

AGRICULTURAL TILLAGE TOOLS FROM BRAZIL

**Determination of the Commission in
Investigation No. 701-TA-223
(Preliminary) Under Section 703 (a)
Together With the Information
Obtained in the Investigation**

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 701-TA-223 (Preliminary)

AGRICULTURAL TILLAGE TOOLS FROM BRAZIL

Determination

On the basis of the record 1/ developed in investigation No. 701-TA-223 (Preliminary), the Commission determines, 2/ pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports from Brazil of agricultural tillage tools, provided for in item 666.00 of the Tariff Schedules of the United States, which are alleged to be subsidized by the Government of Brazil.

Background

On September 28, 1984, a petition was filed with the Commission and the Department of Commerce by Ingersoll Products Corp. of Chicago, IL, Empire Plow Co. of Cleveland, OH, and Nichols Tillage Tools of Sterling, CO, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of agricultural tillage tools from Brazil. Accordingly, effective September 28, 1984, the Commission instituted preliminary countervailing duty investigation No. 701-TA-223 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade

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

2/ Chairwoman Stern and Vice Chairman Liebler dissenting.

Commission, Washington, DC, and by publishing the notice in the Federal Register on October 15, 1984 (49 F.R. 40231). A public conference was held in Washington, DC, on October 25, 1984, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF COMMISSIONERS ALFRED ECKES, SEELEY LODWICK, AND DAVID ROHR

We determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of allegedly subsidized agricultural tillage tools from Brazil.

This determination is based on information indicating that imports of tillage tools from Brazil have increased substantially during the period of investigation and that Brazilian producers have both the capacity and the intent to increase tillage tool exports in the near future. Our investigation reveals a pattern of underselling by Brazilian imports and instances in which U.S. producers have lost sales to such imports on the basis of price. Although the profitability of the domestic industry improved in 1984, information on the record casts doubt on the continuation of that upturn in the face of increasing low-priced imports from Brazil.

Definition of the domestic industry

The term "industry" is defined in section 771(4)(A) of the Act as "[t]he domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 1/ The term "like product," in turn, 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." 2/

The imports under investigation are agricultural tillage tools, which are fabricated carbon steel products used as components of tractor-pulled tilling

1/ 19 U.S.C. § 1677(4)(A).

2/ 19 U.S.C. § 1677(10).

and cultivating implements. Tillage tools are the parts of a farm implement that actually engage the soil. 3/

Discs (or disc blades), which make up a large proportion of the tillage tool market, are manufactured using a process and production lines that differ from those used to produce other tillage tools. 4/ Discs are used primarily for field preparation and fall plowing. Other tillage tools, which are made in a large variety of shapes and sizes, have diverse uses, including soil preparation and cultivation. Some discs are used simultaneously with other tillage tools in the soil preparation process.

Although the manufacturing process and, to some extent, the end uses of discs are distinguishable from those of other tillage tools, there is sufficient overlap in uses to justify considering all tillage tools as one product in this preliminary investigation. This does not preclude our finding more than one like product in any final investigation.

Accordingly, for purposes of this preliminary investigation, the Commission determines that the like product consists of all agricultural tillage tools and that the domestic industry consists of the producers of those tools.

Condition of the domestic industry

Two market sectors in the tillage tool industry can be identified: original equipment manufacturers (OEMs) and the replacement market. OEMs purchase discs and other tillage tools for use as components of the farm implements they produce. With the exception of a few major OEMs, these are

3/ See Report of the Commission (Report) at A-2-A-4.

4/ Id. at A-4-A-5.

generally small companies that make a few of the specialized implements for a local or regional market. Sales in the replacement market are generally to wholesalers/distributors, who sell to dealers or parts houses, who, in turn, sell directly to farmers. 5/ Petitioner Ingersoll, the major domestic producer of discs, sells almost exclusively to the OEM market. 6/

The domestic tillage tool industry has had to contend with several adverse conditions in both market sectors during recent years. The worldwide recession adversely affected farmers generally. Respondents have pointed out that declining farm income has reduced the demand for new farm equipment. This was particularly damaging to those firms that sell tillage tools to the original equipment market. 7/

Another development which may have adversely affected the industry during the period of investigation was the use of "no-till" or "minimum tillage" farming. Even if farm income increases as the U.S. economy strengthens, this change in production methods may cause a continuing reduction in the demand for tillage tools.

As might be expected considering these factors, net sales (measured in dollars) of domestic tillage tool producers and the ratio of operating income to net sales declined sharply from 1981 to 1982, and net sales dropped further in 1983. Operating income for the domestic industry in 1983 was 85 percent below that for 1981. 8/

While a strong upturn in operating profits in the period of the 1984 fiscal year ending in June appears to signal an improvement in the condition

5/ Id. at A-10-A-11.

6/ Transcript of the conference (Tr.) at 35-36.

7/ Id. at 123.

8/ Report at A-18, Table 6; A-12, Table 2; A-16, Table 5.

of the industry, net sales, capacity utilization, and employment levels remained below the figures for 1981. 9/ Moreover, one industry representative testified that the upturn has been shorter than expected; orders now being placed in anticipation of the next planting season are below the level that could be expected in view of the improving farm economy as a whole. 10/

Imports from Brazil have been a factor in the market for a relatively short time--they were first reported in 1982. They increased rapidly during a period when the demand for tillage tools was strengthening, so that the initial effect on the domestic industry is difficult to assess. However, the U.S. industry has been weakened by several years of low profitability, and it fears that the recent improvement in its performance may well be temporary.

Reasonable indication of a threat of material injury by reason of allegedly subsidized imports

Among the factors that the Commission considers in making threat determinations are the inventories held by importers, trends of imports during the period of investigation, and the capacity and intent of exporters of the subject merchandise to increase shipments to the United States.

Importers' inventory statistics for discs from Brazil show a sharp increase during the period under investigation. 11/ In the case of other tillage tools, petitioners contend that inventories are held not by importers but by U.S. distributors/wholesalers or parts houses. 12/ They are able to hold these inventories, according to petitioners, because of favorable

9/ Id.

10/ Transcript at 53-54.

11/ Report at A-22, Table 9.

12/ Id. at A-20; Petitioners' Postconference Brief at 13.

financing arrangements made possible by Brazilian government subsidies. 13/ Respondents reply that this inventory buildup is required to avoid delay in shipments of imported products. 14/ The question of inventories will be further considered in any final investigation.

Information provided by Brazilian sources indicates that imports of tillage tools from Brazil, measured both in dollar value and as a percentage of domestic industry shipments, have shown a steep upward trend during the period of investigation. 15/ Importers' questionnaire responses show similar trends in import volume (principally disc imports) although these data probably are incomplete. 16/

Staff analysis of U.S. producers' and importers' prices for two varieties of discs and three varieties of sweeps (the latter included in the "other tillage tools" category), believed to be relatively high volume items, demonstrated large margins of underselling. The average margin for one disc specification was 23.1 percent and for the other, 24.6 percent. The average margin for the three sweep specifications was 15.2 percent. 17/ The Commission staff confirmed several instances of domestic sales lost to imports from Brazil, some on the basis of the price differential. 18/

With respect to the Brazilian producers' capacity and intent to increase shipments to the United States, the Brazilian Association of Industrial Machines and Equipment has provided pertinent information. It reports that the Brazilian tillage tool industry has been operating with 40 percent idle

13/ See Report at A-34.

14/ Respondents' Postconference Brief at 53.

15/ Report at A-24, A-26.

16/ Id. at A-24.

17/ Id. at A-27.

18/ See Id. at A-36-A-40.

capacity; that manufacturers are making continuous efforts to diversify outlets and to increase exports; and that exports, particularly to the United States, are expected to grow. 19/

Although there has been some improvement in performance in the first half of 1984, we have noted that the U.S. tillage tool industry has had problems in the recent past and faces an uncertain future. It appears to be one of "those industries facing difficulties from a variety of sources, precisely those industries that are most vulnerable to subsidized or dumped imports." 20/ Increases in inventories held by importers and wholesalers of imported tillage tools, import trends, idle production capacity in Brazil, and reported Brazilian producers' intentions all substantiate the probability that imports from Brazil will grow significantly in the near future.

Therefore, on the basis of this preliminary investigation, we find that there is a reasonable indication that the domestic industry is threatened with material injury by reason of imports of agricultural tillage tools from Brazil.

19/ Id. at A-23.

20/ H.R. Rep. No. 317, 96th Cong., 1st Sess. 47 (1979).

VIEWS OF CHAIRWOMAN STERN

I find there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of allegedly subsidized agricultural tillage tools from Brazil.

Although the domestic disc industry has suffered material injury over the period of investigation, this injury was not caused by imports of discs from Brazil. Brazilian imports of "other" tillage tools also did not cause material injury to domestic producers of "other" tillage tools, although economic indicators, particularly in the most recent period, do not even demonstrate material injury. Further, these imports do not pose a threat to the domestic industries, since both industries show upswings in most indicators of industry performance, particularly profitability, despite recent increases in Brazilian imports. We have no information which indicates imports are likely to increase further. A finding of injury or causation cannot be based on recent increases in imports and market penetration alone, and a finding of threat of injury cannot be based on "mere supposition or conjecture."

Definition of the domestic industry

In order to assess injury to a domestic industry, the Commission must first determine the appropriate domestic producers of a "like product." While "like" does not necessarily imply the domestic counterpart be "identical," the concept does require that the articles be "substantially the same in uses and characteristics." ^{1/} Where two products are not like each other, the

^{1/} Portable Electric Nibblers from Switzerland, Inv. No. 731-TA-35(P), USITC Pub. No. 1108 (1980).

Commission must assess injury and causation separately. 2/ Although all varieties of tillage tools share a basic use and a number of characteristics, the distinction in characteristics and uses of discs or disc blades and "other" tillage tools appear to be more significant than the resemblances.

First, there is substantial divergence in their specific applications. Discs are used primarily for soil preparation before planting, while other tillage tools are used primarily for cultivation during the growing cycle and for post-harvest soil conditioning. 3/ Because discs and other tillage tools are physically different and are not interchangeable, they are used with different machinery. 4/

Further, the production processes of the two categories of products are clearly distinct, although both are manufactured from the same raw material. 5/ With the exception of one small producer, the two products are made by different companies. 6/ Hence, data on production and profits related to the two categories are readily disaggregated. Import data, though incomplete, can also to a large extent be segregated.

2/ Certain Radio Paging and Alerting Receiving Devices from Japan, Inv. No. 731-TA-102(P), USITC Pub. No. 1410 (1983).

3/ Report at A-3 - A-4.

4/ Discs are used on discers, harrows and seeders, while "other agricultural tillage tools are used on, e.g., field cultivators. See Motorcycle Batteries from Taiwan, Inv. No. 731-TA-31(F), USITC Pub. No. 1228 at 5 (1982).

5/ Id., at A-4; A-5.

6/ Id., at A-7.

It is thus appropriate and consistent with Commission precedent, 7/ to assess injury and causation separately with respect to the two products and the two domestic industries.

Condition of the domestic industries

Discs

From 1981 through 1983, production, operating income, capacity utilization, and employment levels in the domestic disc industry all declined. 8/ These negative economic indicators coincided with a serious downturn in the U.S. farm economy as a whole. However, data for the interim period ending June 30, 1984, indicate that profitability has increased substantially over the corresponding period of 1983, although it has not returned to the level of 1981. 9/ Similarly, capacity utilization, shipments, employment, and wages increased significantly in the most recent period, although not to 1981 levels. 10/ Despite this apparent recovery, data for 1982 and 1983 provide a sufficient basis for finding a reasonable indication of material injury to the U.S. disc industry during the period of investigation.

7/ See, e.g., Radio Paging and Alerting Receiving Devices from Japan, Inv. No. 731-TA-102(P), USITC Pub. 1410 (1983).

8/ Report at A-19, Table 7; A-12, Table 2; A-16, Table 5.

9/ Id., at A-19.

10/ See Report at Table 3 (shipments), Table 5 (employment and wages), and Table 2 (capacity utilization).

"Other" tillage tools

Fluctuations in the market for "other" tillage tools during the period of investigation were much less drastic than for discs. Despite a drop in production from 1981 through 1983, operating income ratios, after a decline in 1982, were considerably higher in 1983 than in 1981. 11/ Capacity utilization, after a 27 percent drop in 1982, returned to its 1981 level of 70 percent in 1984. 12/ Shipments measured in value terms fell 24 percent from 1981 to 1982, but began to demonstrate an upward trend in the first half of 1984. 13/ Employment and wages also strengthened during the most recent period. 14/ Thus, the vigorous recovery in profit levels combined with upward trends in other economic indicia suggest that the "other" tillage tool industry successfully weathered the storms which have recently hit U.S. agriculture and its dependent industries. The data for the period of investigation therefore provide no basis for finding a reasonable indication of material injury to domestic producers of other tillage tools.

11/ See Report at Table 2, p. A-12 and Table 8, p. A-21.

12/ Table 2 at A-12.

13/ Table 3 at A-14..

14/ Table 5 at A-16. Note that employment data reflect aggregate trends in discs and other tillage tools.

