NITROCELLULOSE FROM FRANCE

Determination of the Commission in Investigation No. 731-TA-96 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note- Data which would disclose confidential operations of individual concerns may not be published and therefore have been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-96 (Preliminary)

NITROCELLULOSE FROM FRANCE

Determination

Based on the record 1/ developed in investigation No. 731-TA-96 (Preliminary), the Commission determines pursuant to section 733(a) o: Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable that an industry in the United States is materially injured or threat material injury 2/ by reason of imports of nitrocellulose from France vided for under item 445.25 of the Tariff Schedules of the United Sta which are alleged to be sold in the United States at less than fair v

Background

On July 2, 1982, counsel for Hercules, Inc., Wilmington, Delawar a petition with the U.S. International Trade Commission and the U.S. of Commerce alleging that an industry in the United States is being m injured and threatened with material injury by reason of LTFV imports nitrocellulose from France. Accordingly, on July 6, 1982, the Commis instituted a preliminary antidumping investigation (No. 731-TA-96) un section 733(a) of the Tariff Act of 1930. Notice of the institution investigation and conference therefor was given by posting copies of in the Office of the Secretary, U.S. International Trade Commission a publishing the notice in the Federal Register on July 14, 1982 (47 F. A public conference was held in Washington, D.C. on July 27, 1982, at all interested parties were afforded the opportunity to present infor for consideration by the Commission.

1/ The "record" is defined in sec. 207.2(i) of the Commission's Rul Practice and Procedure (19 CFR 207.2(i)).

2/ Commissioner Haggart finds a reasonable indication of present ma

VIEWS OF THE COMMISSION

The record of this investigation provides a reasonable indication that a industry in the United States is materially injured or threatened with material injury 1/ by reason of imports of nitrocellulose from France allegedly sold at less than fair value (LTFV). Our affirmative finding is based on the existence of underselling, lost sales, and the generally weak condition of the domestic industry. 2/

Domestic industry

The domestic industry against which the impact of allegedly LTFV imports is to be assessed is defined in section 771(4)(A) of the Tariff Act of 1930 a "the domestic producers as a whole of a like product, or those producers whos collective output of the like product constitutes a major proportion of the total domestic production of that product." 3/ "Like product" is defined in section 771(10) as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . ." 4/

The imported product under investigation in this case is soluble industrial nitrocellulose from France. Nitrocellulose is a dry, white amorphous plastics material prepared by reacting cellulose from cotton linter

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1/ Commissioner Haggart determines only that there is a reasonable indication of material injury, and therefore does not reach the issue of reasonable indication of threat of material injury.

2/ Commissioner Frank notes that only a low-threshold test applies to preliminary determinations. An overview on this is found in his views in Frozen French Fried Potatoes From Canada, Inv. No. 731-TA-93 (Preliminary), USITC Pub. No. 1259 (1982) at 12-15.

3/ 19 U.S.C. § 1677(4)(A).

4/ 19 U.S.C. § 1677(10).

or wood pulp with an aqueous mixture of nitric acids and sulfuric acid. 5/ Nitrocellulose is used primarily in the manufacture of fast-drying, durab lacquer coatings. It is also used in furniture finishes, cellophane coati fingernail polish, and printing inks. 6/

Both imported and domestic soluble industrial nitrocellulose are classified according to nitrogen content in three grades: SS-type, AS-ty and RS-type. RS-type contains 11.8-12.2 percent nitrogen and accounts fo bulk of production 7/ as it is the most compatible of the three grades wi synthetic resins. AS-type contains 11.3-11.7 percent nitrogen and is sim but differs in its tolerance level of alcohols in the solvent. SS-type contains 10.9-11.2 percent nitrogen, is soluble in solvent systems with h alcohol content, and, therefore, is preferred in retrograves and flexogra inks. 8/

Domestic soluble industrial nitrocellulose is identical to the impor product. The domestic product is produced in the same grades in similar proportions by grade, it is used for the same purposes, and it is sold in same markets. It can be used interchangeably with the imported product.

Soluble industrial nitrocellulose can be distinguished from another of nitrocellulose known as smokeless or explosive grade cellulose or guncotton. Smokeless nitrocellulose is required to contain a minimum of percent nitrogen and generally contains at least 13 percent nitrogen. 10/ is used in shells or propellents and has no plastics application. 11/

5/ Report at A-3.
6/ Id.
7/ RS-type constitutes more than three-fourths of total imports of nitrocellulose and of total domestic production.
8/ Id. at A-2.
9/ Id.
10/ Id.
11/ Id. and transcript at 43.

Smokeless nitrocellulose differs from soluble industrial nitrocellulose in chemical content and in end use.

Soluble industrial nitrocellulose is also distinguishable from substitutes because of its characteristics of fast-air drying and rapid-hardness development. 12/ It also has a unique ability to develop a deep wood patina 13/ and to coat products which come in contact with food. 14/ Other products can be substituted for some, but not all, of the uses of industrial nitrocellulose. For example, a product called alkyd-amine has been used to replace nitrocellulose in some furniture refinishing, but cannot be used on cloth, cellophane or any other flexible item, or in ink, or fingernail polish. Fabrikoid (R) is another example. It is a water-borne coating which is sometimes used as a substitute for nitrocellulose on leather-like material, but cannot be used on metal or wood surfaces because o the water content. 15/

We conclude that the like product for this investigation is soluble industrial nitrocellulose of all three grades and does not include explosive grade cellulose or any substitutes. Therefore, we find that the domestic industry consists of the sole U.S. producer of soluble industrial nitrocellulose, Hercules Incorporated.

Reasonable indication of material injury by reason of LTFV imports

Section 771(7) of the Act directs the Commission to consider, among othe factors, (1) the volume of imports of the merchandise under investigation, (2

12/ Transcript at 44 and 107.
13/ Id. at 44.
14/ Id. at 108.
15/ Memorandum GC-F-263 at 3 (August, 1982).

their impact on domestic prices, and (3) the consequent impact on the d industry. 16/

Volume of imports--Although the domestic market for nitrocellulose declined from 1979 to 1981, imports from France have captured an ever-increasing share of that market since their entry in 1978. Conseq although the absolute volume of imports from France remained at approxi the same level during the corresponding periods of January through June 1981 and 1982, the market penetration of imports from France increased highest level in the first six months of 1982. 17/

Effect of imports on prices--Prices were compared on an f.o.b. bas RS-grade nitrocellulose. 18/ This comparison showed that both domestic imported prices increased during the period 1980 to 1981. However, underselling by French imports occurred throughout this period. In Jar through June of 1982, domestic prices declined from their 1981 levels. Pricing data show that even with this decline in U.S. prices, undersell French imports occurred in the most recent quarter. 20/ The trends in domestic and imported prices provide a reasonable indication of price depression and price suppression.

16/ 19 U.S.C. § 1677(7)(B). The industry data have been designated confidential because there is only one importer of French nitrocellulo only one domestic producer. Consequently, the discussion necessarily on generalized trends.

17/ Report at A-16.

