Activities of firm.**--"We would purchase the same type of candles (decoration/novelty) but in 100% petro instead of palm/petro blend"

(2) **Entire U.S. market.**--"increased competition"

\*\*\*

(1) **Activities of firm.**--"we will stop domestic candle production and try to make the transition to import distributor"

(2) **Entire U.S. market.**--"do not know"

\*\*\*

(1) **Activities of firm.**--"no change is anticipated since the country of origin is not tracked for candles purchased from domestic suppliers"

(2) **Entire U.S. market.**--"any answer would be speculative, but one would assume increased competition would result"

\*\*\*

(1) **Activities of firm.**--"we would explore other countries such as India, Vietnam and continue exploration of US and China markets"

(2) **Entire U.S. market.**-- no answer

\*\*\*

(1) **Activities of firm.**--"more production to another country"

(2) **Entire U.S. market.**--"unknown"

\*\*\*

(1) **Activities of firm.**--“would look at more candles offered from mainland China”

(2) **Entire U.S. market.**--“??”

\*\*\*

(1) **Activities of firm.**--“we will source candles that are sculptured or hand painted in China. Our pillars, votives, and tapers will remain in the US”

(2) **Entire U.S. market.**--“If ADD is only assessed on candles made in metal molds without hand-painting, then there will be no effect on US market. If a candle is made with a silicone mold or contains a significant amount of hand painting or decorating, then they should be out of the scope of ADD.”

\*\*\*

(1) **Activities of firm.**--“it will hurt us immensely. We will not be able to be in the fashion candle business at our #1 price point (our only price)”

(2) **Entire U.S. market.**--“don’t know”

\*\*\*

(1) **Activities of firm.**--“this company would probably increase its business with China if AD is revoked”

(2) **Entire U.S. market.**--“imports from China would probably increase throughout the US market”

\*\*\*

(1) **Activities of firm.**--“revoking duty would put \*\*\* (as a producer) out of business--cease domestic candle production”

(2) **Entire U.S. market.**--“likelihood of domestic producers going out of business is high”

\*\*\*

(1) **Activities of firm.**--“if the AD duties were revoked, we would likely investigate sourcing candles from China. We would anticipate that this may reduce the price of candles from China.”

(2) **Entire U.S. market.**--“We can't comment on this.”

\*\*\*

(1) **Activities of firm.**--“firm- we might move some Thailand or India purchases to China as freight would be cheaper. Depends on total landed cost dollars.”

(2) **Entire U.S. market.**--“if they don't keep pricing competitive over the next few years, they will be hurt.”

\*\*\*

(1) **Activities of firm.**--“if decreases, it is possible we could begin buying from China again”

(2) **Entire U.S. market.**--“likely that other candle purchasers would increase their petroleum wax purchases from China”

Seven firms responded that there would be no/little/unknown effects if the antidumping duty order were revoked.

\*\*\*

(1) **Activities of firm.**--“no”

(2) **Entire U.S. market.**--no answer

\*\*\*

(1) **Activities of firm.**--“unknown”

(2) **Entire U.S. market.**--“unknown”

\*\*\*

(1) **Activities of firm.**--“n/a” or “none”

(2) **Entire U.S. market.**--“n/a” or “none”

\*\*\*

(1) **Activities of firm.**--“I am unaware of any changes that will be made to importing strategies”

(2) **Entire U.S. market.**--“unknown”

\*\*\*

(1) **Activities of firm.**--“unknown”

(2) **Entire U.S. market.**--“unknown”

\*\*\*

(1) **Activities of firm.**--“no effect”

(2) **Entire U.S. market.**--“no effect because there are sufficient quality candle manufacturers in the US”