Causation

While the legislative history of the Trade Agreements Act of 1979 points out that "[t]he law does not . . . contemplate that injury from [subsidized] imports be weighed against other factors . . . which may be contributing to overall injury to an industry," it is also incumbent on the Commission to "take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized . . . imports is attributable to such other factors." 15/ With these guidelines in mind, it is instructive to analyze the degree to which the level of imports of the two products coincide with the problems experienced by the domestic industries, as well as to consider the market structure for each of the two categories of products.

Discs

First, all of the data reflecting the domestic disc industry's performance dropped substantially between 1981 and 1982, when imports of disc products from Brazil had not yet entered the U.S. market in a major way. Capacity utilization dropped over 50 percent; 16/ the value of shipments 17/ and employment 18/ dropped about 40 percent, and profits fell substantially. 19/

15/ H.R. Rep. 317, 96th Cong., 1st Sess. at 47 (1979).

16/ Report at Table 2.

17/ Report at Table 3.

18/ Report at Table 5. This reflects the decrease between 1981 and 1982 of production and related workers producing all tillage tools.

19/ Report at Table 7. The exact numbers are confidential.

Brazilian imports of discs made a significant appearance in the U.S. marketplace in 1983. With the exception of profitability, which fell somewhat further, 20/ all other indicators stabilized, albeit at low levels. 21/ Furthermore, when Brazilian imports were at their highest level as a percentage of domestic shipments in 1984, 22/ capacity utilization increased about 50 percent, the value of shipments increased by about 30 percent, and the ratio of operating income to net sales showed a dramatic increase of about 200 percent. 23/ Thus, although domestic producers of discs certainly experienced problems during the period of investigation, there seems to be little relationship between these problems and the presence of Brazilian discs in the U.S. market.

Second, in part as a consequence of declining farm income, sales of farm machinery during the period of investigation suffered a concomitant decline. Farmers historically tend to buy replacement parts rather than complete equipment during such periods. 24/ Also, the increased usage by farmers of "no till" or "minimum tillage" farming methods lowered demand for both original equipment and replacement parts for discs and "other" tillage tools.

20/ Ibid. However, between 1982 and 1983, profits fell only half as much as the decline from 1981 to 1982.

21/ See Table 2, Table 3, and Table 5.

22/ Table 11. The ratio of imports as a percent of domestic shipments for discs is confidential.

23/ See Table 2 for changes in capacity utilization, Table 3 for changes in shipments and Table 7 for increases in profitability.

24/ Report at A-10.

Third, Ingersoll, the major domestic producer of discs, sells almost exclusively to original equipment manufacturers (OEMs). 25/ It also appears that Ingersoll consistently refused to sell to distributors in the independent after-market where Brazilian imports are dominant. 26/ As the farm economy moved into recession, sales to the replacement market displaced those to the OEM market. Thus, as an increasing share of the market shifted to independent replacement dealers, Ingersoll's market share necessarily experienced an attendant decline. 27/ Although a portion of that share was captured by imports from Brazil, this was largely attributable to Ingersoll's own marketing practices. 28/ 29/

Although the investigation uncovered some evidence of sales to OEMs lost by domestic producers to imports from Brazil on the basis of price, the aggregate volume of such sales is relatively small. 30/ Furthermore, official statistics suggest that recent increases in imports from Brazil have

25/ Report at A-11. OEMs purchase discs and other tillage tools for use as components on the farm implements they produce.

26/ Respondents argued further that this was because Ingersoll sought to maintain good relations with its largest OEM customers, who sought continued control over the replacement market for its own distribution chains. See Respondents' brief at 24, 45.

27/ It should be noted that OEMs also supply the replacement wholesalers and distributors have no access to discs produced by Ingersoll.

28/ Respondents' Post-Conference Brief at 23-24.

29/ The only other present domestic producer of discs, Osmundson, also imports discs from Brazil, and there is thus some argument for its exclusion from the investigation under the related parties provision of the Act (19 U.S.C. 1677 (f) (B)). However, that question need not be reached, since Osmundson's productive capacity is insufficient to enable a significant portion of U.S. purchasers to depend on it as a reliable source of adequate supply.

30/ See, e.g., Report at A-36-40.

come at the expense of other countries, particularly South Africa. 31/
 Although imports of tillage tools from Brazil have increased, at least in
 value terms, total tillage tool imports have fallen. 32/

Thus, imports from Brazil have played a negligible role in any injury the
 domestic disc industry has suffered.

Other tillage tools

It has already been argued that economic indicators for the other tillage
 tool industry fail to establish a reasonable indication of material injury. 33/
 It is, therefore, unnecessary to meet the issue of causation in regard to
 "other" tillage tool imports. However, it is important to note that the
 quantities of imports of other tillage tool products, though increasing,
 remain at a level so low that any impact they may have on the domestic market
 is de minimis. 34/

Although the indicators of the "other" tillage tool industry's
 performance do not demonstrate material injury, it is notable that the less
 drastic indicator fluctuations of the industry's performance such as capacity
 utilization, shipments, and employment follow similar trends as those for the
 domestic disc industry, which clearly showed no causal nexus between the
 industry's problems and imports from Brazil.

31/ See Appendix 4 to Respondents' Post-Conference Brief. Although TSUS
 classifications prevent a refined analysis of import market shares and
 overstate the quantity of Brazilian tillage tool imports directly competing
 with the domestic industries, the data nevertheless reflect overall import trends.

32/ See Appendix 3 of Respondents' Post-Conference Brief.

33/ Supra at 12-13.

34/ Report at A-35. The ratio of Brazilian imports of other tillage tools to
 domestic shipments was zero percent in 1981, zero percent in 1982, and one
 percent in 1983. The ratio was two percent both during January-June 1983 and 16
 1984.

No reasonable indication of
threat of material injury

With respect to the question of a threat of material injury to the domestic disc and "other" tillage tool industries that may be posed by imports from Brazil, data trends for both industries and evidence provided by the petitioners fail to demonstrate that "the threat of injury is real and injury is imminent." 35/

As previously discussed, both industries have experienced high profit levels, although profits for the disc industry have yet to reach 1981 levels. Economic indicators for both industries recently have stabilized or increased. 36/

Although data supplied by the Brazilian Association of Industrial Machines and Equipment (ABIMAQ) suggest that the Brazilian tillage tool industry has substantial idle capacity, information from the same source also suggests that demand for the subject products in Brazil is likely to increase significantly. 37/ Increases in importers' inventories are largely explicable by the need to reduce shipment delays. 38/ Petitioners' assertion that existing countervailing duty orders have curtailed imports of non-finished steel products from Brazil and thus pose the threat of increased imports of finished steel products, such as discs, is not supported by statistical evidence and thus remains at the level of speculation. 39/

35/ S. Rept. 249, 96th Cong., 1st Sess. at 89 (1979).

36/ See *Rhone Poulenc v. United States* (Slip Op. 84-87, decided June 19, 1984), wherein the Court of International Trade upheld a threat determination of the Commission, holding that the Commission must consider trends in the economic indicators of the industry specified in the present injury standard in order to determine threat of material injury.

37/ Report at A-23.

38/ See Respondents' Post-Conference Brief at 53; Transcript at 52.

39/ See Respondents' Post-Conference Brief at 50.

I am mindful of the intent of the "threat" standard "to prevent actual injury from occurring." However, both industries have exhibited strong financial performance in the most recent period. Other indicators demonstrate the industries are stronger, rather than weaker, in the face of increased Brazilian imports. The information available also does not show a likelihood of further increases in imports. All of these factors point to the conclusion that the allegation of threat is "mere supposition or conjecture." 40/

In sum, increased import volume and market penetration is not -- in and of itself -- sufficient to sustain an affirmative preliminary determination with respect to injury, threat of injury and causation. 41/

40/ Senate Report at 89.

41/ See section 771(7)(C) of the Tariff Act of 1930, as amended (19 U.S.C. 1677(7)(C)). See also the Report of the Senate Committee on Finance on the Trade Agreements Act of 1979 (S. Rept. No. 96-249, 96th Cong., 1st Sess. 88 (1979)). While the significance of the various factors which affect an industry will depend upon the facts of each particular case, see also SCM Corporation v. United States, Slip Op. 82-54, 3 ITRD 2198 (Ct. of Int'l Trade 1982), where the court upheld a negative injury determination of the Commission based upon criteria other than increases in the volume of imports. Despite a large increase in import penetration, the Commission found negatively because other indicators did not support a finding of material injury or causation.

Views Of Vice Chairman Liebeler

I find that there is no "reasonable indication that an industry in the United States is injured or is threatened with material injury, or the establishment of an industry in the United States is materially retarded by reason of imports" ¹ of tillage tools from Brazil. I find no indication that the relevant domestic industry is injured or that Brazilian imports have had any effect on the domestic industry.

The presence of increased supply from any source will always result in an injury to existing producers. Increased imports will always result in a domestic industry that is worse off than it would otherwise be. An application of such a relative injury standard would always result in an affirmative injury finding and the test would be illusory. In order to be materially injured by reason of dumped imports the domestic industry must be hurt by the dumping not just by the increased supply.

A domestic industry such as the tillage tool industry which is earning high returns on sales and equity has not been materially injured. The domestic industry is now earning a high rate of return on sales, with relative operating profit at its highest level in interim 1984 over the entire period of the investigation. Sales have risen sharply over the first six months of 1984 compared to the same period in 1983; over 50 per

1. 19 U.S.C. 1673b (1982)

cent for discs and 27 per cent for other tillage tools. Employment and total compensation are also sharply higher than they were a year ago. There is simply no evidence on the record of a reasonable indication of serious injury or threat to a domestic industry.

Tillage tools are not distinguished from other farm implements and tools in the TSUS. Therefore it was impossible for the Commission to determine accurately the share of imports from all countries in the domestic market, and the share of Brazilian imports in particular. There is anecdotal evidence on the record that the gains in sales by Brazilian imports have been at the expense of imports from Britain, France and Canada. There is also evidence that sales of discs were lost by U.S. producers because of their refusal to sell to the aftermarket.

I do not believe that the Commission should proceed with this investigation, because the domestic industry has failed to make the requisite showing of a reasonable indication of material injury or threat by reason of imports.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 28, 1984, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel on behalf of Ingersoll Products Corp. (Ingersoll), Empire Plow Co., Inc. (Empire), and Nichols Tillage Tools, Inc. (Nichols). The petition alleges that the production and/or exportation to the United States of agricultural tillage tools, provided for under item 666.00 of the Tariff Schedules of the United States (TSUS), are being subsidized by the Government of Brazil, and that by reason of sales in the United States of such subsidized products an industry in the United States producing and selling the like product is materially injured, or is threatened with material injury. Accordingly, effective September 28, 1984, the Commission instituted investigation No. 701-TA-223 (Preliminary) under section 703(a) of the Tariff Act of 1930 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 of the allegedly subsidized merchandise. The statute directs that the Commission make its determination within 45 days after its receipt of a petition, or in this case by November 13, 1984.

Notice of the institution of the Commission's investigation and of the public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 15, 1984 (49 F.R. 40231). 1/ The public conference was held in Washington, DC, on October 25, 1984, at which time all interested parties were afforded the opportunity to present information for consideration by the Commission. 2/ The Commission voted on the investigation on November 6, 1984.

Nature and Extent of Alleged Subsidies

The petitioners allege that through U.S. importers of the subject products the Brazilian exporters are able to offer 180-day interest-free payment terms and 5-year low-interest financing because they receive countervailable subsidies from the Government of Brazil. Petitioners point to the annual reports of the Brazilian producers which identify items such as "exports with incentives" and allege that these incentives are preferential export financing and other countervailable export credit programs.

The petitioners list the following Brazilian Government programs that are alleged to be countervailable under U.S. law:

- export financing under resolution 68 (FINEX);
- preferential export financing under CIC-CREGE 14-11;

1/ A copy of the Commission's notice is included in appendix A. A copy of Commerce's notice is included in appendix B.

2/ A list of witnesses appearing at the conference is included in appendix C.

- industrialized products tax (IPI) export credit premium;
- preferential working capital financing for exports;
- income tax exemption for export earnings;
- long-term loans to producers with preferential terms that are linked to export performance;
- preferential amortization of expenses linked to export earnings;
- accelerated depreciation;
- tax reduction on equipment used in production for exports;
- reduced duties on machinery imported for use in production for export; and
- preferential inventory financing of merchandise destined for export.

The Product

Description

Tillage tools are fabricated carbon steel products used as components of tractor-pulled tilling and cultivating implements. Tilling and cultivating implements are used primarily in dryland farming to modify terrain or prepare topsoil for planting. Tillage tools are the elements of an implement which actually engage the soil surface.

Tillage tools may be round, rectangular, triangular, or other shapes. They vary in dimensions, thickness, and weight depending upon intended use. The useful life of these tools depends upon soil conditions, soil moisture, and the speed at which the plow or cultivator operates. Their average service life can vary from one-fourth of a planting season to as long as 5 years.

Discs (or disc blades) represent a large share of the subject tillage tools. Discs are round, concave, or flat pieces mounted in rows on a plowframe, where they revolve while in use. Discs can vary from 6 to 42 inches in diameter and are used primarily in hard, dry, and sticky soil areas. Because of their market significance, discs are discussed separately in this report to the extent possible. The remainder of the subject tillage tools are hereinafter collectively referred to as "other tillage tools." They include sweeps, chisels, furrow shovels, tines, points, knives, drills, listerbottoms, rotary tiller blades, bed-shaping tools, plowshares, plowshins, moldboards, and so forth.