18/ The domestic product is sold in returnable steel drums, and the product is sold in disposable fiber drums. Id. at A-20. The effect o packaging on prices is not clear in this preliminary investigation, bu be explored further in any final investigation.

19/ Report at A-20.

20/ Id. at A-21.

Impact of imports on the domestic industry--Production, capacity utilization, profit and loss, and lost sales data provide a reasonable indication that the domestic industry has been adversely affected by impor from France.

Production data show a moderate increase for Hercules' production in years 1979 through 1981. Production has, however, dropped sharply in the first six months of 1982. 21/ This decline in production occurred shortly after there was a 50 percent increase in plant capacity. 22/ This large increase in capacity has never been fully utilized. During the most recen period of January through June of 1982, capacity utilization declined significantly from the corresponding period of 1981. This decline in capa utilization occurred during the same time that imports reached their highe market penetration level. 23/

An analysis of selected financial data reveals consistent declines fo all indicators of profit or loss for the period from 1979 through June 198 These indicators include, among others, operating profit or loss, and operating profit or loss as a percentage of net sales. 24/ The period of greatest decline in these indicators occurred in the first half of 1982 wh imports captured their greatest share of the U.S. market. 25/

During the period that imports increased, domestic shipments declined irregularly from 1979 to 1981 and then dropped sharply in the first half o 1982. 26/ Employment likewise decreased in the first six months of 1982 t

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21/ Id. at A-8.
22/ In 1980, Hercules increased its capacity after DuPont announced its intention to leave the market in December 1977. Appendix C. However, Hercules' expanded capacity is less than the combined capacity of Hercules DuPont in 1977. Id. at A-8.
23/ Report at A-8.
24/ Id. at A-12 and 15 and Table 7.
25/ Id.
26/ Id. at A-9.

level below that of 1979. The most dramatic change, however, was in inventories which increased significantly from 1979 to 1980 and then further increased in 1981. 27/

Lost sales due to lower prices were confirmed by the Commission for all of the eight purchasing firms contacted. 28/ Although many companies mentioned that they also wanted to maintain an alternative source of supply, the majority of purchasers explained that they purchased the lower-priced imports from France to keep their own product prices competitive. 29/

Reasonable indication of threat of material injury 30/

We note that during the most recent period from January through June of 1982 there have been accelerating declines in domestic production, capacity utilization, profits, shipments, and employment as well as a sharp increase in domestic inventories. In addition to the foregoing, production capacity of the foreign producer is not currently being fully utilized, and capacity utilization is increasing. 31/ Most of this production capacity is used for export shipments with the United States as one of the foreign producer's largest customers. 32/ Midyear inventories for the foreign producer in 1982 are significantly greater than in the corresponding period of 1981. 33/ Further, the importer is opening a new warehouse facility in North Carolina 34/ and therefore may be better able to attract new business and lower freight costs.

27/ Id. at A-12.
28/ Id. at A-16-17.
29/ Id. at A-17.
30/ See footnote 1, page 3, supra.
31/ Report at A-18.
32/ Id. at A-19.
33/ Id.
34/ Id. at A-7.

Conclusion

We therefore determine, on the basis of the record in this preliminary investigation, that there is a reasonable indication of material injury or threat of material injury to the domestic industry by reason of imports of nitrocellulose from France.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On July 2, 1981, a petition for an antidumping investigation on industrial nitrocellulose from France was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel on behalf of Hercules Inc., Wilmington, Del. Accordingly, on July 6, 1982, the Commission instituted investigation No. 731-TA-96 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)). The purpose of this investigation is to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the importation from France of industrial nitrocellulose provided for in item 445.25 of the Tariff Schedules of the United States (TSUS).

The statute directs that the Commission make its determination within 45 days of receipt of the petition, or in this case by August 16, 1982. Notice of the institution of the Commission's investigation and of the public conference 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 of July 14, 1982 (47 F.R. 30669). 1/ A public conference was held in Washington, D.C., on July 27, 1982, at which all interested parties were afforded the opportunity to present information for consideration by the Commission. 2/

Nature and Extent of Alleged Sales at Less Than Fair Value

The petition states that all U.S. imports of nitrocellulose from France are produced by Societe Nationale des Poudres et Explosifs, Paris, France (hereinafter referred to as SNPE), a company owned by the French Government. Hercules alleges in its petition that sales at less that fair value (LTFV) have continued from the last quarter of 1980 to the present. The alleged LTFV margin based on a Hercules estimate of SNPE's cost of production of $1.023 per wet pound of nitrocellulose is 50 percent. Furthermore, the petition maintains that SNPE's home-market sales in France and sales to third countries have been below SNPE's cost of production, and therefore, the Department of Commerce should use constructed value as "fair value" in determining LTFV margins.

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

2/ A calendar of witnesses who appeared at the public conference is presented in app. B.

The Product

Description and uses

The imported product which is the subject of the petition is "soluble" industrial nitrocellulose (also known as cellulose nitrate). SNPE is the only producer of soluble industrial nitrocellulose in France.

Both imported and domestic soluble industrial nitrocellulose (hereinafter referred to as nitrocellulose) is available in the following commercial-type grades. 1/

Product	Nitrogen content (percent)
SS-type nitrocellulose	10.9-11.2
AS-type nitrocellulose	11.3-11.7
RS-type nitrocellulose	11.8-12.2

The RS-type nitrocellulose accounts for approximately * * * percent of domestic production of nitrocellulose and the vast majority of the imports of nitrocellulose from France. 2/ According to Hercules Corp. (the only domestic producer) and SNPE's exclusive U.S. agent, Fayette Chemical Corp., both the domestic and imported RS-type nitrocellulose are commercially interchangeable with each other. The compatibility of RS-type nitrocellulose with many synthetic resins accounts for its widespread use in the production of lacquer coatings. AS-type nitrocellulose is soluble in the same solvents as RS-type nitrocellulose but tolerates higher proportions of alcohols in the solvent blend. SS-type nitrocellulose is preferred in rotogravure and flexographic inks due to its solubility in solvent systems with high alcohol content.

Nitrocellulose used in explosives is generally more viscous and higher in nitrogen content (12.6 to 13.4 percent nitrogen content) than is industrial nitrocellulose. Both the industrial and explosive grades of nitrocellulose are produced in similar equipment up through the nitration step. Beyond nitration, the facilities for industrial and explosive nitrocellulose are distinct. Explosive nitrocellulose retains the fibrous structure of cellulose when produced by conventional production processes. Since it is not possible to manufacture nitrocellulose to an exact nitrogen content, the required product is obtained by careful blending.

There is installed explosive nitrocellulose capacity at three U.S. facilities, located in Holstein, Tenn.; Indiana Army Ammunition plant, Ind.; and Radford, Va. The facility at Radford, Va. is the only one now operational. It is a Government-owned facility which is operated under contract by Hercules. Hercules does not produce any explosive nitrocellulose at its plant in Parlin, N.J.

1/ There is another, quite different type of nitrocellulose known as smokeless nitrocellulose, or guncotton. Smokeless nitrocellulose contains a minimum of 12.6 percent, generally 13 percent and above, nitrogen by weight. The smokeless-type nitrocellulose is used principally as an explosive or propellent; it has no plastics applications.