\*\*\*

(1) **Activities of firm.**-- no answer

(2) **Entire U.S. market.**-- no answer

**APPENDIX E**

**COMMERCE'S SCOPE RULINGS  
(EXCLUSIONS AND CLARIFICATIONS)**



**COMMERCE'S SCOPE RULINGS (October 1986-December 2004)**

Date	Interested party	Description of product
<b>Exclusions</b>		
12/17/04	Direct Scent, Inc.	Two "Christmas candles"
12/17/04	Pacific Enterprise, LLC	Three "Chubby Palm candles"
11/24/04	Globalshop, Inc.	"Snowman" candles
11/22/04	Paperproducts Design, Inc.	"Wine Cork" and "Champagne Cork" candle types
05/20/04	Spectrum Brands	"Cutter Citronella" candle; "Cutter Holiday Bucket" candle; "Cutter Triple Wick Citronella" candle; "Cutter Outdoorsman Citronella" candle; "Cutter Weather-Proof Citronella" candle
12/22/03	Meijer Distribution, Inc.	"Halloween" floating candle
11/17/03	Avon Products, Inc.	"Jeweled Fruit Pillar" candle; "Sweet Country Harvest" candle; "Halloween Pumpkin" candle; "Halloween Ghost" candle; "Jeweled Home Fragrance Poured" candle
11/17/03	Avon Products, Inc.	"Resin Topper Jar" candle
05/14/03	Fleming International Ltd.	Three models of candles comprised of vegetable wax
12/12/02	Leader Light Ltd.	Various palm oil/petroleum wax pillar candles; "Merry Christmas" musical candles
02/19/02	Atico International, Inc.	"NOEL" embossed candle; "angel" candle; "angel bear" candles
01/29/02	Jo-Ann Stores, Inc.	"Floating flower" candle; "heart floater" candle; "champagne glass flower" candle
11/09/01	JCPenney Purchasing Corporation	Rose blossom" candles; "autumn leaf" candle
07/11/01	Avon Products, Inc.	"Easter garden candles"; "pine cone candle"
05/21/01	JCPenney Purchasing Corp.	Dark green holly pillar candle; dark green "cracked" holly pillar candle; dark red Santa Claus pillar candle; red oval holly pillar candle; red house candle; chocolate house candle; church candle; red square candle with holly; brown "JOY," "PEACE," and "NOEL" pillar candle; cream colored holly pillar candle; hollow candle; pinecone tea-light candle; Christmas ornament candle; pinecone candle; apple candle; pumpkin candle; gourd candle; ghost face and web pillar candle; Jack-O'-Lantern, web and bat pillar candle; set of six Jack-O'-Lantern tea-light candles; set of four ghost tea-light candles; pillar candle with Christmas trees and stars and rose petal top; "build your own candle" set; 58 percent palm oil/42 percent petroleum wax square candle with Santa figures
05/08/01	Avon Products, Inc.	Holly berry pillar candle; holly berry pillar candle (holly berries painted red)
05/04/01	Avon Products, Inc.	Puzzle heart candle
02/12/01	San Francisco Candle Company Inc.	Carved Christmas tree with star pillar candle

Date	Interested party	Description of product
<b>Exclusions—Continued</b>		
07/07/00	Endar Corp.	"Bond cake" candle
01/11/00	Endar Corp.	"Dragonfly" candle
10/14/99	Meijer, Inc.	3 Halloween figure tapers
09/30/99	Meijer, Inc.	"Feather candle"; "flag torches" candle; "garden torches" candle; "10 inch yard torches" candle; "flag tapers" candles; "30 inch yard torches" candles
07/01/99	DJP Design, Inc.	Gold metal canister with accompanying candles
04/07/99	Endar Corp.	Red holiday floating candle; purple eight points floating puck candle; white frosty snow ball candle; gold 3" pine cone candle; white Christmas star candle; green Christmas tree ball ornament candle
12/18/98	Ocean State Jobbers'	80% beeswax, 20% petroleum wax
12/18/98	Boston Warehouse	Citronella outdoor candle
12/15/98	Target Stores	Citronella outdoor candles
12/11/98	Et Al. Imports	80% beeswax, 20% petroleum wax
12/10/98	Costco Wholesale	81% beeswax, 19% petroleum wax
08/24/98	Kohl's	Wax-filled container with Xmas scene
07/02/98	Et Al. Imports	Bamboo-shaped candle
06/11/98	Meijer, Inc.	Wax-filled porcelain bunny and Easter taper with a chick attached, an Easter bunny head tealight, a Valentine heart tealight, a heart-shaped candle on a heart base, a "candy kiss" candle, and a "bunny long ears" flame
03/16/98	American Drug Stores	Spherical wax veneer candle
12/15/97	Meijer, Inc.	Gold/green rectangle "Noel" candle and wax-filled Valentines candle mug
09/08/97	Meijer, Inc.	Jack-o'-lantern
04/09/97	Dollar Tree Stores	Holly taper
10/30/96	Midwest of Cannon Falls	Asparagus stalk
10/30/96	Enesco Corp	Holiday candles, disc-shaped candle
09/25/96	Springwater Confection vs. the United States	Holly feather candle (Slip Op. 96-160 CIT; remand of 14 Feb 95)
09/28/95	Concept Marketing	"Safe-2-Lite" candle (utility candle)
05/16/95	Sun It Corporation	"Flag Lites", "Porch torch", "Gigantic Fruit", pumpkin candles
02/14/95	Watkins Incorporated	Holiday pillar candle
01/13/95	Two's Company	Taper with holiday figurine
07/27/94	West Coast Liquidators	Tapers with holiday figurines and candles molded as identifiable objects