There are many distinctly different products within each of the product categories, depending on the size, type of edge, shape, location and size of mounting holes, and other characteristics. There are approximately 50 to 100 different discs and 300 to 400 different other tillage tools.

The U.S. producers, representatives of U.S. importers, and purchasers of the merchandise imported from Brazil all agreed during the staff conference that there is no difference in apparent quality and suitability for the intended use between the subject products produced domestically and those imported from Brazil. Some purchasers, however, stated that the Brazilian discs are of lower quality than those made in the United States.

Uses

Discs are mostly used prior to planting and after harvesting, but also during the growing cycle. Other tillage tools are mostly used during the growing cycle, but also prior to planting and after harvesting. In some cases the implements that use the tillage tools are equipped with discs only or with "other tillage tools" only. In other cases, certain types of discs are mounted on the same equipment with certain types of other tillage tools and are used simultaneously. A more detailed description of the uses of some of the tillage tools follow.

Discs.--Discs are used for primary tillage, i.e., to break the ground before planting (in some areas the ground breaking/primary tilling function is performed by plows that are in the "other tillage tool" product category in this report). The number of discs mounted on one piece of tillage equipment can vary from 3 to 94.

"Colters" are a special kind of disc that are mounted on plows in front of plowshares, plowshins, and moldboards ("other tillage tools"). The functions of colters are to loosen the ground somewhat before the plow turns the ground and to prevent trash from accumulating in front of the plow. Colters are estimated to account for approximately 20 to 30 percent of total disc consumption.

Another type of special disc is the furrow opener blade. These discs are used principally to retard erosion, in irrigation, and in preparing the seed-bed. Furrow opener disc blades are attached to implements along with furrowers (double v-shaped moldboards) to create small shallow ditches or ridges in a field. These ditches or ridges are created after harvest but prior to the winter to retard water erosion; they are also created before planting to create ridges onto which the seed are planted, and during cultivation to form avenues for water to pass through the field for irrigation purposes. Furrow opener blades are also used prior to planting in the spring to "ridge" the soil, thus allowing it to dry out faster.

Other tillage tools.--There are 300 to 400 different tools in this category, depending on the sizes, shapes, angles, thicknesses of material, size and location of mounting holes, and other characteristics. There are approximately 80 different chisel plow sweeps, 40 to 50 plow parts (shares, shins, and moldboards), 40 points and subsoiler points, 30 field cultivator sweeps, 30 furrowers, 20 knives, 20 shovels, 20 row crop cultivator sweeps, 10 to 20 chisels, and so forth. Other tillage tools are used for soil preparation prior to planting, for cultivation during the crops' growing cycle, and for postharvest soil conditioning.

Plows consist of three basic replacable elements. They are plowshins, plowshares, and moldboards (one each per plow). Plowshins are the leading edge of a plow and are prone to wear. A plowshare is a rectangular shaped cutting edge which is attached to the front of a plow. This is the portion of the plow which makes first contact with the soil. A moldboard is a three-sided wedge-shaped metal plate to which the plowshin and plowshare are attached. The primary functions of the plow are to cut narrow ditches in the soil (furrow slices), to break up the soil, and to invert the slices, thus burying trash. The width of the furrow is dependent upon the size of the moldboard.

Furrowers are tools different from plows although they appear to have been made of two moldboards that are attached in a v-shaped configuration. Furrowers create a furrow by displacing the dirt onto both sides; they are used at various times of the year.

Sweeps are generally triangular (arrowhead) shaped tools. Some sweeps are used for soil preparation and conditioning, others for cultivating fields already planted. A cultivator has an average of 30-40 sweeps which, in use, bridge the emerging rows of crops to cut the weeds and aerate the soil between the rows. Cultivating by sweeps is performed several times during the growing cycle. The sweeps differ in the width of cutting as well as the angle and depth of penetration into the ground.

The strength of the sweep required depends on the moisture content of the soil at the particular time. The root structure of the crop and the prevailing soil composition of the region also determine the type of sweep to be used. These same variables also determine the exact specifications of the chisels, points, knives, and other tillage tools selected from among the varieties of those product groups.

Chisels are curved pieces of metal used primarily for breaking up the subsoil in order to allow air and moisture to penetrate. Chisels are mounted onto wheel-supported frames, which are pulled across a field, usually in the fall after harvest. These tools break up the ground and smooth it out for the following winter months in preparation for spring planting.

A knife is a straight piece of metal with a right-angle bend at the tip where it contacts the ground. Knives are attached to frames which allow them to pass very close to the crop, cutting down all weeds growing in the furrows while mulching the soil surrounding the emerging plants. Knives are used primarily for crops (vegetables, cotton) where sweeps would cause damage when passing close by.

Manufacturing processes

Discs.---The manufacturers of these products begin with semifinished steel slabs of varying widths and lengths, usually specially tailored high-carbon steel (grades 1080-1090). The steel slabs are cut to lengths, cross-rolled for inclusion control (i.e., rolled in the perpendicular direction to the original mill rolling direction), and then rolled/leveled to final gauge thickness. There are also other rolling methods depending on the exact

specification of the steel used. The cross-rolled sheets are then blanked into concave circular pieces by forging presses or drop hammers. The blanks are given part identification numbers and a centerhole. They are then heated, edge bend rolled, formed, reheated, quenched, and tempered. After heat treating, the disc blades are sharpened, painted, and packaged for shipment.

Other tillage tools.--Other tillage tools are also normally formed from high-carbon steel, generally 1080 grade, because of the abrasive resistance characteristics needed by ground-working tools such as chisels, sweeps, and furrowers. The steel is generally purchased as bars, strips, sheets, or plates depending upon the size of the desired tool. It is cut, sheared, or blanked and heated to a plastic state in an electric induction or gas furnace, then passed through a series of forging presses or drop hammers where it acquires its final form and is given a cutting edge. The shaped blank is trimmed of excess materials, cooled, heat treated to improve the mechanical properties of the finished product, painted to retard surface rust, packaged, and shipped ready for installation.

U.S. tariff treatment

Tillage tools are classified under item 666.00 of the Tariff Schedules of the United States (TSUS) as parts of agricultural machinery and implements. Imports of tillage tools from all countries entered into the United States under TSUS item 666.00 are free of customs duty.

The U.S. Market

U.S. producers

Tillage tools are known to be produced in the United States by 15 firms. With the exception of one producer which specializes in the production of discs, the majority of these firms produce a wide variety of tillage tools. Tillage tool manufacturing facilities are located primarily in Iowa, Ohio, and Illinois. There are three petitioners in this investigation, Ingersoll, Empire, and Nichols.

Ingersoll, located in Chicago, IL, is the largest domestic manufacturer of discs. Ingersoll produces a full line of discs of varying configurations ranging from 6 to 42 inches in diameter. * * * percent of Ingersoll's production and sales, according to company officials, is accounted for by discs. 1/

Empire, located in Cleveland, OH, manufactures a variety of tillage tools, except discs and plowshares. Chisel plow sweeps and field cultivator sweeps account for the largest portion of Empire's sales and production. These tools accounted for * * * percent of total sales during 1983. Empire estimates that it accounts for * * * percent of the domestic market for chisel plow sweeps and field cultivator plow sweeps. Approximately * * * percent

1/ A detailed description on the company's operations is provided in the transcript of the staff conference, Oct. 25, 1984, pp. 8-15.

of Empire's sales are to original-equipment manufacturers (OEM's), primarily for resale as replacement parts by the OEM dealers. The remainder is sold to wholesale distributors that resell to independent implement dealers who also sell these tools as replacement parts to farmers. 1/

Nichols, located in Sterling, CO, produces sweeps (e.g., row crop, field cultivator, danish, chisel plow, and planting wing sweeps), furrowers and busters, drill shoes, tiller blades, points and shovels, and vegetable tools. Nearly * * * percent of Nichols' sales and production is accounted for by sweeps. Almost * * * percent of the tillage tools produced by Nichols are marketed through wholesale distributors as replacement parts. Nichols estimates that it represents * * * percent of the domestic market for these products. 2/

Herschel, located in Indianola, IA, is a wholly owned subsidiary of the Steego Corp. Herschel manufactures tillage tools, replacement chains, tractor parts, and hydraulics. Sweeps and points account for * * * of Herschel's tillage tool production. Company officials indicated that Herschel produced discs prior to 1984. Herschel ceased production of discs in 1983 and is presently importing them from Brazil. Herschel markets most of its tillage tools through independent farm machinery dealers, with a smaller portion going to OEM's. * * *.

Wiese, located in Perry, IA, produces a full line of tillage tools, except discs and sweeps. It produces plowshares, moldboards, landsides, shins, chisel spikes, and fertilizer knives. Wiese imports disc blades and sweeps from Brazil. According to company officials, Wiese imports discs because major domestic manufacturers such as Crucible and Ingersoll have currently or in the past refused to sell to them. 3/ Wiese currently imports sweeps because it * * *. 4/ Ingersoll refused to sell discs to Wiese because it has a policy to sell only to OEM accounts, with the exception of a few traditional aftermarket accounts. The majority of Wiese's tillage tools are marketed as replacement parts through distributors, chain stores, buying groups, small OEM accounts, and cooperatives. 5/

Osmundson, located in Perry, IA, produces discs, sweeps, spikes and shovels, plowshares, and plowshins. Osmundson markets its tillage tools as replacement parts in the aftermarket.

Deere & Co. manufactures a wide range of agricultural, industrial, and consumer products. Deere, located in Moline, IL, is a large publicly held corporation. Tillage tools produced by Deere range from small tines to large sweeps and bottoms. Tillage tools account for * * * percent of Deere's total

1/ Transcript of the staff conference, pp. 15-24.

2/ Ibid., pp. 24-30.

3/ Ibid., p. 101.

4/ See questionnaire response of Wiese Corp.

5/ A description of the history and operations of Wiese Corp. was given during the staff conference. Tr. pp. 96-116.

farm equipment sales. 1/ Deere markets its tools through its wholly owned subsidiary, John Deere Co., that in turn sells the subject products to independent John Deere dealers. Deere also purchases domestically produced disc blades for resale.

Piper Industries, located in Collierville, TN, manufactures a full line of other tillage tools that are marketed through dealers, distributors, and OEM's.

U.S. Agriculture, Inc. (USAG) was formed in Rome, GA, in 1982, as a successor for International Disc Corp., a Michigan manufacturer of discs. USAG planned to fill the void that was perceived to have been left by the exit from disc manufacturing of Crucible. The President of USAG stated during the staff conference that his company ceased production in June 1984 as a result of financial losses that allegedly were caused by U.S. sales at depressed prices of discs imported from Brazil. 2/ USAG, however, has not provided data on its shipments, production, and profit and loss to the Commission.

Discs.---There are presently two domestic manufacturers of discs: Ingersoll and Osmundson (USAG ceased production recently but it may start up again). Osmundson also produces other tillage tools. Industry sources indicate that prior to 1982 the second largest domestic producer of disc blades was the Crucible Steel Co. accounting for approximately 40 percent of the domestic market for those discs. In 1981, however, Crucible ceased production and went out of business. In 1983, Crucible's sales team organized a new company, Farmo, Inc., and became the U.S. sales company for Marchesan Implementos E. Maquinas Agricolas of Brazil. Farmo sells Marchesan's discs and other tillage tools through distributors to OEM's and in the aftermarket.

Other tillage tools.---With the exception of Ingersoll, the remaining manufacturers produce a variety of tillage tools. The producers, their plant locations, and their share of sales of domestically produced merchandise are shown in table 1.

U.S. importers

The four firms that are believed to produce most of the tillage tools in Brazil at present are Baldan Implementos Agricolas S.A. (Baldan), Marchesan Implementos E. Maquinas Agricolas (Marchesan), Piratininga Implementos Agricolas S.A. (Piratininga), and Metisa Metalurgica Timboense S.A. (Metisa).

Each Brazilian producer sells the majority of its exports to a single U.S. importer which, in turn, acts as a "super"-wholesaler-distributor and resells the products to other distributors, dealers, and OEM's. Marchesan products are imported by Farmo, Inc., (Farmo); Baldan's products by Agridisc & Implements Corp. (Agridisc); and Piratininga's products by * * *. In addition

1/ Deere is the only company involved in this case whose tillage tool manufacturing operations do not represent the majority of the company's operations.

2/ Transcript of the staff conference, pp. 30-34, 42-44, 51-52, 58-60.

Table 1.--Tillage tools: Principal U.S. producers, location of their establishments, and sales of domestically produced merchandise in 1983

Firm	Plant location	Share of value of 1983 sales of U.S.- produced tillage percent	
Acme-----	Filer, ID	2/	***
Adams Hard Facing-----	Guyman, OK		***
Crescent Forge-----	Havanna, IL	2/	***
Deere & Co-----	Moline, IL		***
Empire Plow Co-----	Cleveland, OH		***
Futch-----	Athens, GA	2/	***
Herschel Corp-----	Indianola, IA		***
Ingersoll Product Co. 3/-----	Chicago, IL		***
Nichols Corp-----	Sterling, CO		***
Nixdorf-----	St. Louis, MO		***
Piper Industries, Inc-----	Collierville, TN		***
Osmundson Mfg. Co. 4/-----	Perry, IA		***
Star Manufacturing-----	Freeport, IL	2/	***
U.S. Agriculture 3/-----	Rome, GA	2/	***
Wiese Corp-----	Perry, IA		***

1/ Less than 0.5 percent.