2/ * * * * * * *

Nitrocellulose is a white, amorphous plastics material prepared commercially by reacting cellulose, from cotton linters or wood pulp, with an aqueous mixture of nitric acid and sulfuric acid. In the Hercules process the cellulose and mixed nitrating acids are fed continuously and simultaneously to a vessel, where nitration of the cellulose takes place. After nitration, the slurry of nitrocellulose and spent acid is passed into a centrifuge, which removes the spent acids and water. After removal from the centrifuge, the product is boiled for stability and fed into a continuous digester for proper molecular weight control. Upon completion of the boiling and digesting procedure, the water-wet nitrocellulose is charged into hydraulic presses that compress the nitrocellulose into a cylindrical block and remove the water (dehydration) and replace it with alcohol (ethyl, isopropyl, or n-butyl alcohol). The cylindrical alcohol-wet nitrocellulose block is then granulated and packaged into steel drums for shipment. A flow chart of Hercules production process is presented on page A-4.

Since it is hazardous to ship or store nitrocellulose in the dry form because of its flammable and even explosive nature, it is shipped or stored wet with 30 percent or more alcohol, as required by the U.S. Department of Transportation.

Nitrocellulose is used principally in the manufacture of fast-drying, durable, lacquer coatings. These nitrocellulose lacquers provide a high-luster shine to the coated articles. For over 60 years, nitrocellulose lacquers have been used by the furniture industry because of their ease of application, fast drying, and ease of repairability. However, in the the past few years, this market for nitrocellulose has been shrinking due to the substitution of molded plastic components, which do not use a nitrocellulose lacquer finish for components requiring such a finish.

Industry sources report the following end uses and market shares for nitrocellulose lacquers:

End use	Percentage distribution of market share
Furniture and wood products	35
Flexographic inks	10
Rotogravure inks	10
Automotive refinishing	10
Cellophane coating	5
Fingernail polish	5
Leather coating	5
Miscellaneous applications	20

U.S. tariff treatment

Nitrocellulose of the type subject to this investigation is classified in the Tariff Schedules of the United States (TSUS) under the residual or "basket" category for synthetic cellulosic plastics material other than

Hercules Production Process

* * * * * * *

cellulose acetate, TSUS item 445.25. 1/ The rates of duty applicable to nitrocellulose entered under TSUS item 445.25 are 7.1 percent ad valorem (col. 1) 2/ and 34.5 percent ad valorem (col. 2). 3/ The current col. 1 rate became effective on January 1, 1982, and is the third of eight stages of annual rate reductions resulting from concessions granted by the United States in the Tokyo round of the Multilateral Trade Negotiations (MTN) under the General Agreement on Tariffs and Trade. The final (eighth) stage will result in a duty of 5.2 percent ad valorem. Imports of nitrocellulose under TSUS item 445.25, if entered from least developed developing countries (LDDC's), 4/ are dutiable at 5.2 percent ad valorem; however, there have been no known imports of nitrocellulose from LDDC's in recent years. Imports of nitrocellulose under TSUS item 445.25 are eligible for duty-free entry under the Generalized System of Preferences. 5/

The following table shows the pre-MTN rate and staged rate modifications for item 445.25, 1980-87:

Table 1.--Cellulosic plastics materials other than cellulose acetate: Pre-MTN rate of duty and staged rate of duty modifications, 1980-87

TSUS item	Pre-MTN col. 1 rate of duty 1/	Rates of duty 2/ effective with respect to articles entered on and after Jan. 1--							
		1980 3/	1981	1982	1983	1984	1985	1986	1987
445.25	8.3% ad val.	7.9%	7.5%	7.1%	6.8%	6.4%	6%	5.6%	5.2%

1/ Rate effective prior to July 1, 1980.
2/ The symbol "%" indicates "percent ad valorem."
3/ The first rate reduction became effective July 1, 1980.

1/ The smokeless type of nitrocellulose is classified under TSUS item 485.30, smokeless powders.

2/ The rates of duty in rates of duty column numbered 1 are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS. However, such rates would not apply to products of developing countries which are granted preferential tariff treatment under the Generalized System of Preferences (GSP) or under the "LDDC" rate of duty column.

3/ The rates of duty in rate of duty column numbered 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

4/ The preferential rates of duty in the "LDDC" column reflect the full U.S. MTN concession rates implemented without staging for particular items which are the products of least developed developing countries, enumerated in general headnote 3(d) of the TSUS. Where no rate of duty is provided in the "LDDC" column for an item, the rate of duty in the column numbered 1 applies.

5/ The GSP, enacted as title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

U.S. Producers

Since 1978, Hercules Inc., Wilmington, Del., has been the only U.S. producer of nitrocellulose. Hercules has produced nitrocellulose at a plant in Parlin, N.J., for over 60 years. The firm is a multinational corporation with 80 production plants in the United States and various parts of the world. In 1981, the company had approximately 23,000 employees and sales of approximately $2.7 billion. Hercules has historically specialized in the production of chemicals, but in recent years has increasingly diversified its product line into other areas.

Prior to 1978, Du Pont, Wilmington, Del., produced nitrocellulose at a plant in Carney's Point, N.J. On July 19, 1977, Du Pont announced to its customers that it was phasing out the sale of industrial nitrocellulose by December 30, 1977. The reason Du Pont discontinued producing nitrocellulose was the company's view that capital expenditures to modernize its production plant and meet environmental regulations was not justified, because the nitrocellulose market would continue to shrink in future years. 1/ According to industry sources, Du Pont held approximately * * * percent of the U.S. nitrocellulose market in 1977. Hercules controlled the other * * * percent. Imports were nonexistent in the U.S. market at the time.

U.S. Market

Apparent U.S. consumption declined by * * * million wet pounds in 1979 to * * * million wet pounds in 1980. In 1981, apparent consumption rebounded to * * * million pounds, which was still * * * the 1979 level. However, in the first 6 months of 1982, apparent consumption fell by * * * from that reported for the corresponding period of 1981, as shown in the following tabulation (in millions of wet pounds):

Period	Apparent U.S. consumption
1979	***
1980	***
1981	***
January-June--	
1981	***
1982	***

In 1976, the last full year of production by Du Pont, apparent U.S. consumption of nitrocellulose was estimated at * * * million wet pounds. Hercules supplied * * * million wet pounds in that year, and Du Pont supplied an estimated * * * million pounds. 2/

1/ A copy of Du Pont's announcement is set forth in app. C.
2/ This data was supplied by Hercules Inc., and the Du Pont Co.

U.S. Importers and Foreign Producers

After Du Pont left the U.S. market in 1977, there was a shortage of nitrocellulose. Purchasers of nitrocellulose were put on allocation by Hercules, and many of these purchasers started to use imported nitrocellulose to replace the Du Pont product. Hercules, to alleviate the nitrocellulose shortage, joined with several purchasers of the product and requested that Congress temporarily suspend the duties on imported nitrocellulose until the Hercules nitrocellulose production facilities could be expanded to meet the increase in demand. However, the duty on imported nitrocellulose was never suspended. It was during 1978-1979 that imported nitrocellulose began to appear in the U.S. market. The French producer, SNPE, was the first large supplier of imported nitrocellulose in the U.S. market. German and Japanese producers followed SNPE as suppliers to the U.S. market.

