UNREFINED MONTAN WAX FROM EAST GERMANY

Report to the President
on Investigation No. TA-406-7
Under Section 406 of the
Trade Act of 1974

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Michael J. Calhoun, Vice Chairman
Paula Stern
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This report prepared by:

Judith C. Zeck, Investigator
Gerald Benedick, Office of Economics
Clarease Mitchell, Office of the General Counsel
Marvin Claywell, Office of Investigations
David Michels, Office of Industries

Vera A. Libeau, Supervisory Investigator

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

REPORT TO THE PRESIDENT
ON INVESTIGATION NO. TA-406-7

UNREFINED MONTAN WAX FROM EAST GERMANY

UNITED STATES INTERNATIONAL TRADE COMMISSION

January 13, 1982

Determination

On the basis of information developed in the course of investigation No. TA-406-7, the Commission (Commissioner Frank dissenting) has determined, with respect to imports of unrefined montan wax from East Germany, provided for in item 494.20 of the Tariff Schedules of the United States, that market disruption does not exist with respect to an article produced by a domestic industry.

Background

This report is being furnished pursuant to section 406(a)(3) of the Trade Act of 1974 (19 U.S.C. 2436(a)(3)) and is based on an investigation conducted under section 406(a)(1) of the Trade Act. The Commission instituted the investigation on October 28, 1981, following receipt of a petition filed on October 13, 1981, by the American Lignite Products Co. (ALPCO), Ione, California.

A public hearing in this proceeding was held in the Hearing Room of the U.S. International Trade Commission Building in Washington, D.C., on December 2, 1981. All interested parties were given an opportunity to be present, to present evidence, and to be heard.

Notice of institution of the investigation and of the public hearing was given by posting copies of the notice in the Office of the Secretary to the Commission in Washington, D.C., and by publishing the notice in the Federal Register of November 3, 1981 (46 F.R. 54659).

The information in this report was obtained from field work, questionnaires sent to the domestic producer and importer, the Commission's files, other Government agencies, testimony presented at the hearing, briefs filed by interested parties, and other sources.

Views of Chairman Bill Alberger, Vice Chairman Michael J. Calhoun and Commissioners Paula Stern and Alfred E. Eckes

On the basis of the information developed during the course of this investigation, we determine that market disruption as defined in section 406 of the Trade Act of 1974 (Trade Act) does not exist with respect to imports of unrefined montan wax. Our determination in this case rests on an assessment of the recent and historical levels of imports of unrefined montan wax from East Germany in the U.S. market. The recent role of imports is not abnormal in the historical context. Thus, the threshold requirement for a finding of market disruption--a showing of rapidly increasing imports--has not been met in this investigation.

Section 406(a)(1) of the Trade Act directs that upon the filing of a petition the Commision "shall promptly make an investigation to determine with respect to imports of an article which is the product of a Communist country, whether market disruption exists with respect to an article produced by a domestic industry." Section 406(e)(2) defines market disruption as follows:

> Market disruption exists within a domestic industry whenever imports of an article, like or directly competitive with an article produced by such domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury or threat thereof, to such domestic industry.

Domestic industry

In this case unrefined montan wax from East Germany is the imported article. The primary use for both domestic and imported unrefined montan wax in the United States is as a flow agent in the manufacture of onetime carbon paper. 1/ Imports are like or directly competitive with unrefined montan wax

1/ Staff report pp. A-3 to A-10.

produced in the United States by American Lignite Products Co. (Alpco). As the only domestic producer of this substance, Alpco constitutes the domestic industry.

The question of market disruption

To make an affirmative determination of market disruption, the Commission first must find that imports are increasing rapidly, either absolutely or relatively. The legislative history indicates that Congress was concerned that a situation may exist where exports of a Communist country could be "directed so as to flood domestic markets within a shorter time period than could occur under free market conditions." 2/ The shorter time period is not defined in the statute; however, the Senate Finance Committee Report provides some guidelines for the Commission, as to its meaning:

> The increase in imports required by the market disruption criteria must have occurred during a recent period of time, as determined by the Commission, taking into account any historical trade levels which may have existed.

In the most recent time period for which data are available, January-September 1981, imports of unrefined montan wax from East Germany were 1.1 million pounds or 27 percent lower than in the corresponding period of 1980. This decline in imports during a period of steady consumption led to a 28 percent decline in the ratio of imports to consumption in the first nine months of 1981 compared with the corresponding period of 1980. Available data for 1981 show clearly that imports have not increased either absolutely or relatively.

2/ Report of the Committee on Finance, U.S. Senate Report No. 93-1298 93rd Congress, 2nd session, 1974 p. 210.

The petitioner argues that due to the antidumping investigation which was being conducted in 1981 3/ recent import figures "are likely distorted" because of "manipulation" by the importer to avoid possible dumping duties. 4/ The domestic firm suggests that we look instead at 1980 figures and compare them to the prior five year average to establish a pattern of rapidly rising imports. This calculation does show that imports in 1980 were higher than the yearly average for the prior five years. The flaw in this analysis is that 1980 imports were likely influenced by a threatened dock strike and the possibility of an adverse dumping finding in early 1981. For these reasons imports and the import to consumption ratio in all likelihood were higher in late 1980 than they might otherwise have been. Without these factors, imports and the import to consumption ratio would probably have increased by less in 1980 and declined by less in 1981.

Even if we look at 1980-81 as the most recent period, imports, although increasing over 1979, still could not be said to be increasing rapidly, taking into account historical levels. An examination of official import statistics on montan wax from 1925 to the present time indicates a number of years in which imports exceeded the 1980 and 1981 levels. 5/ For instance in 1974, imports were 6.7 million pounds, considerably higher than in the most recent years. Moreover, a review of the decade 1971 to 1980 shows imports averaging 5.1 million pounds in 1971-75 and only 4.3 million pounds yearly in 1976-1980, indicating a clear drop in the second half of the decade.

3/ Unrefined montan wax from East Germany USITC Pub. No. 1103, inv. No. 731-TA-30 (Preliminary) and USITC pub. No. 1180, inv. No. 731-TA-30 (Final). The preliminary investigation was initiated on September 8, 1980.

4/ Posthearing brief submitted by Alpco p. 1.

5/ The only data available prior to 1977 are on imports. Therefore an import to consumption ratio is not available on an historic basis. Montan wax has been exported to the United States from the Roeblingen area of Germany (now in East Germany) since 1907. Domestic production of unrefined montan wax began on a commercial basis in the United States in 1947.

Historical trade levels show that not only were imports higher in the past than at present but also that there were periodic fluctuations in import levels. When viewed in the historical context, 1977-September 1980 import levels again indicate such a fluctuation. Imports increased from a decade low of 3.3 million pounds in 1977 to 5.8 million pounds in 1980, and then substantially declined in the first nine months of 1981. These data do not demonstrate rapidly increasing imports, but rather are another instance of import fluctuation.

The Senate Report on section 406 indicates that Congress was concerned about a non-market economy's ability to mobilize resources, control distribution and prices, and quickly direct exports to a targeted market. Such surges could disrupt the free market and harm domestic industries. In our opinion, imports of unrefined montan wax do not correspond to the type of situation envisioned by Congress. Exports of unrefined montan wax have been coming from the Roeblingen Region 6/ to the United States since 1907 except during World Wars I and II, long before domestic production of this article began. As discussed above, imports have fluctuated markedly during this time, and there is no indication of a redirection of exports by East Germany so as to flood the United States market. In fact, only a small percentage of East German production of montan wax has been and is presently exported to the United States. Regardless of how we examine the figures, we find no evidence of "rapidly increasing imports".

Since we do not find rapidly increasing imports, a threshold test under this statute, we have not addressed the further issue of material injury to the domestic industry by rapidly increasing imports of unrefined montan wax.

6/ Staff report p. A-4.

We note that our finding in this case is based on different legal standards 7/ than the recent affirmative antidumping determination 8/ under section 735 of the Tariff Act of 1930 (19 U.S.C. 1673d). 9/ In the present investigation, the petitioner failed to meet the basic criterion under section 406 of showing rapidly increasing imports of unrefined montan wax. Therefore, we find that market disruption does not exist.

7/ For example, an affirmative determination under Section 735 of the Tariff Act of 1930 does not require a showing of rapidly increasing imports.

8/ Commissioner Eckes did not participate in the antidumping determination.

9/ Under section 735 we found that the domestic montan wax industry was being materially injured by imports of unrefined montan wax from East Germany which were being sold at less than fair value (Inv. No. 731-TA-30 (Final) USITC Pub. No. 1180, August 1981).

VIEWS OF COMMISSIONER EUGENE J. FRANK

Based on the information before me in this investigation, I have concluded that imports of unrefined montan wax from East Germany are rapidly increasing so as to be a significant cause of material injury to the domestic montan wax industry and that market disruption therefore exists.

The term "market disruption" is defined in section 406(e) of the Trade Act of 1974. The statute in essence sets forth the following three tests or criteria and requires that all three be satisfied in order for there to be a finding of market disruption--

(1) imports of an article the product of a Communist country are increasing rapidly, either absolutely or relatively;

(2) the domestic industry producing an article like or directly competitive with the imported article is materially injured or threatened with material injury; and

(3) such rapidly increasing imports are a significant cause of the material injury or threat thereof.

I have found that all three criteria are satisfied.

Rapidly increasing imports

The first criterion requires a finding that imports are "increasing rapidly, either absolutely or relatively." This requirement reflects the concern of Congress regarding the ability of communist countries, through their control of the distribution process and the price at which articles are sold, "to flood domestic markets within a shorter time period then could occur under free market conditions."1/ While Congress did not expressly define the

"increasing rapidly" test, the Senate Committee on Finance stated in its report on the bill that became the Trade Act that the increase would be one that had occurred "during a recent period of time, as determined by the Commission taking into account any historical trade levels which may have existed." 2/

Data in the present case clearly show that imports have increased rapidly both absolutely and relatively in recent years. Imports in 1980-81 (1980 is the latest full year for which import data were available; data were available only for the first 9 months of 1981) were running at an annualized level of 4.8 million pounds, almost 50 percent above the 1977 level, about 35 percent above the 1978 level, and 10 percent above the 1979 level. Imports in 1980-81 were running at an annualized level of about 30 percent above the average 1977-79 level. 3/ The ratio of imports to U.S. consumption in 1980-81 was significantly higher than the 1977-79 ratio, and imports exceeded domestic production by a considerable extent in five of the most recent seven calendar quarters (January 1980-September 1981), especially in the last quarter of 1980. 4/

The importer of the East German wax suggested that the Commission should consider only imports in the first 9 months of 1981 as constituting the appropriate "recent" imports and to conclude that imports are not increasing

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1/ Trade Reform Act of 1974: Report of the Committee on Finance . . ., S. Rept. No. 93-1298 (93rd Cong. 2d sess.), 1974, p. 210.
2/ Id., p. 212.
3/ Report, p. A-15.
4/ The year 1977 was the earliest year for which data on production, consumption, and domestic shipments were obtained by Commission questionnaires. The discussion here focuses on generalized trends in view of the confidentiality of certain data from the sole domestic producer.

rapidly because average quarterly imports were higher in 1980. 5/ To do so would too narrowly focus our inquiry and would be akin to reviewing the situation with blinders on. Exogenous factors, such as the date of arrival of a ship or the threat of a dock strike, can distort the statistics for one or several quarters. Counsel for the importer in fact conceded that the threat of a dock strike as well as the prospect of retroactive application of possible dumping duties caused imports to increase in the last quarter of 1980. 6/

While it is true that import levels in the first 3 quarters of 1981 averaged below import levels in the 4 quarters of 1980, it is also true that imports in the fourth quarter of 1980 exceeded 50 percent of total 1977 imports and were almost 50 percent of 1978 imports, and that imports in the second quarter of 1981 exceeded import levels for 3 of the 4 quarters of 1979. Some of this increase in late 1980 went into importer inventories, which at the close of 1980 were about twice the year-end 1979 level. However, importer inventories declined to almost the year-end 1979 level by September 30, 1981, indicating a substantial reduction in inventory levels. 7/ One must therefore examine imports over more than just a few quarters in order to factor out aberrations. Having done this in the present case, it is clear that imports are rapidly increasing. 8/

5/ Strohmeyer & Arpe Co. posthearing brief, p. 4.
6/ Hearing transcript, pp. 105, 129.
7/ Report, p. A-36.
8/ If any imports should be discounted in determining whether imports are increasing rapidly, it should be 1981 imports, not 1980 imports as the importer suggests in view of what I feel to be atypical trade levels occurring in the 9-month period for which information was available. Proceeding on

(Footnote continued)

Material injury

The second criterion requires a finding that the domestic industry is materially injured or is threatened with material injury. The criterion is expressed in the disjunctive, and the test is satisfied if either material injury or the threat of such injury is found to exist. The term "material injury, or threat thereof," is not expressly defined in the statute, but the legislative history of section 406 indicates that the term is intended to represent "a lesser degree of injury" than the term "serious injury" employed in the import relief provisions of section 201 of the Trade Act. 9/ Further, the legislative history makes clear that the section 406 concept is formulated along lines similar to the section 201 criteria, 10/ indicating that the Commission should consider economic factors such as capacity utilization, profits, and employment levels used in section 201 determinations.

