GRAY PORTLAND CEMENT AND CEMENT CLINKER FROM MEXICO

Determination of the Commission in Investigation No. 731-TA-451 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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Washington, DC 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

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C O N T E N T S

CONTENTS

CONTENTS

CONTENTS

CONTENTS

CONTENTS

CONTENTS

Note.--Information that would reveal confidential business operations of individual firms may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-451 (Preliminary)

GRAY PORTLAND CEMENT AND CEMENT CLINKER FROM MEXICO

Determination

On the basis of the record [1] developed in the subject investigation, the Commission determines, [2] pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Mexico of gray portland cement and cement clinker, provided for in subheadings 2523.10.00, 2523.29.00, and 2523.90.00 of the Harmonized Tariff Schedule of the United States (previously reported under item 511.14 of the Tariff Schedules of the United States), that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On September 26, 1989, a petition was filed with the Commission and the Department of Commerce by counsel on behalf of members of the Ad Hoc Committee of AZ-NM-TX-FL Producers of Gray Portland Cement, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of gray portland cement and cement clinker from Mexico. Accordingly, effective September 26, 1989, the Commission instituted preliminary antidumping investigation No. 731-TA-451 (Preliminary).

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

[2] Commissioner Newquist did not participate.

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 Commission, Washington, DC, and by publishing the notice in the Federal Register of October 2, 1989 (54 F.R. 40531). The conference was held in Washington, DC, on October 17, 1989, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

On the basis of the information gathered in this preliminary investigation, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of gray portland cement and cement clinker from Mexico that are alleged to be sold in the United States at less than fair value (LTFV). 1/ 2/ 3/

I. Like Product and Domestic Industry

In making such a preliminary determination in an antidumping investigation, the Commission must first identify the "domestic industry" and the "like product." Section 771(4)(A) of the Tariff Act of 1930 defines the relevant domestic industry as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product . . . ." 4/ "Like product" is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ." 5/

1/ Commissioner Newquist did not participate in this determination.

2/ Material retardation is not an issue in this investigation and will not be discussed.

3/ Commissioner Rohr finds that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports. See Additional Views of Commissioner David B. Rohr Concerning Regional Industry, Injury to a Regional Industry and Threat, infra, at 49.

4/ 19 U.S.C. § 1677(4)(A).

5/ 19 U.S.C. § 1677(10).

The Commerce Department has determined that the articles subject to investigation are gray portland cement and clinker. Gray portland cement is a hydraulic cement and the primary component of concrete. Clinker is an intermediate material produced when manufacturing cement and has no use other than to be ground into finished cement. 6/

Both the petitioner and respondents agree that cement and clinker constitute a single like product. 7/ In addition, in its most recent

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6/ Gray portland cement is currently classifiable under HTS number 2523.29. Gray portland cement has also been entered under HTS number 2523.90 as "other hydraulic cements."

7/ The Commission's decision regarding the appropriate like product or products in an investigation is essentially a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis. Asociacion Colombiana de Exportadores de Flores, et al. v. United States, ("Asocoflores") CIT , 693 F. Supp. 1165 (1988). In analyzing like product issues, the Commission considers a number of factors including: (1) physical appearance, (2) end uses, (3) interchangeability of the products, (4) channels of distribution, (5) customer or end-user perceptions, (6) common manufacturing facilities and production employees, and where appropriate, (7) price. See, e.g., Certain All-Terrain Vehicles from Japan, Inv. No. 731-TA-388 (Preliminary), USITC Pub. 2071 (1988) at 6; Asocoflores, 693 F. Supp. at 1170, n.8. No single factor is necessarily dispositive, and the Commission may consider other factors it deems relevant based upon the facts of a particular investigation. Generally, the Commission disregards minor variations between the articles subject to an investigation, and requires "clear dividing lines among possible like products." Certain Telephone Systems and Subassemblies Thereof from Japan, Korea, and Taiwan, Inv. Nos. 731-TA-426-428 (Preliminary), USITC Pub. 2156 at 4 n.4. (1989) (citing Asocoflores, 693 F. Supp. at 1170 n.8).