In 1978, SNPE contracted with Fayette Chemical Corp., Woodridge, N.J., to be its exclusive agent in the United States. 1/ Fayette, along with Cellofilm of New Jersey, Cellofilm of Illinois, and Cellomer Corp., Newark, N.J., compose the chemical group of Polychrome Corp., Yonkers, N.Y. All of the companies composing the Polychrome chemical group are wholly owned subsidiaries of Polychrome. Polychrome is in turn a wholly owned subsidiary of DaiNippon Ink & Chemical Co. of America, New York, N.Y., which is owned by DaiNippon Ink of Japan.

Fayette acts as an importer and broker for the other companies within the Polychrome chemical group. The Cellofilm divisions are one of the largest users of nitrocellulose in the United States. Currently, Fayette has warehouses in New Jersey and Chicago, Ill., to service its customers. Fayette informed the Commission that it will soon have warehouse facilities in High Point, N.C.

Other large importers of nitrocellulose are as follows:

Importer	Source
E.T. Horn Co., LaMirada, Calif.	Japan
Toyomenka America, Inc., San Francisco, Calif.	Japan
Scholle Chemical Co., Chicago, Ill.	France, West Germany

1/ * * * other U.S. companies had previously signed contracts with SNPE in 1977, and they would not be supplied by Fayette. However, only one of these companies, * * * * * * * * * , is still supplied directly by SNPE.

The industrial nitrocellulose imported from Japan is produced primarily by Asahi Chemical Industry Ltd., Tokoyo, Japan,* * * * * * * * * * * . West Germany's largest exporter of industrial nitrocellulose to the United States is * * * .

Consideration of Injury or Likelihood Thereof

U.S. production, capacity, and capacity utilization

U.S. production of nitrocellulose during 1979-1981 * * * million pounds in 1979 to * * * million pounds in 1981. However, in the first 6 months of 1982, production * * * from that in the corresponding period of 1981 (table 2). During the same period, Hercules, in response to the nitrocellulose shortage, increased its capacity from * * * million pounds in 1979 1/ to * * * million pounds in 1981, or by * * *. However, Hercules' capacity utilization for its nitrocellulose production facilities * * *. In the first 6 months of 1982, Hercules' capacity utilization rate * * * in the corresponding period of 1981.

Table 2.--Nitrocellulose: U.S. production, capacity, and capacity utilization, 1979-81, January-June 1981, and January-June 1982

Period	Production	Capacity	Capacity utilization
	1,000 wet pounds		Percent
1979	***	***	***
1980	***	***	***
1981	***	***	***
January-June--			
1981	***	***	***
1982	***	***	***

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

At the public conference and in their postconference brief, counsel for Fayette and SNPE argued that Hercules made a strategic error in increasing its nitrocellulose production capacity by at least 20 million pounds more than was required to meet the entire U.S. demand. SNPE contends that this over-expansion has caused underutilization of Hercules production facilities and the subsequent profit erosion. 2/ In their postconference brief, Hercules countered that its recent production (January-June 1982) was only at a level equal to * * * of its capacity prior to the expansion. Thus, even if Hercules had not expanded its production facilities, it still would be suffering a decline in production and capacity utilization. Furthermore, in 1977, the combined nitrocellulose capacity of Hercules and Du Pont actually exceeded Hercules capacity in 1980, after the * * * expansion of its capacity. 3/

1/ Hercules capacity was also * * *.
2/ Postconference brief of SNPE and Fayette Chemical Corp., pp. 2, 3, and 6.
3/ Postconference brief of Dow, Lohnes & Albertson, pp. 6 and 7.

As shown in table 3, the RS grade of nitrocellulose has accounted for approximately * * * percent of Hercules nitrocellulose production during 1979-82.

Table 3.--Nitrocellulose: U.S. production, by grades, 1979-81 and January-June 1982

(In thousands of wet pounds)

Period	RS	AS	SS
1979	***	***	***
1980	***	***	***
1981	***	***	***
1982 (January-June)	***	***	***

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

Domestic shipments and export shipments

Hercules' domestic shipments of nitrocellulose * * * million pounds in 1979 to * * * million pounds in 1981. In the first 6 months of 1982, domestic shipments * * * from the corresponding period of 1981 (table 4). Export shipments by Hercules * * * by *** percent during 1979-81 from * * * million pounds in 1979 to * * * million pounds in 1981. However, in the first 6 months of 1982, export shipments * * * from those in the corresponding period of 1981. * * * and * * * are the largest markets for U.S. produced nitrocellulose.

Table 4.--Nitrocellulose: Domestic shipments and export shipments, 1979-81, January-June 1981, and January-June 1982

(In thousands of wet pounds)

Period	Domestic shipments	Export shipments	Total
1979	***	***	***
1980	***	***	***
1981	***	***	***
January-June--			
1981	***	***	***
1982	***	***	***

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

U.S. imports

Total U.S. imports of industrial nitrocellulose increased from 10.4 million wet pounds in 1979 to 11.2 million pounds in 1980, and then increased again to 12.4 million pounds in 1981. However, in the first 6 months of 1982 imports fell by 13 percent from the level achieved in the corresponding period of 1981, as shown in the following tabulation (in millions of wet pounds).

Period	Total imports
1979	10.4
1980	11.2
1981	12.4
January-June--	
1981	6.7
1982	5.8

The two main sources of U.S. imports of industrial nitrocellulose are France and Japan. Such imports from France * * * from 6.0 million wet pounds in 1979 to * * * million wet pounds in 1980, but then * * * million wet pounds in 1981. However, in January-June 1982, imports of industrial nitrocellulose from France * * * million wet pounds from * * * million in the corresponding period of 1981 (table 5). Imports from Japan * * * million wet pounds in 1979 to * * * million wet pounds in 1980 but then * * * million wet pounds in 1981. In the first half of 1982, imports from Japan continued to * * *, percent from those in the corresponding period of 1981. While Hercules' domestic shipments and imports from Japan * * *.

As shown in table 5, the RS-type of industrial nitrocellulose accounted for approximately * * * percent of all nitrocellulose imports in 1981. The AS-type was imported from only West Germany during the 1979-82 period.

Table 5.--Nitrocellulose: U.S. imports for consumption, by sources and by grades, 1979-81, January-June 1981, and January-June 1982

(In thousands of wet pounds)

Source and grades	1979	1980	1981	January-June-- 1981	January-June-- 1982
France: 1/					
RS-type	***	***	***	***	***
AS-type	***	***	***	***	***
SS-type	***	***	***	***	***
Subtotal	***	***	***	***	***
Japan:					
RS-type	***	***	***	***	***
AS-type	***	***	***	***	***
SS-type	***	***	***	***	***
Subtotal	***	***	***	***	***
West Germany:					
RS-type	***	***	***	***	***
AS-type	***	***	***	***	***
SS-type	***	***	***	***	***
Subtotal	***	***	***	***	***
Total, all sources:					
RS-type	***	***	***	***	***
AS-type	***	***	***	***	***
SS-type	***	***	***	***	***
Total	10,405	11,241	12,414	6,662	5,816

1/ Based on SNPE export data.