The facts in the present case show that the U.S. producer of unrefined montan wax is materially injured. Alpco's utilization of capacity declined substantially between 1977-79 and 1980-81. Shipments declined during the period, reflecting the decline in capacity utilization levels. 11/ Employment in the industry likewise declined significantly from 1978 to 1981. 12/

(Footnote continued)
this basis and taking the 1976-79 period as historically representative of imports which I have done in this case as set forth in my section on remedy, imports in the 1980 recent period registered a 47 percent increase over the average annual levels for the years 1976-79. Examining import trends in such manner coupled with the previous trends cited in my opinion makes it clear that imports are rapidly increasing.

9/ Senate Finance Report, p. 212.
10/ Id.
11/ Report, p. A-19.
12/ Report, p. A-25.

Alpco's ratio of net profit (before taxes) to net sales, which was satisfactory in the accounting years ending May 31, 1978, May 31, 1979, and May 31, 1980, respectively, was a negative ratio, i.e., a loss, in the accounting year ending May 31, 1981. Balance sheet data also reflect the deteriorated condition of the domestic producer as a result of the declines in shipments and profits, notwithstanding its expansion program, as well as the effects increased imports have had on prices, including pricing distortions likely manifesting at a minimum suppressive effects, adversely impacting the only domestic producer. 13/

Significant cause of material injury

The third criterion requires a finding that the rapidly increasing imports are a significant cause of the material injury, or threat thereof, to the domestic industry. As in the case of the "material injury" test, the "significant cause" test is formulated along lines similar to the "substantial cause" test of section 201, and "significant cause" is intended to be an "easier" standard to satisfy than that of "substantial cause." 14/ As in a section 201 determination, it is appropriate to consider the relationship between the increase in imports and the injury found to exist.

In the present case, there is a direct relationship between the rapid increase in imports in 1980-81 and the decline in capacity utilization, employment, shipments, and profits of the U.S. producer. Imports were highest in both absolute and relative terms at the time domestic shipments,

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13/ Report, p. A-39. This was the earliest year for which domestic and importer selling prices were obtained by Commission questionnaires.

14/ Senate Finance Report, p. 212.

employment, capacity utilization, financial position, and profits were declining. Furthermore, during the 1980 period, which is clearly reflective of market disruption, the importer's margins of underselling reached their highest levels on a quarterly basis since January 1978. 15/

Considerable attention was devoted by both the domestic producer and importer to certain alleged operating cost advantages which the East German producer has over Alpco. I believe that the Commission's views expressed in investigation No. 731-TA-30 (Final) issued September 4, 1981, Unrefined Montan Wax from East Germany, adequately explain why the importer's contentions in this respect are not persuasive. In this respect, it should also be noted that Alpco is currently working with the State of California to develop a cogeneration capability which should significantly improve its operating efficiencies if capacity utilization returns to reasonable levels. Furthermore, any cost comparisons on a BTU equivalent basis between Alpco and the East German producer should take into consideration ground reclamation cost inputs and lignite process by-product utilization (as a credit), among other things, in ascertaining the true costs incurred in producing unrefined montan wax. From the information developed in this investigation in this respect, I am not persuaded that there is adequate support for the importer's contention, stated repeatedly, that the East German producer enjoys a true comparative operating cost advantage which the domestic producer cannot even approach. I would observe, additionally, that further scrutiny of transportation cost inputs from the East German producer to importer's ports

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15/ Report, p. A-39.

of entry along with the domestic transportation cost differential data that was requested in the questionnaires sent to the importer and domestic producer (and absorbed by the end-user) might have been helpful in ascertaining the true constructed cost differentials between the East German products and domestic products.

Remedy

Since the Commission majority has made a negative determination, there will not be a Commission remedy recommendation to the President. However, had the Commission determination been in the affirmative, I would have recommended that the President impose a 3-year quota of 3.9 million pounds per year 16/ on imports of unrefined montan wax from East Germany, with such restrictions to be in effect during the period January 1, 1982-December 31, 1984, and with such quotas to be upwardly adjusted by 3 percent in each of the second and third years provided that U.S. consumption of unrefined montan wax had increased by 5 percent or more in the preceding calendar year. The "recent" period "representative" of imports for the purpose of establishing such a quota would be 1976-79.

I would not have supported a recommendation for the imposition of a tariff since it would not have provided an adequate remedy in this case, and its effect would have been most likely absorbed by the consumer public unnecessarily. I would not have recommended adjustment assistance in this

16/ This level is equal to average annual imports for the period 1976-79, which period I have determined to be the recent representative period in this investigation within the meaning of sec. 203(d)(2) of the Trade Act.

case because I do not believe that this kind of assistance should be a remedy in a section 406 case.

Other considerations

The domestic producer's posthearing statement included a letter dated October 8, 1980, from Assistant Secretary of the Army for Research, Development and Acquisition Percy A. Pierre to Congressman Norman D. Shumway. 17/

In that letter, Assistant Secretary Pierre states that Honeywell, Inc., responsible for developing ammunition production capability for the German 120MM tank gun system which the U.S. Army has a license agreement with the West German Government to adapt and produce in the United States, has expressed an interest in the domestic producer's potential ability to satisfy future requirements of montan wax. The foreign specification, according to this letter, includes the use of montan wax as a desensitizer of the main charge.

In this regard, the report of the Senate Finance Committee on the bill which became the Trade Act of 1974 states the following with respect to section 406:

> The Committee is also particularly concerned that the U.S. could become dependent upon Communist countries for vital raw materials such as oil, gas, nickel, chromium, manganese and others. If traditional, dependable suppliers of such materials, whether they are domestic or foreign, are suddenly forced out of business by substantial imports of such materials from Communist countries, it could result in market disruption, or the threat thereof, for the domestic industry either producing or utilizing such articles . . .

17/ Posthearing statement dated Dec. 7, 1981, Exhibit A.

> The Committee expects the Commission and the President to monitor carefully import trends and to view each case with the goal of preventing imprudent dependence on a nonmarket economy for a vital material. 18/

18/ Senate Finance Report, pp. 210-11. Although this consideration was not a significant relevant factor of those factors upon which I based my determination in this investigation, I believe the legislative intent stated here in this respect is explicit. Therefore, I feel it is appropriate to cite this for the President's consideration at this time.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On October 13, 1981, the U.S. International Trade Commission received a petition from American Lignite Products Co. (Alpco) of California, the only U.S. producer of unrefined montan wax, for import relief under section 406 of the Trade Act of 1974. The petition was found to be properly filed and accordingly, the Commission, on October 28, 1981, instituted an investigation under section 406(a) of the Trade Act of 1974 (19 U.S.C. 2436). The purpose of the investigation is to determine, with respect to imports of unrefined montan wax provided for in item 494.20 of the Tariff Schedules of the United States (TSUS), which are products of East Germany, whether market disruption exists with respect to an article produced by a domestic industry. Section 406(e)(2) of the Trade Act of 1974 defines market disruption to exist within a domestic industry if "imports of an article, like or directly competitive with an article produced by such domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat thereof, to such domestic industry." The statute requires the Commission to submit its determination to the President within 3 months after the filing of this petition--in this case by January 13, 1982.

Notice of the Commission's institution of investigation No. TA-406-7 and of the 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, D.C., and by publishing the notice in the Federal Register of November 3, 1981 (46 F.R. 54659). 1/ The hearing 2/ was held on December 2, 1981 and the vote was held on January 4, 1982.

Previous U.S. International Trade Commission Investigations Concerning Montan Wax

On October 28, 1955, the Secretary of the Treasury advised the Chairman of the U.S. Tariff Commission (former name of the U.S. International Trade Commission) "that montan wax in its crude form from the Soviet Zone of Germany and from Czechoslovakia is being, or is likely to be, sold in the United States at less than fair value." The Tariff Commission then conducted investigation No. AA1921-6 to determine whether imports of montan wax were injuring or were likely to injure a domestic industry.

A hearing was held in connection with the investigation on January 10, 1956. On January 18, 1956, a press release was issued which stated that after "investigation in accordance with the provisions of section 201(a) of the said Antidumping Act, the Commission, by unanimous opinion, has determined that the domestic industry producing montan wax is not being, and is not likely to be, injured by reason of the importation of crude montan wax from East Germany or from Czechoslovakia." 3/

1/ A copy of the Commission's notice is presented in app. A.

2/ A list of witnesses appearing at the hearing is presented in app. B.

3/ A copy of the Tariff Commission's press release announcing this determination is reproduced in app. C.

More recently, in 1980 and 1981, the Commission conducted investigation No. 731-TA-30 under section 731 of the Tariff Act of 1930 (19 U.S.C. 1673) to determine whether the domestic industry producing unrefined montan wax was being materially injured or was threatened with material injury, by reason of imports of montan wax from East Germany which were allegedly being sold at less than fair value (LTFV). On July 22, 1981, the Department of Commerce found that unrefined montan wax was being sold at LTFV by a weighted average margin of 6.58 percent. 1/ On August 25, 1981, Commerce revised this margin to 13.02 percent. 2/ Subsequently on August 26, 1981, the Commission unanimously determined that an industry in the United States was being materially injured by reason of imports from East Germany of unrefined montan wax. 3/ The Commerce determination of LTFV sales is presently the subject of a review pursuant to the provisions of section 736 (19 U.S.C. 1673e) of the Tariff Act of 1930.

Description and Uses

Unrefined montan wax is a hard, brittle mineral wax found in lignite or brown coals and generally extracted from them with the use of solvents. Although it has been used in the production of floor and shoe polishes, and as a mold release agent, its main use in the United States is as a flow agent in the manufacture of one-time carbon paper.

Lignite, from which the montan wax is extracted, is a soft low-grade coal, classified between peat and sub-bituminous coal. Wax-bearing lignite is found in those areas where the plants from which the coal was eventually formed had a high wax content. This wax was preserved in the coal. Genetically, montan wax is a fossilized plant wax and is similar to vegetable waxes in many of its characteristics and uses.

To produce montan wax economically, it is necessary to find a source of lignite with a high wax content and a low resin content. Worldwide, the principal sources of lignite suitable for producing montan wax are in the Roblingen area of East Germany and in Amador County, Calif. The world's two principal facilities for the production of montan wax, VEB Braunkohlenkombinat of East Germany and Alpco of California, are located near the source of the raw material. There have been reports of some production in Russia and China, but there have been no imports from these countries in recent years and production may have been discontinued due to a shortage of suitable lignite. There have been no reports of production from Czechoslovakia in recent years.

1/ A copy of the Department of Commerce's final determination and revised final determination is presented in app. D.

2/ In a preliminary determination by the Department of Commerce in March of 1981, a weighted average margin of 29.5 percent was found. This was subsequently revised in April of 1981 to 51.4 percent.

3/ A copy of the Commission's final determination is presented in app. E.

The imported product

Romonta montan wax.--The imported product which is the subject of this investigation is unrefined montan wax from East Germany. It is sold under the brand name Romonta.

In East Germany the lignite is mined using the open-pit method. The coal, which has a moisture content of less than * * * percent, is dried to a moisture content of * * * percent and then crushed to a grain size of 0.2 to 2 millimeters. The crushed lignite is then placed in an extraction machine with hot organic solvents where the wax itself is extracted using the countercurrent principle. The solvents used vary but they generally contain some combination of benzene and ethyl alcohol. The actual solvent mix used at the present time is proprietary. The wax is then separated from the solvent by distillation and by blowing in steam. It is then mixed with various chemicals to produce specific grades of unrefined montan wax. The finished wax is cast into small blocks, or sprayed in a special unit to form a fine granulate, or, while still in liquid form, poured into heatable tank cars or trucks. Most of the unrefined montan wax imported into the United States is in the granulated form.

VEB Braunkohlenkombinat produces several grades of montan wax which it ships throughout the world. There are five grades being exported to the United States at the present time. The Romonta "regular" or "normal" grade is in the crudest state. Romonta 6715 is a very hard dark wax in which the resin content is reduced and the asphalt content increased. This is the grade used most often in the production of carbon paper. Romonta 76 is also a hard dark wax and is considered an improved form of type 6715. Romonta CP-77 is a premium product. All of these grades can be used in the production of one-time carbon paper. The fifth grade exported to the United States is called Romonta-Y, a specially formulated wax with a low ash content for precision molding, and is not used in the production of one-time carbon paper at the present time.

An estimate of the share of imports of each grade of unrefined montan wax in 1980 is shown in the following tabulation:

	Share of total (Percent)
Regular	***
6715	***
76	***
CP-77	***
Romonta-Y	***
Total	100.0

The U.S. importer.--There is one importer of montan wax from East Germany in the United States--Strohmeyer & Arpe Co., Inc., of Millburn, N.J. It is the exclusive distributor of the East German product in both the United States and Canada and is a wholly owned subsidiary of Christian Bjelland & Co., Inc., U.S.A., a subsidiary of Christian Bjelland & Co., Inc., a Norwegian firm which is a major international food supplier.

Strohmeyer has been in the wax business for more than 75 years and is one of the largest suppliers of natural waxes in the world. It has been importing unrefined montan wax from East Germany since 1907. Its agreement with VEB Braunkohlenkombinat as exclusive distributor runs for a period of several years; however, the price and quantity of purchases are negotiated on an annual basis.

The unrefined montan wax is exported from East Germany by AHB Chemie-Export-Import, a government foreign trade organization responsible for exporting chemical products. VEB Braunkohlenkombinat delivers the product to Hamburg, West Germany, where the importer takes control of the goods.

As stated previously, the importer handles five grades of montan wax. In addition, Strohmeyer imports carnauba wax from Brazil, candelilla wax from Mexico, beeswax from Chile, Mexico, Dominica, Ethiopia, Tanzania, Australia, New Zealand, Brazil, and Argentina, Japan wax from Japan, bayberry wax from Colombia, and ouricury wax from Brazil.