2/ Data provided verbally by company spokesmen.

3/ This firm produces discs only.

4/ * * * of sales were discs; * * * were other tillage tools.

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

to these principal importers, the Brazilian producers also sell directly to several additional U.S. companies. Some of these importing companies that responded to the Commission's questionnaire are also described below. 1/

Farmo.--The company was started and incorporated in the United States in 1982 for the purpose of importing and distributing in the United States the subject products produced by Marchesan and marketed under the brandname "Tatu." The stockholders of Farmo are * * *. The Farmo staff was recruited from the sales staff of Crucible, a U.S. manufacturer of discs that ceased production.

Agridisc.--The company was started and incorporated in Florida in April 1982. It employs * * * people in * * * square feet of offices. Agridisc imports and wholesales the subject tillage tools and other equipment for the

1/ The U.S. importers were asked to identify the source of their imports. None of the U.S. importers that responded to the Commission's questionnaire identified Metisa as their source. Counsel for the Brazilian producers is not aware of the identity of the U.S. importer(s) that imports Metisa's products.

farm industry. The company reports that most of its customers have never purchased the subject products from U.S. manufacturers, but have instead purchased for years from France, Australia, and Canada. Agridisc does not generally keep inventories of the imported product.

Agridisc has about * * * customers. * * * of these customers accounted for * * * percent of Agridisc's total sales of the subject products, as shown in the following tabulation (in percent):

* * * * *

Herschel.--This company stopped manufacturing discs in 1984 when it began importing them from Brazil. The company stated that "the decision to import Brazilian disc blades was based on * * *." Herschel also imports other tillage tools from Brazil but, unlike the discs, it continues to manufacture the other tillage tools in the United States, as well.

Herschel reports that it does not support the petition because:

* * * * *
* * * * *

- (1) * * *,
- (2) * * *,
- (3) * * *. 1/

Wiese Corp.--This company is a manufacturer of a complete line of tillage tools except for discs and sweeps, which it imports from Brazil because, according to the company, it "cannot purchase these items from our domestic competition the U.S. manufacturers, and be competitive with them for the same customers."

Wiese reports that it does not support the petition because:

* * * * *
* * * * *. 2/

1/ Questionnaire response by Herschel.

2/ Questionnaire response by Wiese; see also transcript of the staff conference, pp. 96-116.

Osmundson.--This firm is a U.S. manufacturer of tillage tools that purchases Brazilian imports through * * *. The company states that " * * * * * ." Osmundson, however, supports the petition.

Central Tractor Farm & Family Center, Inc.--This company is a privately held corporation operating a chain of 35 retail stores that sell all farming and hardware items. It purchases subject products made in Brazil. 1/

* * *.--This company is a U.S. importer and wholesaler of discs from Brazil and Australia. It imports * * * product and sells them primarily in * * *. The company states that * * *. 2/

* * *.--This wholesaler bought discs overseas for over 15 years; it switched entirely to Brazilian imports in 1983-84. The company's sales have grown * * *.

* * *.--A * * * wholesaler that imports discs directly from Brazil.

* * *.--This company is an OEM; it manufactures * * *. It imports discs from Brazil and uses the imported discs as part of the original equipment it sells but also sells them as replacement parts. Similar to the approximately 250 to 300 OEM's that make whole implements of various kinds that are equipped with the subject tillage tools, * * * makes specific types of tillage implements for a regional market.

Channels of distribution

Sales of tillage tools by U.S. producers and importers are to either OEM's or to the replacement market. OEM's generally purchase tillage tools for use as components on farm implements they produce. However, OEM's can also compete in the replacement market through sales of tillage tools to related or independent dealers. There are an estimated 250 to 300 OEM's that manufacture various types of tilling and cultivating implements. These are generally small companies (with the exception of a few major ones) that make one or few of the many specialized implements usually for a local or regional market. Importers of tillage tools from Brazil and U.S. producers compete directly in the OEM market for sales to farm implement manufacturers. 3/ Industry representatives estimated that approximately 40 to 50 percent of the disc sales and 20 percent of tillage tools other than discs are sold to OEM's, with the remainder to the replacement market. 4/ 5/

1/ A detailed description of the company's operations can be found in the transcript of the staff conference at pp. 116-124.

2/ According to the questionnaire response by * * *.

3/ Although importers of tillage tools from Brazil compete in the OEM market, a larger portion of their sales is to the replacement market.

4/ See transcript of conference, pp. 63-64.

5/ Industry representatives cautioned that these ratios can change appreciably from year to year, depending on market conditions. For example, when the farm economy is weak, the portion of tillage tool sales to the replacement market will increase. The long-term trend for OEM sales has been downward, however.

Tillage tool sales to the replacement market are generally through wholesalers/distributors that sell to dealers or parts houses, which then sell to the farmers. 1/ Dealers sell both farm equipment parts (including tillage tools) and complete farm equipment, whereas parts houses sell a broad range of farm related goods in addition to the subject products, but not complete farm equipment. The replacement market serves the needs of farmers as they choose to replace these expandable components.

In the replacement market, tillage tool importers and U.S. producers generally compete directly for sales to wholesalers/distributors, although competition can also be at other distribution levels. For example, Ingersoll, the major U.S. disc producer, has a policy of selling disc blades only to OEM's and does not compete directly in the replacement market. However, it competes indirectly in the replacement market through the OEM's it supplies. 2/ Smaller U.S. producers may sell directly to dealers, but generally have different price lists for such sales. Importers may also sell directly to dealers, generally to the larger ones.

Apparent U.S. consumption

Consumption of discs in 1983 has probably been negatively affected by the U.S. Government's payment-in-kind (PIK) program. In this program the U.S. farmers that reduced their planted acreage were reimbursed with product to replace crop not produced. Producers of other tillage tools believe, however, that the PIK program did not affect consumption of their products. Another factor affecting the consumption of tillage tools is the "no till" or "reduced till" cultivation. Its proponents prefer the use of chemicals over tilling because breaking up the ground through tilling hastens soil erosion. It is not known how widely the "no till" notion will be accepted by U.S. agriculture, but some speculate that the U.S. consumers' fear of chemicals will neutralize the "no till" trend, resulting in no net impact on the tillage tool industry.

Data on total imports of tillage tools from all sources are not available from a secondary source because the TSUS classes covering the subject products also include products other than the subject tillage tools. Furthermore, French, Australian, British, and other exporters of tillage tools sell these articles directly to a large number of U.S. farm equipment OEM's, wholesalers/distributors, and dealers that are not all known to the Commission and which, because of their large number, were not surveyed by questionnaire in this preliminary investigation. The Commission did ask the major foreign producers in the United Kingdom, Canada, Australia, and France to supply data

1/ These channels of distribution are not always strictly adhered to. For example, large parts houses can buy directly from tillage tool producers and importers and compete with wholesalers/distributors for sales to dealers.

2/ Farmo, an importer of Brazilian tillage tools, claims that it does not compete with U.S. producers in the replacement disc blade market because Ingersoll does not sell directly in this market. The exit of Crucible from the disc blade market in 1981 created a void in the replacement disc market that Brazilian imports helped fill, according to Farmo.

on their exports to the United States. The data were not received in time for inclusion in this report. The absence of data on total imports precludes the presentation of data on apparent consumption in this report.

Consideration of Material Injury to an
Industry in the United States

U.S. production, capacity, and capacity utilization

Data were collected for production and capacity both in terms of total weight of manufactured goods and in terms of the number of pieces produced. Table 2 shows the U.S. industry's aggregate production, capacity, and capacity utilization for discs and for other tillage tools.

Table 2.--Tillage tools: U.S. production, capacity, and capacity utilization, 1981-83, January-June 1983, and January-June 1984 1/

Item	1981	1982	1983	January-June--	
				1983	1984
Discs: <u>1/</u>					
Capacity--1,000 tons--:	***	***	***	***	***
Actual production					
do-----:	***	***	***	***	***
Capacity utilization					
percent--:	68	39	37	36	50
Capacity					
1,000 units--:	***	***	***	***	***
Units produced--do-----:	***	***	***	***	***
Capacity utilization					
percent--:	70	31	31	32	48
Other tillage tools: <u>2/</u>					
Capacity--1,000 tons--:	44	45	45	19	26
Actual production					
do-----:	31	25	21	9	18
Capacity utilization					
percent--:	70	55	47	47	70
Capacity					
1,000 units--:	19,967	20,190	20,281	8,985	12,093
Units produced--do-----:	13,842	10,684	9,342	4,406	8,231
Capacity utilization					
percent--:	69	53	46	49	68

1/ Includes * * * (approximately * * * percent of 1983 sales); excludes * * *.

2/ Includes * * * (approximately 77 percent of 1983 sales); excludes * * *.

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

The U.S. industry's capacity to produce discs has remained unchanged since 1981. The 1981 capacity data already exclude Crucible Steel, whose capacity to produce discs reportedly was about 24,000 tons, or 4.7 million units. The U.S. industry's capacity to produce discs in 1980 was thus about * * * tons, or * * * million units.

Capacity utilization for disc production dropped significantly from 1981 to 1982, remained low during 1983, and improved in January-June 1984, although not to the utilization level of 1981. Since the industry only produced at 40 percent utilization in the year following Crucible's exit, it appears that there was substantial excess capacity prior to 1981. There were no imports of Brazilian products in 1981 and there were only small imports from Brazil in 1982.

The capacity to produce other tillage tools also remained relatively stable during 1981-83 and capacity utilization followed the trend of that for discs, although the drop in capacity utilization from 70 percent in 1981 to about 55 percent in 1982 was smaller than the drop in disc capacity utilization during the same period. Consistent with the general assessment of the market by industry sources, capacity utilization for other tillage tools remained low in 1982 and 1983 and then increased in January-June 1984.

U.S. producers' domestic and export shipments and imports

Table 3 shows U.S. producers' shipments of the subject products produced in their U.S. establishments. Also shown are imports of the subject products by U.S. manufacturers.

As shown, exports accounted for approximately * * * percent of shipments of U.S.-made discs and approximately 5 to 10 percent of shipments of U.S.-made other tillage tools. The principal export market for the U.S.-produced products is Canada.

Imports of discs by U.S. producers amounted to approximately * * * percent of their shipments of U.S.-made discs in 1983 and approximately * * * percent in January-June 1984. There were virtually no imports of discs in 1981 or 1982. U.S. producers import 5 to 10 times more discs from Brazil than from all other countries. Imports of other tillage tools by U.S. producers were negligible until 1983. During January-June 1984, U.S. producers imported from Brazil a quantity equal to about * * * percent of their total shipments.

U.S. producers' inventories

Table 4 shows U.S. producers' end-of-period inventories of domestically produced merchandise as well as other inventories that may be foreign-produced or purchased from another U.S. manufacturer. Inventories of U.S. producers were higher at the end of 1980 and 1981 than any time since. Inventories of both discs and other tillage tools decreased by about * * * million units from 1981 to 1982, further decreased by about * * * million units in 1983. Midyear

Table 3.--Tillage tools: U.S. producers' domestic and export shipments of domestically produced merchandise and U.S. imports by U.S. manufacturers, 1981-83, January-June 1983, and January-June 1984 1/

Item	1981	1982	1983	January-June--	
				1983	1984
Quantity (1,000 units)					
Discs: <u>1/</u>					
Domestic shipments----	***	***	***	***	***
Export shipments-----	***	***	***	***	***
Total shipments-----	***	***	***	***	***
Imports from Brazil----	-	-	***	***	***
Imports from other countries-----	***	***	***	***	***
Total imports-----	***	***	***	***	***
Other tillage tools: <u>2/</u>					
Domestic shipments----	11,743	9,276	7,984	4,233	7,691
Export shipments-----	999	835	705	390	871
Total shipments-----	12,742	10,111	8,699	4,623	8,562
Imports from Brazil----	-	-	***	***	***
Imports from other countries-----	-	-	-	-	-
Total imports-----	-	-	***	***	***
Value (1,000 dollars)					
Discs: <u>1/</u>					
Domestic shipments----	***	***	***	***	***
Export shipments-----	***	***	***	***	***
Total shipments-----	***	***	***	***	***
Imports from Brazil----	-	-	***	***	***
Imports from other countries-----	***	***	***	***	***
Total imports-----	***	***	***	***	***
Other tillage tools: <u>2/</u>					
Domestic shipments----	52,001	44,555	38,754	18,005	32,501
Export shipments-----	3,427	3,637	3,594	1,808	3,511
Total shipments-----	55,428	48,592	42,348	19,813	36,012
Imports from Brazil----	-	-	***	***	***
Imports from other countries-----	300	300	-	-	-
Total imports-----	300	300	***	***	***

1/ Includes * * * (approximately * * * percent of 1983 sales); excludes * * *.

2/ Includes * * * (approximately 77 percent of 1983 sales); excludes * * *.

