

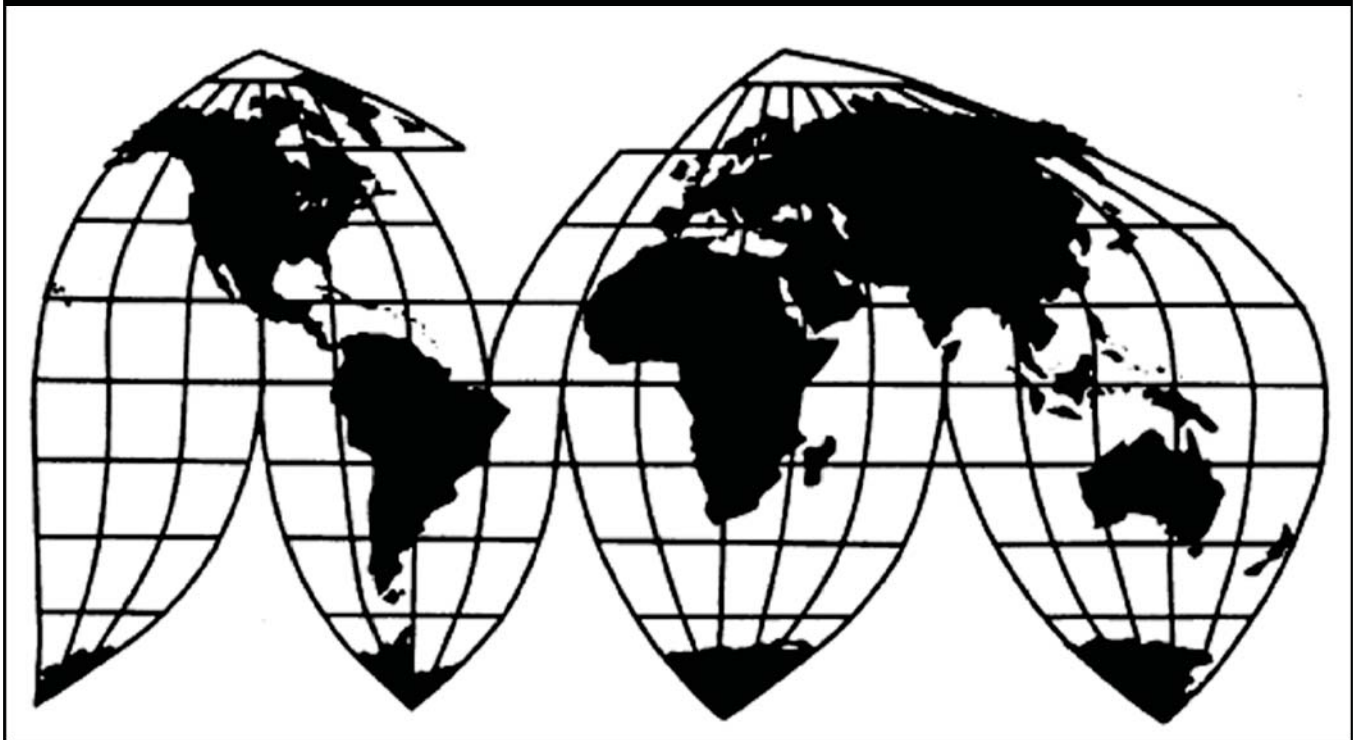
# **Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal**

Investigation Nos. 701-TA-528-529 and 731-TA-1264-1268 (Final)

**Publication 4592**

**February 2016**

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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# **U.S. International Trade Commission**

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## CONTENTS

	Page
<b>Determinations</b> .....	1
<b>Views of the Commission</b> .....	3
<b>Part I: Introduction</b> .....	<b>I-1</b>
Background.....	I-1
Statutory criteria and organization of the report .....	I-2
Statutory criteria .....	I-2
Organization of report.....	I-4
Market summary .....	I-4
Summary data and data sources.....	I-5
Previous and related investigations.....	I-5
Nature and extent of subsidies and sales at LTFV .....	I-6
Subsidies .....	I-6
Sales at LTFV .....	I-7
The subject merchandise .....	I-8
Commerce’s scope .....	I-8
Tariff treatment .....	I-9
The product .....	I-9
Description .....	I-9
Applications .....	I-11
Manufacturing processes .....	I-11
Domestic like product issues.....	I-14
<b>Part II: Conditions of competition in the U.S. market</b> .....	<b>II-1</b>
U.S. market characteristics.....	II-1
U.S. purchasers.....	II-1
Channels of distribution .....	II-1
Geographic distribution .....	II-2
Supply and demand considerations .....	II-2
U.S. supply .....	II-2
U.S. demand .....	II-9

## CONTENTS

	Page
<b>Part II: Conditions of competition in the U.S. market--<i>Continued</i></b>	
Substitutability issues.....	II-12
Lead times .....	II-13
Knowledge of country sources .....	II-13
Factors affecting purchasing decisions.....	II-14
Comparisons of domestic products, subject imports, and nonsubject imports .....	II-19
Comparison of U.S.-produced and imported uncoated paper .....	II-26
Elasticity estimates.....	II-30
U.S. supply elasticity.....	II-30
U.S. demand elasticity .....	II-30
Substitution elasticity .....	II-30
<b>Part III: U.S. producers' production, shipments, and employment .....</b>	<b>III-1</b>
U.S. producers .....	III-1
Changes in operations .....	III-3
U.S. production, capacity, and capacity utilization .....	III-5
Overall paper making .....	III-5
Uncoated paper .....	III-6
U.S. producers' U.S. shipments and exports.....	III-8
U.S. commercial shipments by type of branding .....	III-9
U.S. commercial shipments by product type .....	III-9
U.S. producers' inventories .....	III-10
U.S. producers' imports and purchases .....	III-10
U.S. employment, wages, and productivity .....	III-11

## CONTENTS

	Page
<b>Part IV: U.S. imports, apparent U.S. consumption, and market shares</b> .....	<b>IV-1</b>
U.S. importers.....	IV-1
Overview.....	IV-3
U.S. imports.....	IV-4
U.S. importers' commercial U.S. shipments by type of branding .....	IV-5
U.S. importers' commercial U.S. shipments by product type.....	IV-6
Critical circumstances.....	IV-7
Negligibility.....	IV-10
Cumulation considerations .....	IV-10
Fungibility .....	IV-12
Presence in the market .....	IV-13
Geographical markets .....	IV-15
Apparent U.S. consumption .....	IV-17
U.S. market shares .....	IV-19
<b>Part V: Pricing data</b> .....	<b>V-1</b>
Factors affecting prices .....	V-1
Raw material costs .....	V-1
U.S. inland transportation costs.....	V-1
Pricing practices .....	V-1
Pricing methods.....	V-1
Sales terms and discounts .....	V-2
Price leadership .....	V-4
Pricing factors .....	V-4
Price data.....	V-5
Price trends.....	V-8
Price comparisons .....	V-9
Lost sales and lost revenue .....	V-12

## CONTENTS

	<b>Page</b>
<b>Part VI: Financial experience of U.S. producers .....</b>	<b>VI-1</b>
Background.....	VI-1
Operations on uncoated paper .....	VI-1
Total net sales.....	VI-2
Operating costs and expenses.....	VI-3
Profitability .....	VI-4
Toll-conversion operations.....	VI-4
Variance analysis .....	VI-5
Capital expenditures and research and development expenses .....	VI-6
Assets and return on investment.....	VI-7
Capital and investment .....	VI-8
Actual negative effects .....	VI-9
Anticipated negative effects.....	VI-9
<b>Part VII: Threat considerations and information on nonsubject countries.....</b>	<b>VII-1</b>
The industry in Australia .....	VII-3
Overview.....	VII-3
Changes in operations .....	VII-3
Operations on uncoated paper .....	VII-4
Alternative paper products .....	VII-5
Exports.....	VII-6
The industry in Brazil.....	VII-7
Overview.....	VII-7
Changes in operations .....	VII-8
Operations on uncoated paper .....	VII-8
Alternative paper products .....	VII-9
Exports.....	VII-10



## CONTENTS

	Page
<b>Part VII: Threat considerations and information on nonsubject countries--<i>Continued</i></b>	
The industry in China.....	VII-11
Overview.....	VII-11
Changes in operations.....	VII-13
Operations on uncoated paper.....	VII-13
Alternative paper products.....	VII-15
Exports.....	VII-16
The industry in Indonesia.....	VII-17
Overview.....	VII-17
Changes in operations.....	VII-19
Operations on uncoated paper.....	VII-19
Alternative paper products.....	VII-21
Exports.....	VII-22
The industry in Portugal.....	VII-23
Overview.....	VII-23
Changes in operations.....	VII-23
Operations on uncoated paper.....	VII-23
Alternative paper products.....	VII-24
Exports.....	VII-25
Combined data for the industries in the subject countries.....	VII-26
U.S. inventories of imported merchandise.....	VII-27
U.S. importers' outstanding orders.....	VII-28
Antidumping or countervailing duty orders in third-country markets.....	VII-28
Information on nonsubject countries.....	VII-29

## CONTENTS

	Page
<b>Appendixes</b>	
A. <i>Federal Register</i> notices.....	A-1
B. List of hearing witnesses.....	B-1
C. Summary data.....	C-1
D. U.S. commercial shipments by type of branding.....	D-1
E. U.S. commercial shipments by product type.....	E-1
F. Monthly U.S. import data .....	F-1
G. Nonsubject country price data .....	G-1
H. Lost sales and lost revenue allegations from the preliminary phase of the investigations.....	H-1

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

## UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-528-529 and 731-TA-1264-1268 (Final)

Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal

### DETERMINATIONS

On the basis of the record<sup>1</sup> developed in the subject investigations, the United States International Trade Commission (“Commission”) determines, pursuant to the Tariff Act of 1930 (“the Act”), that an industry in the United States is materially injured by reason of imports of certain uncoated paper from Australia, Brazil, China, Indonesia, and Portugal, provided for in subheadings 4802.56 and 4802.57 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce (“Commerce”) to be sold in the United States at less than fair value (“LTFV”) and to be subsidized by the governments of China and Indonesia.<sup>2</sup>

### BACKGROUND

The Commission, pursuant to sections 705(b) and 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b) and 19 U.S.C. § 1673d(b)), instituted these investigations effective January 21, 2015, following receipt of a petition filed with the Commission and Commerce by United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (Pittsburgh, Pennsylvania); Domtar Corporation (Ft. Mill, South

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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)).

<sup>2</sup> The Commission also finds that imports subject to Commerce’s affirmative critical circumstances determination are not likely to undermine seriously the remedial effect of the antidumping duty order on certain uncoated paper from Australia.

Carolina); Finch Paper LLC (Glen Falls, New York); P.H. Glatfelter Company (York, Pennsylvania); and Packaging Corporation of America (Lake Forest, Illinois). The Commission scheduled the final phase of the investigations following notification of a preliminary determinations by Commerce that imports of certain uncoated paper from Australia, Brazil, China, Indonesia, and Portugal were dumped within the meaning of 733(b) of the Act (19 U.S.C. § 1673b(b)) and were subsidized by the governments of China and Indonesia within the meaning of section 703(b) of the Act (19 U.S.C. § 1671b(b)). Notice of the scheduling of the final phase of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on September 29, 2015 (80 FR 58503). The hearing was held in Washington, DC, on January 7, 2016, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission made these determinations pursuant to sections 705(b) and 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b) and 19 U.S.C. § 1673d(b)). It completed and filed its determinations in these investigations on February 22, 2016.

## Views of the Commission

Based on the record in the final phase of these investigations, we find that an industry in the United States is materially injured by reason of imports of certain uncoated paper from Australia, Brazil, China, Indonesia, and Portugal that are sold in the United States at less than fair value and that are subsidized by the governments of China and Indonesia.

### I. Background

The petitions in these investigations were filed on January 21, 2015 by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (“USW”), Domtar Corporation (“Domtar”), Finch Paper LLC (“Finch Paper”), P.H. Glatfelter Company (“Glatfelter”), and Packaging Corporation of America (“PCA”) (collectively, “Petitioners”). Domtar, Finch Paper, Glatfelter, and PCA are U.S. producers of certain uncoated paper (“uncoated paper”), and the USW represents workers employed by those producers. Petitioners appeared at the hearing accompanied by counsel and submitted prehearing and posthearing briefs.

The following respondents appeared at the hearing accompanied by counsel and submitted prehearing and posthearing briefs: Portucel, S.A. and Portucel Soporcel, N.A. (collectively “Portucel” or “Portuguese Respondents”), a producer and an importer, respectively, of subject merchandise from Portugal; Suzano Papel e Celulose S.A. and Suzano Pulp and Paper America, Inc. (collectively “Suzano” or “Brazilian Respondents”), a producer and an importer, respectively, of subject merchandise from Brazil; Asia Symbol (Guangdong) Paper Co., Ltd. and GreenPoint Global Trading (Macao Commercial Offshore) Limited, producers of subject merchandise from China, and APRIL Fine Paper Macao Commercial Offshore Limited (“APRIL”), a producer of subject merchandise in Indonesia (collectively “Asian Respondents”).<sup>1</sup> Paper Australia Pty. Ltd. d/b/a Australian Paper (“Australian Paper”) and Paper Products Marketing Pty., Ltd., producers of subject merchandise in Australia, and Paper Products Marketing (USA), Inc., (“PPM”), an importer of subject merchandise from Australia (collectively “Australian Respondents”), appeared at the hearing accompanied by counsel and submitted a posthearing brief.

U.S. industry data are based on the questionnaire responses of ten producers believed to account for the vast majority of U.S. production of uncoated paper<sup>2</sup> during the period of investigation (“POI”) (January 2012-September 2015). U.S. import data are based on official Commerce import statistics for China and Indonesia and questionnaire data for Australia, Brazil, and Portugal.<sup>3</sup> The Commission received usable responses to its questionnaires from 30 U.S. importers of subject merchandise that, during the POI, accounted for all or virtually all U.S. imports of subject merchandise from Australia, over 95 percent of U.S. imports of subject merchandise from Brazil, approximately 81 percent of U.S. imports of subject merchandise

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<sup>1</sup> Respondents from China and Indonesia filed joint prehearing and posthearing briefs.

<sup>2</sup> Confidential Report (“CR”) at III-1-2; Public Report (“PR”) at III-1; CR/PR at Table III-1.

<sup>3</sup> CR/PR at IV-1.

from China, approximately 78 percent of U.S. imports of subject merchandise from Indonesia, all or virtually all U.S. imports of subject merchandise from Portugal, and approximately 79 percent of U.S. imports of subject merchandise from nonsubject sources.<sup>4</sup>

## II. Domestic Like Product

### A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of subject merchandise, the Commission first defines the “domestic like product” and the “industry.”<sup>5</sup> Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Tariff Act”), defines the relevant domestic industry as the “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>6</sup> In turn, the Tariff 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.”<sup>7</sup>

The decision regarding the appropriate domestic like product in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.<sup>8</sup> No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.<sup>9</sup> The Commission looks for clear dividing lines among possible like products and disregards minor variations.<sup>10</sup> Although the Commission must accept

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<sup>4</sup> CR/PR at IV-1.

<sup>5</sup> 19 U.S.C. § 1677(4)(A).

<sup>6</sup> 19 U.S.C. § 1677(4)(A).

<sup>7</sup> 19 U.S.C. § 1677(10).

<sup>8</sup> See, e.g., *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors, including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See *Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

<sup>9</sup> See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

<sup>10</sup> *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

Commerce's determination as to the scope of the imported merchandise that is subsidized or sold at less than fair value,<sup>11</sup> the Commission determines what domestic product is like the imported articles Commerce has identified.<sup>12</sup>

## **B. Product Description**

In its final determinations, Commerce defined the imported merchandise within the scope of these investigations as follows:

The merchandise covered by these investigations includes uncoated paper in sheet form; weighing at least 40 grams per square meter but not more than 150 grams per square meter; that either is a white paper with a GE brightness level of 85 or higher or is a colored paper; whether or not surface-decorated, printed (except as described below), embossed, perforated, or punched; irrespective of the smoothness of the surface; and irrespective of dimensions (Certain Uncoated Paper).

Certain Uncoated Paper includes (a) uncoated free sheet paper that meets this scope definition; (b) uncoated groundwood paper produced from bleached chemi-thermo-mechanical pulp (BCTMP) that meets this scope definition; and (c) any other uncoated paper that meets this scope definition regardless of the type of pulp used to produce the paper.

Specifically excluded from the scope are (1) paper printed with final content of printed text or graphics and (2) lined paper products, typically school supplies, composed of paper that incorporates straight horizontal and/or vertical lines that would make the paper unsuitable for copying or printing purposes.

Imports of the subject merchandise are provided for under Harmonized Tariff Schedule of the United States (HTSUS) categories 4802.56.1000, 4802.56.2000, 4802.56.3000, 4802.56.4000, 4802.56.6000, 4802.56.7020, 4802.56.7040, 4802.57.1000, 4802.57.2000, 4802.57.3000, and

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<sup>11</sup> See, e.g., *USEC, Inc. v. United States*, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States*, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

<sup>12</sup> *Hosiden Corp. v. Advanced Display Mfrs.*, 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations in which Commerce found five classes or kinds).

4802.57.4000. Some imports of subject merchandise may also be classified under 4802.62.1000, 4802.62.2000, 4802.62.3000, 4802.62.5000, 4802.62.6020, 4802.62.6040, 4802.69.1000, 4802.69.2000, 4802.69.3000, 4811.90.8050 and 4811.90.9080. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the investigations is dispositive.<sup>13</sup>

Uncoated paper is generally used for paper in office and home copiers and printers, books, business forms, instruction manuals, inserts, flyers, brochures, and maps.<sup>14</sup> Uncoated paper is sold to office superstores (such as Staples and Office Depot), club stores (such as Costco, Sam's Club, and BJ's), retailers (such as WalMart, Kroger, Walgreen's, Best Buy, CVS, and Target), paper merchants/distributors, and end users (such as commercial printers, schools, and offices).<sup>15</sup>

### C. Analysis

In its preliminary determinations, the Commission found a single domestic like product consisting of certain uncoated paper that was coextensive with Commerce's scope.<sup>16</sup> It found that all uncoated paper described by the scope definition shared the same physical characteristics and uses, was made in common manufacturing facilities using the same production processes and production employees, was generally interchangeable, was sold in the same channels of distribution, and shared the same customer and producer perceptions.<sup>17</sup> It also observed that Petitioners' contentions that there were differences in these factors when comparing uncoated paper described by the scope to other types or forms of paper (including groundwood paper, uncoated paper in rolls, or heavier or lighter weight uncoated paper) were not disputed.<sup>18</sup> Given these considerations, the Commission agreed with Petitioners that the single domestic like product consisted only of certain uncoated paper described in the scope definition and did not include any other types or forms of paper.<sup>19</sup>

The record in the final phase of these investigations does not contain any new information concerning the domestic like product factors.<sup>20</sup> Therefore, for the reasons set forth in the preliminary determinations, and because no party has argued for a different result

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<sup>13</sup> *Certain Uncoated Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 81 Fed. Reg. 3110 (Jan. 20, 2016); *Certain Uncoated Paper from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 81 Fed. Reg. 3112 (Jan. 20, 2016); CR at I-10-11, PR at I-8-9.

<sup>14</sup> CR at I-13, PR at I-11

<sup>15</sup> CR at I-14, PR at I-11.

<sup>16</sup> *Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal*, Inv. Nos. 701-TA-528-529 & 731-TA-1265-1268 (Preliminary), USITC Pub. 4522 at 9 (March 2015) ("USITC Pub. 4522").

<sup>17</sup> USITC Pub. 4522 at 9.

<sup>18</sup> USITC Pub. 4522 at 9.

<sup>19</sup> USITC Pub. 4522 at 9.

<sup>20</sup> CR at I-18, PR at I-14.



in the final phase, we define a single domestic like product consisting of certain uncoated paper that is coextensive with Commerce's scope.

### III. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."<sup>21</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.

These investigations raise two domestic industry issues. The first is whether conversion activities are sufficient to constitute domestic production. The second is whether appropriate circumstances exist to exclude any domestic producers from the domestic industry pursuant to the related parties provision.

#### A. Sufficient Production-Related Activities

We consider whether independent converters perform sufficient production-related activities to be considered domestic producers. In deciding whether a firm qualifies as a domestic producer of the domestic like product, the Commission generally analyzes the overall nature of the firm's U.S. production-related activities, although production-related activity at minimum levels could be insufficient to constitute domestic production.<sup>22</sup>

More than 95 percent of uncoated paper is sheeted and sold as finished sheets by paper producers; the remainder is sold in the form of rolls to independent converters, which sheet the rolls and sell the finished sheets.<sup>23</sup> Typically, independent converters only convert sheeter

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<sup>21</sup> 19 U.S.C. § 1677(4)(A).

<sup>22</sup> The Commission generally considers six factors: (1) source and extent of the firm's capital investment; (2) technical expertise involved in U.S. production activities; (3) value added to the product in the United States; (4) employment levels; (5) quantity and type of parts sourced in the United States; and (6) any other costs and activities in the United States directly leading to production of the like product. No single factor is determinative and the Commission may consider any other factors it deems relevant in light of the specific facts of any investigation. *Crystalline Silicon Photovoltaic Cells and Modules from China*, Inv. Nos. 701-TA-481 and 731-TA-1190 (Final), USITC Pub. 4360 at 4-12 (Nov. 2012), *aff'd*, *Changzhou Trina Solar Energy Co. v. USITC*, 100 F. Supp. 3d 1314, 1320-26 (Ct. Int'l. Trade 2015).

Although petitioners take no position on whether independent converters should be included in the domestic industry, they note that independent converters likely perform sufficient production activities to be considered U.S. producers. Petitioners also observe that independent converters' operations and financial data are unlikely to have any discernible impact on the domestic industry's aggregate data. Petitioners' Posthearing Br. at 13. No other party takes a position as to whether independent converters should be included in the domestic industry.

<sup>23</sup> CR at I-12, PR at I-9-10.

rolls for specialty cut-size products, such as those with perforations or punched holes, or special size folio sheets.<sup>24</sup>

In our preliminary determinations, we found that there was limited information on this issue because \*\*\* was the sole independent converter that had provided the pertinent information.<sup>25</sup> We found that, relative to the operation of integrated firms, the operations of independent converters (or sheeters) dedicated to producing uncoated paper were small.<sup>26</sup> Further, we found that independent converters' capital expenditures and number of reported production and related workers were modest, the record contained limited information as to the degree of technical expertise required for conversion operations (which appeared to be relatively simple), and the principal input used in the conversion of uncoated paper was sheeter rolls, the vast majority of which appeared to have been sourced domestically).<sup>27</sup> We found also that the value added to sheeter rolls by conversion ranged from \*\*\* percent to \*\*\* percent.<sup>28</sup> Due to the large value added by conversion, and the fact that no party argued to the contrary, we found that independent converters were engaged in sufficient production-related activities for inclusion in the domestic industry.<sup>29</sup>

We make the same finding here because the record in the final phase of these investigations is not materially different. Relative to the operation of integrated firms, the operations of independent converters (or sheeters) dedicated to producing uncoated paper were small, and the capital expenditures for independent converters were also modest.<sup>30</sup> As in the preliminary phase, the record in the final phase of these investigations contains limited information as to the degree of technical expertise required for conversion operations (which appears to be relatively simple), and the principal input used in the conversion of uncoated paper is sheeter rolls, the vast majority of which appear to have been sourced domestically.<sup>31</sup> Moreover, the value added to sheeter rolls by toll conversion is substantial.<sup>32</sup>

Based upon the record in the final phase of these investigations, and the lack of any party arguments to the contrary, we again find that converters are engaged in sufficient production-related activity.

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<sup>24</sup> CR at I-12, PR at I-9-10; Petition at I-5.

<sup>25</sup> USITC Pub. 4522 at 10.

<sup>26</sup> USITC Pub. 4522 at 10.

<sup>27</sup> USITC Pub. 4522 at 10.

<sup>28</sup> *Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal*, Inv. Nos. 701-TA-528-529 & 731-TA-1265-1268 (Preliminary) (Confidential Views at 14-15) (EDIS Doc. No. 553354).

<sup>29</sup> USITC Pub. 4522 at 10.

<sup>30</sup> CR/PR at Tables VI-2 & VI-5a. In 2012, the value of the total net assets of \*\*\*, the sole independent converter that provided this information, was \$\*\*\*; its net assets were \$\*\*\* in 2013 and \$\*\*\* in 2014. CR/PR at VI-6. \*\*\* capital expenditures totaled \$ \*\*\* in 2012, \$\*\*\* in 2013 and \$\*\*\* in 2014; they totaled \$\*\*\* in interim 2014 and \$\*\*\* in interim 2015. CR/PR at Table VI-5a. The integrated producers' capital expenditures were many multiples higher. *Id.*

<sup>31</sup> See *e.g.*, CR at III-13 & VI-15, PR at III-8 & VI-4.

<sup>32</sup> In these final phase investigations, the data collected by the Commission indicate that the value added to sheeter rolls by toll conversion ranged from \*\*\* to \*\*\* percent. *Derived from U.S. Producers' Questionnaire Response of \*\*\*.*

## B. Related Parties

We must also determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to Section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.<sup>33</sup> Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.<sup>34</sup>

International Paper is a related party because \*\*\*.<sup>35</sup> International Paper also qualifies as a related party by virtue of the fact that it \*\*\* during the POI.<sup>36</sup>

International Paper was responsible for \*\*\* percent of U.S. production of uncoated paper in 2014.<sup>37</sup> As such, it was the \*\*\* largest domestic producer.<sup>38</sup> It also \*\*\*.<sup>39</sup> As a ratio to U.S. production, its \*\*\*.<sup>40</sup>

International Paper \*\*\* the petition.<sup>41</sup> In light of \*\*\* principal interest lies in domestic production. In view of these factors and because no party has argued for International Paper's exclusion from the domestic industry, we find that appropriate circumstances do not exist for its exclusion.

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<sup>33</sup> See *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 mem.*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

<sup>34</sup> The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

- (1) the percentage of domestic production attributable to the importing producer;
- (2) the reason the U.S. producer has decided to import the product subject to investigation (whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market);
- (3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;
- (4) the ratio of import shipments to U.S. production for the importing producer; and
- (5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzhou Trina Solar Energy v. USITC*, 100 F. Supp. 3d at 1329; *see also Torrington*, 790 F. Supp. at 1168.

<sup>35</sup> CR/PR at Table III-2.

<sup>36</sup> CR/PR at Table III-10.

<sup>37</sup> CR/PR at Table III-1.

<sup>38</sup> CR/PR at Table III-1.

<sup>39</sup> CR at III-19, PR at III-10.

<sup>40</sup> CR/PR at Table III-10. International Paper Brazil's exports of subject merchandise of \*\*\* short tons were \*\*\* smaller than International Paper's 2014 U.S. production of \*\*\* short tons. CR/PR at Tables III-10, VII-9.

<sup>41</sup> CR/PR at Table III-1.

\*\*\* is also a related party because it directly imported subject merchandise from \*\*\* during the POI.<sup>42</sup> Its only imports of subject merchandise occurred in \*\*\* when it imported a small quantity of uncoated paper from \*\*\*, accounting for less than \*\*\* percent of its production in that year.<sup>43</sup> \*\*\*.<sup>44</sup> Because its subject imports were minimal in the one year that it imported subject merchandise, its principal interest lies in domestic production. In view of these factors and because no party has argued for the exclusion of \*\*\* from the domestic industry, we find that appropriate circumstances do not exist for its exclusion.

Accordingly, we define the domestic industry to include all U.S. producers of uncoated paper, including independent converters.

#### IV. Cumulation<sup>45</sup>

For purposes of evaluating the volume and effects for a determination of material injury by reason of subject imports, section 771(7)(G)(i) of the Tariff Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with the domestic like product in the U.S. market. In assessing whether subject imports compete with each other and with the domestic like product, the Commission generally has considered four factors:

- (1) the degree of fungibility between subject imports from different countries and between subject imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
- (2) the presence of sales or offers to sell in the same geographic markets of subject imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and

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<sup>42</sup> CR/PR at Table III-10.

<sup>43</sup> CR/PR at Table III-10.

<sup>44</sup> CR/PR at Table III-1.

<sup>45</sup> Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible. 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B); *see also* 15 C.F.R. § 2013.1 (developing countries for purposes of 19 U.S.C. § 1677(36)). Negligibility is not an issue in these investigations. During January-December 2014, the 12-month period prior to the filing of the petition, subject imports from Australia accounted for \*\*\* percent of total imports of uncoated paper by quantity; subject imports from Brazil accounted for \*\*\* percent; subject imports from China accounted for \*\*\* percent; subject imports from Indonesia accounted for \*\*\* percent; and subject imports from Portugal accounted for \*\*\* percent. CR at IV-15, PR at IV-10.

(4) whether the subject imports are simultaneously present in the market.<sup>46</sup>

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject imports compete with each other and with the domestic like product.<sup>47</sup> Only a “reasonable overlap” of competition is required.<sup>48</sup>

The threshold requirement for cumulation is satisfied in these investigations because the petitioners filed the antidumping and countervailing duty petitions with respect to imports from Australia, Brazil, China, Indonesia, and Portugal on the same day, January 21, 2015.<sup>49</sup> As discussed below, we find there to be a reasonable overlap of competition between subject imports from Australia, Brazil, China, Indonesia, and Portugal and between subject imports from each subject country and the domestic like product.<sup>50 51</sup>

*Fungibility.* The record in the final phase of these investigations indicates that all uncoated paper, regardless of source, is at least moderately fungible. All responding U.S. producers reported that product from all sources was “always” interchangeable, and most

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<sup>46</sup> See *Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), *aff'd*, *Fundicao Tupy, S.A. v. United States*, 678 F. Supp. 898 (Ct. Int’l Trade), *aff'd*, 859 F.2d 915 (Fed. Cir. 1988).

<sup>47</sup> See, e.g., *Wieland Werke, AG v. United States*, 718 F. Supp. 50 (Ct. Int’l Trade 1989).

<sup>48</sup> The Statement of Administrative Action (SAA) to the Uruguay Round Agreements Act (URAA), expressly states that “the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition.” H.R. Rep. No. 103-316, Vol. I at 848 (1994) (*citing Fundicao Tupy, S.A. v. United States*, 678 F. Supp. at 902; see *Goss Graphic Sys., Inc. v. United States*, 33 F. Supp. 2d 1082, 1087 (Ct. Int’l Trade 1998) (“cumulation does not require two products to be highly fungible”); *Wieland Werke, AG*, 718 F. Supp. at 52 (“Completely overlapping markets are not required.”)).

<sup>49</sup> None of the statutory exceptions to cumulation applies.

<sup>50</sup> Petitioners argue that the Commission should cumulate subject imports from all subject countries for purposes of its present injury analysis. See, e.g., Petitioners’ Prehearing Br. at 21-27. Australian, Brazilian, and Portuguese Respondents separately argue that subject imports from Australia, Brazil, and Portugal, respectively, should not be cumulated with those from any other subject country for purposes of analyzing present material injury because there is not a reasonable overlap of competition between and among subject imports from each of these three countries and the domestic like product. See, e.g., Australian Paper and PPM’s Posthearing Br. at 3-4; Suzano’s Posthearing Br. at 10-11; Portucel’s Posthearing Br. at 4-11.

<sup>51</sup> For purposes of the determinations in the countervailing duty investigations concerning certain uncoated paper from China and Indonesia, we are cumulating dumped imports from Australia, Brazil, and Portugal with dumped and subsidized imports from China and Indonesia. See generally *Certain Crystalline Silicon Photovoltaic Products from China and Taiwan*, Inv. Nos. 701-TA-511 and 731-TA-1246-1247 (Final), USITC Pub. 4519 at 24 n.124 (Feb. 2015) (discussing cross-cumulation of dumped and subsidized imports). No party in the final phase of these investigations has challenged cross-cumulation.

responding importers and purchasers reported that product from all countries was either “always” or “frequently” interchangeable.<sup>52</sup>

When asked whether differences other than price are ever significant in their sales in choosing between certain uncoated paper from different sources, all domestic producers responded “sometimes” or “never.”<sup>53</sup> Importers and purchasers were more divided on this question, but, for virtually all comparisons among the domestic like product and subject imports, a majority of importers and purchasers also answered “sometimes” or “never.”<sup>54</sup>

Purchasers were asked to compare the domestic like product and imports from each subject country with respect to 30 factors. When comparing the domestic like product and imports from each subject country, most purchasers found them to be comparable with respect to a majority of the 30 factors, the domestic like product to be superior with respect to several factors, and the domestic like product to be inferior with respect to one or two factors.<sup>55</sup> In particular, for every possible comparison involving imports from individual subject countries and the domestic like product or imports from different subject countries, majorities of purchasers found the products comparable with respect to the factors of quality meeting industry standards and quality exceeding industry standards.<sup>56</sup> Most responding purchasers reported that the domestic like product and subject imports from all five countries “usually” or “always” met minimum quality specifications.<sup>57</sup>

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<sup>52</sup> CR/PR at Table II-12.

<sup>53</sup> CR/PR at Table II-14.

<sup>54</sup> CR/PR at Table II-14.

<sup>55</sup> When comparing the domestic like product and subject imports from Australia, a majority of purchasers found them to be comparable with respect to 18 of the 30 factors, the domestic like product to be superior with respect to eight factors, and the domestic like product to be inferior with respect to two factors. When comparing the domestic like product and subject imports from Brazil, a majority of purchasers found them to be comparable with respect to 22 of the 30 factors, the domestic like product to be superior with respect to six factors, and the domestic like product to be inferior with respect to one factor. When comparing the domestic like product and subject imports from China, a majority of purchasers found them to be comparable with respect to 19 of the 30 factors, the domestic like product to be superior with respect to eight factors, the domestic like product to be inferior with respect to one factor, and were divided on whether subject imports from China were comparable, superior, or inferior with respect to the remaining factors. When comparing the domestic like product and subject imports from Indonesia, a majority of purchasers found them to be comparable with respect to 26 of the 30 factors, the domestic like product to be superior with respect to three factors, and the domestic like product to be inferior with respect to one factor. When comparing the domestic like product and subject imports from Portugal, a majority of purchasers found them to be comparable with respect to 27 of the 30 factors, the domestic like product to be superior with respect to two factors, and the domestic like product to be inferior with respect to one factor. When comparing subject imports from all five countries, a majority of purchasers found them to be comparable for all 30 factors in most country comparisons, while in the remaining instances a majority or plurality of purchasers found them to be comparable for most factors. CR/PR at Table II-11.

<sup>56</sup> CR/PR at Table II-11.

<sup>57</sup> CR/PR at Table II-13.

With respect to environmental certification/qualification, pluralities of purchasers found all the countries' products to be comparable for every comparison except United States-China, in which a majority found the domestic like product to be superior.<sup>58</sup> With respect to whether paper was made from eucalyptus fibers, a majority or plurality of purchasers found the domestic like product to be inferior to subject imports from every country other than Indonesia.<sup>59</sup> However, 23 out of 27 purchasers indicated that this factor was not important to purchasing decisions,<sup>60</sup> so it would not appear to be a significant practical constraint on fungibility. In addition, in terms of brightness, a characteristic of eucalyptus fiber that Respondents emphasize, majorities of purchasers found the products comparable in every comparison.<sup>61</sup>

In our view, the market participants' general perceptions of interchangeability, comparability, and ability to meet quality specifications establish that any difference in quality or environmental certifications that respondents allege distinguish subject imports from Australia, Brazil, or Portugal are of insufficient magnitude to support finding that the products are not fungible. Contrary to respondents' arguments, we find that the record in the final phase of these investigations indicates a sufficient degree of fungibility between and among subject imports from each subject country and the domestic like product to satisfy the "reasonable overlap" standard.

*Channels of Distribution.* Most domestically produced product and most subject imports were sold mainly to distributors.<sup>62</sup> While uncoated paper from China was mainly sold to end users, a significant and increasing percentage was sold to distributors throughout the POI.<sup>63</sup> That \*\*\* subject imports from Australia, Brazil, Indonesia, and Portugal and an appreciable portion of subject imports from China were shipped to the same channel of distribution – distributors – as a majority of the domestic like product is sufficient, in our view, to establish a reasonable overlap of channels of distribution.

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<sup>58</sup> CR/PR at Table II-11.

<sup>59</sup> CR/PR at Table II-11.

<sup>60</sup> CR/PR at Table II-8.

<sup>61</sup> CR/PR at Table II-11. Australian, Brazilian, and Portuguese respondents also claim a lack of fungibility for subject imports from Australia, Brazil, and Portugal, respectively, based upon differences in terms of branding. *See, e.g.,* Australian Paper & PPM's Posthearing Br. at 4; Suzano's Posthearing Br. at 7-8; Portucel's Posthearing Br. at 4-8. We note that U.S. producers' U.S. commercial shipments in 2014 were approximately equally divided between manufacturer branded and retailer branded uncoated paper, with a small quantity of unbranded uncoated paper. CR at IV-18, PR at IV-12. The record indicates that Portugal and Brazil had substantial quantities of both manufacturer and retailer branded product. CR/PR at Table IV-6. Subject imports from Australia were exclusively of manufacturer branded product. *Id.* These data fail to demonstrate a lack of product fungibility. Moreover, the record also indicates that 16 of 26 purchasers reported that branding was only "somewhat important" or "not important" in purchasing decisions. CR/PR at Table II-8.

<sup>62</sup> CR/PR at Table II-1.

<sup>63</sup> In 2012, \*\*\* percent of subject imports from China were sold to distributors, while \*\*\* percent was sold to them in 2013, \*\*\* percent in 2014, \*\*\* percent in interim 2014 and \*\*\* percent in interim 2015. CR/PR at Table II-1.

*Geographic Overlap.* Most responding U.S. producers reported selling uncoated paper to all regions in the contiguous United States.<sup>64</sup> Importers of uncoated paper from all subject countries also reported selling to all regions of the United States.<sup>65</sup> Consequently, the record does not corroborate Suzano’s arguments that subject imports from Brazil have a distinctive geographic concentration.

*Simultaneous Presence in Market.* Subject imports from Brazil, China, Indonesia, and Portugal were present in all 45 months of the POI, and subject imports from Australia were present in 44 months of this period.<sup>66</sup> Thus, we find that there is sufficient simultaneous presence in the market.

*Conclusion.* The record indicates that there is a reasonable overlap of competition between and among subject imports and the domestic like product, notwithstanding Respondents’ contrary arguments. We accordingly cumulate subject imports from Australia, Brazil, China, Indonesia, and Portugal in making our analysis of material injury by reason of subject imports.

## **V. Material Injury by Reason of Subject Imports**

### **A. Legal Standards**

In the final phase of antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.<sup>67</sup> In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.<sup>68</sup> The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”<sup>69</sup> In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.<sup>70</sup> No single factor is dispositive, and all relevant factors are considered “within the

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<sup>64</sup> CR/PR at Table II-2; CR at II-4, PR at II-2.

<sup>65</sup> CR/PR at Tables II-2 & IV-9; CR at & IV-26, PR at II-2 & IV-15.

<sup>66</sup> CR/PR Table IV-8; CR at IV-24, PR at IV-13.

<sup>67</sup> 19 U.S.C. §§ 1671d(b), 1673d(b). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provision of the Tariff Act pertaining to Commission determinations of material injury and threat of material injury by reason of subject imports in certain respects. We have applied these amendments in these investigations.

<sup>68</sup> 19 U.S.C. § 1677(7)(B). The Commission “may consider such other economic factors as are relevant to the determination” but shall “identify each {such} factor ... and explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B).

<sup>69</sup> 19 U.S.C. § 1677(7)(A).

<sup>70</sup> 19 U.S.C. § 1677(7)(C)(iii).



context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>71</sup>

Although the statute requires the Commission to determine whether the domestic industry is “materially injured or threatened with material injury by reason of” unfairly traded imports,<sup>72</sup> it does not define the phrase “by reason of,” indicating that this aspect of the injury analysis is left to the Commission’s reasonable exercise of its discretion.<sup>73</sup> In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the “by reason of” standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.<sup>74</sup>

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.<sup>75</sup> In performing its examination, however, the Commission need not isolate

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<sup>71</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>72</sup> 19 U.S.C. §§ 1671d(a), 1673d(a).

<sup>73</sup> *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) (“{T}he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), *aff’g*, 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

<sup>74</sup> The Federal Circuit, in addressing the causation standard of the statute, observed that “[a]s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement.” *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred ‘by reason of’ the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass’n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

<sup>75</sup> SAA at 851-52 (“{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, (Continued...)

the injury caused by other factors from injury caused by unfairly traded imports.<sup>76</sup> Nor does the “by reason of” standard require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.<sup>77</sup> It is clear that the existence of injury caused by other factors does not compel a negative determination.<sup>78</sup>

Assessment of whether material injury to the domestic industry is “by reason of” subject imports “does not require the Commission to address the causation issue in any particular way” as long as “the injury to the domestic industry can reasonably be attributed to the subject imports” and the Commission “ensure{s} that it is not attributing injury from other sources to the subject imports.”<sup>79</sup> <sup>80</sup> Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”<sup>81</sup>

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developments in technology and the export performance and productivity of the domestic industry”); accord *Mittal Steel*, 542 F.3d at 877.

<sup>76</sup> SAA at 851-52 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); *Taiwan Semiconductor Industry Ass’n*, 266 F.3d at 1345 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.” (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int’l Trade 2002) (“{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury” or make “bright-line distinctions” between the effects of subject imports and other causes.); see also *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that “{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e.*, it is not an ‘other causal factor,’ then there is nothing to further examine regarding attribution to injury”), citing *Gerald Metals*, 132 F.3d at 722 (the statute “does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.”).

<sup>77</sup> S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

<sup>78</sup> See *Nippon Steel Corp.*, 345 F.3d at 1381 (“an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the ‘dumping’ need not be the sole or principal cause of injury.”).

<sup>79</sup> *Mittal Steel*, 542 F.3d at 877-78; see also *id.* at 873 (“While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured ‘by reason of’ subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.”) citing *United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swiff-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission’s causation analysis as comports with the Court’s guidance in *Mittal*.

<sup>80</sup> Vice Chairman Pinkert and Commissioner Kieff do not join this paragraph or the following three paragraphs. They point out that the Federal Circuit, in *Bratsk*, 444 F.3d 1369, and *Mittal Steel*, held that the Commission is *required*, in certain circumstances when analyzing present material injury, to consider a particular issue with respect to the role of nonsubject imports, without reliance upon (Continued...)

The Federal Circuit's decisions in *Gerald Metals*, *Bratsk*, and *Mittal Steel* all involved cases where the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.<sup>82</sup> The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

*Mittal Steel* clarifies that the Commission's interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record" to "show that the harm occurred 'by reason of' the LTFV imports," and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.<sup>83</sup> Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.<sup>84</sup>

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presumptions or rigid formulas. The Court has not prescribed a specific method of exposition for this consideration. *Mittal Steel* explains as follows:

What *Bratsk* held is that "where commodity products are at issue and fairly traded, price competitive, non-subject imports are in the market," the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether non-subject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, *Bratsk* requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

<sup>81</sup> *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also *Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.>").

<sup>82</sup> *Mittal Steel*, 542 F.3d at 875-79.

<sup>83</sup> *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

<sup>84</sup> To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in the final phase of investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more (Continued...)

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.<sup>85</sup> Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.<sup>86</sup>

## **B. Conditions of Competition and the Business Cycle**

The following conditions of competition inform our analysis of whether there is material injury by reason of subject imports.

### **1. Demand Considerations**

U.S. demand for uncoated paper depends on the demand for written or printed paper materials that use uncoated paper.<sup>87</sup> End uses include office/personal/school copying or printing, books, business forms, instruction manuals, inserts, flyers, brochures, and maps.<sup>88</sup>

The parties agree that U.S. demand for uncoated paper has been in decline for more than ten years.<sup>89</sup> This long-term decline is due to competition from electronic media, such as smartphones, tablets and e-readers, as well as increasing reliance on online bill paying, email, and electronic recordkeeping, along with electronic documents and marketing materials in place of printed versions.<sup>90</sup>

Most U.S. producers, importers, and purchasers indicated in their questionnaire responses that demand for uncoated paper declined since January 1, 2012.<sup>91</sup> The apparent consumption data collected by the Commission corroborate this trend. As measured by quantity, apparent U.S. consumption of uncoated paper fell by 5.5 percent from 2012 to 2014, declining from 4.7 million short tons in 2012 to 4.6 million short tons in 2013 and 4.5 million

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complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in the final phase of investigations in which there are substantial levels of nonsubject imports.

<sup>85</sup> We provide in our discussion of impact a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

<sup>86</sup> *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp.*, 458 F.3d at 1350, citing *U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

<sup>87</sup> CR at II-16, PR at II-9.

<sup>88</sup> CR at II-16, PR at II-9.

<sup>89</sup> See, e.g., Petitioners' Prehearing Br. at 92-93; Respondents' Joint Prehearing Br. at 19, 43, and 47; Respondents' Joint Posthearing Br. at 2-3; Hearing Tr. at 46 (Aranoff), 88 (Stewart).

<sup>90</sup> CR at II-16, PR at II-9; See e.g., Respondents' Joint Prehearing Br. at 2-3.

<sup>91</sup> CR/PR at Table II-5; CR at II-18, PR at II-10.

short tons in 2014.<sup>92</sup> Apparent U.S. consumption was 1.1 percent lower in interim 2015, at 3.3 million short tons, than in interim 2014, at 3.4 million short tons.<sup>93</sup>

## 2. Supply Considerations

During the POI, the U.S. market was supplied by the domestic industry, subject imports, and nonsubject imports. The domestic industry was the largest supplier to the U.S. market, and its market share fell steadily from 2012 to 2014.<sup>94</sup> Cumulated subject import market share increased from 2012 to 2014,<sup>95</sup> while nonsubject import market share was small throughout the POI.<sup>96</sup> Canada was the only sizable supplier of nonsubject imports during the period, and those imports were largely supplied by an affiliate of Domtar.<sup>97</sup>

The domestic industry closed paper production during the POI at a number of facilities owned by \*\*\*, Mohawk, Boise, Georgia-Pacific, and International Paper.<sup>98</sup> The shutdown of one of International Paper's mills was primarily responsible for the largest reduction in the domestic industry's capacity during the POI, which occurred in 2014.<sup>99</sup>

\*\*\* responding U.S. producers and \*\*\* responding importers reported supply constraints since January 1, 2012.<sup>100</sup> Twelve of 27 responding purchasers reported changes in the availability of U.S.-produced uncoated paper, all reporting that mills had closed or supply had decreased.<sup>101</sup> Market participants, however, had different views concerning the reasons for their reported supply issues. On the one hand, U.S. producers attributed these constraints to overcommitting to customers in July 2013, which led to subsequent allocations to those customers, two- to three-month short-term supply shortages due to \*\*\*.<sup>102</sup> Purchasers, on the other hand, ascribed these situations to a number of other causes, including U.S. producers' capacity closures and U.S. producers' inability or refusal to supply uncoated paper due to reported production difficulties.<sup>103</sup>

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<sup>92</sup> CR/PR at Tables IV-10 & C-1.

<sup>93</sup> CR/PR at Tables IV-10 & C-1.