The East German producer.--The world's major producer of unrefined montan wax is VEB Braunkohlenkombinat of the Roblingen area of East Germany. It accounts for approximately * * * percent of total world production. VEB Braunkohlenkombinat is part of a state-owned lignite works called "Gustav Sobottka." The lignite works include open-cast mines, railroad installations for transporting the lignite to the refineries, briquetting and wax refineries, a power plant, and the firm's internal lines for electric power and steam. Lignite is mined to provide fuel for generating electricity and for compression into briquettes for other requirements. The lignite briquettes are used throughout East Germany and exported to other European countries. The onsite electric generation plant supplies power for the public population in the surrounding area as well as company requirements.

When lignite with high wax content is encountered during the mining process, it is diverted to the wax plant. After the wax is extracted, the lignite residue is used in the production of briquettes. The plant produces * * * of montan wax a year, which is exported to between * * * countries throughout the world.

U.S. tariff treatment.--Montan wax is classifiable under item 494.20 of the TSUS. Imports are duty free from all countries. The duty free status was provided for in the Tariff Act of 1930 as originally enacted and has been bound since June 1951 as a concession granted by the United States in the General Agreement on Tariffs and Trade.

On at least two occasions in recent years, attempts have been made in Congress to have a duty placed on montan wax. In July 1978, a bill was proposed (H.R. 13412) to provide a column 2 rate of duty of 6.5 cents per pound. The bill was never reported out of Committee. In March 1980, H.R. 5242 was proposed to amend the TSUS by deleting current item 494.20, which provides for duty-free treatment of imports of montan wax from all countries, and substituting new items 494.19 and 494.21 in lieu thereof. Item 494.19 would cover unrefined montan wax and provide for a column 1 duty rate of free

and a column 2 rate of 11 cents per pound, thus maintaining the duty-free status of imports from countries entitled to most-favored-nation treatment while imposing a duty on imports from all other sources including East Germany. TSUS item 494.21 would cover all other montan wax which would be duty free in both column 1 and column 2. This bill also was never reported out of Committee.

The domestic product

Alpco montan wax.--Unrefined montan wax is produced in the United States by one producer, Alpco of Ione, Calif. The means of extracting the wax is basically the same in the California plant as it is in the East German facility.

First, lignite with a sufficiently high wax content must be found. Once located, the suitable lignite, which has a moisture content of roughly * * * percent, is mined and stockpiled, then taken to the plant where it is dried and crushed to a grain size of * * * millimeters. After being sifted to remove the fine particles (fines) which would clog the machinery, the crushed lignite is placed in an extraction machine where hot solvent is poured through it, removing the wax from the lignite. This solution is then distilled to remove the solvent, which is circulated through the system to be used again. Prior to 1979, the fines which were sifted out were unusable. With the addition in that year of a fines plant, however, these fine particles became subject to an extraction process whereby they are dipped in hot solvents. The solvent is then distilled to separate the wax as in the other process.

After distillation, the wax is moved to a mixing tank where chemical additives are introduced. Finally, the liquid wax is placed on a cold roll to solidify, after which it is chipped and bagged.

Unrefined montan wax is produced in the United States in two grades, type 1650 and type 16, both of which are used in the production of one-time carbon paper. Both grades are priced the same, but over * * * percent of Alpco's business is in type 1650. Approximately * * * percent of the company's sales by volume are of these two grades. The remaining * * * percent of Alpco's sales are of a refined montan wax, Type 400, which is priced substantially higher than type 1650 and type 16, and is not used in the production of one-time carbon paper.

The U.S. producer.--Alpco began operations in 1947. It was formed by an Eastern U.S. family in the coal business. The company initially intended to produce briquettes for use as a fuel, but the lignite proved to be unsatisfactory for this use. It was discovered to contain appropriately high levels of wax for the production of montan wax, however; and the company began the commercial production of that product during 1948. The only other sources of montan wax at that time were East Germany and, to a much lesser extent, Czechoslovakia.

In 1968, the company was sold to the Interpace Corp. of Parsippany, N.J. Interpace had extensive mineral-processing and mining operations in Amador County, Calif. In 1975, following a change in management, Interpace decided to sell the montan wax plant. After more than a year on the market, three employees made an offer to purchase the plant in early 1977. The offer was accepted and Alpco went into operation under new ownership on June 1, 1977.

The company presently has a sublease on lignite deposits which runs to the year * * *. The sublease provides Alpco with rights to all lignite with a wax content above * * * percent on * * * acres of land. In addition, it has rights to two other tracts of land, one of * * * acres. In order to ensure an adequate supply of lignite with a suitable wax content, the company does exploratory drilling every year to determine the wax content of the lignite at the various locations and plan the order in which the lignite will be mined. Deposits of lignite are then classified as proven, 1/ probable, 2/ or indicated 3/ Alpco has mining reports which estimate proven reserves for * * * years, probable reserves for * * * years, and indicated reserves for * * * years. 4/ Alpco contracts with a mining company that mines the lignite in the summer and stockpiles it, then delivers it to the plant, as needed, on a daily basis. Lignites with different wax contents are combined during production to maintain an average wax content of approximately * * * percent. This facilitates the production of a consistent quality of montan wax.

U.S. Market

Unrefined montan wax is used in combination with mineral oil, paraffin, and carbon black in the production of one-time carbon paper ink. There are three types of customers for the product: those who make the carbon paper ink, those who make one-time carbon paper, and those who make the whole business form. These firms may use Alpco and Romonta waxes in the same ink or they may use one or the other in separate formulations. A user generally does not substitute one unrefined montan wax for another in any given formula, however, because of the chemical variations in the waxes and the precision in the formulas. Once a formula is established which combines the four basic ingredients in a satisfactory manner, the use of montan wax from a different source would require a reformulation of all the ingredients.

Consumption of unrefined montan wax

Apparent U.S. consumption of unrefined montan wax (based on U.S. shipments made by Alpco and Strohmeyer) increased annually from 1977 to 1979 and then fell slightly in 1980; a continued decline is indicated during January-September 1981, as shown in the following tabulation:

1/ Proven-Drilled and assayed on 100-foot centers; sufficient data to assure the wax yield after mining with plus or minus 5-percent accuracy.

2/ Probable-Drilled on 500-foot or closer centers; sufficient data to give reasonable indication of the grade plus or minus 10 percent.

3/ Indicated-Drilled on greater than 500-foot centers; data indicate existence of deposition and rough characterization of grade.

4/ A summary of Alpco's wax-bearing lignite reserve estimate is provided in app. E.

	Apparent U.S consumption 1,000 pounds
1977 1/	***
1978	***
1979	***
1980	***
January-September--	
1980	***
1981	***

1/ Based on an estimate of Alpco's domestic shipments for January-May 1977 of * * * million pounds.

From 1977 to 1978, apparent U.S. consumption of unrefined montan wax increased by * * * pounds or * * * percent. In 1979, consumption increased by * * * percent when compared with January-September 1980.

The single largest use of one-time carbon paper is in manifold business forms. The use of these forms is tied closely to the computer industry, and the market for them has been steadily increasing since 1977 according to data in the 1981 U.S. Industrial Outlook, published by the Department of Commerce. The business-form industry experienced one of its best years in 1979. This growth continued through January-March 1980, but, beginning in April or May of that year, the industry experienced a slowdown which lasted throughout the remainder of the year and into 1981. Although competing paperless technologies will displace some forms usage, the 1981 U.S. Industrial Outlook anticipates that forms industry shipments will grow an average of 12 percent a year through 1985. A more imminent concern to the unrefined montan wax industry is the use of other waxes in the production of one-time carbon paper inks.

Competitive products

Unrefined montan wax is considered to be the wax product with the best combination of properties for use in the production of one-time carbon paper. Those properties which make it the preferred product are its flow and binding qualities, which enhance its ability to spread and bind the other ingredients to the paper; its hardness, which provides a clear sharp image; and its high melting point, which serves to stabilize the end product even under adverse conditions. There are, however, other waxes, both synthetic and natural, which have characteristics similar to unrefined montan wax and which can be used to complement unrefined montan wax, or act as a substitute for it, in this use.

The Bareco, Moore & Munger, and Frye waxes, which are discussed below, have generally the same properties as montan wax but not to the same degree or in the same combination. Carnauba wax has greater hardness but is lacking in flow qualities. The use of any of these products to replace montan wax would require substantial reformulations. In addition to inherent differences, the price of these products makes them commercially unattractive at the present time.

Carnauba wax.--Carnauba wax is a natural vegetable wax which is derived from the fronds of the Carnauba palm. This wax is produced only in northeastern Brazil where it occurs as a coating on the leaves of the carnauba palm. Carnauba palms grow to a height of about 35 to 40 feet and bear a crown of fan-shaped leaves. The leaves are cut during the dry season, then dried, shredded, and flailed with a stick or by machine to remove the wax, which is collected as a powder. Each tree produces roughly 3 ounces of wax per year; however, total annual production is over 25 million pounds.

Carnauba is a very hard wax with a high melting point and superior emulsifying properties as well as a high luster. It is used in high grade waxes for automobiles, floors, furniture, and shoes, as well as in multiple-use and one-time carbon paper.

Total imports of Carnauba wax are shown in the following tabulation:

	Quantity 1,000 pounds
1977----------	5,021
1978----------	8,487
1979----------	6,507
1980----------	5,731

These figures indicate that imports of Carnauba wax fluctuated throughout the period. Carnauba wax is used primarily for products other than one-time carbon paper.

The Robert A. Baldini Co. of New Jersey, a subsidiary of Strohmeyer & Arpe Co., is an importer of Carnauba wax. This company reported that to substitute carnauba for unrefined montan wax, the "formulation changes and risk involved are not minor from a chemical and business point of view," and that to substitute Carnauba wax for unrefined montan wax would be more difficult than to change from one montan wax to the other.

Bareco waxes.--The Bareco WB series of waxes are produced by the Bareco Division of the Petrolite Corp. Bareco WB's are modified microcrystalline waxes which are derived from petroleum. When certain types of crude petroleum are distilled by heating (in a still), several products are removed at various boiling points. After these products (such as light petroleum gases, gasoline, naphtha, kerosene, paraffin wax distillate, and others) have been removed, a residue remains in the still which will not distill without decomposition. The microcrystalline wax is derived from this residue by a complex series of solvent separations.

There are particular Bareco waxes (WB 5, 7, 10, 11, 14, and 16) which are used in the production of one-time carbon paper. Petrolite reported that all sales of these products from 1977 to the present time have been to one-time carbon paper manufacturers.

The producer of the Bareco WB 5, 7, 10, 11, 14, and 16 waxes reported that all of these waxes may be substituted for unrefined montan wax in one-time ink formulations "although when the substitution is made, the formula must, at the least, be rebalanced and in the more complex cases, the formula must be completely revised." He stated, however, that Bareco waxes differ in raw materials and chemical composition from unrefined montan wax. Total U.S. shipments of Bareco waxes are shown in the following tabulation:

	Quantity (1,000 pounds)
1977	***
1978	***
1979	***
1980	***

Moore & Munger waxes.--Other modified microcrystalline waxes used in the production of one-time carbon paper are Moore & Munger D-6070 and Frye D-6072, both products of Moore & Munger, Inc., of Fairfield, Conn. They are derived from petroleum in a process similar to that of the Bareco WB waxes. Like the Bareco waxes, the Moore & Munger and Frye waxes are used as flow and wetting agents, and all of the sales of these products are to one-time carbon paper producers.

The producer of the Moore & Munger D-6070 and the Frye D-6072 waxes reported that these products are the "functional equivalent to unrefined montan wax, and can be used as its substitute, or in conjunction with it in the manufacture of one-time carbon paper." Substitution of these waxes for montan wax would require a reformulation of the entire ink formula. Total U.S. shipments of these waxes are shown in the following tablulation:

	Quantity (1,000 pounds)
1977	***
1978	***
1979	***
1980	***

Consideration of the Question of Rapidly Increasing Imports

Rate of increase of imports

Imports of unrefined montan wax from East Germany increased each year A-9 from 1977 through 1980; increasing by 13 percent from 1977 through 1978 and by 18 percent from 1978 to 1979, and increasing again by 33 percent from 1979 to 1980. Overall from 1977 to 1980, imports increased by 79 percent. In January-

September 1981, however, imports were 27 percent lower (by quantity) than they had been in January-September of 1980. In October and November of 1981, imports were 396,000 pounds per month. This is roughly the same as the 393,000 and 396,000 pounds which had been imported in October and November, respectively, in 1980.

	Quantity (1,000 pounds)	Percentage change
1977	3,253	
1978	3,689	13
1979	4,364	18
1980	5,821	33
January-September		
1980	3,918	-
1981	2,851	-27

Imports increased irregularly, when quarterly data are examined, as shown in the following tabulation:

	Quantity 1/ 1,000 pounds	Percentage change
1979:		
January-March	***	-
April-June	***	-29
July-September	***	75
October-December	***	-23
1980:		
January-March	***	30
April-June	***	14
July-September	***	-30
October-December	***	56
1981:		
January-March	***	-59
April-June	***	67
July-September	***	-20

1/ Because of rounding, figures may not add to yearly totals.