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

U.S. inventories

Hercules' yearend inventory of industrial nitrocellulose increased * * * million pounds in 1979 to * * * million pounds in 1980, and then nearly * * * million pounds in 1981, as shown in the following tabulation:

Period	Quantity (1,000 wet pounds)
1979	***
1980	***
1981	***
January-June--	
1981	***
1982	***

Employment and wages

Total employment of production and related workers at the Hercules plant which produces nitrocellulose * * * employees in 1979 to * * * in 1981, but then * * * during January-June 1982 (table 6). Production and related workers engaged in producing nitrocellulose * * * in 1979 to * * * in 1981. The number of production and related workers * * * percent to * * * in January-June 1982. The International Chemical Workers Union advised the Commission 1/ of their concern about this decline in employment, noting that they support the position of Hercules in this investigation.

Wages paid to production and related workers making nitrocellulose * * * million in 1979 to * * * million in 1981. Wages during January-March 1982 were * * * million, which represented a * * * from those paid during the corresponding period of 1981.

Table 6.--Average number of employees, total and production and related workers and production and related workers engaged in the production of nitrocellulose at Hercules Inc., 1979-81, January-June 1981, and January-June 1982

Item	1979	1980	1981	January-June--	
				1981	1982
Average number employed in the reporting establishment:					
Production and related workers	***	***	***	***	***
Production and related workers engaged in the production of nitrocellulose	***	***	***	***	***

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

Financial experience of Hercules Inc.

Nitrocellulose operations.--Financial data were received from Hercules Inc. on its nitrocellulose operations and are presented in table 7. Hercules's net sales of nitrocellulose * * *. The quantity of sales * * * in the same period. In January-June 1982, net sales * * *, compared with sales of * * * million in the corresponding period of 1981.

1/ Letter dated July 22, 1982, from the International Chemical Workers Union, included in the public file.

Table 7.--Selected financial data for Hercules Inc. on its nitrocellulose operations, 1979-81, January-June 1981, and January-June 1982

Item	1979	1980	1981	January-June--	
				1981	1982
Net sales----------1,000 dollars--	***	***	***	***	***
Cost of goods sold----------do----	***	***	***	***	***
Gross profit----------do----	***	***	***	***	***
General, selling, and administrative expenses----------do----	***	***	***	***	***
Operating profit or (loss)----------do----	***	***	***	***	***
Ratio of operating profit or (loss) to net sales----------percent--	***	***	***	***	***
Cash flow from operations 1/--1,000 dollars--	***	***	***	***	***
Fixed assets employed in the production of nitrocellulose:					
Original cost----------do----	***	***	***	***	***
Book value----------do----	***	***	***	***	***
Replacement cost----------do----	***	***	***	***	***
Ratio of operating profit or (loss) to--					
Original cost of fixed assets-----percent--	***	***	***	***	***
Book value of fixed assets----------do----	***	***	***	***	***
Replacement cost of fixed assets-----do----	***	***	***	***	***

1/ Defined as operating profit plus depreciation and amortization expense.

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

Operating profit * * *. In the same period, the ratio of operating profit to net sales * * *. Cost of goods sold as a share of net sales * * *. As a share of net sales, general, selling, and administrative expenses * * *. In January-June 1982, Hercules reported an operating * * *.

* * * * * * *

Reported interest expense by Hercules

Item	1979	1980	1981	January-June--	
				1981	1982
Interest expense:					
For working capital					
1,000 dollars--	***	***	***	***	***
For capital investment					
do----	***	***	***	***	***
Total----------do----	***	***	***	***	***

* * * * * * *

Hercules sales and operating profit for its domestic and export operations are presented in the following tabulation:

Item	1979	1980	1981
Domestic:			
Net sales----------1,000 dollars--	***	***	***
Operating profit----------do----	***	***	***
Ratio of operating profit to net sales----------percent--	***	***	***
Export:			
Net sales----------1,000 dollars--	***	***	***
Operating profit----------do----	***	***	***
Ratio of operating profit to net sales----------percent--	***	***	***

* * * * * * *

The ratios of operating profit to original cost, book value, and replacement cost of fixed assets are presented in table 7. The return on fixed assets based on each of the three methods of valuation * * * the ratio of operating profit to net sales.

Overall Hercules Inc. operations.--Selected financial data for Hercules' overall operations are presented in table 8. Net sales increased by 16 percent from $2.3 billion in 1979 to $2.7 billion in 1981. In January-March 1982, net sales * * *.

Table 8.--Selected financial data on the overall corporate operations of Hercules Inc., 1979-81, January-March 1981, and January-March 1982

Item	1979	1980	1981	January-March--	
				1981	1982
Net sales--------million dollars--	2,345	2,485	2,718	***	***
Cost of goods sold----------do----	1,853	2,038	2,198	***	***
Gross profit----------do----	492	447	520	***	***
General, selling, and administrative expenses---------do----	281	292	308	***	***
Operating profit----------do----	211	155	212	***	***
Interest expenses----------do----	32	37	47	***	***
Other income or (expenses)--do----	59	(3)	15	***	***
Net profit before income taxes million dollars--	238	115	180	***	***
Provision for income taxes--do----	86	23	51	1/ ***	1/ ***
Equity in net income of affiliated companies-million dollars--	21	22	7	1/ ***	1/ ***
Net profit----------do----	173	114	136	1/ ***	1/ ***
Working capital----------do----	379	387	519	1/ ***	1/ ***
Shareholder's equity--------do----	945	1,010	1,051	1/ ***	1/ ***
Total assests----------do----	1,761	1,890	1,997	1/ ***	1/ ***
Net investment in assets 2/-do----	1,442	1,633	1,735	1/ ***	1/ ***
As a share of net sales:					
Operating profit-------percent--	9.0	6.2	7.8	***	***
Net profit before income taxes percent--	10.1	4.6	6.6	***	***
Net profit----------do----	7.4	4.6	5.0	1/ ***	1/ ***
Ratio of net profit to--					
Shareholders' equity---percent--	18.3	11.3	12.9	1/ ***	1/ ***
Total assets----------do----	9.8	6.0	6.8	1/ ***	1/ ***
Net investment in assets--do----	12.0	7.0	7.8	1/ ***	1/ ***

1/ Not available.

2/ Total assets less current liabilities except notes payable and current maturities of long-term debt.

Source: Compiled from data submitted in response to questionnaires (for Jan.-March 1981-82 figures) of the U.S. International Trade Commission and data extracted from public annual reports to shareholders, and public 10K statements.