<sup>94</sup> As measured by quantity, U.S. producers' market share declined from 86.7 percent in 2012 to 84.5 percent in 2013 and 79.4 percent in 2014. CR/PR at Table IV-11. It was 80.2 percent in interim 2014 and 81.7 percent in interim 2015. *Id.*

<sup>95</sup> As measured by quantity, cumulated subject import market share increased from 9.5 percent in 2012 to 11.8 percent in 2013 and 17.0 percent in 2014. CR/PR at Table IV-11. It was 16.4 percent in interim 2014 and 13.5 percent in interim 2015. *Id.*

<sup>96</sup> As measured by quantity, nonsubject import market share was 3.8 percent in 2012, 3.7 percent in 2013, and 3.5 percent in 2014. CR/PR at Table IV-11. It was 3.4 percent in interim 2014 and 4.8 percent in interim 2015. *Id.*

<sup>97</sup> CR/PR at Tables III-10 & IV-4; CR at VII-61, PR at VII-29.

<sup>98</sup> CR/PR at Table III-3; CR at II-5, PR at II-3.

<sup>99</sup> CR/PR at Tables III-4, III-5, III-6, and III-7; CR at III-6, PR at III-7.

<sup>100</sup> CR at II-13, PR at II-8.

<sup>101</sup> CR at II-13, PR at II-8.

<sup>102</sup> CR at II-13, PR at II-8.

<sup>103</sup> CR at II-13-15, PR at II-8.

### 3. Substitutability and Other Conditions

The record in the final phase of these investigations indicates a high degree of substitutability between the domestic like product and subject imports.<sup>104</sup> All responding U.S. producers reported that product from all sources was “always” interchangeable, and most responding importers and purchasers reported that product from all countries was either “always” or “frequently” interchangeable.<sup>105</sup>

We also find that price is an important consideration for purchasers of uncoated paper. Most purchasers reported that price was one of the top three purchasing factors that affected their purchasing decisions. Quality was the most frequently cited top purchasing factor, followed by price.<sup>106</sup> Fifteen of 28 purchasers reported that they always or usually buy the lowest priced product.<sup>107</sup>

At the same time, there is evidence in the record in the final phase of these investigations indicating that nonprice factors, including branding, environmental certification, brightness, opacity, and stiffness, have some effect on purchasing decisions for uncoated paper.<sup>108</sup> Nevertheless, none of these factors was named as a “very important” purchasing factor by as many purchasers as often as price, quality meets industry standard, or availability, and for three of these factors (branding, environmental certification, and stiffness), a plurality of purchasers characterized the factor as only “somewhat important.”<sup>109</sup> Most purchasers indicated that there is broad comparability between the domestic like product and the cumulated subject merchandise for almost all of these factors.<sup>110</sup>

#### Other Conditions

Producers face high market entry costs with respect to building integrated papermaking facilities for producing uncoated paper. In particular, Petitioners estimate that a new paper machine would cost over \$600 million and that a new greenfield pulp mill would cost over \$1 billion.<sup>111</sup>

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<sup>104</sup> See, e.g., CR/PR at Table II-12; CR at II-21-22, PR at II-12.

<sup>105</sup> CR/PR at Table II-12.

<sup>106</sup> CR/PR at Table II-7.

<sup>107</sup> CR at II-24, PR at II-14. Seven of 28 purchasers reported that they always purchase the lowest-priced uncoated paper, eight reported that they usually purchase the lowest-priced uncoated paper, 12 reported that they sometimes purchase the lowest-priced product, and one reported that it never purchases the lowest-priced product. *Id.*

<sup>108</sup> CR/PR at Tables II-8 & II-11; CR at II-25-26, PR at II-15.

<sup>109</sup> CR/PR at Table II-8.

<sup>110</sup> CR/PR at Tables II-8 & II-11. Notwithstanding that purchasers generally reported a lack of comparability between the domestic like product and cumulated subject merchandise with respect to product made from eucalyptus fibers, 23 of 27 purchasers also indicated that this particular factor was not important in their purchasing decisions. CR/PR at Tables II-8 & II-11.

<sup>111</sup> Petitioners’ Prehearing Br. at 19-20.

The main raw materials used in the production of uncoated paper include paper pulp, recycled fibers (used in recycled paper), a range of chemicals, and energy.<sup>112</sup> Most producers manufacture paper pulp for their own use.<sup>113</sup> As a share of the cost of goods sold (“COGS”), raw material costs declined by only a small amount during the POI, declining from 54.6 percent in 2012 to 53.5 percent in 2014; they were slightly lower in interim 2015, at 52.4 percent, than in interim 2014, at 53.6 percent.<sup>114</sup>

Most uncoated paper is sold from inventories by both domestic producers and importers.<sup>115</sup> Accordingly, lead times from purchase to delivery are fairly short.<sup>116</sup>

### C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”<sup>117</sup>

The volume of cumulated subject import shipments increased sharply from 2012 to 2014.<sup>118</sup> Cumulated subject import shipments increased from \*\*\* short tons in 2012 to \*\*\* short tons in 2013 and \*\*\* short tons in 2014.<sup>119</sup> Cumulated subject import shipments were \*\*\* short tons in interim 2014 and \*\*\* short tons in interim 2015.<sup>120</sup> On a quantity basis, the market share of cumulated subject imports increased from \*\*\* percent in 2012 to \*\*\* percent

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<sup>112</sup> CR/PR at V-1; CR at VI-12-13, PR at VI-3.

<sup>113</sup> CR/PR at V-1; CR at VI-12, PR at VI-3.

<sup>114</sup> CR/PR at VI-1.

<sup>115</sup> CR at II-22, PR at II-13.

<sup>116</sup> CR at II-22, PR at II-13. U.S. producers’ lead times from inventories averaged six days, and produced-to-order lead times averaged 12 days. Importers’ lead times averaged four days from U.S. inventories and 83 days for produced-to-order lead times. *Id.*

<sup>117</sup> 19 U.S.C. § 1677(7)(C)(i).

<sup>118</sup> CR/PR at Tables IV-10 & C-1. Suzano contends that since most subject imports from Brazil are re-exported to Latin America and the Caribbean, U.S. shipments are the most accurate way of measuring subject import volume from Brazil. Suzano’s Prehearing Br. at 4-6. We have relied principally on volume data calculated using U.S. shipments of imports where, as for Brazil, such data are available, and official import statistics for all other imports. We note in this respect that the questionnaire coverage for subject imports from Brazil is fairly complete (*i.e.*, more than 95 percent coverage), CR/PR at IV-1; nearly all U.S. imports from Brazil during the POI by the significant importer \*\*\* were subsequently exported to Latin America and the Caribbean. CR at I-5 n.5, PR at I-4 n.5. Consequently, U.S. shipment data better reflect the participation of cumulated subject imports in the U.S. market during the POI.

We have nevertheless also examined the import data for subject imports from all five cumulated countries. These data show that the quantity of cumulated subject imports increased from \*\*\* short tons in 2012 to \*\*\* short tons in 2013 and \*\*\* short tons in 2014; they were lower in interim 2015, at \*\*\* short tons, than in interim 2014, at \*\*\* short tons. CR/PR at Table IV-4. Since the trends for 2012-2014 and comparing the interim periods, are the same whether cumulated subject imports are measured using import data or U.S. shipment data, the import data also support our volume findings.

<sup>119</sup> CR/PR at Table IV-10.

<sup>120</sup> CR/PR at Table IV-10.

in 2013 and \*\*\* percent in 2014; it was \*\*\* percent in interim 2014 and \*\*\* percent in interim 2015.<sup>121</sup>

The domestic industry's market share (on a quantity basis) was 7.3 percentage points lower in 2014 than in 2012; it was 1.6 percentage points higher in interim 2015 than in interim 2014.<sup>122</sup> The \*\*\* percentage points of market share that the cumulated subject imports gained from 2012 to 2014 came almost entirely at the expense of the domestic industry.<sup>123</sup>

We find that the volume and increase in volume of cumulated subject imports are significant both in absolute terms and relative to consumption in the United States.

#### **D. Price Effects of the Subject Imports**

Section 771(7)(C)(ii) of the Tariff Act provides that in evaluating the price effects of the subject imports, the Commission shall consider whether

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.<sup>124</sup>

As discussed above, the record in the final phase of these investigations indicates that the cumulated subject imports and the domestic like product are highly substitutable and that price is an important factor in purchasing decisions.

In the final phase of these investigations, the Commission collected pricing data for three products.<sup>125</sup> \*\*\* U.S. producers and \*\*\* importers provided usable pricing data for sales

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<sup>121</sup> CR/PR at Table IV-11. We find that the lower cumulated subject import volume and market share in interim 2015 relative to interim 2014 were due at least in part to the pendency of the investigations. CR/PR at Tables IV-4, IV-10, IV-11, & C-1. The decline in cumulated subject import volume during interim 2015 was concentrated in the third quarter, when cumulated subject import volume was much lower than either of the prior two quarters. This followed the imposition of provisional duties by Commerce in June and August 2015. CR/PR at Tables IV-5 & C-1; CR at I-2, PR at I-2. We note, however, that the market share of cumulated subject imports in interim 2015, at \*\*\* percent, was above the levels of 2012 (\*\*\* percent) and 2013 (\*\*\* percent). CR/PR at Table C-1.

<sup>122</sup> The share of apparent U.S. consumption, by quantity, held by the domestic industry was 86.7 percent in 2012, 84.5 percent in 2013, 79.4 percent in 2014, \*\*\* percent in interim 2014, and \*\*\* percent in interim 2015. CR/PR at Table IV-11.

<sup>123</sup> CR/PR at Tables IV-10 & IV-11. Cumulated subject imports also captured a very modest amount of market share from nonsubject imports, which had a small presence in the U.S. market throughout the period. The share of apparent U.S. consumption, by quantity, held by nonsubject imports was \*\*\* percent in 2012, \*\*\* percent in 2013, \*\*\* percent in 2014, \*\*\* percent in interim 2014, and \*\*\* percent in interim 2015. CR/PR at Table IV-11.

<sup>124</sup> 19 U.S.C. § 1677(7)(C)(ii).



of the requested products, although not all firms reported pricing for all products for all quarters.<sup>126</sup> Pricing data reported by these firms accounted for approximately \*\*\* percent of U.S. producers' shipments of uncoated paper and \*\*\* percent of U.S. shipments of subject imports from Australia, \*\*\* percent from Brazil, \*\*\* percent from China, \*\*\* percent from Indonesia, and \*\*\* percent from Portugal during January 2012-September 2015.<sup>127</sup>

Because product 1 reflected approximately \*\*\* percent of all sales for which pricing data were collected, we focus our analysis on that product.<sup>128</sup> The pricing data show that prices of cumulated subject imports of Product 1 were below those for U.S.-produced product in 50 of 75 instances.<sup>129</sup> The quantity of subject imports in underselling comparisons for Product 1 was 1,021,856 short tons, while the quantity involved in overselling comparisons was 508,245 short tons.<sup>130</sup> Margins of underselling for Product 1 ranged from 0.2 to 18.5 percent, and margins of overselling ranged from 0.5 to 9.7 percent.<sup>131</sup> Given the predominant underselling and the fact

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(...Continued)

<sup>125</sup> CR at V-8-9, PR at V-5. The three pricing products are as follows:

**Product 1.**-- Uncoated paper, weighing 20 lb. (75 gsm), with dimensions of 8 1/2 x 11 inches, and with GE brightness greater than 90 white and plain (i.e., not altered through processes such as surface-decorating, printing, embossing, perforating, punching, or watermarking).

**Product 2.**-- Uncoated paper, weighing 20 lb. (75 gsm), with dimensions of 8 1/2 x 14 inches and with GE brightness greater than 90 white and plain (i.e., not altered through processes such as surface-decorating, printing, embossing, perforating, punching, or watermarking).

**Product 3.**-- Uncoated paper, weighing 50-60 lb. (74-89 gsm), with dimensions of 23 x 35 inches, and with GE brightness greater than or equal to 96 white and plain (i.e., not altered through processes such as surface-decorating, printing, embossing, perforating, punching, or watermarking) sold with a matching cover.

CR at V-9, PR at V-5.

<sup>126</sup> CR at V-9, PR at V-5-6.

<sup>127</sup> CR at V-9, PR at V-6

<sup>128</sup> *Derived from* CR/PR at Tables V-5, V-6, & V-7.

<sup>129</sup> CR/PR at Table V-10.

<sup>130</sup> CR/PR at Table V-10.

<sup>131</sup> CR/PR at Table V-10. Considering all three pricing products, the pricing data show that subject import prices were below those for U.S.-produced product in 84 of 137 instances; margins of underselling ranged from 2.0 to 34.4 percent. In the remaining 53 instances, subject import prices were between 0.4 and 19.4 percent above prices for the domestic product. CR/PR at Table V-9. The quantity of subject imports in underselling comparisons was 1,029,343 short tons, while the quantity involved in overselling comparisons was 517,946 short tons. CR/PR at Table V-9.

For Product 2, the pricing data show that subject import prices were below those for U.S.-produced product in 23 of 51 instances. Margins of underselling ranged from 1.1 to 10.2 percent. Margins of overselling ranged from 0.4 to 19.4 percent. The quantity of subject imports in underselling comparisons was 6,627 short tons, while the quantity in overselling comparisons was 9,701 short tons. CR/PR at Table V-10.

For Product 3, the pricing data show that subject import prices were below those for U.S.-produced product in all 11 instances. Margins of underselling ranged from 9.3 to 34.4 percent. The quantity of subject imports in underselling comparisons was 860 short tons. CR/PR at Table V-10.

that price is an important consideration in purchasing decisions, we find the underselling by cumulated subject imports to be significant.<sup>132</sup>

We also find that cumulated subject imports had significant price-depressing effects. Prices for domestically produced Product 1 generally trended downward through 2013, increased during the first two quarters of 2014, and then declined after domestic producers were not able to sustain their earlier price increases.<sup>133</sup> Prices for domestically produced Product 1 declined by 7.1 percent between the first quarter of 2012 and the second quarter of 2015.<sup>134</sup> During this same period, price declines for subject imports of Product 1 ranged from 6.4 to 13.2 percent.<sup>135</sup> The record supports our finding that the significant and increasing quantity and market share of low-priced subject imports caused these declines. Product 1

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<sup>132</sup> Respondents argue that the Commission should rely on the quarterly average unit value (“AUV”) of aggregate subject imports in its underselling analysis. They claim that the quarterly AUV of subject imports from all sources is a more accurate measurement of price competition because assigning the same weight to low-volume sources of subject merchandise as to much larger quantities imported from other subject countries would distort the Commission’s underselling analysis. Respondents’ Joint Prehearing Br. at 24-25. They also claim that differences in product mix between the domestic like product, concentrated in high-value branded product, and subject merchandise, concentrated in low-value unbranded product, are not fully captured in the pricing data. *Id.* at 4-6.

We reject Respondents’ arguments on this issue for several reasons. With respect to the pricing data used in the underselling analysis, we have followed our longstanding practice in collecting and analyzing pricing data with respect to individual subject countries. We have also followed our recent practice in original investigations of examining underselling data on both a volume and per-instance basis. *See, e.g., Non-Oriented Electric Steel from China, Germany, Japan, Korea, Sweden, and Taiwan*, Inv. Nos. 701-TA-506, 508, 731-TA-1238-1243 (Final), USITC Pub. 4502 at 25 (Nov. 2014). Our practice reduces the risk that low-volume sources will skew the underselling analysis.

With respect to the pricing product definitions, respondents did not specifically request in their comments on the draft questionnaires that the Commission collect pricing data separately for branded versus unbranded product. *See* Suzano’s Comments on Draft Questionnaires (Sept. 25, 2015) (EDIS Doc. No. 566145); Portucel’s Comments on Draft Questionnaires (Sept. 25, 2015) (EDIS Doc. No. 566135); Australian Paper’s Comments on Draft Questionnaires (Sept. 25, 2015) (EDIS Doc. No. 565893). Having failed to do so, they cannot now complain about the lack of such data in the record. *See* 19 C.F.R. § 207.20(b). In any event, the record indicates that, as of 2014, there was a substantial overlap between the domestic like product and cumulated subject imports in terms of branded versus unbranded distribution patterns. CR/PR at Table IV-6. In light of these considerations, we find that the pricing data are a reliable basis of comparison for analyzing underselling and price effects.

<sup>133</sup> *See, e.g.,* CR/PR at Table V-5.

<sup>134</sup> CR/PR at Table V-5; CR at V-22, PR at V-8. We have focused our analysis on the portion of the POI through the second quarter of 2015 because cumulated subject import volume declined in the third quarter of 2015 following imposition of provisional duties, as explained in section V.C. above.

<sup>135</sup> CR/PR at Tables V-5 & V-8. Between the first quarter of 2012 and the second quarter of 2015, prices for domestically produced product 2 decreased by 8.2 percent while prices for subject imports of product 2 declined \*\*\* percent. CR/PR at Tables V-6 & V-8. Prices for domestically produced product 3 increased by \*\*\* percent notwithstanding that prices for subject imports of product 3 declined by \*\*\* percent. CR/PR at Tables V-7 & V-8.

accounts for nearly all competition between subject imports and domestic uncoated paper.<sup>136</sup> All producers reported that the subject imports and the domestic product are always interchangeable, and most importers and purchasers reported the paper to be always or frequently interchangeable.<sup>137</sup> These price effects are further corroborated by a substantial number of purchasers who reported that domestic producers had reduced prices in order to compete with lower-priced subject imports.<sup>138</sup> Moreover, because the domestic industry's capacity curtailments more than offset reduced demand,<sup>139</sup> the price declines cannot be fully attributed to the decline in demand.

Accordingly, based on the record in the final phase of these investigations, we find significant price underselling by the cumulated subject imports. In addition, we find that the cumulated subject imports caused prices of the domestic like product to decline to a significant degree over the course of the POI. For the foregoing reasons, we find that the cumulated subject imports had significant adverse effects on prices of the domestic like product.

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<sup>136</sup> See, e.g., CR/PR at Table V-5.

<sup>137</sup> CR/PR at Table II-12.

<sup>138</sup> Twenty-seven purchasers reported that the domestic industry had reduced prices due to competition from subject imports, 21 purchasers reported that the domestic industry had not reduced prices due to competition from subject imports, and the remaining purchasers reported that they did not know whether the domestic industry had reduced prices due to competition from subject imports. CR/PR at Table V-12. Purchasers also reported domestic price reductions ranging from 6 to 20 percent due to competition from subject imports from Australia; domestic price reductions ranging from 3 to 10 percent due to competition from subject imports from Brazil; domestic price reductions ranging from 6 to 10 percent due to competition from subject imports from China; domestic price reductions ranging from 6 to 18 percent due to competition from subject imports from Indonesia; and domestic price reductions ranging from 3 to 15 percent due to competition from subject imports from Portugal. *Id.*

<sup>139</sup> CR/PR at Tables III-5, II-6, CR at III-6-9, PR at III-5-6.

## E. Impact of the Subject Imports<sup>140</sup>

Section 771(7)(C)(iii) of the Tariff Act provides that examining the impact of subject imports, the Commission “shall evaluate all relevant economic factors which have a bearing on the state of the industry.” These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>141</sup>

During the POI, the domestic industry’s performance indicators almost universally declined.<sup>142</sup> The industry’s U.S. shipments, net sales, and production all declined steadily

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<sup>140</sup> The statute instructs the Commission to consider the “magnitude of the dumping margin” in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its final determination with respect to subject imports from Australia, Commerce found antidumping duty margins ranging from 138.87 percent to 222.46 percent. *Certain Uncoated Paper From Australia: Final Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances, In Part*: 81 Fed. Reg. 3108 (Jan. 20, 2016). In its final determination with respect to subject imports from Brazil, Commerce found antidumping duty margins ranging from 22.16 percent to 41.39 percent. *Certain Uncoated Paper from Brazil: Final Determination of Sales at Less Than Fair Value*, 81 Fed. Reg. 3115 (Jan. 20, 2016). In its final determination with respect to subject imports from China, Commerce found antidumping duty margins ranging from 84.05 percent to 149.0 percent. *Certain Uncoated Paper from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 81 Fed. Reg. 3112 (Jan. 20, 2016). In its final determination with respect to subject imports from Indonesia, Commerce found antidumping duty margins ranging from 2.05 percent to 17.39 percent. *Certain Uncoated Paper from Indonesia: Final Determination of Sales at Less Than Fair Value*, 81 Fed. Reg. 3101 (Jan. 20, 2016). In its final determination with respect to subject imports from Portugal, Commerce found antidumping duty margins of 7.80 percent. *Certain Uncoated Paper from Portugal: Final Determination of Sales at Less Than Fair Value and Final Negative Determination of Critical Circumstances*, 81 Fed. Reg. 3105 (Jan. 20, 2016).

Additionally, in its final countervailing duty determination regarding subject imports from China and Indonesia, Commerce identified 16 countervailable subsidy programs in China and two countervailable subsidy programs in Indonesia. For subject producers from China, Commerce assigned net countervailable subsidy rates ranging from 7.23 percent to 176.75 percent. *Certain Uncoated Paper From People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 81 Fed. Reg. 3110-3112 (Jan. 20, 2016) and accompanying Issues and Decision Memorandum. For subject producers from Indonesia, Commerce assigned net countervailable subsidy rates ranging from 21.22 percent to 109.15 percent. *Certain Uncoated Paper From Indonesia: Final Affirmative Countervailing Duty Determination*, 81 Fed. Reg. 3104-3105 (Jan. 20, 2016) and accompanying Issues and Decision Memorandum.

<sup>141</sup> 19 U.S.C. § 1677(7)(C)(iii). This provision was recently amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

<sup>142</sup> Respondents argue that the domestic industry is effectively operating at full capacity due to upstream constraints from its papermaking capacity that limit its effective sheeting capacity. *See, e.g.*, Respondents’ Joint Prehearing Br. at 33-36. In these final phase investigations, the Commission sought (Continued...)

between 2012 and 2014; each of these indicators was relatively unchanged in interim 2014 and interim 2015.<sup>143</sup> As discussed above, the domestic industry closed uncoated paper production in a number of facilities over the POI,<sup>144</sup> which resulted in declines in the domestic industry's production, capacity, and capacity utilization from 2012 to 2014; each of these indicators showed at most modest changes in interim 2015 relative to interim 2014.<sup>145</sup> The domestic

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(...Continued)

trade and financial data covering the range of each domestic producer's activities in producing the domestic like product. For integrated producers, consistent with the Commission's approach in prior paper cases, that included those activities encompassed by the paper-making process. See CR at I-14, PR at I-11 (integrated producers produce uncoated paper in one continuous process from the unharvested log to pulp production to the final paper product). Integrated producers accounted for \*\*\* percent of domestic industry net sales in 2014. CR/PR at Table VI-2. In light of this, we reject respondents' arguments that we should only focus, in effect, on integrated producers' sheeting activities. See, e.g., Respondents' Joint Posthearing Br. at Appendix C; Hearing Tr. at 202-05 (Malashevich). In any event, respondents did not request in their questionnaire comments that the Commission attempt to collect financial data from integrated producers on such a disaggregated basis. See Suzano's Comments on Draft Questionnaires (Sept. 25, 2015) (EDIS Doc. No. 566145); Portucel's Comments on Draft Questionnaires (Sept. 25, 2015) (EDIS Doc. No. 566135); Australian Paper's Comments on Draft Questionnaires (Sept. 25, 2015) (EDIS Doc. No. 565893).

<sup>143</sup> The domestic industry's U.S. shipments were \*\*\* short tons in 2012, \*\*\* short tons in 2013, and \*\*\* short tons in 2014. CR/PR at Table IV-10. They were \*\*\* short tons in interim 2014 and interim 2015. *Id.* The domestic industry's net sales were \*\*\* short tons in 2012, \*\*\* short tons in 2013, and \*\*\* short tons in 2014. CR/PR at Table VI-1. They were \*\*\* short tons in interim 2014 and interim 2015. *Id.* The domestic industry's production of uncoated paper was \*\*\* short tons in 2012 and 2013 and \*\*\* short tons in 2014. Production was \*\*\* short tons in interim 2014 and interim 2015. CR/PR at Table III-7.

<sup>144</sup> CR/PR at Table III-3; CR at II-5, PR at II-3.

<sup>145</sup> U.S. producers' overall papermaking capacity was \*\*\* short tons in 2012 and 2013, declining to \*\*\* short tons in 2014. CR/PR at Table III-5. It was \*\*\* short tons in interim 2014 and interim 2015. *Id.* U.S. producers' overall papermaking production declined from \*\*\* short tons in 2012 to \*\*\* short tons in 2013 and \*\*\* short tons in 2014. *Id.* It was \*\*\* short tons in interim 2014 and \*\*\* short tons in interim 2015. *Id.* U.S. producers' overall papermaking capacity utilization declined from \*\*\* percent in 2012 to \*\*\* percent in 2013 and \*\*\* percent in 2014. *Id.* It was \*\*\* percent in interim 2014 and \*\*\* percent in interim 2015. *Id.*

U.S. producers' sheeting capacity for uncoated paper increased from \*\*\* short tons in 2012 to \*\*\* short tons in 2013, then declined to \*\*\* short tons in 2014. CR/PR at Table III-7. It was \*\*\* short tons in interim 2014 and interim 2015. *Id.* U.S. producers' production of uncoated paper was \*\*\* short tons in 2012 and 2013, and declined to \*\*\* short tons in 2014. *Id.* It was \*\*\* short tons in interim 2014 and interim 2015. *Id.* U.S. producers' sheeting capacity utilization for uncoated paper declined from \*\*\* percent in 2012 to \*\*\* percent in 2013 and \*\*\* percent in 2014. *Id.* Their capacity utilization was \*\*\* percent in interim 2014 and \*\*\* percent in interim 2015. *Id.*

industry's inventories declined irregularly between 2012 and 2014, but were slightly higher in interim 2015 than in interim 2014.<sup>146</sup>

The domestic industry's market share declined steadily from 2012 to 2014.<sup>147</sup> Its market share in interim 2015 remained below 2012 and 2013 levels.<sup>148</sup>

With respect to the domestic industry's employment indicators, production-related workers, hours worked, and wages decreased over the POI.<sup>149</sup> By contrast, productivity increased.<sup>150</sup>

The domestic industry experienced steadily declining financial performance during the POI. Sales revenues decreased from 2012 to 2014 and were lower in interim 2015 than in interim 2014.<sup>151</sup> The domestic industry's operating income and net income declined sharply during the period. Operating income declined from \$\*\*\* in 2012 to \$\*\*\* in 2013 and \$\*\*\* in 2014; it was also lower in interim 2015, at \$\*\*\*, than in interim 2014, at \$\*\*\*.<sup>152</sup> The domestic industry's operating income margin declined from \*\*\* percent in 2012 to \*\*\* percent in 2013, and then increased slightly to \*\*\* percent in 2014, which was \*\*\* percentage points lower than in 2012; it was lower in interim 2015, at \*\*\* percent, than in interim 2014, at \*\*\* percent.<sup>153</sup> Net income declined from \$\*\*\* in 2012 to \*\*\* in 2013, and then increased slightly, to \$\*\*\* in 2014, which was \*\*\* percent lower than in 2012; it was lower in interim 2015, at \$\*\*\*, than in interim 2014, at \$\*\*\*.<sup>154</sup>

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<sup>146</sup> U.S. producers' end-of-period inventories were \*\*\* short tons in 2012, \*\*\* short tons in 2013, and \*\*\* short tons in 2014; they were \*\*\* short tons in interim 2014 and \*\*\* short tons in interim 2015. CR/PR at Table III-9.

<sup>147</sup> As measured by quantity, the market share of the domestic industry declined from \*\*\* percent in 2012 to \*\*\* percent in 2013 and \*\*\* percent in 2014. CR/PR at Table IV-11.

<sup>148</sup> The domestic industry's market share was \*\*\* percent in interim 2014 and \*\*\* percent in interim 2015. CR/PR at Table IV-11.

<sup>149</sup> The industry's number of workers declined from \*\*\* in 2012 to \*\*\* in 2013 and \*\*\* in 2014. CR/PR at Table III-11. It was \*\*\* in interim 2014 and \*\*\* in interim 2015. *Id.* Hours worked fell from \*\*\* in 2012 to \*\*\* in 2013 and \*\*\* in 2014. *Id.* They were \*\*\* in interim 2014 and \*\*\* in interim 2015. *Id.* The wages the industry paid to its workers increased from \$\*\*\* in 2012 to \$\*\*\* in 2013, and then fell to \$\*\*\* in 2014. *Id.* Wages paid were \$\*\*\* in interim 2014 and \*\*\* in interim 2015.

<sup>150</sup> The industry's productivity declined from \*\*\* short tons per 1,000 hours in 2012 to \*\*\* in 2013, and then increased to \*\*\* in 2014. CR/PR at Table III-11. It was \*\*\* in interim 2014 and \*\*\* in interim 2015. *Id.*

<sup>151</sup> The domestic industry's sales revenues fell from \$\*\*\* in 2012 to \$\*\*\* in 2013 and \$\*\*\* in 2014. CR/PR at Table VI-1. They were \$\*\*\* in interim 2014 and \$\*\*\* in interim 2015. *Id.*

<sup>152</sup> CR/PR at Table VI-1.

<sup>153</sup> CR/PR at Table VI-1. The domestic industry's return on investment expressed as operating income (loss) to assets declined from \*\*\* percent in 2012 to \*\*\* percent in 2013 and then increased slightly to \*\*\* percent in 2014, although it was \*\*\* percentage points lower in 2014 than in 2012. CR/PR at Table VI-6.

<sup>154</sup> CR/PR at Table VI-1. The domestic industry's gross profits declined from \$\*\*\* in 2012 to \$\*\*\* in 2013 and \$\*\*\* in 2014. CR/PR at Table VI-1. They were \$\*\*\* in interim 2014 and \$\*\*\* in interim 2015. *Id.* The industry's capital expenditures were \$\*\*\* in 2012, \$\*\*\* in 2013 and \$\*\*\* in 2014; they were \$\*\*\* in interim 2014 and \$\*\*\* in interim 2015. CR/PR at Table VI-5a. The industry's research (Continued...)

As discussed above, during the POI, increasing and significant volumes of cumulated subject imports that were close substitutes for the domestic like product entered the U.S. market while demand for uncoated paper declined. Further, the cumulated subject imports undersold the domestic like product to a significant degree and, throughout most of the POI, prices for the domestic like product declined and were depressed to a significant degree as cumulated subject import volumes increased. As a result, the domestic industry lost market share and its production and shipments also declined. This led to reduced sales by the domestic industry, which, combined with lower prices, resulted in declining revenues for the domestic industry. The reduced revenues also led to declines in the domestic industry's financial performance during most of the period. Accordingly, we find that the significant and increasing volume of cumulated subject imports, at prices that undersold the domestic like product and had significant price effects on the domestic like product, had a significant impact on the domestic industry by reducing its market share, production, shipments, revenues, and financial performance.<sup>155</sup>

We have considered the role of declining demand over the POI in potentially explaining the trends in cumulated subject import volumes and domestic industry performance. While declining demand may explain in part the domestic industry's capacity reductions over the course of the POI as Respondents have argued, it cannot entirely explain the domestic industry's declines in capacity utilization nor fully explain the domestic industry's declines in production or shipments during the period. Rather, the record in the final phase of these investigations indicates that, regardless of how it is measured, the domestic industry had sufficient capacity throughout the POI to maintain the production and shipment levels it attained at the beginning of the period.<sup>156</sup> Notwithstanding that demand for uncoated paper had entered into long-term decline before the commencement of the POI in these investigations, the domestic industry's financial performance was considerably stronger at the beginning of the period in 2012 and deteriorated as cumulated subject import volumes increased during the period. Given these considerations, we find that the declines in the

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(...Continued)

and development expenses declined from \$\*\*\* in 2012 to \$\*\*\* in 2013 and \$\*\*\* in 2014; they were \$\*\*\* in interim 2014 and \$\*\*\* in interim 2015. *Id.*

<sup>155</sup> Respondents suggest that the domestic industry's financial performance and profitability throughout the POI militate against an affirmative material injury determination. *See, e.g.,* Respondents Joint Prehearing Br. at 38-41. We disagree. First, profitable domestic industry operations cannot preclude an affirmative determination. Indeed, the Trade Preferences Extension Act of 2015 added a new provision to the statute which specifically provides as follows: "The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved." Pub. L. 114-27, § 503(a) (adding new provision codified at 19 U.S.C. § 1677(7)(J)). Second, as a factual matter, respondents' argument is contradicted by the evidence discussed above that the domestic industry's performance trends deteriorated over the course of the POI and that the domestic industry performed materially worse than it would have absent cumulated subject import competition.

<sup>156</sup> *See* CR/PR at Tables III-5 (papermaking capacity), III-6 (sheeting capacity), and III-7 (sheeting capacity devoted to producing uncoated paper).

domestic industry's production, capacity utilization, shipments, market share, and financial performance observed for most of the POI cannot be fully explained by the declines in demand.<sup>157</sup>

We have also considered the role of nonsubject imports so as not to attribute injury from them to cumulated subject imports. Nonsubject imports had a relatively small and stable presence in the U.S. market throughout the POI. As a share of apparent U.S. consumption, nonsubject imports declined from 3.8 percent in 2012 to 3.7 percent in 2013 to 3.5 percent in 2014, and were 3.4 percent in interim 2014 and 4.8 percent in interim 2015.<sup>158</sup> The only sizable supplier of imported uncoated paper to the United States during the POI, other than the subject countries, was Canada.<sup>159</sup> Limited quarterly pricing data were obtained for nonsubject imports from Canada for three pricing products.<sup>160</sup> The prices for imports from Canada were higher than the prices for the domestic like product in 44 of 45 comparisons, and were higher than the prices for subject imports in 166 of 182 comparisons.<sup>161</sup> In light of the information available concerning the volume and pricing behavior of nonsubject imports, we find that the nonsubject imports cannot explain the significant price effects and impact that we have attributed to the cumulated subject imports.

## VI. Critical Circumstances

### A. Legal Standards

In its final antidumping and countervailing duty determinations, Commerce made affirmative critical circumstances determinations with respect to certain exporters.<sup>162</sup> Because we have determined that the domestic industry is materially injured by reason of cumulated subject imports, we must further determine “whether the imports subject to the affirmative {Commerce critical circumstances} determination . . . are likely to undermine seriously the remedial effect of the antidumping {and/or countervailing duty} order{s} to be issued.”<sup>163</sup> The SAA indicates that the Commission is to determine “whether, by massively increasing imports

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<sup>157</sup> Respondents argue that subject imports did not have a significant impact on the domestic industry because they were largely pulled into the market as a result of the domestic industry's own strategic choices to remove and repurpose capacity for uncoated paper. *See, e.g.*, Respondents' Joint Prehearing Br. at 46. Respondents' contention, however, is inconsistent with the record evidence in the final phase of these investigations of significant underselling by cumulated subject imports during the POI. If subject imports were needed to supply the domestic market, there would have been no need for them to pervasively undersell the domestic like product to gain sales. Instead, the record indicates that many purchasers perceived cumulated subject imports as a low-cost alternative to the domestic like product and reported switching from the domestic like product to subject merchandise for price reasons. CR/PR at Tables V-5, V-6, V-7, V-9, and V-11; CR at V-29-30, PR at V-13.

<sup>158</sup> CR at Table IV-11.

<sup>159</sup> CR/PR at Table C-1; CR at II-13, PR at II-7.

<sup>160</sup> CR/PR at Table G-1.

<sup>161</sup> CR/PR at Table G-2.

<sup>162</sup> 80 Fed. Reg. 34893 (June 18, 2015); 80 Fed. Reg. 34888 (June 18, 2015).

<sup>163</sup> 19 U.S.C. §§ 1671d(b)(4)(A)(i), 1673d(b)(4)(A)(i).



prior to the effective date of relief, the importers have seriously undermined the remedial effect of the order” and specifically “whether the surge in imports prior to the suspension of liquidation, rather than the failure to provide retroactive relief, is likely to seriously undermine the remedial effect of the order.”<sup>164</sup> The legislative history for the critical circumstances provision indicates that the provision was designed “to deter exporters whose merchandise is subject to an investigation from circumventing the intent of the law by increasing their exports to the United States during the period between initiation of an investigation and a preliminary determination by {Commerce}.”<sup>165</sup> An affirmative critical circumstances determination by the Commission, in conjunction with an affirmative determination of material injury by reason of subject imports, would normally result in the retroactive imposition of duties for those imports subject to Commerce’s affirmative critical circumstances determination for a period 90 days prior to the suspension of liquidation.<sup>166</sup>

The statute provides that, in making this determination, the Commission shall consider, among other factors it considers relevant, –

- (I) the timing and the volume of the imports,
- (II) a rapid increase in inventories of the imports, and
- (III) any other circumstances indicating that the remedial effect of the {order} will be seriously undermined.<sup>167</sup>

In considering the timing and volume of subject imports, the Commission’s practice is to consider import quantities prior to the filing of the petition with those subsequent to the filing of the petition using monthly statistics on the record regarding those firms for which Commerce has made an affirmative critical circumstance determination.<sup>168</sup>

## **B. Parties’ Arguments**

Petitioners did not address the issue of critical circumstances. Australian Respondents argue that several factors favor a negative critical circumstances determination with respect to subject imports from Australia, including the fact that subject imports from Australia increased only modestly during the six-month period after the petitions were filed relative to the six-month period before the petitions were filed and that the small increase in subject imports from Australia after the petitions were filed did not lead to a significant increase in U.S.

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<sup>164</sup> SAA at 877.

<sup>165</sup> *ICC Industries, Inc. v. United States*, 812 F.2d 694, 700 (Fed. Cir. 1987), quoting H.R. Rep. No. 317, 96<sup>th</sup> Cong., 1<sup>st</sup> Sess. 63 (1979), *aff’g* 632 F. Supp. 36 (Ct. Int’l Trade 1986).

<sup>166</sup> See 19 U.S.C. §§ 1671b(e)(2), 1673b(e)(2).

<sup>167</sup> 19 U.S.C. §§ 1671d(b)(4)(A)(ii), 1673d(b)(4)(A)(ii).

<sup>168</sup> See *Lined Paper School Supplies from China, India, and Indonesia*, Inv. Nos. 701-TA-442 to 443, 731-TA-1095 to 1097 (Final), USITC Pub. 3884 at 46-48 (Sept. 2006); *Carbazole Violet Pigment from China and India*, Inv. Nos. 701-TA-437 & 731-TA-1060 to 1061 (Final), USITC Pub. 3744 at 26 (Dec. 2004); *Certain Frozen Fish Fillets from Vietnam*, Inv. No. 731-TA-1012 (Final), USITC Pub. 3617 at 20-22 (Aug. 2003).

importers' end-of-period inventories of subject merchandise from Australia that otherwise would not be quickly depleted.<sup>169</sup>

### C. Analysis

In its final antidumping duty determination, Commerce made an affirmative critical circumstances determination with respect to imports of uncoated paper from Australia produced by Australian Paper, but found that critical circumstances do not exist for imports of uncoated paper from Australia in the all-others category.<sup>170</sup> Based on a comparison of subject imports over the six-month periods before and after the January 21, 2015 filing of the petitions, we do not find a massive increase in subject imports warranting an affirmative critical circumstances determination. Imports of uncoated paper subject to affirmative critical circumstances findings in Commerce's antidumping duty investigation increased from \*\*\* short tons for the period from August 2014 to January 2015 to \*\*\* short tons for the period from February 2015 to July 2015, an increase of only \*\*\* percent.<sup>171</sup> We do not find that these post-petition U.S. imports of uncoated paper from Australia would undermine the remedial effect of the antidumping duty order that Commerce will issue. There was only a modest increase in subject imports from Australia between the pre- and post-petition periods. Moreover, the volume and market penetration of subject imports from Australia declined toward the end of the POI, and monthly imports of uncoated paper from Australia subject to affirmative critical circumstances determinations in Commerce's final antidumping duty determination did not increase massively between February and July 2015.<sup>172</sup>

U.S. importers' end-of-period inventories of subject merchandise from Australia in September 2015 (\*\*\* short tons) were lower than in December 2014 (\*\*\*) short tons or in the corresponding month (September) of the prior year (\*\*\* short tons).<sup>173</sup> Having considered the domestic industry's condition, the adverse price effects of subject imports during the POI, and the high degree of substitutability between subject imports from Australia and the domestic like product, we do not find evidence of a massive increase in subject imports from Australia that would warrant retroactive application of suspension of liquidation – and imposition of

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<sup>169</sup> Australian Paper & PPM Posthearing Br. at 12-14.

<sup>170</sup> *Certain Uncoated Paper from Australia: Final Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances, in Part*, 81 Fed. Reg. 3108-3110 (Jan. 20, 2016). Commerce also made a negative critical circumstances determination for subject imports from Portugal. *Certain Uncoated Paper from Portugal: Final Determination of Sales at Less Than Fair Value and Final Negative Determination of Critical Circumstances, in Part*, 81 Fed. Reg. 3105 (Jan. 20, 2016).

<sup>171</sup> CR/PR at Table IV-5. The information available reflects subject imports from Australia. The record in these final phase investigations indicates that Australian Paper is the sole producer of uncoated paper in Australia and accounted for all or virtually all of U.S. imports from Australia during the POI. CR at VII-3-4; PR at VII-3.

<sup>172</sup> CR/PR at Table C-1 (indicating that as a share of apparent U.S. consumption, subject imports from Australia increased from \*\*\* percent in 2012 to \*\*\* percent in 2013 and \*\*\* percent in 2014, but were lower at \*\*\* percent in interim 2015 (eight months of which post-dated the filing of the petitions).

<sup>173</sup> CR/PR at Table VII-43.

duties – for a 90-day period. We do not find that the subject imports that entered the U.S. market after the petition filings would seriously undermine the remedial effect of the antidumping duty order that Commerce would issue. Consequently, we determine that critical circumstances do not exist with respect to those imports from Australia of uncoated paper that are subject to affirmative critical circumstances determinations in Commerce’s final antidumping duty determination.

## **VII. Conclusion**

For the reasons stated above, we determine that an industry in the United States is materially injured by reason of subject imports of certain uncoated paper from Australia, Brazil, China, Indonesia, and Portugal that are sold in the United States at less than fair value and that are subsidized by the governments of China and Indonesia.



## PART I: INTRODUCTION

### BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“USITC” or “Commission”) by United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (“United Steelworkers” or “USW”), Pittsburgh, Pennsylvania; Domtar Corporation (“Domtar”), Ft. Mill, South Carolina; Finch Paper LLC (“Finch Paper”), Glen Falls, New York; P.H. Glatfelter Company (“Glatfelter”), York, Pennsylvania; and Packaging Corporation of America (“PCA”), Lake Forest, Illinois, on January 21, 2015, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (“LTFV”) imports of certain uncoated paper (“uncoated paper”)<sup>1</sup> from Australia, Brazil, China, Indonesia, and Portugal and subsidized imports of uncoated paper from China and Indonesia. The following tabulation provides information relating to the background of these investigations.<sup>2</sup>

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<sup>1</sup> See the section entitled “The Subject Merchandise” in *Part I* of this report for a complete description of the merchandise subject to these investigations.

<sup>2</sup> Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission’s website ([www.usitc.gov](http://www.usitc.gov)). Appendix B presents the list of witnesses appearing at the Commission’s hearing.

<b>Effective date</b>	<b>Action</b>
January 21, 2015	Petition filed with Commerce and the Commission; institution of Commission investigations (80 FR 4311, January 27, 2015)
February 18	Commerce's notice of initiation (80 FR 8598 (CVD) and 80 FR 8608 (AD), February 18, 2015)
March 12	Commission's preliminary determinations (80 FR 13890, March 17, 2015)
June 29	Commerce's preliminary determination (CVD) - China (80 FR 36968)
June 29	Commerce's preliminary determination (CVD) - Indonesia (80 FR 36971)
August 26	Commerce's preliminary determination (AD) - Australia (80 FR 51783)
	Commerce's preliminary determination (AD) - China (80 FR 51768)
	Commerce's preliminary determination (AD) - Indonesia (80 FR 51771)
	Commerce's preliminary determination (AD) - Portugal (80 FR 51777)
August 27	Commerce's preliminary determination (AD) - Brazil (80 FR 52029)
January 7, 2016	Commission's hearing
January 20	Commerce's final determination (CVD) - China (81 FR 3110)
	Commerce's final determination (CVD) - Indonesia (81 FR 3104)
	Commerce's final determination (AD) - Australia (81 FR 3108)
	Commerce's final determination (AD) - Brazil (81 FR 315)
	Commerce's final determination (AD) - China (81 FR 3112)
	Commerce's final determination (AD) - Indonesia (81 FR 3101)
February 9	Commission's vote
February 22	Commission's views

## **STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT**

### **Statutory criteria**

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

*shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--<sup>3</sup>

*In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant. . . In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . . (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.*

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—<sup>4</sup>

*(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.*

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<sup>3</sup> Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

<sup>4</sup> Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

## Organization of report

*Part I* of this report presents information on the subject merchandise, subsidy/dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

## MARKET SUMMARY

Uncoated paper is generally used in office and home copiers and printers, books, business forms, instruction manuals, inserts, flyers, brochures, and maps. The leading U.S. producers of uncoated paper are Boise White Paper LLC ("Boise"), Domtar, Georgia-Pacific Consumer Products LP ("Georgia-Pacific"), and International Paper Company ("International Paper"), while leading producers of uncoated paper outside the United States include Paper Australia Pty. Ltd. ("Australian Paper") of Australia; International Paper do Brasil Ltda. ("International Paper Brazil") and Suzano Papel e Celulose S.A. ("Suzano") of Brazil; Shandong Chenming Paper Holdings Ltd. ("Shandong Chenming"), Asia Pulp and Paper Group ("APP"), and Shandong Sun Paper Industry Joint Stock Co., Ltd. of China ("Shandong Sun") of China; APP and Asia Pacific Resources International Limited ("APRIL") of Indonesia; and the Portucel Soporcel Group ("Portucel") of Portugal. The leading U.S. importer of uncoated paper from Australia is Paper Products Marketing; from Brazil are \*\*\* and Suzano;<sup>5</sup> from China are \*\*\*; from Indonesia are \*\*\*; and from Portugal is Portucel Soporcel North America ("Portucel"). Leading importers of uncoated paper from nonsubject countries (primarily Canada, Israel, Germany, and Mexico) include Domtar, \*\*\*. A large share of uncoated paper is sold directly to office superstores such as Office Depot and Staples and large retailers such as Wal-Mart and Target.<sup>6</sup> In addition, there are paper distributors that sell to smaller purchasers. U.S. producers reported selling more than 50 percent to distributors, as did all importers of uncoated paper from all subject countries except China.

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<sup>5</sup> Between January 2012 and September 2015, \*\*\* exported approximately \*\*\* percent of its U.S. imports of uncoated paper from Brazil to Latin America/Caribbean. \*\*\* response to the Commission's U.S. importer's questionnaire.

<sup>6</sup> Conference transcript, pp. 45, 53 (Melton, Dorn) and hearing transcript, pp. 190-191 (Webb) and p. 197 (Tarpley). Respondents estimate that with Staples' acquisition of Office Depot, Staples will sell more than 50 percent of all "copy paper" sold in North America. Conference transcript, p. 157 (Peters).



Apparent U.S. consumption of uncoated paper totaled approximately 4.5 million short tons (\$4.5 billion) in 2014. Ten firms reported production of uncoated paper in the United States in 2014. U.S. producers' U.S. shipments of uncoated paper totaled \*\*\* short tons (\$\*\*\*) in 2014, and accounted for 79.4 percent of apparent U.S. consumption by quantity and 80.5 percent by value. U.S. shipments of imports from subject sources totaled \*\*\* short tons (\$\*\*\*) in 2014 and accounted for 17.0 percent of apparent U.S. consumption by quantity and 15.5 percent by value. U.S. shipments of imports from nonsubject sources totaled \*\*\* short tons (\$\*\*\*) in 2014 and accounted for 3.5 percent of apparent U.S. consumption by quantity and 4.0 percent by value.

## SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of ten firms that accounted for the vast majority of U.S. production of uncoated paper during January 2012 – September 2015; U.S. imports from Australia, Brazil, and Portugal are based on data submitted in response to Commission questionnaires; and imports from the remaining sources, with less complete reporting, are based on official Commerce statistics.<sup>7 8</sup>

## PREVIOUS AND RELATED INVESTIGATIONS

Uncoated paper has not been the subject of any prior countervailing or antidumping duty investigations in the United States. In 2010, the Commission conducted antidumping duty and countervailing duty investigations on certain coated paper suitable for high-quality print graphics using sheet-fed presses ("certain coated paper") from China and Indonesia. The Commission determined that an industry in the United States was threatened with material injury by reason of subject imports.<sup>9</sup> In 2015, the Commission conducted a countervailing duty investigation on supercalendered paper from Canada. The Commission determined that a U.S. industry was materially injured by reason of imports of supercalendered paper from Canada.<sup>10</sup>

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<sup>7</sup> Substantially all imports of uncoated paper are believed to enter under the HTS subheadings 4802.56 and 4802.57. Petition, p. I-6 and Respondents' Joint postconference brief, p. 14. \*\*\*.

<sup>8</sup> \*\*\*. \*\*\* response to the Commission's importer questionnaire and respondent Suzano's postconference brief, p. 5.

<sup>9</sup> *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia, Investigation Nos. 701-TA-470-471 and 731-TA-1169-1170 (Final)*, USITC Publication 4192, November 2010, p. 1.

<sup>10</sup> *Supercalendered Paper from Canada, Investigation No. 701-TA-530 (Final)*, USITC Publication 4583, December 2015, p. 1.

## NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV

### Subsidies

On January 20, 2016, Commerce published notices in the *Federal Register* of its final determinations of countervailable subsidies for producers and exporters of product from China<sup>11</sup> and Indonesia.<sup>12</sup> Tables I-1 and I-2 present Commerce's findings of subsidization of uncoated paper in China and Indonesia, respectively.

**Table I-1**  
**Uncoated paper: Commerce's countervailable subsidy determinations with respect to imports from China**

Entity	Countervailable subsidy margin (percent)	
	Preliminary	Final
Asia Symbol (Guangdong) Paper Co., Ltd. (AS Guangdong), Asia Symbol (Shandong) Pulp & Paper Co., Ltd. (AS Shandong), Asia Symbol (Guangdong) Omya Minerals Co., Ltd. (AS Omya), and Greenpoint Global Trading (Macao Commercial Offshore) Limited (Greenpoint)	5.82	7.23
Sun Paper (Hong Kong) Co., Ltd. (Sun Paper HK) and Shandong Sun Paper Industry Joint Stock Co., Ltd. (Shandong Sun Paper) (collectively Sun Paper)	126.42	176.75
UPM (China) Co. Ltd. (UPM)	126.42	176.75
All others	5.82	7.23

Source: 80 FR 36968, June 29, 2015, 80 FR 39409, July 9, 2015, and 81 FR 3110, January 20, 2016.

**Table I-2**  
**Uncoated paper: Commerce's countervailable subsidy determinations with respect to imports from Indonesia**

Entity	Countervailable subsidy margin (percent)	
	Preliminary	Final
APRIL Fine Paper Macao Commercial Offshore Limited, PT Anugrah Kertas Utama, PT Riau Andalan Kertas, PT Intiguna Primatama, PT Riau Andalan Pulp & Paper, PT Esensindo Cipta Cemerlang	43.19	21.22
Great Champ Trading Limited	125.97	104.00
Indah Kiat Pulp & Paper TBK/Pabrik Kertas Tjiwi Kimia/PT Pindo Deli Pulp and Paper Mills	131.12	109.15
All others	43.19	21.22

Source: 80 FR 36972, June 29, 2015 and 81 FR 3104, January 20, 2016.

<sup>11</sup> *Certain Uncoated Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 81 FR 3110, January 20, 2016.

<sup>12</sup> *Certain Uncoated Paper From Indonesia: Final Affirmative Countervailing Duty Determination*, 81 FR 3104, January 20, 2016.

## Sales at LTFV

On January 20, 2016, Commerce published notices in the *Federal Register* of its final determinations of sales at LTFV with respect to imports from Australia,<sup>13</sup> Brazil,<sup>14</sup> China,<sup>15</sup> Indonesia,<sup>16</sup> and Portugal.<sup>17</sup> Tables I-3 through I-7 present Commerce's dumping margins with respect to imports of product from Australia, Brazil, China, Indonesia, and Portugal, respectively.

**Table I-3**  
**Uncoated paper: Commerce's weighted-average LTFV margins with respect to imports from Australia**

Exporter/producer	Dumping margin (percent)	
	Preliminary	Final
Paper Australia Pty. Ltd.	40.65	222.46
All others	40.65	138.87

Source: 80 FR 51783, August 26, 2015 and 81 FR 3108 January 20, 2016.

**Table I-4**  
**Uncoated paper: Commerce's weighted-average LTFV margins with respect to imports from Brazil**

Exporter/producer	Dumping margin (percent)	
	Preliminary	Final
International Paper do Brasil Ltda. and International Paper Exportadora Ltda. <sup>1</sup>	42.42	41.39
Suzano Papel e Celulose S.A.	33.09	22.16
All others	37.76	26.95

<sup>1</sup> In the Preliminary Determination, Commerce determined that International Paper do Brasil Ltda. and International Paper Exportadora Ltda. constituted a single entity.

Source: 80 FR 52029, August 27, 2015 and 81 FR 3115, January 20, 2016.

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<sup>13</sup> *Certain Uncoated Paper From Australia: Final Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances, In Part*, 81 FR 3108 January 20, 2016.

<sup>14</sup> *Certain Uncoated Paper from Brazil: Final Determination of Sales at Less Than Fair Value*, 81 FR 3115, January 20, 2016.

<sup>15</sup> *Certain Uncoated Paper from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 81 FR 3112, January 20, 2016.

<sup>16</sup> *Certain Uncoated Paper from Indonesia: Final Determination of Sales at Less Than Fair Value*, 81 FR 3101, January 20, 2016.

<sup>17</sup> *Certain Uncoated Paper from Portugal: Final Determination of Sales at Less Than Fair Value and Final Negative Determination of Critical Circumstances*, 81 FR 3105, January 20, 2016.

**Table I-5****Uncoated paper: Commerce's weighted-average LTFV margins with respect to imports from China**

Exporter/producer		Dumping margin (percent)	
		Preliminary	Final
Greenpoint Global Trading (Macao Commercial Offshore) Ltd	Asia Symbol (Guangdong) Paper Co., Ltd.; and Asia Symbol (Shandong) Pulp & Paper Co., Ltd.	97.58	84.05
All others		193.30	149.00

Source: 80 FR 51768, August 26, 2015 and 81 FR 3112, January 20, 2016.

**Table I-6****Uncoated paper: Commerce's weighted-average LTFV margins with respect to imports from Indonesia**

Exporter/producer		Dumping margin (percent)	
		Preliminary	Final
Great Champ Trading Limited		51.75	17.39
Indah Kiat Pulp & Paper TBK/Pabrik Kertas Tjiwi Kimia/PT Pindo Deli Pulp and Paper Mills (APP/SMG)		51.75	17.39
April Fine Paper Macao Limited/ PT Anugerah Kertas Utama/PT Riau Andalan Kertas (APRIL)		0.00	2.05
All others		34.50	2.05

Source: 80 FR 51771, August 26, 2015 and 81 FR 3101, January 20, 2016.

**Table I-7****Uncoated paper: Commerce's weighted-average LTFV margins with respect to imports from Portugal**

Exporter/producer		Dumping margin (percent)	
		Preliminary	Final
Portucel S.A.		29.53	7.80
All others		29.53	7.80

Source: 80 FR 51777, August 26, 2015 and 81 FR 3105, January 20, 2016.

**THE SUBJECT MERCHANDISE****Commerce's scope**

Commerce has defined the scope of these investigations as follows:

*The merchandise covered by these investigations includes uncoated paper in sheet form; weighing at least 40 grams per square meter but not more than 150 grams per square meter; that either is a white paper with a GE brightness level of 85 or higher or is a colored paper; whether or not surface decorated, printed (except as described below), embossed, perforated, or punched; irrespective of the smoothness of the surface; and irrespective of dimensions (Certain Uncoated Paper).*

*Certain Uncoated Paper includes (a) uncoated free sheet paper that meets this scope definition; (b) uncoated groundwood paper produced from bleached chemithermo- mechanical pulp (BCTMP) that meets this scope definition; and (c) any other uncoated paper that meets this scope definition regardless of the type of pulp used to produce the paper.*

*Specifically excluded from the scope are (1) paper printed with final content of printed text or graphics and (2) lined paper products, typically school supplies, composed of paper that incorporates straight horizontal and/or vertical lines that would make the paper unsuitable for copying or printing purposes.<sup>18</sup>*

### **Tariff treatment**

Based upon the scope set forth by the Department of Commerce, information available to the Commission indicates that the merchandise subject to these investigations is imported under the following subheadings of the Harmonized Tariff Schedule of the United States (“HTSUS”): 4802.56.10, 4802.56.20, 4802.56.30, 4802.56.40, 4802.56.60, 4802.56.70, 4802.57.10, 4802.57.20, 4802.57.30, and 4802.57.40.<sup>19</sup> Some imports of subject merchandise may also be imported under the following subheadings: 4802.62.10, 4802.62.20, 4802.62.30, 4802.62.50, 4802.62.60, 4802.69.10, 4802.69.20, 4802.69.30, 4811.90.80 (statistical reporting number 4811.90.8050) and 4811.90.90 (4811.90.9080).

## **THE PRODUCT**

### **Description**

Uncoated paper consists of uncoated paper in the form of finished sheets; weighing at least 40 grams per square meter (“gsm”) but not more than 150 gsm; that either is a white paper with a GE brightness level of 85 or higher or is a colored paper; whether or not surface-decorated, printed, embossed, perforated, or punched; irrespective of the smoothness of the surface; and irrespective of dimensions.<sup>20</sup> Uncoated paper consists of cut-size sheets and folio sheets. Cut-size sheets are produced in standard sizes of 8.5 x 11 inches (letter size), 8.5 x 14 inches (legal size), and 11x17 inches. Folio sheets are larger than cut size sheets and have various dimensions; one common size of folio sheets is 17 x 22 inches. More than 95 percent of uncoated paper is sheeted and sold as finished sheets by paper producers; the remainder is

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<sup>18</sup> *Certain Uncoated Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 81 FR 3110, January 20, 2016.

<sup>19</sup> All of these goods enter the United States at general duty rates of free.

<sup>20</sup> Petition, pp. I-4-I-5. Specifically excluded from the scope is paper printed with final content of printed text or graphics.

sold in the form of sheet rolls to independent converters, which sheet the rolls and sell the finished sheets.<sup>21</sup>

Important physical characteristics of uncoated paper include: (1) brightness, (2) basis weight, (3) opacity, (4) smoothness, and (5) caliper.<sup>22</sup>

### **Brightness**

Brightness is a measure of the paper's ability to reflect light. A GE Reflectance Scale is used for this measurement. The higher the brightness, the greater the contrast between the paper and the colors printed upon it. Brightness ranges from 1, a totally black grade, to 100, the brightest measured grade.<sup>23</sup>

### **Basis weight**

Basis weight, a traditional unit of measurement for the paper industry in the United States, is the weight in pounds of a ream of paper (500 sheets of paper) of a given size (the basis).<sup>24</sup> The basis weight for office copy paper is predominately 20 pounds but can range from slightly less than this weight to more than 28 pounds.

### **Opacity**

Opacity is a measure of the ability of a sheet of paper to have a printed image on one side without the image showing through to the other side. The measurement is expressed as a range from zero to 100 percent. The higher the value, the more opaque the paper; conversely, the lower the value, the more transparent the paper.

### **Smoothness**

Smoothness is the even and consistent continuity of the surface of the paper. Smoothness can be measured by a number of methods. The Bekk method measures smoothness in units of time (seconds) for a given volume of air to pass across the surface of the paper. The longer the time, the smoother the paper.

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<sup>21</sup> Petition, pp. I-5-I-6.

<sup>22</sup> The information in this section is drawn from *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia, Investigation Nos. 701-TA-470-471 and 731-TA-1169-1170 (Final)*, USITC Publication 4192, November 2010, pp. I-15-I-17.

<sup>23</sup> Petition, p. I-12, n. 14.

<sup>24</sup> On a metric basis, the weight of paper is measured in grams per square meter.

## **Caliper**

Caliper is the thickness of a paper. Caliper is measured in thousandths of an inch and typically expressed as points (e.g., 10 points equals 0.010 inch, 8 points equals 0.008 inch, etc.).

## **Applications**

Uncoated paper generally is used for office reprographics (copy and printer paper), books, instruction manuals, inserts, business forms, flyers, maps, and brochures. Uncoated paper is used in office and home printers and copiers and on sheet-fed printing presses, including but not limited to offset presses, digital color presses, color printers, and color copiers.<sup>25</sup> Uncoated paper is sold to office superstores (such as Staples and Office Depot), club stores (such as Costco, Sam's Club, and BJ's), retailers (such as Wal-Mart, Kroger, Walgreen's, Best Buy, CVS, and Target), paper merchants/distributors, and end users (such as commercial printers, schools, and offices).<sup>26</sup>

## **Manufacturing processes<sup>27</sup>**

Many U.S. producers of uncoated paper operate integrated manufacturing facilities, producing uncoated paper in one continuous process from the harvested log to the intermediate product (pulp) to the final paper product.<sup>28 29 30</sup> The general production process is similar for all the U.S. producers (figure I-1).

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<sup>25</sup> Petition, p. I-5.

<sup>26</sup> Petition, p. I-17.

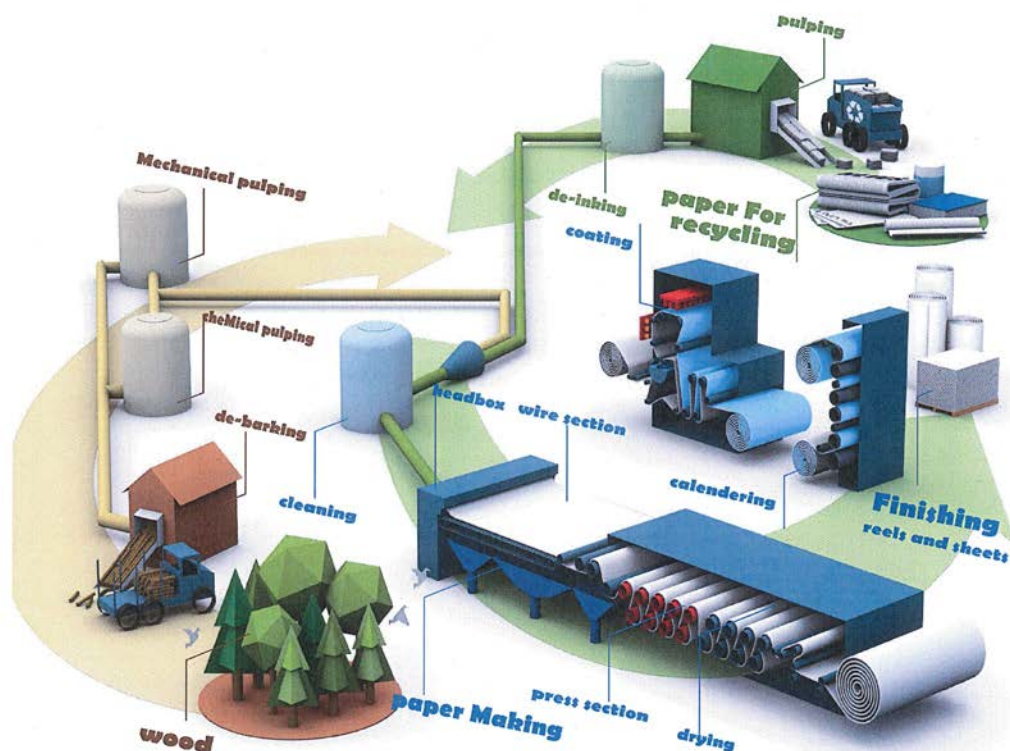
<sup>27</sup> The information in this section is drawn from *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from China and Indonesia, Investigation Nos. 701-TA-470-471 and 731-TA-1169-1170 (Final)*, USITC Publication 4192, November 2010, pp. I-19-I-22. See also conference transcript, pp. 37-40 (Bray).

<sup>28</sup> Nine of ten reporting producers are integrated.

<sup>29</sup> Some U.S. producers also repulp recycled paper and use this recycled pulp solely, or in combination with virgin pulp, in the production of some of their paper; they may also purchase chemical pulp (described *infra*) or bleached chemi-thermo-mechanical pulp on the open market to supplement their own pulp production. Bleached chemi-thermo-mechanical pulp is a type of mechanical (groundwood) pulp produced by chemicals, heat, pressure, and grinding techniques, after which the pulp is bleached. Other types of mechanical pulp are produced by a mechanical grinding process, in which heat may also be applied.

<sup>30</sup> According to Petitioners, producers of uncoated paper in some other countries, including China and Indonesia, may produce some of this paper using bleached chemi-thermo-mechanical pulp. Petition, p. I-5.

Figure I-1  
Uncoated paper: Papermaking process



Source: <http://www.paperonline.org/uploads/paper%20making.pdf> (accessed February 23, 2015).

The manufacturing process begins with the removal of the bark from hardwood and softwood logs in a debarking machine. The logs are then chipped into small uniformly sized chips in a chipper. The wood chips next undergo a chemical pulping process whereby they are cooked under pressure with water and chemicals in a digester cooking vessel to separate the cellulose fibers from the lignin, the glue that holds the fibers together, and other impurities. The resulting wood pulp<sup>31</sup> is washed and bleached to attain a level of whiteness and brightness required for the grade of paper being produced and then refined to enable the wood fibers to mesh together and to increase their bonding properties. Different materials are added to the pulp, including kaolin clay and calcium carbonate for brightness, opacity, and smoothness, dyes for shade control, optical brighteners for whiteness, and sizing agents for moisture control. The exact proportions of these materials are determined by the specifications for the particular type of paper that is being produced. A large volume of water is also added.

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<sup>31</sup> Paper can be made from both hardwood pulp and softwood pulp. The short hardwood fibers help provide a good printing surface, while the longer softwood fibers provide strength to the sheet.



At this stage of the manufacturing process, the pulp mixture is 99.5 percent water as it enters the paper machine. A paper machine has three major parts—the base sheet forming section (the wet end), the press section, and the dryer section. The mixture is pumped out onto a continuously moving wire web that is usually oriented horizontally and which loops around rollers at both ends. As the wire web moves along, water drains through it, the fibers begin to bond, and a sheet (web) of paper begins to form on the wire. The web at this point has an 80 percent water content. The web of paper leaves the moving wire and enters the press section, where a set of steel rollers squeezes more water out of the web, reducing its water content to about 65 percent. The web then proceeds into the dryer section and passes over and under successive steam-heated drying cylinders. This drying process removes most of the remaining water from the web of paper.

The web may then undergo a calendaring process. A calendar is a set of steel rolls, stacked one on top of the other, through which the paper web is passed. The rolls apply heat and pressure to the paper, increasing the smoothness and gloss of the surface. The web of paper is wound onto large reels (jumbo rolls or parent rolls), which are transported to the finishing department where a slitter/rewinder unwinds and slits them into smaller width rolls (sheeter rolls) and rewinds them onto narrower reels. The various widths of these narrower rolls are dictated by the sheet sizes into which they will be cut or by the width of the presses for which they are intended.<sup>32</sup> At this point in the production process, some sheeter rolls (to be sheeted by independent converters) are wrapped and labeled for delivery to customers. The remaining sheeter rolls are processed on a sheeter, which cuts the rolls into sheets, performs a quality check of the surface of the paper, removes faulty sheets, counts and packages the sheets in ream quantities, and stacks them on pallets ready for delivery.<sup>33</sup> <sup>34</sup> Until the sheets and sheeter rolls actually leave the paper mill for the customer, they are kept in climate-controlled areas and monitored carefully via inventory control software.

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<sup>32</sup> Sheeter rolls typically have widths of 52 to 103 inches and diameters of at least 50 inches, which are efficient sizes for cutting letter size and legal size sheets. Petition, p. I-9.

<sup>33</sup> Respondents noted that it can take up to eight hours to adjust a large sheeter to produce a different size of paper. Conference transcript, p. 142 (Sood).

<sup>34</sup> Sheeters are typically located on site but can also be located at an offsite plant. Hearing transcript, p. 63 (Lassa) and p. 71 (Bray).

## DOMESTIC LIKE PRODUCT ISSUES

No issues with respect to domestic like product have been raised in these investigations. The petitioners propose that the Commission define the domestic like product as co-extensive with the scope in these investigations.<sup>35</sup> In the preliminary phase of the investigations, the respondents agreed that the Commission define the domestic like product as co-extensive with the scope in these investigations.<sup>36</sup> Respondents have not provided any comments on the definition of domestic like product in these final phase investigations.<sup>37</sup>

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<sup>35</sup> Petitioners' prehearing brief, p. 5 and petitioners' posthearing brief, p. 6.

<sup>36</sup> Respondents' joint postconference brief, p. 3 and conference transcript, p. 19 (McConkey).

<sup>37</sup> Respondents did not address the issue in their prehearing or posthearing briefs. In addition, no party proposed collecting additional information with respect to the domestic like product in their comments on the Commission's draft questionnaires. Petitioners' comments on final phase draft questionnaires, September 25, 2015 and the following interested parties' comments on final phase draft questionnaires, September 25, 2015: (1) Asia Symbol (Guangdong) Paper Co., Ltd., et al., GreenPoint Global Trading (Macao Commercial Offshore) Limited, and APRIL Fine Paper Macao Commercial Offshore Limited; (2) Australian Paper; Paper Products Marketing Pty. Ltd., and Paper Products Marketing (USA) Inc.; (3) Portucel, S.A. and Portucel Soporcel North America; and (4) Suzano Papel e Celulose S.A. and Suzano Pulp and Paper America, Inc.

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

### U.S. MARKET CHARACTERISTICS

Uncoated paper is largely used in copy/printer machines by businesses, schools, government and other institutions, and households. U.S. demand for uncoated paper has fallen as printed copies have been replaced by electronic media. Parties agree that consumption of uncoated paper in the United States has fallen by more than 3 percent per year for the last 15 years.<sup>1</sup> Overall, apparent U.S. consumption in 2014 was 5.5 percent lower than in 2012.

### U.S. PURCHASERS

The Commission received 28 usable questionnaire responses from firms that have purchased uncoated paper since January 2012.<sup>2</sup> Sixteen responding purchasers reported that they are distributors, three reported that they are end users,<sup>3</sup> six reported that they are retailers (four big box stores and two other retailers), and six reported “other” including broker, agent, wholesaler, \*\*\*, and \*\*\*. In general, responding purchasers were located in all regions of the United States including Puerto Rico. The largest purchasers of uncoated paper are big box retailers (\*\*\*) and distributors (\*\*\*). These firms’ purchases accounted for 71.5 percent of the total quantity reported by responding purchasers in 2014, with volume equivalent to 66.8 percent of apparent U.S. consumption of uncoated paper in 2014.

### CHANNELS OF DISTRIBUTION

U.S. producers sold slightly more than half of their uncoated paper to distributors and most of the remainder to retailers (table II-1). Importers of uncoated paper from all subject countries except China sold more than \*\*\* percent of their uncoated paper to distributors. Importers of uncoated paper from Canada and other nonsubject countries also sold mainly to distributors. Importers of uncoated paper from China, on the other hand, sold primarily to retailers.

**Table II-1**

**Uncoated paper: U.S. producers’ and importers’ U.S. commercial shipments, by sources and channels of distribution, 2012-14, January to September 2014, and January to September 2015**

\* \* \* \* \*

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<sup>1</sup> Conference transcript, p. 13 (Dorn) and hearing transcript, p. 46 (Aranoff).

<sup>2</sup> Of the 28 responding purchasers, 26 purchased domestic uncoated paper, 8 purchased imports from Australia, 11 purchased imports from Brazil, 10 purchased imports from China, 19 purchased imports from Indonesia, 13 purchased imports from Portugal, and 11 purchased imports from other sources.

<sup>3</sup> End users include: \*\*\*.

## GEOGRAPHIC DISTRIBUTION

Most responding U.S. producers reported selling uncoated paper to all regions in the contiguous United States (table II-2).<sup>4</sup> Importers of uncoated paper from all subject countries also reported selling to all regions of the United States. For U.S. producers, \*\*\* percent of sales were within 100 miles of their production facility, \*\*\* percent were between 101 and 1,000 miles, and \*\*\* percent were over 1,000 miles. In contrast, importers of uncoated paper from subject countries reported selling \*\*\* percent of their uncoated paper within 100 miles of their U.S. point of shipment (table II-3).

**Table II-2**  
**Uncoated paper: Geographic market areas in the United States served by U.S. producers and importers**

Region	U.S. producers	U.S. importers				
		Australia	Brazil	China	Indonesia	Portugal
Northeast	***	***	4	***	***	***
Midwest	***	***	3	***	***	***
Southeast	***	***	5	***	***	***
Central Southwest	***	***	2	***	***	***
Mountains	***	***	2	***	***	***
Pacific Coast	***	***	2	***	***	***
Other <sup>1</sup>	***	***	4	***	***	***
All regions (except Other)	***	***	2	***	***	***

<sup>1</sup> All other U.S. markets, including AK, HI, PR, and VI.

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

**Table II-3**  
**Uncoated paper: Distance shipped within the United States for U.S. producers and importers**

\* \* \* \* \*

## SUPPLY AND DEMAND CONSIDERATIONS

### U.S. supply

#### Domestic production

Based on available information, U.S. producers of uncoated paper have the ability to respond to changes in demand with moderate changes in the quantity of shipments of U.S.-produced uncoated paper to the U.S. market. The main contributing factor to this degree of responsiveness of supply is the availability of unused capacity.

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<sup>4</sup> Suzano reports that its sales are concentrated in the northeast and Midwest with negligible sales to the West Coast and Mountain regions and as such does not compete meaningfully in large portions of the United States. Suzano's posthearing brief, pp. 10-11.

## **Industry capacity**

Domestic sheeting capacity for uncoated paper decreased from \*\*\* short tons in 2012 to \*\*\* short tons in 2014. Capacity utilization decreased from \*\*\* percent in 2012 to \*\*\* percent in 2014 and was \*\*\* percent in January-September 2014 and \*\*\* percent in January-September 2015. This relatively moderate level of sheeting capacity utilization suggests that U.S. producers may have a relatively moderate-to-high ability to increase production of uncoated paper in response to an increase in prices.

Between 2012 and September 2015, U.S. producers closed both sheeting and paper making capacity in response to falling demand.<sup>5</sup> Between 2012 and September 2015 the largest closure was International Paper's 2013-14 closure of its Cortland Alabama facility which reduced both paper making and sheeting capacity. Respondents contend that this reduction in capacity caused purchasers to seek new sources of uncoated paper and led to increased imports.<sup>6</sup> Petitioners assert that this closure did not constrain U.S. supply and there was no shortage.<sup>7</sup>

Respondents assert that U.S. paper making capacity rather than sheeting capacity constrains the U.S. producers' production of uncoated paper. Accordingly, they propose paper making capacity utilization should be used to determine the U.S. producers' ability to increase production of uncoated paper.<sup>8</sup> U.S. paper making capacity utilization decreased from \*\*\* percent in 2012 to \*\*\* percent in 2014. Respondents argue that the declining utilization of sheeting capacity reflects the inadequate supply of paper rolls used in sheeting, rather than the impact of imports.<sup>9</sup>

Respondents suggest that U.S. producers do not have the ability to shift paper making capacity to increase production of uncoated paper.<sup>10</sup> Even if the U.S. producers can technically shift production from other products, they have long-term commitments to the purchasers of these other products, and breaking these commitments would harm these relationships.<sup>11</sup> Respondents also question why Domtar is importing uncoated paper from Canada if it has excess capacity in the United States.<sup>12</sup> Chinese respondents also contend that U.S. producers are reducing paper making capacity not only in response to declining demand but also because the cost of compliance to EPA rules.<sup>13</sup>

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<sup>5</sup> See Part III for further discussion.

<sup>6</sup> Chinese posthearing brief, p. 11 and response to Commissioners' questions, exh. A, pp. 6-7.

<sup>7</sup> Petitioners' posthearing brief, response to Commissioners' questions, p. 79.

<sup>8</sup> Joint respondents prehearing brief, p. 4. Hearing p. 170 (Malashevich).

<sup>9</sup> Joint respondents prehearing brief, p. 16.

<sup>10</sup> "It's not possible for domestic suppliers to offset a loss of 900,000 tons of imported supply. There simply is not enough capacity for sheeting. As a result, there will be at least a temporary shift to import suppliers, and possibly some shortage of cut size paper shipments to major distributors, until new supply chains are established" reports "John Maine, lead study author and Vice President of Graphic Papers at RISI." RISI press release, October 9, 2015, Chinese Posthearing brief, exh. A-12.

<sup>11</sup> Hearing transcript, pp. 227-228 (Malashevich).

<sup>12</sup> Hearing transcript, p. 245 (Peters).

<sup>13</sup> Chinese posthearing brief, exh. B, p. 1.

Petitioners take the position that the domestic industry's capacity for uncoated paper is determined by sheeting capacity.<sup>14</sup> Petitioners contend that they could increase paper making capacity utilization or shift paper production from less profitable products to sheeter rolls for uncoated paper.<sup>15</sup> Petitioners explain that production of sheeter rolls is more efficient than production of web rolls so that shifting production to sheeter rolls would increase their paper making capacity by 1 to 2 percent. They assert that in 2014 virtually all of their paper making capacity used to make out-of-scope products could have been used to make sheeter rolls.<sup>16</sup>

### ***Alternative markets***

U.S. producers' exports, as a percentage of total shipments, increased from \*\*\* percent in 2012 to \*\*\* percent in 2014. This indicates that U.S. producers may have some ability to shift shipments between the U.S. market and other markets in response to price changes. Principal export markets include Canada, European countries, Mexico, and Costa Rica.<sup>17</sup>

### ***Inventory levels***

U.S. producers' inventories, as a ratio to total shipments, increased slightly from \*\*\* percent in 2012 to \*\*\* percent in 2014. These inventory levels suggest that U.S. producers may have a limited ability to respond to changes in demand with changes in the quantity shipped from inventories.

### ***Production alternatives***

\*\*\* of the \*\*\* responding producers reported that they were able to shift capacity. When asked specifically about shifting sheeting capacity to other products, however, most of them reported constraints. Producers reported that shifting to other products would be expensive and inefficient since sheeters for uncoated paper tend to be dedicated to a few standard sizes that make up the bulk of the market, and that demand for other products that could be produced on the same equipment is very limited. Paper making capacity is more flexible and is used to produce other products such as web rolls (uncut paper) for envelope, laser bond, and offset paper. However, shifting production between different types of paper increases producers' costs.

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<sup>14</sup> Hearing transcript, p. 56 (Thomas).

<sup>15</sup> Hearing transcript, pp. 59-60 (Thomas).

<sup>16</sup> Hearing transcript, pp. 63-64, 73, 129 (Lassa and Bray) "Domtar alone had sufficient paper making and sheeting capacity to fill any gap left as a result of the Courtland Closure." Hearing transcript, p. 77 (Melton).

<sup>17</sup> Chinese respondents assert that U.S. producers are shifting to other markets because demand is declining in the United States but demand is growing in some other markets. Chinese posthearing brief, p. 12.

## Subject imports from all subject countries

Table II-4 provides a summary of supply of uncoated paper from subject countries; complete data are provided in Part VII of this report. Few foreign producers reported producing other products on the same sheeter equipment as uncoated paper.<sup>18</sup> Some foreign producers allege that their ability to shift sales to the United States were limited by their sheeters, some of which were not designed to produce paper sizes used in the United States. Petitioners, however, contend that changing sheeters to cut different sizes was relatively fast and inexpensive. They report that “there is a six month lead time” to purchase the new equipment, costing “500 to 600 hundred thousand dollars,” down time of about 12 hours, and labor.<sup>19</sup> Petitioners contend that this cost is “minor” relative to the total cost of assets.<sup>20</sup> Chinese respondents questioned the logic of investing in shifting sheeting capacity to increase sales to the shrinking U.S. market when the sizes currently being produced can be sold to growing markets.<sup>21</sup> Chinese respondents also allege that producing 8.5 x 11 paper increases paper waste because their paper rolls are sized to produce A4 paper (8.27 x 11.7 inches).<sup>22</sup>

**Table II-4**  
**Uncoated paper: Foreign industry factors that affect ability to increase shipments to the U.S. market**

\* \* \* \* \*

## Subject imports from Australia<sup>23</sup>

Based on available information, the Australian producer of uncoated paper has the ability to respond to changes in demand with relatively small changes in the quantity of shipments of uncoated paper to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the \*\*\*. Supply responsiveness, however, is limited by the Australian producer’s \*\*\*.

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<sup>18</sup> \*\*\*.

<sup>19</sup> Hearing transcript, pp. 114-115 (Bray).

<sup>20</sup> Hearing transcript, p. 15 (Dorn).

<sup>21</sup> Chinese posthearing brief, p. 13.

<sup>22</sup> Chinese posthearing brief, exh. C.

<sup>23</sup> The Commission received one questionnaire response from an Australian producer. This firm reported that it represented \*\*\* Australian production and its exports to the United States accounted for \*\*\* of U.S. imports of uncoated paper from Australia during January 2012-September 2015.

## **Subject imports from Brazil<sup>24</sup>**

Based on available information, Brazilian producers of uncoated paper have the ability to respond to changes in demand with relatively small to moderate changes in the quantity of shipments of uncoated paper to the U.S. market. The main contributing factors to this degree of responsiveness of supply are relatively low inventories, though some unused capacity and shipments to alternative export markets likely enhances responsiveness. Suzano reports that it focuses sales on Latin America, a market where demand is growing and demand exceeds production.<sup>25 26</sup>

## **Subject imports from China<sup>27</sup>**

Based on available information, Chinese producers of uncoated paper have the ability to respond to changes in demand with moderate changes in the quantity of shipments of uncoated paper to the U.S. market. The main contributing factors to this degree of responsiveness of supply are rapidly growing capacity and supply to other markets, offset by relatively low inventories.<sup>28</sup>

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<sup>24</sup> The Commission received two questionnaire responses from Brazilian producers. These firms' exports to the United States accounted for \*\*\* percent of U.S. imports of uncoated paper from Brazil during January 2012-September 2015.

<sup>25</sup> Suzano's posthearing brief, p. 13.

<sup>26</sup> Petitioners report that Brazil is becoming \*\*\* export oriented with \*\*\* sales in the United States. Petitioners' posthearing brief response to Commissioners' questions, p. 48.

<sup>27</sup> The Commission received five questionnaire responses from Chinese producers in the preliminary investigation. These firms' reported exports to the United States accounted for 87.8 percent of U.S. imports of uncoated paper from China during January 2011 and September 2014. In the final phase investigation, two Chinese producers responded to the questionnaire. These Chinese producers' exports to the United States accounted for \*\*\* percent of U.S. imports from China during January 2012-September 2015. Because of this, the data from the Chinese foreign producers provided in the preliminary phase are used in this section of the final report.

<sup>28</sup> Petitioners report that Chinese capacity is increasing more than is shown in the data the Commission collected because Chinese producers that have not responded to the questionnaire are also increasing their capacity. Petitioners noted that four of these producers that increased production of uncoated free sheet in 2015 by a total of 890,000 metric tons (979,000 short tons). Petitioners report \*\*\*, are expected to increase sheeting capacity by \*\*\* short tons in 2016. Petitioners' posthearing brief, responses to Commissioners' questions, pp. 51-52.



## **Subject imports from Indonesia<sup>29</sup>**

Based on available information, Indonesian producers of uncoated paper have the ability to respond to changes in demand with moderate changes in the quantity of shipments of uncoated paper to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the relatively large production capacity, and the large share of production that is exported, limited by relatively high capacity utilization.<sup>30</sup>

## **Subject imports from Portugal<sup>31</sup>**

Based on available information, the Portuguese producer of uncoated paper has the ability to respond to changes in demand with moderate changes in the quantity of shipments of uncoated paper to the U.S. market. The main contributing factors enhancing responsiveness of supply are \*\*\*.<sup>32</sup>

## **Imports from nonsubject countries**

The largest source of imports from nonsubject countries during 2012-14 was Canada.<sup>33</sup> Canada accounted for \*\*\* percent of all nonsubject imports in 2014. Uncoated paper from nonsubject countries accounted for 3.5 percent of apparent U.S. consumption (by quantity) in 2014.

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<sup>29</sup> The Commission received four questionnaire responses from Indonesian producers in the preliminary investigation. These firms estimated that their production was 93 percent of Indonesian production and their reported exports to the United States accounted for 121 percent of U.S. imports of uncoated paper from Indonesia during January 2011-September 2014. In the final phase investigation, one Indonesian producer responded to the questionnaire. This Indonesian producer's exports to the United States accounted for \*\*\* percent of U.S. imports from Indonesia between January 2012 and September 2015. Because of this, the data from the Indonesian foreign producers provided in the preliminary phase are used in this section of the final report.

<sup>30</sup> Petitioners claim that Indonesian producers are increasing capacity, increasingly focused on the U.S. market, and are extremely export oriented. Petitioners' posthearing brief, response to Commissioners' questions, p. 53.

<sup>31</sup> The Commission received one questionnaire response from a Portuguese producer. This firm reported that it represented all Portuguese production; this firm's exports to the United States accounted for \*\*\* percent of U.S. imports of uncoated paper from Portugal during January 2012-September 2015.

<sup>32</sup> Petitioners claim that Portugal is increasing its focus on exports and has capacity to increase shipments to the United States. Petitioners' posthearing brief, response to Commissioners' questions, p. 57.

<sup>33</sup> \*\*\*.

## **Supply constraints**

\*\*\* responding U.S. producers<sup>34</sup> and \*\*\* responding importers<sup>35</sup> reported that there were supply constraints since January 2012. U.S. producer \*\*\* reported that it placed purchasers on allocation in August-September 2013 because it sold too much in July of 2013 for a school end-use bid. U.S. producer \*\*\* reported short-term supply constraints lasting 2 to 3 months due to planned maintenance and unplanned events. U.S. producer \*\*\* reported it had extended delivery dates in 2015 \*\*\*. Importers reported facing the following supply constraints: port strikes; problems from the weather; demand fluctuations; mill closures; over booking at mills; machine downtime; supply constraints from affiliate mills; limited shipping space; and inability to meet shipment commitment.

Twelve of 27 responding purchasers reported changes in the availability of U.S.-produced uncoated paper, all reporting that mills had closed or supply had decreased. Sixteen of 26 responding purchasers reported changes in the availability of subject imports, with most reporting that the supply of subject imports had increased, although one reported that subject imports were no longer available because of the duties. Nine of 24 responding purchasers reported changes in the availability of imports from nonsubject countries; although responses varied, most reported increased supply of nonsubject imports.

Purchasers were asked if reductions or expected reductions in U.S. producers' capacity had affected purchases or planned purchases. Eight<sup>36</sup> of 27 responding purchasers reported that reductions or expected reductions in U.S. producers' capacity had affected their purchases including: higher prices leading to the need to find other suppliers; needing to determine if U.S. suppliers posed long-term supply chain risks; and U.S. suppliers become more selective in who they sold product to, which increased the importance of imports, (particularly on the West Coast, which is relatively distant from most U.S. producers).

Six of 28 responding purchasers reported that a firm had refused or was unable to supply uncoated paper since January 1, 2012. Problems reported included: periodic changes in market conditions; lack of franchise arrangements at times leading to suppliers being unable to supply the purchaser; \*\*\* paper was unavailable because of duties; a strike in Israel limited availability of Israeli uncoated paper; with the decrease in capacity, U.S. producers have shifted customer orders and programs; and \*\*\* reported that \*\*\* is no longer willing to sell it uncoated paper.

When asked specifically about 8.5 x 11 inches paper, 6 of 28 responding purchasers reported supply problems, most of which were the same as the problems for uncoated paper in general.<sup>37</sup>

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<sup>34</sup> U.S. producers were also asked about volume restrictions. Their answers to this question were identical to the question on supply constraints.

<sup>35</sup> Five importers reported volume restrictions, most answers were that same as their responses on supply constraints. Two importers gave additional reasons for restrictions, \*\*\* reported that long lead times can lead to importer being out of stock and \*\*\* reported that it no longer imports paper from China and thus it has denied Chinese uncoated paper to its customers.

<sup>36</sup> \*\*\* of the five largest purchasers responded yes. \*\*\* reported that "\*\*\*\*."

<sup>37</sup> One purchaser (\*\*\*) provided detailed information on supply difficulties. "\*\*\*\*."

## **New suppliers**

Four of 29 responding purchasers indicated that new suppliers have entered the U.S. market since January 1, 2012. Purchasers identified Magtec (\*\*\*), UPM and Chenming (Chinese producers), Double A (Thailand), and Stora Enso (a producer based in Finland/Sweden).<sup>38</sup>

## **U.S. demand**

Based on available information, the overall demand for uncoated paper is likely to experience small changes in response to changes in price. The main contributing factors are the limited range of substitute products and the small cost share of uncoated paper for most businesses.<sup>39</sup> While direct substitutes (e.g., other papers that may be used to produce printed material on printer/copiers) are limited, printing technology continues to face competition from electronic media. Demand for paper has fallen because information, that in the past would have been printed, is increasingly transmitted in electronic form.

## **End uses and cost share**

U.S. demand for uncoated paper depends on the demand for printed paper materials that use uncoated paper. Reported end uses include office/personal/school copying and printing, books, business forms, instruction manuals, inserts, flyers, brochures, and maps.<sup>40</sup> Given the wide variety of potential interpretations of “end use”, uncoated paper is likely to account for a small-to-moderate share of the cost of many of the end-use products in which it is used.

U.S. producers and respondents identified uncoated paper as an end use product rather than an input.<sup>41</sup> To the extent that a printed document is the end use, it is difficult to determine what to include in the cost of a final document. The types of documents produced vary greatly.<sup>42</sup> If only the cost of printing the document is considered, the types of copy machines/printers vary by type of user (e.g., households, large institutions, and commercial offset printing presses). The cost shares of the inputs used in printing documents (paper, ink, printer depreciation, energy, and maintenance) also differ by type of printer. For a large printer such as a school printer the cost of the paper would be around 90 percent of the printing costs, however, with an inkjet printer the cost of the ink is six to seven times the cost of paper used in

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<sup>38</sup> Stora Enso produces paper mainly in Europe. Although it also has a production facility in China, it is unclear what products this plant produces. See Stora Enso Financial Report 2014, pp. 129-130.

<sup>39</sup> Publishers that mainly produce printed material such as newspapers, magazines, and books typically do not use uncoated paper in these applications.

<sup>40</sup> Petition, p. I-5.

<sup>41</sup> Conference transcript, p. 159 (Shor).

<sup>42</sup> For many documents, most of the cost of the printed document would be the cost of the labor involved in writing the document, rather than printing cost. In this case, per-page costs would tend to be mainly the labor costs, unless many copies were made.

printing.<sup>43</sup> Thus for most paper (that used in large machines) if printing were considered the only cost the paper would be a high share of the cost of printing

### Business cycles

\*\*\* responding U.S. producers,<sup>44</sup> \*\*\* responding importers, and 6 of 27 responding purchasers indicated that the market was subject to business cycles or other distinctive conditions of competition. Firms reported that demand was related to buying patterns of government and educational institutions (e.g., higher demand during back to school season) and that demand has declined as electronic communication replaces printed communication. Firms also reported that the big box sellers make up more than 40 percent of the market and are served by the U.S. producers; that changes in oil prices affect the U.S. producers' costs; that U.S. production capacity was reduced; and that distribution continued to consolidate. \*\*\* responding U.S. producers, \*\*\* responding importers, and 4 of 15 responding purchasers reported changes in conditions of competition since 2012. Reported changes in conditions of competition included consolidation of U.S. producers, distributors, and big box stores; mill closures/reduction in supply; lower prices; increased imports; and declining demand due to increased use of electronic communications.

### Demand trends

Most responding U.S. producers, importers, and purchasers reported a decrease in U.S. demand for uncoated paper since January 1, 2012 (table II-5). Most firms providing reasons for declining demand reported less printing because of increased use of electronic communication.<sup>45</sup>

**Table II-5  
Uncoated paper: Firms' responses regarding U.S. demand and demand outside the United States**

Item	Increase	No change	Decrease	Fluctuate
<b>Demand in the United States</b>				
U.S. producers	***	***	***	***
Importers	***	***	***	***
Purchasers	3	3	20	0
Demand for purchaser's final products	2	1	6	1
<b>Demand outside the United States</b>				
U.S. producers	***	***	***	***
Importers	***	***	***	***
Purchasers	1	3	5	3

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

<sup>43</sup> Conference transcript, pp. 159-169 (Shor, Ismail, and Sood).

<sup>44</sup> \*\*\*.

<sup>45</sup> Three purchasers reported U.S. demand had increased, three reported that it was unchanged, and 20 reported demand had fallen. Two of the three purchasers reporting increased demand in the United States gave reasons demand increased including: increased number of retail locations (\*\*\*) and imports at a much lower price.

Purchasers reported the following reasons for their increased purchases of U.S. uncoated paper: acquisitions or mergers increased overall purchases; started purchasing from an additional U.S. producer and shifted private label program from Indonesia to the United States in 2013; and proximity of U.S. mills \*\*\*. Reasons purchasers reported for decreasing their purchase of U.S.-produced uncoated paper included: price; acquired a customer base that already used imported paper; suppliers chose to purchase from other markets; in 2015 \*\*\* was informed that it was \*\*\* to sell \*\*\* products to its commercial print customers; industry decline; decreased production and allocation; and sales trends. Reasons for increased purchases of subject imports included: price; competition; some exclusivity; customer request for tonnage; replaced purchases of U.S.-produced product; increased purchases overall; and supplier focus on the U.S. market. Reasons for decreased purchases of uncoated paper from one or more subject countries included: supplier focus on other markets; noncompetitive pricing; purchased from a different subject country; and customer preference.

Firms provided mixed responses regarding demand outside the United States. Although firms did not agree on how overall demand outside the United States had changed, they generally agreed that demand in North America and Europe has declined, while demand in Asia has increased (resulting from growth in emerging economies and growth in the middle class in China and India). Some firms also reported some growth in demand in Latin America.<sup>46</sup>

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

## Substitute products

Substitutes for uncoated paper are limited. \*\*\* responding U.S. producers, \*\*\* responding importers,<sup>48</sup> and 5 of 28 responding purchasers reported that there were substitutes for uncoated paper. Most firms reporting substitutes reported that coated paper<sup>49</sup> or uncoated paper outside of the scope of the investigation could be used in copying.<sup>50</sup> Two producers, two importers, and two purchasers reported that changes in the price of the substitute have affected the price of uncoated paper. While direct substitutes are limited, printed media is undergoing substitution by electronic media. The decision to shift to electronic

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<sup>46</sup> Firms reporting demand growth reported that growth in demand in developing countries was greater than the decline in developed countries so overall demand grew; firms reporting unchanged demand reported growth in some areas offset the declines in other areas; firms reporting demand decreased reported that declines were larger than the increases; and firms reporting demand fluctuated reported that changes in demand depended on the region.