Strohmeyer & Arpe has imported montan wax from East Germany since 1907 except for the period of the two World Wars. Imports of montan wax from East Germany from 1925-39 and 1947 to the present are shown in the following tabulation:

	Quantity 1/ (1,000 pounds)		Quantity (1,000 pounds)
1925----------	6,175	1957----------	1,014
1926----------	8,286	1958----------	1,466
1927----------	7,600	1959----------	2,272
1928----------	10,901	1960----------	2,078
1929----------	9,791	1961----------	2,338
1930----------	12,475	1962----------	2,206
1931----------	8,910	1963----------	879
1932----------	5,150	1964----------	1,910
1933----------	6,658	1965----------	2,753
1934----------	5,494	1966----------	2,026
1935----------	7,618	1967----------	1,963
1936----------	5,585	1968----------	3,285
1937----------	6,154	1969----------	2,714
1938----------	5,293	1970----------	3,647
1939----------	7,179	1971----------	4,266
1940-46---------	none	1972----------	5,533
1947----------	39	1973----------	4,326
1948----------	173	1974----------	6,706
1949----------	1,367	1975----------	4,633
1950----------	2,238	1976----------	4,356
1951----------	5,566	1977----------	3,253
1952----------	674	1978----------	3,689
1953----------	2,288	1979----------	4,364
1954----------	2,555	1980----------	5,821
1955----------	1,289	Jan.-Sept 1981---	2,851
1956----------	1,962		

1/ Data for the years 1925-1946 were provided by the importer on page 11 of its prehearing brief. They were derived from Bulletin 482, Bureau of Mines, U.S. Department of the Interior, Washington, 1950. Data for the years 1947-1969 were provided by the petitioner in its post hearing statement, Exhibit D; the figures are import figures of the Department of Commerce. Import figures for 1970-September of 1981 are from the petitioner's post hearing submission, Table I. They are based on official statistics of the Department of Commerce, and submissions of the importer in the 731 antidumping investigation.

Rate of increase of imports relative to U.S. production and U.S. consumption

Imports increased annually from 1977 to 1980 and then declined in January-September 1981 (Table 1). The ratio of imports to production declined slightly from 1977 to 1978 and then increased in 1979. In 1980, however, the ratio of imports to production increased substantially to * * * percent but declined to * * * percent in January-September 1981.

The ratio of imports to consumption increased annually from 1977 through 1980 but declined to * * * percent in January-September 1980. This is * * * percentage points higher than it had been in 1977.

Table 1.--Unrefined montan wax: U.S. imports, production, and consumption, by quarters, 1977 and 1978 and, January 1979-September 1981

Period	Imports	Production	Ratio of imports to production	Consumption 2/	Ratio of imports to consumption
	1,000 pounds	1,000 pounds	Percent	1,000 pounds	Percent
1977	3,253	***	***	***	***
1978	3,689	***	***	***	***
1979:					
January-March	1,109	***	***	***	***
April-June	792	***	***	***	***
July-September	1,387	***	***	***	***
October-December	1,069	***	***	***	***
Total or average	3/ 4,364	***	***	***	***
1980:					
January-March	1,385	***	***	***	***
April-June	1,583	***	***	***	***
July-September	1,109	***	***	***	***
October-December	1,734	***	***	***	***
Total or average	3/ 5,821	***	***	***	***
1981:					
January-March	713	***	***	***	***
April-June	1,188	***	***	***	***
July-September	950	***	***	***	***
Total or average	2,851	***	***	***	***

1/ Estimated full-year production.

2/ Consumption figures are based on U.S. producer's domestic shipments and shipments of imports.

3/ Due to rounding figures may not total.

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

Consideration of the Question of Material Injury

Data presented in this section on Alpco's production, capacity, shipments, inventories, and employment include its operations on type 400 montan wax, which is a refined product. Alpco estimates that type 400 wax accounted for about * * * percent of its total shipments in 1980; therefore, data in the following discussions overstate Alpco's unrefined montan wax operations by that amount. The inclusion of type 400 wax in the analyses has only a very minor effect and causes no noticeable distortions.

U.S. production, capacity, and capacity utilization

Total domestic production of montan wax is shown in the following tabulation:

	Quantity (1,000 pounds)
1977: June-December 1/	***
1978	***
1979	***
1980	***
January-September--	
1980	***
1981	***

1/ As Alpco began operations under present ownership on June 1, 1977, economic data for 1977 were reported only for June-December.

Production of montan wax rose by * * * percent from 1978 to 1979. It dropped by * * * pounds in 1980, representing a decline of * * * percent. Figures for January-September 1981, compared with the corresponding period of January-September 1980, show production dropped by * * * pounds, or by * * * percent.

Montan wax is produced by continuous operation of the production facilities. When in full operation, the plant runs three shifts a day, 7 days a week. Data on Alpco's productive capacity for montan wax are shown in the following tabulation:

	Quantity (1,000 pounds)
1977: June-December	***
1978	***
1979	***
1980	***
January-September--	
1980	***
1981	***

These figures show an increase in capacity from 1978 to 1979 of * * *. This increase was due to the installation in March 1979 of a solvent recovery system which allows for the extraction of wax from previously unusable lignite fines. This system increased capacity by * * *.

Capacity figures show another increase in 1980 of * * * percent. This increase was attributable to the fines plant being operational for the entire year and to the installation of a surge system in July 1980, which reportedly improved extraction equipment utilization and eliminated down time. The new surge system brings total annual capacity as of January 1, 1981, to * * *.

Alpco reported that it had no plant shutdowns in January-June 1980. During July-December 1980, the plant was shut down * * * days due to a reduction in orders. Alpco's capacity utilization is shown in table 2.

Table 2.--Montan wax: U.S. production, and capacity, June-December 1977, 1978-80, January-September 1980, and January-September 1981

Period	Production	Capacity 1/	Ratio of production to capacity
	1,000 pounds	1,000 pounds	Percent
1977: June-December	***	***	***
1978	***	***	***
1979	***	***	***
1980	***	***	***
January-September--			
1980	***	***	***
1981	***	***	***

1/ Based on operating 3 shifts a day, 7 days a week.

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

Capacity utilization declined * * * percentage points, from * * * percent in 1978 to * * * percent in 1979, as capacity increased by * * * percent and production increased by only * * * percent. In 1980, the ratio of production to capacity fell sharply, to * * * percent, as capacity increased by * * * percent and production declined by * * * percent. In January-September 1981 the ratio of production to capacity dropped by * * * percentage points, to * * * percent, when compared with what it was in January-September 1980.

U.S. producer's domestic shipments

Data on U.S. producer's domestic and total shipments of montan wax are shown in the following tabulation:

	Domestic shipments Quantity (1,000 pounds)	Total shipments Quantity (1,000 pounds)
1977: June-December---	***	***
1978----------	***	***
1979----------	***	***
1980----------	***	***
January-September--		
1980----------	***	***
1981----------	***	***

These figures show that domestic shipments increased from 1978 to 1979 by * * * pounds, or by * * * percent. Domestic shipments declined in 1980, however, by * * * pounds, or * * * percent. Figures for January-September 1981 compared with figures for the corresponding period of 1980 show a drop in shipments of * * * pounds, or * * * percent.

The value of domestic shipments is shown in the following tabulation:

	Value (1,000 dollars)	Unit value (cents per pound)
1977: June-December----	***	***
1978----------	***	***
1979----------	***	***
1980----------	***	***
January-September--		
1980----------	***	***
1981----------	***	***

These figures show that the value of shipments increased steadily from June 1977 through December 1980. The average value per pound increased by * * * cents, or * * * percent from June 1977 to December 1978, and by another * * * cents, or * * * percent, from 1978 to 1979. There was a continued increase in 1980 of * * * cents per pound, or * * * percent. The overall increase in the value per pound of shipments from June 1977 to December 1980 was * * * percent.

U.S. producer's exports

U.S. exports of montan wax are made primarily to Canada and the Far East, particularly Japan, and accounted for about * * * percent of Alpco's total shipments in 1980. The quantity, value, and unit value of exports are shown in table 3.

Table 3.--Montan wax: U.S. exports of domestic merchandise, June-December 1977, 1978-80, January-September 1980, and January-September 1981

Period	Quantity	Value	Unit value
	1,000 pounds	1,000 dollars	Cents Per pound
1977: June-December	***	***	***
1978	***	***	***
1979	***	***	***
1980	***	***	***
January-September--			
1980	***	***	***
1981	***	***	***

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

Exports increased from 1978 to 1979 by * * * percent, and declined substantially, by * * * percent, from 1979 to 1980. The value of exports increased by * * * from 1978 to 1979, representing an increase of * * * percent, and declined in 1980 by * * * or * * * percent. The average unit value of exports increased steadily throughout the period, paralleling that of domestic shipments.

U.S. producer's inventories

Alpco's end-of-period inventories of unrefined montan wax fluctuated markedly throughout the period for which information was requested but remained small, as shown in the following tabulation:

	Quantity (1,000 pounds)
As of Dec. 30:	
1977	***
1978	***
1979	***
1980	***
As of Sept. 30:	
1980	***
1981	***

Inventories were * * * pounds higher at the end of 1980 than they were at the end of 1979, and had increased by another * * * pounds by September 30, 1981. Ratios of inventories to production and shipments remained at low levels throughout the period, as shown in table 4.

Table 4.--Montan wax: Alpco's ratios of inventories to production and to domestic shipments, June-December 1977, 1978-80, January-September 1980, and January-September 1981

(In percent)

Period	Ratio of inventories to--	
	Production	Domestic Shipments
1077: June-December	1/ 2/	1/ ***
1978	***	***
1979	***	***
1980	***	***
January-September--		
1980	1/ ***	1/ ***
1981	1/ ***	1/ ***

1/ Based on annualized production and shipment data.
2/ * * *.

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

Delivery leadtime

Both the producer and importer provided estimates of their average delivery lead time to major customers of montan wax as an indicator of their ability to meet demand.

The domestic producer reported delivery leadtimes of * * * weeks in 1977. This went up to * * * weeks in 1978 and to * * * weeks in January-June 1979, during a time of increased production and shipments. Leadtime then dropped to * * * weeks in July-December 1979. In 1980, Alpco reported delivery leadtimes of * * * weeks for January-March, then * * * leadtimes from April 1980 to March 1981.

The importer has a policy of shipping orders as soon as they come in and reported zero delivery leadtimes. It should be noted that the importer maintains a substantial inventory which enables it to ship from stock.

Employment and productivity

Alpco's average yearly employment increased by * * * workers from * * * in June-December 1977 to * * * in 1978 and then remained constant until 1980

when it dropped by * * * workers. The average number of workers during January-June 1981 decreased by * * * employees, or * * * percent, compared with the average number of workers in the corresponding period of 1980.

Part of the drop in 1980 followed installation of the surge bin system. * * * operators were eliminated when the mill- and process-operator positions were combined into one. Supervisory responsibilities were taken from the operators and used to create * * * foreman positions. * * * of these foremen were hired in 1981. The remaining drop in employment in 1980 and 1981 was the result of a reduction in force. Among those released were * * *. In most instances, these functions continue to be carried out, to the extent possible, by the remaining employees. As shown in table 5, productivity has risen sharply as the number of workers was reduced in 1980 and 1981.

Table 5.--Average number of production and related workers engaged in the production of montan wax, hours worked by such workers, and output per hour, June-December 1977, 1978-80, January-September 1980, and January-September 1981

Period	Number of production and related workers	Hours worked	Output per hour
			Pounds
1977: June-December	***	***	***
1978	***	***	***
1979	***	***	***
1980	***	***	***
January-September--			
1980	***	***	***
1981	***	***	***

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

Wages paid to production and related workers engaged in the production of montan wax are shown in table 6. Total compensation * * * from 1978 to 1979, then * * * by * * * in 1980. The number of workers dropped by * * * percent in 1980 as well. In January-September 1981, total compensation continued to decline by * * * or an additional * * * percent when compared with compensation in the corresponding period of 1980. The number of workers employed dropped by * * * percent during January-September 1981 as well.

Wages paid excluding fringe benefits followed the same trend as total compensation. Average hourly wages increased steadily throughout the period, rising by * * * percent from 1978 to 1980. In January-September 1981, the average hourly wage was * * * cents higher than it had been in January-September 1980.

Table 6.--Montan wax: Total compensation paid to production and related workers, wages paid to such workers excluding fringe benefits, and average hourly wages, 1978-80, January-September 1980, and January-September 1981

Period	Total compensation	Wages paid excluding fringe benefits	Average hourly wage
	1,000 dollars	1,000 dollars	
1978	***	***	***
1979	***	***	***
1980	***	***	***
January-September:			
1980	***	***	***
1981	***	***	***

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

Financial experience of the U.S. producer

Profit-and-loss experience of the overall company.--During 1978-80, Alpco's overall net sales rose from * * *, representing an increase of * * * percent. However, during the latest accounting year ended May 31, 1981, Alpco's overall net sales fell * * * (table 7).

As a share of net sales, the cost of goods sold remained relatively stable during 1978-81--ranging from * * * percent in 1980. Operating expenses, as a share of net sales, declined from * * * percent during 1978-80. Such expenses, however, rose to * * * percent during 1981. Interest expense rose sharply from * * * in 1981.

Operating profit increased from * * * in 1979, before declining * * * to * * * in 1980. Operating profit fell * * * to * * * during the 1981 accounting year. The operating profit margin rose from * * * percent in 1978 to * * * percent in 1979, dipping to * * * percent in 1980, and then falling * * * to * * * percent in 1981.