Operating profit declined from $211 million in 1979 to $155 million in 1980 and then increased to $212 million in 1981. The ratio of operating profit to net sales dropped from 9.0 percent in 1979 to 6.2 percent in 1980 and then increased to 7.8 percent in 1981. In January-March 1982, operating profit * * *.

Consideration of the Causal Relationship Between Alleged LTFV Imports and the Alleged Injury

Market penetration of alleged LTFV imports

U.S. imports of industrial nitrocellulose from France captured an increasing share of a declining market during 1979-82. Such imports increased as a share of apparent U.S. consumption from * * *. In the first 6 months of 1982, French imports increased their share of the U.S. market to * * * (table 9). During the same period, total imports of nitrocellulose increased their share of the U.S. market each year, * * *. In the first 6 months of 1982, imports secured their highest penetration level of * * *.

Table 9.--Nitrocellulose: U.S. producer's domestic shipments, imports for consumption from France and all countries, and apparent consumption, 1979-81, January-June 1981, and January-June 1982

Period	Domestic shipments	Imports from France 1/	All other imports	Total imports	Apparent consumption	Ratio of imports to consumption: France	Ratio of imports to consumption: Total imports
	1,000 wet pounds					Percent	
1979	***	***	***	10,405	***	***	***
1980	***	***	***	11,241	***	***	***
1981	***	***	***	12,414	***	***	***
Jan.-June--							
1981	***	***	***	6,662	***	***	***
1982	***	***	***	5,816	***	***	***

1/ Based on SNPE's export statistics.

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

Lost sales

Hercules Inc. supplied the Commission with a list of * * * firms to which they allegedly lost sales of industrial nitrocellulose because of alleged LTFV imports from France. The Commission contacted eight of the purchasing firms, which accounted for a majority of the total alleged lost sales, and was able to confirm lost sales with all eight companies contacted. The approximate range

of the value of the confirmed lost sales is * * *. 1/ Some of the purchasing companies began using French or Japanese imports after Du Pont left the market, and a temporary shortage of nitrocellulose developed. Many purchasers stated that their companies were trying to maintain dual suppliers, as was their custom prior to Du Pont's exit from the market. Details of the eight lost sales are as follows:

	Purchasing company	Source
1.	* * *----------	* * *
2.	* * *----------	* * *
3.	* * *----------	* * *
4.	* * *----------	* * *
5.	* * *----------	* * *
6.	* * *----------	* * *
7.	* * *----------	* * *
8.	* * *----------	* * *

In all eight instances, price was given by the purchasers as the reason for switching to the imported product. The majority of the purchasers contacted stated that they were forced to purchase the lower priced imported material to keep the price of their own products price competitive within their industry. In all instances, Hercules offered to continue to supply nitrocellulose to these customers, * * *. In some instances, imported nitrocellulose from Japan or West Germany was also substituted for the domestic product. In the case of * * *, the company switched to the Japanese nitrocellulose (* * * wet pounds for 1980 and 1981) while purchasing smaller but still substantial amounts from France (approximately * * * wet pounds).

Both * * * started to purchase significant amounts of French nitrocellulose in 1979. Details of these companies purchases of the French nitrocellulose are as shown in the following tabulation (in wet pounds):

Company	1979	1980	1981
* * *----------	***	***	***
* * *----------	***	***	***

* * * informed the Commission that it also purchases large amounts of nitrocellulose from Japan (* * * wet pounds in 1980 and 1981). * * *. However, it continued to purchase ** percent of its nitrocellulose

1/ Based on Hercules estimates and conversations with the eight purchasers.

requirements * * *. At that point, * * * decided to obtain most of its nitrocellulose requirements from * * *. * * * informed the Commission that * * *. Thus, * * * has been obtaining more of its nitrocellulose purchases * * *.

* * * * * * *

Company	1976	1977	1978	1979	1980	1981
Hercules--------	***	***	***	***	***	***
Du Pont---------	***	***	***	***	***	***
SNPE------------	***	***	***	***	***	***

* * * * * * *

Threat of injury

Foreign capacity and production.--SNPE's current maximum annual capacity to produce industrial nitrocellulose is * * * million wet pounds (* * * million dry pounds). Details of SNPE's production capacity and production process at their Bergerac plant are set forth in app. D. During 1978-81, SNPE's production of industrial nitrocellulose * * * million wet pounds in 1978 and to * * * million wet pounds in 1979 and then * * * million wet pounds level in 1980 and 1981. In the first 6 months of 1982, SNPE's production * * * * * *that in the corresponding period of 1981 (table 10). The RS-type of nitrocellulose accounted for * * * percent of SNPE's production in 1981, * * *.

Table 10.--Nitrocellulose: SNPE production, by types, 1979-81, January-June 1981, and January-June 1982

(In wet pounds)

Period	RS	AS	SS	Total
1978----------	***	***	***	***
1979----------	***	***	***	***
1980----------	***	***	***	***
1981----------	***	***	***	***
January-June--				
1981----------	***	***	***	***
1982----------	***	***	***	***

Source: Confidential submission of SNPE.

Based on SNPE's maximum production capacity, the French producer experienced an * * * capacity utilization level for 1980 and 1981. In January-June 1982, SNPE operated its industrial nitrocellulose production facility at a * * * capacity utilization level.

French domestic shipments and exports.--As shown in table 11, SNPE's domestic shipments in France * * * million wet pounds in 1979 to * * * million wet pounds in 1980, but then * * * million wet pounds in 1981. In the first 6 months of 1982, SNPE's domestic shipments * * * * * the level of its shipments in the corresponding period of 1981.

Table 11.--Nitrocellulose: SNPE's domestic shipments in France and export shipments, 1979-81, January-June 1981, and January-June 1982

(In thousands of wet pounds)

Period	Domestic shipments	Total export shipments	Total
1979	***	***	***
1980	***	***	***
1981	***	***	***
January-June--			
1981	***	***	***
1982	***	***	***

Source: Confidential submission of SNPE.

During 1979-81, exports of industrial nitrocellulose accounted for * * * of SNPE's total shipments. Besides the United States, SNPE's largest customers for nitrocellulose are * * *.

As shown in the following tabulation, SNPE's yearend inventories of industrial nitrocellulose * * *.

Period	1,000 wet pounds
As of Dec. 31--	
1978	***
1979	***
1980	***
1981	***
As of June 30--	
1981	***
1982	***

Prices

Hercules, the domestic producer, argues that its method of packing nitrocellulose for shipments should provide it with a significant price advantage over the French producer. Hercules ships nitrocellulose in returnable steel drums; SNPE ships it in disposable fiber drums. Hercules has stated that its costs for the drums, which amount to about * * * per pound of nitrocellulose, are lower than those for the French product. However, the importer has argued that the cost of the fiber drums is lower.

Prices charged by domestic producers and by importer-distributors of RS nitrocellulose on sales to their largest customers were requested on an f.o.b. and a delivered basis, by quarters, for the period from January 1980 through June of 1982. RS nitrocellulose was selected for price comparisons, since it accounts for * * * percent of domestic production, and also makes up the largest share of imports. Hercules provided both f.o.b. and delivered prices, but Fayette Chemical Corp., which imports and markets the French products, and Toyomenka, Inc., and E.T. Horn, which handle the Japanese product, provided prices on an f.o.b. point of shipment basis only. Therefore, only f.o.b. prices of domestic and imported nitrocellulose could be compared.