Date	Interested party	Description of product
<b>Exclusions–Continued</b>		
07/27/94	Success Sales Co	Holiday pillar candles
07/27/94	Star Merchandise Co.	Certain citronella candles and candles in holiday tins
06/06/94	Kole Imports	Tapers with holiday figurines
06/06/94	A J Cohen Co.	Tapers with holiday figurines
09/30/93	Hallmark Cards	Certain wedding candles
09/30/93	Cherrydale Farms	Currier & Ives holiday tins
06/10/93	San Francisco Candle	Certain mushroom oval/egg and spherical candles
06/07/93	Primark	Certain wax-filled tins with Santa Clause designs
02/12/93	Simcha Candle Co.	"Household" candles
12/11/91	W.M. Stone & Co.	Easter holiday tapers (USCS ruling)
09/03/91	Fabri-Centers Inc.	Certain citronella candles
07/02/90	Rite Aid Corp.	Certain holiday tapers (USCS ruling)
03/20/89	U.S. Customs Service	"Party" candles CIE-N-212/85; Supp. (6\5/8\by\1/8\8) Ruling issued directly to USCS
09/21/87	U.S. Customs Service	Certain novelty candles w/scenes or symbols, and "identifiable object" candles CIE-N-212/85; Supp. 6
09/09/87	West Coast Liquidators	Certain holiday pillars and tapers (USCS ruling)
08/23/87	Carmichael International	Certain novelty candles
07/13/87	Giftco Inc.	Candles w/raised holiday motifs (see CIE-N-212/85; Supp. 6)
10/30/86	Global Marketing Services	Certain tapers with permanently attached figurines

Table continued on next page.

Date	Interested party	Description of product
<b>Clarifications–Product within the scope of the order</b>		
12/22/04	Dollar Tree Stores, Inc.	Three types of gel candles in glass containers
12/21/04	Avon Products, Inc.	"Rose bloom" candle with product profile number 250246
12/17/04	Wal-Mart Stores, Inc.	"Christmas tree ball ornament" candle set; "Snowball" candle set; a single "snowball" candle which "floats" in a clear goblet; a single "snowball" candle which "floats" in a red goblet
12/17/04	Direct Scent, Inc.	Christmas candle
12/16/04	Atico International USA, Inc.	"Wax Icon" candle; "Santa Ornament" candle; "Candy Corn" candle; "Christmas Pillar" candle
11/18/04	Old Hickory Candle Co.	Five types of "angel" candles
11/18/04	Neazit Israel International, Ltd.	Box of 44 "Chanukah candles"
05/17/04	Hallmark Cards, Inc.	Four styles of floating candles intended for decorative use
12/22/03	Meijer Distribution, Inc.	Five "Halloween" candle types
06/12/03	San Francisco Candle Co.	"Concentric heart" candles; "crackle heart" candles; "moonlight candy cane" floaters
06/11/03	For Your Ease Only, Inc.	Floating gel candle; refill gel tea light candle
04/22/03	Garden Ridge	Orange "Cheetah-Print" candles; Black and White "Zebra-Print" candles
03/31/03	Atico International, Inc.	"Filled Paraffin Wax Gel" candle; "Tier Disk Heart-Shaped" candle
03/25/03	Burlington Toiletries International, Ltd.	Gel candles
12/12/02	Leader Light Ltd.	Various candles including brick candles, star candles, ceramic filled candles, "Happy Birthday" musical candles, and floating candles
09/26/02	Interpro International	Metallic green and gold-swirled round candle; metallic gold round candle; red, green, and white-striped oval disc candle; blue floating candle; red and white striped floating candle; vanilla scented textured round candle
08/29/02	Peerless Umbrella Co., Inc.	"Five-pointed" 3.50 inch high star-shaped candle
05/21/02	Endar Corp.	Red votive candle
05/21/02	T S Group, Inc.	3.5 inch white "utility" candle; 3.75 inch white "utility" candle; 5 inch white "utility" candle; 5.5 inch beige "spiraled utility" candle; 5 inch white and blue "utility" candle; 5 inch orange "utility" candle; 5 inch blue "utility" candle; 3.75 inch pink "utility" candle
04/08/02	Avon Products, Inc.	Ball-shaped candle
04/08/02	Atico International, Inc.	"Valentine Heart-Shaped" candle; "Easter Egg" candles; "Easter Floating" candles; Lantern candles; Floating "Valentine" candle
02/25/02	Premier Candle Corp.	Tulip lantern candle
02/19/02	Atico International, Inc.	"Christmas cake" candle; "glowing" candles; "JOY" and "PEACE" embossed candles; "beeswax" candles; snowball candle