Net profit before income taxes rose * * * to * * * percent of net sales in 1979, compared with * * * percent of net sales in 1978. In 1980, pretax profit dipped to * * * percent of net sales. The company sustained a loss of * * * percent of net sales during the 1981 accounting year. * * *.

Financial condition.--Balance sheet data relative to Alpco's overall company operations are presented in table 8. The value of total assets rose from * * * as of May 31, 1978, to * * * as of March 31, 1981. Total liabilities rose from * * * and stockholders' equity from * * * during this period.

Table 7.--Overall profit-and-loss experience of American Lignite Products Co., 1978-81 1/

Item	Accounting year ended May 31--			
	1978	1979	1980	1981
Net sales----------1,000 dollars--	***	***	***	***
Cost of goods sold----------do----	***	***	***	***
Gross profit----------do----	***	***	***	***
Operating expenses:				
Marketing expenses----------do----	***	***	***	***
Research and development----------do----	***	***	***	***
Administrative----------do----	***	***	***	***
Total operating expenses----------do----	***	***	***	***
Operating profit----------do----	***	***	***	***
Other income and (expense):				
Other income----------do----	***	***	***	***
Interest expense----------do----	***	***	***	***
Total other expense (net)----------do----	***	***	***	***
Net profit before taxes----------do----	***	***	***	***
Ratio of gross profit to net sales----------percent--	***	***	***	***
Ratio of operating profit to net sales----------do----	***	***	***	***
Ratio of net profit or (loss) before taxes to net sales----------do----	***	***	***	***
Ratio of cost of goods sold to net sales----------do----	***	***	***	***
Ratio of total operating expenses to net sales----------do----	***	***	***	***

1/ Unrefined montan wax sales accounted for * * * percent or more of the company's total sales revenue in each of the years 1978-81.

2/ Data not available.

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

Table 8.--Financial condition of American Lignite Products Co., as of May 31, 1978-80, March 31, 1980, and March 31, 1981

Item	As of May 31--			As of Mar. 31--	
	1978	1979	1980	1980	1981
Assets:					
Current assets:					
1,000 dollars--	***	***	***	***	***
Fixed assets:					
Cost---1,000 dollars--	***	***	***	***	***
Accumulated depreciation-1,000 dollars--	***	***	***	***	
Book value					
1,000 dollars--	***	***	***	***	***
Other assets					
1,000 dollars--	***	***	***	***	***
Total assets					
1,000 dollars--	***	***	***	***	***
Liabilities and stockholders' equity:					
Current liabilities					
1,000 dollars--	***	***	***	***	***
Long-term liabilities					
1,000 dollars--	***	***	***	***	***
Total liabilities					
1,000 dollars--	***	***	***	***	***
Stockholders' equity					
1,000 dollars--	***	***	***	***	***
Total liabilities and stockholders' equity:					
1,000 dollars--	***	***	***	***	***
Current ratio----------	***	***	***	***	***
Debt-to-equity ratio					
percent--	***	***	***	***	***
Net sales per dollar of total assets----------	***	***	***	***	***
Ratio of net profit before income taxes to--					
Total assets---percent--	***	***	***	***	***
Stockholders' equity					
percent--	***	***	***	***	***
Net investment in assets-------percent--	***	***	***	***	***

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

The current ratio (ratio of current liabilities to current assets) ranged from a low of * * * as of May 31, 1978, and 1980, to a high of * * * as of May 31, 1979. The ratio of debt-to-equity ranged from a low of * * * percent as of May 31, 1980, to a high of * * * percent as of May 1978. Net sales per dollar of assets ranged from a low of * * * in 1979 to * * * and * * * respectively, in 1978 and 1980. For the 10-month period ended March 31, 1981, net sales per dollar of assets dipped to * * * compared with * * * in the corresponding period of 1980.

The ratio of net profit before taxes to total assets rose from * * * percent in 1978 to * * * percent in 1979, before declining to * * * percent in 1980. For the two corresponding 10-month periods of 1980 and 1981, pretax profit dipped from * * * percent of total assets in 1980 to * * * percent in 1981.

Net profit, as a share of stockholders' equity, ranged from * * * percent in 1979 down to * * * percent in 1980 for the 12-month periods. For the 10-month period ended March 31, 1981, pretax profit dipped to * * * percent of stockholders' equity, compared with * * * percent for the corresponding period of 1980. Pretax profit was equal to * * * percent of net investment in assets in 1978, * * * percent in 1979, and * * * percent in 1980. 1/ For the 10-month period ended March 31, 1981, profit dropped to * * * percent of net investment in assets, compared with * * * percent for the corresponding period of 1980.

In order to increase the company's net investment in assets, Alpco did not pay any dividends nor did the company increase the salary or benefits of any officer during the period covered by this report. As a result, shareholders' equity, as a share of net investment in assets, increased from * * * percent in 1978 to * * * percent in 1980. Because of an expansion program and lower profits, the ratio dipped to * * * percent for the 10-month period ended March 31, 1981.

Profit-and-loss experience on unrefined montan wax.--Net sales of unrefined montan wax accounted for * * * percent or more of Alpco's total company net sales in each of the years covered by this report. Therefore, for the purposes of this report, emphasis has been placed on overall company profit-and-loss and financial data which are supported by statements prepared by independent accountants or by internal reports.

Alpco did prepare a profit-and-loss statement applicable only to its unrefined montan wax operation, but preparation of the statement involved the use of allocations. However, profit-and-loss data, as supplied by Alpco, are presented in table 9 for accounting years ended May 31, 1978-81.

The data presented in the table show that unrefined montan wax sales followed the same trend as overall company net sales during 1978-81. Gross profit, however, followed a somewhat different trend, declining * * * in 1979 before rising in 1980. In 1981, gross profit declined * * * percent--the same percentage rate as for overall company operations. The gross profit margin

1/ Net investment in assets is equal to the sum of long-term liabilities and stockholders' equity.

Table 9.--Profit-and-loss experience of American Lignite Products Co. on its unrefined montan wax operations, for accounting year ending May 31, 1978-81, June-October 1981, 1/ and June-October 1982 2/

Item	Accounting year ended May 31--				June-October	
	1978	1979	1980	1981	1980	1981
Net sales----------1,000 dollars--	***	***	***	***	***	***
Cost of goods sold----------do----	***	***	***	***	***	***
Gross profit----------do----	***	***	***	***	***	***
General, selling, and administrative expense----------do----	***	***	***	***	***	***
Operating profit or (loss)-----do----	***	***	***	***	***	***
Ratio of gross profit to net sales percent--	***	***	***	***	***	***
Overall company gross profit margin----------do----	***	***	***	***	3/***	3/***
Ratio of operating profit to net sales----------do----	***	***	***	***	***	***
Ratio of cost of goods sold to net sales----------do----	***	***	***	***	***	***

1/ Begins accounting year 1981.
2/ Begins accounting year 1982.
3/ Not available.

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

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declined from * * * percent to * * * percent during 1978-80; in 1981, it rose to * * * percent. * * *.

Operating profit declined by * * * from 1978 to 1979 then increased by * * * in 1980. In 1981, net operating profit declined by * * * to its lowest level of * * *. The ratio of operating profit to net sales dropped by * * * percentage points from 1978 to 1979 then increased by * * * percentage points in 1980 before dropping by * * * percentage points in 1981. Ratio of cost of goods sold to net sales remained fairly constant throughout the period, ranging from * * * in 1978 to * * * in 1980.

Research and development expenditures.--Alpco reported research and development expenses, as shown in the following tabulation:

	Quantity (1,000 dollars)
1977: June-December-----	***
1978----------	***
1979----------	***
1980----------	***
1981 January-September--	***

These expenses went to cover the laboratory costs and salary of the chemist who spent half his time developing new, noncarbon-paper uses for unrefined montan wax and the lignite residue, as well as ways of improving the operations of the plant and reducing the use of solvents and energy.

Capital expenditures.--Alpco reported capital expenditures for 1978 through 1980 totaling * * *. These capital expenditures were in addition to the * * * which went to purchase the business in 1977. A breakdown of capital expenditures by year is presented in the following tabulation:

	Quantity (1,000 dollars)
1978----------	***
1979----------	***
1980----------	***
1981 January-October----	***
Total----------	***

The largest capital expenditure was * * * for the purchase of a fines plant in 1978 and 1979. The fines plant provided a system whereby Alpco could extract montan wax from the fine particles of lignite which had previously been unusable. This plant increased capacity by * * * pounds a year.

In July 1980, * * * was expended for a surge bin system, which improved extraction equipment utilization and increased capacity by * * * pounds a year. Additionally, in 1980, * * * was expended on dry desolventizing equipment which resulted in more efficient use of energy. The remaining capital expenditures were for mining development.

Consideration of the Question of Threat of Material Injury

Capacity of the East German producer to generate exports

As indicated earlier, the East German producer of unrefined montan wax is the largest producer of that product in the world. This producer's plant accounts for approximately * * * percent of world production. It supplies exports to between * * * countries. Approximately * * * percent of its production goes to West Germany, with roughly * * * percent going to the United States.

Specific figures on East German capacity and production are unavailable; however, representatives of the company estimate present capacity to be * * * metric tons of wax a year, the equivalent of * * * to * * * pounds a year. Their estimate of capacity is based on a cost efficiency formula of extracting roughly * * * percent of the wax from the lignite. By increasing the amount of solvent used or the heat level, they could increase capacity. For example, by increasing the amount of solvent used so that an additional * * * percent of wax would be extracted, they could increase their production by * * * pounds per year. Alpco's total capacity in 1981 is * * * million pounds per year.

U.S. importer's inventories

The U.S. importer of montan wax has maintained levels of inventories much higher than those of the U.S. producer. These are shown in the tabulation on page A-27. In late 1980, inventories were intentionally built up in expectation of a dock strike in that year. * * *. Inventories were * * * pounds as of the end of 1980. They had declined however to * * * pounds as of September 30,1981.

Consideration of the Question of the Causal Relationship Between Imports and Alleged Material Injury

U.S. imports

Import data on unrefined montan wax are based on information supplied by the sole U.S. importer, Strohmeyer & Arpe Co. as shown in the following tabulation:

	Quantity (1,000 pounds)
1977----------	3,253
1978----------	3,689
1979----------	4,364
1980----------	5,821
January-September--	
1980----------	3,918
1981----------	2,851

From 1977 to 1978, imports increased by 436,000 pounds, or 13 percent. They increased by 675,100 pounds, or 18 percent, in 1979, and by an additional 15 million pounds, or 33 percent, in 1980. Imports were 79 percent higher in 1980 than they had been in 1977. Data for January-September 1981, however, show a sharp drop of 10 million pounds, or a 27 percent decrease, compared with imports for the corresponding period of 1980. There were no imports reported in February or March 1981.

U.S. importer's inventories and U.S. shipments

The U.S. importer's end-of-period inventories are shown in the following tabulation:

	Quantity (1,000 pounds)
As of December 30--	
1977	***
1978	***
1979	***
1980	***
As of September 30--	
1980	***
1981	***

Inventories declined sharply from 1977 to 1978, by * * * percent, then increased by * * * in 1979. In 1980, inventories * * *. A decline of * * * is shown at the end of September 1981, when compared with the end of September 1980.

The U.S. importer's domestic shipments of unrefined montan wax are shown in the following tabulation:

	Quantity (1,000 pounds)
1977	***
1978	***
1979	***
1980	***
January-September--	
1980	***
1981	***

Domestic shipments of imports increased by * * * pounds from 1977 to 1978, representing an increase of * * * percent. They dropped by * * * pounds in 1979, then increased by * * * pounds, or by * * * percent, in 1980. Domestic shipments of imports declined by * * * in January-September 1981, compared with shipments in the corresponding period of 1980. The ratio of inventories to imports and to U.S. shipments of imports are shown in table 10.

Table 10.--Unrefined montan wax: Ratios of end-of-period inventories of imports to imports and shipments of imports, 1977-80, January-September 1980, and January-September 1981

(In percent)

Period	Ratio of inventories of imports to--	
	Imports	Domestic shipments of imports
1977	***	***
1978	***	***
1979	***	***
1980	***	***
January-September--		
1980	1/ ***	1/ ***
1981	1/ ***	1/ ***

1/ Based on annualized import and shipment data.

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

The ratio of inventories to both imports and shipments of imports followed the same trend from January 1977 through 1980, declining in 1978 and then increasing in 1979 and 1980. Both imports and shipments of imports declined in January-September of 1981. In 1977, 1978, and again in January-September 1981, * * *. Inventories were unusually high at the end of January 1981 and dropped * * * by the end of March * * *.

Market penetration

The ratio of U.S. shipments of imports to apparent U.S. consumption is shown in table 11.

Table 11.--Unrefined montan wax: U.S. shipments of imports from East Germany and apparent U.S. consumption, 1977-80, January-September 1980, and January-September 1981

Period	Shipments	Apparent U.S. consumption	Ratio of shipments to consumption
	1,000 pounds	1,000 pounds	Percent
1977	***	***	***
1978	***	***	***
1979	***	***	***
1980	***	***	***
January-September--			
1980	***	***	***
1981	***	***	***

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

The market share held by imports from East Germany increased by * * * percentage points from 1977 to 1978, then declined by * * * percentage points in 1979. It increased by * * * percentage points, however, in 1980. In January-September 1981, an increase in market share of * * * percentage points is indicated when compared with the corresponding period of 1980.