Trends in prices.--Weighted-average domestic prices of nitrocellulose * * * over the period from January 1980 through June 1982, even though they * * * during January-June 1982 (table 12). These prices * * * per pound in January-March 1980 to * * * in April-June 1980, and then remained * * * per pound during January-December 1981. They then * * * in January-March 1982 and * * * at that level during April-June 1982.

The overall * * * in the domestic price for the 2.5-year period was * * * than the increase in prices of related products during this time span. The Bureau of Labor Statistics index of prices of all paint materials increased by an average of only 16.8 percent during January 1980-June 1982.

Prices of imported nitrocellulose from France * * * than prices of the domestic product during the period of the investigation. They * * * per pound in April-June 1980 to * * * in July-September 1981 and then * * * during the next three quarters to * * * in April-June 1982. * * * in the price of French-produced nitrocellulose between January 1980 and June 1982 may be partly a result of the continuing depreciation of the French franc during the period. As shown in table 12, the franc declined by over 30 percent in relation to the dollar between January 1980 and May 1982. More recent evidence indicates that the franc continued to depreciate from May through August 1982. 1/

1/ Data presented in the business sections of recent newspapers show that the franc declined by more than 10 percent between May and August 1982.

Table 12.--Index of exchange rate of the French franc in relation to the U.S. dollar, by quarters, January 1979-May 1982

(January-March 1980=100)

Period	1979	1980	1981	1982
January-March	97.2	100	85.2	69.2
April-June	94.9	98.5	76.6	1/ 67.4
July-September	97.8	100.6	71.4	-
October-December	100.1	93.8	73.4	-

1/ Data available only for April-May.

Margins of underselling.--A comparison of domestic and imported prices of nitrocellulose from France indicates that underselling occurred * * *. Actual margins ranged from * * * per pound, and percentage margins ranged from * * * (table 13). During January-September 1980, prices of domestic nitrocellulose were * * * than prices of the French product.

Prices of imported nitrocellulose from Japan are shown in table 14. It is apparent that prices charged by the two importers of Japanese nitrocellulose have * * *. Average Japanese prices * * * per pound in January-March 1980 to * * * per pound in April-June 1982. They were * * * price during April-December 1980 and July-December 1981 by amounts ranging from * * * per pound. Japanese prices were * * * prices in all other periods, including January-June 1982. The average price of the Japanese nitrocellulose was * * * in five out of the six quarters from January 1981 through June 1982.

Table 13.--RS nitrocellulose: Weighted-average prices f.o.b. of the domestic producer and the importer, and margins of underselling, by quarters, January 1980-June 1982

Period	Hercules Inc.	Fayette Inc.	Margins of underselling of--	
			Hercules Inc.	Fayette Inc.
	Cents per wet pound 1/		Percent	
1980:				
January-March	***	***	***	***
April-June	***	***	***	***
July-September	***	***	***	***
October-December	***	***	***	***
1981:				
January-March	***	***	***	***
April-June	***	***	***	***
July-September	***	***	***	***
October-December	***	***	***	***
1982:				
January-March	***	***	***	***
April-June	***	***	***	***

1/ Prices rounded to the nearest cent.

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

Table 14.--Nitrocellulose: Prices f.o.b. of Japanese importers, by quarters, January 1980-June 1982 1/

(In cents per wet pound)

Period	E.T. Horn Co.	Toyomenka America Inc.	Average price
1980:			
January-March	***	***	***
April-June	***	***	***
July-September	***	***	***
October-December	***	***	***
1981:			
January-March	***	***	***
April-June	***	***	***
July-September	***	***	***
October-December	***	***	***
1982:			
January-March	***	***	***
April-June	***	***	***

1/ * * *.

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

APPENDIX A

NOTICE OF COMMISSION'S INVESTIGATION AND CONFERENCE
DEPARTMENT OF COMMERCE'S NOTICE OF INITIATION
OF AN ANTIDUMPING INVESTIGATION

[Investigation No. 731-TA-96 (Preliminary)]

Nitrocellulose From France

AGENCY: International Trade Commission.

ACTION: Institution of preliminary antidumping investigation and scheduling of a conference to be held in connection therewith.

SUMMARY: The U.S. International Trade Commission hereby gives notice of the institution of investigation NO. 731-TA-96 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from France of nitrocellulose,[1] provided for in item 445.25 of the Tariff Schedules of the United States, which are allegedly being sold in the United States at less than fair value (LTFV).

EFFECTIVE DATE: July 6, 1982.

FOR FURTHER INFORMATION CONTACT: Bill Schechter, Office of Investigation, U.S. International Trade Commission; telephone 202/523-0300.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted following receipt of a petition filed by counsel for Hercules Inc., Wilmington, Delaware. The Commission must make its determination in this investigation within 45 days after the date of the filing of the petition, or by August 16, 1982 (19 CFR 207.17). This investigation will be subject to the provisions of part 207 of the Commission's Rules of Practice and Procedure (19 CFR Part 207, 44 FR 76457 and 47 FR 6190), and particularly subpart B thereof. A nonconfidential copy of the petition is available for public inspection during official working hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. 20436, telephone (202-523-0448).

Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission not later than July 21, 1982 (19 CFR 201.11). Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the notice.

Written submissions.—Any person may submit to the Commission on or before July 30, 1982, a written statement of information pertinent to the subject matter of this investigation. A signed original and fourteen copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Service of documents.—The Secretary will compile a service list from the entries of appearance filed in this investigation. Any party submitting a document in connection with the investigation shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR 201.8), serve a copy of each such document on all other parties to the investigation. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b)).

In addition to the foregoing, each document filed with the commission in the course of this investigation must include a certificate of service setting forth the manner and date of such service. This certificate will be decmed proof of service of the document. Documents not accompanied by a certificate of service will not be accepted by the Secretary.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m., on July 27, 1982, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the supervisory investigator for the investigation, John MacHatton, telephone 202/523-0439, not later than July 23, 1982, to arrange for their appearance. Parties in support of the imposition of antidumping duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

For further information concerning the conduct of this investigation rules and general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and B (19 CFR Part 207), and part 201, subparts A through E (19 CFR Part 201), 47 FR 6182, February 19, 1982. Further information concerning the conduct of the conference will be provided by Mr. MacHatton.

This notice is published pursuant to § 207.12 of the Commission's Rules of Practice and Procedure (19 CFR 207.12).

Issued: July 7, 1982.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-19043 Filed 7-13-82; 8:45 am]

BILLING CODE 7020-02-M

[1] Also known as cellulose nitrate.

Initiation of Antidumping Investigation; Industrial Nitrocellulose From France

AGENCY: International Trade Administration, Commerce.