When considering whether "semifinished" or "component" articles are "like" the finished product, the Commission examines: (1) the necessity for, and the costs of, further processing, (2) the degree of interchangeability of articles at the different stages of production, (3) whether the article at an earlier stage of production is dedicated to use in the finished article, (4) whether there are significant independent uses or markets for the finished and unfinished articles, and (5) whether the article at an earlier stage of production embodies or imparts to the finished article an essential characteristic or function. See Light-Duty Integrated Hydrostatic Transmissions and Subassemblies Thereof, With or Without Attached Axles, from Japan, Inv. No. 731-TA-425 (Preliminary), USITC Pub. 2149 (1989) at 19, n.64; Antifriction Bearings (Other Than

(continued...)

investigation of gray portland cement, the Commission found cement and cement clinker to be a single like product. 8/ We see nothing on the record in this preliminary investigation that would suggest a different conclusion. Therefore, we find one like product, gray portland cement and cement clinker.

Regional Industry

Section 771(4)(C) 9/ establishes three criteria for determining whether

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7/(...continued)
Tapered Roller Bearings) and Parts Thereof From the Federal Republic of Germany, France, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom, 731-TA-391-399 (Final), USITC Pub. 2185 (1989); Certain Forged Steel Crankshafts from the Federal Republic of Germany and the United Kingdom, Inv. Nos. 731-TA-351 and 353 (Final), USITC Pub. 2014 (1987); 64K Dynamic Random Access Memory Components from Japan (DRAMs), Inv. No. 731-TA-270 (Final), USITC Pub. 1862 (1986).

8/ Portland Hydraulic Cement and Cement Clinker from Colombia, France, Greece, Japan, Mexico, the Republic of Korea, Spain and Venezuela, Inv. No. 731-TA-356-363 (Preliminary), USITC Pub. 1925 (1986).

9/ This section provides:

> (C) **Regional industries**
>
> In appropriate circumstances, the United States, for a particular product market, may be divided into 2 or more markets and the producers within each market may be treated as if they were a separate industry if--
>
> (i) the producers within such market sell all or almost all of their production of the like product in question in that market, and
>
> (ii) the demand in that market is not supplied, to any substantial degree, by producers of the product in question located elsewhere in the United States.
>
> In such appropriate circumstances, material injury, the threat of material injury, or material retardation of the establishment of an industry may be found to exist with respect to an industry even if the domestic industry as a whole, or those producers whose collective output of a like product constitutes a major proportion of the total domestic production of that product, is not injured, if there is a concentration of subsidized or dumped imports into such an isolated market and if the producers of all, or almost all, of the production within that market are being materially injured or threatened by material injury, or if the establishment of an industry is being materially

(continued...)

a regional industry exists: (1) producers within a geographic region must sell "all or almost all" of their production of the like product to customers within that region; (2) demand within the region must not be supplied, to any substantial degree, by U.S. producers of the like product located elsewhere; and (3) the unfairly traded imports must be concentrated within the region. 10/

Treatment of an industry on a regional basis by the Commission is discretionary, as indicated by the language "appropriate circumstances" and "may be treated" in 19 U.S.C. § 1677(4)(C). 11/ In addition, the Court of International Trade has cautioned against "[a]rbitrary or free handed sculpting of regional markets." 12/

In the past, the Commission has been concerned that the regional analysis be applied only in appropriate circumstances in order to prevent imposing duties on imports sold in the entire national market in cases in which the injurious impact of the imports is limited to a small segment of

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9/(...continued)
retarded, by reason of the subsidized or dumped imports.

19 U.S.C. § 1677(4)(C).

10/ Vice Chairman Cass reads the statute to make only the first two criteria, which ask whether domestic producers of the like product sell within a discrete and isolated market, apposite to determining whether those producers constitute a regional industry. He believes that the third criterion, that imports be concentrated within a region, is germane only to whether the Commission may find material injury with respect to a particular region. See Additional Views of Vice Chairman Cass, infra, at 34.

11/ See, e.g., Frozen French Fried Potatoes from Canada, Inv. No. 731-TA-93 (Preliminary), USITC Pub. 1259 (1982) at 6; Fall Harvested Round White Potatoes from Canada, Inv. No. 731-TA-124 (Final), USITC Pub. 1463 (1983) at 7; Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 (1986) at 5; Certain Welded Carbon Steel Pipes and Tubes from Taiwan, Inv. No. 731-TA-349 (Final), USITC Pub. 1994 (1987).