Prices of unrefined montan wax

Alpco, the domestic producer, sells two grades of unrefined montan wax (Type 16 and Type 1650), which are used primarily in the production of one-time carbon paper. These two grades are sold at the same price. The company also sells a refined grade of montan wax, Type 400, which is not used in the production of one-time carbon paper and is priced substantially higher. Approximately * * * percent of Alpco's sales are of Type 1650. Sales are generally made at list prices, f.o.b. plant (Ione, Calif.). Shipments are normally made in 40,000 pound truckload lots, with slightly higher prices being charged for smaller shipments. Purchasers pay the freight charges from the California plant.

All imports of unrefined montan wax from East Germany are handled by Strohmeyer & Arpe. Five grades of unrefined montan wax are imported, each of which sells at a slightly different price. Approximately * * * percent of the importer's sales are made on a spot basis, and the remainder are sold on the basis of long-term contracts. Prices are quoted f.o.b. dock with buyers paying inland freight.

The domestic producer and the importer of unrefined montan wax were requested to provide the Commission with quarterly data on net prices (f.o.b. shipping point) on Type 1650 and Type 6715, 1/ respectively, to their three largest U.S. customers. Weighted average selling prices are presented in table 12 and figure 1.

The price of the domestic product increased * * * percent from January 1978 through September 1981. The price of the domestic product remained unchanged in 1978, but increased steadily from January-March 1979 through April-June 1980.

Thereafter, Alpco's price generally decreased. The price increased again only in July-September 1981 (the latest period for which data are available). The price of the imported product increased * * * percent during the period under investigation, and consistently undersold the domestic product. The price of the imported product generally changed less frequently than the price of the domestic product.

1/ Type 6715 wax accounted for * * * percent of total imports in 1980 and was specifically developed by the East German producer to be most similar to the type 1650 wax produced by Alpco.

Table 12.--Unrefined montan wax: Weighted average selling prices, f.o.b. shipping point, of the domestic producer and importer, and the importer's margin of underselling, by quarters, January 1978-September 1981

Period	Producer's weighted average selling price (Type 1650)	Importer's weighted average selling price (Type 6715)	Importer's margin of underselling
	Cents per pound		Percent
1978:			
January-March	***	***	***
April-June	***	***	***
July-September	***	***	***
October-December	***	***	***
1979:			
January-March	***	***	***
April-June	***	***	***
July-September	***	***	***
October-December	***	***	***
1980:			
January-March	***	***	***
April-June	***	***	***
July-September	1/ ***	***	***
October-December	***	***	***
1981:			
January-March	***	***	***
April-June	2/ ***	***	***
July-September	***	***	***

1/ Prices were increased to * * * cents per pound in July 1980; however, an across-the-board price reduction of * * * cents per pound was put into effect by Alpco on August 15, 1980, on shipments over * * * pounds. A company spokesman said the decrease was made in an effort to compete with the East German product.

2/ The price decrease to * * * cents per pound was offered in a further attempt to compete with the East German wax.

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

Prices of domestic grade 1650 and imported grade 6715 unrefined montan wax

Thoughout 1978, Alpco's price of unrefined montan wax was unchanged at * * * cents per pound. The price of the imported product increased from * * * cents per pound in January-March 1978 to * * * cents per pound in April-June 1978 and remained unchanged during the rest of the year. The volumes of domestic and import shipments followed the same trend for January-September 1978; however, in October-December 1978 U.S. producer's shipments decreased and import shipments increased as shown in the following table.

Table 13.--Unrefined montan wax: U.S. producer's shipments and import shipments, by quarters, January 1978-September 1981

Period	Domestic shipments	Import shipments
	(1,000 pounds)	(1,000 pounds)
1978:		
January-March	***	***
April-June	***	***
July-September	***	***
October-December	***	***
1979:		
January-March	***	***
April-June	***	***
July-September	***	***
October-December	***	***
1980:		
January-March	***	***
April-June	***	***
July-September	***	***
October-December	***	***
1981:		
January-March	***	***
April-June	***	***
July-September	***	***

Alpco's price of unrefined montan wax increased continuously for the next six quarters from * * * cents per pound in January-March 1979 to * * * cents per pound in April-June 1980, or by * * * percent. 1/ During this period, the import price increased by only * * * percent from * * * cents per pound to * * * cents per pound. As a result the differential between the import price and the domestic price * * * to * * * cents per pound. 2/ The volume of domestic shipments increased in the first two quarters of 1979, but generally decreased during the rest of this period. Import shipments, however, fluctuated around an average of * * * pounds, reaching a peak of * * * pounds in January-March 1980 (figure 2).

During July-December 1980, Alpco's price of unrefined montan wax decreased to * * * cents per pound, but the volume of domestic shipments continued to decrease. At the same time, the import price remained at * * * cents per pound and import shipments increased. Import penetration increased from * * * percent in April-June 1980 to * * * percent in the October-December 1980.

1/ * * *.

2/ The difference would actually be greater for most customers, due to the importer's transportation cost advantage, which is discussed more fully later in this section.

Alpco's price of unrefined montan wax decreased in January-June 1981 and the volume of domestic shipments increased. 1/ In contrast, the price of imports increased during this period while the volume of import shipments decreased. In July-September 1981, the prices of both domestic and imported unrefined montan wax increased and, although the volume of domestic shipments decreased, the volume of import shipments remained almost unchanged from the previous quarter (fig. 2).

1/ * * *.

Figurel. Weighted average prices of unrefined montan wax in the U.S. market.

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Figure 2. Shipments of unrefined montan wax in the U.S. market.

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Prices of other grades of imported unrefined montan wax

Annual data on prices of each grade of unrefined montan wax imported from East Germany ("Regular," type 6715, type 76, type CP-77, and Romonta-Y) are presented in table 14, along with similar data for the domestic product, Type 1650.

Table 14.--Unrefined montan wax: Lowest net selling prices, f.o.b. shipping point, to principal domestic end-use purchasers, of the U.S. importer and producer, by grades, 1978-80, and January-March 1981

(In cents per pound)

Grade	1978	1979	1980	January-March 1981
Imported grade:				
Regular	***	***	***	***
Type 6715	***	***	***	***
Type 76	***	***	***	***
Type CP-77	***	***	***	***
Romonta Y	***	***	***	***
Domestic product:				
Type 1650	***	***	***	***

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

As shown in table 14, selling prices of the five imported grades of unrefined montan wax were generally lower 1/ than that of the domestically produced grade, with margins of underselling ranging from * * * percent.

The importer also provided its average purchase prices (ex-dock prices) for unrefined montan wax imported from East Germany (table 15). The importer negotiates the purchase price at the beginning of each year and this remains fixed for that year. The importer's purchase price of type 6715 increased from * * * cents per pound in 1978 to * * * cents per pound in 1980, or by * * * percent. This is less than the * * * percent increase in the sales price of Type 6715 during the same period, suggesting that the importer fully passed through increasing costs to the customers.

1/ The single exception was type CP-77, which had an average price in 1979 exceeding the price of domestic type 1650.

Table 15.--Unrefined montan wax: U.S. importer's average purchase prices, by grades, 1978-80 and January-March 1981

(In cents per pound)

Grade	1978	1979	1980	January-March 1981
Regular	***	***	***	***
Type 6715	***	***	***	***
Type 76	***	***	***	***
Type CP-77	***	***	***	***
Romonta-Y	***	***	***	***

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

Prices of competitive products

As indicated earlier, Carnauba wax, Bareco WB-series waxes, and Moore & Munger waxes can substitute for or complement unrefined montan wax in one-time carbon paper ink formulations.

The lowest net selling prices to principal purchasers of Carnauba wax, as reported by Strohmeyer and Arpe, one of the largest distributors of the product, are shown in the following tabulation:

	Cents per pound
1977	***
1978	***
1979	***
1980	***

The prices reported for Carnauba wax are significantly higher than prices reported for either the Alpco or Romonta montan wax. The price of Carnauba wax increased by only * * * cents, or * * * percent, from 1978 to 1980, and the price of domestic unrefined montan wax increased by * * * percent during the same period. In ink formulations, one-third less Carnauba wax would be needed than the replaced unrefined montan wax; however, an additional flow agent of some type would be required.

Strohmeyer stated that in "substituting Carnauba wax for unrefined montan wax there is a generally accepted rule of thumb in the industry that Carnauba wax becomes attractive at a price about 50 percent higher than unrefined montan wax," although price is only one of many factors considered. It does not seem that there has been large scale substitution of Carnauba wax for unrefined montan wax. The Commission was able to obtain prices on four of the Bareco WB-series waxes, Frye D-6072 wax, and Moore & Munger D-6070 wax. These waxes are petroleum based and their prices are closely tied to the price of crude oil, which has undergone substantial increases in the last few years. Prices of these waxes are shown in table 16.

Table 16--Lowest net selling prices of Bareco WB waxes, Frye D-6072 wax, and Moore & Munger D-6070 wax, f.o.b. shipping point, by quarters, January 1979-March 1981

(In cents per pound)

Period	Bareco WB-10	Bareco WB-11	Bareco WB-14	Bareco WB-16	Frye D-6072	Moore & Munger D-6070
1979:						
January-March	***	***	***	***	***	***
April-June	***	***	***	***	***	***
July-September	***	***	***	***	***	***
October-December	***	***	***	***	***	***
1980:						
January-March	***	***	***	***	***	***
April-June	-	***	***	***	***	***
July-September	***	***	***	-	***	***
October-December	***	***	***	-	***	***
1981:						
January-March	-	-	-	***	***	***

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

These products were priced competitively with Alpco's wax in 1979, but by mid-1980 they were priced higher. Substitution of these products for unrefined montan wax would require changes in the ink formulations and could affect the quality of the end product.

Transportation costs

The U.S. producer and the importer generally sell their products f.o.b. plant and dock, respectively. Customers pay inland freight charges. Both Alpco and Strohmeyer provided estimates of transportation costs to their customers on their five largest shipments in 1980. This information is provided in table 17.

Table 17.--Unrefined montan wax: Transportation charges for the producer's and importer's 5 largest shipments in 1980

Shipment	Distance transported	Transportation cost	
		Total cost	Cost per pound
	Miles		Cents
Alpco:			
Shipment 1---(54,000 pounds)--	***	***	***
Shipment 2---(42,000 pounds)--	***	***	***
Shipment 3---(40,000 pounds)--	***	***	***
Shipment 4---(40,000 pounds)--	***	***	***
Shipment 5---(40,000 pounds)--	***	***	***
Strohmeyer & Arpe:			
Shipment 1---(40,000 pounds)--	***	***	***
Shipment 2---(40,000 pounds)--	***	***	***
Shipment 3---(40,000 pounds)--	***	***	***
Shipment 4---(40,000 pounds)--	***	***	***
Shipment 5---(40,000 pounds)--	***	***	***

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

Table 17 indicates that the transportation costs incurred by the customers of Alpco went as high as * * * cents per pound compared with a reported high of * * * cents per pound for customers of the importer. The average shipping distance of these five largest sales reported by the producer was * * * miles while that for the importer was * * * miles.

Alpco must ship a much greater distance within the United States than Strohmeyer, because most purchasers of unrefined montan wax are closer to the importer's ports of entry than to the domestic producer's plant (fig. 3). The majority of purchasers are located in the northeast, north central, and mid-Atlantic regions of the United States. The domestic producer's plant is in California, while the importer's major ports of entry are New York, N.Y., Savannah, Ga., Houston, Tex., and Portland, Oreg. Because Alpco must ship a much longer distance than Strohmeyer when selling to most purchasers, domestic transportation costs put Alpco at a serious disadvantage.

Figure 3. Locations of the domestic producer of unrefined montan wax, ports of entry of unrefined montan wax and principal one-time carbon paper manufacturers.

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Lost sales

Alpco reported lost sales of unrefined montan wax to imports from East Germany involving * * * different companies * * * during the period September 1, 1980, to March 31, 1981. The staff obtained information on all the alleged lost sales.

* * * of the companies responded to the Commission's purchaser questionnaire. This provided information on the quantity and value of their purchases of unrefined montan wax during 1977-80 and on pricing during 1979, 1980, and January-March 1981. In all but one instance, the data indicated that the price paid for Alpco wax exceeded that paid for the East German product. The single exception occurred during January-March 1979. In the discussion that follows, information will be provided at the plant level only when its buying patterns vary significantly from the pattern exhibited by the company as a whole.

Alpco alleged lost sales at all * * *. Data from these plants indicate that they purchased both the Alpco and East German Romonta waxes during 1978-80. In absolute terms, the quantity of unrefined montan wax purchased from Strohmeyer exceeded the amount purchased from Alpco, but the volume of purchases from both sources followed the same general trend. This can be seen in the following tabulation, which shows aggregate company purchases from 1978 to 1980, of both the Alpco and Romonta waxes.

	U.S. produced (1,000 pounds)	East German (1,000 pounds)
1978----------	***	***
1979----------	***	***
1980----------	***	***

The volume of purchases from both sources increased from 1978 to 1979, then declined in 1980. The East German product, however, took a greater share of the increase in 1979 and a smaller share of the decrease in 1980. As a result, the volume of imported montan wax in * * * purchases grew over the 3-year period from 72 to 75 percent of its total purchases of unrefined montan wax. This company stated that the main factor in its decision to purchase the imported montan waxes was "the physical characteristics that they alone possess and impart to our finished product." Along with this, they cited availability, quality, responsiveness to orders, reliability, and historical supplier relationship as being very important. Price was cited as being of mid-range importance.

* * * made no purchases of either Carnauba or Bareco waxes and purchased minimal quantities of Frye D-6070 wax in 1979 and 1980, which it used in conjunction with both imported and domestic montan wax. It is reportedly being replaced by Alpco 1650 when the current inventory runs out.