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

Table 4.--Tillage tools: U.S. producers' end-of-period, inventories, as of Dec. 31, 1980-83, June 30, 1983, and June 30, 1984 1/

(Number of pieces)							
Item	1980	1981	1982	1983	January-June--		
					1983	1984	
Inventories of own production:							
Discs-----	***	***	***	***	***	***	***
Other tillage tools----	5,327	5,258	4,377	3,767	3,062	3,382	
Total-----	***	***	***	***	***	***	***
Other inventories:							
Discs-----	***	***	***	***	***	***	***
Other tillage tools----	444	574	381	552	154	299	
Total-----	***	***	***	***	***	***	***
Total inventories:							
Discs-----	***	***	***	***	***	***	***
Other tillage tools----	5,772	5,522	4,758	4,319	3,216	3,670	
Total-----	***	***	***	***	***	***	***

1/ Firms responding accounted for about * * * percent of total disc sales and approximately 77 percent of other tillage tools sales in 1983.

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

inventories in the current "good" year of 1984 are only about 15 percent higher than inventories in 1983 which was characterized as the worst year "since the Great Depression" for the subject industry in the United States.

U.S. employment, wages, and productivity

Table 5 shows U.S. employment, wages, and total compensation, as well as average hourly wages and average labor output per hour for the U.S. industry producing the subject products. Employment, hours worked, and wages paid all decreased from 1981 to 1982, and again from 1982 to 1983. All of these indicators increased in January-June 1984 compared with those in the corresponding period of 1983.

Table 5.--Average numbers of employees, total and production and related workers, number of hours worked by them, and wages paid in U.S. establishments producing agricultural tillage tools, and labor output, 1981-83, January-June 1983, and January-June 1984 1/

Item	1981	1982	1983	January-June-	
				1983	1984
Average number of employees in the reporting U.S. establishments:					
All persons-----	6,060	4,701	3,640	3,619	4,181
Production and related workers producing--					
All products-----	4,854	3,595	2,636	2,601	3,226
Tillage tools-----	760	543	492	502	576
Hours worked by production and related workers producing--					
All products					
1,000 hours---	8,881	6,396	4,923	2,435	3,087
Tillage tools					
1,000 hours---	1,443	985	929	476	577
Wages paid to production and related workers producing--					
All products					
1,000 dollars---	135,285	106,899	81,724	38,560	51,050
Tillage tools					
1,000 dollars---	16,087	11,595	11,165	5,748	7,159
Total compensation paid to production and related workers producing--					
All products					
1,000 dollars---	191,689	154,471	120,267	59,666	76,243
Tillage tools					
1,000 dollars---	23,267	16,206	15,707	8,369	10,322
Average hourly wages paid to production workers producing					
tillage tools-----	\$11.15	\$11.77	\$12.02	\$12.07	\$12.41
Labor output per hour					
pieces---	13.1	13.1	12.5	11.9	17.5

1/ Includes * * * (approximately 72 percent of total U.S.-made tillage tool sales in 1983.

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

Financial experience of U.S. producers

Seven firms furnished usable income-and-loss data concerning their operations producing tillage tools. Two of these firms 1/ supplied income-and-loss data relative to their disc operations and five of the firms 2/ supplied data on their operations producing other tillage tools. Sales of tillage tools accounted for the bulk of the seven firms total establishment net sales during the reporting period.

Tillage tools.---Net sales of tillage tools declined annually from \$87 million to \$60 million, or by 31 percent during 1981-83 (table 6). Such sales rose 38 percent to \$65 million during the interim period ended June 30, 1984, compared with \$47 million in net sales reported for the corresponding period of 1983. Operating income followed the same trend as net sales, dropping from \$8.5 million, or 9.7 percent of net sales, in 1981 to \$1.3 million, or 2.2 percent of net sales, in 1983, and then rising to \$6.6 million, or 10.2 percent of net sales, during interim 1984, compared with an operating income of \$1.5 million, or 3.2 percent of net sales, in the corresponding period of 1983. Three firms sustained operating losses in 1982 and one firm sustained such a loss in 1983.

Discs.---Net sales of discs also declined annually during 1981-83, falling from * * * million to * * * million, or by * * * percent (table 7). Net sales rose * * * percent to * * * million during the interim period ended June 30, 1984, compared with net sales of * * * million reported for the corresponding period of 1983. Operating income fell from * * * percent of net sales in 1981 to * * * percent in 1982; in 1983 the two firms sustained an aggregate operating loss equal to * * * percent of net sales. Their disc operations * * * during interim 1984, * * * percent of net sales, compared with * * * percent of net sales reported for the corresponding period of 1983.

Other tillage tools.---Net sales of other tillage tools declined annually from * * * million in 1981 to * * * million in 1983 (table 8). Net sales rose * * * percent to * * * million during interim 1984, compared with * * * million in net sales reported for the corresponding period of 1983. In the aggregate, the five firms operated profitably in each of the reporting periods. During 1981-83, operating income ranged from * * * million, or * * * percent of net sales, in 1982 to * * * million, or * * * percent of net sales, in 1983. Such income was * * * million, or * * * percent of net sales, during interim 1984, compared with * * * million, or * * * percent of net sales, for the corresponding period of 1983.

1/ The two firms are Osmundson and Ingersoll.

2/ The five firms are Weise, Empire, Adams, Piper, and Nichols.

Table 6.--Income-and-loss experience of 7 U.S. producers 1/ on their operations producing tillage tools, 1981-83 and interim periods ending June 30, 1983, and June 30, 1984 2/

Item	1981	1982	1983	Interim period to June 30--	
				1983	1984
Net sales					
1,000 dollars--	87,379	70,622	60,039	47,218	65,118
Cost of goods sold					
do-----	70,141	59,240	49,364	38,623	50,570
Gross income or (loss)					
do-----	17,238	11,382	10,675	8,595	14,548
General, selling, and administrative expenses-----do-----	8,747	9,982	9,383	7,095	7,926
Operating income or (loss)-----do-----	8,491	1,400	1,292	1,500	6,622
Depreciation or amorti- zation expense--do-----	2,884	3,233	3,265	2,348	2,272
Cash flow from opera- tions-----do-----	11,375	4,633	4,557	3,848	8,894
Ratio to net sales:					
Gross income or (loss)-----percent--	19.7	16.1	17.8	18.2	22.3
Operating income or (loss)-----do-----	9.7	2.0	2.2	3.2	10.2
Cost of goods sold do-----	80.3	83.9	82.2	81.8	77.7
General, selling, and administrative expense-----do-----	10.0	14.1	15.6	15.0	12.2
Number of firms report- ing operating losses--	-	3	1	1	-

1/ These producers represent 72 percent of total sales of U.S.-made tillage tools (discs and other) in 1983. * * *.

2/ All data are on an establishment basis.

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

Table 7.--Income-and-loss experience of 2 U.S. producers 1/ on their operations producing discs, 1981-83 and interim periods ending June 30, 1983, and June 30, 1984

Item	1981	1982	1983	Interim period to June 30--	
				1983	1984
Net sales					
1,000 dollars--	***	***	***	***	***
Cost of goods sold					
1,000 dollars--	***	***	***	***	***
Gross income or (loss)					
1,000 dollars--	***	***	***	***	***
General, selling, and administrative expenses					
1,000 dollars--	***	***	***	***	***
Operating income or (loss)-----do-----	***	***	***	***	***
Depreciation or amorti- zation expense					
1,000 dollars--	***	***	***	***	***
Cash flow from opera- tions--1,000 dollars--	***	***	***	***	***
Ratio to net sales of--					
Gross income or (loss)-----percent--	***	***	***	***	***
Operating income or (loss)-----percent--	***	***	***	***	***
Cost of goods sold percent--	***	***	***	***	***
General, selling, and administrative expenses-- percent--	***	***	***	***	***
Number of firms reporting operating losses-----	***	***	***	***	***

1/ These producers representing approximately * * * percent of total sales of U.S.-made discs in 1983. * * *

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

Table 8.--Income-and-loss experience of 5 U.S. producers ^{1/} on their operations producing other tillage tools, 1981-83 and interim periods ending June 30, 1983, and June 30, 1984

Item	1981	1982	1983	Interim period to June 30--	
				1983	1984
Net sales					
1,000 dollars--	***	***	***	***	***
Cost of goods sold					
do----	***	***	***	***	***
Gross income or (loss)					
do----	***	***	***	***	***
General, selling, and administrative expenses					
1,000 dollars--	***	***	***	***	***
Operating income or (loss)-----do----	***	***	***	***	***
Depreciation or amorti- zation expense					
1,000 dollars--	***	***	***	***	***
Cash flow from opera- tions--1,000 dollars--	***	***	***	***	***
Ratio to net sales of--					
Gross income or (loss)-----percent--	***	***	***	***	***
Operating income or (loss)-----percent--	***	***	***	***	***
Cost of goods sold do----	***	***	***	***	***
General, selling, and administrative expense----percent--	***	***	***	***	***
Number of firms reporting operating losses-----	-	2	-	-	-

^{1/} These producers represent approximately * * * percent of total sales of U.S.-made other tillage tools in 1983 (Empire, Adams, Piper, Nichols, and Wiese).

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

Consideration of Threat of Material Injury
to an Industry in the United States

U.S. importers' inventories

Table 9 shows separately U.S. importers' inventories of tillage tools imported from Brazil and those purchased from U.S. or foreign sources other than Brazil. Inventories of discs imported from Brazil increased from 1982 to 1983 and also increased as of June 30, 1984, compared with June 30, 1983. Petitioners stated that the U.S. purchasers, not the importers, hold the inventories of Brazilian tillage tools and suggest that consideration of threat should take into account these distributors' (purchasers') inventories, as some U.S. importers might not generally maintain inventories as a matter of practice.

Table 9.--Tillage tools: U.S. importers' inventories of products imported from Brazil and purchased from other sources, 1981-83, January-June 1983, January-June 1984

(In thousands of units)							
Item	1980	1981	1982	1983	January-June--		
					1983	1984	
Imported from Brazil:							
Discs-----	-	-	***	***	***		***
Other tillage tools---	-	-	***	***	***		***
Total-----	-	-	***	***	***		***
Other inventories:							
Discs-----	34	39	33	11	15		8
Other tillage tools---	134	182	250	241	254		256
Total-----	168	221	284	252	270		263
Total inventories:							
Discs-----	34	39	***	***	***		***
Other tillage tools---	134	182	250	241	254		256
Total-----	168	221	***	***	***		***

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

Ability of foreign producers to generate exports and the availability
of export markets other than the United States

The petitioners and counsel for the Brazilian producers identified four firms that produce the subject tillage tools in Brazil: Marchesan, Baldan, Piratininga, and Metisa. According to information obtained with the assistance of the U.S. Department of State, Piratininga has been absorbed by a group known as Semeato S.A. and now operates as Semeato de Acos. Metisa is attempting to establish business contacts in the United States, but up to now has only sent tool samples to potential customers. 1/ Eight additional Brazilian producers of the subject tillage tools were identified by the U.S. Department of State from sources other than the Brazilian Association of Industrial Machines and Equipment (ABIMAQ). 2/

Brazil's exports to the United States increased from \$35,000 in 1981 to \$6.2 million in 1983. Exports to the United States also increased during January-June 1984 compared with those in the corresponding period of 1983. The U.S. share of total tillage tool exports from Brazil increased from 0.3 percent in 1981 to 45.7 percent in 1983.

Exact data on capacity and capacity utilization in Brazil are not available. ABIMAQ reports that the tillage tool sector has been operating with an idle capacity of 40 percent, although chances are that from now on production should grow due to recently increased overall demand for agricultural equipment. ABIMAQ further states that Brazilian manufacturers are making a continuous effort to diversify outlets and increase exports, therefore, it is expected that the value of tillage tool exports will grow, especially to the United States. 1/

1/ State Department telegram No. 296827, Oct. 22, 1984.

2/ Addendum to State Department telegram No. 296827, Oct. 24, 1984.

Table 10.--Tillage tools: Brazil's exports, 1981-83, January-June 1983, and January-June 1984

Item	1981	1982	1983	January-June--	
				1983	1984
Exports <u>1/</u> to--					
United States					
1,000 dollars--	35	2,838	6,171	3,181	4,911
Canada-----do-----	4	564	1,002	576	428
All other-----do-----	11,145	10,026	6,333	3,251	5,347
Total-----do-----	11,184	13,428	13,506	7,008	10,686

1/ No export data are available in terms of the number of units exported.

Source: Foreign Trade Department of the Banco de Brazil (CACEX).

Consideration of the Causal Relationship Between the Allegedly Subsidized Imports and the Alleged Material Injury

U.S. imports and market penetration

The subject products are not distinguished from other farm implements and tools in the TSUS. Therefore, no official statistics exist for the imports. Another source of import information is the Journal of Commerce's Import Bulletin, which presents data on import shipments and categorizes such shipments based on the description of the products on the bill of lading. Some of the import shipments of the subject products are identified as "discs only"; other import shipments of the subject products are identified as "agricultural implement and/or discs." The following tabulation shows the share of total imports of discs only that are accounted for by Brazil and other major sources (in percent): 1/

<u>Country</u>	<u>1983</u>	<u>January-June 1984</u>
Australia-----	16	11
Brazil-----	60	58
France-----	9	13
United Kingdom-----	13	13
All other-----	<u>2</u>	<u>4</u>
Total-----	100	100

1/ The value of such imports was \$12.8 million in 1983 and \$8.5 million in January-June 1984.