12/ Atlantic Sugar, Ltd. v. United States, 2 CIT 18, 519 F. Supp. 916, 920 (1981); See also Portland Hydraulic Cement from Australia and Japan, Inv. Nos. 731-TA-108 and 109 (Preliminary), USITC Pub. 1310 (1982) at 11, n. 30.

that market. 13/ The Commission has defined "appropriate circumstances" on several occasions, focusing on whether a separate geographic market exists, whether the market is isolated and insular, 14/ and whether the particular region accounts for a significant share of production and consumption. 15/

Petitioner asserts that cement producers in each of two geographic areas, Arizona, New Mexico, and Texas (the "Southwest" region) and Florida ("the Florida region"), satisfy the statutory criteria for regional industry analysis and should be treated as separate regional industries. In the alternative, petitioner contends that Arizona, New Mexico, Texas and Florida (the Southwest/Florida region) should be treated as a single non-contiguous region. These two areas constitute two of the three major marketing areas for imports of portland cement and clinker from Mexico, with the state of California being the third. 16/ Petitioner's proposed region is non-contiguous because it excludes the Gulf states of Louisiana, Mississippi, and Alabama.

Respondents allege that petitioner's proposed region reflects "free handed sculpting" and does not comport with the realities of the relevant

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13/ See, e.g., Certain Steel Wire Nails from the Republic of Korea, Inv. No. 731-TA-26 (Final), USITC Pub. 1088 (1980) at 10. See also Additional Views of Commissioner Rohr, infra, at 50-52.

14/ See Cut-to-Length Carbon Steel Plate from the Republic of Germany, Inv. No. 731-TA-147 (Preliminary Remand), USITC Pub. 1550 (1984) at 8; Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 (1986).

15/ See Certain Steel Wire Nails from the Republic of Korea, Inv. No. 731-TA-26 (Final), USITC Pub. 1994 (1980). Commissioner Rohr believes that this requirement has limited applicability beyond the facts of the cited case.

16/ See Report at A-2. In the course of this preliminary investigation, we have collected data from California producers in light of the volume of Mexican imports into California.

U.S. markets. They propose that the Commission consider a national cement industry or, alternatively, include the Gulf states and/or California in the region.

Preliminarily, we note that the Commission has recognized in certain earlier cement investigations that cement's low value-to-weight ratio and fungibility make it a likely candidate for regional industry analysis and that high transportation costs can make geographic markets isolated and insular. 17/ While these prior decisions are not binding in this investigation, we find that the record in this preliminary investigation generates the same considerations. 18/

With respect to the proper boundaries of a regional cement industry in this instance, this preliminary investigation raises complex issues not often presented to the Commission. Determining the propriety of a proposed geographic area for regional industry analysis requires complete data regarding patterns of production, consumption and import concentration for geographic areas both within and without the region. Therefore, our conclusions with respect to the appropriate region are necessarily tentative and the issue of the appropriate regional industry will be studied closely in any final investigation in light of additional data available at that time.

17/ See, e.g., Portland Hydraulic Cement from Australia and Japan, Inv. Nos. 731-TA-108 and 109 (Preliminary), USITC Pub. 1310 (1982); Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 (1986).

18/ Commissioner Eckes notes that many of the considerations raised by the Commission in these views were the basis for his dissent in the most recent cement title VII investigation in which the majority of the Commission made negative preliminary determinations. See "Dissenting Views of Commissioner Eckes" in Portland Hydraulic Cement and Cement Clinker form Colombia, France, Greece, Japan, Mexico, the Republic of Korea, Spain and Venezuela, Inv. Nos. 731-TA-356-363 (Preliminary), USITC Pub. 1925 (1986) at 35.

Based upon the facts in this preliminary investigation, we determine that the appropriate circumstances required by the statute for the Commission to conduct a regional industry analysis are present in this case and that the appropriate region is a "southern-tier" region consisting of the southwestern states of Texas, New Mexico, and Arizona, as well as Florida, the Gulf states of Alabama, Mississippi, Louisiana, and the state of California. 19/

Petitioner contends that both the Florida and the Southwest regions independently meet the statutory requirements for regional industries and that the statute contains no bar to the Commission's considering two separate regions. 20/ We determine, however, that while the separate regions proposed meet two of the statutory criteria, petitioner's two

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19/ In this preliminary investigation, the Commission sought data from all producers in the state of California. Included in the data presented is data from one producer in Northern California. In addition, certain producers in the southern portion of the state were unable to provide complete data within the time frame of a preliminary investigation. In the event of any final investigation, we expect to have more complete data regarding these producers.