Alpco alleged lost sales at * * * plants of * * *. This company reported total purchases for all locations. It purchased both the Alpco and Romonta waxes as well as Carnauba wax throughout the period. * * * reported that it had changed its product line to expand the use of unrefined montan wax and decrease the use of Carnauba wax. * * * purchasing patterns for 1977-80 for montan wax are shown in the following tabulation:

	U.S. produced montan wax (1,000 pounds)	East German montan wax (1,000 pounds)	Carnauba wax (1,000 pounds)
1977	***	***	***
1978	***	***	***
1979	***	***	***
1980	***	***	***

The quantities of the East German unrefined montan wax purchased were greater than those of the domestically produced product by factors of 2.4 in 1977, 4.9 in 1978, 6.0 in 1979, and 4.3 in 1980. Reports from * * * of the plants indicated difficulties, prior to 1975, with unfilled orders from the predecessor firm of Alpco. The * * * reported similar difficulties with deliveries from 1977 to 1979. * * * reported that the "domestic type 1650 and the East German type 6715 for all practical purposes are interchangeable. However, a slightly sharper and denser image is produced by East German type 6715."

In its questionnaire response, * * * ranked availability, quality, responsiveness to orders, reliability, and alternate source as the most important reasons for purchasing the imported product. Price, relationship with the supplier, and terms of the sale were rated as being of less importance.

Alpco alleged lost sales at one of the * * *. The total purchases of unrefined montan wax made by * * * are shown in the following tabulation:

	U.S. produced (1,000 pounds)	East German (1,000 pounds)
1977	***	***
1978	***	***
1979	***	***
1980	***	***

The purchases of domestically produced unrefined montan wax by * * * greatly exceed the volume of purchases of the imported product. Purchases of both products increased from 1977 to 1979, then dropped in 1980. The volume of purchases of the domestic product was 6.8 times greater than that for the purchases of the imported product in 1977, 14.0 times in 1978, 6.3 times in 1979, and 5.0 times in 1980.

The lost sales reported by Alpco were at the * * * plant of * * *. That plant's purchases of unrefined montan wax are shown in the following tabulation.

	U.S. produced (1,000 pounds)	East German (1,000 pounds)
1977	***	***
1978	***	***
1979	***	***
1980	***	***

These figures show that purchases of the domestic montan wax exceeded those of the East German product by a factor of 10 in 1978, 18 in 1979, and 12 in 1980.

Purchases made by the other * * * plants of * * * varied; however, all of them purchased larger quantities of the Alpco wax than the East German product and the * * * plant purchases the Alpco product exclusively. In its questionnaire response, * * * reported that the main reason it purchased the East German product was to maintain a second source of supply. It ranked availability, price, quality, and reliability of delivery as being of low- to mid-range importance. All plants of * * * reported substantial purchases.

Alpco alleged lost sales to * * *. * * * plants responded to the Commission's questionnaire. Aggregated purchases of unrefined montan wax by these * * * are shown in the following tabulation:

	U.S. produced (1,000 pounds)	East German (1,000 pounds)
1977	***	***
1978	***	***
1979	***	***
1980	***	***

The figures show that purchases of the domestic montan wax increased from 1977 to 1979, then declined slightly in 1980. Purchases of the East German product increased throughout the period. Purchases of the imported product exceeded purchases of the domestic product by 1.6 times in 1977 and 1.4 times in 1978.

In 1979, purchases of the U.S. product exceeded purchases of the East German product by a factor of 1.1. The relationship reversed again in 1980 when purchases of the imported product were 1.2 times greater than purchases of the domestic product.

At the plant level, buying habits of the * * * listed as lost sales varied. * * * plant purchased only the East German product throughout the period. * * * purchased the Alpco product only in 1979 and 1980, and in both these years purchases of the domestic unrefined montan wax were greater than those of the East German product. * * * plant purchased the domestic product

beginning in 1979 and such purchases declined by * * * pounds in 1980. Its purchases of the imported product also began in 1979, but these purchases increased by * * * pounds in 1980. * * *.

* * * identified having an alternative source, availability, responsiveness to orders and reliability as the most important factors in its decision to purchase the imported product. Price and terms of sales were also noted. The company indicated that in the early 1970's it was unable to purchase sufficient quantities from the domestic producer to meet requirements.

Alpco reported sales lost at * * *. That company reported purchasing the Alpco wax throughout the period 1977-80. It purchased the East German wax in 1977, 1979, and 1980, as shown in the following tabulation:

	U.S. produced (1,000 pounds)	East German (1,000 pounds)
1977----------	***	***
1978----------	***	***
1979----------	***	***
1980----------	***	***

These figures show that purchases from Alpco increased from 1977 to 1979, then dropped sharply in 1980. Purchases of the imported wax dropped from 1977 to 1979, then increased in 1980. In 1980, for the first time, purchases of the East German product exceeded purchases of the domestic product. At the time of the preliminary antidumping investigation, a spokesperson for * * * reported that it purchased both the domestic and imported unrefined montan wax. Since revising its formula in 1979, however, the East German product works better in its formulation. The higher price of the domestic product was also a consideration. These statements are consistent with the information contained in * * * response to the Commission's questionnaire in which it cited the most important reasons for purchasing the imported product as being availability, price, and quality.

* * * was also alleged as a lost sale by Alpco. That company purchased only the East German product from 1977 through 1980. Its purchases are shown in the following tabulation:

	U.S. produced (1,000 pounds)	East German (1,000 pounds)
1977----------	***	***
1978----------	***	***
1979----------	***	***
1980----------	***	***

The volume of its purchases increased irregularly over the 4 year period. At the time of the preliminary antidumping investigation (No. 731-TA-30 (preliminary) in this case, an individual with * * * reported that Alpco's prices were too high. In the questionnaire response, the company reported that the East German product resulted in inks which gave higher quality images than others, and it could use less in its formulas, thereby lowering costs.

Alpco reported sales lost to * * *. This company made its last purchase of the domestic unrefined montan wax in 1977, and first reported purchases of the East German product in 1980. In 1977 * * * changed from Alpco montan wax to Bareco WB-11, citing better quality in the finished product as the reason for switching. It cited availability and price as the reasons for deciding to buy the East German product in 1980. * * * purchases are shown in the following tabulation:

	U.S. produced (1,000 pounds)	East German (1,000 pounds)	Bareco WB-11 (1,000 pounds)
1977---------	***	***	***
1978---------	***	***	***
1979---------	***	***	***
1980---------	***	***	***

* * * was also alleged to be a lost sale. This company reported some purchases of the U.S. produced wax in 1977 and 1979. It purchased the East German product throughout the period; however, these purchases declined irregularly, as shown in the following tabulation:

	U.S. produced (1,000 pounds)	East German (1,000 pounds)
1977----------	***	***
1978----------	***	***
1979----------	***	***
1980----------	***	***

This company reported that availability, price, quality, and formula compatibility were very important factors in its decision to purchase the East German product. At the time of investigation No. 731-TA-30 (preliminary) a spokesperson for the firm reported that for the last 10 years the East German wax has been used in * * * percent of its formulations. The domestic wax is purchased periodically to maintain a second source of supply. The individual contacted stated that in his formulation the East German product worked better.

APPENDIX A

U.S. INTERNATIONAL TRADE COMMISSION NOTICE OF INSTITUTION AND HEARING

[Investigation No. TA-406-7]

Unrefined Montan Wax From East Germany

AGENCY: United States International Trade Commission.

ACTION: Institution of an investigation under section 406(a) of the Trade Act of 1974 (19 U.S.C. 2436(a)) and scheduling of a hearing to be held in connection with the investigation.

SUMMARY: Following receipt on October 13, 1981, of a petition filed by American Lignite Products Co. (ALPCO) of Ione, Calif., the United States International Trade Commission hereby gives notice of the institution of investigation No. TA-406-7 under section 406(a) of the Trade Act of 1974 to determine, with respect to imports of unrefined montan wax, provided for in item 494.20 of the Tariff Schedules of the United States, which is the product of East Germany, whether market disruption exists with respect to an article produced by a domestic industry. Section 406(e)(2) of the Trade Act defines market disruption to exist within a domestic industry whenever "imports of an article, like or directly competitive with an article produced by such domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat thereof, to such domestic industry." ALPCO's petition requests that a quota be placed on imports of unrefined montan wax from East Germany equal to the amount of such imports in 1978 (3.7 million pounds) and that an additional import tariff of 15 cents per pound be imposed on such imports.

The Commission must report its determination in this investigation to the President not later than 3 months after the petition was filed, or by January 13, 1982 (19 CFR 206.15).

EFFECTIVE DATE: October 13, 1981.

FOR FURTHER INFORMATION CONTACT: Judith C. Zeck, Office of Investigations, U.S. International Trade Commission; telephone 202-523-0339.

SUPPLEMENTARY INFORMATION:

Public hearing.—The Commission will hold a public hearing in connection with this investigation beginning at 10:00 a.m., e.s.t., on Wednesday, December 2, 1981, in the Hearing Room, United States International Trade Commission Building, 701 E Street, NW., Washington, DC. All parties will be given an opportunity to be present, to produce evidence, and to be heard at the hearing. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m., e.s.t.) on Tuesday, November 17, 1981.

Prehearing procedure.—To facilitate the hearing process it is requested that persons wishing to appear at the hearing submit prehearing briefs enumerating and discussing the issues which they wish to raise at the hearing. Nineteen copies of such prehearing briefs should be submitted to the Secretary of the Commission no later than the close of business on Tuesday, November 23, 1981. Copies of prehearing briefs submitted will be made available for public inspection in the Office of the Secretary. While submission of prehearing briefs does not prohibit submission of prepared statements in accordance with 201.12(d) of the Commission's rules of practice and procedure (19 CFR 201.12(d)), it would be unnecessary to submit such a statement if a prehearing brief is submitted instead. Oral presentations should, to the extent possible, be limited to issues raised in the prehearing briefs. All persons desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 10:00 a.m., e.s.t., on November 18, 1981, in Room 117 of the U.S. International Trade Commission Building.

Inspection of the petition.—A copy of the petition in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission.

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR 201).

This notice is published pursuant to § 201.10 of the Commission's Rules of Practice and Procedure (19 CFR 201.10).

By order of the Commission.

Issued: October 28, 1981.

Kenneth R. Mason,

Secretary.

[FR Doc. 81-31675 Filed 11-2-81: 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

LIST OF WITNESSES APPEARING AT THE HEARING

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Unrefined Montan Wax from East Germany

Inv. No. : TA-406-7

Date and time: December 2, 1981 - 10:00 a.m., e.s.t.

Sessions were held in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

Domestic:

American Lignite Products Co., Ione, California

John J. Hounslow, President

Patrick J. Volkar, Vice President

Importer:

Chapman, Duff and Paul--Counsel
Washington, D.C.
on behalf of

Strohmeyer & Arpe Co., Inc., Millburn, New Jersey

James W. Galambas, Consultant, Stone and Webster Management Consultants, Inc., Denver, Colorado

Donald Hamelin, Manager of Research & Development, Technicarbon Co., Inc., Springfield, Massachusetts

Robert A. Baldini, President, Strohmeyer & Arpe Co., Millburn, New Jersey

Paul A. Lenzini--OF COUNSEL

APPENDIX C

UNITED STATES TARIFF COMMISSION 1955 PUBLIC INFORMATION NOTICE CONCERNING MONTAN WAX IN CRUDE FORM

UNITED STATES TARIFF COMMISSION
WASHINGTON

PUBLIC INFORMATION

For release
January 18, 1956

TREASURY DEPARTMENT STATEMENT CONCERNING MONTAN WAX IN CRUDE FORM

There is reproduced below the Treasury Department announcement concerning its action with respect to montan wax in crude form from the Soviet Zone of Germany and from Czechoslovakia.

* * * * * * * * * * * * *

The Treasury Department has instructed Customs field officers to discontinue the withholding of appraisement of entries of montan wax in crude form from the Soviet Zone of Germany and from Czechoslovakia and to process entries of such merchandise without regard to any question of dumping. Withholding of appraisement had been announced in this case because of suspected dumping in April, 1955.

Montan wax is obtained from lignites or brown coal. In its crude form it is a dark, hard, high melting, brittle wax used principally in the production of one-time carbon paper.

The Treasury instructions were issued after notification by the United States Tariff Commission of a unanimous opinion that the domestic industry producing montan wax is not being, and is not likely to be, injured by reason of the importation of crude montan wax from East Germany or from Czechoslovakia.

The letter of notification to Treasury Secretary Humphrey from the Tariff Commission is as follows:

January 18, 1956

Dear Mr. Secretary:

Reference is made to the letter from the Acting Secretary of the Treasury, dated October 27, 1955, advising that montan wax in crude form from the Soviet Zone of Germany and from Czechoslovakia is being, or is likely to be, sold in the United States at less than fair value as that term is used in the Antidumping Act, 1921, as amended.

After investigation in accordance with the provisions of section 201(a) of the said Antidumping Act, the Commission, by unanimous opinion, has determined that the domestic industry producing montan wax is not being, and is not likely to be, injured by reason of the importation of crude montan wax from East Germany or from Czechoslovakia.

Sincerely yours,

Edgar B. Brossard
Chairman

APPENDIX D

U.S. DEPARTMENT OF COMMERCE FINAL LTFV DETERMINATION

Notices

Federal Register
Vol. 46, No. 168
Monday, August 31, 1981

DEPARTMENT OF COMMERCE

International Trade Administration

Antidumping; Unrefined Montan Wax From the German Democratic Republic; Amended Final Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Commerce.