Information on the exports to the United States of the tillage tools (discs and other combined from Brazil is provided by CACEX 1/ (in thousands of dollars):

<u>Period</u>	<u>Value</u>
1981-----	35
1982-----	2,838
1983-----	6,171
January-June--	
1983-----	3,181
1984-----	4,911

The data received from questionnaire respondents show less imports than the values reported by CACEX. The difference is accounted for partly by the fact that some companies identified in U.S. customs net import file and in the Journal of Commerce's list of consignees did not respond to the Commission's questionnaires. An additional explanation may be the apparent inconsistency between questionnaire responses and Journal of Commerce Import Bulletin's data; for example, * * * reported to the Commission that its 1983 imports of discs were valued at * * * whereas the Journal of Commerce reports import shipments of discs from Brazil consigned to * * * were valued at * * * , nearly twice that amount during the same period.

Table 11 shows U.S. imports from Brazil reported by respondents to the Commission's questionnaire, U.S. producers' shipments of domestically made merchandise, and the ratio of imports to shipments. As discussed earlier, without data on U.S. imports from other major foreign suppliers such as Canada, the United Kingdom, France, and Australia, neither apparent U.S. consumption nor import market penetration can be calculated.

The ratio of the quantity of imports from Brazil reported by questionnaire respondents to U.S. shipments of domestically produced discs rose from virtually zero in 1981 and 1982 to 26 percent in 1983; this ratio was 18 percent in January-June 1983 and rose to 22 percent in the corresponding period of 1984. The ratio of the value of imports of discs to shipments of domestically produced merchandise was 4 percent in 1982, and 16 percent in 1983; the same ratio for other tillage tools remained at 1 percent during 1982 and 1983 and January-June 1984. Because the data on imports reported by the questionnaire respondents may be incomplete, the ratios in table 11 may also understate the actual ratios.

1/ Separate data for discs and other tillage tools were not available from Brazilian sources.

Table 11.--Tillage tools: U.S. imports from Brazil and shipments of domestically produced merchandise, 1981-83, January-June 1983, and January-June 1984

Item	1981	1982	1983	January-June--	
				1983	1984
Discs:					
U.S. imports from					
Brazil---1,000 units--	***	***	***	***	***
U.S. producers' domestic:					
shipments of domes-					
tically produced					
merchandise 1/					
1,000 units--	***	***	***	***	***
Ratio of Brazilian im-					
ports to shipments					
percent--	0	3	26	18	22
U.S. imports from					
Brazil-1,000 dollars--	***	***	***	***	***
U.S. producers' domestic:					
shipments of domes-					
tically produced mer-					
chandise					
1,000 dollars--	***	***	***	***	***
Ratio of Brazilian					
imports to ship-					
ments-----percent--	0	4	16	8	17
Other tillage tools:					
U.S. imports from					
Brazil---1,000 units--	-	-	116	93	119
U.S. producers' domestic:					
shipments of domes-					
tically produced mer-					
chandise 2/					
1,000 units--	11,743	9,276	7,984	4,233	7,691
Ratio of Brazilian im-					
ports to shipments					
percent--	0	0	1	2	2
U.S. imports from					
Brazil-1,000 dollars--	-	-	362	196	373
U.S. producers' domestic:					
shipments of domes-					
tically produced mer-					
chandise					
1,000 dollars--	52,001	44,555	38,754	18,005	32,502
Ratio of Brazilian im-					
ports to shipments					
percent--	0	0	1	1	1

1/ Data include producers representing approximately * * * percent of total shipments of U.S.-produced merchandise.

2/ Data include producers representing approximately 80 percent of total shipments of U.S.-produced merchandise.

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Ratios of the value of imports from Brazil of all tillage tools (discs and others combined) as reported by questionnaire respondents and as reported by CACEX to U.S. shipments of domestically produced tillage tools are shown in the following tabulation (in percent):

Period	: Share of U.S. shipments of U.S.-made merchandise : accounted for by imports that were reported by--	
	U.S. importers	CACEX
1981-----	0	<u>1/</u>
1982-----	1.7	5.3
1983-----	8.9	13.2
January-June--		
1983-----	5.7	14.3
1984-----	7.9	12.2

1/ Less than 0.05 percent.

Prices

Demand for agricultural tillage equipment in the United States is affected by the strength of the farm economy, which in turn is affected by weather conditions, Government policy actions, and overall U.S. economic activity. Demand is generally seasonal, with OEM customers ordering tillage tools in the late summer/early fall, distributors ordering in the fall, and dealers ordering in the winter. Most sales by tillage tool producers and importers are to either OEM's or distributors. Shipments generally lag behind orders by several months and are generally completed by March of the following year before spring planting begins. "Preseason" orders by OEM's or distributors that are placed before January or February generally receive greater discounts, and most purchases by OEM's or distributors are during this period. During the spring and early summer, sales to OEM's or distributors are fill-ins.

U.S. tillage tool producers and importers of Brazilian tillage tools compete in both the OEM and replacement markets. Prices charged appear to be more a function of the quantity sold rather than whether a sale is to the OEM or replacement market. Price data for both markets are, therefore, aggregated. 1/

1/ The policy of the largest U.S. disc blade producer, Ingersoll, is to sell directly to OEM customers only, and Ingersoll competes directly with imports in this market. To the extent that OEM's also compete in the replacement market, Ingersoll competes indirectly with imports.

U.S. producers and importers of tillage tools were asked to report sales prices for six common tillage tool specifications. Two specifications are for discs, and four specifications are for sweeps. ^{1/} Prices are f.o.b. plant or port of entry, and include all costs and discounts, but exclude U.S. inland freight.

Price Trends.--U.S. producers' disc prices increased by an average of 8.9 percent during 1982 (tables 12 and 13), and prices for the two sweep specifications with full price series for 1982 increased by an average of 9.3 percent (tables 14 and 15). In the first three quarters of 1983 U.S. producers' prices were generally either at or slightly below 1982 levels for both discs and sweeps. However, in October-December 1983, U.S. producers' prices generally decreased, by an average of 7.5 percent for discs and by an average of 10.2 percent for three sweep specifications for which full 1983 price series were available (tables 14, 15, 16). U.S. producers' disc prices remained relatively stable in 1984, although U.S. producers' prices for two of the four sweep specifications declined further (tables 12-17).

Only sporadic price data were available for Brazilian tillage tools in 1982, which likely reflects the relatively low import level from Brazil in this year. Brazilian disc prices increased by 14.7 percent during 1983 for the 16-inch specification (table 12) and generally decreased during 1983 for the 22-inch specification (table 13). However, Brazilian prices for both disc specifications decreased in 1984 from the price level of October-December 1983. Not enough price data are available for Brazilian sweep imports for a meaningful trend analysis.

Margins of underselling.--Imports of Brazilian discs were lower priced than U.S.-produced discs for both the 16-inch and 22-inch specifications, with only one exception. Margins of underselling ranged from * * * per piece (9.7 percent) to * * * per piece (40.7 percent) for the 16-inch specification (table 12), and averaged * * * per piece (23.1 percent). Margins of underselling ranged from * * * per piece (13.2 percent) to * * * per piece (33.4 percent) for the 22-inch specification, and averaged * * * per piece (24.6 percent) (table 13). ^{2/}

Margins of underselling for the four sweep specifications were generally not as high as that for discs, and the Brazilian product was higher priced in two quarters for the 8-inch row crop sweep (table 14). ^{3/} Margins of underselling for the other three specifications ranged from * * * per piece (3.2 percent) to * * * per piece (28.9 percent), and averaged 15.2 percent (tables 15-17).

^{1/} There are a wide variety of other types of tillage tools, including chisels, shovels, spikes, points, etc. However, prices were collected only for discs and sweeps because they are the higher-volume items.

^{2/} The Brazilian 22-inch disc was higher priced in April-June 1982 by * * * per piece, or 30 percent.

^{3/} Prices for the sweep specifications are generally to the replacement market, as few U.S. producers or importers reported sweep prices for sales to OEM's.

Table 12.--Agricultural disc blades, 16-inches: U.S. producers' and Brazilian sales prices, and margins of underselling, January 1982-September 1984 1/

(Per piece)					
Period	U.S. producers' price	Brazilian price	Absolute margin of underselling	Relative margin of underselling Percent	
1982:					
January-March----	***	<u>2/</u>	-	-	
April-June-----	***	<u>2/</u>	-	-	
July-September----	***	<u>2/</u>	-	-	
October-December--	***	***	***	21.0	
1983:					
January-March----	***	***	***	40.7	
April-June-----	***	***	***	27.6	
July-September----	***	***	***	24.1	
October-December--	***	***	***	9.7	
1984:					
January-March----	***	***	***	17.9	
April-June-----	***	***	***	29.6	
July-September----	***	***	***	14.3	

1/ The full specification is agricultural disc blades, 16-inches, 0.118-inch thick, 11 gauge, plain.

2/ No prices reported.

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

Table 13.--Agricultural disc blades, 22-inches: U.S. producers' and Brazilian sales prices, and margins of underselling, January 1982-September 1984 1/

(Per piece)					
Period	U.S. producers' price	Brazilian price	Absolute margin of underselling	Relative margin of underselling Percent	
1982:					
January-March-----	***	<u>2/</u>	-	-	
April-June-----	***	***	***	(30.0)	
July-September----	***	<u>2/</u>	-	-	
October-December--	***	***	***	18.9	
1983:					
January-March-----	***	***	***	13.2	
April-June-----	***	***	***	31.2	
July-September----	***	***	***	33.4	
October-December--	***	***	***	23.5	
1984:					
January-March-----	***	***	***	24.7	
April-June-----	***	***	***	25.2	
July-September----	***	***	***	26.4	

1/ The full specification is agricultural disc blades, 22-inches, 0.177-inch thick, 7 gauge, plain.

2/ No prices reported.

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

Table 14.--Row crop sweeps, 8-inches: U.S. producers' and Brazilian sales prices, and margins of underselling, January 1982-September 1984 ^{1/}

(Per piece)					
Period	U.S. producers' price	Brazilian price	Absolute margin of underselling	Relative margin of underselling Percent	
1982:					
January-March-----	***	<u>2/</u>	-	-	-
April-June-----	***	<u>2/</u>	-	-	-
July-September-----	***	<u>2/</u>	-	-	-
October-December-----	***	<u>2/</u>	-	-	-
1983:					
January-March-----	***	<u>2/</u>	-	-	-
April-June-----	***	<u>2/</u>	-	-	-
July-September-----	***	<u>2/</u>	-	-	-
October-December-----	***	***	***	(13.0)	
1984:					
January-March-----	***	***	***	13.0	
April-June-----	***	***	***	10.0	
July-September-----	***	***	***	(3.9)	

^{1/} The full specification is row crop sweeps, 8-inches, 0.25-inches thick.

^{2/} No prices reported.

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

Table 15.--Chisel plow sweeps, 16-inches: U.S. producers' and Brazilian sales prices, and margins of underselling, January 1982-September 1984 1/

(Per piece)					
Period	U.S. producers' price	Brazilian price	Absolute margin of underselling	Relative margin of underselling Percent	
1982:					
January-March-----	***	<u>2/</u>	-	-	
April-June-----	***	***	***	17.3	
July-September----	***	***	***	17.3	
October-December--	***	<u>2/</u>	-	-	
1983:					
January-March-----	***	<u>2/</u>	-	-	
April-June-----	***	***	***	28.9	
July-September----	***	<u>2/</u>	-	-	
October-December--	***	***	***	19.3	
1984:					
January-March-----	***	***	***	9.2	
April-June-----	***	***	***	16.6	
July-September----	***	***	***	14.1	

1/ The full specification is chisel plow sweeps, 16-inches, 0.25-inches thick.

2/ No prices reported.

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

Table 16.- Field cultivator sweeps, 9-inches: U.S. producers' and Brazilian sales prices, and margins of underselling, January 1982-September 1984 1/

(Per piece)					
Period	U.S. producers' price	Brazilian price	Absolute margin of underselling	Relative margin of underselling Percent	
1982:					
January-March-----	<u>2/</u>	<u>2/</u>	-	-	
April-June-----	<u>2/</u>	<u>2/</u>	-	-	
July-September-----	***	<u>2/</u>	-	-	
October-December--	***	<u>2/</u>	-	-	
1983:					
January-March-----	***	<u>2/</u>	-	-	
April-June-----	***	***	***	31.0	
July-September-----	***	<u>2/</u>	-	-	
October-December--	***	<u>2/</u>	-	-	
1984:					
January-March-----	***	***	***	3.2	
April-June-----	***	***	***	6.5	
July-September-----	***	***	***	13.7	

1/ The full specification is field cultivator sweeps, 9-inches, 0.25-inches thick.

2/ No prices reported.

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

Table 17.--Row crop sweeps, 24-inches: U.S. producers' and Brazilian sales prices, and margins of underselling, January 1982-September 1984 1/

(Per piece)					
Period	U.S. producers' price	Brazilian price	Absolute margin of underselling	Relative margin of underselling Percent	
1982:					
January-March	<u>2/</u>	<u>2/</u>	-	-	
April-June	***	<u>2/</u>	-	-	
July-September	<u>2/</u>	<u>2/</u>	-	-	
October-December	<u>2/</u>	<u>2/</u>	-	-	
1983:					
January-March	***	<u>2/</u>	-	-	
April-June	***	<u>2/</u>	-	-	
July-September	***	<u>2/</u>	-	-	
October-December	<u>2/</u>	<u>2/</u>	-	-	
1984:					
January-March	***	***	***	10.0	
April-June	***	***	***	11.1	
July-September	<u>2/</u>	<u>2/</u>	-	-	

1/ The full specification is row crop sweeps, 24-inches, 0.25-inches thick.