20/ Petition at 15-28. In two cases conducted under the 1921 Antidumping Act, Portland Cement From the Dominican Republic, Inv. No. AA1921-25, TC Pub. 87, (1963); Portland Hydraulic Cement from Canada, Inv. No. AA1921-87, USITC Pub. 918 (1978), the Commission considered the question of injury in two separate market areas. However, the 1921 Act did not contain any definition of regional industries, as does the current law. On review of an assessment of antidumping duties arising out of the 1963 investigation, the Commission's affirmative determination was approved. In that case, the court affirmed the imposition of antidumping duties on imports of cement into Puerto Rico, despite the fact that the Commission had found injury to the industry in the metropolitan New York area, but found no injury to the industry in Puerto Rico. Imbert Imports, Inc. v. United States, 475 F.2d 1189, 1192 (CCPA 1973).

independent regions fail to meet the final requirement that the imports of cement from Mexico into either region be sufficiently concentrated. 21/ 22/

The statutory criterion of import concentration has no precise numerical cutoff. The Commission has found percentages higher than 80 percent of total imports subject to investigation to be sufficient, 23/ and found

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21/ Vice Chairman Cass does not believe that the degree of import concentration is relevant to defining domestic regional markets. He does not reject the possibility that Petitioner's proposed regions may be separate markets for domestic production and sales of the like product and possibly will be found for that reason in a final investigation to constitute regional industries within the meaning of title VII. Vice Chairman Cass notes, however, that a regional industry limited to Florida or the Southwest would not provide a basis for an affirmative finding of a reasonable indication of material injury from the allegedly dumped imports because imports are not sufficiently concentrated in either. See Additional Views of Vice Chairman Cass, infra, at 33-39.

22/ The first statutory criteria, that producers in a region sell "all or almost all" of their production of the like product within the region, appears to be met for both the Southwest and the Florida regions, since producers in each proposed region sell over 95 percent of their production within the respective regions. (Report at A-11-12.) This is not surprising given the fact that due to high transportation costs, 95 percent of cement shipments are to customers located within 300 miles of the production site. (Report at A-10.) We note, however, that producers in California also satisfy this element, as they sell over 95 percent of their production in the state. Commissioner Rohr notes that while the Commission does not possess precise information regarding the Gulf states, there is no reason to believe that the Gulf states depart from the general rule that cement plants tend to market virtually all of their product within a 200-300 mile radius. In addition, we find that petitioner's proposed Florida and Southwest regions, as well as California, meet the requirement that demand within the region not be supplied to any substantial degree by producers located elsewhere in the United States. (See Report at A-11-12). Commissioner Rohr also notes that there is no reason to believe that the Gulf states depart from this pattern, which is dictated by the essential characteristics of cement.

23/ See, e.g., Portland Hydraulic Cement from Australia and Japan, Inv. Nos. 731-TA-108 and 109 (Preliminary), USITC Pub. 1310 (1982) (99%); Sugars and Sirups from Canada, Inv. No. 731-TA-3 (Final), USITC Pub. 1047 (1980) (96.7%); Offshore Platform Jacket and Piles from the Republic of Korea and Japan, 701-TA-248, 731-TA-259 and 260 (Final), USITC Pub. 1848 (1986) (100%).

insufficient concentration when the imports into the region ranged from 69.2 percent to 84.1 percent during the period of investigation. 24/

The percentage of Mexican imports into Florida ranged from 25 percent of total Mexican imports in 1986 to 35 percent in 1988, and the percentage into the Southwest ranged from a low of 30 percent in 1988 to a high of 35 percent in 1986. 25/ In California, the percentage of Mexican imports consumed in the region ranged from 20 percent to 30 percent during the period of investigation. 26/ The Commission exercises considerable discretion in determining whether imports are concentrated in the region. We find that the concentration of imports in the Florida region taken alone and the concentration of imports in the Southwest region taken alone are not sufficient to establish two separate regional industries. 27/ 28/

24/ See Certain Welded Carbon Pipes and Tubes from the Philippines and Singapore, Inv. Nos. 731-TA 293, 294 and 296 (Final), USITC Pub. 1907 (1986).

25/ Report at A-11-12.

26/ Id. A-12.