Date	Interested party	Description of product
<b>Clarifications–Product within the scope of the order-Continued</b>		
02/13/02	Endar Corp.	Floating pumpkin lantern candle
01/29/02	Jo-Ann Stores, Inc.	"Five point star" candle; "star floater" candle
07/30/01	Avon Products, Inc.	Floral Lamp Candle
07/11/01	Avon Products, Inc.	Floating disc shaped candle
06/11/01	Avon Products, Inc.	Tear shaped candle
05/21/01	JCPenney Purchasing Corp.	Dark green holly pillar candle; ivory pillar with bells candle; dark green oval angel pillar candle; green square candle with angels; cream colored square candle with pinecones and leaves; white square candle with poinsettias; red, white and blue stacked star candles; tea-light candles; glass bowl with three floating snowflake candles; olive-shaped candle with snake skin pattern; block-shaped candle with snake skin pattern; round-shaped candle with curvy lines; oval-shaped candle with curvy lines; ocean blue pillar candle; cream colored cube candle with seashells; round candle with star cutout; red oval pinecones and leaves pillar candle; cream colored square candle with embedded gold foil; column candle with snake skin pattern; column candle with curvy lines
04/30/01	Barthco Trade Consultants, Inc.	Mini loaf candles; floating flower candle; floating star candle
02/12/01	San Francisco Candle Company Inc.	Christmas holly leaf with berries candy cane pillar candle; Santa Claus motif candy cane pillar candle; Christmas tree with star candy cane pillar candle; Christmas holly leaf pillar candle; Christmas sock pillar candle; Santa Claus pillar candle; Santa Claus candy cane column candle; Christmas holly leaf with berries candy cane column candle; Christmas tree with star candy cane column candle; Christmas holly leaf with berries pillar candle; Christmas patchwork pillar candle
10/06/00	Cherrydale Farms	"Fruit gel" candle; "strawberry preseves" candle
10/05/00	Cherrydale Farms	Set of four "Floating Bug" candles
07/07/00	Endar Corp.	6"x3" pillar candle; green Christmas and white Christmas taper candles
05/11/00	Endar Corp.	Round "Chinese lanterns" candles; "silver studded white votive" candle; "candy cane floater" candle
05/04/00	American Greetings Corp.	Taper candle with heart decorative figurine; taper candle with "Teddy-bear" decorative figurine; taper candle with snowflakes; pillar candle with snowflakes; pillar candle with gold stars; snowman taper candle; taper candle with "Easter" flowers; taper candle with acorns and leaves decorative figurine; taper candle with "Indian corn" decorative figurine; "Indian corn" taper candle
01/11/00	Endar Corp.	"Round floating" candle; "stress relief, aromatherapy" candle; "gel" candle; "bamboo" candle
09/30/99	American Fun & Toy Creators, Inc.	Cube-shaped candle embossed with the words "YEAR 2000"
09/30/99	Meijer, Inc.	"Star candle"; "leaf candle"; green floating disk candle
04/07/99	Endar Corp.	Gold 5" high holiday candle