ACTION: Amended Final Determination of Sales at Less than Fair Value.

SUMMARY: On July 28, 1981, we announced our determination that unrefined montan wax from the German Democratic Republic (GDR) is being sold in the United States at a weighted-average dumping margin of 6.58 percent.

We directed the Customs Service to require the posting of a cash deposit, bond, or other security in the amount of 6.58 percent of the ex-factory value of unrefined montan wax from the GDR for all entries, or withdrawals from warehouse, for consumption on or after that date.

We are amending our determination by directing the U.S. Customs Service to require the posting of a cash deposit, bond, or other security in the amount of 13.02 percent of the ex-factory value of unrefined montan wax from the GDR for all entries, or withdrawals from warehouse, for consumption.

EFFECTIVE DATE: August 31, 1981.

FOR FURTHER INFORMATION CONTACT: Francis R. Crowe, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th Street & Constitution Avenue, N.W., Washington, D.C. 20230 (202-377-3003.

SUPPLEMENTARY INFORMATION: Our notice of July 28, 1981 (46 FR 38555), stated that in constructing a value of montan wax from the GDR, we allocated to the wax a portion of certain processing costs which were shared by the various products which result from the high wax lignite that flows through the wax extraction process. We allocated these processing costs on the basis of the ratio of the weighted value of these products, namely, wax, briquettes, and electricity. After a review of the calculations, we have concluded that the value was overstated for the amount of electricity that could be produced by the lignite which is routed to the steam/electric generation plant. A recalculation of the product values has resulted in a change in the ratio used to allocate the common processing costs. We also made an adjustment in the calculation of the cost of steam. We used the caloric content of lignite in the GDR instead of that in the Federal Republic of Germany, the surrogate country, in order to more accurately reflect the physical characteristics of the raw material in the GDR. Using the corrected figures, we have revised the weighted-average dumping margin to 13.02 percent.

Accordingly, we are directing the U.S. Customs Service, effective upon the date of publication of this notice and until further notice, to require posting of a cash deposit, bond, or other security in the amount of 13.02 percent of the ex-factory value of unrefined montan wax from the GDR for all entries, or withdrawals from warehouse, for consumption on or after the date of publication of this notice. The liquidation of all entries, or withdrawals from warehouse, for consumption of this merchandise will continue to be suspended. The cash deposit, bonds or other security on merchandise entered since the preliminary determination will remain in effect.

We have notified the International Trade Commission of this action.

Lawrence J. Brady,

Assistant Secretary for Trade Administration.

August 25, 1981.

[FR Doc. 81-25291 Filed 8-28-81; 8:45 am]
BILLING CODE 3510-25-M

Appendix E

U.S. INTERNATIONAL TRADE COMMISSION LTFV FINAL DETERMINATION NOTICE

[Investigation No. 731-TA-30 (Final)]

Unrefined Montan Wax From East Germany

Determination

On the basis of the record [1] developed in investigation No. 731-TA-30 (final), the Commission unanimously determines, pursuant to section 735(b)(1) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)(1)), that an industry in the United States is materially injured by reason of imports from East Germany of unrefined montan wax, provided for in item 494.20 of the Tariff Schedules of the United States, which the Department of Commerce has determined to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation effective March 4, 1981, following a preliminary determination by the Department of Commerce that unrefined montan wax from East Germany is being, or is likely to be, sold in the United States at LTFV.

Notice of the institution of the Commission's investigation and of the public hearing to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on March 25, 1981 (46 FR 18633). The hearing was held in Washington, D.C. on July 20, 1981, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of the Commission

Our determination is based on the considerations set forth below.

Domestic industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as the "domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that production." [1] "Like product" is defined as a product which is like, or in the absence of like, most similar in characteristics and uses with, the article under investigation.[2]

The imported product which is the subject of this investigation is unrefined montan wax from East Germany. Unrefined montan wax is a mineral wax distilled from lignite with the use of chemical solvents. There are five grades of the wax being imported into the United States at the present time. Four of the five grades of the imported wax are used primarily in the production of one-time carbon paper.

There are several domestic products which are like-product candidates with respect to the imported montan wax. The first is unrefined montan wax produced by American Lignite Products Co. (Alpco), of Ione, Calif. It, like the imported wax, is distilled from lignite with the use of chemical solvents and is used primarily in the production of one-time carbon paper. Alpco is the only domestic producer of this product in the United States. The other products are Bareco, Moore & Munger, Frye and Carnauba waxes.

The Moore & Munger, Frye, and Bareco waxes are modified microcrystalline waxes. They are produced from different raw materials, through a different production process than unrefined montan wax, and have a different chemical composition. Carnauba wax is a natural vegetable wax which is also derived from a different raw material, through a different production process than unrefined montan wax, and it also has a different chemical makeup.

It is clear from the hearing transcript that the substitutability of Carnauba wax for montan wax is not direct, but requires changes in the formula for the end product.[3] Moreover, there is not a large amount of subsitution of Carnauba was for unrefined montan wax because it is priced significantly higher.[4]

Although petroleum-based Bareco, Moore & Munger, and Frye waxes were priced competitively with Alpco's wax in 1979, by mid-1980 they were priced higher. Furthermore, substitution of these products for unrefined montan wax would require changes in the ink formulations and could affect the quality of the end product.[5]

For these reasons, we conclude that the would be substitutes are not sufficiently akin to the imported montan wax to be considered like products. We do find the montan wax produced by Alpco to be like the imported wax. Accordingly, since Alpco is the only domestic producer of the product which is like the unrefined wax from East Germany sold at less than fair value (LTFV), it comprises the domestic industry.

Section 771(4)(D) of the Act directs the Commission to assess the effect of dumped imports in relation to the U.S. production of a like product if available data permit the separate identification of that product in terms of such criteria as the production process or the producters' profits. In this investigation, however, the like product constituties almost all of production of the industry and, therefore, total industry data are considered to give an accurate reflection of the industry.

Material injury by reason of LTEV imports

Section 771(7) of the act directs the Commission to consider, among other factors, (1) the volume of imports of the merchandise under investigation, (2) their impact on domestic prices, and (3) the consequent impact on the domestic industry.[6]

Volume of imports.—Imports of unrefined montan wax from East Germany increased steadily from 1977 through 1980, with a substantial increase shown in 1980. This increase in imports reflected an effort to buildup inventories in anticipation of a dock strike in the fall 1980. However, the build-up continued through the end of the year, even after the threat of a dock strike had passed. Subsequently, there was a radical drop in the volume of imports in the first quarter of 1981, and then a substantial increase in the second quarter of 1981. Thus, in the period June 1980 through June 1981, imports increased not only in absolute volume, but also relative to U.S. consumption, with the ratio of shipments of imports to consumption reaching it highest level in the forth quarter of 1980. Overall, shipments of imports increased their share of the U.S. market by eight percentage points from 1977 through 1980. Despite a decline in the absolute volume of shipments of imports in the first six months of 1981, their share of the market increased by two percentage points when compared with the corresponding period in 1980.

Effect of LTFV imports on domestic prices.—Price comparisons were made between Alpco's type 1650 wax and the imported Romonta type 6715 wax. These two products were chosen for comparison because they are the two products used most often in the

[1] The record is defined in § 207.2(j) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(j)).

[1] 19 U.S.C. 1677(4)(A).

[2] 19 U.S.C. 1677(10).

[3] Hearing Transcript at 138, 139, 149, and 150.

[4] Staff Report at A-38.

[5] Id. at A-39.

[6] Specific company-related data are confidential and cannot be discussed in this public document.

production of one-time carbon paper and are the two that compete most directly. In every quarter in the three and a half years in which the comparisons were made, the imported product undersold the domestic product by weighted average margins ranging from 9.3 percent to 24.2 percent.[7] In July-September of 1980, and again in January-March of 1981, the domestic producer lowered its price by 2.5 cents and 1.5 cents, respectively, in an attempt to compete with the imported wax. These price reductions during a period of increasing production costs, coupled with the large margins of underselling, are clear indications of price depression.

Evidence on lost sales was not overwhelming, however, one company cited as a lost sale substantially decreased its purchases of the domestic product and increased its purchases of the imported product citing price as a major factor in its decision. Other companies show increased purchases of the imported product while purchases of the domestic product remained stable.[8]

Impact on the domestic industry.— The economic indicators present a picture of a domestic industry in reasonably good health up until 1980. Production in the U.S. industry increased from 1978 to 1979 and the ratio of production to capacity during this time period was above 90 percent. Domestic shipments increased from 1978 to 1979 and inventories remained at a low level. Financial data provided by Alpco show that its gross profit increased from 1978 to 1979 as did its operating profit and net profit before taxes.

From 1980 to the present time, however, the economic indicators give clear evidence of an industry suffering material injury. Production declined in 1980 and again in the first six months of 1981. The ratio of production to capacity fell sharply, in part because of the decline in production, but also because of increaes in capacity resulting from the installation of new, more efficient equipment. Shipments of the domestic producer dropped substantially from 1979 to 1980, a trend that has continued in the first months of 1981. Inventories remained fairly low but show an increase at the end of June 1980. the time the effect of the injury first became apparent. In fact, by July of 1980, the producer indicates he had no more back orders and was forced to begin producing as the orders came in. Alpco reported a number of plant shut-downs in the period July-December of 1980. This drop in production and shipments had its effect on employment, which dropped substantially. Although some of this drop in employment may have been the result of the new, more efficient machinery, much of it attributable to the decline in production and shipments, and the consequent plant shut-downs.

Perhaps the most telling indication of material injury is in the financial experience of the domestic producer. In the accounting year ending on May 31, 1981, Alpco's net sales fell by almost 30 percent. Operating profit fell sharply in 1981 as did the operating profit margin. The company showed a pre-tax loss which resulted from declining sales and increased interest expense.

Alpco apparently first became aware of its declining orders in early 1980 and noticed the impact of the imports in June of 1980. This coincides with the time period when the margins of underselling were at their highest. During 1978 and 1979, prior to the period of Commerce's investigation, Alpco was producing at near capacity and doing so profitably. The margins of underselling declined only in January–March of 1981, when the average price of the domestic product was reduced, thus further aggravating Alpco's financial difficulties.

The respondent has argued that if there is any material injury suffered by the domestic industry, that this injury is due entirely to "vicissitudes unrelated to imports," namely, inefficiencies which were exacerbated by costs of solvents and natural gas, the high costs of raising money for investments, unwillingness to maintain higher inventories, the low wax content of its lignite, a transportation cost disadvantage, declining export sales and price competition from Carnauba wax. This view is not supported by the record in this investigation.

First, the domestic industry did have certain operating inefficiencies when it was purchased by the current owners in 1977. This was admitted by the petitioners at the hearing.[9] However, despite these inefficiencies Alpco was doing well in 1978 and 1979, while being undersold by an average weighted margin of approximately 13 percent. These admitted inefficiencies, themselves, therefore, did not seem to have an injurious effect although Alpco's new owners recognized them from the beginning and made substantial investments in new machinery to improve their efficiency. In late 1979 and in 1980, however, when Alpco should have been able to realize the benefits of its investments, the margin of underselling increased to more than 20 percent. Despite its efforts to be more efficient, the domestic producer was hit by substantial cost increases for energy and solvent. Its attempts to pass these costs on to its customers were thwarted by the low price of the imported product. In fact, petitioner was forced to roll back its prices. This price reduction did not increase sales, however, as the price of the imported product increased only slightly and the margin of underselling remained above 20 percent. The resulting drop in profitability had the effect of interfering with the ability of Alpco to raise the capital needed to make further investments in equipment to improve operating efficiencies, particularly with respect to energy usage.

As to respondents' argument that Alpco was unwilling to maintain high inventories, the company's ratio of production to capacity indicates that prior to 1980, Alpco was operating at more than 90 percent of capacity. Thus, it was producing and shipping almost as much as it could, with little product available for building inventories.

Higher transportation costs for shipping montan wax from California to carbon paper manufacturers, most of whom are located east of the Mississippi, place Alpco at a disadvantage when compared with the importer located in New Jersey. This disadvantage has been in effect, however, since Alpco's inception and whatever negative effect it may have had could not have been major since Alpco had no problem with declining sales prior to late 1979 and particularly 1980.

The legislative history of the Act indicates that the law does not contemplate that the cause of material injury from LTFV imports be weighed against other factors which may be contributing to over-all injury to the domestic industry. In this case, there are many factors which have contributed to the injury, but given the increasing volume of imports and the high margin of underselling, there is no doubt that these LTFV imports are a cause of material injury.

Issued: September 4, 1981.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 81-26425 Filed 9-9-81; 8:45 am]
BILLING CODE 7020-02

[7] Pricing information was also obtained on the substitute products. As mentioned earlier at the present time they are priced significantly higher than the unrefined montan wax and do not seem to be a depressing factor in the market.

[8] Chairman Alberger, Vice Chairman Calhoun, and Commission Stern also note that the price sensitivity of unrefined montan wax is difficult to determine. There is testimony that at least one purchaser was willing to switch with a price difference of only 1 cent a pound while others continued to puchase the domestic wax although it was being undersold by almost 10 cents a pound.

[9] Transcript, at 12.

APPENDIX F

A SUMMARY OF ALPCO'S REPORT ON WAX BEARING LIGNITE RESERVE ESTIMATE

Confidential