<sup>47</sup> Joint respondents' prehearing brief, exh. 16. \*\*\*. Petitioners report that \*\*\* forecast Brazilian demand in 2016 will be below demand in 2013 and 2014. Petitioners' posthearing brief, response to Commissioners' questions, p. 75.

<sup>48</sup> One importer reported that "any high bright copy paper" was a substitute. This response was not included because "high bright copy paper" is part of subject uncoated paper.

<sup>49</sup> Coated paper can be used for copying, typically producing a higher quality and more expensive product. In some high-end applications, either uncoated or coated paper may be used depending on the quality of the final printed material desired. Conference transcript, p. 82 (Thomas).

<sup>50</sup> These included synthetic paper and high bright ground wood sheets.

media may have little to do with the cost of uncoated paper; rather, it reflects the falling costs, increasing conveniences, and expanded availability of electronic media. Petitioners and respondents identify electronic media as the main reason for declining demand for uncoated paper.<sup>51</sup>

### **Purchaser competition for sales**

Purchasers that were distributors were asked if they compete with manufacturers or importers in sales to their customers. Fourteen of 23 responding distributors reported competing with manufacturers or importers in sales to distributors and end users.

Distributors were asked to identify their customers' firm types. Most distributors (19 of 23) sold to end users including end users defined as education (17), government (14), other institutions (11), printer/copy businesses (15), and other business (16). Eleven distributors reported selling uncoated paper to retailers, five sold to big box retailers, and nine sold to other retailers.<sup>52</sup>

### **Brands used in sales**

Distributors reported that most of their sales of uncoated paper were retail or private brands, rather than mill brands or unbranded paper. Almost all distributors' sales to retailers were to retailers other than big box retailers (97.6 percent); most sales (56.5 percent) were of retail or private brands. Retailers reported that most of their uncoated paper was sold as retail/private branded.

Suzano reports that branding is an important factor in sales, and that this is highlighted by purchase of Xerox brand and brand promotions. Suzano reports that customers "are willing to pay a significant premium for certain mill brands produced by the domestic industry."<sup>53</sup> Petitioners report that "brand recognition is not a significant factor in the" uncoated paper market.<sup>54</sup>

## **SUBSTITUTABILITY ISSUES**

The degree of substitution between domestic and imported uncoated paper depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is a high degree of substitutability between domestically produced uncoated paper and uncoated paper imported from subject countries.

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<sup>51</sup> Conference transcript, p. 79 (Lassa). Hearing transcript, p. 181 (Clark).

<sup>52</sup> These responses include three distributors who reported "other;" their "other" responses have been allocated to the listed types of firms.

<sup>53</sup> Suzano's posthearing brief, pp. 7-8.

<sup>54</sup> Petitioners' posthearing brief, response to Commissioners' questions, p. 73.

## Lead times

Uncoated paper is primarily sold from inventory. Both U.S. producers and importers reported that more than half their commercial shipments were from inventories.<sup>55</sup> U.S. producers' lead times from inventories averaged 6 days and importers' lead times from U.S. inventories averaged 4 days. Lead times for produced-to-order product averaged 12 days for U.S. producers and 83 days for importers.

Respondents report that some purchasers on the West Coast prefer to purchase imports because importer lead times can be 1 to 2 days, while U.S. mills have lead times are 14 to 21 days.<sup>56 57</sup>

Domtar reports that the West Coast market is "critical to Domtar, accounting for approximately \*\*\* percent" of its 2014 sales of uncoated paper,<sup>58</sup> and adds that Domtar \*\*\*.<sup>59</sup> Boise reports that a "substantial portion" of its sales are devoted to customers on the West Coast and that it has warehouses on the West Coast to serve these customers.<sup>60</sup>

## Knowledge of country sources

Twenty-two purchasers indicated that they had marketing/pricing knowledge of domestic product, 7 of Australian product, 10 of Brazilian product, 8 of Chinese product, 17 of Indonesian product, 11 of Portuguese product, 6 of Canadian product, and 4 of product from nonsubject countries other than Canada.<sup>61</sup>

As shown in table II-6, most purchasers and their customers sometimes or never make purchasing decisions based on the producer or country of origin. Purchasers reporting that they always or frequently make decisions based on the producer reported the following reasons: using qualified suppliers; logistics program; supporting core suppliers; prefer domestic source and supply chain; and consistent quality, brand, and strategic partners.

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<sup>55</sup> U.S. producers sold \*\*\* percent of their uncoated paper from inventories and importers sold \*\*\* percent from U.S. inventories and \*\*\* percent from overseas inventories.

<sup>56</sup> Joint respondents' prehearing brief, p. 31.

<sup>57</sup> The Australian producer reports that it sells to customers either because U.S. producers will not sell to them or because of prohibitively high land freight costs for supply to the West Coast from U.S. mills in the East and South. Australian posthearing brief, p. 3.

<sup>58</sup> Domtar defined the West Coast as Arizona, Alaska, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming. Boise Paper reported that in 2014 it shipped \*\*\*. Petitioners prehearing brief, Exhibits 8 and 9.

<sup>59</sup> Petitioners prehearing brief, Exhibit 8.

<sup>60</sup> Hearing transcript, p. 81 (Leblanc).

<sup>61</sup> Other nonsubject countries listed were Finland, Germany, India, Israel, Japan, Korea, and Thailand.

**Table II-6****Uncoated paper: Purchasing decisions based on producer and country of origin**

<b>Purchaser/customer decision</b>	<b>Always</b>	<b>Usually</b>	<b>Sometimes</b>	<b>Never</b>
Purchaser makes decision based on producer	3	6	9	10
Purchaser's customers make decision based on producer	1	2	17	7
Purchaser makes decision based on country	2	5	12	8
Purchaser's customers make decision based on country	1	1	18	6

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

### **Factors affecting purchasing decisions**

The most often cited top three factors firms consider in their purchasing decisions for uncoated paper were price (25 firms), quality (23 firms), and availability (13 firms) as shown in table II-7. Quality was the most frequently cited first-most important factor (cited by 11 firms), followed by price (10 firms); quality was the most frequently reported second-most important factor (9 firms), followed by availability (7 firms); and price was the most frequently reported third-most important factor (9 firms).

**Table II-7****Uncoated paper: Ranking of factors used in purchasing decisions as reported by U.S. purchasers, by factor**

<b>Factor</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Total</b>
Price	10	6	9	25
Quality	11	9	3	23
Availability	2	7	4	13
Supply chain/continuity of supply/logistics	2	3	1	6
Service	0	2	0	2
Relationship	0	1	3	4
Credit/terms	0	0	5	5
Other <sup>1</sup>	3	0	3	6

<sup>1</sup> Other includes: domestic, range of product line and brands, and product performance and fit for end user needs for first factor; freight terms, range of product line, and meet customer requirements for third factor.

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

Seven purchasers reported that they always purchase the lowest-priced uncoated paper, 8 reported that they usually purchase the lowest-priced uncoated paper, 12 reported that they sometimes purchase the lowest-priced product, and 1 reported that it never purchases the lowest-priced product.

Thirteen purchasers reported reasons for purchasing uncoated paper from one source although a comparable product was available at a lower price from another source. These reasons included: reliability of delivery; packaging; consistent availability; supply chains; carrying costs; strategic mill alignment; environmental responsibility; long-term availability;



quality of eucalyptus fiber paper; buying domestic for quality; and buying domestic to support the U.S. industry.<sup>62</sup>

Seven of 27 responding purchasers reported that certain types of uncoated paper were only available from a single source. Purchasers reported that when purchasing paper other than the commodity grades, U.S.-produced uncoated paper was either the only source or was preferable, because it is available in a wide variety of sizes, colors, and finishes; is available for smaller order sizes; and is available relatively quickly. Other differences included: sources for eucalyptus fiber paper are limited; Australia sells only 8.5 x 11 inches paper; not all countries meet quality specifications; and differences in whiteness, shade, and formation.

Purchasers were asked which factors they considered in determining the quality of uncoated paper. The most common responses included: characteristics of the paper (brightness, whiteness, shade, finish, opacity, stiffness, smoothness, and weight); its functioning in copiers/printers (consistently runs in different types of machines, does not jam when run at high speeds, and printability); packaging (no glue on paper); and meeting industry standards.

### **Importance of specified purchase factors**

Purchasers were asked to rate the importance of 30 factors in their purchasing decisions (table II-8). The factors rated as “very important” by more than half of responding purchasers were availability (28); price (25); delivery time (24); quality meets industry standards and jamming (22 each); delivery terms and reliability of supply (21 each); brightness, product consistency, and runnability (20 each); discounts offered, misfeeds, and U.S. transportation costs (17 each); and opacity (14). Two factors, made from eucalyptus fibers<sup>63</sup> and minimize ink requirement, were rated as “not important” by a majority of responding purchasers.

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<sup>62</sup> One firm reported that the importance of factors other than price depended on end use of the paper.

<sup>63</sup> Respondents report that it is the characteristics of paper made from eucalyptus fiber that purchasers focus on rather than the use of this fiber. These characteristics include brightness, opacity, and eligibility for environmental certification. Hearing transcript, pp. 272-273 (Esserman, Zielinski).

**Table II-8**  
**Uncoated paper: Importance of purchase factors, as reported by U.S. purchasers, by factor**

Factor	Very important	Somewhat important	Not important
Availability	28	0	0
Availability of a full range of sizes	10	12	6
Availability of product features <sup>1</sup>	9	13	6
Availability of tints/ colors	5	9	13
Brand	10	11	6
Brightness	20	7	1
Delivery terms	21	5	1
Delivery time	24	4	0
Discounts offered	17	9	2
Environmental certification/qualification	8	13	7
Extension of credit	10	9	8
Jamming	22	4	2
Made from eucalyptus fibers	0	4	23
Minimize ink requirement	5	8	15
Minimum quantity requirements	6	11	10
Misfeeds	17	8	3
Opacity	14	13	1
Packaging	11	15	2
Price	25	3	0
Print resolution	11	11	6
Product consistency	20	7	1
Product range	11	10	6
Quality exceeds industry standards	10	15	3
Quality meets industry standards	22	5	1
Reduced ink spread	7	12	8
Reliability of supply	21	3	3
Runnability	20	5	2
Stiffness	9	15	3
Technical support/service	6	16	6
U.S. transportation costs	17	8	3

<sup>1</sup> Features include: surface-decorating, printing, embossing, perforating, punching, or watermarking.

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

### Types of paper

Purchasers were asked to report the types of paper they purchased by paper size, paper color, and if the paper were altered.<sup>64</sup> Most purchasers (18 of 28) reported that 80 percent or more of their purchases were of plain white 8.5 x 11 inches paper. As shown in table II-9, 82.6 percent of all purchases were of plain white 8.5 x 11 inches paper.

<sup>64</sup> Altered paper has been surface decorated, printed, embossed, perforated, hole-punched, or watermarked.

**Table II-9**  
**Uncoated paper: Purchases by types of paper, 2014**

Type	Percent of value of purchases	Number of firms reporting purchases
Plain white 8.5 x 11 inches	82.6	28
Plain white size other than 8.5 x 11 inches	8.4	26
Plain colored 8.5 x 11 inches	4.7	20
Plain colored size other than 8.5 x 11 inches	3.3	12
Altered 8.5 x 11 inches	0.7	13
Altered size other than 8.5 x 11 inches	0.4	8
Total	100.0	28

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

### Supplier certification

Eleven of 28 purchasers reported that they required environmental certifications for some or all of their purchases. Ten purchasers required Forest Stewardship Council (“FSC”) certification (representing 243,188 short tons of uncoated paper in 2014, 5.8 percent of total purchase reported in 2014), eight required Sustainable Forestry Initiative (“SFI”) certification (224,116 short tons, 5.4 percent), and five required Program for the Endorsement of Forest (“PEFC”) certification (24,975 short tons, 0.6 percent).<sup>65</sup> Five of these purchasers required some certification for all their purchases.<sup>66</sup>

U.S. producers, importers, and foreign producers were asked to report the share of their uncoated paper sales that met the above certifications. \*\*\* responding U.S. producers reported some certification, with \*\*\* selling 95 percent or more of their uncoated paper with SFI certification.<sup>67</sup> \*\*\* responding importers reported some certification with \*\*\* selling 95 percent or more of their uncoated paper with some certification.<sup>68</sup> Six of seven responding foreign producers sold some uncoated paper with certification; three of these reported certification on all the uncoated paper they sold.<sup>69</sup> Suzano reports that it is the only producer that sells 100 percent of its product with FSC certification.<sup>70</sup>

Five of 24 responding purchasers require their suppliers to become certified or qualified, other than environmental certification, to sell uncoated paper to their firm. Purchasers reported that the time to qualify a new supplier ranged from 10 to 90 days. No purchaser

<sup>65</sup> Seven purchasers reported requiring multiple environmental certifications.

<sup>66</sup> This includes two purchasers that reported that part of their purchases had different types of certification. It is possible that they may have required multiple certifications for some of their purchases and no certification for other purchases.

<sup>67</sup> Some producers, imports, and foreign producers listed multiple types of certification, the shares of the different types of certification have been added to estimate the total share of product covered by certification. Total share certified by these firms will be lower if some of their product has multiple certifications.

<sup>68</sup> \*\*\* were mainly SFI certified, \*\*\* were mainly PEFC certified, and \*\*\* were mainly FSC certified.

<sup>69</sup> Two of these three reported they were mainly PEFC certified and one reported it was mainly FSC certified. No exporter reported any with SFI certification.

<sup>70</sup> Suzano’s posthearing brief, p. 9.

reported that any supplier had failed in its attempt to qualify product, or had lost its approved status since January 1, 2012.

Respondents report that Staples (“the largest purchaser of uncoated paper in the world”)<sup>71</sup> and Office Depot purchase exclusively or predominantly from U.S. producers because the U.S. producers’ environment certification reduces the risk of customers’ raising environmental concerns. As a result, respondents assert that office superstores “shied away from purchasing from foreign produced products due to past issues and heightened scrutiny by environmental groups.”<sup>72</sup>

### Changes in purchasing patterns

Purchasers were asked how their purchasing patterns from different sources had changed since January 1, 2012 (table II-10). Reasons reported for changes in sourcing included: lost business; merger increased or changed customer base; suppliers’ choice; customer choice; reduced demand; allocation from U.S. mill; competition between subject countries; price; and changed quality of paper purchased lead to changes in sources.

**Table II-10**  
**Uncoated paper: Changes in purchase patterns from U.S., subject, and nonsubject countries**

Source of purchases	Did not purchase	Decreased	Increased	Constant	Fluctuated
United States	1	7	11	5	3
Australia	16	1	5	2	0
Brazil	14	2	4	2	3
China	12	2	5	1	3
Indonesia	7	6	9	4	1
Portugal	12	2	6	5	0
Other	10	2	1	6	4

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

### Importance of purchasing domestic product

Twenty-four of 28 responding purchasers reported that purchasing U.S.-produced product was not an important factor in the majority of their purchasing decisions. Twelve reported that domestic product was required by law (for between 2 and 30 percent of their purchases), 11 reported it was required by their customers (for 3 to 73 percent of their purchases), 9 reported that U.S. product was required because the type of product was not available from other sources (for 2 to 30 percent of their purchases), and 4 reported other preferences for domestic product (for 3 to 100 percent of their purchases). Reasons cited for preferring domestic product included: price, availability, and customer preference.

<sup>71</sup> Hearing transcript, p. 180 (Clark).

<sup>72</sup> Hearing transcript, p. 190 (Webb). \*\*\*.

## Comparisons of domestic products, subject imports, and nonsubject imports

Purchasers were asked a number of questions comparing uncoated paper produced in the United States, subject countries, and nonsubject countries. Purchasers were asked for a country-by-country comparison on the same 30 factors for which they had been asked to rate the importance in table II-9. Table II-11 presents the results of these comparisons.

Most responding purchasers reported that U.S. and Australian product were comparable for 18 factors, that U.S. product was superior to Australian product for 8 factors (availability of a full range of sizes, availability of tints and colors, brand, delivery terms, delivery time, product range, reliability of supply, and technical support), and that U.S. product was inferior on 2 factors (eucalyptus fibers and price). A plurality of purchasers reported that U.S. product was superior for discounts offered. For availability of product features, four firms each reported that U.S. product was superior and that U.S. and Australian product were comparable.

**Table II-11**  
**Uncoated paper: Purchasers' comparisons between U.S.-produced and imported product**

Factor	U.S. vs. Australia			U.S. vs. Brazil			U.S. vs. China		
	S	C	I	S	C	I	S	C	I
Availability	4	5	0	4	7	1	7	6	0
Availability of a full range of sizes	9	0	0	8	4	0	8	5	0
Availability of product features <sup>1</sup>	4	4	1	3	8	1	5	7	0
Availability of tints/ colors	7	2	0	7	4	0	6	7	0
Brand	7	2	0	6	5	0	9	4	0
Brightness	1	6	1	1	10	1	3	9	1
Delivery terms	5	4	0	6	6	0	7	6	0
Delivery time	7	2	0	8	3	1	9	2	2
Discounts offered	4	3	1	3	6	1	6	3	4
Environmental certification/qualification	3	5	0	2	9	0	7	6	0
Extension of credit	2	7	0	2	9	0	5	8	0
Jamming	0	8	0	0	11	0	2	11	0
Made from eucalyptus fibers	0	2	6	0	3	9	1	5	6
Minimize ink requirement	0	9	0	0	12	0	1	11	1
Minimum quantity requirements	4	5	0	2	10	0	5	8	0
Misfeeds	0	9	0	0	12	0	3	10	0
Opacity	0	8	1	1	9	2	2	10	1
Packaging	0	9	0	1	11	0	1	12	0
Price <sup>2</sup>	0	2	7	0	7	5	2	3	8
Print resolution	0	9	0	0	12	0	1	12	0
Product consistency	0	9	0	0	12	0	2	11	0
Product range	8	1	0	9	3	0	8	5	0
Quality exceeds industry standards	0	9	0	0	12	0	2	11	0
Quality meets industry standards	0	9	0	1	11	0	2	11	0
Reduced ink spread	0	9	0	0	12	0	1	12	0
Reliability of supply	5	4	0	4	8	0	6	7	0
Runnability	1	8	0	1	11	0	2	11	0
Stiffness	0	9	0	1	10	1	1	11	0
Technical support/service	7	2	0	8	4	0	9	4	0
U.S. transportation costs <sup>2</sup>	2	7	0	3	9	0	6	7	0

Table continued on next page.

**Table II-11--Continued**

**Uncoated paper: Purchasers' comparisons between U.S.-produced and imported product**

Factor	U.S. vs. Indonesia			U.S. vs. Portugal			Australia vs. Brazil		
	S	C	I	S	C	I	S	C	I
Availability	10	11	0	4	6	1	1	7	0
Availability of a full range of sizes	14	7	0	4	6	1	0	7	1
Availability of product features <sup>1</sup>	8	13	0	3	7	1	0	7	1
Availability of tints/ colors	7	14	0	9	2	0	0	8	0
Brand	12	9	0	4	7	0	0	8	0
Brightness	1	16	4	1	6	4	0	7	1
Delivery terms	9	12	0	4	6	1	0	8	0
Delivery time	12	7	2	5	6	0	1	7	0
Discounts offered	3	12	4	2	7	1	1	6	1
Environmental certification/qualification	8	12	0	3	8	0	0	7	1
Extension of credit	4	16	1	3	8	0	0	8	0
Jamming	1	19	0	0	11	0	0	8	0
Made from eucalyptus fibers	1	10	8	0	5	6	0	8	0
Minimize ink requirement	1	19	1	0	11	0	0	8	0
Minimum quantity requirements	3	18	0	3	8	0	0	8	0
Misfeeds	1	20	0	1	10	0	0	8	0
Opacity	2	18	1	1	8	2	0	7	1
Packaging	2	19	0	0	11	0	0	8	0
Price <sup>2</sup>	2	7	12	0	8	3	1	6	1
Print resolution	1	20	0	0	11	0	0	8	0
Product consistency	2	18	0	0	11	0	0	8	0
Product range	7	14	0	2	9	0	0	7	1
Quality exceeds industry standards	2	19	0	0	11	0	0	8	0
Quality meets industry standards	2	19	0	0	11	0	0	8	0
Reduced ink spread	1	20	0	0	11	0	0	8	0
Reliability of supply	7	14	0	4	8	0	0	8	0
Runnability	1	20	0	0	11	0	0	8	0
Stiffness	1	20	0	0	10	1	0	8	0
Technical support/service	10	11	0	7	5	0	0	7	1
U.S. transportation costs <sup>2</sup>	7	14	0	3	8	0	1	7	0

Table continued on next page.

**Table II-11--Continued**

**Uncoated paper: Purchasers' comparisons between U.S.-produced and imported product**

Factor	Australia vs. China			Australia vs. Indonesia			Australia vs. Portugal		
	S	C	I	S	C	I	S	C	I
Availability	0	6	1	0	9	1	0	4	4
Availability of a full range of sizes	0	7	0	0	7	3	0	2	6
Availability of product features <sup>1</sup>	0	7	0	0	8	2	0	4	4
Availability of tints/ colors	0	7	0	0	8	2	0	7	1
Brand	1	6	0	0	10	0	0	3	5
Brightness	0	7	0	0	9	1	0	7	1
Delivery terms	0	7	0	0	10	0	0	6	2
Delivery time	0	7	0	0	10	0	0	5	3
Discounts offered	0	7	0	0	9	1	0	5	3
Environmental certification/qualification	2	5	0	1	9	0	1	5	2
Extension of credit	0	7	0	0	10	0	0	7	1
Jamming	0	7	0	0	10	0	0	7	1
Made from eucalyptus fibers	0	7	0	0	10	0	0	7	1
Minimize ink requirement	0	7	0	0	10	0	0	7	1
Minimum quantity requirements	0	7	0	0	10	0	0	6	2
Misfeeds	1	6	0	0	10	0	0	7	1
Opacity	0	7	0	0	10	0	0	6	2
Packaging	0	7	0	0	9	1	1	7	0
Price <sup>2</sup>	1	4	2	1	6	3	2	4	2
Print resolution	0	7	0	0	10	0	0	7	1
Product consistency	1	6	0	1	9	0	0	7	1
Product range	0	7	0	0	8	2	0	5	3
Quality exceeds industry standards	0	7	0	0	10	0	0	7	1
Quality meets industry standards	0	7	0	0	10	0	0	7	1
Reduced ink spread	0	7	0	0	10	0	0	7	1
Reliability of supply	1	6	0	2	8	0	0	7	1
Runnability	0	7	0	0	10	0	0	7	1
Stiffness	0	7	0	0	10	0	1	6	1
Technical support/service	1	6	0	1	8	0	0	6	2
U.S. transportation costs <sup>2</sup>	1	6	0	1	8	0	1	5	2

Table continued on next page.

**Table II-11--Continued**

**Uncoated paper: Purchasers' comparisons between U.S.-produced and imported product**

Factor	Brazil vs. China			Brazil vs. Indonesia			Brazil vs. Portugal		
	S	C	I	S	C	I	S	C	I
Availability	1	5	2	1	6	2	0	6	3
Availability of a full range of sizes	2	5	1	2	5	2	0	7	2
Availability of product features <sup>1</sup>	2	5	1	2	5	2	0	8	1
Availability of tints/ colors	1	6	1	1	5	3	0	8	1
Brand	2	5	1	3	5	1	0	6	3
Brightness	2	5	1	1	7	1	0	8	1
Delivery terms	1	6	1	1	7	1	0	8	1
Delivery time	2	5	1	2	6	1	0	8	1
Discounts offered	2	5	1	2	6	1	0	8	1
Environmental certification/qualification	3	4	1	3	5	1	0	8	1
Extension of credit	1	6	1	1	7	1	0	8	1
Jamming	1	6	1	1	7	1	0	8	1
Made from eucalyptus fibers	2	5	1	2	6	1	1	7	1
Minimize ink requirement	1	6	1	1	7	1	0	8	1
Minimum quantity requirements	2	5	1	2	6	1	0	8	1
Misfeeds	1	6	1	1	7	1	0	8	1
Opacity	2	5	1	1	7	1	0	8	1
Packaging	1	7	0	1	8	0	0	8	1
Price <sup>2</sup>	1	5	2	0	6	3	1	8	0
Print resolution	1	6	1	1	7	1	0	8	1
Product consistency	2	5	1	1	7	1	0	8	1
Product range	2	4	2	1	5	3	0	7	2
Quality exceeds industry standards	1	6	1	1	7	1	0	8	1
Quality meets industry standards	1	6	1	1	7	1	0	8	1
Reduced ink spread	1	6	1	1	7	1	0	8	1
Reliability of supply	2	5	1	2	6	1	0	8	1
Runnability	2	5	1	1	7	1	0	8	1
Stiffness	2	5	1	2	6	1	0	8	1
Technical support/service	2	5	1	2	6	1	0	8	1
U.S. transportation costs <sup>2</sup>	2	5	1	1	6	1	0	8	1

Table continued on next page.



**Table II-11--Continued**

**Uncoated paper: Purchasers' comparisons between U.S.-produced and imported product**

Factor	China vs. Indonesia			China vs. Portugal			Indonesia vs. Portugal		
	S	C	I	S	C	I	S	C	I
Availability	1	9	0	2	3	3	1	4	5
Availability of a full range of sizes	1	6	3	1	5	2	1	4	5
Availability of product features <sup>1</sup>	1	6	3	1	4	3	1	5	4
Availability of tints/ colors	1	6	3	2	4	2	3	6	1
Brand	2	7	1	1	2	5	1	3	6
Brightness	1	9	0	1	6	1	0	9	1
Delivery terms	1	9	0	2	3	3	1	7	2
Delivery time	1	9	0	2	3	3	1	6	3
Discounts offered	1	9	0	2	4	2	2	7	1
Environmental certification/qualification	2	8	0	1	4	3	0	8	2
Extension of credit	1	9	0	1	6	1	1	8	1
Jamming	1	9	0	1	6	1	0	9	1
Made from eucalyptus fibers	1	9	0	1	6	1	0	9	1
Minimize ink requirement	1	9	0	1	6	1	0	9	1
Minimum quantity requirements	1	9	0	1	5	2	0	8	2
Misfeeds	1	9	0	1	6	1	0	9	1
Opacity	1	9	0	1	6	1	0	9	1
Packaging	1	9	0	1	6	1	0	9	1
Price <sup>2</sup>	0	9	1	4	3	1	5	5	0
Print resolution	1	9	0	1	6	1	0	9	1
Product consistency	1	9	0	1	6	1	0	9	1
Product range	1	7	2	1	5	2	1	7	2
Quality exceeds industry standards	1	9	0	1	6	1	0	9	1
Quality meets industry standards	1	9	0	1	6	1	0	9	1
Reduced ink spread	1	9	0	1	6	1	0	9	1
Reliability of supply	1	9	0	1	6	1	0	9	1
Runnability	1	9	0	1	6	1	0	9	1
Stiffness	1	9	0	1	6	1	0	9	1
Technical support/service	1	8	1	1	5	2	0	7	3
U.S. transportation costs <sup>2</sup>	1	9	0	1	5	2	0	7	3

Table continued on next page.

**Table II-11--Continued**

**Uncoated paper: Purchasers' comparisons between U.S.-produced and imported product**

Factor	U.S. vs. nonsubject			Australia vs. nonsubject			Brazil vs nonsubject		
	S	C	I	S	C	I	S	C	I
Availability	6	4	0	0	4	1	0	5	1
Availability of a full range of sizes	6	4	0	0	3	2	1	4	1
Availability of product features <sup>1</sup>	4	6	0	0	5	0	1	5	0
Availability of tints/ colors	4	6	0	0	3	2	0	5	1
Brand	5	4	1	0	5	0	2	4	0
Brightness	1	8	1	1	4	0	1	5	0
Delivery terms	5	5	0	0	5	0	0	6	0
Delivery time	6	3	1	0	4	1	0	6	0
Discounts offered	3	4	2	1	4	0	0	6	0
Environmental certification/qualification	4	5	1	0	4	1	1	5	0
Extension of credit	3	7	0	0	5	0	0	6	0
Jamming	1	9	0	0	5	0	0	6	0
Made from eucalyptus fibers	2	3	4	0	5	0	1	5	0
Minimize ink requirement	1	9	0	0	5	0	0	6	0
Minimum quantity requirements	3	7	0	0	5	0	1	5	0
Misfeeds	1	9	0	0	4	1	0	6	0
Opacity	1	8	1	0	5	0	1	5	0
Packaging	1	9	0	0	5	0	0	6	0
Price <sup>2</sup>	1	5	5	0	5	0	1	5	0
Print resolution	1	9	0	1	4	0	0	6	0
Product consistency	1	9	0	0	5	0	0	6	0
Product range	3	7	0	0	5	0	1	5	0
Quality exceeds industry standards	1	9	0	0	5	0	0	6	0
Quality meets industry standards	1	9	0	0	5	0	0	6	0
Reduced ink spread	1	9	0	0	5	0	0	6	0
Reliability of supply	5	5	0	0	5	0	0	6	0
Runnability	1	9	0	0	5	0	0	6	0
Stiffness	1	9	0	0	5	0	0	6	0
Technical support/service	5	5	0	0	4	1	1	5	0
U.S. transportation costs <sup>2</sup>	4	6	0	0	5	0	1	5	0

Table continued on next page.

**Table II-11--Continued**

**Uncoated paper: Purchasers' comparisons between U.S.-produced and imported product**

Factor	China vs. nonsubject			Indonesia vs. nonsubject			Portugal vs. nonsubject		
	S	C	I	S	C	I	S	C	I
Availability	0	6	1	0	6	2	1	6	0
Availability of a full range of sizes	0	6	1	1	5	2	2	5	0
Availability of product features <sup>1</sup>	0	7	0	1	6	1	2	5	0
Availability of tints/ colors	0	6	1	1	6	1	1	6	0
Brand	0	5	2	0	5	3	3	4	0
Brightness	1	5	1	1	6	1	3	4	0
Delivery terms	0	6	1	0	6	2	2	5	0
Delivery time	0	5	2	0	6	2	1	6	0
Discounts offered	2	4	1	1	6	1	2	5	0
Environmental certification/qualification	0	4	3	0	5	3	2	5	0
Extension of credit	0	6	1	0	7	1	1	6	0
Jamming	0	6	1	0	7	1	2	5	0
Made from eucalyptus fibers	0	5	2	0	6	2	2	5	0
Minimize ink requirement	0	6	1	0	7	1	1	6	0
Minimum quantity requirements	0	6	1	0	7	1	2	5	0
Misfeeds	0	6	1	0	7	1	1	6	0
Opacity	0	6	1	0	7	1	2	5	0
Packaging	0	6	1	0	7	1	1	6	0
Price <sup>2</sup>	2	4	1	1	6	1	2	5	0
Print resolution	0	6	1	1	6	1	1	6	0
Product consistency	0	6	1	0	7	1	1	6	0
Product range	0	6	1	0	7	1	2	5	0
Quality exceeds industry standards	0	6	1	1	6	1	1	6	0
Quality meets industry standards	0	6	1	1	6	1	1	6	0
Reduced ink spread	0	6	1	0	7	1	1	6	0
Reliability of supply	0	5	2	0	6	2	1	6	0
Runnability	0	6	1	0	7	1	1	6	0
Stiffness	0	6	1	0	7	1	1	6	0
Technical support/service	0	4	3	0	5	3	2	5	0
U.S. transportation costs <sup>2</sup>	0	5	2	0	6	2	2	5	0

<sup>1</sup> Features include: surface-decorating, printing, embossing, perforating, punching, or watermarking.

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

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first list country's product is inferior.

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

Most purchasers reported that product from the United States and Brazil were comparable for 22 factors, that U.S. product was superior for 6 factors (availability of a full range of sizes, availability of tints and colors, brand, delivery time, product range, and technical support/service), that U.S. product was inferior for 1 factor (made from eucalyptus fiber) and equal numbers reported that U.S. product was superior or comparable to product from Brazil for delivery terms.

Most responding purchasers reported that U.S. and Chinese product were comparable for 19 factors, that U.S. product was superior for 8 factors (availability, availability of a full range of sizes, brand, delivery terms, delivery time, environment certification, product range, and technical support), and that U.S. product was inferior for price. Six firms reported that U.S. product was superior to Chinese product for discounts offered while three reported that they were comparable and four reported that U.S. product was inferior. Six or 12 responding purchasers reported that U.S. uncoated paper was inferior to China on eucalyptus fibers.

Most responding purchasers reported that U.S. product was comparable to Indonesian product for 26 factors, that U.S. product was superior for 3 factors (availability of a full range of sizes, brand, and delivery time), and that Indonesian product was superior for price.

Most responding purchasers reported that U.S. and Portuguese product were comparable for 27 factors, and that U.S. product was superior for 2 factors (availability of tints and colors and technical support/service), and that U.S. product was inferior for 1 factor (made from eucalyptus fiber).

A majority of responding purchasers reported that product from all subject country pairs were comparable for all 30 factors except when comparing Australia with Portugal, China with Portugal, and Indonesia with Portugal.<sup>73</sup>

### **Comparison of U.S.-produced and imported uncoated paper**

In order to determine whether U.S.-produced uncoated paper can generally be used in the same applications as imports from each of the subject countries, U.S. producers, importers, and purchasers were asked whether the products can “always,” “frequently,” “sometimes,” or “never” be used interchangeably. As shown in table II-12, all U.S. producers reported that U.S.-produced uncoated paper and imported uncoated paper from all subject countries as well as nonsubject countries was “always” interchangeable. Most importers and purchasers reported that U.S.-produced uncoated paper and uncoated paper from all subject countries as well as from nonsubject countries was “always” or “frequently” interchangeable.

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<sup>73</sup> A majority of purchasers comparing product from Australia and Portugal reported that they were comparable for all but 4 factors; Australia was inferior to Portugal on availability of a full range of sizes and brands. Four purchasers each reported that Australian and Portuguese products were comparable and Australian product was inferior on availability and availability of product features. Half or more responding purchasers reported that Chinese and Portuguese product were comparable on all but two factors. Most responding purchasers reported Chinese product was inferior on brand and half the responding purchasers reported Chinese product was superior on price. For availability, two firms reported Chinese product was superior to Portuguese, three that they were comparable, and three that Chinese product was inferior. A plurality of the responding purchasers reported product from Indonesia and Portugal were comparable for all but four factors. A plurality reported Indonesia was inferior on availability, availability of a full range of sizes, and brand, while five each reported Indonesia was superior to Portugal, and that Indonesia was comparable to Portugal on price.

**Table II-12**  
**Uncoated paper: Interchangeability between uncoated paper produced in the United States and in other countries, by country pairs**

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
<b>U.S. vs. subject countries:</b>												
United States vs. Australia	***	0	0	0	***	***	***	***	8	3	1	0
United States vs. Brazil	***	0	0	0	***	***	***	***	9	4	3	0
United States vs. China	***	0	0	0	***	***	***	***	5	7	3	0
United States vs. Indonesia	***	0	0	0	***	***	***	***	9	8	5	0
United States vs. Portugal	***	0	0	0	***	***	***	***	8	5	2	0
<b>Subject countries comparisons:</b>												
Australia vs. Brazil	***	0	0	0	***	***	***	***	5	3	1	0
Australia vs. China	***	0	0	0	***	***	***	***	6	2	1	0
Australia vs. Indonesia	***	0	0	0	***	***	***	***	7	2	1	0
Australia vs. Portugal	***	0	0	0	***	***	***	***	6	2	1	0
Brazil vs. China	***	0	0	0	***	***	***	***	6	3	2	0
Brazil vs. Indonesia	***	0	0	0	***	***	***	***	7	3	2	0
Brazil vs. Portugal	***	0	0	0	***	***	***	***	6	2	2	0
China vs. Indonesia	***	0	0	0	***	***	***	***	7	4	1	0
China vs. Portugal	***	0	0	0	***	***	***	***	5	3	2	0
Indonesia vs. Portugal	***	0	0	0	***	***	***	***	6	5	2	0
<b>Nonsubject countries comparisons:</b>												
U.S. vs. Canada	***	0	0	0	***	***	***	***	9	4	2	0
Australia vs. Canada	***	0	0	0	***	***	***	***	5	4	1	0
Brazil vs. Canada	***	0	0	0	***	***	***	***	5	2	1	0
China vs. Canada	***	0	0	0	***	***	***	***	4	1	0	0
Indonesia vs. Canada	***	0	0	0	***	***	***	***	6	3	1	0
Portugal vs. Canada	***	0	0	0	***	***	***	***	4	2	0	0
U.S. vs. nonsubject	***	0	0	0	***	***	***	***	5	4	2	0
Australia vs. other nonsubject	***	0	0	0	***	***	***	***	4	1	1	0
Brazil vs. other nonsubject	***	0	0	0	***	***	***	***	6	4	3	0
China vs. other nonsubject	***	0	0	0	***	***	***	***	4	1	1	0
Indonesia vs. other nonsubject	***	0	0	0	***	***	***	***	6	3	2	0
Portugal vs. other nonsubject	***	0	0	0	***	***	***	***	5	1	0	0
Canada vs. other nonsubject	***	0	0	0	***	***	***	***	5	1	0	0

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

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

As can be seen from table II-13, most responding purchasers reported that domestically produced uncoated paper as well as uncoated paper from Australia, Brazil, Portugal, Canada, and other nonsubject countries “always” met minimum quality specifications. Most responding purchasers reported that product from China and Indonesia either “always” or “usually” met minimum quality specifications.

**Table II-13**  
**Uncoated paper: Ability to meet minimum quality specifications, by source<sup>1</sup>**

Source	Always	Usually	Sometimes	Rarely or never
United States	16	9	1	0
Australia	6	3	0	0
Brazil	9	5	0	0
China	5	7	3	0
Indonesia	9	11	3	0
Portugal	7	5	0	0
Canada (nonsubject)	7	4	1	0
Other nonsubject	4	2	0	0

<sup>1</sup> Purchasers were asked how often domestically produced or imported uncoated paper meets minimum quality specifications for their own or their customers' uses.

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

In addition, producers, importers, and purchasers were asked to assess how often differences other than price were significant in sales of uncoated paper from the United States, subject, or nonsubject countries. As seen in table II-14, all U.S. producers reported that there were "never" or "sometimes" differences other than price between uncoated paper from all country sources, with most responding "never." The responses of the importers and purchasers were more varied. Their most common response for most country combinations was that there were "sometimes" differences other than prices. Country combinations where the importers did not report "sometimes" more frequently than any other response were Australia vs. China, Australia vs. Indonesia, Brazil vs. Indonesia, and China vs. Indonesia. Purchasers did not respond "sometimes" more frequently than any other response for Australia, China, Portugal, and Canada vs. nonsubject countries.

**Table II-14**  
**Uncoated paper: Significance of differences other than price between uncoated paper produced in the United States and in other countries, by country pairs**

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting				
	A	F	S	N	A	F	S	N	A	F	S	N	
<b>U.S. vs. subject countries:</b>													
United States vs. Australia	0	0	***	***	***	***	***	***	2	0	9	1	
United States vs. Brazil	0	0	***	***	***	***	***	***	2	2	10	1	
United States vs. China	0	0	***	***	***	***	***	***	3	4	8	1	
United States vs. Indonesia	0	0	***	***	***	***	***	***	4	4	10	4	
United States vs. Portugal	0	0	***	***	***	***	***	***	2	3	8	2	
<b>Subject countries comparisons:</b>													
Australia vs. Brazil	0	0	***	***	***	***	***	***	1	0	5	1	
Australia vs. China	0	0	***	***	***	***	***	***	1	0	5	1	
Australia vs. Indonesia	0	0	***	***	***	***	***	***	1	0	5	2	
Australia vs. Portugal	0	0	***	***	***	***	***	***	1	0	5	2	
Brazil vs. China	0	0	***	***	***	***	***	***	2	0	5	1	
Brazil vs. Indonesia	0	0	***	***	***	***	***	***	2	0	5	1	
Brazil vs. Portugal	0	0	***	***	***	***	***	***	1	0	5	2	
China vs. Indonesia	0	0	***	***	***	***	***	***	1	0	5	3	
China vs. Portugal	0	0	***	***	***	***	***	***	2	0	6	1	
Indonesia vs. Portugal	0	0	***	***	***	***	***	***	2	1	6	2	
<b>Nonsubject countries comparisons:</b>													
U.S. vs. Canada	0	0	***	***	***	***	***	***	3	0	8	5	
Australia vs. Canada	0	0	***	***	***	***	***	***	3	0	4	1	
Brazil vs. Canada	0	0	***	***	***	***	***	***	1	1	4	1	
China vs. Canada	0	0	***	***	***	***	***	***	1	0	1	1	
Indonesia vs. Canada	0	0	***	***	***	***	***	***	1	1	5	1	
Portugal vs. Canada	0	0	***	***	***	***	***	***	1	0	2	1	
U.S. vs. nonsubject	0	0	***	***	***	***	***	***	2	1	5	1	
Australia vs. other nonsubject	0	0	***	***	***	***	***	***	1	1	1	1	
Brazil vs. other nonsubject	0	0	***	***	***	***	***	***	2	1	6	1	
China vs. other nonsubject	0	0	***	***	***	***	***	***	2	0	1	1	
Indonesia vs. other nonsubject	0	0	***	***	***	***	***	***	1	1	6	1	
Portugal vs. other nonsubject	0	0	***	***	***	***	***	***	1	0	2	1	
Canada vs. other nonsubject	0	0	***	***	***	***	***	***	1	0	2	2	

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

Respondents report that “there is not complete substitutability” between U.S. and imported product. Non-price factors are important, and U.S. producers place exclusivity restrictions on distributors.<sup>74</sup>

<sup>74</sup> Hearing transcript, pp. 210-211 (Esserman, Malashevich).

## **ELASTICITY ESTIMATES**

This section discusses elasticity estimates; parties were encouraged to comment on these estimates and their comments have been incorporated in the text.

### **U.S. supply elasticity**

The domestic supply elasticity<sup>75</sup> for uncoated paper measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of uncoated paper. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced uncoated paper. Analysis of these factors earlier indicates that the U.S. industry has the ability to increase or decrease shipments to the U.S. market moderately; an estimate in the range of 3 to 6 is suggested.

### **U.S. demand elasticity**

The U.S. demand elasticity for uncoated paper measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of uncoated paper. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of the uncoated paper in the production of any downstream products. Based on the available information, the aggregate demand for uncoated paper is likely to be highly inelastic; a range of -0.25 to -0.5 is suggested.

Petitioners argue that demand elasticity is at or below the low range of these estimates.<sup>76</sup>

### **Substitution elasticity**

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.<sup>77</sup> Product differentiation, in turn, depends upon such factors as quality (e.g., chemistry, appearance, etc.) and conditions of sale (e.g., availability, sales terms/ discounts/ promotions, etc.). Based on available information, the elasticity of substitution between U.S.-produced uncoated paper and imported uncoated paper is likely to be in the range of 3 to 5.

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<sup>75</sup> A supply function is not defined in the case of a non-competitive market.

<sup>76</sup> Petitioners' prehearing brief, p. 18.

<sup>77</sup> The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.



## **PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT**

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of nine firms that accounted for the vast majority of U.S. production of uncoated paper in 2014.<sup>1</sup>

### **U.S. PRODUCERS**

The Commission issued a U.S. producer questionnaire to 24 firms based on information contained in the petition,<sup>2</sup> and through independent staff research. Ten firms provided useable data on their production operations.<sup>3</sup>

Table III-1 lists U.S. producers of uncoated paper, positions on the petition, production locations, and shares of 2014 production.

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<sup>1</sup> According to an industry publication, four firms (International Paper, Domtar, Boise, and Georgia-Pacific) accounted for 97 percent of the market for cut size uncoated freesheet in North America. \*\*\*.

<sup>2</sup> Including ten firms believed to be possible converters of sheeter rolls.

<sup>3</sup> In addition, \*\*\* certified that it had produced uncoated paper, but did not provide a completed questionnaire as the firm sold its uncoated free sheet business (along with related books and records) to \*\*\*. \*\*\*, which reported uncoated paper production of \*\*\* short tons in 2014, provided an incomplete response and is not included in this report. Three firms certified that they had not produced uncoated paper at any time since January 1, 2012. The remaining nine firms provided no response, including two firms, Harbor Paper (140,000 short tons paper making capacity) and Lincoln Paper and Tissue (70,000 short tons paper making capacity), which ceased operations during January 2012-September 2015.

**Table III-1**  
**Uncoated paper: U.S. producers' positions on petition, location of production, and share of total production, 2014**

Firm	Position on petition	Production location(s)	Share of production (percent)
American Eagle	***	Tyrone, PA	***
Boise	Support	International Falls, MN Jackson, AL Wallula, WA	***
Domtar	Support	Kingsport, TN Hawesville, KY Bennettsville, SC Ashdown, AR Johnsonberg, PA Rothschild, WI	***
Finch Paper	Support	Glens Falls, NY	***
Georgia-Pacific	***	Crossett, AR Zachary, LA Camas, WA	***
Glatfelter	Support	Chillicothe, OH Spring Grove, PA	***
International Paper	***	Courtland, AL Eastover, SC Selma, AL Ticonderoga, NY Georgetown, SC Spring Hill, LA Sumter, SC	***
Neenah Paper	***	Whiting, WI Neenah, WI Appleton WI Neenah, WI	***
Performance Office Papers	***	Lakeville, MN	***
Summit Lake	***	Park Falls, WI Park Falls, WI Hayward, WI	***
Total			***

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

Table III-2 presents information on U.S. producers' ownership and related and/or affiliated firms.

**Table III-2**  
**Uncoated paper: U.S. producers' ownership and related and/or affiliated firms**

\* \* \* \* \*

As indicated in table III-2, one U.S. producer, International Paper, is related to a foreign producer of the subject merchandise in Brazil.<sup>4</sup> In addition, as discussed in greater detail below, \*\*\* directly import the subject merchandise and no U.S. producers purchase the subject merchandise from U.S. importers.

### Changes in operations

The domestic industry producing uncoated paper has experienced the following events since 2012, as shown below in table III-3.<sup>5</sup>

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<sup>4</sup> See also, International Paper 2014 10-K, p. 26 and exh. 21.

<sup>5</sup> As presented, Domtar announced the conversion of a paper machine to fluff pulp. Fluff pulp is used primarily in the production of diapers, adult incontinence products, and feminine hygiene products. The United States dominates global capacity and production of fluff pulp. Three U.S. producers, Georgia Pacific, Weyerhaeuser, and International Paper, account for 72 percent of global capacity, while Domtar's U.S. fluff pulp operations account for 15 percent. Global demand for fluff pulp has grown steadily since 2009 and is projected to grow at an even faster rate over the next several years. Joint respondents' prehearing brief, exhibit 13; RISI press release, "Market profile: hardwood pulp flourishes on price, currency despite new BEK capacity; softwood outlook balanced, but more fluff coming," August 7, 2015 <http://www.risiinfo.com> (accessed August 7, 2015).