27/ We need not decide the issue of whether under the regional industry provision, two independent regions may ever be determined to constitute two separate regional industries. It appears that the Commission has never done so since 1979 when the regional industry provision was enacted. Nevertheless, the statute contains no absolute bar to such a finding. Given the requirement that imports be concentrated within each region, however, the circumstances under which a finding of two regional industries would be appropriate appear to be rare.

28/ As noted previously, Vice Chairman Cass does not examine the concentration of imports in determining whether regional industries exist. He notes further in reference to footnote 21, supra, that he reads the statute to authorize the Commission to find any number of separate markets, but to limit the Commission to finding injury from the subject imports only with respect to the one region (if any) in which imports are concentrated. See Additional Views of Vice Chairman Cass, infra, at 33-39.

Petitioner argues that if the Commission is unwilling to find two separate regional industries in this investigation, it should find that the Southwest and Florida, taken together, comprise a single non-contiguous region. It argues that in the combined region the concentration of the imports is sufficiently high and that the region represents a substantial proportion of cement production and consumption in the United States. 29/

Just as the first two statutory criteria are met for the Southwest and Florida regions considered separately, they are met for the combined Southwest/Florida region. Approximately 95 percent of cement production within the region is sold within the combined region and less than 10 percent of regional demand is supplied by producers outside the region. 30/ The third criterion, the import concentration for the combined region, ranges from a low of approximately 60 percent in 1986 to a high of 65 percent in 1988. 31/ While this level of import concentration is not clearly insufficient to meet the criteria for import concentration, it is

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29/ Petitioner also cites to a footnote by Commissioner Eckes in Certain Fresh Potatoes From Canada, Inv. No. 731-TA-124 (Preliminary), USITC Pub. 1364 (1983), for the proposition that there is no requirement that a regional industry be comprised of contiguous areas. Potatoes is the only case of which we are aware since 1979 in which a non-contiguous region was proposed. In that investigation, the Commission modified the proposed region to make it a contiguous one. The Commission based this analysis on the fact that while there were no producers in the added states, the product, round white potatoes, was marketed there. In its opinion, the Commission stated that in previous cases, the Commission had drawn regions with contiguous component parts, and that wholly surrounded producing and/or consuming areas had been included. Then-Chairman Eckes's footnote, cited by petitioner, merely stated that he did not adopt this "theory of contiguity" at that time.

30/ Report at A-11-12.

31/ Id.31/2

at the lower end of the range the Commission has found to be sufficient in the past.

Because the three mandatory statutory criteria may be satisfied in the combined region, it is necessary to examine whether appropriate circumstances exist for the Commission to find that the producers in the combined region constitute a regional industry. Two factors suggest that appropriate circumstances may not exist: exclusion of the Gulf states from the proposed combined region, and the fact that California, a state that accounts for approximately 20 percent of imports of Mexican cement, has not been included.

Petitioner's justification for excluding the Gulf states from its proposed region is that Louisiana has no currently active cement plants and Mississippi and Alabama receive no imports of Mexican cement. 32/ Respondents argue that until recently, Alabama was a major importer of Mexican clinker and has a cement producer, that Mexican cement enters ports in Louisiana, and that Mississippi has one cement producer. We find that it is inappropriate to exclude the Gulf states from the regional industry, because not only is there consumption of cement and clinker in the Gulf states, but Mexican imports appear to be marketed in those states, and there is domestic production as well. 33/ 34/

32/ In addition, petitioner alleges that trade along the Mississippi river causes sales of cement to occur into and outside of the region, making it inappropriate to include either Louisiana or Mississippi in the region. Commissioner Rohr notes that while the record is necessarily incomplete, it does not appear at this time that there is significant trade along the Mississippi into or out of the region.

33/ See Report at A-11.

(continued...)

Petitioner argues that California producers are appropriately excluded from a regional industry in this case, because in the 1983 cement investigation the Commission found that California and Nevada constituted a separate regional industry 35/ and that, due to high transportation costs, very little cement is shipped between California and petitioner's proposed Southwest region. 36/ Petitioner also cites as evidence for excluding California the fact that California and the Southwest region are in different phases of their construction and business cycles, with California experiencing an upswing in demand while the Southwest is experiencing a downswing. Finally, petitioner maintains that California should be excluded (1) because, during 1986-1988, Mexican imports constituted 7.2 percent of California consumption, while Mexican imports into the rest of the United States were 5 percent of consumption, and (2) because the supply