Date	Interested party	Description of product
<b>Clarifications-Product within the scope of the order-Continued</b>		
01/06/99	Meijer, Inc.	Wax-filled porcelain bunny
12/24/98	Endar Corp.	"Floating" candle
08/31/98	Leader Light	Parffin/palm oil in stearic acid shell wax-filled container
08/24/98	Kohl's	Various; gold rope angel and vine decorated; star and tree wax-filled containers
06/11/98	Meijer, Inc.	Sweetheart tapers and wax-filled glass containers with decorative hearts
05/06/98	Polardreams Inc.	Granular petroleum wax candle kits
12/15/97	Meijer, Inc.	Gold/green rectangle "Joy", "Peace" candles, and flame candle
09/25/97	Russ Berrie	Heart-shaped "trinket box" candle
09/25/97	M.G. Maher	Red spiral candles
09/15/97	Indio Products Inc.	Assorted columns and votives
09/08/97	Meijer, Inc.	Four terra cotta containers
09/02/97	Russ Berrie	Star-shaped "confetti" pillar
04/09/97	Inst. Financing Services	Red/white candle packaged as peppermint candy
04/09/97	Hallmark Cards	Red/white candle packaged as peppermint candy
12/09/96	Mervyn's	Cube candle with sun face
10/30/96	Midwest of Cannon Falls	Certain pillars, Easter taper, and oblong cube
10/30/96	Enesco Corp.	Cube birthday candle
10/28/96	Russ Berrie Co.	Heart-shaped, terra cotta container
09/25/96	Springwater Confection vs. the United States	Christmas feather candle (Slip Op. 96-160 CIT; remand of 14 Feb 95)
08/26/96	Delightful Dimensions	75/25 beeswax/petroleum wax tapers
06/24/96	Morris Friedman & Co.	Wax-filled bucket, wax-filled glass containers
02/14/95	Springwater Confection	"Feather" spiral candles (remanded by CIT; see 13 May 96)
01/13/95	Two's Co.	Pillar candles with decorations
12/16/94	Lew-Mark	Wax-filled "pansy" tins
07/27/94	Star Merchandise Co.	Certain wax-filled containers
09/30/93	Hallmark Cards	Party rounds
06/07/93	Primark	Other wax-filled tins
04/09/93	Trade Advisory Group	Certain terra cotta candles
04/09/93	Garrett Hewitt Int'l.	"Giorgio" candles
02/12/93	Simcha Candle Co.	Certain tealight candles

Date	Interested party	Description of product
<b>Clarifications-Product within the scope of the order-Continued</b>		
03/17/92	Wolf D. Barth Co.	Van Gogh "sculpture" and Monet spiral
11/04/91	San Francisco Candle	Moonlite and Candalite candles
07/23/87	Empire Candle Co.	Candles with metal-cored wicks
Source: <i>Final Results of Expedited Sunset Review: Petroleum Wax Candles from the People's Republic of China</i> , 64 FR 32481, June 17, 1999; and various Commerce scope rulings retrieved from <a href="http://ia.ita.doc.gov/download/candles-prc-scope/index.html">http://ia.ita.doc.gov/download/candles-prc-scope/index.html</a> .		



**APPENDIX F**

**SEPARATE FINANCIAL RESULTS (ESTIMATED) ON  
THE NON-DIRECT AND DIRECT SELLING ACTIVITY OF  
U.S. PETROLEUM WAX CANDLE PRODUCERS**



**Table F-1**

**Petroleum wax candles: Estimated financial results of non-direct sales activity, calendar and fiscal years 1999-2004**

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**Table F-2**

**Petroleum wax candles: Estimated financial results of direct sales activity, calendar and fiscal years 1999-2004**

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**APPENDIX G**  
**PRICING DATA CHANGES BY COMPANY**



Pricing data were also analyzed by comparing prices for particular producers and importers over 1999-2004. In order to take into account potential seasonal effects, prices from October-December 1999 were compared to prices from October-December 2004. The results (for producers and importers who reported data for both of those periods) are presented in the following discussion. The data are the same as used in Part V. Please note that all percent increases and decreases are from October-December 1999 to October-December 2004. All quantities shown as 0.0 indicate a value less than 0.05.

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