**Table III-3**  
**Uncoated paper: Domestic industry events since January 1, 2012**

Period	Firm	Event
January 2012	Mohawk Fine Papers	Beckett paper mill with two sheeters in Hamilton, OH closed and production transferred to New York mills; paper making capacity decline of 60,000 short tons (***)
	Neenah	Purchases Wausau paper brands.
February 2012	Wausau Paper	Permanent closure of paper mill with four sheeters in Brokaw, WI; paper making capacity decline of 120,000 short tons.
October 2012	Harbor Paper	Started operations at shuttered paper mill in Hoquiam, WA which was purchased earlier in 2012. Paper making capacity of 140,000 short tons.
December 2012	Boise Inc.	Closure of paper machine in St. Helens, OR; capacity decline of 55,000 short tons (***)
January 2013	Neenah Paper	Purchased business paper product line from Southworth Company.
March 2013	Harbor Paper	Indefinite closure of paper machines with four sheeters in Hoquiam, WA; paper making capacity decline of 140,000 short tons.
October 2013	Boise Inc.	Permanent closure of two paper machines in International Falls, MN; paper making capacity decline of 105,000 short tons (***)
	Boise Inc.	Packaging Corporation of America completed acquisition of Boise Inc.
November 2013	Georgia-Pacific	Permanent closure of paper machine in Crossett, AR; paper making capacity decline of 85,000 short tons (***)
	Lincoln Paper and Tissue	Indefinitely idled of two paper machines in Lincoln, ME; paper making capacity decline of 70,000 short tons.
	International Paper	Permanent closure of two paper machines in Courtland, AL (***)
February 2014	International Paper	Permanent closure of two remaining paper machines in Courtland, AL; total paper making capacity decline of 765,000 tons (***)
December 2014	Finch Paper	Announced a plan to invest \$20 million in its uncoated paper facility.
	Domtar	Announced a \$160 million capital project to convert an uncoated freesheet paper machine to a fluff pulp line at its Ashdown, AR mill.
September 2015	Lincoln Paper and Tissue	Filed for Chapter 11 bankruptcy protection.

Note.--The capacity closures herein involve uncoated paper and other types of uncoated free sheet paper.

Source: Compiled from information obtained from various news articles and company websites; various emails, and Petition, Exhibit I-21.

Nine responding domestic producers reported changes in their operations related to the production of uncoated paper since January 1, 2012. Such changes are presented in table III-4.

**Table III-4**

**Uncoated paper: Reported changes in operations by U.S. producers since January 1, 2012**

\* \* \* \* \*

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

### Overall paper making

Table III-5 presents U.S. producers' overall paper making capacity, production of alternative products, and capacity utilization.<sup>6 7</sup> U.S. producers' overall paper making capacity declined each year during 2012-14 (\*\*\*) percent in 2013 and \*\*\* percent in 2014) ending in 2014 \*\*\* percent lower than in 2012, and was \*\*\* percent lower in interim 2015 than in interim 2014. The decline during 2012-13 reflects Boise shutting down two paper machines, with capacity totaling 115,000 short tons, at its International Falls facility in October 2013;<sup>8</sup> and Georgia-Pacific ceasing operations on one paper machine at its Crossett, Arkansas mill (approximately \*\*\* short tons removed in 2013).<sup>9</sup> These declines were partially offset by small increases in overall papermaking capacity by \*\*\*. The \*\*\* of the decline in overall paper making capacity during 2013-14 and in interim 2015 reflects the closure of International Paper's paper mill in Courtland, Alabama in the fourth quarter of 2013 and first quarter of 2014.<sup>10</sup> The

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<sup>6</sup> All but one U.S. producer (\*\*\*) produced other products on the same overall paper making equipment and machinery used in the production of uncoated paper. \*\*\*, a converter, used purchased sheeter rolls in the production of uncoated paper.

<sup>7</sup> Capacity is defined as the level of production that a firm could reasonably have expected to attain during each year/period in 2012-14, January-September 2014, and January-September 2015. This assumes normal operating conditions (i.e., using equipment and machinery in place and ready to operate; normal operating levels (hours per week/weeks per year) and time for downtime, maintenance, repair, and cleanup).

<sup>8</sup> Hearing transcript, p. 63 (Lassa) and "Boise Inc. to Close Two Paper Machines at International Falls, MN Mill," *Paper Age*, May 2, 2013, found at [http://www.paperage.com/2013news/05\\_02\\_2013boise\\_international\\_falls\\_machine\\_closures.html](http://www.paperage.com/2013news/05_02_2013boise_international_falls_machine_closures.html).

<sup>9</sup> "GeorgiaPacific to shut uncoated freesheet paper machine at its Crossett mill in Arkansas due to weak demand," *Pulp and Paper News*, August 20, 2013, and Georgia-Pacific's U.S. producers questionnaire response.

<sup>10</sup> The closure of this mill reduced International Paper's uncoated and coated freesheet paper capacity by 950,000 short tons, of which 765,000 short tons was uncoated freesheet. Conference transcript, p. 109 (Shor) and "International Paper Announces Closure of its Courtland, Ala. Paper Mill," International Paper press release, September 11, 2013, found at <http://investor.internationalpaper.com/news-releases/Press-R/2013/International-Paper-Announces-Closure-of-its-Courtland-Ala-Paper-Mill/default.aspx>.

shutdowns at Boise and Georgia-Pacific noted above also lowered overall papermaking capacity in 2014.

**Table III-5**

**Uncoated paper: U.S. producers' overall paper making production, capacity, and capacity utilization for alternative products, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

Similar to overall paper making capacity, total production declined each year during 2012-14 (\*\*\*) percent in 2013 and (\*\*\*) percent in 2014); production in 2014 was (\*\*\*) percent lower than in 2012, and it was (\*\*\*) percent lower in interim 2015 than in interim 2014. During 2012-14, production of sheeter rolls to be used by the reporting firms in the production of uncoated paper accounted for more than 50 percent of U.S. producers' total production of products on the equipment and machinery (e.g., paper making equipment) used to manufacture the sheeter rolls that can be made into certain uncoated paper.<sup>11</sup> (\*\*\*) reported production of sheeter rolls for sale, (\*\*\*) reported production of sheeter rolls greater than 150 gsm, (\*\*\*) reported production of coated paper, (\*\*\*) reported production of thermal paper, (\*\*\*) reported web rolls, and four reported production of other products.<sup>12</sup> U.S. producers noted that switching between products is easy and uses the same workers, but that many of the other products produced are less profitable than uncoated paper.<sup>13</sup> In particular, web rolls, (\*\*\*) , were noted to be less efficient and less profitable to produce due to the smaller runs and more frequent changeovers, as well as underutilizing winders given web rolls' narrower widths.<sup>14</sup>

### Uncoated paper

As shown in table III-6, both overall sheeting capacity and total production on sheeter equipment and machinery used in the production of uncoated paper declined during 2012-14 and was lower in interim 2015 than in interim 2014.

Overall sheeting capacity declined (\*\*\*) percent during 2012-14 and was (\*\*\*) percent lower in interim 2015 compare with interim 2014. (\*\*\*) . These increases in capacity, however,

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<sup>11</sup> These accounted for more than 50 percent of total production on this equipment for (\*\*\*) U.S. producers, between 30 and 50 percent for (\*\*\*) U.S. producers, and less than 25 percent for (\*\*\*) U.S. producers.

<sup>12</sup> These other product include adhesive note base stock, ream wrap base stock, other specialty base stocks, carbonless paper, commercial printing paper, engineered products, heavy weight papers, forms papers, envelope papers, high speed ink jet papers, postal reply papers, offset & opaque, uncoated freesheet outside of the scope, Bristols, and kraft bags. Some of these products are made from web rolls. Hearing transcript, p. 131 (Dorn).

<sup>13</sup> Domtar reported that switching can impact machine throughput up to 200 short tons per day and efficiency 1-2 percent. Hearing transcript, p. 57 (Thomas), p. 72 (Bray), p. 129 (Bray), and p. 130 (Lassa).

<sup>14</sup> Hearing transcript, p. 64 (Lassa).

were offset by larger declines in capacity at \*\*\* and \*\*\*. The \*\*\* decline was due to the closure of International Paper’s facility in Courtland, Alabama in first quarter of 2014. \*\*\*.

Uncoated paper was the majority of the product produced on the same sheeting machinery as used in the production of uncoated paper, accounting for more than 90 percent of this production for \*\*\* U.S. producers.<sup>15</sup> All firms except \*\*\* reported producing other products on the same sheeter equipment and machinery used in the production of uncoated paper. The next largest product produced (with \*\*\* producers reporting) was sheets greater than 150 gsm but otherwise matching the definition of certain uncoated paper. \*\*\* U.S. producers (\*\*\*) produced other products<sup>16</sup> and \*\*\* reported producing coated paper on this sheeting equipment, although with \*\*\*.

**Table III-6**  
**Uncoated paper: U.S. producers’ overall paper production, capacity, and capacity utilization for alternative products, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

Figure III-1 presents the shares of production for overall sheeter equipment and overall paper making equipment, by product group.

**Figure III-1**  
**Uncoated paper: U.S. producers' shares of overall sheeter equipment and overall paper making production by product group, 2014**

\* \* \* \* \*

Table III-7 and figure III-2 present U.S. producers’ uncoated paper production, capacity, and capacity utilization.<sup>17</sup> U.S. producers’ uncoated paper capacity declined by \*\*\* percent between 2012 and 2014, with capacity virtually flat between 2012 and 2013 but then declining \*\*\* percent in 2013, and was \*\*\* percent lower in interim 2015 compared with interim 2014.

**Table III-7**  
**Uncoated paper: U.S. producers’ production, capacity, and capacity utilization, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

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<sup>15</sup> For the remaining firms, uncoated paper production accounted for between 80 and 90 percent of total production for one firm, 57-65 percent for another, and 44-51 percent for the remaining firm. For this last firm \*\*\*, the remainder of the production was sheets over 150 gsm but otherwise matching the definition of certain uncoated paper.

<sup>16</sup> The other products include carbonless paper, cut size cartons, folio cartons, and folio skids.

<sup>17</sup> Since 2012, \*\*\* U.S. producers \*\*\* have been involved in a tolling agreement. Further details of these tolling arrangements are described in Part VI of this report.

**Figure III-2**

**Uncoated paper: U.S. producers' production, capacity, and capacity utilization, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

U.S. production of uncoated paper declined by \*\*\* percent in 2013 and by \*\*\* percent in 2014, ending \*\*\* percent lower in 2014 than in 2012, but was \*\*\* percent higher in interim 2015 compared with interim 2014. The majority of these declines in U.S. production were accounted for by \*\*\*, although \*\*\*. \*\*\* increased production between 2012 and 2014.

The vast majority of uncoated paper production used internally produced sheeter rolls, although \*\*\* firms used purchases of domestically produced sheeter rolls in the production of uncoated paper. Two of these firms, \*\*\* only did so in more recent periods for a very small (\*\*\*) proportion of their respective total uncoated paper production. Only one firm, \*\*\* used almost exclusively purchased domestically produced sheeter rolls. The remaining firm, \*\*\*, increased its use of purchased domestically produced sheeter rolls from \*\*\* percent of total uncoated paper production in 2012 to \*\*\* percent in 2014, after \*\*\*.<sup>18</sup> \*\*\* firms used purchases of imported sheeter rolls in the production of uncoated paper. The \*\*\* of this was by \*\*\*, while \*\*\*.

Like U.S. production of uncoated paper, capacity utilization declined in each year between 2012 and 2014 (\*\*% percentage points between 2012 and 2013 and \*\*% percentage points between 2013 and 2014), ending \*\*% percentage points lower than in 2012, but was \*\*% percentage points higher in interim 2015 than in interim 2014. \*\*\* U.S. producers had lower capacity utilization between 2012 and 2014. The higher capacity utilization in interim 2015 was largely due to International Paper that, as noted above, closed its facility in Courtland, Alabama.

### **U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS**

Table III-8 presents U.S. producers' U.S. shipments, export shipments, and total shipments. Commercial U.S. shipments accounted for the vast majority of U.S. producers' shipments.<sup>19</sup> \*\*\* U.S. producers exported uncoated paper, accounting for less than 8.6 percent of the quantity of total shipments or 11.4 percent for any one U.S. producer. Leading export destinations included Canada (four U.S. producers), Costa Rica, Europe, and Mexico.

The quantity of U.S. producers' U.S. shipments declined by \*\*\* percent between 2012 and 2013 and by \*\*\* percent between 2013 and 2014, ending in 2014 \*\*\* percent lower than

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<sup>18</sup> \*\*\*.

<sup>19</sup> One U.S. producer, \*\*\*, had internal consumption, accounting for less than \*\*\* percent of the firm's total U.S. shipments, and less than \*\*\* percent of combined U.S. producers' total shipments. Transfers to related firms by \*\*\*, accounted for less than \*\*\* percent of the firm's total U.S. shipments, while transfers for the other reporting U.S. producer, \*\*\*, accounted for less than \*\*\* percent of the firm's total U.S. shipments. Transfers to related firms' share of U.S. producers' total shipments ranged from a high of \*\*\* percent in 2012 to a low of less than \*\*\* percent in interim 2015.



in 2012; but was \*\*\* percent higher in interim 2015 than in interim 2014. \*\*\* U.S. producers (\*\*\*) increased U.S. shipments between 2012 and 2014, while \*\*\* U.S. producers (\*\*\*) had greater U.S. shipments in interim 2015 than in interim 2014.

Unit values of U.S. producers' U.S. shipments fluctuated during 2012-14 ending lower in 2014 than in 2012, and were lower in interim 2015 than in interim 2014. Average unit values for all but \*\*\* decreased between 2012 and 2013, then increased for all U.S. producers in 2014, but were lower for all but \*\*\* U.S. producers in interim 2015 compared with interim 2014.

**Table III-8**  
**Uncoated paper: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**U.S. commercial shipments by type of branding**

Figure III-3 presents U.S. producers' U.S. commercial shipments of uncoated paper by type of branding.<sup>20</sup> During 2012-14, the largest share of commercial U.S. shipments was of retailer branded product (reported by \*\*\* of 10 producers), followed closely by manufactured branded product (reported by \*\*\* of 10 producers), and while unbranded product represented less than 5 percent (reported by \*\*\* of 10 producers).

**Figure III-3**  
**Uncoated paper: U.S. producers' commercial U.S. shipments, by type of branding, 2012-14, January to September 2014, and January to September 2015**

\* \* \* \* \*

**U.S. commercial shipments by product type**

As shown in figure III-4, the vast majority (more than 80 percent in each period) of U.S. producers' U.S. commercial shipments of uncoated paper was 8.5 x 11 inches plain white uncoated paper.<sup>21</sup> In addition, more than 98 percent was white or colored plain (i.e. not altered such as surface-decorated or perforated). Also, the vast majority of uncoated paper, colored or white, whether altered or not, was of 8.5 x 11 inches.

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<sup>20</sup> Data on U.S. producers' commercial U.S. shipments by type of branding are presented in appendix D.

<sup>21</sup> Data on U.S. producers' commercial U.S. shipments by product type are presented in appendix E.

**Figure III-4**

**Uncoated paper: U.S. producers' commercial U.S. shipments, by product type, 2012-14, January to September 2014, and January to September 2015**

\* \* \* \* \*

### **U.S. PRODUCERS' INVENTORIES**

Table III-9 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments. U.S. producers' inventories declined by \*\*\* percent between 2012 and 2014 and were \*\*\* percent higher in interim 2015 than in interim 2014. The majority of U.S. producers' inventories were held by \*\*\*, which also accounted for the majority of the period-to-period changes in inventories, although following different patterns.<sup>22 23</sup> As a share of U.S. production, U.S. shipments, and total shipments, inventories increased between 2012 and 2014, and were higher in interim 2015 than in interim 2014.

**Table III-9**

**Uncoated paper: U.S. producers' inventories, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

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

\*\*\* U.S. producers, \*\*\*, purchased from other U.S. producers. Each of these producers reported that these purchases were to fill customer needs on low-volume products they do not produce. \*\*\* reported increased purchases in 2013 and 2014 due to the purchase of \*\*\*.

As shown in table III-10, \*\*\* U.S. producers imported uncoated paper.<sup>24 \*\*\*</sup> <sup>25 \*\*\*</sup> <sup>26</sup> As a ratio to U.S. production, \*\*\*. \*\*\*.

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<sup>22</sup> \*\*\* accounted for the largest changes in inventories in each period during January 2012-September 2015. \*\*\*. Email from \*\*\*, December 1, 2015.

<sup>23</sup> Domtar, which accounted for \*\*\*, increased its inventories in 2015 to better support its customers in the event that imports further declined. "Domtar's (UFS) CEO John Williams on Q2 2015 Results - Earnings Call Transcript," July 30, 2015, found at <http://seekingalpha.com/article/3376875-domtars-ufs-ceo-john-williams-on-q2-2015-results-earnings-call-transcript>

<sup>24</sup> Petitioners argue that no U.S. producer should be excluded from the domestic industry as a related party. Petitioners' prehearing brief, p. 14.

<sup>25</sup> \*\*\*.

<sup>26</sup> Email from \*\*\*, December 1, 2015.

**Table III-10**

**Uncoated paper: U.S. producers' U.S. production, imports and purchases, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY**

Table III-11 shows U.S. producers' employment-related data. The number of PRW's declined each year between 2012 and 2014, ending at \*\*\* PRWs (\*\*\*) lower than in 2012, and were \*\*\* PRWs (\*\*\*) lower in interim 2015 than in interim 2014. The majority of the decline in PRWs during 2012-14 was accounted for by \*\*\* U.S. producers, \*\*\*, while \*\*\* accounted for the majority of the reduction in PRWs in interim 2015.<sup>27</sup> Hours worked per PRW increased between 2012 and 2014, but were lower in interim 2015 than in interim 2014. Productivity increased between 2012 and 2014, and was higher in interim 2015 compared with interim 2014. All but four U.S. producers (\*\*\*) increased productivity between 2012 and 2014, and all but four U.S. producers (\*\*\*) had higher productivity in interim 2015 than in interim 2014.

**Table III-11**

**Uncoated paper: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

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<sup>27</sup> Two firms, \*\*\*, increased the number of PRWs between 2012 and 2014, and \*\*\* had a higher number of PRWs in interim 2015 compared with interim 2014.



## **PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES**

### **U.S. IMPORTERS**

The Commission issued importer questionnaires to 106 firms believed to be possible importers of subject uncoated paper, as well as to all U.S. producers of uncoated paper.<sup>1</sup> Usable questionnaire responses were received from 30 companies,<sup>2</sup> representing the following shares of individual subject country's subject imports (as a share of official import statistics) during 2014 under HTS subheadings 4802.56 and 4802.57:

- All or virtually all of the subject imports from Australia;
- More than 95 percent of the subject imports from Brazil;
- Approximately 81 percent of the subject imports from China;
- Approximately 78 percent of the subject imports from Indonesia;
- All or virtually all of the subject imports from Portugal; and
- Approximately 79 percent of the subject imports from nonsubject sources.

Substantially all imports of uncoated paper are believed to enter under the HTS subheadings 4802.56 and 4802.57. U.S. imports, and U.S. shipments of imports, of uncoated paper from Australia, Brazil, and Portugal are based on questionnaire data, while data for the remaining sources are based on official Commerce statistics for these two HTS subheadings. Data for U.S. imports and shipments of imports from subject and nonsubject sources are discussed further in "Summary Data and Data Sources" in Part I of this report.

Table IV-1 lists all responding U.S. importers of uncoated paper from Australia, Brazil, China, Indonesian, Portugal, and other sources, their locations, and their shares of U.S. imports, in 2014. \*\*\*.

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<sup>1</sup> The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by \*\*\*, may have accounted for more than five percent of total imports under HTS subheadings 4802.56 and 4802.57 in any year between 2012 and 2014 or in January-September 2015.

<sup>2</sup> In addition, 9 firms certified that they had not imported uncoated paper from any country at any time since January 1, 2012.

**Table IV-1**  
**Uncoated paper: U.S. importers, headquarters, and share of total imports by source, 2014**

Firm	Headquarters	Share of imports by source (percent)					
		Australia	Brazil	China	Indonesia	Portugal	Nonsubject Sources
3A Press	Lajas, PR	***	***	***	***	***	***
American Paper	Guaynabo, PR	***	***	***	***	***	***
Central National	Purchase, NY	***	***	***	***	***	***
Distribuidora Blanco	San Juan, PR	***	***	***	***	***	***
Domtar	Fort Mill, SC	***	***	***	***	***	***
Eagle Ridge Paper	Anaheim, CA	***	***	***	***	***	***
Garriga Paper	San Juan, PR	***	***	***	***	***	***
Global Paper Solutions	Atlanta, GA	***	***	***	***	***	***
International Forest Products	Foxboro, MA	***	***	***	***	***	***
International Paper	Memphis, TN	***	***	***	***	***	***
Jerich USA	Dayton, NJ	***	***	***	***	***	***
LinkMax	Oakville, ON	***	***	***	***	***	***
Magtec	Miami, FL	***	***	***	***	***	***
Marubeni	New York, NY	***	***	***	***	***	***
Midland Paper	Wheeling, IL	***	***	***	***	***	***
Norcom	Griffin, GA	***	***	***	***	***	***
Office Depot	Boca Raton, FL	***	***	***	***	***	***
Office Gallery	Cidra, PR	***	***	***	***	***	***
Paper 360	Ontario, CA	***	***	***	***	***	***
Paper Products Marketing	Portland, OR	***	***	***	***	***	***
Papermax	Anaheim, CA	***	***	***	***	***	***
Perez Trading	Miami, FL	***	***	***	***	***	***
Performance Office Papers	Lakeville, MN	***	***	***	***	***	***
Portucel NA	Norwalk, CT	***	***	***	***	***	***
Rolland	St-Jérôme, QC	***	***	***	***	***	***
Shinsei	Carson, CA	***	***	***	***	***	***
Staples	Framingham, MA	***	***	***	***	***	***
Suzano	Fort Lauderdale, FL	***	***	***	***	***	***
Unisource	Atlanta, GA	***	***	***	***	***	***
UPM-Kymmene	Naperville, IL	***	***	***	***	***	***
World Packaging	Wood Ridge, NJ	***	***	***	***	***	***
Total		***	***	***	***	***	***

Note.—Between January 2012 and September 2015, \*\*\* exported \*\*\*.

Note.—Imports reported by \*\*\*.

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

## Overview

Since 2012, a number of merchants/distributors and retailers of U.S. uncoated paper have consolidated. Table IV-2 lists some of this activity.

**Table IV-2**  
**Uncoated paper: Consolidation activity among U.S. paper merchants/distributors and retailers involved in its distribution and sale**

Period	Firm(s)	Event
June 2012	Central National-Gottesman Inc.	Acquires Spicers Paper, Inc. (paper distributor) and Kelly Paper Company (chain of paper stores).
July 2013	Central National-Gottesman Inc.	Acquires the U.S. operations of Domtar's Ariva paper distribution business.
November 2013	Central National-Gottesman Inc.	Acquires Bradner Central Company, a paper distributor headquartered in Elk Grove Village, IL with locations in Wisconsin, Michigan, Texas, and Georgia.
	Office Depot, Inc. and OfficeMax Incorporated	Completed their merger—the combined company will be named Office Depot, Inc.
January 2014	Gould Paper Corporation	Acquires Bosworth Papers, Inc., a Texas-based paper distributor.
July 2014	Veritiv Corporation	New company formed by the combination of Xpedx and Unisource Worldwide, Inc., two large North American paper merchants; Xpedx was formerly owned by International Paper.
February 2015	Staples, Inc.	Announces acquisition of Office Depot, Inc. with closing expected by end of calendar year 2015, subject to regulatory approval and shareholder approval.
May 2015	Central National-Gottesman Inc.	Acquires Performance Paper (paper merchant/distributor), formerly a division of CellMark, based in Los Angeles, CA.

*Source:* Compiled from information obtained from various news articles and company websites.

Fifteen responding importers reported changes in their operations related to the importation of uncoated paper since January 1, 2012. These changes are presented in table IV-3.

**Table IV-3**  
**Uncoated paper: U.S. importers' reported changes in operations, since January 1, 2012**

\* \* \* \* \*

## U.S. IMPORTS

Table IV-4 and figure IV-1 present data for U.S. imports of uncoated paper from Australia, Brazil, China, Indonesia, Portugal, and all other sources.<sup>3 4</sup> Imports from subject sources, by quantity, increased by \*\*\* percent between 2012 and 2014, and were \*\*\* percent lower in interim 2015 compared with interim 2014, while imports from nonsubject sources declined by \*\*\* percent during 2012-14 but were \*\*\* percent higher in interim 2015 compared with interim 2014.<sup>5 6 7</sup>

The largest increase in imports, by quantity, from subject sources during 2012-14 was imports from Indonesia which increased by \*\*\* short tons or \*\*\* percent, followed by imports from China (\*\*\* short tons or \*\*\* percent), Brazil (\*\*\* short tons or \*\*\* percent), Australia (\*\*\* short tons or \*\*\* percent), and from Portugal (\*\*\* short tons or \*\*\* percent).<sup>8</sup> The largest decline in U.S. imports, by quantity, from subject countries in interim 2015, compared to interim 2014, was from China (\*\*\* short tons or \*\*\* percent), followed by Brazil (\*\*\* short tons or \*\*\* percent), Indonesia (\*\*\* short tons or \*\*\* percent), and Australia (\*\*\* short tons or \*\*\* percent). \*\*\*, whose subsidiary firms \*\*\*, attributed the increase in 2014 to filling a gap in U.S. supply following the closure of International Paper's Courtland, Alabama mill. Imports from all subject sources, except Portugal, were lower in interim 2015 than in interim 2014.<sup>9 10</sup>

Average unit values of U.S. imports from each subject country declined between 2012 and 2014, but were higher for all but Portugal and China in interim 2015 than in interim 2014. Average unit values of U.S. imports from nonsubject sources (due to imports from Canada) declined between 2012 and 2014 and were lower in interim 2015 than in interim 2014, but remained higher than the average unit values of imports from subject sources throughout this period.

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<sup>3</sup> See Part I ("Summary Data and Data Sources") for comments regarding imports of uncoated paper from subject and nonsubject sources. U.S. imports presented are U.S. imports for consumption that are subject to the investigations.

<sup>4</sup> Imports from Brazil reported in \*\*\*.

<sup>5</sup> Imports from subject sources, by value, increased \*\*\* percent between 2012 and 2014, and were \*\*\* percent lower in interim 2015 compared with interim 2014.

<sup>6</sup> As shown in appendix F, imports from China and Indonesia declined noticeably after Commerce's preliminary determination in June 2015.

<sup>7</sup> The largest sources of U.S. imports from nonsubject countries include (by quantity) Canada, Israel, Germany, and Mexico. The petitioners note that the overwhelming quantity of imports from Canada is from Domtar's subsidiary in Canada. Hearing transcript, p. 140 (Dorn) and p. 154 (Thomas).

<sup>8</sup> Petitioners note that the increase in imports from Indonesia and China, occurred after Staples reached supply agreements with APP and \*\*\* in 2013. Conference transcript, p. 102 (Stewart) and petitioners' postconference brief, p. 31.

<sup>9</sup> U.S. imports from Brazil were lower in interim 2015 than in interim 2014 largely due to \*\*\*.

<sup>10</sup> Four U.S. importers reported exports of U.S. imports from all sources except Australia, with the vast majority consisting of \*\*\*.



As a ratio to U.S. production, U.S. imports from subject sources increased each year during 2012-14 (\*\* percentage points in 2013 and \*\* percentage points in 2014) but were \*\* percentage points lower in interim 2015 than in interim 2014. U.S. imports from each subject country other than Portugal followed this trend. U.S. imports from Portugal were higher relative to U.S. production in interim 2015 than in interim 2014. In contrast, U.S. imports from nonsubject countries, as a ratio of U.S. production, fluctuated during 2012-14, ending \*\* in 2012, and were \*\* percentage points higher in interim 2015 than in interim 2014.

**Table IV-4**

**Uncoated paper: U.S. imports by source, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**Figure IV-1**

**Uncoated paper: U.S. imports by source, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

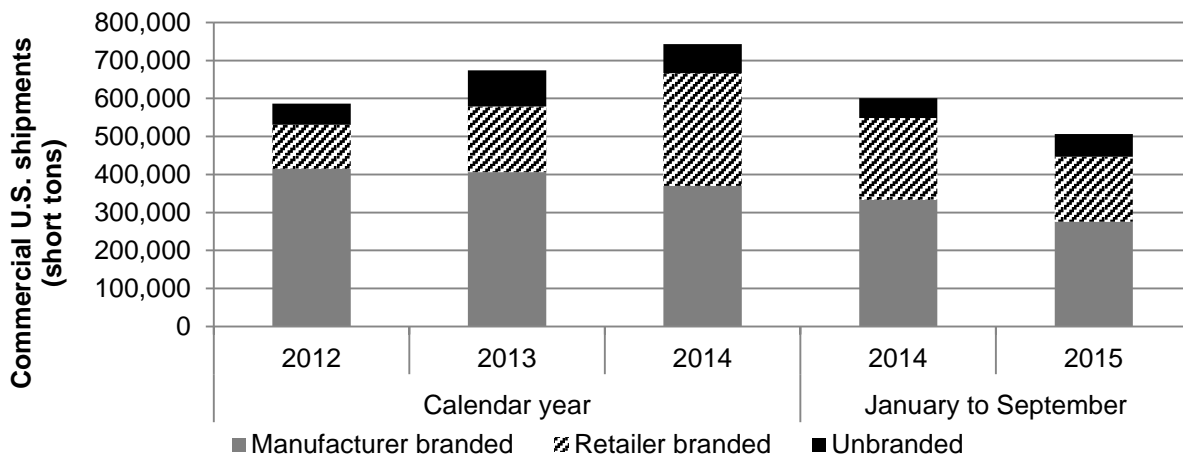
**U.S. importers' commercial U.S. shipments by type of branding**

Figure IV-2 presents data for U.S. importers' commercial U.S. shipments of U.S. imports of uncoated paper from Australia, Brazil, China, Indonesia, Portugal, and all other sources by type of brand.<sup>11</sup> The majority of the U.S. commercial shipments of U.S. imports of uncoated paper from Australia, Indonesia, Portugal, and Canada were of manufactured branded uncoated paper, while retail branded uncoated paper was the majority of those from Brazil, China, and all other nonsubject sources.

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<sup>11</sup> Data on U.S. importers' commercial U.S. shipments by type of branding are presented in appendix D.

**Figure IV-2**  
**Uncoated paper: U.S. importers' commercial U.S. shipments, by type of branding, 2012-14, January to September 2014, and January to September 2015**



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

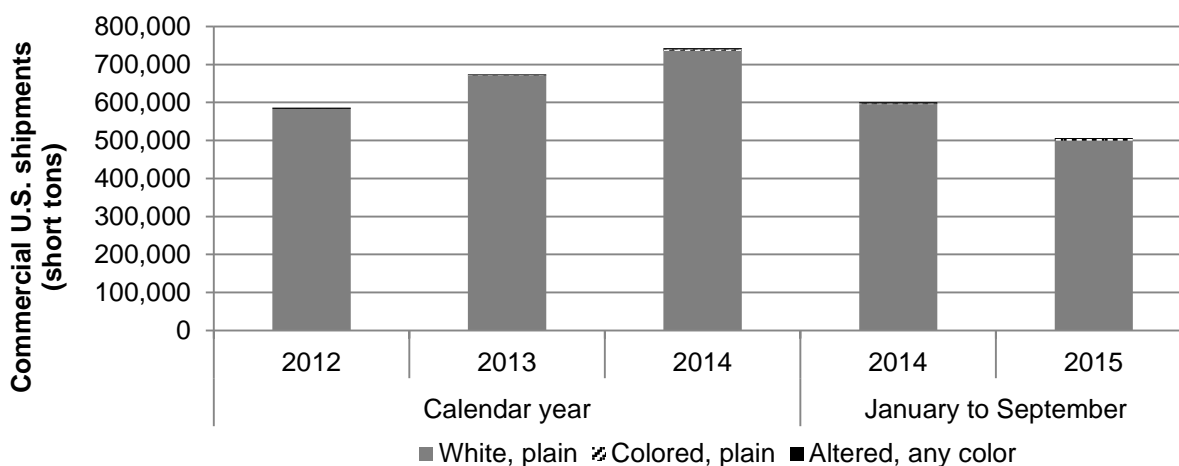
### **U.S. importers' commercial U.S. shipments by product type**

Figure IV-3 presents data for U.S. importers' commercial U.S. shipments of U.S. imports of uncoated paper from Australia, Brazil, China, Indonesia, Portugal, and all other sources by product type.<sup>12</sup> The vast majority of the U.S. commercial shipments of U.S. imports of uncoated paper from all sources except Portugal and Canada were of plain, white, 8.5 x 11 inches uncoated paper. Plain, white, 8.5 x 11 inches uncoated paper accounted for approximately \*\*\* percent of U.S. imports of uncoated paper from Portugal, with the almost all of the remainder of plain, white, of other dimensions. The majority of U.S. imports of uncoated paper from Canada were of plain, white uncoated paper of other dimensions, followed by plain, white, 8.5 x 11 inches.

<sup>12</sup> Data on U.S. importers' commercial U.S. shipments by product type are presented in appendix E.

Figure IV-3

Uncoated paper: U.S. importers' commercial U.S. shipments, by product type, 2012-14, January to September 2014, and January to September 2015



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

### CRITICAL CIRCUMSTANCES

On November 4, 2015, Commerce issued its preliminary determinations that “critical circumstances” exist with regard to imports of uncoated paper from Portugal and that critical circumstances do not exist with regard to imports of uncoated paper from Australia.<sup>13 14</sup> On January 20, 2016, Commerce issued its final determinations that critical circumstances do not exist with regard to imports of uncoated paper from Portugal, and that critical circumstances do exist with regard to imports of uncoated paper from Australia produced by Australian Paper.<sup>15</sup>

<sup>13</sup> 80 FR 68293, November 4, 2015 and 80 FR 51783, August 26, 2015, referenced in app. A. When petitioners file timely allegations of critical circumstances, Commerce examines whether there is a reasonable basis to believe or suspect that (1) either there is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise, or the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the subject merchandise at LTFV and that there was likely to be material injury by reason of such sales; and (2) there have been massive imports of the subject merchandise over a relatively short period.

<sup>14</sup> The petitioners alleged that critical circumstances exist with respect to imports of uncoated paper from Indonesian producer/exporter APP/SMG, but Commerce found that the petitioners had not sufficiently supported their critical circumstances’ allegation, and thus it had no basis upon which to make a critical circumstances determination. *Decision Memorandum for the Preliminary Determination in the Antidumping Duty investigation of Certain Uncoated Paper from Indonesia*, pp. 20-21.

<sup>15</sup> In regards to its critical circumstance determination for imports from Australia, Commerce used an adverse inference in applying facts available as Australian Paper withdrew from its investigation and failed to cooperate. *Certain Uncoated Paper From Australia: Final Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances, In Part*, 81 FR 3108 January 20, (continued...)

In these investigations, if both Commerce and the Commission make affirmative final critical circumstances determinations, certain subject imports may be subject to antidumping duties retroactive by 90 days from November 4, 2015, the effective date of Commerce's preliminary affirmative LTFV determination. Table IV-5 and figures IV-4 and IV-5 present these data.

**Table IV-5**  
**Uncoated paper: U.S. imports, by month, August 2014 through July 2015**

Month	Australia	Brazil	China	Indonesia	Portugal
	Quantity (short tons)				
August	8,678	20,897	10,700	25,791	14,447
September	7,654	16,191	18,024	18,524	26,001
October	3,975	20,433	12,937	31,434	8,466
November	6,384	9,433	13,178	20,958	17,366
December	6,258	15,616	12,791	18,111	10,684
January	4,326	19,326	8,758	17,833	5,664
Subtotal: 6 months prior	37,275	101,896	76,387	132,652	82,629
February	4,852	16,127	9,727	18,164	19,400
March	6,290	15,355	10,596	23,579	17,374
April	6,850	7,940	10,178	23,000	9,554
May	7,105	10,850	6,655	32,501	18,868
June	5,649	16,225	2,306	24,856	18,773
July	8,337	12,634	343	746	15,438
Subtotal: 6 months after	39,081	79,132	39,805	122,845	99,408
Total	76,357	181,028	116,193	255,497	182,037

Note.--Petition was filed on January 21, 2015.

Note.--U.S. imports from \*\*\*.

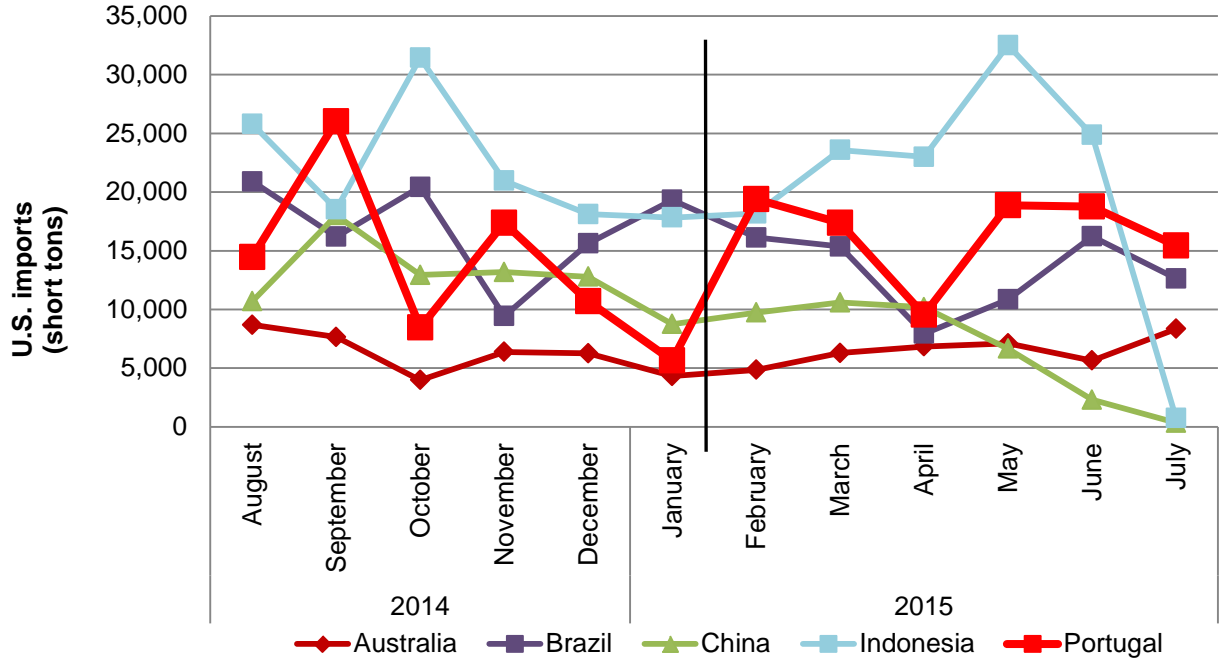
Note.--\*\*\*.

Source: Official import statistics, HTS subheadings 4802.56 and 4802.57.

(...continued)

2016, and *Certain Uncoated Paper from Portugal: Final Determination of Sales at Less Than Fair Value and Final Negative Determination of Critical Circumstances*, 81 FR 3105, January 20, 2016.

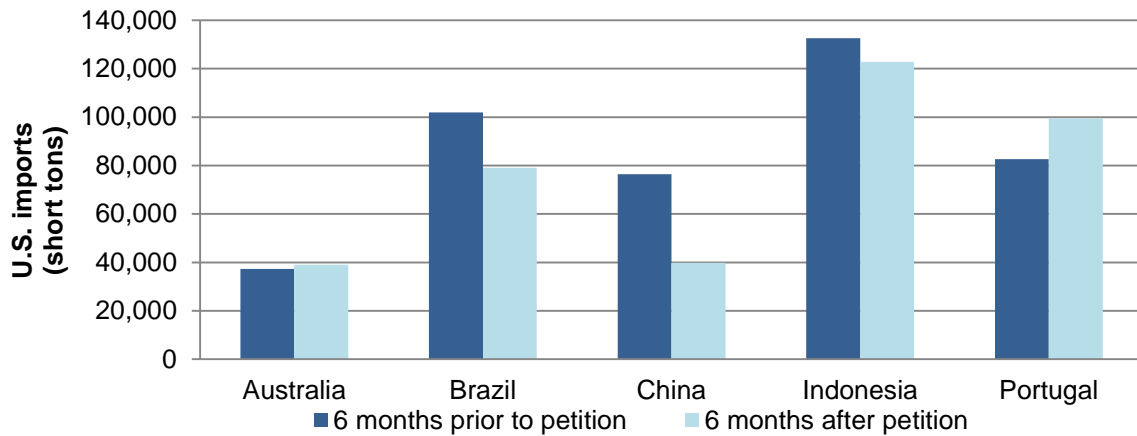
**Figure IV-4**  
**Uncoated paper: U.S. imports, by month, August 2014 through July 2015**



\*\*\*

Source: Official import statistics, HTS subheadings 4802.56 and 4802.57.

**Figure IV-5**  
**Uncoated paper: U.S. imports, 6 months before and after petition, August 2014 through July 2015**



\*\*\*

Source: Official import statistics, HTS subheadings 4802.56 and 4802.57.

## NEGLIGENCE

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.<sup>16</sup> Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.<sup>17</sup> During January-December 2014 U.S. imports from each subject country accounted for greater than 3 percent of total U.S. imports of uncoated paper by quantity. Specifically, imports from Australia accounted for \*\*\* percent, those from Brazil accounted for \*\*\* percent, those from China accounted for \*\*\* percent, those from Indonesia accounted for \*\*\* percent, and those from Portugal accounted for \*\*\* percent of total imports of uncoated paper.<sup>18</sup>

## CUMULATION CONSIDERATIONS

In assessing whether imports should be cumulated, the Commission determines whether U.S. imports from the subject countries compete with each other and with the domestic like product. The Commission has generally considered four factors: (1) fungibility, (2) presence of sales or offers to sell in the same geographical markets, (3) common or similar channels of distribution, and (4) simultaneous presence in the market. Channels of distribution are discussed in Part II of this report. Additional information concerning fungibility, geographical markets, and simultaneous presence in the market is presented below.

Petitioners contend that all subject countries should be cumulated, as petitions were filed on the same day and there is a reasonable overlap of competition among subject imports from each country and the domestic like product.<sup>19</sup>

The Australian respondent argues that U.S. imports from Australia should not be cumulated with those of other countries.<sup>20</sup> It contends that it sells to U.S. customers that are restricted in their supply from U.S. producers, either by high freight costs or inability to obtain

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<sup>16</sup> Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

<sup>17</sup> Section 771 (24) of the Act (19 U.S.C. § 1677(24)).

<sup>18</sup> \*\*\*.

<sup>19</sup> Petition, p. I-22, petitioners' prehearing brief, pp. 21-27, hearing transcript, p. 89 (Dorn), and petitioners' posthearing brief, p. 14.

<sup>20</sup> Respondent Australian Paper's posthearing brief, pp. 2-4.

uncoated paper from U.S. producers. In addition, Australian producers use a different pulp than the U.S. producers, which is desired by higher end users. Finally, the Australian respondent also argues that channels of distribution are different as U.S. imports from Australia are sold to distributors/paper merchants, and were of manufacturer/mill branded product.

Brazilian respondents argue that U.S. imports from Brazil should not be cumulated with those of other countries in the threat context.<sup>21</sup> They contend that volume and pricing patterns of U.S. imports from Brazil differ substantially from U.S. imports from other subject countries. They argue that a significant proportion of Brazilian imports is immediately exported and does not compete with the U.S. industry and the volume and share of Brazilian imports are lower than imports from other subject countries. They note that there is overselling of imports from Brazil in the overwhelming number of comparisons, with negligible margins of underselling in the remaining comparisons. In addition, while Brazil's and Portugal's overselling data are similar, Portugal's pricing shows volatility and imports from Portugal are primarily manufacturer branded uncoated paper that sell at a premium over retail branded which accounts for the majority of Brazilian imports of uncoated paper. Brazilian respondents contend that unlike producers in some other subject countries, Brazilian producers are focused on their home market and other local markets in Latin America. They also argue that uncoated paper from Brazil is differentiated from that of others due to its physical characteristics resulting from its pulp source and forestry practice, yielding a product that is exclusively high bright with environmental (sustainability) certifications not typical of other uncoated paper. In addition, U.S. imports from Brazil are sold through different channels of distribution, namely entirely through merchants, a large portion of which is to two merchants with which Suzano has long term relationships. Finally, U.S. imports from Brazil are concentrated in different geographic markets, namely Northeast and Midwest regions.

Chinese and Indonesian respondents did not address the issue of cumulation.

Portuguese respondents argue that U.S. imports from Portugal should not be cumulated with those of other countries as there is not the requisite overlap in competition.<sup>22</sup> Portuguese respondents contend that since the Portuguese producer uses pulp from eucalyptus trees, it produces a higher quality product that obtains a higher price in the U.S. market (overselling \*\*\*) and sells to different customers than domestically produced uncoated paper and U.S. imports from other subject sources with limited overlap of competition. In addition, Portuguese respondents argue that there were differences in import volumes, with U.S. imports from Portugal rising less and its market share moving in the opposite direction from those of other subject sources.

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<sup>21</sup> Hearing transcript, p. 256 (Esserman), respondent Suzano's prehearing brief, pp. 6-18, and respondent Suzano's posthearing brief, pp. 3-11.

<sup>22</sup> Hearing transcript, pp. 240-241 (Zielinski), respondent Portucel's prehearing brief, pp. 3-15, and respondent Portucel's posthearing brief, pp. 3-12.

## Fungibility

Table IV-6 and figure IV-6 present commercial U.S. shipments by type of branding.<sup>23</sup> U.S. producers' U.S. commercial shipments in 2014 were approximately equally divided between manufacturer branded and retailer branded uncoated paper, with a small quantity of unbranded uncoated paper. While total subject U.S. imports were also equally divided between the same two types of branding, unbranded uncoated paper accounted for a larger share of subject importers' U.S. commercial shipments than for U.S. producers. The share of manufacturer branded and retail branded uncoated paper varied among subject sources, with manufacturer branded representing \*\*\* of U.S. commercial shipments from Australia and the majority from Portugal, while retailer branded was the majority for U.S. imports from Brazil, China, and Indonesia. Unbranded uncoated paper represented a substantial share of U.S. commercial shipments of U.S. imports from Portugal.

**Table IV-6**  
**Uncoated paper: U.S. producers' and U.S. importers' U.S. commercial shipments, by type of branding, 2014**

\* \* \* \* \*

**Figure IV-6**  
**Uncoated paper: U.S. producers' and U.S. importers' U.S. commercial shipments, by type of branding, 2014**

\* \* \* \* \*

Table IV- 7 presents U.S. shipments by product type, while figures IV-7 and IV-8 present the share of U.S. shipments product type based on color and alterations and based on size, respectively. The vast majority of U.S. producers and U.S. importers' U.S. commercial shipments are of plain white uncoated paper and are of 8.5 x 11 inches (except for U.S. shipments of imports from nonsubject countries which were roughly equally divided between 8.5 x 11 inches and other dimensions). The average unit values of U.S. producers' and U.S. importers' U.S. commercial shipments of plain white uncoated paper was less than colored plain uncoated paper, which in turn was less than altered uncoated paper of any color. Average unit values of U.S. producers' and U.S. importers' U.S. commercial shipments of subject imports of 8.5 x 11 inches uncoated paper were lower than those of uncoated paper of other dimensions, while U.S. importers' U.S. commercial shipments of nonsubject imports of uncoated paper of 8.5 x 11 inches and other dimensions were roughly the same.

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<sup>23</sup> U.S. producers' and U.S. importers' commercial U.S. shipments by brand type and product type during January 2012 – September 2015 are presented in appendix D and E, respectively.