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34/(...continued)
34/ The Commission's rationale in Certain Fresh Potatoes From Canada, Inv. No. 731-TA-124 (Preliminary), USITC Pub. 1364 (1983) supports our including the Gulf states in the region. In the Potatoes preliminary investigation, petitioner had proposed a region consisting of the non-contiguous areas of the northeast United States plus Baltimore, Maryland and Washington, D.C. Petitioner had excluded the intervening states of New Jersey, Delaware, and Maryland because there were no producers of the like product in those states. The Commission determined, however, that it was appropriate to include those states in the region since the product in question, round white potatoes, was marketed in those states. In the final investigation, petitioner changed its region to include New Jersey, Delaware and Maryland.

35/ Commissioner Rohr notes that what constitutes a regional industry for purposes of an investigation involving imports from Australia and Japan has little relevance to an investigation involving Mexican imports.

36/ Portland Hydraulic Cement from Australia and Japan, Inv. No. (Final), USITC Pub. 1310 (1982). It should be noted that in this earlier Cement case virtually all of the subject imports were concentrated in the region.

patterns of Mexican cement imports into California are different from the supply patterns into the Southwest region.

We note that petitioner's arguments for not including California in the regional industry apply with equal force to the propriety of including Florida in the combined region since very little, if any, cement is shipped between Florida and the Southwest, Florida cement producers are in a different phase of their business cycle from the Southwestern producers, and Florida has different supply patterns than the Southwest.

Thus, we determine that for purposes of this preliminary investigation, the appropriate regional industry consists of the southern-tier of the United States. The import concentration for this region appears to be greater than 90 percent for the period of investigation, thus meeting the requirement that the imports be concentrated in the region.

Given our lack of complete information concerning production and supply in the Gulf states, it is difficult to determine whether the other two criteria for regional industry analysis are met. Based on the information available in this preliminary investigation, however, and our knowledge of marketing practices in the cement industry overall, it appears likely that producers in the southern-tier region sell the bulk of their production within the region.

How much of consumption in the region is supplied by domestic producers outside the region remains in question. Nonetheless, for this preliminary investigation, we find that the southern-tier of the United States is the appropriate region for analysis. The exclusion of California and the Gulf states from our analysis would constitute the sort of gerrymandered, free-

handed sculpting of regional industries on an outcome-oriented basis that the CIT has warned us against, and that was condemned in the past.

B. Related Parties and Finishing Operations

The remaining issue in defining the relevant domestic industry is whether certain producers should be excluded from the regional industry. Under the related-parties provision, 37/ when a producer is related to exporters or importers of the product under investigation, or is itself an importer of that product, the Commission may exclude such producers from the domestic industry in "appropriate circumstances". 38/ Application of the related-parties provision is within the Commission's discretion based upon the facts presented in each case. 39/

The Commission generally applies a two-step analysis in addressing the related parties question, considering: (1) whether the company is solely a domestic producer or whether it is also a "related party" within the meaning of section 771(4)(B); and (2) whether, in view of the producer's "related" status there are "appropriate circumstances" for excluding the producer in question from the definition of the domestic industry. 40/ The related parties provision may be employed to avoid any distortion in

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37/ 19 U.S.C. § 1677(4)(B).

38/ 19 U.S.C. § 1677(4)(B) provides:
> When some producers are related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped merchandise, the term "industry" may be applied in appropriate circumstances by excluding such producers from those included in that industry.

39/ Empire Plow Co. v. United States, 11 CIT ___, 675 F. Supp. 1348, 1352 (1987).

40/ See, e.g., Digital Readout Systems and Subassemblies Thereof from Japan, Inv. No. 731-TA-390 (Final), USITC Pub. 2150 (1989) at 15.

the aggregate data bearing on the condition of the domestic industry that might result from including related parties whose operations are shielded from the effects of the subject imports. 41/

The Commission has examined three factors in deciding whether appropriate circumstances exist to exclude the related parties:

(1) the percentage of domestic production attributable to the importing producer;

(2) the reasons the importing producer has decided to import the product subject to investigation, i.e., whether the firm simply benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market, and

(3) the position of the related producers vis-a-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry. 42/

The Commission has also considered whether each company's books are kept separately from its "relations" and whether the primary interests of the related producers lie in domestic production or in importation. 43/ 44/

Petitioner suggested that operations which only grind clinker should not be considered domestic producers, since grinding clinker is a "minor finishing operation". However, if the like product includes cement, then grinding and blending of clinker to produce cement constitutes domestic

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41/ Granular Polytetrafluoroethylene Resin from Italy and Japan, Inv. Nos. 731-TA-385 and 386 (Preliminary), USITC Pub. 2043 (1987) at 9.