ACTION: Initiation of antidumping investigation.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping investigation to determine whether industrial nitrocellulose from France is being, or is likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission ("ITC") of this action so that it may determine whether imports of industrial nitrocellulose are materially injuring, or are threatening to materially injure, a U.S. industry. If the investigation proceeds normally, the ITC will make its preliminary determination on or before August 16, 1982, and we will make ours on or before December 9, 1982.

EFFECTIVE DATE: July 28, 1982.

FOR FURTHER INFORMATION CONTACT: Stuart Keitz, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone (202) 377-1769.

SUPPLEMENTARY INFORMATION:

Petition

On July 2, 1982, we received a petition filed by counsel on behalf of Hercules Incorporated of Wilmington, Delaware, purported to be the only U.S. manufacturer of industrial nitrocellulose. In compliance with the filing requirements of section 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports from France of industrial nitrocellulose are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) ("the Act") and that these imports are materially injuring, or are threatening to materially injure, a U.S. industry. The petition further alleges that this product is being sold in France and to third countries at less than the cost of production in the home market.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether a petition sets forth the allegations necessary for initiation of an antidumping investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on industrial nitrocellulose and have found that it meets these requirements.

Therefore, in accordance with section 732 of the Act, we are initiating an antidumping investigation to determine whether industrial nitrocellulose from France is being, or is likely to be, sold in the U.S. at less than fair value. If the investigation proceeds normally, we will make our preliminary determination by December 9, 1982.

Scope of the Investigation

The product covered by this investigation is industrial nitrocellulose containing between 10.8% and 12.2% nitrogen. It should not be confused with explosive grade nitrocellulose which contains over 12.2% nitrogen. Industrial nitrocellulose is a dry, white, amorphous synthetic chemical produced by the action of nitric acid on cellulose. The product comes in several viscosities and is used to form films in lacquers, coatings, furniture finishes and printing inks. It is currently classified as cellulosic plastic materials, other than cellulose acetate, under item number 445.2500 of the *Tariff Schedules of the United States Annotated.*

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided that the ITC confirms it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by August 16, 1982, whether there is a reasonable indication that imports of industrial nitrocellulose from France are materially injuring, or are threatening to materially injure, a U.S. industry. If its determination is negative, this investigation will terminate; otherwise, the investigation will proceed according to statutory procedures.

Dated: July 21, 1982.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 82-20459 Filed 7-27-82; 8:45 am]

BILLING CODE 3510-25-M

APPENDIX B

CALENDAR OF WITNESSES AT THE CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-96 (Preliminary)

NITROCELLULOSE FROM FRANCE

Those listed below are scheduled to appear as witnesses at the United States International Trade Commission's conference to be held in connection with the subject investigation at 9:30 a.m. on Tuesday, July 27, 1982, in the hearing room of the USITC Building, 701 E Street NW, Washington, D.C.

In support of the imposition of countervailing duties	Time allotted
Dow, Lohnes & Albertson--Counsel Washington, D.C. on behalf of	60 minutes

Hercules Incorporated

Jerome D. Towe, Director-Strategy, Business Center for Nitrocellulose, Hercules Inc.
Edwin S. Moler Director, Business Center for Nitrocellulose, Hercules Inc.
James F. Maher, Associate Counsel, Law Department, Hercules Inc.

William Silverman)--OF COUNSEL
Edward M. Lebow)

In opposition to the imposition of countervailing duties	
Bergson, Borkland, Margolis & Adler) & Busby, Rehm & Leonard)--Counsel Washington, D.C. on behalf of	60 minutes

Societe National des Poudres et Explosifs (SNPE)

Philippe LeRoy, Directeur, SNPE
Francois DeTaffin, Nitrocellulose Product and Sales Manager, SNPE

John G. Reilly, Principal, ICF Inc.
P. Lance Graef, Project Manager, ICF Inc.

Howard Adler,Jr.)
Robert W. DeVos, Jr.)--OF COUNSEL
Will E. Leonard)

Paul, Weiss, Rifkind, Wharton & Garrison--Counsel
Washington, D.C.
on behalf of

Fayette Chemical Corporation

Peter T. Sullivan, Vice President & General Manager, Fayette

Sidney S. Rosdeitcher)
Curtis A. Hessler) --OF COUNSEL

APPENDIX C

DU PONT ANNOUNCEMENT TO LEAVE THE NITROCELLULOSE BUSINESS

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WE REGRET TO NOTIFY YOU THAT DU PONT PLANS TO PHASE OUT THE MANUFACTURE AND SALE OF INDUSTRIAL NITROCELLULOSE BY DECEMBER 30, 1977.

OUR NITROCELLULOSE BUSINESS HAS BEEN OPERATING AT A LOSS FOR SEVERAL YEARS. DURING THIS PERIOD, WE HAVE APPLIED CONSIDERABLE EFFORT AND RESOURCES TO DEAL WITH THE INCREASING COST BURDENS OF RAW MATERIALS, ENVIRONMENTAL CONTROLS AND ENERGY AND TO HELP RESTORE PROFIT MARGINS. HOWEVER, THE CONTINUED LARGE INFUSION OF NEW CAPITAL REQUIRED TO UPGRADE OUR AGING PLANT AND MEET PROJECTED ENVIRONMENTAL REGULATIONS IS NOT ECONOMICALLY JUSTIFIED IN THE FACE OF CURRENT AND FORECAST DEMAND FOR INDUSTRIAL NITROCELLULOSE.

MARKET DEMAND FOR NITROCELLULOSE HAS GROWN LITTLE IN THE PAST DECADE. BOTH DU PONT AND INDEPENDENT STUDIES INDICATE THIS TREND WILL CONTINUE FOR A FEW YEARS, AND LONGER-RANGE, DEMAND WILL SOFTEN AS A RESULT OF ENVIRONMENTAL REGULATIONS FOSTERING WIDER USE OF NONSOLVENT SYSTEMS.

THE CURRENT WORLD CAPACITY FOR INDUSTRIAL NITROCELLULOSE IS CONSIDERED ADEQUATE TO MEET DEMAND, AND NO SHORTAGES RESULTING FROM OUR WITHDRAWAL FROM THIS MARKET ARE FORESEEN.

BASED ON CURRENT PLANNING, WE WILL CEASE ALL SHIPMENTS ON OR BEFORE DECEMBER 30, 1977. ORDERS WILL BE ACCEPTED THROUGH OCTOBER 1. THE PURPOSE OF THIS EARLY NOTICE IS TO GIVE YOU TIME TO PLAN AN ORDERLY TRANSITION TO OTHER SOURCES OF SUPPLY.

WE REGRET ANY INCONVENIENCE THIS MAY CAUSE AND WILL GLADLY WORK WITH YOU TO SMOOTH YOUR CHANGEOVER PERIOD. OUR REPRESENTATIVE WILL BE IN CONTACT WITH YOU SOON TO ANSWER ANY QUESTIONS YOU MIGHT HAVE REGARDING THE PHASEOUT.
DUPONT CO R S ARMSTRONG, MANAGER

APPENDIX D

SNPE's PRODUCTION CAPACITY AND PRODUCTION PROCESS

Production Capacity of the Bergerac Plant

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