**Table IV-7**  
**Uncoated paper: U.S. producers' and U.S. importers' U.S. commercial shipments, by product type, 2014**

\* \* \* \* \*

**Figure IV-7**  
**Uncoated paper: U.S. producers' and U.S. importers' U.S. commercial shipments, by product type based on color and alterations, 2014**

\* \* \* \* \*

**Figure IV-8**  
**Uncoated paper: U.S. producers' and U.S. importers' U.S. commercial shipments, by product type based on paper size, 2014**

\* \* \* \* \*

**Presence in the market**

Table IV-8 presents data on the monthly entries of U.S. imports of uncoated paper, by source, during January 2012-September 2015.<sup>24</sup> U.S. imports from each source were present in each month during January 2012-September 2015, except for Australia in September 2015.

**Table IV-8**  
**Uncoated paper: U.S. imports, monthly entries into the United States, by sources, January 2012-September 2015**

Year	Australia	Brazil	China	Indonesia	Portugal	Subject	All other sources	All sources
	Number of months							
2012	12	12	12	12	12	12	12	12
2013	12	12	12	12	12	12	12	12
2014	12	12	12	12	12	12	12	12
January - September 2015	8	9	9	9	9	9	9	9

\*\*\*.

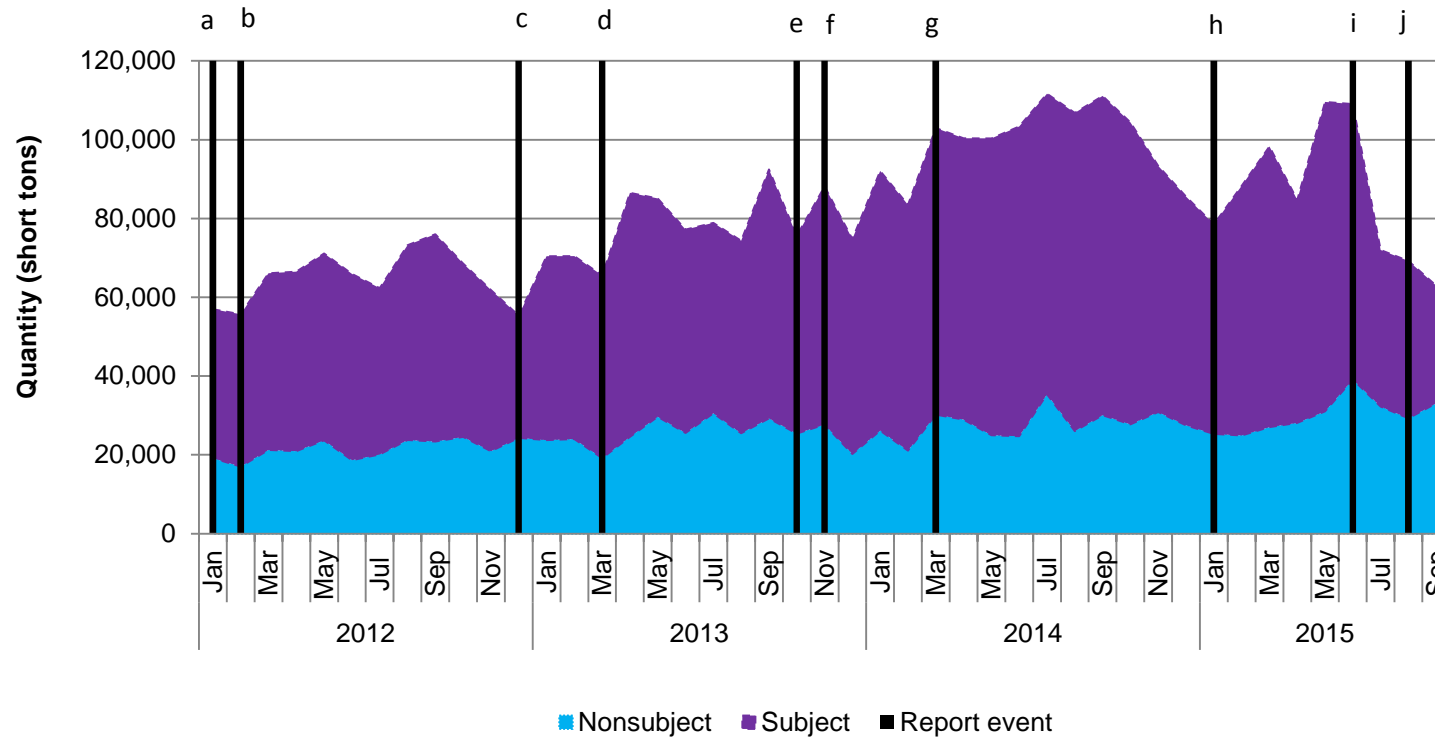
Source: Official import statistics, HTS subheadings 4802.56 and 4802.57.

Figure IV-9 presents monthly U.S. imports and declines in paper making capacity during January 2012-September 2015.<sup>25</sup>

<sup>24</sup> Monthly U.S. imports by source are presented in appendix F.

<sup>25</sup> \*\*\*.

**Figure IV-9**  
**Uncoated paper: U.S. market events and U.S. imports by month, January 2012-September 2015**



- a. January 2012: Mohawk facility Hamilton, OH closed (**60,000** short tons)
- b. February 2012: Wausau Paper's paper mill with four sheeters in Brokaw, WI (**120,000** short tons).
- c. December 2012: Boise's paper machine in St. Helens, OR (**55,000** short tons; (\*\*\*)).
- d. March 2013: Harbor Paper's paper machines with four sheeters in Hoquiam, WA (**140,000** short tons).
- e. October 2013: Boise 's two paper machines in International Falls, MN (**105,000** short tons; (\*\*\*)).
- f. November 2013: Georgia-Pacific's paper machine in Crossett, AR (**85,000** short tons; (\*\*\*)); Lincoln Paper and Tissue's two paper machines in Lincoln, ME (**70,000** short tons); International Paper's two paper machines in Courtland, AL (\*\*\*, \*\*\*)).
- g. February 2014: International Paper's two remaining paper machines in Courtland, AL (**765,000** short tons total with (\*\*\*)).
- h. January 2015: Petition filed.
- i. June 2015: Commerce preliminary CVD determinations.
- j. August 2015: Commerce preliminary AD determinations.

Note.—(\*\*\*)

Source: Official import statistics, HTS subheadings 4802.56 and 4802.57 and table III-3.

## Geographical markets

As previously noted, uncoated paper produced in the United States is shipped nationwide. Table IV-9 presents U.S. imports from subject sources, by Customs district.<sup>26</sup>

**Table IV-9**  
**Uncoated paper: U.S. imports, top 5 customs districts, January 2012 to September 2015**

District	Jan 2012-Sept 2015	
	Quantity (short tons)	Share (percent)
<b>Australia:</b>		
Philadelphia, PA	58,117	24.6
Los Angeles, CA	42,761	18.1
Houston-Galveston, TX	36,777	15.6
New York, NY	27,642	11.7
Savannah, GA	22,643	9.6
All other districts	48,042	20.4
Total, Australia	235,983	100.0
<b>Brazil:</b>		
Miami, FL	277,236	38.2
Baltimore, MD	196,698	27.1
New York, NY	135,624	18.7
Tampa, FL	33,429	4.6
Norfolk, VA	32,156	4.4
All other districts	50,991	7.0
Total, Brazil	726,133	100.0
<b>China:</b>		
Los Angeles, CA	183,408	52.5
New York, NY	56,455	16.2
San Francisco, CA	38,514	11.0
Seattle, WA	33,247	9.5
Charleston, SC	8,941	2.6
All other districts	28,599	8.2
Total, China	349,164	100.0
<b>Indonesia:</b>		
New York, NY	218,588	34.0
Los Angeles, CA	200,204	31.2
Seattle, WA	33,112	5.2
San Francisco, CA	27,374	4.3
San Juan, PR	24,628	3.8
All other districts	138,267	21.5
Total, Indonesia	642,172	100.0

Table continued on next page.

<sup>26</sup> \*\*\*

**Table IV-9--Continued**

**Uncoated paper: U.S. imports, top 5 customs districts, January 2012 to September 2015**

District	Jan 2012-Sept 2015	
	Quantity (short tons)	Share (percent)
<b>Portugal:</b>		
New York, NY	310,759	47.6
Houston-Galveston, TX	102,116	15.7
Savannah, GA	98,687	15.1
Los Angeles, CA	73,315	11.2
Baltimore, MD	56,842	8.7
All other districts	10,653	1.6
Total, Portugal	652,371	100.0
<b>Subject:</b>		
New York, NY	749,067	28.7
Los Angeles, CA	520,675	20.0
Miami, FL	308,859	11.9
Baltimore, MD	274,750	10.5
Houston-Galveston, TX	178,418	6.8
All other districts	574,053	22.0
Total, Subject	2,605,824	100.0
<b>Nonsubject:</b>		
Ogdensburg, NY	180,096	27.0
Detroit, MI	162,758	24.4
New York, NY	119,282	17.9
Los Angeles, CA	48,803	7.3
St. Albans, VT	41,588	6.2
All other districts	114,376	17.2
Total, All other sources	666,904	100.0
<b>All sources:</b>		
New York, NY	868,350	26.5
Los Angeles, CA	534,026	16.3
Miami, FL	323,115	9.9
Baltimore, MD	292,953	9.0
Houston-Galveston, TX	194,599	5.9
All other districts	1,059,686	32.4
Total, All sources	3,272,729	100.0

Source: Official import statistics, HTS subheadings 4802.56 and 4802.57 and data submitted in response to Commission questionnaires.

## APPARENT U.S. CONSUMPTION

As shown in table IV-10 and figure IV-10 apparent U.S. consumption, by quantity, declined in each year during 2012-14, falling 1.8 percent in 2013, 3.7 percent in 2014, ending 5.5 percent lower than in 2012, and was 1.1 percent lower in interim 2015 than in interim 2014. Apparent U.S. consumption, by value, also declined in each year during 2012-14, falling 5.3 percent in 2013, 2.2 percent in 2014, ending 7.4 percent lower than in 2012, and was 3.9 percent lower in interim 2015 than in interim 2014.<sup>27 28</sup>

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<sup>27</sup> Data for \*\*\*. See Part I (“Summary Data and Data Sources”) for discussion of data adjustments for imports of uncoated paper from subject and nonsubject sources.

<sup>28</sup> Imports from Brazil reported in \*\*\*.

**Table IV-10**

**Uncoated paper: U.S. shipments of domestic product, U.S. imports by sources, and apparent U.S. consumption, 2012-14, January-September 2014, and January-September 2015**

Item	Calendar year			January to September	
	2012	2013	2014	2014	2015
	<b>Quantity (short tons)</b>				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--					
Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subject countries	***	***	***	***	***
Canada	***	***	***	***	***
All other sources	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
Total U.S. imports	***	***	***	***	***
Apparent U.S. consumption	4,724,976	4,637,760	4,466,557	3,356,003	3,318,045
	<b>Value (1,000 dollars)</b>				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. importers' U.S. shipments of imports from.--					
Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subject countries	***	***	***	***	***
Canada	***	***	***	***	***
All other sources	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
Total U.S. imports	***	***	***	***	***
Apparent U.S. consumption	4,903,625	4,643,686	4,540,143	3,409,720	3,278,289

Note.--U.S. shipments of imports from \*\*\*.

Note.--U.S. imports from \*\*\*.

Source: Compiled from data submitted in response to Commission questionnaires and official U.S. import statistics, HTS subheadings 4802.56 and 4802.57.

**Figure IV-10**

**Uncoated paper: Apparent U.S. consumption, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**U.S. MARKET SHARES**

U.S. market share data are presented in table IV-11. U.S. producers' share of apparent U.S. consumption, by quantity, declined in each year between 2012 and 2014, ending 7.3 percentage points lower in 2014 than in 2012, but was 1.6 percentage points higher in interim 2015 than in interim 2014. In contrast, the share of U.S. shipments of imports from subject countries, by quantity, increased each year between 2012 and 2014, ending 7.6 percentage points higher in 2014 than in 2012, but was 2.9 percentage points lower in interim 2015 than in interim 2014. While most U.S. shipments of imports from each subject country followed this trend, in interim 2015 compared with interim 2014, U.S. shipments of imports from Brazil and Portugal as a share of U.S. apparent consumption were higher (\*\*\*) percentage points, respectively). The share of U.S. shipments of imports from nonsubject sources, by quantity, declined in each year between 2012 and 2014, ending 0.3 percentage points lower than in 2012, but were 1.4 percentage points higher in interim 2015 than in interim 2014.

**Table IV-11**

**Uncoated paper: Apparent U.S. consumption and market shares, 2012-14, January-September 2014, and January-September 2015**

Item	Calendar year			January to September	
	2012	2013	2014	2014	2015
	<b>Quantity (short tons)</b>				
Apparent U.S. consumption	4,724,976	4,637,760	4,466,557	3,356,003	3,318,045
	<b>Share of quantity (percent)</b>				
U.S. producers' U.S. shipments	86.7	84.5	79.4	80.2	81.7
U.S. importers' U.S. shipments of imports from.--					
Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subject sources	9.5	11.8	17.0	16.4	13.5
Canada	2.5	2.7	2.4	2.3	2.7
All other sources	1.3	1.0	1.1	1.1	2.1
Nonsubject sources	3.8	3.7	3.5	3.4	4.8
Total U.S. importers' U.S. shipments	13.3	15.5	20.6	19.8	18.3
	<b>Value (1,000 dollars)</b>				
Apparent U.S. consumption	4,903,625	4,643,686	4,540,143	3,409,720	3,278,289
	<b>Share of value (percent)</b>				
U.S. producers' U.S. shipments	86.6	84.6	80.5	81.2	82.0
U.S. importers' U.S. shipments of imports from.--					
Australia	***	***	***	***	***
Brazil	***	***	***	***	***
China	***	***	***	***	***
Indonesia	***	***	***	***	***
Portugal	***	***	***	***	***
Subject sources	9.1	11.1	15.5	14.9	12.8
Canada	3.0	3.1	2.8	2.7	3.2
All other sources	1.4	1.2	1.2	1.2	2.0
Nonsubject sources	4.4	4.3	4.0	3.9	5.2
Total U.S. importers' U.S. shipments	13.4	15.4	19.5	18.8	18.0

Note.--U.S. shipments of imports from \*\*\*.

Note.--U.S. imports from \*\*\*.

Source: Official import statistics, HTS subheadings 4802.56 and 4802.57 and data submitted in response to Commission questionnaires.



## PART V: PRICING DATA

### FACTORS AFFECTING PRICES

#### Raw material costs

All of the major U.S. producers of uncoated paper are integrated. Accordingly the raw materials used in the production of uncoated paper include paper pulp (which most U.S. producers produce), recycled fibers (used in recycled paper) which most U.S. producers purchase, a range of chemicals, and energy.<sup>1</sup> As discussed in greater detail in Part VI, raw material costs accounted for \*\*\* percent of U.S. producers' cost of goods sold.

#### U.S. inland transportation costs

\*\*\* responding U.S. producers and \*\*\* responding importers reported that they typically arrange transportation to their customers. U.S. producers reported that their U.S. inland transportation costs ranged from \*\*\* percent<sup>2</sup> while importers reported costs of \*\*\* percent.<sup>3</sup>

### PRICING PRACTICES

#### Pricing methods

Most U.S. producers used multiple ways to set prices (table V-1). \*\*\* responding producers reported transaction-by-transaction prices, \*\*\* reported using contracts, and \*\*\* reported using price lists.<sup>4</sup> \*\*\* responding importers reported transaction-by-transaction prices, \*\*\* reported using contracts, \*\*\* reported using price lists, and \*\*\* reported using "other" methods.<sup>5</sup>

**Table V-1**  
**Uncoated paper: U.S. producers' and importers' reported price setting methods, by number of responding firms**

\* \* \* \* \*

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<sup>1</sup> Some producers produce electricity by burning the bark from the logs used to make pulp.

<sup>2</sup> \*\*\*.

<sup>3</sup> \*\*\*.

<sup>4</sup> In addition, one reported customer-specific pricing, and one reported price negotiations for ongoing program business but with no formal contract price.

<sup>5</sup> Other methods included sales negotiated by customer for 6 to 12 month long contracts; branded paper is sold using price lists and non-branded is sold by negotiation; market prices; and retail sales. \*\*\* importers reported more than one pricing method.

One-year contracts were the most common form of contract for both U.S. producers and importers. The majority of U.S. producers' sales were on an annual or longer-term contract basis, while the majority of importers' sales were on a spot or one-year contract basis (table V-2).

**Table V-2**  
**Uncoated paper: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2014**

\* \* \* \* \*

Eleven purchasers reported that they purchased product daily, nine purchased weekly, and five purchased monthly.<sup>6</sup> Most purchasers (24 of 28) reported no changes in their purchasing patterns since 2012.<sup>7</sup> Most (20 of 28) purchasers contacted 1 to 4 suppliers before making a purchase.

### Sales terms and discounts

Most U.S. producers (\*\*\*) and most importers (\*\*\*) typically quote prices on a delivered basis.<sup>8</sup> \*\*\* responding U.S. producers offered rebates, \*\*\* producers offered both quantity and total volume discounts, \*\*\* other producers offered either quantity or total volume discounts, and \*\*\* producers reported no discount policy. \*\*\* producers reported additional discounts including price reductions to meet competition, passing along cost savings, retail promotion support, and prompt payment discounts. Most responding importers (\*\*\*) reported no discounts, \*\*\* reported both quantity and volume discounts, \*\*\* reported quantity discounts but no volume discount, \*\*\* reported rebates, and \*\*\* reported "other" discounts. The most common "other" discount was early payment discount; firms also reported negotiating discounts or rebates along with price and discounts to meet competition. Producers and importers were requested to report pricing values that were net of all discounts and rebates.

Ten of 27 responding purchasers reported receiving rebates when they purchased uncoated paper; 10 reported no discounts; 4 reported both quantity and volume discounts; 6 reported only total volume discounts; and 1 each reported only a quantity discount and a cash discount.

\*\*\* responding producers and \*\*\* responding importers reported using indirect rebates; however, only one of 27 responding purchasers reported receiving indirect rebates.<sup>9</sup>

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<sup>6</sup> One purchaser reported quarterly purchases, one reported spot purchases, and one reported purchases every 60 days. \*\*\*. \*\*\*.

<sup>7</sup> The four purchasers that reported changes described decreases or increases in their overall business.

<sup>8</sup> \*\*\* importer reported selling on both an f.o.b. and a delivered basis. \*\*\* importers reported selling f.o.b. from port of export.

<sup>9</sup> \*\*\*.

\*\*\* of the \*\*\* responding U.S. producers reported credit rebates, \*\*\* of these also reported cash or check discounts, and \*\*\* reported discounts by check only. \*\*\* importers reported offering credit discounts; \*\*\* also reported either cash or check rebates, and \*\*\* additional importers reported only cash/check rebates. Ten purchasers reported receiving credit rebates; eight reported rebates in the form of cash or checks. Producers and importers reported that rebates typically were based on the volume purchased, with the agreed upon discount given on each ton of product purchased.<sup>10</sup> Purchasers reported similar types of rebates as reported by producers and importers, although some reported per-carton rebates while others reported per-ton rebates.<sup>11</sup>

Firms were asked which customers received rebates. \*\*\* producers reported which customers received discounts. \*\*\* producers reported that all customers received rebates, \*\*\* gave rebates only to distributors, and \*\*\* gave rebates only to firms with contracts and end users.<sup>12</sup> \*\*\* importers reported who received discounts; they report targeting rebates more frequently than U.S. producers. Purchasers receiving rebates tended to get rebates from U.S. producers; some also reported rebates from all/most suppliers, paper brokers/distributors, and from importers Portucel (from Portugal) and Suzano (from Brazil). The average rebates reported by U.S. producers ranged from \$\*\*\* to \$\*\*\* per short ton<sup>13</sup> and those reported by importers ranged from \$\*\*\* to \$\*\*\* per short ton.<sup>14</sup>

Purchasers reported receiving rebates ranging from \$\*\*\* to \$\*\*\* per short ton. The largest retail sellers of uncoated paper reported \*\*\*. The three largest distributors \*\*\*. All other purchasers that reported rebates reported average rebates ranged from \*\*\* per ton.

The most common sales terms for U.S. producers were 1 percent 20 net 21<sup>15</sup> (reported by \*\*\* U.S. producers) and net 30 (reported by \*\*\* U.S. producers).<sup>16</sup> In contrast, most importers (\*\*\*) reported sales terms of net 30,<sup>17</sup> \*\*\* reported net 21,<sup>18</sup> \*\*\* reported net 60, \*\*\* required cash against documents, and \*\*\* reported that terms vary by customer/contract.<sup>19</sup>

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<sup>10</sup> Some rebates required reaching an agreed volume threshold and others were based on the value of sales.

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

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

<sup>13</sup> \*\*\*. All other U.S. producers offered average rebates between \*\*\* per ton.

<sup>14</sup> The \*\*\* importers reporting the largest average rebates were \*\*\*. Other importers reporting rebates were \*\*\*.

<sup>15</sup> A firm selling 1 percent 20 net 21 provides the purchaser a 1 percent price reduction if paid within 20 days; otherwise purchasers are expected to pay the full amount in 21 days.

<sup>16</sup> \*\*\* producers reported only selling net 30. \*\*\* producer also reported some sales at 2 percent 20 net 21. \*\*\* producer reported selling net 10.

<sup>17</sup> \*\*\* of these importers offered either 1 or 2 percent discounts for early payments. \*\*\*.

<sup>18</sup> Both of these offered early payment discounts.

<sup>19</sup> \*\*\*.

## Price leadership

Purchasers were asked to report the names of suppliers that lead price up and those that lead prices down. For price leaders that lead prices up, all 15 responding purchasers listed U.S. producers, Domtar or International Paper or both; only two purchasers listed any other firm. Purchasers reported that Domtar and International Paper lead prices up in the following ways: by increasing prices which other producers follow; closing a mill; having a large market share allowing them to increase prices; providing logistics and market sales support; and trying to “stabilize name brands like Xerox.” Of the 11 purchasers that named firms that lead price down, 5 listed Asia Pulp and Paper and 3 listed APRIL.<sup>20</sup> Purchasers reported that firms that lead prices down did so mainly by aggressive pricing.<sup>21</sup>

## Pricing factors

Purchasers were asked about the impact on pricing of a number of factors (table V-3).

**Table V-3**  
**Uncoated paper: Impact of certain factors on price, by number of responding purchasers**

	Substantially lower	Moderately lower	No impact	Moderately increased	Substantially increased
Long-term decline in demand	2	10	13	1	0
Competition from substitutes	2	6	17	1	0
Competition among producers	3	12	9	2	0
Competition from subject imports	5	13	7	0	1
Mill/paper machine closures	0	5	14	7	0

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

Purchasers were asked how these factors affected price. Declining demand for paper was reported to reduce prices because firms are competing for declining market share. Declining demand was also reported to increase prices because it led to plant closures. Competition from substitutes was reported to reduce prices because it put price pressure of domestic producers, reduced the cost of coated paper (a substitute), and reduced demand. Competition among producers was reported to reduce prices because pricing opportunities vary by mill, firms follow each other’s price reductions to maintain market share, and U.S. producers have become more aggressive.<sup>22</sup> The reason one purchaser gave for why

<sup>20</sup> Other suppliers that were only mentioned by one purchaser each included U.S. producers/importers Domtar and Georgia-Pacific, importers Australian Paper, Suzano, and International Forest Products, and retailer Staples.

<sup>21</sup> One purchaser reported that both U.S. producers and importers lead price down by selectively lowering prices to get a customer to switch supplier or build inventories. These activities limit price increases. One purchaser reported that \*\*\*.

<sup>22</sup> \*\*\* reported that competition among U.S. producers caused moderate reductions in prices because it caused domestic mills to be more selective (e.g., not bidding on lower price, particularly

*(continued...)*

competition among producers had increased prices was that U.S. producers “are good stewards of fair market trading.” Reasons that competition from subject imports has reduced prices include: U.S. mills have reduced domestic production and increased exports to offset the reduction in prices caused by imports; imports have put pricing pressure on domestic product; “the strength of the dollar” (has led to increased imports); and imports have filled gaps in the domestic market preventing U.S. producers from raising prices. The reason given for why closing paper mills had reduced prices was that mill closings had prevented greater price reductions. Other reasons that mill closures had increased prices include: closing mills have balanced supply with demand; and U.S. producers have initiated attempts to raise the price of uncoated paper.

### PRICE DATA

The Commission requested U.S. producers and importers that were not retailers to provide quarterly data for the total quantity and delivered<sup>23</sup> value of the following uncoated paper products shipped to unrelated U.S. customers during January 2012-September 2015.

**Product 1.**-- Uncoated paper, weighing 20 lb. (75 gsm), with dimensions of 8 1/2 x 11 inches, and with GE brightness greater than 90 white and plain (i.e., not altered through processes such as surface-decorating, printing, embossing, perforating, punching, or watermarking)

**Product 2.**-- Uncoated paper, weighing 20 lb. (75 gsm), with dimensions of 8 1/2 x 14 inches, and with GE brightness greater than 90 white and plain (i.e., not altered through processes such as surface-decorating, printing, embossing, perforating, punching, or watermarking)

**Product 3.**-- Uncoated paper, weighing 50-60 lb. (74-89 gsm), with dimensions of 23 x 35 inches, and with GE brightness greater than or equal to 96 white and plain (i.e., not altered through processes such as surface-decorating, printing, embossing, perforating, punching, or watermarking) sold with a matching cover.

\*\*\* U.S. producers<sup>24</sup> and \*\*\* importers<sup>25</sup> from subject countries provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products

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(...continued)

government, contracts). \*\*\* responded both that competition among U.S. producers moderately lowered prices and substantially increased prices. \*\*\* was contacted to clarify its response but did not. As a result, both of its responses on competition among producers have been removed.

<sup>23</sup> Petitioners requested that price data be collected on a delivered basis because most sales were on a delivered basis. Respondents did not request a change to this in their comments on the draft questionnaires.

<sup>24</sup> \*\*\*.

for all quarters.<sup>26</sup> Pricing data reported by these firms accounted for approximately \*\*\* percent of U.S. producers' U.S. shipments of uncoated paper and \*\*\* percent of U.S. shipments of subject imports from Australia, \*\*\* percent from Brazil, \*\*\* percent from China, \*\*\* percent from Indonesia, and \*\*\* percent from Portugal during January 2012-September 2015.

Producers and importers were asked to report the average brightness of the products 1, 2, and 3 they sold because paper with higher average brightness was expected to be higher priced. Table V-4 reports the average brightness of products 1, 2, and 3 weighted by quantity reported. U.S. average brightness is lower than that reported by all the subject countries for products 1 and 2. Indonesian and U.S.-produced product 3 have the lowest average brightness.<sup>27</sup>

**Table V-4**  
**Uncoated paper: Average reported brightness of pricing products, by country**

\* \* \* \* \*

The pricing products did not differentiate between uncoated paper made with recycled and that made with virgin fibers. A number of firms that reported unusually high prices explained that their prices tended to be high because some or all the product they sold was made with recycled fibers, including: \*\*\*. Other producers may sell some product with recycled fibers but their prices were not so unusually high and thus were not asked if they used recycled fibers for some of their product.

A number of factors are reported to affect prices for product 3 and other folio sized paper. Folio paper (product 3 in the final phase of these investigations and products 2 and 3 in the preliminary phase) is sold both as opaque folio and offset folio. A layer of clay is used in opaque paper, and this is reported to increase its price by 30 to 50 percent over offset paper.<sup>28</sup> \*\*\* reports that U.S. producers sell both opaque folio and offset folio while \*\*\*.<sup>29</sup>

(...continued)

<sup>25</sup> \*\*\*.

<sup>26</sup> Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

<sup>27</sup> Among the factors that some parties report affect prices of all pricing products include: brightness (brighter paper tends to be more expensive); the use of recycled material (recycled paper tends to be more expensive); certification; branding; size of sale; and "quality" characteristics. Correspondence with \*\*\*. Correspondence with \*\*\*. Suzano's prehearing brief, pp. 15 and 17. Xerox Corporation's, Helpful Facts about Paper reported that "Paper prices vary widely between different types and brands of paper." Suzano's prehearing brief, Exhibit 13, p. 10. Portucel's clarification of questionnaire price data, December 31, 2015.

<sup>28</sup> Portucel's posthearing brief, exh. 6.

<sup>29</sup> In the preliminary phase of the investigations, price data were collected for two folio products: product 2 (uncoated paper, weighing 50 - 60 lb. (74-89 gsm), with dimensions of 23 x35 inches and with GE brightness greater than 90) and product 3 (uncoated paper, weighing 50 - 60 lb. (74-89 gsm), with dimensions of 25 x38 inches and with GE brightness greater than 90). These products did not have the level of specification that was used in final phase product 3, but product 2 in the preliminary phase of

(continued...)

Domtar reported that while folio paper is a smaller portion of the overall uncoated paper market, it is an important sector to Domtar. Domtar sells folio paper in three branded grades, Husky, Lynx, and Cougar. Domtar states that Portucel and Suzano have aggressively sold into the folio sector of the market and Domtar reports losing “significant” business to imports from Brazil and Portugal.<sup>30</sup>

Price data for products 1 through 3 are presented in tables V-5 to V-7 and figures V-1 to V-3. The volume of product 1 pricing data is much larger than the amount for product 2, and the amount of product 2 is much larger than the amount of product 3. Nonsubject country prices for Canada are presented in Appendix G.

**Table V-5**  
**Uncoated paper: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarters, January 2012-September 2015**

\* \* \* \* \*

**Table V-6**  
**Uncoated paper: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarters, January 2012-September 2015**

\* \* \* \* \*

**Table V-7**  
**Uncoated paper: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarters, January 2012-September 2015**

\* \* \* \* \*

**Figure V-1**  
**Uncoated paper: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2012-September 2015**

\* \* \* \* \*

(...continued)

the investigations was the same size as product 3 in the final phase. The changes in the product definition of the 25 x 38 inch product between the preliminary phase and the final phase of the investigations resulted in reduced short tons reported by U.S. producers. The amount reported by U.S. producers decreased between the preliminary phase (product 2) and the final phase (product 3) to less than half the tonnage reported in each of the overlapping quarters. In the preliminary phase of the investigations pricing data for folio products were collected for Brazil, China, Indonesia, and Portugal. For preliminary phase product 2 U.S. prices were higher than subject import prices in 52 of 57 comparisons and U.S. prices increased by \*\*\* percent. For preliminary phase product 3, U.S. prices were higher than import prices in 47 of 51 comparisons, and U.S. prices increased by \*\*\* percent.

<sup>30</sup> Hearing transcript, pp. 76-77 (Melton).

**Figure V-2**  
**Uncoated paper: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2012-September 2015**

\* \* \* \* \*

**Figure V-3**  
**Uncoated paper: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2012-September 2015**

\* \* \* \* \*

**Price trends**

As shown in table V-8, domestic prices decreased for product 1 and 2, by \*\*\* percent and \*\*\* percent, respectively from first quarter 2012 to third quarter 2015. Domestic prices increased slightly for product 3, by \*\*\* percent. Most of the subject import price series showed decreases, \*\*, except for prices of product 1 from Australia and China, which \*\*, respectively, and the price of product 2 from Portugal increased by \*\*.

**Table V-8**  
**Uncoated paper: Summary of weighted-average f.o.b. prices for products 1-3 from the United States and Australia, Brazil, China, Indonesia, and Portugal**

Item	Number of quarters	Low price (dollars per short ton)	High price (dollars per short ton)	Change in price <sup>1</sup> (percent)
<b>Product 1</b>				
United States	15	***	***	***
Australia	15	***	***	***
Brazil	15	***	***	***
China	15	***	***	***
Indonesia	15	***	***	***
Portugal	15	***	***	***
<b>Product 2</b>				***
United States	15	***	***	***
Brazil	15	***	***	***
China	6	***	***	***
Indonesia	15	***	***	***
Portugal	15	***	***	***
<b>Product 3</b>				
United States	15	***	***	***
Indonesia	11	***	***	***

<sup>1</sup> Percentage change from the first quarter in which data were available to the last quarter in which price data were available.

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



Domtar reports that it announced price increases in October 2013 and February 2014, however, competition from subject imports “forced it to retreat from most of its price increases in the second half of 2014.”<sup>31</sup> Chinese respondents report that U.S. price declines were caused by competition between U.S. producers to sell to the “mega accounts” that resulted from purchasers’ consolidation.<sup>32</sup>

### Price comparisons

As shown in table V-9, prices for uncoated paper imported from Australia, Brazil, China, Indonesia, and Portugal were below those for U.S.-produced product in 84 of 137 instances equivalent to (1,029,343 short tons out of 1,547,289 short tons), with margins of underselling that ranged from 0.2 to 34.4 percent. In the remaining 53 instances (517,946 short tons), prices for uncoated paper from Australia, Brazil, China, and Portugal were between 0.4 and 19.4 percent above prices for the domestic product. There were no instances of overselling by imports from Indonesia, and only one instance apiece for imports from Australia<sup>33</sup> and China.<sup>34</sup> In contrast there were more instances of overselling than underselling by imports from Brazil<sup>35</sup> and Portugal.<sup>36</sup>

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<sup>31</sup> Hearing transcript, p. 59 (Thomas).

<sup>32</sup> Chinese posthearing brief, p. 8.

<sup>33</sup> Australian Paper reports that because it does not offer a full portfolio of products, and that it sells only non-premium brands while U.S. producers sell both premium and non-premium brands. Thus, it reports Australia and U.S. price differences reflect different product mixes, and do not allow “apples-to-apples pricing comparisons.” The lack of brand means that customers will not pay higher prices for Australian paper in spite of its “superior quality.” Australian posthearing brief, p. 6, and exh. 1, p. 1.

<sup>34</sup> Chinese respondents report that “the pricing data for domestic like product reflects a price premium for domestic producers’ well-known, premier brands, and does not represent the actual net price paid by U.S. purchasers due to domestic producers’ use of highly complicated pricing programs.” Chinese respondents report that U.S. producers sell in “good better and best” brands while subject imports are constrained by large purchasers to sell only in the entry level and U.S. price programs include indirect allowances, while imports sell at a net price. Chinese respondents contend that these distort price comparisons. Chinese posthearing brief, pp. 5-7.

<sup>35</sup> Suzano reports that Brazil’s prices show “overwhelming overselling and negligible margins of underselling in the few instances of reported underselling.” It adds that its pattern of overselling differs from that of Portuguese product and Suzano sells mainly retail branded product and \*\*\*. Suzano’s posthearing brief, pp. 3-4.

<sup>36</sup> Petitioners argued that \*\*\* Petitioners suspect that \*\*\* Petitioners’ prehearing brief, pp. 32-36. \*\*\*.” Petitioners’ prehearing brief, exh. 8. Portucel explained that it sells to the “high-quality mill-branded segment of the paper market” and has “refused to compete with other importers in the lower-priced retailer/private label-branded segment” and that its product sells at a premium. Portucel’s posthearing brief, pp. 2, 5. \*\*\*. Petitioners “suspect that Portucel has failed to deduct all volume discounts from its price data” and that “Portucel may have included sales of 18 pound copy paper in its product 1 price data.” 18 pound paper cost more per ton than 20 pound paper. Petitioners’ posthearing brief, response to Commissioners’ questions, pp. 23-24. Portucel reports that its pricing data are

(continued...)

Respondents explained that “indirect allowances” by the U.S. producers such as “dot.com placements, catalogue funding, selling spiffs, et cetera” can create the appearance of underselling.<sup>37</sup> Petitioners responded that all rebates were taken account in domestic producers’ price data and petitioners allege that the amount of underselling is understated in the price data.<sup>38</sup>

**Table V-9**  
**Uncoated paper: Instances of underselling/overselling and the range and average of margins, by country, January 2012-September 2015**

Source	Underselling				
	Number of quarters	Quantity <sup>1</sup> (short tons)	Average margin (percent)	Margin range (percent)	
				Min	Max
Australia	14	***	***	***	***
Brazil	7	***	***	***	***
China	20	***	***	***	***
Indonesia	41	***	***	***	***
Portugal	2	***	***	***	***
Total	84	1,029,343	8.8	0.2	34.4
Source	(Overselling)				
	Number of quarters	Quantity <sup>1</sup> (short tons)	Average margin (percent)	Margin range (percent)	
				Min	Max
Australia	1	***	***	***	***
Brazil	23	***	***	***	***
China	1	***	***	***	***
Indonesia	0	0	--	--	--
Portugal	28	***	***	***	***
Total	53	517,946	(6.2)	(0.4)	(19.4)

<sup>1</sup> These data include only quarters in which there is a comparison between the U.S.-produced and imported subject product.

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

Table V-10 provides underselling and overselling information by product as well as country.

(...continued)

accurate, and that its product sells at a premium price and it does not compete with other subject countries. Portucel’s posthearing brief, pp. 1, 12-13.

<sup>37</sup> Hearing transcript, p. 184 (Clark).

<sup>38</sup> Hearing transcript, p. 279 (Drake).

Table V-10

Uncoated paper: Instances of underselling/overselling and the range and average of margins, by country and product, January 2012-September 2015

Source	Underselling				
	Number of quarters	Quantity <sup>1</sup> (short tons)	Average margin (percent)	Margin range (percent)	
				Min	Max
<b>Product 1</b>					
Australia	14	***	***	***	***
Brazil	6	***	***	***	***
China	14	***	***	***	***
Indonesia	15	***	***	***	***
Portugal	1	***	***	***	***
Total	50	***	***	***	***
<b>Product 2</b>					
Brazil	1	***	***	***	***
China	6	***	***	***	***
Indonesia	15	***	***	***	***
Portugal	1	***	***	***	***
Total	23	***	***	***	***
<b>Product 3</b>					
Indonesia	11	***	***	***	***
Source	(Overselling)				
	Number of quarters	Quantity <sup>1</sup> (short tons)	Average margin (percent)	Margin range (percent)	
				Min	Max
<b>Product 1</b>					
Australia	1	***	***	***	***
Brazil	9	***	***	***	***
China	1	***	***	***	***
Indonesia	0	0	--	--	--
Portugal	14	***	***	***	***
Total	25	***	***	***	***
<b>Product 2</b>					
Brazil	14	***	***	***	***
China	0	0	--	--	--
Indonesia	0	0	--	--	--
Portugal	14	***	***	***	***
Total	28	***	***	***	***
<b>Product 3</b>					
Indonesia	0	0	--	--	--

<sup>1</sup> These data include only countries reporting price data for the products in question.

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

Petitioners claim that \*\*\*.<sup>39</sup> \*\*\*. \*\*\*.<sup>40</sup>

Petitioners believe that the inclusion of “with matching cover” unnecessarily reduced the amount of imports of pricing product 3, the one folio product collected in the final phase of these investigations and thus reduced the number of instances of underselling reported.<sup>41</sup> According to petitioners, “many jobs don't require cover stock;” also if a cover stock is needed, it can be purchased from another supplier. Petitioners report that “Portucel offers a wide array of cover stock to match its Soporcel folio offerings.”<sup>42</sup> Mac Paper reports that it “has required {its} U.S. suppliers to reduce their prices for both cut-size and folio paper to keep {it} competitive with other merchants supplying subject imports.”<sup>43</sup>

Respondents claim that product 3 accounts for little of the pricing data collected, that it is not facing “intense or growing import competition,” that it captures a variety of specialty products, and that the domestic industry benefits from non-price differences in product 3.<sup>44</sup>

Respondents suggest that the Commission focus its analysis of under and overselling analysis on products 1 and 2 because these account for the “overwhelming majority of overall subject imports.” Respondents also argue that if the Commission cumulates imports from all the subject countries, then cumulated subject import AUVs “is a more accurate measurement of price competition that U.S. producers faced.” They add that this will prevent the Commission from assigning equal weight to low volume sources that would distort underselling analysis.<sup>45</sup>

### **LOST SALES AND LOST REVENUE**

In the preliminary phase of these investigations, the Commission requested U.S. producers of uncoated paper to report instances of lost sales or revenue due to competition from subject imports between January 2011-September 2014. The two responding U.S. producers identified 51 firms where they lost sales or revenue (36 consisting of lost sales allegations, 13 consisting of lost revenue allegations, and 2 consisting of both types of allegations).<sup>46</sup> U.S. producers were also asked to provide information regarding the timing, method of sale, and product type related to the lost sales and lost revenue allegations. All of the eight responding U.S. producers reported that they had to either reduce prices or roll back announced price increases, and that they had lost sales.

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<sup>39</sup> Petitioners’ prehearing brief, pp. 36-37.

<sup>40</sup> Portucel, questionnaire clarifications, received December 30, 2015.

<sup>41</sup> Hearing transcript, p. 91 (Dorn).

<sup>42</sup> Hearing transcript, p. 84 (McGehee).

<sup>43</sup> Hearing transcript, p. 85 (McGehee).

<sup>44</sup> Joint respondents’ prehearing brief, pp. 22-23.

<sup>45</sup> Joint respondents’ prehearing brief, pp. 24-25.

<sup>46</sup> Effective October 1, 2015, the Commission changed its rules associated with domestic industry provision of allegations of lost sales and lost revenue. The Commission rules were changed to ask petitioners to provide a list of purchasers where they lost sales or revenue, instead of transaction-specific incidents. Information from the preliminary phase related to lost sales and lost revenue allegations under the prior Commission rules is located in appendix H.

In the final phase of these investigations, all 10 responding U.S. producers reported that they had to reduce prices, and 8 of the 10 producers reported that they had to roll back announced price increases to avoid losing sales to firms selling uncoated paper from Australia, Brazil, China, Indonesia, or Portugal. All 10 U.S. producers also reported that they had lost sales to firms selling uncoated paper from Australia, Brazil, China, Indonesia, or Portugal. The Commission’s purchaser questionnaire was sent to 121 firms and from 28 purchasers responded.<sup>47</sup>

Five of the 28 purchasers reported switching to Indonesian product (\*\*\*), two reported switching to Chinese product (\*\*\*), and one each reported switching to product from Australia (\*\*\*), Brazil (\*\*\*), and Portugal (\*\*\*).

Most these purchasers reported that price was the reason for switching to imports.<sup>48</sup> \*\*\* reported that price was not the reason it switched to Indonesian product. It reported it shifted because “\*\*\*.” \*\*\* reported that price was not the reason it switched to purchasing product from Portugal. It reported it shifted because of a “\*\*\*.” \*\*\* reported that it switched because it was unable to get enough supply from U.S. sources, rather than because of price.

The amount of product switched was \*\*\* short tons for Australia reported by \*\*\*, \*\*\* short tons for Brazil reported by \*\*\*, \*\*\* short tons for China reported by \*\*\*, and \*\*\* short tons for Indonesia reported by \*\*\* table V-11.<sup>49</sup>

**Table V-11**  
**Uncoated paper: Purchasers’ responses to purchasing patterns**

\* \* \* \* \*

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<sup>47</sup> Four purchasers submitted lost sales lost revenue survey responses in the preliminary phase, but did not submit purchaser questionnaire responses in the final phase. In addition, 16 email contacts were provided that were rejected by the recipients, and for which no alternative was provided.

<sup>48</sup> One purchaser (\*\*\*) did not report switching but responded differently when asked if price was the reason for switching; it reported that price was the reason it switched to purchasing product from Indonesia and Portugal; however, it did not purchase U.S. product.

<sup>49</sup> Ten purchasers (\*\*\*) were named in lost sales or lost revenue allegations in the preliminary investigations but were not issued a survey nor a purchaser questionnaire since valid email addresses were not provided.

Purchasers were asked if U.S. producers had reduced their prices because of competition from uncoated paper from subject countries (tables V-12 and V-13). In describing the price reductions, purchasers indicated that U.S. mills had tried to increase prices but instead had to reduce their prices below their original price, and that U.S. producers had to reduce prices to get a large order.

**Table V-12**

**Uncoated paper: Number of purchasers reporting that U.S. producers had reduced prices because of competition from subject countries and range of reported price reductions**

\* \* \* \* \*

**Table V-13**

**Uncoated paper: Purchasers' responses to U.S. producer price reductions**

\* \* \* \* \*

## PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

### BACKGROUND

Ten U.S. producers provided useable financial data.<sup>1</sup> They may be divided into two groups: (1) integrated producers (integrated back to pulp and papermaking) and (2) converters or toll-converters (purchase or are provided sheeter rolls for conversion to uncoated paper).<sup>2</sup> In both cases, the sheeter rolls are slit and cut. These data accounted for the vast majority of shipments of uncoated paper in 2014.<sup>3</sup>

### OPERATIONS ON UNCOATED PAPER

Table VI-1 presents aggregated data on U.S. producers' operations in relation to uncoated paper, while table VI-2 presents selected company-specific financial data. Results of the firms' operations are briefly summarized as follows. Total net sales fell substantially by quantity and value between 2012 and 2014 and were lower in January-September 2015 than in January-September 2014. Total cost of goods sold ("COGS") declined between the full year periods and was lower in interim 2015 than in interim 2014. Total COGS did not fall to the same extent as did sales, hence, the ratio of total COGS to sales increased between 2012 and 2014; that ratio was greater in interim 2015 than in the same period one year earlier. Gross profit fell between the full yearly periods and was lower in interim 2015 than in interim 2014. Operating income reflected the changes in sales and costs/expenses and fell \*\*\* between the full yearly

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<sup>1</sup> These firms are: American Eagle, Boise, Domtar, Finch Paper, Georgia-Pacific, Glatfelter, International Paper, Neenah Paper, Performance Office Papers, and Summit Lake. Each of the firms reported its data on a fiscal year that ended on December 31.

<sup>2</sup> Nine of ten reporting producers are integrated to the source of fiber, which they use to produce sheeter rolls, which, in turn, are converted to uncoated paper. Because the plant of an integrated firm includes the upstream assets as well as those for producing uncoated paper, integrated firms are often larger or much larger than the more specialized converters. Converters utilize another firm's sheeter roll (hence, do not have the papermaking and sheeter-roll equipment); they produce uncoated paper, either by purchasing the sheeter roll and assuming the price and inventory risk of selling the uncoated paper, or producing uncoated paper on a toll basis on behalf of the firm that supplied the sheeter roll. According to \*\*\*, these converters often perform sheeting for specialty cut size products such as those with perforated edges or punched holes. They might also generate odd sheet sizes or sheeting for OEM printer/copier clients who do not have paper manufacturing capability. \*\*\* estimates the independent converters to supply less than 5 percent of the U.S. market. \*\*\*. \*\*\*.

<sup>3</sup> According to an industry publication, there are 10 primary producers of cut size uncoated freesheet in North America. Of the 10, four firms, Domtar, International Paper, Boise, and Georgia-Pacific, together accounted for \*\*\* percent of the market and the remaining six producers have a 4 percent market share. \*\*\*.

periods, and was lower in interim 2015 than in interim 2014. Net income and cash flow followed the trend in operating income.

**Table VI-1**

**Uncoated paper: Results of operations of U.S. producers, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**Table VI-2**

**Uncoated paper: Results of operations of U.S. producers, by firm, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

### **Total net sales**

As described by the data in table VI-1, total net sales fell between 2012 and 2014 (by approximately \*\*\* percent, by quantity, and by \*\*\* percent, by value), and were lower in interim 2015 compared with interim 2014. The data in table VI-2 indicates that sales results were mixed by firm as three of the ten reporting firms registered increased sales between the two full yearly periods, although those increases were far outweighed by the sales declines of \*\*\*. Seven of the ten reporting firms reported lower sales (by value) in interim 2015 compared with interim 2014. The average unit value of sales declined irregularly between 2012 and 2014 (it was sharply lower in 2013 and rose from 2013 to 2014) and was lower in interim 2015 than in interim 2014.