42/ See, e.g., Certain All-Terrain Vehicles from Japan, Inv. No. 731-TA-388 (Final), USITC Pub. 2163 (March 1989) at 17-18.

43/ See, e.g., Rock Salt from Canada, Inv. No. 731-TA-239, USITC Pub. 1798 (1986) at 12.

44/ Commissioner Rohr notes that in applying these criteria he looks as well to determine if the "related party" possesses information on its domestic operations that is segregable from its operations involving imports.

production, and therefore these companies are properly included in the domestic industry. Petitioner argues in the alternative that these companies should be excluded as related parties. 45/

In its 1986 Cement investigation, the Commission included within the domestic industry the "grinding only" operations of plants making cement from imported clinker. In that investigation, the Commission found that such domestic operations accounted for 30 to 50 percent of cement imports and virtually all clinker imports from the countries under investigation, and that these imports accounted for a significant proportion of cement production. The Commission did not exclude the related-party producers from the domestic industry on the grounds that exclusion would skew the data concerning the domestic industry. 46/

We note that the Senate Report to the Omnibus Trade Act of 1988 criticized the Commission's determination in the 1986 Cement case for considering "all profits from the sale of the finished product to be attributable to domestic production, even though only minor finishing operations were performed in the United States with respect to a substantial portion of domestic production". 47/ However, the Conference Report indicates merely that the Commission "may, if appropriate and feasible, take into account that the profits of such producers may reflect incorporation of such inputs". 48/

45/ Petition at 10.

46/ Portland Hydraulic Cement and Cement Clinker from Colombia, France, Greece, Japan, Mexico, the Republic of Korea, Spain and Venezuela, Inv. Nos. 731-TA-356-363 (Preliminary), USITC Pub. 1925 (1986).

47/ S. Rep. No. 71, 100th Cong., 1st Sess. (1987) at 117-18.

48/ H.R. Rep. No. 576, 100th Cong., 2d Sess. (1988) at 616-17.

In this investigation it appears that none of the grinding operations or domestic cement producers in Florida, the Southwest or California was owned by Mexican companies during the period of investigation. 49/ Petitioner argues that Gulf Coast Portland Cement Company, located in Houston, Texas, should be excluded as a related party because it was purchased by Sunstar Cement Corporation, a company owned by a Mexican cement producer, Cemex, in August of 1989. Exclusion of Gulf Coast Portland as a related party does not appear to be warranted, however, because it was purchased after the conclusion of the period of investigation. 50/

Petitioner argues that National Portland Cement Company (NPCC), a grinding facility, should be excluded as a related party because some of the clinker it grinds is imported from Mexico. 51/ It is not clear, however, that all the revenues from all grinding operations should be automatically excluded from our consideration of the domestic industry, particularly since National Portland imports clinker from countries other than Mexico. The 1988 Act and its legislative history merely direct the Commission, in considering the profits of such operations, to take into account the fact that the profits from the operations incorporate an imported component. For this reason, we have considered information with respect to "grinding only" operations, particularly those which grind some

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49/ See Report at A-19-22.

50/ Two domestic producers in Florida imported a significant amount of finished portland cement from Mexico. In the event of a final investigation, we may wish to request that these companies present financial data for their import operations separately.

51/ The Commission will seek additional information regarding NPCC's operations and the operations of other companies importing Mexican clinker should this matter return to the Commission for a final investigation.

amount of imported Mexican clinker, separately from other producer data. We do not, however, find appropriate circumstances for excluding them from the domestic industry under the related-parties provision.

III. Condition of the Domestic Industry 52/

In considering the condition of the domestic industry, the Commission considers, among other factors, production, shipments, capacity, capacity utilization, inventories, employment, wages, financial performance, capital investments, and research and development expenditures. 53/ In addition, 19 U.S.C. § 1677(7)(C)(iii) requires the Commission to consider the condition of the industry in the context of the business cycle and conditions of competition that are distinctive to the domestic industry. 54/ Based on our evaluation of the record, we determine that there is a reasonable indication that the domestic industry is experiencing material injury. 55/

As noted earlier, virtually all portland cement is used in the manufacture of concrete, one of the essential building materials for most types of construction. Thus, the demand for portland cement is highly dependent on general construction activity.