2/ No prices reported.

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

One purchaser reported that Brazilian tillage tools were considered to be of somewhat inferior quality compared with U.S.-produced tillage tools, accounting for some of the price differential between the products. 1/

Terms.-- Both U.S. producers and importers were asked to report the terms associated with each quarterly sales transaction. Of the U.S. producers, * * * reported that it gave a * * * percent discount for payment within * * * days and required net payment in * * * days; * * * reported net payment in * * * days; * * * reported net payment in * * * days; and * * * reported net payment in * * *, with percentage discounts given for early payments in some cases.

Importers of Brazilian tillage tools also reported terms of sale to their customers, which ranged from net * * * days to net * * * days, and varied by customer. Over the last four quarters (October 1983-September 1984), * * *'s terms were generally * * * days for disc blade sales and * * * days for sweep sales. * * *'s terms were generally either * * * days or * * * days, and * * *'s terms were most often * * * days. Importers also reported the terms for their purchases from the Brazilian tillage tool producers. These terms ranged from * * * to * * * days, and one importer reported that the current terms were worse than terms available from Brazilian producers one year ago. U.S. producers also allege that Brazilian tillage tools have been offered with two to five year financing at below market interest rates. 2/ Agridisc reported that it * * *; 3/ however, petitioners presented information that Agridisc * * *. 4/

Farmo reported that it * * *. 5/ Petitioners presented information that Farmo * * *. 6/

Wiese has * * *. 7/

Transportation costs.--Both producers and importers were asked to report the transportation charges paid for each transaction for which prices were reported. However, because transport is generally paid by the customer, few producers and importers reported this information. 8/ Of the two producers that did report information on transport costs in their questionnaires, * * * reported that inland freight accounted for an average of 6.5 percent of the final delivered price, and * * * reported that inland freight accounted for between 1.3 to 2.1 percent of the final delivered price.

1/ See, for example, response of purchaser 3 in the lost sales section of this report.

2/ Transcript of conference, p. 31.

3/ Importers' Post Conference Brief, Exhibit 10.

4/ Petitioners' Post Conference Brief, Exhibit 2.

5/ Importers' Post Conference Brief, pp. 40-41.

6/ Petitioners' Post Conference Brief, Exhibit 2.

7/ Importers' Post Conference Brief, Exhibit 5.

8/ Purchasers of imports generally buy through an import agent and pick up the merchandise themselves at the port of entry. In this situation, importers would have little knowledge of the transport cost for a particular transaction.

Producers were also asked at the conference if imports enjoyed a competitive advantage in any U.S. markets by virtue of lower inland freight charges relative to inland freight charges from U.S. producers. Tillage tool producers reported that although inland freight costs are a factor in competition, they do not believe importers of Brazilian tillage tools have much of an advantage in this respect because: (1) producers of other tillage tools are located throughout the United States, (2) competition from tillage tools imported from Brazil are not concentrated at ports of entry, but takes place throughout the United States, and (3) transportation cost as a share of delivered price averages from 4 to 6 percent, and is a maximum of 10 percent. ^{1/}

However, one disc producer reported that import penetration was first in the coastal markets, but has since penetrated into the Midwest. This disc producer reported that import disc competition from all sources is strongest in the State of California and the Southeast. ^{2/}

Exchange rates.--Table 18 shows nominal and real exchange rates for the U.S. dollar relative to the Brazilian cruzeiro from January 1981 to June 1984.

Table 18.--Indexes of nominal and real exchange rates in dollars per Brazilian cruzeiro, by quarters, January 1981-June 1984

(January-March 1981=100.0)			
Period	Nominal	Real	
1981:			
January-March-----	100.0	100.0	
April-June-----	84.4	98.6	
July-September-----	71.0	95.1	
October-December-----	60.0	93.3	
1982:			
January-March-----	51.5	92.9	
April-June-----	44.2	96.4	
July-September-----	37.3	95.8	
October-December-----	30.7	91.2	
1983:			
January-March-----	21.7	80.2	
April-June-----	14.9	72.4	
July-September-----	11.1	76.9	
October-December-----	8.1	79.0	
1984:			
January-March-----	6.2	78.8	
April-June-----	4.7	77.9	

Source: Compiled from Official statistics of the International Monetary Fund.

^{1/} Transcript of conference, pp. 79-82.

^{2/} Ibid., pp. 82-83.

Because of the high inflation rate in Brazil, nominal exchange rates are of little use in explaining the relative competitiveness of Brazilian tillage tools in the U.S. market. In real terms, the dollar appreciated relative to the cruzeiro by 4.2 percent from the first quarter of 1981 to the third quarter of 1982. The appreciation of the dollar accelerated relative to the cruzeiro from the third quarter of 1982 to the second quarter of 1983, by 23.4 percent, before depreciating 5.5 percent through the second quarter of 1984.

Lost Sales

Lost sales allegations by four U.S. producers were included in the petition and in U.S. producers' questionnaires. Allegations by two producers, * * * and * * *, generally related to discs and involved nine individual purchasers. Allegations by the two other producers, * * *, related to sweeps and other types of tillage tools and involved 17 individual purchasers. Following are summaries of the information obtained from the purchasers who were contacted.

Purchaser 1.--* * *: This lost sale allegation was made by * * *, which reported that * * *'s share of * * *'s total tillage equipment sales declined from * * * percent in 1982 to * * * percent in January-September 1984. * * * is a manufacturer of agricultural tillage equipment; * * * returned the Commission's questionnaire and reported its purchases of both U.S.-produced and Brazilian made discs and other tillage tools. This information is provided in the following tabulation (in pieces):

* * * * * * *

* * * reported that its major reason for purchasing the imported product was that it cannot purchase the products from other U.S. producers * * *. * * * also reported that it cannot obtain discs from Ingersoll, and had to rely on smaller disc producers, which were not always reliable sources. * * *, therefore, presently imports * * * discs from Brazil and competes primarily in the replacement market.

Purchaser 2.--* * *: This lost sale allegation was made by * * * and involves the purchase of * * * Brazilian discs in * * * at prices allegedly * * * percent lower than * * *'s prices. This purchaser reported that it is a producer of agricultural equipment (OEM) and purchases discs from both * * * and * * * (Brazil). About 3 years ago, * * * purchased its disc requirements from * * *, Crucible, and * * *. Because Crucible stopped making discs, and * * * was considered unreliable, * * * purchased discs from * * * to have an alternative source to * * *. Currently, about 50 percent of * * *'s total requirements are met by Brazilian discs, although it did not report the quantity of its purchases. * * * also reported that Brazilian discs are priced about 20 to 25 percent lower than domestic discs are for diameters over 16 inches. Brazilian smaller diameter discs are not as price competitive, according to * * *.

This purchaser also competes in the replacement market, although only about * * * percent of its disc purchases are sold in this market. * * * reported that one reason it purchased the lower priced Brazilian discs was to expand its replacement market sales. However, because of intense replacement market competition from French and British discs, this purchaser reported that it has not been successful in the replacement disc market.

* * * reported that initially it received * * * payment terms at * * * percent interest rates, but currently terms are net payment in * * * days.

Purchaser 3.--* * *: Lost sale allegations were made by * * * involved the purchase of * * * Brazilian discs in * * * priced * * * percent below * * *'s price. ^{1/} This purchaser is a manufacturer of agricultural equipment (OEM) which it sells * * *. It has purchased discs from Ingersoll, Osmundson, Farmo (Brazil), Agridisc (Brazil), International Harvester (Canada), and Kitchen (United Kingdom). In 1983, * * * reported that it purchased about 50 percent of its disc requirements from Brazil. It has reduced its purchases of Brazilian discs in 1984 because it can get a better disc at a slightly higher price from Canada and the United Kingdom.

* * * reported that its primary reason for buying the Brazilian disc was price. Current prices for a 22-inch notched disc are \$14.73 from * * * and \$9.67 from * * *, representing a 34 percent price differential. * * * reported that the Brazilian disc is lower quality, but that the price differential more than compensates for this. * * * had formerly purchased some Brazilian discs from * * *, but has discontinued purchasing from * * * because it believed * * * was soliciting * * *'s own customers.

Purchaser 4.--* * *: This lost sale allegation was made by * * * and involved the purchase of * * * Brazilian discs in * * *. This purchaser reported that it does buy Brazilian discs, but that the Brazilian product accounts for only about 25 percent of their total disc requirements. * * * purchases Brazilian discs because Crucible had formerly been their * * * supplier, and when Crucible left the disc market * * * did not want to rely solely on * * *. It currently purchases more discs from * * * than it did before the exit of Crucible and is annoyed that * * * is complaining. * * * also reported that the Brazilian prices are lower, but that it still buys * * * discs from * * *. This purchaser provided no information as to the quantity of its purchases or the actual price differential.

Purchaser 5.--* * *: This lost sale allegation was made by * * * and involves the purchase of * * * Brazilian discs in * * *, * * *. This purchaser reported that it purchased from * * * to * * * dollars' worth of Brazilian discs from * * * in * * *, which were priced from 30 to 35 percent lower than discs available from * * *. However, this purchaser also reported that it * * *. * * * obtained quotes for both U.S.-made and Brazilian-made discs and chose to buy Brazilian, primarily because of the price differential. Terms from * * * were net * * * or net * * * days.

^{1/} * * * was not specific with regard to quantity and price of the alleged lost sale.

Purchaser 6.--* * *: This lost sale allegation was made by * * * and involved the purchase of * * * Brazilian tillage tools other than discs in * * * 1983. This purchaser reported that before Brazil entered the tillage tool market it had purchased U.S.-made cultivator points from * * * for about \$1.50 per point. Brazilian cultivator points were offered for under \$0.90 per point by * * * and * * * decided to buy the Brazilian product. This purchaser also buys discs from * * *, with the Brazilian disc selling for about \$5.00 and the U.S.-made disc selling for about \$9.00. However, * * * observed that English and French discs are currently selling at prices almost as low as the price of Brazilian discs. * * * could provide no information as to the quantity of its purchases.

Purchaser 7.--* * *: This lost sale allegation was made by * * * and involved the purchase of Brazilian sweeps. * * * returned a questionnaire, and reported that although it had purchased Brazilian discs in 1983 and 1984, it had purchased no other types of tillage tools from Brazil, which would have included sweeps.

Purchaser 8.--* * *: This lost sale allegation was made by * * * and involved the purchase * * * of Brazilian tillage tools other than discs. * * * returned a questionnaire, and its reported purchases of other tillage tools from U.S. producers, Brazil, and other foreign sources is shown in the following tabulation (in units):

* * * * * * *

Purchaser 9.--* * *: This lost sales allegation was made by * * * and involved the purchase of * * * other tillage tools. This purchaser reported that it purchases both Brazilian sweeps and discs from Farno. * * * knew the individuals from Crucible, which is how it was introduced to tillage tools from Brazil. * * * is an OEM of tillage implements that use tillage tools other than discs, however it does not produce tillage implements that use discs therefore it cannot obtain U.S.-made discs from * * *. It purchases discs from Brazil. This purchaser purchases sweeps from both U.S. and Brazilian manufacturers. Brazilian made sweep prices for one specification are * * *, U.S. made sweep prices are * * *, which is why it purchases some Brazilian sweeps from * * *. This purchaser does a total volume of business of about * * * per year.

Purchaser 10.--* * *: This lost sale allegation was made by * * * and involves competition from Brazilian tillage tools supplied by * * *. This purchaser reported that it is a wholesale/distributor of other tillage tools as well as disc blades, but concentrates on the other tillage tool business. It purchases most other tillage tools from U.S. manufacturers. This purchaser competes with * * *, a U.S. importer of Brazilian made tillage tools for sales to dealers and retailers and reported that this importer sells the Brazilian made tillage tools to dealers at prices 25 to 30 percent lower than prices offered by this purchaser. This purchaser has requested, and in some cases obtained, additional discounts from the U.S. manufacturers because of this competition. * * * also reported that it has purchased some Brazilian disc blades, marked * * *, through * * * in California.

Purchaser 11.--* * *: This lost sale allegation was made by * * *; but * * * provided * * * details with this allegation. This purchaser reported that it has never purchased Brazilian tillage tools, although it has been approached by a * * * representative. It did not purchase the Brazilian tillage tools and did not use this Brazilian offer to obtain a lower price from * * *, the U.S. manufacturer, which is its primary supplier.

Purchaser 12.--* * *: This lost sale allegation was made by * * * in the petition and claims that this purchaser bought Brazilian sweeps which were * * * to * * * lower priced than U.S. made sweeps from * * *. This purchaser reported that it purchased about * * * Brazilian sweeps from * * * because they were about * * * lower priced than the same type of U.S.-made sweep from * * *. This purchaser reported that it competes with other parts discount houses that carry the Brazilian sweep so it had to purchase some Brazilian product to remain competitive. * * * reported that it still purchases some U.S. made sweeps from * * *.