An industry publication stated that demand for uncoated paper in the United States has experienced a steady secular decline that will continue.<sup>4</sup> Industry witnesses echoed these statements: “although year to year consumption may fluctuate a bit, demand has been declining by about three percent per year.”<sup>5</sup> At the staff conference, this secular change was ascribed to how digital media innovations that have changed the way information is stored, distributed, and communicated. In other words, uncoated paper competes with electronic data transmission and document storage alternatives, and increasing shifts to these alternatives have reduced usage of traditional print media and communication papers. In part, firms have reacted to this by reducing production capacity<sup>6</sup> and by selective “repurposing” of certain paper

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<sup>4</sup> The publication stated that the \*\*\*.

<sup>5</sup> Conference transcript, p. 44 (Melton); also hearing transcript, p. 42 (Dorn). Conference transcript, p. 42 (Bray).

Petitioners addressed a staff question on secular decline. See petitioners’ postconference brief, pp. 13-15. Also see Respondents’ joint postconference brief, pp. 5-9.

<sup>6</sup> PCA, Form 10-Q, November 7, 2014, p. 20. The firm explains that secular decline in demand, in part, was the rationale to closing two paper machines at the International Falls, Minnesota facility. Additionally a witness for PCA indicated that price pressure from imports made it uneconomical to keep operating the mill and the machines were not repurposed. Hearing transcript, pp. 62-63 (Lassa).

(continued...)



lines to fluff pulp production. This allows the affected firms to ameliorate the underutilization of capacity and to expand into a growing market segment.<sup>7</sup>

### Operating costs and expenses

Raw material costs are substantial in this industry and account for a majority of total COGS. For integrated producers, such costs include fiber and pulp manufacturing costs<sup>8</sup> as well as direct papermaking costs. These costs include wood fiber, chemical, and energy. Raw materials as a share of total COGS declined slightly between 2012 and 2014, and were lower in January-September 2015 (table VI-1). On a value basis, raw material costs fell (with the decline in sales quantity) from 2012 to 2014 and were lower in January-September 2015 than in January-September 2014. On a per-unit basis, raw material costs increased irregularly from 2012 to 2014 and were lower in interim 2015 than in interim 2014 as shown by the data in table VI-1. Raw material costs varied widely within the industry; the highest unit values were calculated from the data \*\*\*, while the lowest values were those of \*\*\*.

Other factory costs constituted the second greatest component of total COGS (table VI-1). These costs declined from 2012 to 2014, although they were \*\*\* greater in interim 2015 than in interim 2014. On a per-unit basis, other factory costs rose by \*\*\* percent between 2012 and 2014. \*\*\*. As noted earlier, firms included non-recurring expenses relating to shutdown, closure, or impairment costs in other factory costs or in other expenses below the operating

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(...continued)

Petitioners stated that a gradual reduction in capacity is a strategy employed by companies to maintain prices and profit margins in the face of a secular decline in demand. Petitioners' posthearing brief, answers to questions by Commissioners, p. 31.

<sup>7</sup> For example, Domtar with respect to its papermaking line at Marlboro, South Carolina and capacity reduction at its mill in Ashdown, Arkansas. Petitioners stated that the increase in imports in 2014 caused Domtar to accelerate the decision to repurpose the A64 machine at Ashdown, Arkansas to make less profitable fluff pulp. Petitioners' posthearing brief, answers to questions by Commissioners, p. 15. (In 2012, Domtar acquired Attends Europe, a manufacturer and supplier of adult incontinence care products; the product is sold to hospitals for acute care and to nursing homes for longterm care and the firms sees that segment as growing due to aging population and increased health care spending. Petitioners stated that repurposing entails substantial capital investments to achieve a lower return than that was available from the assets' original design and attributed repurposing in part to competition from imports. Petitioners' postconference brief, exh. 23 (Thomas Declaration); hearing transcript, p. 88 (Stewart), and petitioners' posthearing brief, answers to questions by Commissioners, p. 82.

<sup>8</sup> Domtar states that the manufacture of pulp and paper requires wood fiber, chemicals, and energy. Domtar's U.S. pulp and paper mills use hardwood and softwood, which are purchased from third party sources. Fiber costs accounted for approximately 20 percent of the total cost of sales during 2014. Likewise, Domtar's pulp and paper manufacturing operations primarily purchase chemicals, which comprised approximately 12% of the total consolidated cost of sales during 2014. Energy costs (including natural gas, fuel oil, coal, and biomass, as well as electricity) for pulp and papermaking comprised approximately 6% of the total consolidated cost of sales. Domtar 2014 Form 10-K, pp. 7-8 (as filed).

income line.<sup>9</sup> Such closures were noted in the preliminary phase of these investigations.<sup>10</sup> Both direct labor costs and SG&A expenses are low relative to raw materials and other factory costs.

### **Profitability**

Gross income, operating income, and net income each fell from 2012 to 2014 and were lower in January-September 2015 than in January-September 2014. Seven of the ten U.S. firms reported lower operating profits between the two full yearly periods (\*\*\*) . Between the two interim periods, five of the nine firms reported lower operating results (table VI-2). Performance of the firms was similar on a net income basis. As expressed as a ratio to total net sales, operating income and net income before taxes both declined irregularly from 2012 to 2014 and were lower in interim 2015 than in interim 2014. The performance was similar when expressed on a per-unit basis of dollars per short ton of sales.<sup>11</sup>

### **Toll-conversion operations**

As noted earlier, some converters buy sheeter-rolls and take the market risk on sale of uncoated paper. \*\*\* estimates that independent sheeters supply less than \*\*\* percent of the market in North America.<sup>12</sup> An arrangement that reportedly is more common is for an integrated producer to contract with an independent firm for the toll-conversion of odd-sizes or hole-punched/perforated sheets to maximize throughput on its own sheeter mill. In this arrangement the converter does not take the price and market risk of purchasing sheeter rolls and, instead acts as a toll-converter or “toller.”<sup>13</sup> In the preliminary phase of these investigations three firms provided information on the percentage of their sales accounted for by toll-conversion, whether that percentage had changed, and why toll conversion was utilized. In the final phase of these investigations, \*\*\* firms responded affirmatively that they had been

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<sup>9</sup> Petitioners’ conference testimony, exh. L. Closure and restructuring costs are recognized as liabilities in the period when they are incurred and are measured at their fair value. For example, in March 2011, Domtar announced the permanent shutdown of \*\*\*. Domtar also incurred restructuring and impairment costs during interim 2014 and additional costs during the fourth quarter of 2014 (the firm reported \$18 million in the fourth quarter of 2014). Domtar, Form 8-K, February 6, 2015.

<sup>10</sup> Respondents contended in the preliminary phase of these investigations that the domestic industry’s strategy of removing and repurposing capacity caused supply-demand imbalances, which were particularly acute in late 2013 to early 2014, citing closures by International Paper and Boise. Respondents’ joint postconference brief, pp. 8-9 and 20-26.

<sup>11</sup> Despite this, an industry publication described cut size uncoated freesheet production in the United States as one of the most \*\*\*. \*\*\*.

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

<sup>13</sup> The tollee provides the raw material inputs (here, sheeter-rolls) to the toller, retaining title to the inputs, and the toller returns the finished product (here, uncoated paper) to the tollee. The toller converts the input to the finished product and charges a tolling fee, which differs in concept and unit value from sales, and may arrange packaging and shipment on behalf of the tollee.

involved in a toll agreement (as toller or tollee) since January 1, 2012.<sup>14</sup> The responses of these firms are combined and are shown in table VI-3. Only \*\*\*.<sup>15</sup>

**Table VI-3**

**Uncoated paper: Firms' narrative responses regarding toll conversion**

\* \* \* \* \*

It should be noted that the commercial sales of the finished product and the conversion costs are included in profit and loss data shown in tables VI-1 and VI-2. Tolling revenues are substantially different from commercial sales and the cost structure of toll conversion also differs dramatically from that of commercial production. \*\*\* reported data on tolling, (described earlier).

**Variance analysis**

A variance analysis for the operations of U.S. producers of uncoated paper is presented in table VI-4.<sup>16</sup> The information for this variance analysis is derived from table VI-1. A variance analysis is a method to assess the changes in profitability from period to period by measuring the impact of changes in the relationships between price, cost, and volume. A calculation is made of the impact of each factor by varying only that factor while holding all other factors constant. The components of net sales variances are either favorable (positive), resulting in an increase in net sales and profitability or unfavorable (negative) resulting in the opposite. As the data depict, operating income fell between each of the periods. Between 2012 and 2014, price, net cost/expense, and volume variances were each unfavorable (unit prices declined, unit costs increased). Between January-September 2014 and January-September 2015, an unfavorable price variance offset a favorable net cost/expense variance. The variance on net income was similar.

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<sup>14</sup> U.S. producers' questionnaire, section II-5.

<sup>15</sup> Questionnaire response of \*\*\*, sections V-4 and V-5.

<sup>16</sup> The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. The overall volume component of the variance analysis is generally small.

**Table VI-4**

**Uncoated paper: Variance analysis on the operations of U.S. producers, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES**

Capital expenditures are included in a firm’s statement of cash flows within the section, “cash flows from investing activities.” In accounting terms, capital expenditures increase the value of specific plant and equipment and total assets, while charges for depreciation and amortization (in the case of intangible assets), impairments, and divestitures (or retirement or abandonment of property) decrease the value of assets. Capital expenditures are made and research and development (“R&D”) expenses are incurred to achieve improvements in equipment or reduce operating costs and the quality of products produced. Table VI-5a presents capital expenditures and R&D expenses by firm.

**Table VI-5a**

**Uncoated paper: Capital expenditures and research and development expenses of U.S. producers, by firm, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

Capital expenditures declined irregularly from 2012 to 2014 but were greater in interim 2015 than in the period one year earlier. R&D expenses were \*\*\*. The Commission’s questionnaire asked firms to indicate the nature, focus, and significance of their capital expenditures on the subject product. Their responses are presented in table VI-5b.

**Table VI-5b**

**Uncoated paper: Firms’ narrative responses on on the nature, focus, and significance of their capital expenditures**

\* \* \* \* \*

## ASSETS AND RETURN ON INVESTMENT

The Commission's questionnaire requested firms to provide data on their total assets, current and non-current, associated with the production, warehousing, and sale of uncoated paper. An integrated firm has plant and equipment for producing pulp (fiber), paper in the form of sheeter rolls and sheeting.<sup>17</sup> A stand-alone converter has plant and equipment for handling sheeter rolls and performing sheeting operations. For both types of firms, assets include downstream processing, handling, and storage of the uncoated paper product. To the extent that integrated producers reported data for their pulp and papermaking assets,<sup>18</sup> those values reflect an allocation to uncoated paper from total production, such as by the relative share of production or sales of uncoated paper to the total. Current assets are also allocated.

Table VI-6 presents data on the U.S. producers' total assets as well as the ratios of operating income or (loss) and net income or (loss) to total assets. The value of total net assets fell from 2012 to 2014 by approximately \$\*\*\*, equivalent to a decline of \*\*\* percent, that was accounted for mostly by the data of \*\*\*, and due mainly to the closure of certain facilities.<sup>19</sup> \*\*\*. The ratio of operating income to total assets also fell substantially from 2012 to 2014.

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<sup>17</sup> As noted earlier, most domestic producers are integrated operations, producing uncoated paper in a continuous process from the harvested log to the intermediate pulp product to sheeter rolls to the final uncoated paper product. See Figure I-1 in Part I of this report. Nearly all sheeter rolls, the immediate input produced in the papermaking stage and transferred to sheeting operations, are internally consumed by the paper mills that produce uncoated paper (there are no U.S. producers that only produce sheeter rolls that do not also convert most of those rolls to sheeted products) and there is little trade in sheeter rolls except for sales to stand-alone converters or transfers for toll production of specific products.

<sup>18</sup> Petitioners estimated a new paper machine installed in an existing paper mill with supporting pulp product to cost in excess of \$600 million and a new greenfield pulp and paper mill to cost in excess of \$1 billion. Petitioners' prehearing brief, pp. 19-20 and hearing transcript, p. 42 (Dorn) and p. 70 (Bray). The cost of a sheeting line was estimated at \$15 to \$20 million. Hearing transcript, p. 135 (Stewart). An industry witness for Domtar stated that it would cost \$500,000 to \$600,000 to permit sheeting of different sizes (e.g., switch from international to U.S. sizes or vice-versa). But that would be an estimate for installation of the equipment in an existing mill. Hearing transcript, p. 14 (Bray) and p. 135 (Stewart).

<sup>19</sup> Several firms provided comments regarding the changes in their assets. \*\*\*. U.S. producers' questionnaire responses, section III-13. On December 10, 2014, Domtar announced that it is shutting down 364,000 short tons of annual uncoated free sheet production capacity in the second quarter of 2016. The A64 paper machine, which was engineered to produce sheeter rolls for certain uncoated paper, will be taken out of service for conversion to making fluff pulp. \*\*\*. This will reduce Domtar's paper-making capacity by approximately 364,000 short tons and its sheeting capacity by \*\*\* tons. Petitioners' prehearing brief, p. 64.

Commission staff asked petitioners in the preliminary phase of these investigations to address an adequate rate of return for the industry producing uncoated paper. Their response was that it would have to take into account the industry's disinvestment in assets, depreciation (i.e., \*\*\*, and impairment by write-downs.<sup>20</sup> They concluded that the 2011 ratio of operating income to total net assets (\*\*\*) would be a conservative estimate of an adequate rate of return for this industry.<sup>21</sup> It should be noted that, according to data gathered in these final phase investigations, annual charges for depreciation exceeded capital investment in each full and partial year.

**Table VI-6**  
**Uncoated paper: U.S. producers' total assets and ratio of operating and net income or (loss) to total net assets, by firm, 2012-14**

\* \* \* \* \*

**CAPITAL AND INVESTMENT**

The Commission requested U.S. producers of uncoated paper to describe any actual or potential negative effects of imports of uncoated paper from Australia, Brazil, China, Indonesia, and Portugal on their firms' growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments. Table VI-7 tabulates the responses on actual negative effects on investment, growth, and development while tables VI-8 and VI-9 presents firms' narrative responses on actual negative effects on investment, and growth and development, respectively. Table VI-10 presents the comments by firms on anticipated negative effects of the subject imports.

**Table VI-7**  
**Uncoated paper: Negative effects of imports from subject sources on investment, growth, and development since January 1, 2012**

\* \* \* \* \*

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<sup>20</sup> Petitioners' postconference brief, p. 24, and exh. 23 and exh. 33. Petitioners' posthearing brief, p. 13.

<sup>21</sup> Petitioners postconference brief, p. 24.

**Actual negative effects<sup>22</sup>**

**Table VI-8**

**Uncoated paper: U.S. producers' narrative responses on negative effects on investment since January 1, 2012**

\* \* \* \* \*

**Table VI-9**

**Uncoated paper: U.S. producers' narrative responses on negative effects on growth and development since January 1, 2012**

\* \* \* \* \*

**Anticipated negative effects<sup>23</sup>**

**Table VI-10**

**Uncoated paper: U.S. producers' narrative responses on anticipated negative effects of imports**

\* \* \* \* \*

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<sup>22</sup> \*\*\*.

<sup>23</sup> \*\*\*.





## PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

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

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

- (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
- (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
- (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
- (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
- (V) inventories of the subject merchandise,*

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<sup>1</sup> Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that “The Commission shall consider {these factors}... as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider... shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition.”

- (VI) *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,*
- (VII) *in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),*
- (VIII) *the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and*
- (IX) *any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).<sup>2</sup>*

Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV and V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

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<sup>2</sup> Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, "... the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

## THE INDUSTRY IN AUSTRALIA

### Overview

Paper Australia Pty. Ltd. (“Australian Paper”) is the only known producer of uncoated paper in Australia. The firm is an Australian registered company owned by Nippon Paper Industries Co. Ltd., a large Japanese paper producer. Australian Paper maintained two paper mills, the Maryvale mill and the Shoalhaven mill. The Maryvale mill is an integrated pulp and paper mill producing uncoated paper on two of its five paper machines. The smaller Shoalhaven mill produced 14,500 tons of paper annually, specifically \*\*\*.<sup>3</sup> Australian Paper closed the Shoalhaven mill on August 28, 2015.<sup>4</sup>

The Commission issued a foreign producers’ or exporters’ questionnaire to one firm believed to produce and/or export uncoated paper from Australia. A useable response to the Commission’s questionnaire was received from Australian Paper. This firm’s exports to the United States accounted for all or virtually all of U.S. imports of uncoated paper from Australia in 2014. According to estimates requested of Australian Paper, the production of uncoated paper in Australia reported in this Part of the report accounts for approximately 100 percent of overall production of uncoated paper in Australia. Table VII-1 presents information on the responding Australian producer.

**Table VII-1**  
**Uncoated paper: Australian producer’s summary data, 2014**

Firm	Production (short tons)	Share of reported production (percent)	Exports to the United States (short tons)	Share of reported exports to the United States (percent)	Total shipments (short tons)	Share of firm’s total shipments exported to the United States (percent)
Australian Paper	***	***	***	***	***	***
Total	***	***	***	***	***	***

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

### Changes in operations

As presented in table VII-2, Australian Paper reported several operational and organizational changes since January 1, 2012.

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<sup>3</sup> Petition, Volume II, pp. II-1-2; Australian Paper web site <http://australianpaper.com.au> (accessed February 5, 2015).

<sup>4</sup> “Shoalhaven Paper Mill produces last reel after 58 years,” ABC, July 20, 2015 found at <http://www.abc.net.au/news/2015-07-21/shoalhaven-paper-mill-produces-last-reel-after-almost-60-years/6636296>.

**Table VII-2**  
**Uncoated paper: Australian Paper’s reported changes in operations, since January 1, 2012**

\* \* \* \* \*

**Operations on uncoated paper**

Table VII-3 presents information on the uncoated paper operations of Australian Paper.<sup>5</sup> Australian Paper has \*\*\*. The firm’s average sheeting capacity increased by \*\*\* percent between 2012 and 2014 \*\*\*.<sup>6</sup> Sheeter capacity was \*\*\* percent lower in interim 2015 compared with interim 2014, due to \*\*\*. Australian Paper projected capacity to decline by \*\*\* percent in 2015 and \*\*\* percent in 2016. In addition to \*\*\*.

**Table VII-3**  
**Uncoated paper: Data for Australian Paper, 2012-14, January-September 2014, and January-September 2015, and projected 2015-16**

\* \* \* \* \*

The firm’s production of uncoated paper increased by \*\*\* percent between 2012 and 2014, but was \*\*\* lower in interim 2015 compared with interim 2014. Australian Paper reported that this increase in production was primarily due to \*\*\*. Capacity utilization increased from \*\*\* percent in 2012 and 2013 to \*\*\* percent in 2014, and is projected to reach \*\*\* percent in 2015 and 2016, with projected declines in both capacity and production.

Exports to the United States, as a share of total shipments, increased each year during 2012-14, ending \*\*\* percentage points higher in 2014 than in 2012, while exports to markets other than Asian, Europe, and the United States (\*\*\*) declined by \*\*\* percentage points, and home market shipments declined by \*\*\* percentage points. Australian Paper stated that the increase from 2013 to 2014 was the result of “\*\*\*.” Exports to the United States, as a share of total shipments were \*\*\* percentage points lower in interim 2015 compared with interim 2014, and exports to other markets were \*\*\* percentage points lower, while home market shipments were \*\*\* percentage points higher. The share of total shipments represented by exports to the United States is projected to decline by \*\*\* percentage points in 2015, and to fall to \*\*\* percent in 2016.<sup>7</sup>

Table VII-4 presents sheeting capacity of Australian Paper by paper size. As noted above, Australian Paper has \*\*\*. Australian Paper reported that the investment to convert the \*\*\*.

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<sup>5</sup> Australian Paper stated that its trade data did not reconcile due to \*\*\*.

<sup>6</sup> Email from \*\*\*, February 19, 2015.

<sup>7</sup> Australian Paper reported that exports to the United States were projected to fall to \*\*\*. Email from \*\*\*, January 20, 2016.

**Table VII-4**  
**Uncoated paper: Australian Paper’s sheeter capacity, by sizes, 2012-14, January-September 2014, and January-September 2015, and projected 2015-16**

\* \* \* \* \*

As presented in table VII-5, Australian Paper exported \*\*\* percent manufactured/mill branded uncoated paper to the United States during January 2012-September 2015.

**Table VII-5**  
**Uncoated paper: Australian Paper’s exports to the United States, by brand, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**Alternative paper products**

**Overall papermaking**

As shown in table VII-6, Australian Paper produces other products on the same paper making equipment and machinery used in the production of sheeter rolls that can be made into uncoated paper. These products include \*\*\*. Australian Paper stated that while it can shift production between products, it is constrained by \*\*\*.

**Table VII-6**  
**Uncoated paper: Australian Paper’s total paper making capacity and production, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

Australian Paper noted that a 50,000 ton recycling facility at its Maryvale mill is scheduled to start production in first quarter of 2016. The recycled product from this facility will replace the virgin product currently being used to produce paper and will not change the firm’s overall papermaking capacity, cut ream capacity, or export capacity, \*\*\*.<sup>8</sup> \*\*\*. Australian Paper’s overall paper making capacity was calculated based on actual production. The firm reported that \*\*\*.

**Sheeting**

As shown in table VII-7, Australian Paper produces other products on the same sheeting equipment and machinery used in the production of uncoated paper. These products include \*\*\*. Australian Paper stated that while it can shift production between products, it is constrained by \*\*\*. Australian Paper’s overall sheeting capacity was calculated based on \*\*\*.

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<sup>8</sup> Conference transcript, p. 139 (Peters) and Australian Paper’s response to the Commission’s questionnaire.

The firm notes that output will vary based on the sheet sizes being processed, as 75 gsm U.S. letter size is lighter and shorter than 80 gsm A4 size.

**Table VII-7**  
**Uncoated paper: Australian Paper's total paper sheeting capacity and production, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

### Exports

According to GTA data, during 2014, the top export market for uncoated paper from Australia was the United States, accounting for 69.1 percent of total exports, followed by New Zealand, accounting for 11.3 percent, and Germany, accounting for 8.3 percent (table VII-8).

**Table VII-8**  
**Uncoated paper: Total exports from Australia to top destination markets and the United States, 2012-14**

Destination	Calendar year		
	2012	2013	2014
	<b>Quantity (short tons)</b>		
Australia's exports to the United States	50,339	56,898	84,299
Australia's exports to other top destination markets.--			
New Zealand	13,284	12,603	13,833
Germany	5,535	20,520	10,081
Brazil	693	4,044	5,964
Papua New Guinea	975	1,268	1,301
Chile	0	110	1,296
All other destination markets	14,212	9,926	5,164
Total Australia exports	85,038	105,370	121,938
	<b>Share of quantity (percent)</b>		
Australia's exports to the United States	59.2	54.0	69.1
Australia's exports to other top destination markets.--			
New Zealand	15.6	12.0	11.3
Germany	6.5	19.5	8.3
Brazil	0.8	3.8	4.9
Papua New Guinea	1.1	1.2	1.1
Chile	0.0	0.1	1.1
All other destination markets	16.7	9.4	4.2
Total Australia exports	100.0	100.0	100.0

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

Source: Official export statistics as reported by Australia in the \*\*\* database using HTS subheadings 4802.56 and 4802.57 accessed November 24, 2015.

## THE INDUSTRY IN BRAZIL

### Overview

Suzano Papel e Celulose S.A. (“Suzano”) and International Paper Brazil are two known producers of uncoated paper in Brazil.<sup>9</sup> Suzano is a large producer of market pulp, paperboard, and coated and uncoated paper. It has four paper mills in the State of São Paulo (two in Suzano, one in Embu, and one in Limeira) and a fifth paper mill in the State of Bahia. In 2014, Suzano’s paper products were sold primarily in Brazil (69 percent of total sales volume), with the remainder exported to markets in South America, Central America, North America, and Europe. International Paper Brazil is a subsidiary of International Paper Co., a large U.S. paper, packaging, and fluff pulp producer with manufacturing operations in North America, Europe, Latin America, Russia, Asia, and North Africa. Its operations in Brazil consist of two pulp and paper mills in Mogi Guaçu and Luiz Antônio in São Paulo State and a paper mill in Três Lagoas in Mato Grosso do Sul State. All three mills produce uncoated paper, which is sold domestically and to export markets.<sup>10</sup>

The Commission issued foreign producers’ or exporters’ questionnaires to two firms believed to produce and/or export uncoated paper from Brazil.<sup>11</sup> Useable responses to the Commission’s questionnaire were received from the two firms: International Paper Brazil and Suzano.<sup>12</sup> These firms’ exports to the United States accounted for approximately \*\*\* percent of U.S. imports of uncoated paper from Brazil in 2014.<sup>13</sup> According to estimates requested of the responding Brazil producers, the production of uncoated paper in Brazil reported in this part of the report accounts for approximately \*\*\* percent of overall production of uncoated paper in Brazil.<sup>14</sup> Table VII-9 presents information on the responding Brazilian producers.

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<sup>9</sup> Conference transcript, p. 162 (Tarpey).

<sup>10</sup> Petition, Volume VI, pp. VI-1-3; Suzano web site <http://www.suzano.com.br> (accessed February 6, 2015); International Paper Brazil’s web site <http://www.internationalpaper.com> (accessed February 6, 2015).

<sup>11</sup> These firms were identified through a review of information submitted in the petition and contained in \*\*\* records.

<sup>12</sup> A third firm, Rispassa, S/A Celulose Papel, was acquired by Suzano prior to 2012 and is included in Suzano’s response.

<sup>13</sup> Suzano notes that virtually all Brazilian uncoated paper sold in the U.S. market is exported by Suzano, and that a sizeable portion of U.S. imports of uncoated paper from Brazil are directly exported to Latin America. Conference transcript, p. 122 (Esserman).

<sup>14</sup> Respondents stated that the responding producers are the only two major producers in Brazil. Conference transcript, p. 162 (Tarpey).

**Table VII-9**  
**Uncoated paper: Brazilian producers' summary data, 2014**

Firm	Production (short tons)	Share of reported production (percent)	Exports to the United States (short tons)	Share of reported exports to the United States (percent)	Total shipments (short tons)	Share of firm's total shipments exported to the United States (percent)
International Paper Brazil	***	***	***	***	***	***
Suzano	***	***	***	***	***	***
Total	***	***	***	***	***	***

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

### Changes in operations

As presented in table VII-10, producers in Brazil reported several operational and organizational changes since January 1, 2012. International Paper Brazil noted that \*\*\*.

**Table VII-10**  
**Uncoated paper: Brazilian producers' reported changes in operations, since January 1, 2012**

\* \* \* \* \*

### Operations on uncoated paper

Table VII-11 presents information on the uncoated paper operations of the responding producers and exporters in Brazil.<sup>15</sup> Capacity increased by \*\*\* percent between 2012 and 2014, is projected to increase by \*\*\* percent in 2015 and then decline by \*\*\* percent in 2016. \*\*\* increased capacity \*\*\*. \*\*\* capacity fluctuated between 2012 and 2014, due to \*\*\*. In late 2014, the firm \*\*\*.

**Table VII-11**  
**Uncoated paper: Data for producers in Brazil, 2012-14, January-September 2014, and January-September 2015, and projected 2015-16**

\* \* \* \* \*

Production of uncoated paper increased by \*\*\* percent between 2012 and 2013, and declined by \*\*\* percent between 2013 and 2014, and is projected to decline by \*\*\* and \*\*\* percent in 2015 and 2016, respectively. Both firms followed this pattern (except in 2015 and 2016 during which \*\*\*), with \*\*\*. Capacity utilization ranged from a high of \*\*\* percent in 2012 to a low of \*\*\* percent in 2014, with \*\*\* at a higher capacity utilization in each period.

<sup>15</sup> \*\*\*.



Commercial shipments to the firms' home market represented the largest share followed by exports to other markets. \*\*\* stated that \*\*\* focused on Latin America.<sup>16</sup> Exports to the United States, as a share of total shipments, increased by \*\*\* percentage points between 2012 and 2014, while exports to all other markets (\*\*\*), Europe, and Asia decreased by \*\*\*, \*\*\*, and \*\*\* percentage points, respectively, and home market shipments increased by \*\*\* percentage points. \*\*\* reported that the increase in exports to the United States in \*\*\* was primarily related to \*\*\*. In addition, at least some of the two firms' exports to the United States in turn were exported to Latin America by Miami based trading firm \*\*\*.<sup>17</sup> The sales to this firm accounted for \*\*\*.<sup>18</sup>

\*\*\* has \*\*\*.

Table VII-12 presents sheeting capacity of the responding producers in Brazil by paper size. International Paper Brazil reported the majority (\*\*\*) of its capacity was for \*\*\*. Suzano reported the majority of its capacity \*\*\*.

**Table VII-12**

**Uncoated paper: Brazilian producers' sheeter capacity, by sizes, 2012-14, January-September 2014, and January-September 2015, and projected 2015-16**

\* \* \* \* \*

Table VII-13 presents Brazilian producers' uncoated paper exports to the United States by type of brand. Exports of uncoated paper to the United States from Brazil were increasingly retailer branded between 2012 and 2014, although this differed between the two Brazilian producers. \*\*\*.

**Table VII-13**

**Uncoated paper: Brazilian producers' exports to the United States, by brand, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

### Alternative paper products

#### Overall papermaking

As shown in table VII-14, both responding firms produce other products on the same paper making equipment and machinery used in the production of sheeter rolls that can be made into uncoated paper. International Paper Brazil also produced \*\*\*. Suzano also produced \*\*\*. International Paper Brazil stated that the main constraint to switching between products is related to \*\*\*. Suzano reported that \*\*\* affect product mix.

<sup>16</sup> Conference transcript, p. 123 (Esserman) and \*\*\*.

<sup>17</sup> Conference transcript, p. 162 (Tarpley).

<sup>18</sup> \*\*\* responses to the Commission's foreign producers' questionnaire.

Uncoated paper was approximately \*\*\* of Suzano’s total production, and was slightly less than \*\*\* of International Paper Brazil’s total production in each period.

**Table VII-14**

**Uncoated paper: Brazilian producers’ total paper making capacity and production, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**Sheeting**

As shown in table VII-15, producers in Brazil produce other products on the same sheeting equipment and machinery used in the production of uncoated paper. \*\*\*. Both firms stated that while they can shift production between products, they were constrained by \*\*\*. \*\*\* added \*\*\*.

**Table VII-15**

**Uncoated paper: Brazilian producers’ total paper sheeting capacity and production, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**Exports**

According to GTA data, in 2014, the top export market for uncoated paper from Brazil was the United States, accounting for 25.3 percent of total exports, followed by the United Kingdom, accounting for 16.2 percent, and Chile, accounting for 10.4 percent (table VII-16).

**Table VII-16****Uncoated paper: Total exports from Brazil to top destination markets and the United States, 2012-14**

Destination	Calendar year		
	2012	2013	2014
	<b>Quantity (short tons)</b>		
Brazil's exports to the United States	108,581	168,607	174,982
Brazil's exports to other top destination markets.-- United Kingdom	121,505	108,361	112,259
Chile	66,320	76,893	71,663
Peru	43,810	37,299	40,135
Bolivia	21,290	26,145	28,989
Spain	30,226	31,512	23,012
All other destination markets	350,525	279,182	241,267
Total Brazil exports	742,257	727,999	692,307
	<b>Share of quantity (percent)</b>		
Brazil's exports to the United States	14.6	23.2	25.3
Brazil's exports to other top destination markets.-- United Kingdom	16.4	14.9	16.2
Chile	8.9	10.6	10.4
Peru	5.9	5.1	5.8
Bolivia	2.9	3.6	4.2
Spain	4.1	4.3	3.3
All other destination markets	47.2	38.3	34.8
Total Brazil exports	100.0	100.0	100.0

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

Source: Official export statistics as reported by Brazil in the GTIS/GTA database using HTS subheadings 4802.56 and 4802.57 accessed November 24, 2015.

## THE INDUSTRY IN CHINA

### Overview

China is the largest producer and consumer of paper in the world, having surpassed the United States in 2009.<sup>19</sup> There are a number of Chinese producers of uncoated paper; the three largest producers and exporters to the United States are believed to be Shandong Chenming Paper Holdings Ltd., Asia Pulp and Paper Group (“APP”), and Shandong Sun Paper Industry Joint

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<sup>19</sup> RISI press release, “Global paper and board production hits record levels in 2014 despite ‘persistent decline’ in North America and Europe-RISI review,” November 5, 2014, <http://www.risiinfo.com> (accessed November 6, 2014).

Stock Co., Ltd.<sup>20</sup> These three firms are large integrated paper manufacturers making a variety of paper products in addition to uncoated paper. Chinese papermakers have reportedly increased their capacity to produce uncoated paper in recent years.<sup>21 22</sup>

\*\*\*.<sup>23</sup>

The Commission issued foreign producers' or exporters' questionnaires to 16 firms believed to produce and/or export uncoated paper from China.<sup>24</sup> Useable responses to the Commission's questionnaire were received from two firms: Asia Symbol (Guangdong) Paper ("Asia Symbol") and UPM (China).<sup>25 26</sup> These firms' exports to the United States accounted for \*\*\* percent of U.S. imports of uncoated paper from China in 2014. According to estimates requested of the responding China producers, the production of uncoated paper in China reported in this Part of the report accounts for approximately \*\*\* percent of overall production of uncoated paper in China, and \*\*\* percent of total Chinese exports to the United States. Table VII-17 presents information on the responding Chinese producers.

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<sup>20</sup> Petition, Volume VII, pp. VII-2-6. Asia Pulp and Paper Group and another Chinese company known to produce uncoated paper, Asia Pacific Resources International Limited, also produce uncoated paper in Indonesia (see *infra*).

<sup>21</sup> Meng, Li. "RISI Viewpoint: The battle between China and Indonesia in the uncoated woodfree export markets," July 24, 2014, <http://www.risiinfo.com> (accessed July 25, 2014) and Petitioners' postconference brief, exh. 27.

<sup>22</sup> Respondents noted, however, that Chinese mills' capacity to serve the U.S. market for uncoated paper is limited by their sheeting capacity, which may be much less than the mills' overall capacity to produce uncoated paper. Conference transcript, p. 120 (Wallen).

<sup>23</sup> \*\*\*.

<sup>24</sup> These firms were identified through a review of information submitted in the petition and contained in \*\*\* records.

<sup>25</sup> Useable responses were received from five firms in the preliminary-phase investigations. These data were presented later in this section. One of the responding foreign producers, Shandong Chenming Paper Holdings Ltd. reported that it stopped all shipments and the data from the preliminary-phase investigations is unchanged. Any imports of the firm's products would have been through International Forest Products, which filed a response to the Commission's importers' questionnaire. Email from \*\*\*, November 20, 2015.

<sup>26</sup> Asia Symbol is related to APRIL and \*\*\*. Questionnaire response and *RGE webpage*, <http://www.rgei.com/our-business/asia-symbol#business>.

**Table VII-17**  
**Uncoated paper: Chinese producers' summary data, 2014**

Firm	Production (short tons)	Share of reported production (percent)	Exports to the United States (short tons)	Share of reported exports to the United States (percent)	Total shipments (short tons)	Share of firm's total shipments exported to the United States (percent)
Asia Symbol	***	***	***	***	***	***
UPM (China)	***	***	***	***	***	***
Total	***	***	***	***	***	***

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

### Changes in operations

As presented in table VII-18, producers in China reported several operational and organizational changes since January 1, 2012. Asia Symbol reported that \*\*\*. UPM (China) notes that \*\*\*.

**Table VII-18**  
**Uncoated paper: Chinese producers' reported changes in operations, since January 1, 2012**

\* \* \* \* \*

### Operations on uncoated paper

Table VII-19 presents information on the uncoated paper operations of the responding producers and exporters in China. Capacity of the responding Chinese producers increased by \*\*\* percent (\*\* short tons) between 2012 and 2014, and is projected to increase by \*\*\* percent in 2015 and a further \*\*\* percent in 2016.<sup>27</sup> The \*\*\* of the increase was accounted for by Asia Symbol which commenced operations at its paper plant in Xinhui, Guangdong in July 2012, with a design sheeting capacity of \*\*\* short tons.<sup>28</sup> In addition, \*\*\* increased its cut size sheet capacity approximately \*\*\* short tons in 2013 and \*\*\*.

Production of Chinese producers also increased, by \*\*\* percent between 2012 and 2014, and is projected to increase by \*\*\* percent in 2015 and \*\*\* percent in 2016. The majority of the increase in production during 2012-14 was accounted for by \*\*\*, which \*\*\*, \*\*\*.

<sup>27</sup> As noted above, Chinese respondents stated that Chinese mill capacity to serve the U.S. market is limited by a mill's capability to produce standard U.S. sized paper. Furthermore they argue that there are only a few mills in China with this capability. Conference transcript, p. 120 (Wallen).

<sup>28</sup> "RGE Our Group Companies" found at <http://www.rgei.com/our-business/asia-symbol> and Asia Symbol's response the Commission's foreign producers' questionnaire, question II-2.

Commercial shipments to the firms' home market represented the largest share of total shipments, followed closely by exports to Asia. Exports to the United States represented a small but increasing share of total shipments during 2012-14, but were lower in interim 2015 than in interim 2014 and were projected to decline to \*\*\*. Although both responding firms exported uncoated paper to the United States during 2012-14, exports by \*\*\*.<sup>29</sup>

**Table VII-19**  
**Uncoated paper: Data for producers in China, 2012-14, January-September 2014, and January-September 2015, and projected 2015-16**

\* \* \* \* \*

Table VII-20 presents sheeting capacity of the responding producers in China by paper size. Asia Symbol reported \*\*\*, while UPM (China) reported the majority of its capacity \*\*\*.

**Table VII-20**  
**Uncoated paper: Chinese producers' sheeter capacity, by sizes, 2012-14, January-September 2014, and January-September 2015, and projected 2015-16**

\* \* \* \* \*

Table VII-21 presents Chinese producers' uncoated paper exports to the United States by type of brand. UPM (China) reported \*\*\*, while Asia Symbol reported \*\*\*.

**Table VII-21**  
**Uncoated paper: Chinese producers' exports to the United States, by brand, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**Preliminary-phase data**

During the preliminary phase of these investigations, five producers in China responded to the Commission's questionnaire: Asia Symbol, Gold Hua Sheng Paper (Suzhou Industrial Paper) Co. ("Gold Hua Sheng Paper"), Shandong Chenming Paper Holdings ("Shandong Chenming"), Shandong Sun Paper Industry Joint Stock Co. ("Shandong Sun Paper"), and UPM (China). These firms' exports to the United States accounted for the vast majority of U.S. imports of uncoated paper from China in 2013 and during January 2011-September 2014. The responding five China producers estimated that their production of uncoated paper accounted for approximately 27 percent of overall production of uncoated paper in China, and 87 percent of total Chinese exports to the United States in 2013. Table VII-22 presents information on the

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<sup>29</sup> \*\*\* stated that its trade data did not reconcile due to \*\*\*.

uncoated paper operations of the five responding producers in China collected during the preliminary phase of these investigations.<sup>30</sup>

**Table VII-22**

**Uncoated paper: Data for producers in China, 2011-13, January to September 2013, and January to September 2014, and projection calendar years 2014 and 2015**

Item	Actual experience					Projections	
	Calendar year			January to September		Calendar year	
	2011	2012	2013	2013	2014	2014	2015
	<b>Quantity (short tons)</b>						
Capacity	1,666,950	2,619,200	2,974,853	2,230,622	2,184,170	3,024,251	3,079,377
Production	1,462,254	2,367,155	2,757,570	2,061,659	2,111,597	2,669,407	2,585,625
End-of-period inventories	76,017	145,852	100,872	125,735	110,156	90,864	63,615
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	891,195	1,524,783	1,823,338	1,326,635	1,325,016	1,752,569	1,765,761
Export shipments to:							
United States	25,945	53,572	95,941	73,378	120,296	160,419	76,131
All other markets	541,883	718,896	884,248	682,501	656,008	764,844	770,431
Total exports	567,828	772,468	980,189	755,879	776,304	925,263	846,562
Total shipments	1,459,023	2,297,251	2,803,527	2,082,514	2,101,320	2,677,832	2,612,323
	<b>Ratios and shares (percent)</b>						
Capacity utilization	87.7	90.4	92.7	92.4	96.7	88.3	84.0
Inventories/production	5.2	6.2	3.7	4.6	3.9	3.4	2.5
Inventories/total shipments	5.2	6.3	3.6	4.5	3.9	3.4	2.4
Share of total shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	61.1	66.4	65.0	63.7	63.1	65.4	67.6
Export shipments to:							
United States	1.8	2.3	3.4	3.5	5.7	6.0	2.9
All other markets	37.1	31.3	31.5	32.8	31.2	28.6	29.5
Total exports	38.9	33.6	35.0	36.3	36.9	34.6	32.4
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

## Alternative paper products

### Overall papermaking

As shown in table VII-23, \*\*\* produce other products on the same paper making equipment and machinery used in the production of sheeter rolls that can be made into uncoated paper, although \*\*\*. Asia Symbol also produced \*\*\*. UPM (China) produced \*\*\*. \*\*\* stated that there were no constraints to switch between products. \*\*\* stated that \*\*\*.

<sup>30</sup> Asia Symbol noted that \*\*\*. Email from \*\*\*, November 30, 2015.

Overall paper making capacity of the responding Chinese producers increased by \*\*\* percent in 2013 with \*\*\*, remained level in 2014, and was less than \*\*\* percent lower in interim 2015 compared with interim 2014. The production of sheeter rolls for use in the production of uncoated paper, in terms of quantity and as a share of production, increased in each year during 2012-14 and was higher in interim 2015 compared with interim 2014.

**Table VII-23**

**Uncoated paper: Chinese producers' total plant capacity and production, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**Sheeting**

As shown in table VII-24, \*\*\* produces other products, namely \*\*\* on the same sheeting equipment and machinery used in the production of uncoated paper, although \*\*\*. \*\*\* stated that \*\*\*.

**Table VII-24**

**Uncoated paper: Chinese producers' total paper sheeting capacity and production, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**Exports**

According to GTA data, in 2014, the top export market for uncoated paper from China was Japan, accounting for 18.1 percent of total exports, followed by the United States, accounting for 15.3 percent, and Australia, accounting for 9.4 percent (table VII-25).



**Table VII-25****Uncoated paper: Total exports from China to top destination markets and the United States, 2012-14**

Destination	Calendar year		
	2012	2013	2014
	<b>Quantity (short tons)</b>		
China's exports to the United States	53,035	92,990	153,279
China's exports to other top destination markets.--			
Japan	115,680	145,873	182,149
Australia	87,758	89,474	94,042
Hong Kong	59,898	74,752	88,826
South Korea	39,802	67,646	78,714
Iran	30,256	52,383	38,059
All other destination markets	352,676	444,969	368,738
Total China exports	739,106	968,086	1,003,806
	<b>Share of quantity (percent)</b>		
China's exports to the United States	7.2	9.6	15.3
China's exports to other top destination markets.--			
Japan	15.7	15.1	18.1
Australia	11.9	9.2	9.4
Hong Kong	8.1	7.7	8.8
Korea	5.4	7.0	7.8
Iran	4.1	5.4	3.8
All other destination markets	47.7	46.0	36.7
Total China exports	100.0	100.0	100.0

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

Source: Official export statistics as reported by China in the GTIS/GTA database using HTS subheadings 4802.56 and 4802.57 accessed November 24, 2015.

## THE INDUSTRY IN INDONESIA

### Overview

Asia Pulp and Paper Group ("APP") and Asia Pacific Resources International Limited ("APRIL") are large pulp and paper producers in Indonesia known to produce uncoated paper. APP, the bigger of the two, is one of the largest paper manufacturers in the world, making a full range of paper, paperboard, and tissue products.<sup>31</sup> APP produces uncoated paper at three of its

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<sup>31</sup> In 2014, Staples, a large U.S. purchaser of uncoated paper, after a five-year hiatus recommenced purchasing from APP. "Is Staples right to reward Asia Pulp and Paper's forest pledge?" BusinessGreen, March 4, 2014, found at <http://www.greenbiz.com/blog/2014/03/06/staples-right-reward-asia-pulp->

(continued...)

subsidiary firms—PT Pindo Deli Pulp and Paper Mills, PT Indah Kiat Pulp & Paper Tbk, and PT Pabrik Kertas Tijwi Kimia. APRIL’s pulp and paper operations are centered in Kerinci in Riau province. A few other smaller Indonesian paper firms may also produce small volumes of uncoated paper.<sup>32</sup> Indonesian papermakers have reportedly increased their capacity to produce uncoated paper in the past few years; the largest increase in capacity occurred in April 2014 with the start-up of a new 500,000 ton per year paper machine at APP Indah Kiat’s Perawang mill.<sup>33</sup>

\*\*\*.<sup>34</sup>

The Commission issued foreign producers’ or exporters’ questionnaires to eight firms believed to produce and/or export uncoated paper from Indonesia.<sup>35</sup> Useable responses to the Commission’s questionnaire were received from one firm: PT Anugerah Kertas Utama (“Anugerah Kertas”).<sup>36</sup> This firm’s exports to the United States accounted for \*\*\* percent of U.S. imports of uncoated paper from Indonesia in 2014. According to Anugerah Kertas, the production of uncoated paper in Indonesia reported in this part of the report accounts for approximately \*\*\* percent of overall production of uncoated paper in Indonesia and \*\*\* percent of Indonesian exports of uncoated paper to the United States.<sup>37</sup> Table VII-26 presents information on the responding Indonesian producer.

**Table VII-26**  
**Uncoated paper: Indonesian producer Anugerah Kertas’ summary data, 2014**

Firm	Production (short tons)	Share of reported production (percent)	Exports to the United States (short tons)	Share of reported exports to the United States (percent)	Total shipments (short tons)	Share of firm’s total shipments exported to the United States (percent)
Anugerah Kertas	***	***	***	***	***	***
Total	***	***	***	***	***	***

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

(...continued)

[and-papers-forest-pledge](#) and “Staples Inc. Ends Relationship with Asia Pulp & Paper”, World Wildlife Fund, February 1, 2008, found at <https://www.worldwildlife.org/stories/staples-inc-ends-relationship-with-asia-pulp-amp-paper>, and Petitioners’ postconference brief, Answers To Questions From The Commission’s Staff, p. 20.

<sup>32</sup> Petition, Volume 1, Exhibit I-7 and Volume III, pp. III-1-III-3; APP web site <http://www.asiapulppaper.com> (accessed February 6, 2015); APRIL web site <http://www.aprilasia.com> (accessed February 6, 2015); *2008 Lockwood-Post Directory of Pulp & Paper Mills Global Edition*. Bedford, Massachusetts: RISI, Inc., 2008.

<sup>33</sup> Meng, Li. “RISI Viewpoint: The battle between China and Indonesia in the uncoated woodfree export markets.” July 24, 2014 <http://www.risiinfo.com> (accessed July 25, 2014).

<sup>34</sup> \*\*\*.

<sup>35</sup> These firms were identified through a review of information submitted in the petition and contained in \*\*\* records.

<sup>36</sup> Useable responses were received from four firms in the preliminary-phase investigations. Data from the preliminary-phase investigations reported by these firms is presented later in this section.

<sup>37</sup> Anugerah Kertas notes that \*\*\*.

## Changes in operations

As presented in table VII-27, Anugerah Kertas reported several operational and organizational changes since January 1, 2012.

**Table VII-27**

**Uncoated paper: Anugerah Kertas' reported changes in operations, since January 1, 2012**

\* \* \* \* \*

## Operations on uncoated paper

Table VII-28 presents information on the uncoated paper operations of Anugerah Kertas. Capacity \*\*\* between 2012 and (projected) 2015, but is projected to increase \*\*\* percent in 2016. Production increased by \*\*\* percent between 2012 and 2014, and is projected to decline by \*\*\* percent in 2015 and increase \*\*\* percent in 2016. Capacity utilization increased each year between 2012 and 2014, is projected to decline by \*\*\* percentage points in 2015, and is projected to increase in 2016 to its highest level (\*\*\* percent).

Exports to Asia represented the largest share followed by commercial shipments to the firm's home market and exports to other markets. Exports to the United States reached their highest share (\*\*\* percent) of Anugerah Kertas' total shipments in 2014, up \*\*\* percentage points from 2012.

**Table VII-28**

**Uncoated paper: Data for Anugerah Kertas, 2012-14, January-September 2014, and January-September 2015, and projected 2015-16**

\* \* \* \* \*

Table VII-29 presents sheeting capacity of the responding producer in Indonesia by paper size. Anugerah Kertas reported that \*\*\*.

**Table VII-29**

**Uncoated paper: Anugerah Kertas' sheeter capacity, by sizes, 2012-14, January-September 2014, and January-September 2015, and projected 2015-16**

\* \* \* \* \*

Table VII-30 presents Anugerah Kertas' uncoated paper exports to the United States by type of brand. The majority of these exports were manufacturer branded, although the share of retailer branded uncoated paper increased in 2014.

**Table VII-30**  
**Uncoated paper: Anugerah Kertas' exports to the United States, by brand, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

**Preliminary-phase data**

During the preliminary phase of these investigations, useable responses to the Commission's questionnaire were received from four firms: Anugerah Kertas, PT Indah Kiat Pulp & Paper Tbk ("Indah Kiat"), PT Pabrik Kertas Tjiwi Kimia Tbk ("Pabrik Kertas"), and PT Pindo Deli Pulp and Paper Mills ("Pindo Deli"). These firms' exports to the United States accounted for all or virtually all of U.S. imports of uncoated paper from Indonesia in 2013 and during January 2011-September 2014. According to estimates of these four responding Indonesia producers, the production of uncoated paper in Indonesia reported in this part of the report accounts for approximately 93 percent of overall production of uncoated paper in Indonesia and 122 percent of Indonesian exports of uncoated paper to the United States in 2013. Table VII-31 presents information on the uncoated paper operations of the responding producers and exporters in Indonesia collected during the preliminary phase of these investigations.<sup>38</sup>

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<sup>38</sup> \*\*\* noted that in the preliminary-phase investigations it included data on \*\*\*, and so were removed from data in the firm's final phase response.

**Table VII-31**

**Uncoated paper: Data for producers in Indonesia, 2011-13, January to September 2013, and January to September 2014 and projection calendar years 2014 and 2015**

Item	Actual experience					Projections	
	Calendar year			January to September		Calendar year	
	2011	2012	2013	2013	2014	2014	2015
	<b>Quantity (short tons)</b>						
Capacity	3,111,955	3,141,955	3,169,955	2,372,724	2,430,724	3,377,955	3,589,955
Production	2,674,751	2,820,243	2,895,606	2,143,743	2,232,887	2,982,113	3,398,648
End-of-period inventories	172,786	155,201	217,336	227,807	193,241	191,726	181,030
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	481,484	533,331	598,511	442,160	441,547	616,688	726,472
Export shipments to:							
United States	116,928	145,163	156,167	107,987	232,112	297,763	320,389
All other markets	2,061,064	2,158,215	2,075,708	1,517,906	1,583,048	2,092,996	2,362,288
Total exports	2,177,992	2,303,378	2,231,875	1,625,893	1,815,160	2,390,759	2,682,677
Total shipments	2,659,476	2,836,709	2,830,386	2,068,053	2,256,707	3,007,447	3,409,149
	<b>Ratios and shares (percent)</b>						
Capacity utilization	86.0	89.8	91.3	90.3	91.9	88.3	94.7
Inventories/production	6.5	5.5	7.5	8.0	6.5	6.4	5.3
Inventories/total shipments	6.5	5.5	7.7	8.3	6.4	6.4	5.3
Share of total shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	18.1	18.8	21.1	21.4	19.6	20.5	21.3
Export shipments to:							
United States	4.4	5.1	5.5	5.2	10.3	9.9	9.4
All other markets	77.5	76.1	73.3	73.4	70.1	69.6	69.3
Total exports	81.9	81.2	78.9	78.6	80.4	79.5	78.7

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

### Alternative paper products

#### Overall papermaking

As shown in table VII-32, Anugerah Kertas \*\*\*.

**Table VII-32**

**Uncoated paper: Anugerah Kertas' total plant capacity and production, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

## Sheeting

As shown in table VII-33, Anugerah Kertas \*\*\*.

**Table VII-33**

**Uncoated paper: Anugerah Kertas' total paper sheeting capacity and production, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

## Exports

According to GTA data, in 2014, the top export market for uncoated paper from Indonesia was Japan, accounting for 16.7 percent of total exports, followed by the United States, accounting for 14.0 percent, and Malaysia, accounting for 7.6 percent (table VII-34).

**Table VII-34**

**Uncoated paper: Total exports from Indonesia to top destination markets and the United States, 2012-14**

Destination	Calendar year		
	2012	2013	2014
	<b>Quantity (short tons)</b>		
Indonesia's exports to the United States	142,822	155,325	306,540
Indonesia's exports to other top destination markets.--			
Japan	428,716	381,684	365,606
Malaysia	184,964	181,556	165,346
Philippines	61,363	81,464	79,592
United Arab Emirates	78,313	56,861	79,015
Saudi Arabia	77,093	68,134	78,170
All other destination markets	1,182,854	1,138,910	1,111,333
Total Indonesia exports	2,156,123	2,063,934	2,185,603
	<b>Share of quantity (percent)</b>		
Indonesia's exports to the United States	6.6	7.5	14.0
Indonesia's exports to other top destination markets.--			
Japan	19.9	18.5	16.7
Malaysia	8.6	8.8	7.6
Philippines	2.8	3.9	3.6
United Arab Emirates	3.6	2.8	3.6
Saudi Arabia	3.6	3.3	3.6
All other destination markets	54.9	55.2	50.8
Total Indonesia exports	100.0	100.0	100.0

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

Source: Official export statistics as reported by Indonesia in the GTIS/GTA database using HTS subheadings 4802.56 and 4802.57 accessed November 24, 2015.

## THE INDUSTRY IN PORTUGAL

### Overview

The Portucel Soporcel Group (“Portucel”) is the only known Portuguese producer of uncoated paper. Portucel operates large, modern integrated pulp and paper mills in Setúbal and Figueira da Foz. Its newest paper machine began operations in August 2009 at the Setúbal mill and has an annual production capacity of 500,000 metric tons. According to Portucel, it is the largest European manufacturer of uncoated free sheet printing and writing paper and the sixth largest producer in the world. The company exports its paper to 113 countries, with the United States and Europe the leading export markets.<sup>39</sup>

The Commission issued foreign producers’ or exporters’ questionnaires to one firm, Portucel, believed to produce and/or export uncoated paper from Portugal. A useable response to the Commission’s questionnaire was received from Portucel. This firm’s exports to the United States accounted for all or virtually all of U.S. imports of uncoated paper from Portugal in 2014. According to Portucel, the production of uncoated paper in Portugal reported in this part of the report accounts for approximately 100 percent of overall production of uncoated paper in Portugal and 100 percent of Portuguese exports of uncoated paper to the United States. Table VII-35 presents information on the responding Portuguese producer.

**Table VII-35**  
**Uncoated paper: Portuguese producer’s summary data, 2014**

<b>Firm</b>	<b>Production (short tons)</b>	<b>Share of reported production (percent)</b>	<b>Exports to the United States (short tons)</b>	<b>Share of reported exports to the United States (percent)</b>	<b>Total shipments (short tons)</b>	<b>Share of firm's total shipments exported to the United States (percent)</b>
Portucel, S.A.	***	***	***	***	***	***
Total	***	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires

### Changes in operations

Portucel reported no operational and organizational changes since January 1, 2012.

### Operations on uncoated paper

Table VII-36 presents information on the uncoated paper operations of Portucel. Portucel’s uncoated paper annual capacity of \*\*\* short tons remained steady, while the firm’s

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<sup>39</sup> Portucel web site <http://www.portucelsoporcel.com> (accessed February 5, 2015).

production declined each year during 2012-14, ending \*\*\* percent lower in 2014 than in 2012, and is projected to be \*\*\* percent lower in 2015 and \*\*\* in 2016. Portucel reported that it was operating its paper making and sheeter machines at 100 percent operating rate.<sup>40</sup> The firm's reported capacity differed from this due to \*\*\*.

Approximately \*\*\* percent of Portucel's shipments were \*\*\*. As a share of total shipments, exports to the United States represented between \*\*\* percent in 2012 and \*\*\* percent in 2013, were \*\*\* percentage points higher in interim 2015 compared with interim 2014, and were projected to increase slightly in 2015 and remain at that level in 2016.

**Table VII-36**  
**Uncoated paper: Data for Portucel, 2012-14, January-September 2014, and January-September 2015, and projected 2015-16**

\* \* \* \* \*

Table VII-37 presents sheeting capacity of Portucel by paper size. Portucel reported the majority of its sheeter capacity to be \*\*\*.

**Table VII-37**  
**Uncoated paper: Portucel's sheeter capacity, by sizes, 2012-14, January-September 2014, and January-September 2015, and projected 2015-16**

\* \* \* \* \*

Table VII-38 presents Portucel's uncoated paper exports to the United States by type of brand. The majority of these exports were manufacturer branded, followed by unbranded uncoated paper.

**Table VII-38**  
**Uncoated paper: Portucel's exports to the United States, by brand, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

### Alternative paper products

#### Overall papermaking

As shown in table VII-39, Portucel \*\*\* on the same paper making equipment and machinery used in the production of uncoated paper, \*\*\*. Portucel noted that \*\*\*.

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<sup>40</sup> Conference transcript, p. 141 (Leclercq).



**Table VII-39**  
**Uncoated paper: Portucel's total plant capacity and production, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

### **Sheeting**

As shown in table VII-40, Portucel \*\*\* on the same paper making equipment and machinery used in the production of uncoated paper.

**Table VII-40**  
**Uncoated paper: Portucel's total paper sheeting capacity and production, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

### **Exports**

According to GTA data, in 2014, the top export market for uncoated paper from Portugal was Germany, accounting for 13.4 percent of total exports, followed by the United States, accounting for 13.2 percent, and France, accounting for 11.6 percent (table VII-41).

**Table VII-41****Uncoated paper: Total exports from Portugal to top destination markets and the United States, 2012-14**

Destination	Calendar year		
	2012	2013	2014
	<b>Quantity (short tons)</b>		
Portugal's exports to the United States	151,496	170,398	167,945
Portugal's exports to other top destination markets.--			
Germany	180,930	179,048	170,082
France	170,424	139,634	147,681
Spain	138,391	140,492	139,906
Italy	110,349	109,419	106,831
United Kingdom	99,163	94,590	98,310
All other destination markets	444,586	438,633	440,797
Total Portugal exports	1,295,338	1,272,214	1,271,551
	<b>Share of quantity (percent)</b>		
Portugal's exports to the United States	11.7	13.4	13.2
Portugal's exports to other top destination markets.--			
Germany	14.0	14.1	13.4
France	13.2	11.0	11.6
Spain	10.7	11.0	11.0
Italy	8.5	8.6	8.4
United Kingdom	7.7	7.4	7.7
All other destination markets	34.3	34.5	34.7
Total Portugal exports	100.0	100.0	100.0

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

Source: Official export statistics as reported by Portugal in the GTIS/GTA database using HTS subheadings 4802.56 and 4802.57 accessed November 24, 2015.

### **COMBINED DATA FOR THE INDUSTRIES IN THE SUBJECT COUNTRIES**

Table VII-42 presents aggregate data for the reporting producers of uncoated paper in Australia, Brazil, China, Indonesia, and Portugal.<sup>41</sup>

<sup>41</sup> Only two of the five Chinese producers and one of the four Indonesian producers that responded in the preliminary phase of these investigations provided data in the final phase.

Table VII-42

Uncoated paper: Data for reporting producers in subject countries, 2012-14, January-September 2014, and January-September 2015, and projected 2015-16

Item	Actual experience					Projections	
	Calendar year			January to September		Calendar year	
	2012	2013	2014	2014	2015	2015	2016
	<b>Quantity (short tons)</b>						
Capacity	4,928,368	5,301,149	5,378,476	4,018,751	4,068,537	5,443,235	5,559,663
Production	4,390,272	4,634,501	4,743,586	3,566,980	3,483,787	4,660,097	4,924,210
End-of-period inventories	220,808	214,394	195,085	253,722	255,044	224,280	196,576
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	1,266,690	1,491,962	1,588,515	1,134,407	1,097,302	1,555,499	1,669,070
Export shipments to:							
United States	402,277	483,817	546,935	409,205	353,550	422,783	380,099
Asia	711,738	802,195	817,381	609,993	617,427	815,268	936,803
Europe	1,227,884	1,150,870	1,100,674	854,197	833,308	1,088,953	1,145,951
All other markets	754,553	713,478	704,340	517,683	522,574	740,151	819,004
Total exports	3,096,452	3,150,360	3,169,330	2,391,078	2,326,859	3,067,155	3,281,857
Total shipments	4,363,142	4,642,322	4,757,845	3,525,485	3,424,161	4,622,654	4,950,927
	<b>Ratios and shares (percent)</b>						
Capacity utilization	89.1	87.4	88.2	88.8	85.6	85.6	88.6
Inventories/production	5.0	4.6	4.1	5.3	5.5	4.8	4.0
Inventories/total shipments	5.1	4.6	4.1	5.4	5.6	4.9	4.0
Share of shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Home market shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	29.0	32.1	33.4	32.2	32.0	33.6	33.7
Export shipments to:							
United States	9.2	10.4	11.5	11.6	10.3	9.1	7.7
Asia	16.3	17.3	17.2	17.3	18.0	17.6	18.9
Europe	28.1	24.8	23.1	24.2	24.3	23.6	23.1
All other markets	17.3	15.4	14.8	14.7	15.3	16.0	16.5
Total exports	71.0	67.9	66.6	67.8	68.0	66.4	66.3
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

### U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-43 presents data on U.S. importers' reported inventories of uncoated paper. U.S. importers' inventories of imports from subject sources increased by \*\*\* percent between 2012 and 2014. Approximately \*\*\* of this increase was due to imports from Brazil, and \*\*\*. \*\*\* accounted for the largest decline in U.S. importers' inventories of imports from Brazil in interim 2015 compared with interim 2014. U.S. importers' inventories of imports from Brazil accounted for slightly less than \*\*\* of the decline in U.S. imports from subject countries between the interim periods.

U.S. importers' inventories of imports from subject countries were \*\*\* percent lower in interim 2015 than in interim 2014. Inventories of imports from each subject country, except for imports from \*\*\*, were lower in interim 2015 compared with interim 2014. The decline in inventories of imports from \*\*\*, which accounted for more than \*\*\* of the reduction in inventories of subject imports in interim 2015, was largely due to decline in inventories at \*\*\*. \*\*\* reported \*\*\* ending inventories of uncoated paper imports from China in interim 2015, along with lower imports of uncoated paper from China compared with interim 2014 (\*\*\* percent).

Inventories of imports from \*\*\*, the \*\*\* source with increased levels of U.S. inventories of imports in interim 2015, were largely due to increased inventories at \*\*\*. Ending inventories as a share of U.S. shipments of imports at \*\*\* was \*\*\* percentage points lower in interim 2015 compared with interim 2014.

**Table VII-43**

**Uncoated paper: U.S. importers' inventories, 2012-14, January-September 2014, January-September 2015**

\* \* \* \* \*

### U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of uncoated paper from Australia, Brazil, China, Indonesia, Portugal, and all other sources after September 30, 2015 (Table VII-44). Thirteen importers reported outstanding orders.

**Table VII-44**

**Uncoated paper: U.S. importers' outstanding orders subsequent to September 30, 2015**

\* \* \* \* \*

### ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

Antidumping duties are in place on imports of uncoated paper from subject countries in two third-country markets. In March 2013, Mexico issued an antidumping duty of 37.78 percent on imports of cut bond paper from Brazil.<sup>42</sup> In April 2014, Morocco issued an antidumping duty of 10.6 percent on imports of A4-size paper from Portugal.<sup>43</sup>

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<sup>42</sup> [http://www.dof.gob.mx/nota\\_detalle.php?codigo=5291042&fecha=11/03/2013](http://www.dof.gob.mx/nota_detalle.php?codigo=5291042&fecha=11/03/2013).

<sup>43</sup> Petitioners' postconference brief, p. 47-48 and exhibits 28 (A and C) and 28 (B and D). In July 2014, Turkey initiated a safeguard investigation on imports of "printing, writing and copy papers," and in August 2014, Jordan initiated a safeguard investigation on imports of "writing and printing papers (continued...)"

## INFORMATION ON NONSUBJECT COUNTRIES

\*\*\*<sup>44</sup> \*\*\*<sup>45</sup>

**Figure VII-1**  
**Uncoated freesheet: Estimated global production and consumption of cut size uncoated freesheet paper, by region, 2014**

\* \* \* \* \*

According to Petitioners, substantially all imports of uncoated paper enter the United States under HTS numbers 4802.56 and 4802.57.<sup>46</sup> Since 2012, Canada has been the only sizeable supplier of uncoated paper to the United States, other than the subject countries. U.S. imports from Canada, on a volume basis, declined by 10 percent between 2012 and 2014 and in 2014 accounted for 10 percent of total U.S. imports entered under HTS numbers 4802.56 and 4802.57.

Many nonsubject countries have reported exports under these two HS numbers since 2012 and hence were likely producers of uncoated paper.<sup>47</sup> The largest nonsubject exporting countries include Singapore, Germany, Sweden, Slovakia, Thailand, Poland, and Finland (Table VII-45).<sup>48 49</sup>

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(...continued)

size A4.” Morocco launched a safeguard investigation on uncoated reels and reams on June 9, 2015. On October 10, 2013, Australia initiated an antidumping investigation on imports of white uncoated cut sheet paper from China. This investigation was terminated on August 7, 2014. “Anti-Dumping Notice No. 2014/69,” *Australian Anti-Dumping Commission*, August 7, 2014, found at <http://www.adcommission.gov.au/notices/Documents/2014/2014-69-ADN-coppaper.pdf>.

<sup>44</sup> \*\*\*.

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

<sup>46</sup> Petition, Volume I, p. I-6.

<sup>47</sup> GTIS/GTA export data for HS numbers 4802.56 and 4802.57.

<sup>48</sup> Firms in these countries that are believed to produce uncoated paper are as follows: \*\*\*.

<sup>49</sup> Total exports of uncoated paper from Canada, the largest nonsubject supplier of uncoated paper to the United States, declined from 118,660 short tons in 2012 to 112, 747 short tons in 2014.

**Table VII-45****Uncoated paper: Total exports from the United States, subject countries, and largest nonsubject exporting countries, 2012-14**

Reporting country	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
United States	371,834	453,664	424,199
Exports from subject countries.--			
Australia	85,038	105,370	121,938
Brazil	742,257	727,999	692,307
China	737,976	968,077	1,003,726
Indonesia	2,156,123	2,063,934	2,185,603
Portugal	1,295,338	1,272,214	1,271,551
Subtotal, subject	5,016,732	5,137,594	5,275,124
Other top exporting countries.--			
Singapore <sup>1</sup>	499,543	549,656	589,359
Germany	594,779	571,324	585,184
Sweden	635,276	632,773	569,960
Slovakia	539,507	543,780	540,131
Thailand	465,786	463,253	514,180
Poland	461,339	466,879	474,496
Finland	428,904	383,205	402,076
All other countries combined	1,919,439	1,907,490	1,966,337
Subtotal, other than US or subject	5,544,573	5,518,360	5,641,722
Total global exports	10,933,139	11,109,618	11,341,044

<sup>1</sup> \*\*\*.

Source: Official export statistics as reported by the above countries in the GTIS/GTA database using HTS subheadings 4802.56 and 4802.57 accessed January 12, 2016.

Information on the production and apparent consumption of uncoated paper in the largest nonsubject exporting countries is shown in Table VII-46.

**Table VII-46****Uncoated freesheet paper: Production and apparent consumption of cut size uncoated freesheet paper, 2012-14**

\* \* \* \* \*

**APPENDIX A**

***FEDERAL REGISTER NOTICES***





The Commission makes available notices relevant to its investigations and reviews on its website, [www.usitc.gov](http://www.usitc.gov). In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
80 FR 4311 January 27, 2015	<i>Certain Uncoated Paper From Australia, Brazil, China, Indonesia, and Portugal; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations.</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-01-27/pdf/2015-01417.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-01-27/pdf/2015-01417.pdf</a>
80 FR 8598 February 18, 2015	<i>Certain Uncoated Paper From the People's Republic of China and Indonesia: Initiation of Countervailing Duty Investigations</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-02-18/pdf/2015-03337.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-02-18/pdf/2015-03337.pdf</a>
80 FR 8608 February 18, 2015	<i>Certain Uncoated Paper From Australia, Brazil, the People's Republic of China, Indonesia, and Portugal: Initiation of Less-Than-Fair-Value Investigations</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-02-18/pdf/2015-03338.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-02-18/pdf/2015-03338.pdf</a>
80 FR 13890 March 17, 2015	<i>Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-03-17/pdf/2015-06043.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-03-17/pdf/2015-06043.pdf</a>
80 FR 36968 June 29, 2015	<i>Certain Uncoated Paper From the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination With Final Antidumping Duty Determination</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-06-29/pdf/2015-15891.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-06-29/pdf/2015-15891.pdf</a>

Tabulation continued on next page.

Citation	Title	Link
80 FR 36971 June 29, 2015	<i>Certain Uncoated Paper From Indonesia: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination With Final Antidumping Determination</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-06-29/pdf/2015-15901.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-06-29/pdf/2015-15901.pdf</a>
80 FR 39409 July 9, 2015	<i>Certain Uncoated Paper From the People's Republic of China: Notice of Correction to Preliminary Affirmative Countervailing Duty Determination</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-07-09/pdf/2015-16823.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-07-09/pdf/2015-16823.pdf</a>
80 FR 51783 August 26, 2015	<i>Certain Uncoated Paper From Australia: Preliminary Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-08-26/pdf/2015-21170.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-08-26/pdf/2015-21170.pdf</a>
80 FR 5029 August 27, 2015	<i>Certain Uncoated Paper From Brazil: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-08-27/pdf/2015-21176.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-08-27/pdf/2015-21176.pdf</a>
80 FR 51768 August 26, 2015	<i>Certain Uncoated Paper From the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-08-26/pdf/2015-21173.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-08-26/pdf/2015-21173.pdf</a>
80 FR 51771 August 26, 2015	<i>Certain Uncoated Paper From Indonesia: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-08-26/pdf/2015-21180.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-08-26/pdf/2015-21180.pdf</a>
80 FR 51777 August 26, 2015	<i>Certain Uncoated Paper From Portugal: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-08-26/pdf/2015-21183.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-08-26/pdf/2015-21183.pdf</a>

Tabulation continued on next page.

Citation	Title	Link
80 FR 58503 September 29, 2015	<i>Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal; Scheduling of the Final Phase of Countervailing Duty and Antidumping Duty Investigations</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-09-29/pdf/2015-24593.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-09-29/pdf/2015-24593.pdf</a>
80 FR 68293 November 4, 2015	<i>Certain Uncoated Paper From Portugal: Preliminary Affirmative Determination of Critical Circumstances in the Antidumping Duty Investigation</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-11-04/pdf/2015-28112.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-11-04/pdf/2015-28112.pdf</a>
81 FR 3108 January 20, 2016	<i>Certain Uncoated Paper From Australia: Final Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances, In Part</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01019.pdf">https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01019.pdf</a>
81 FR 3115 January 20, 2016	<i>Certain Uncoated Paper From Brazil: Final Determination of Sales at Less Than Fair Value</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01028.pdf">https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01028.pdf</a>
81 FR 3110 January 20, 2016	<i>Certain Uncoated Paper From the People's Republic of China: Final Affirmative Countervailing Duty Determination</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01013.pdf">https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01013.pdf</a>
81 FR 3112 January 20, 2016	<i>Certain Uncoated Paper From the People's Republic of China: Final Determination of Sales at Less Than Fair Value</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01020.pdf">https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01020.pdf</a>
81 FR 3104 January 20, 2016	<i>Certain Uncoated Paper From Indonesia: Final Affirmative Countervailing Duty Determination</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01026.pdf">https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01026.pdf</a>
81 FR 3101 January 20, 2016	<i>Certain Uncoated Paper From Indonesia: Final Determination of Sales at Less Than Fair Value</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01023.pdf">https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01023.pdf</a>
81 FR 3105 January 20, 2016	<i>Certain Uncoated Paper From Portugal: Final Determination of Sales at Less Than Fair Value and Final Negative Determination of Critical Circumstances</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01024.pdf">https://www.gpo.gov/fdsys/pkg/FR-2016-01-20/pdf/2016-01024.pdf</a>



**APPENDIX B**

**LIST OF HEARING WITNESSES**



## CALENDAR OF PUBLIC HEARING

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

**Subject:** Certain Uncoated Paper from Australia, Brazil, China, Indonesia, and Portugal

**Inv. Nos.:** 701-TA-528-529 and 731-TA-1264-1268 (Final)

**Date and Time:** January 7, 2016 - 9:30 am

Sessions were held in connection with these investigations in the Main Hearing Room (Room 101), 500 E Street, S.W., Washington, DC.

### CONGRESSIONAL APPEARANCES:

**The Honorable Phil Roe, M.D., U.S. Representative, 1<sup>st</sup> District, Tennessee**

**The Honorable Sean P. Duffy, U.S. Representative, 7<sup>th</sup> District, Wisconsin**

**The Honorable Reid J. Ribble, U.S. Representative, 8<sup>th</sup> District, Wisconsin**

**The Honorable Richard M. Nolan, U.S. Representative, 8<sup>th</sup> District, Minnesota**

**The Honorable Bruce Westerman, U.S. Representative, 4<sup>th</sup> District, Arkansas**

### STATE GOVERNMENT APPEARANCE:

**The Honorable Dennis M. Davin, Secretary of Community  
and Economic Development, Office of the Governor of Pennsylvania**

### OPENING REMARKS:

Petitioners (**Joseph W. Dorn**, Counsel to Petitioners)  
Respondents (**Shara L. Aranoff**, Covington & Burling LLP)

**In Support of the Imposition of  
Antidumping and Countervailing Duty Orders:**

King & Spalding LLP  
Washington, DC

*and*

Stewart and Stewart  
Washington, DC  
on behalf of

United Steel, Paper and Forestry, Rubber, Manufacturing,  
Energy, Allied Industrial and Service Workers  
International Union (“USW”)

Domtar Corporation  
Finch Paper LLC  
P.H. Glatfelter Company  
Packaging Corporation of America

**Richard L. Thomas**, Senior Vice President of Sales and  
Marketing, Domtar Corporation

**Robert Melton**, Vice President of Business Papers and  
Strategic Accounts, Domtar Corporation

**Jack Bray**, Vice President of Manufacturing Operations,  
Domtar Corporation

**Katie Zorn**, Director of Marketing, Business Papers,  
Domtar Corporation

**David McGehee**, President, Mac Papers, Inc.

**Bonnie B. Byers**, Senior International Trade  
Consultant, King & Spalding LLP

**Dr. Seth T. Kaplan**, Senior Economic Advisor,  
Capital Trade, Inc.

**Judith Lassa**, Consultant, BOISE Paper, a division  
of Packaging Corporation of America

**Paul LeBlanc**, Vice President, BOISE Paper, a division  
of Packaging Corporation of America

**Douglas Franz**, Supply Chain Manager -- Production Planning,  
BOISE Paper, a division of Packaging Corporation of  
America



**In Support of the Imposition of  
Antidumping and Countervailing Duty Orders (continued):**

**Leeann Foster**, Assistant to the International President  
& Associate General Counsel, USW

**Joseph W. Dorn**, Counsel

**Stephen A. Jones** )  
**Terence P. Stewart** ) – OF COUNSEL  
**Elizabeth J. Drake** )

**In Opposition to the Imposition of  
Antidumping and Countervailing Duty Orders:**

Mayer Brown LLP  
Washington, DC

*and*

Covington & Burling LLP  
Washington, DC  
on behalf of

Asia Symbol (Guangdong) Paper Co., Ltd.  
GreenPoint Global Trading (Macao Commercial Offshore) Limited  
APRIL Fine Paper Macao Commercial Offshore Limited (“APRIL”)

**Alex Ismail**, Chief Executive Officer, Liberty Paper

**Roger Webb**, International Paper Products LLC

**Rick E. Moore**, Vice President – Fine Paper, International  
Paper Products LLC

**Sunil Sud**, Head, Pulp & Paper Sales, APRIL

**Laurie A. Clark**, President and CEO, Satuit Consulting, Inc.

**In Opposition to the Imposition of  
Antidumping and Countervailing Duty Orders (continued):**

**Bruce Malashevich**, President and Chief Executive Officer,  
Economic Consulting Services

**Duane W. Layton** )  
**Matthew J. McConkey** )  
**Jing Zhang** ) – OF COUNSEL  
**Shara L. Aranoff** )  
**James McCall Smith** )

Steptoe & Johnson LLP  
Washington, DC  
on behalf of

Suzano Papel e Celulose S.A. (“Suzano”)

**Tom Tarpey**, Manager of Sales, Suzano

**Susan G. Esserman** )  
**Christopher G. Falcone** ) – OF COUNSEL  
**Nathan W. Cunningham** )

Cassidy Levy Kent (USA) LLP  
Washington, DC  
on behalf of

Portucel, S.A.  
Portucel Soporcel, N.A.

**Mike Dutt**, General Manager, Portucel Soporcel, N.A.

**Jonathan M. Zielinski** ) – OF COUNSEL

**In Opposition to the Imposition of  
Antidumping and Countervailing Duty Orders (continued):**

Sidley Austin LLP  
Washington, DC  
on behalf of

Paper Australia Pty. Ltd. d/b/a Australian Paper  
and Paper Products Marketing Pty. Ltd.  
Paper Products Marketing (USA), Inc.

**Jim Peters**, President, Paper Products Marketing  
(USA), Inc.

**Richard L.A. Weiner** )  
**Rajib Pal** ) – OF COUNSEL  
**Shawn Higgins** )

**CLOSING/REBUTTAL:**

Petitioners (**Elizabeth J. Drake**, Stewart and Stewart *and* **Joseph W. Dorn**,  
Counsel to Petitioners)  
Respondents (**Duane W. Layton**, Mayer Brown LLP)



**APPENDIX C**  
**SUMMARY DATA**



Table C-1

## Uncoated paper: Summary data concerning the U.S. market, 2012-14, January to September 2014, and January to September 2015

(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year		January to September			Calendar year			Jan-Sep
	2012	2013	2014	2014	2015	2012-14	2012-13	2013-14	2014-15
U.S. consumption quantity:									
Amount.....	4,724,976	4,637,760	4,466,557	3,356,003	3,318,045	(5.5)	(1.8)	(3.7)	(1.1)
Producers' share (fn1).....	86.7	84.5	79.4	80.2	81.7	(7.3)	(2.3)	(5.0)	1.6
Importers' share (fn1):									
Australia.....	***	***	***	***	***	***	***	***	***
Brazil.....	***	***	***	***	***	***	***	***	***
China.....	***	***	***	***	***	***	***	***	***
Indonesia.....	***	***	***	***	***	***	***	***	***
Portugal.....	***	***	***	***	***	***	***	***	***
Subject sources.....	9.5	11.8	17.0	16.4	13.5	7.6	2.3	5.2	(2.9)
Canada.....	2.5	2.7	2.4	2.3	2.7	(0.1)	0.2	(0.3)	0.4
All other sources.....	1.3	1.0	1.1	1.1	2.1	(0.2)	(0.3)	0.1	1.0
Nonsubject sources.....	3.8	3.7	3.5	3.4	4.8	(0.3)	(0.1)	(0.2)	1.4
Total imports.....	13.3	15.5	20.6	19.8	18.3	7.3	2.3	5.0	(1.6)
U.S. consumption value:									
Amount.....	4,903,625	4,643,686	4,540,143	3,409,720	3,278,289	(7.4)	(5.3)	(2.2)	(3.9)
Producers' share (fn1).....	86.6	84.6	80.5	81.2	82.0	(6.1)	(2.0)	(4.2)	0.7
Importers' share (fn1):									
Australia.....	***	***	***	***	***	***	***	***	***
Brazil.....	***	***	***	***	***	***	***	***	***
China.....	***	***	***	***	***	***	***	***	***
Indonesia.....	***	***	***	***	***	***	***	***	***
Portugal.....	***	***	***	***	***	***	***	***	***
Subject sources.....	9.1	11.1	15.5	14.9	12.8	6.5	2.0	4.4	(2.0)
Canada.....	3.0	3.1	2.8	2.7	3.2	(0.2)	0.1	(0.3)	0.5
All other sources.....	1.4	1.2	1.2	1.2	2.0	(0.2)	(0.2)	0.0	0.9
Nonsubject sources.....	4.4	4.3	4.0	3.9	5.2	(0.4)	(0.1)	(0.3)	1.3
Total imports.....	13.4	15.4	19.5	18.8	18.0	6.1	2.0	4.2	(0.7)
U.S. importers' U.S. shipments of imports from (see notes)--									
Australia:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Brazil:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
China:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Indonesia:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Portugal:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Subject Sources:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Canada:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
All Other Sources:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Nonsubject Sources:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Total imports:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***

Table continued--.

Table C-1--Continued

Uncoated paper: Summary data concerning the U.S. market, 2012-14, January to September 2014, and January to September 2015

(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Report data					Period changes			
	Calendar year			January to September		Calendar year			Jan-Sep
	2012	2013	2014	2014	2015	2012-14	2012-13	2013-14	2014-15
U.S. producers:									
Average capacity quantity.....	***	***	***	***	***	***	***	***	***
Production quantity.....	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1).....	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1).....	***	***	***	***	***	***	***	***	***
Production workers.....	***	***	***	***	***	***	***	***	***
Hours worked (1,000s).....	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000).....	***	***	***	***	***	***	***	***	***
Hourly wages (dollars).....	***	***	***	***	***	***	***	***	***
Productivity (short tons per 1,000 hours).....	***	***	***	***	***	***	***	***	***
Unit labor costs.....	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS).....	***	***	***	***	***	***	***	***	***
Gross profit or (loss).....	***	***	***	***	***	***	***	***	***
SG&A expenses.....	***	***	***	***	***	***	***	***	***
Operating income or (loss).....	***	***	***	***	***	***	***	***	***
Net income or (loss).....	***	***	***	***	***	***	***	***	***
Capital expenditures.....	***	***	***	***	***	***	***	***	***
Unit COGS.....	***	***	***	***	***	***	***	***	***
Unit SG&A expenses.....	***	***	***	***	***	***	***	***	***
Unit operating income or (loss).....	***	***	***	***	***	***	***	***	***
Unit net income or (loss).....	***	***	***	***	***	***	***	***	***
COGS/sales (fn1).....	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***
Net income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Undefined

Note:---Data reported as U.S. shipments of imports from China, Indonesia, Canada, and all other sources use U.S. imports based on official Commerce statistics.

Note:-- \*\*\*.

Source: Official import statistics, HTS subheadings 4802.56 and 4802.57 and data submitted in response to Commission questionnaires.



**APPENDIX D**

**U.S. COMMERCIAL SHIPMENTS BY TYPE OF BRANDING**



**Table D-1**

**Uncoated paper: U.S. producers' U.S. commercial shipments, by brand, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

This table is confidential in its entirety

**Table D-2**

**Uncoated paper: U.S. importers' U.S. commercial shipments, by brand, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

This table is confidential in its entirety



**APPENDIX E**

**U.S. COMMERCIAL SHIPMENTS BY PRODUCT TYPE**



**Table E-1**

**Uncoated paper: U.S. producers' U.S. commercial shipments, by product type, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

This table is confidential in its entirety

**Table E-2**

**Uncoated paper: U.S. importers' U.S. commercial shipments, by product type, 2012-14, January-September 2014, and January-September 2015**

\* \* \* \* \*

This table is confidential in its entirety





**APPENDIX F**  
**MONTHLY U.S. IMPORT DATA**



**Table F-1****Uncoated paper: U.S. monthly imports, by source, January 2012 through September 2015**

Month	2012	2013	2014	2015
	Quantity (short tons)			
Australia --				
January	4,348	3,570	5,656	4,326
February	4,493	3,620	6,572	4,852
March	4,560	4,813	5,881	6,290
April	2,618	4,917	7,071	6,850
May	4,377	4,420	9,330	7,105
June	3,794	6,274	6,930	5,649
July	3,210	5,321	9,177	8,337
August	6,055	5,513	8,678	4,284
September	5,459	5,927	7,654	---
October	6,382	3,758	3,975	---
November	3,554	2,868	6,384	---
December	2,197	2,677	6,258	---
Total, Australia	51,046	53,678	83,567	47,691
Brazil --				
January	7,967	20,309	30,489	19,326
February	12,856	10,181	22,905	16,127
March	12,195	11,089	20,372	15,355
April	16,806	22,964	22,194	7,940
May	14,785	23,724	21,978	10,850
June	18,546	14,668	16,677	16,225
July	13,865	24,522	23,692	12,634
August	15,348	12,424	20,897	6,910
September	12,022	21,004	16,191	8,904
October	10,029	17,015	20,433	---
November	10,953	19,183	9,433	---
December	7,819	20,708	15,616	---
Total, Brazil	153,191	217,793	240,878	114,271
China --				
January	2,198	7,058	9,568	8,758
February	506	9,563	8,292	9,727
March	3,180	6,517	14,161	10,596
April	2,639	8,718	9,946	10,178
May	4,560	11,410	9,183	6,655
June	2,560	7,023	12,943	2,306
July	4,117	8,575	20,513	343
August	5,127	5,793	10,700	2,599
September	4,881	7,913	18,024	703
October	6,583	6,723	12,937	---
November	3,836	9,050	13,178	---
December	9,787	6,748	12,791	---
Total, China	49,975	95,090	152,235	51,864

Table continued on next page.

**Table F-1--Continued**

**Uncoated paper: U.S. monthly imports, by source, January 2012 through September 2015**

Month	2012	2013	2014	2015
	Quantity (short tons)			
Indonesia --				
January	9,241	8,529	14,224	17,833
February	7,542	8,186	12,006	18,164
March	10,280	10,074	26,079	23,579
April	8,969	14,384	20,658	23,000
May	7,836	8,522	18,945	32,501
June	11,784	8,026	24,714	24,856
July	11,229	8,283	22,785	746
August	12,083	8,985	25,791	2,309
September	10,459	7,733	18,524	462
October	10,716	17,450	31,434	---
November	10,210	14,311	20,958	---
December	6,075	13,589	18,111	---
Total, Indonesia	116,422	128,072	254,230	143,449
Portugal --				
January	10,609	9,439	10,349	5,664
February	12,114	18,518	16,316	19,400
March	13,842	14,221	14,134	17,374
April	13,797	13,196	15,053	9,554
May	14,505	13,385	18,103	18,868
June	8,890	18,124	16,283	18,773
July	10,931	5,887	6,213	15,438
August	13,571	17,561	14,447	22,555
September	19,962	24,772	26,001	18,644
October	14,010	7,585	8,466	---
November	13,041	20,780	17,366	---
December	10,831	13,112	10,684	---
Total, Portugal	156,103	176,581	173,417	146,271
Subject sources --				
January	34,362	48,905	70,285	55,907
February	37,512	50,068	66,090	68,269
March	44,057	46,714	80,628	73,194
April	44,829	64,179	74,922	57,522
May	46,063	61,462	77,540	75,979
June	45,574	54,115	77,548	67,810
July	43,352	52,588	82,380	37,498
August	52,183	50,276	80,514	38,656
September	52,783	67,350	86,393	28,712
October	47,720	52,532	77,246	---
November	41,594	66,192	67,319	---
December	36,709	56,833	63,461	---
Total, Subject sources	526,737	671,214	904,327	503,547

Table continued on next page.

**Table F-1--Continued**

**Uncoated paper: U.S. monthly imports, by source, January 2012 through September 2015**

Month	2012	2013	2014	2015
	Quantity (short tons)			
Canada (nonsubject) --				
January	10,636	9,644	9,880	10,539
February	10,804	10,743	9,795	10,522
March	15,034	10,702	9,028	9,699
April	12,146	11,961	10,614	9,201
May	9,109	11,706	8,943	10,987
June	10,009	9,510	8,719	15,803
July	9,583	11,788	11,812	10,465
August	10,925	13,233	10,148	11,789
September	12,642	13,480	9,791	11,978
October	11,824	13,403	9,823	---
November	9,760	10,639	11,984	---
December	9,551	10,929	11,294	---
Total, Canada	132,022	137,737	121,830	100,983
All other sources (nonsubject) --				
January	5,159	4,201	1,043	1,644
February	2,898	2,791	1,019	899
March	2,986	2,049	4,891	3,777
April	5,457	3,204	1,803	5,586
May	9,498	3,967	4,676	9,808
June	1,971	4,134	1,930	8,828
July	3,292	4,217	4,446	8,636
August	4,063	2,142	3,018	8,180
September	2,675	2,681	3,256	10,386
October	3,526	901	2,411	---
November	3,372	2,853	4,662	---
December	2,376	987	2,032	---
Total, All other sources (nonsubject)	47,274	34,127	35,187	57,744
All sources --				
January	50,158	62,751	81,209	68,090
February	51,214	63,601	76,904	79,690
March	62,077	59,465	94,547	86,670
April	62,431	79,343	87,339	72,309
May	64,670	77,135	91,160	96,774
June	57,554	67,760	88,196	92,441
July	56,226	68,593	98,639	56,599
August	67,171	65,652	93,680	58,625
September	68,100	83,511	99,440	51,076
October	63,071	66,835	89,479	---
November	54,726	79,683	83,965	---
December	48,636	68,749	76,786	---
Total, All sources	706,033	843,078	1,061,344	662,273

Table continued on next page.

**Table F-1--Continued**

**Uncoated paper: U.S. monthly imports, by source, January 2012 through September 2015**

Note.—\*\*\*.

Note.—\*\*\*.

*Source:* Official import statistics, HTS subheadings 4802.56 and 4802.57.

**APPENDIX G**

**NONSUBJECT COUNTRY PRICE DATA**





Four importers reported price data for nonsubject country Canada for products 1, 2, and 3. Price data reported by these firms accounted for \*\*\* percent of U.S. commercial shipments from Canada. These price items and accompanying data are comparable to those presented in tables V-5 to V-7. Price and quantity data for Canada are shown in table G-1 and in figures G-1 through G-3 (with domestic and subject sources).<sup>1</sup>

In comparing nonsubject country pricing data with U.S. producer pricing data, prices for product imported from Canada were lower than prices for U.S.-produced product in 1 instance and higher in 44 instances. In comparing nonsubject country pricing data with subject country pricing data, prices for product imported from Canada were lower than prices for product imported from subject countries in 15 instances and higher in 122 instances. A summary of margins of underselling and overselling is presented in table G-2.

**Table G-1**  
**Uncoated paper: Weighted-average f.o.b. prices and quantities of imported Canadian product 1, 2, and 3, by quarters, January 2012-September 2015**

\* \* \* \* \*

**Figure G-1**  
**Uncoated paper: Weighted-average f.o.b. prices and quantities of domestic and imported product 1, by quarters, January 2012-September 2015**

\* \* \* \* \*

**Figure G-2**  
**Uncoated paper: Weighted-average f.o.b. prices and quantities of domestic and imported product 2, by quarters, January 2012-September 2015**

\* \* \* \* \*

**Figure G-3**  
**Uncoated paper: Weighted-average f.o.b. prices and quantities of domestic and imported product 3, by quarters, January 2012-September 2015**

\* \* \* \* \*

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<sup>1</sup> A number of firms reported why their price for Canadian products differed from the same products from other sources. \*\*\*. \*\*\*. \*\*\*.

**Table G-2****Uncoated paper: Summary number of instances in which the Canadian price was above or below the price of product from other countries, by country, January 2012-September 2015**

Comparison	Total number of comparisons	Underselling		Overselling	
		Number of quarters	Quantity (short tons)	Number of quarters	Quantity (short tons)
<b>Nonsubject vs United States.--</b> Canada vs. United States	45	1	***	44	***
<b>Nonsubject vs Subject.--</b> Canada vs. Australia	15	0	***	15	***
Canada vs. Brazil	30	6	***	24	***
Canada vs. China	21	0	***	21	***
Canada vs. Indonesia	41	0	***	41	***
Canada vs. Portugal	30	9	***	21	***
Total Nonsubject vs. subject	182	16	7,002	166	604,687

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

**APPENDIX H**

**LOST SALES AND LOST REVENUE ALLEGATIONS FROM THE PRELIMINARY PHASE  
OF THE INVESTIGATIONS**



## LOST SALES AND LOST REVENUE

Effective October 1, 2015, the Commission changed its rules associated with domestic industry provision of allegations of lost sales and lost revenue. The Commission rules were changed to ask petitioners to provide a list of purchasers where they lost sales or revenue, instead of transaction-specific incidents. This appendix contains the information from the preliminary phase related to lost sales and lost revenue allegations under the prior Commission rules.

The Commission requested U.S. producers of uncoated paper to report any instances of lost sales or revenue they experienced due to competition from imports of uncoated paper from Australia, Brazil, China, Indonesia, or Portugal since January 2011. All eight of the responding U.S. producers reported that they had to either reduce prices or roll back announced price increases and that they had lost sales due to subject imports. The 39 lost sales allegations totaled over \$80.5 million and involved 78,556 short tons of uncoated paper<sup>1</sup> and the 28 lost revenue allegations totaled over \$6.1 million and involved 102,156 short tons of uncoated paper (tables H-1 and H-2). Staff received responses from six purchasers; a summary of the information obtained follows.

**Table H-1**  
**Uncoated paper: U.S. producers' lost sales allegations**

\* \* \* \* \*

**Table H-2**  
**Uncoated paper: U.S. producers' lost revenue allegations**

\* \* \* \* \*

Purchasers responding to the lost sales allegations also were asked whether they shifted their purchases of uncoated paper from U.S. producers to suppliers of uncoated paper from Australia, Brazil, China, Indonesia, and Portugal since 2011. In addition, they were asked whether U.S. producers reduced their prices in order to compete with suppliers of uncoated paper from Australia, Brazil, China, Indonesia, and Portugal. Three of the five responding purchasers reported that they had shifted purchases of uncoated paper from U.S. producers to subject imports since 2011; all three of these purchasers reported that price was the reason for the shift. Four purchasers reported that the U.S. producers had reduced their prices in order to compete with the prices of subject imports since 2011.

Purchasers were asked for details on domestic producers' price reductions in response to imports. All four firms reporting price reductions provided details including: domestic supplier kept prices consistent unless there was a price increase or decrease as did the importer suppliers; one time price reduction by approximately 14 percent; price reductions at least twice; and the purchase price dropped 10 percent due to the price of imports.

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<sup>1</sup> Some producers provided incomplete information for their lost sales allegations; these have not been included in the table.