Purchaser 13.--* * *: This lost sale allegation was made by * * * in the petition and alleges that * * * purchased Brazilian sweeps from * * * for prices lower than that of * * *. This purchaser reported that it purchases Brazilian sweeps from a distributor, and domestic sweeps from * * *. The reason it purchases Brazilian sweeps is that this distributor has supplied tillage tools to this purchaser for a number of years, and a few years ago the distributor switched to Brazilian sweeps. This purchaser reported that there was little price difference between Brazilian sweeps from * * * and domestic sweeps from * * *.

Purchaser 14.--* * *: This lost sales allegation was made by * * * in the petition and involves the purchase of Brazilian sweeps from * * *. This purchaser reported that it buys most of its sweeps from * * *, and has traditionally purchased from this source. Therefore, this purchaser started purchasing Brazilian sweeps when his source began stocking Brazilian sweeps one or two years ago. This purchaser also purchases some sweeps from * * * a U.S. manufacturer, but this U.S. manufacturer approached this purchaser only about one year ago. * * * had formerly purchased * * * sweeps, but through * * *. The price differential between Brazilian sweeps from * * * and domestic sweeps from * * * is no more than 5 percent, and is not a major reason for buying Brazilian sweeps from * * *.

Purchaser 15.--* * *: This lost sales allegation was made by * * * and involves the purchase of * * * Brazilian discs in * * *. This purchaser reported that it buys U.S.-made discs from * * *, and discs made in Brazil and England. * * * uses U.S.-made discs exclusively on the farm implements it manufactures, but purchases primarily Brazilian discs for its aftermarket sales. The U.S. manufacturer had formerly supplied about 75 percent of this purchaser's disc requirements, and now supplies 25 percent, according to this purchaser. The lower price of the Brazilian disc was a major reason for its purchase. Currently, the price for a 24-inch disc from Brazil is about * * *, whereas the price of U.S. made discs from * * * is 53 percent higher, or * * *. Approximately the same relative price differential exists for other sizes of discs, according to this purchaser. This purchaser also reported that it considers Brazilian discs to be lower quality than * * *'s U.S. made discs.

Purchaser 16.---* * *: This lost sale allegation was made by * * * and involved the purchase of * * * Brazilian tillage tools other than discs, in * * *. This purchaser stated in a telephone conversation that it purchased approximately * * * Brazilian tillage tools in * * *, primarily because of 5-year financing terms. * * * also stated that it was a new company at the time and initially had some difficulty obtaining U.S.-made discs from * * *. Price differentials were "not significant" at that time between domestic tillage tools available from * * * and * * * Brazilian tillage tools. * * * has purchased no tillage tools imported from Brazil since that time because prices from its U.S. suppliers have been competitive.

This purchaser also stated that it can currently get lower prices from U.S. disc producers than from suppliers of Brazilian discs. This purchaser opined that the weakness of the farm economy rather than the imports is the cause of any injury to the U.S. tillage tool industry. This purchaser, however, did not respond in writing to the Commission's questionnaire in this investigation.

APPENDIX A

NOTICE OF COMMISSION'S INSTITUTION OF A PRELIMINARY
ANTIDUMPING INVESTIGATION

**INTERNATIONAL TRADE
COMMISSION**

(Investigation No. 701-TA-223
(Preliminary))

Agricultural Tillage Tools From Brazil

AGENCY: United States International
Trade Commission.

ACTION: Institution of a preliminary
countervailing duty investigation and
scheduling of a conference to be held in
connection with the investigation.

SUMMARY: The Commission hereby gives
notice of the institution of preliminary
countervailing duty investigation No.
701-TA-223 (Preliminary) under section
703(a) of the Tariff Act of 1930 (19
U.S.C. 1671b(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 is materially retarded, by
reason of imports from Brazil of
agricultural tillage tools, provided for in
item 666.00 of the Tariff Schedules of the
United States, which are alleged to be
subsidized by the Government of Brazil.

EFFECTIVE DATE: September 28, 1984.

FOR FURTHER INFORMATION CONTACT:
Mr. Stephen Vastagh (202-523-0283),
Office of Investigations, U.S.
International Trade Commission, 701 E
Street NW., Washington, DC 20436.

SUPPLEMENTARY INFORMATION:
Background

This investigation is being instituted
in response to a petition filed on
September 28, 1984, by Ingersoll
Products Corp., Chicago, IL; Empire
Plow Co., Cleveland, OH; and Nichols
Tillage Tools, Inc., Sterling, CO. The
Commission must make its
determination in this investigation
within 45 days after the date of the filing
of the petition, or by November 13, 1984
(19 CFR 207.17).

Participation

Persons wishing to participate in this
investigation as parties must file an
entry of appearance with the Secretary
to the Commission, as provided in
§ 201.11 of the Commission's Rules of
Practice and Procedure (19 CFR 201.11),
not later than seven (7) days after the
publication of this notice in the *Federal
Register*. Any entry of appearance filed
after this date will be referred to the
Chairwoman, who shall determine
whether to accept the late entry for good
cause shown by the person desiring to
file the entry.

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)).

Written Submissions

Any person may submit to the
Commission on or before October 31,
1984, a written statement of information
pertinent to the subject matter of this
investigation (19 CFR 207.15). A signed
original and fourteen (14) copies of such
statements must be submitted (19 CFR
201.8).

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 section 201.6 of the
Commission's rules (19 CFR 201.6). All
written submissions, except for
confidential business data, will be
available for public inspection.

Conference

The Director of Operations of the
Commission has scheduled a conference

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in connection with this investigation for 9:30 a.m., on October 25, 1984, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Mr. Stephen Vastagh (202-523-0283) not later than October 19, 1984, to arrange for their appearance. Parties in support of the imposition of countervailing duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Public Inspection

A copy of the petition and all written submissions, except for confidential business data, will be available for public inspection during regular business 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, DC.

For further information concerning the conduct of this investigation and rules of 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).

Authority: This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

Issued: October 9, 1984.

Kenneth R. Mason,
Secretary.

[FR Doc. 84-27192 Filed 10-12-84; 9:45 am]
BILLING CODE 7020-02-M

APPENDIX B

NOTICE OF COMMERCE'S INSTITUTION OF AN
ANTIDUMPING INVESTIGATION

[C-351-406]

Initiation of Countervailing Duty Investigation—Certain Agricultural Tillage Tools From Brazil**AGENCY:** International Trade Administration, Commerce.**ACTION:** Notice of Initiation of Countervailing Duty Investigation.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether the manufacturers, producers, or exporters in Brazil of certain types of agricultural tillage tools, as described in the "Scope of the Investigation" section below, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) so that it may determine whether imports of the subject merchandise materially injure, or threaten material injury to, a U.S. industry. The petition also alleges that "critical circumstances" exist within the meaning of section 703(e)(1) of the Act. If our investigation proceeds normally, we will make our preliminary determination on or before December 22, 1984.

EFFECTIVE DATE: October 25, 1984.

FOR FURTHER INFORMATION CONTACT: Lisa Donovan, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street & Constitution Avenue NW., Washington, D.C. 20230. Telephone (202) 377-1273.

SUPPLEMENTARY INFORMATION:**Petition**

On September 28, 1984, we received a petition filed by Ingersoll Products Corporation, Empire Plow Company, Inc., and Nichols Tillage Tools, Inc., three major domestic agricultural tillage tool producers who comprise the U.S. industry. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that manufacturers, producers, or exporters of certain agricultural tillage tools in Brazil receive, directly or indirectly, benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, a U.S. industry. In addition, the petition alleges that "critical circumstances" exist within the meaning of section 703(e)(1) of the Act.

Brazil is a "country under the Agreement" within the meaning of section 701(b) of the Act; therefore Title VII of the Act applies to this investigation and an injury determination is required.

Initiation of Investigation

Under section 702(c) of the Act, within 20 days after a petition is filed, we must determine whether the petition sets forth the allegations necessary for the initiation of a countervailing duty investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on certain agricultural tillage tools from Brazil and we have found that the petition meets those requirements. Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Brazil of certain agricultural tillage tools, as described in the "Scope of the Investigation" section of this notice, receive benefits which constitute subsidies. If our investigation proceeds normally, we will make our preliminary determination by December 22, 1984.

Scope of the Investigation

The products covered by this investigation are certain agricultural tillage tools which are currently classified under item numbers 866.0015, 866.0020, 866.0050, 866.0060, 866.0065, and 866.0075, of the *Tariff Schedules of the United States, Annotated (TSUSA)*.

The certain agricultural tillage tools covered by this petition are ground-engaging metal tools for tillage and cultivating equipment such as cultivators, discers, and harrows. Tillage tools include round-shaped tools such as colters, furrow opener blades, etc., and tools that are non-round shaped (rectangular, triangular, and other odd shapes) such as points, chisels, sweeps, shovels, knives, furrowers, tines, drills, lister bottoms, rotary tiller blades, bed-shaping tools, as well as plowshares, plowshines, moldboards, etc.

Allegations of Subsidies

The petition alleges that Brazilian manufacturers, producers, or exporters of certain agricultural tillage tools receive benefits which constitute subsidies. We are initiating on the following allegations:

- FINEX Export Financing Program: Resolution 68
- Export Financing Under CIC-CREGE 14-11
- Industrialized Products Tax (IPI) Export Credit Premium
- Working Capital Financing for Exports: Resolutions 674 and 882

- Income Tax Exemption for Export Earnings
- BEFIEX Program—Decree Laws 77065 and 1219
- Accelerated Depreciation of Equipment
- Tax Reductions on Equipment used in Export Production
- Industrial Development Council (CDI) Program
- Financing for Storage of Merchandise Destined for Export: Resolution 530

We have determined not to initiate on the following allegations:

1. Subsidized Steel Inputs

With respect to subsidized steel inputs, the Department has stated on several occasions that benefits bestowed upon the manufacture of an input do not necessarily flow down to the purchaser of that input. When sales transactions are made at arm's length, the Department takes economic considerations into account to determine whether a benefit received by a seller is passed on to the purchaser [see *Welded Carbon Steel Pipes and Tubes from Brazil*, 47 FR 44814 (1982); 47 FR 57551 (1982)]. The petition does not allege, nor does it provide any evidence, that the Brazilian manufacturers of agricultural tillage tools are related to Brazilian producers of carbon steel or that transactions between these parties are conducted on other than an arm's-length basis. There is nothing in the record of previous countervailing duty investigations against various Brazilian steel producers that suggest otherwise. Moreover, petitioners have not alleged that the relevant inputs are not available at comparable prices from other sources, or that Brazilian producers of inputs undercut prices available from other suppliers. Therefore, the petitioner has not alleged that a competitive benefit is conferred upon agricultural tillage tools by reason of subsidized steel inputs in Brazil. Accordingly, we will not initiate on this allegation at this time. We will promptly reconsider this question on the basis of any additional information provided during the investigation.

2. BNDES Partially-Indexed Long-Term Loans

In our final determination on Certain Carbon Steel Products from Brazil, dated April 26, 1984 (49 FR 17988), we determined that BNDES financing did not confer subsidies on the companies investigated during the 1982 period of review, because such financing was generally available. Since the petition presents no new evidence or changed

circumstances with respect to this program, we will not examine it again at this time.

Allegation of Critical Circumstances

Petitioner alleges that critical circumstances exist with respect to imports of certain agricultural tillage tools from Brazil. They claim that the products concerned benefit from export subsidies that are inconsistent with the Agreement (the Subsidies Code), and that imports have been massive over a relatively short period.

Notification of ITC

Section 702(d) of the Act requires us to notify the U.S. International Trade Commission (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 it confirms that 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 November 12, 1984, whether there is a reasonable indication that imports of certain agricultural tillage tools from Brazil materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated; otherwise, the investigation will proceed to conclusion.

Dated: October 18, 1984.

Alan F. Holmer,
*Deputy Assistant Secretary for Import
Administration.*

[FR Doc. 84-28228 Filed 10-24-84; 8:45 am]
BILLING CODE 3510-O-M

APPENDIX C

LIST OF WITNESSES APPEARING AT THE
COMMISSION'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 701-TA-223 (Preliminary)

AGRICULTURAL TILLAGE TOOLS FROM BRAZIL

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigation on October 25, 1984, in the Hearing Room of the USITC Building, 701 E Street, NW., Washington, DC.

In support of the imposition of antidumping duties

Beveridge & Diamond, P.C.—Counsel
Washington, DC
on behalf of—

Ingersoll Products Corp.
Empire Plow Co., Inc.
Nichols Tillage Tools, Inc.

DWIGHT SNOW, Vice President Marketing
Ingersoll Products Corp., Chicago, Ill.
JOSEPH DRISCOLL, President
Empire Plow Co., Inc., Cleveland, Ohio
JOHN NICHOLS, President
Nichols Tillage Tools, Inc., Sterling, Colo.
FRED TAYLOR, President
U.S. Agriculture, Inc., Rome, Georgia

Alexander W. Sierk)
Elisabeth A. Robinson) —OF COUNSEL

In opposition to the imposition of antidumping duties

O'Melveny & Myers—Counsel
Washington, DC
on behalf of—

Marchesan Implementos E. Maquinas Agricolas "TATU" S.A.
Baldan Implementos Agricolas S.A.
Piratininga Implementos Agricolas S.A.
Metisa Metalurgica Timboense S.A.

David Salocker, President
Wiese Corp. Perry, Iowa
Ed Kinkel, Merchandise Manager
Central Tractor Farm and Family Center, Inc., Des Moines, Iowa

Gary Horlick)
Judy Bello) —OF COUNSEL
John Holum)