52/ Commissioner Rohr notes his additional views concerning a disaggregated analysis of the performance of regional producers, infra, at 52-58.

53/ See 19 U.S.C. § 1677(7)(C)(iii).

54/ See H.R. Rep. 317, 96th Cong., 1st Sess. at 46; S. Rep. 249, 96th Cong., 1st Sess. at 88.

55/ Commissioner Rohr refers to his additional views for his determination that there is a reasonable indication that the industry is materially injured or threatened with material injury.

In Florida for the years 1986 through 1988, residential construction activity declined by nearly 13 percent while nonresidential construction increased by 2 percent. 56/ In the Southwest, construction declined sharply, with residential housing authorizations decreasing by 53 percent and nonresidential authorizations by 32 percent. 57/ In California the trends are mixed. Residential construction dropped by approximately 20 percent during the period of investigation, but nonresidential construction increased by slightly more than 10 percent. Thus, the business cycle and conditions of competition differ throughout the regional industry. 58/

Given the highly localized nature of cement production and consumption, we find it appropriate to take into account these differences in considering the condition of the domestic industry. Moreover, since the regional industries provision requires a different standard for determinations of a reasonable indication of material injury, viz. consideration of whether there is a reasonable indication that producers of all or almost all production in the region are materially injured by reason of the subject imports, 59/ we have considered information on industry performance on a plant-by-plant basis as well.

56/ Report at A-13.

57/ Report at A-13.

58/ Commissioner Rohr further notes that for the two subregions for which the Commission has the most complete data, the southwest and Florida, the data run back to 1982 and do not exhibit any pronounced cyclicality, and that data from any more distant time periods would be of questionable reliability.

59/ 19 U.S.C. § 1677(4)(C); Atlantic Sugar v. United States, 2 CIT 295 (1981).

Apparent consumption of cement in the region 60/ decreased by approximately 1.5 percent from 1986 to 1988. 61/ Clinker consumption decreased by 8 percent. 62/ Capacity to produce cement increased by 5.8 percent from 1986 to 1988, 63/ while clinker capacity increased by 12 percent. 64/ Capacity utilization for cement and clinker for the region fell from 74.5 percent in 1986 to 71.4 percent in 1988. 65/ The volume of domestic shipments for the region decreased by approximately 3.8 percent. 66/

In this industry, inventories are not generally maintained for long, or at high levels, because of the high costs of storage. 67/ Nevertheless, producers' inventories of cement increased in the region during from 1986

60/ Aggregate data for the region does not include data for the Gulf states, but this information will be collected in any final investigation.

61/ Report at Table 5. Apparent consumption increased by approximately 10 percent in Florida and 11 percent in California, but dropped by 19 percent in the Southwest.

62/ Report at Table 5. Clinker consumption remained the same in Florida and decreased by 9 percent in California and by 11 percent in the Southwest.

63/ Report at Table 7. Cement capacity in California decreased by less than 2 percent, and increased by 19 percent in Florida and by 7 percent in the Southwest.

64/ Report at Table 7. Clinker capacity decreased in California by 3.6 percent and increased by 75 percent in Florida and by 10 percent in the Southwest.

65/ Report at Table 7. Capacity utilization for cement increased in California and Florida and decreased in the Southwest. Capacity utilization for clinker decreased in Florida and the Southwest, and increased in California.

66/ Report at Table 5. Shipments decreased in Florida and the Southwest and increased slightly in California.

67/ See Transcript of the Preliminary Conference at p. 55.

to 1988, from 4.7 percent of production to 5.1 percent of production. Producers' clinker inventories decreased slightly during the period. 68/

Employment in the regional industry decreased over the period of investigation. 69/ The number of production and related workers producing cement and clinker decreased for the region by approximately 13.7 percent, as did the number of hours worked by those workers. 70/ The total wages paid to production and related workers producing cement and clinker in the region decreased by approximately 12 percent. 71/ Total grinding establishment employment decreased for the region by approximately 28 percent, and the number of production related workers in such establishments producing cement and clinker decreased by approximately 37 percent. 72/ Hours worked by production related workers grinding cement and clinker within the region decreased by approximately 43 percent. 73/

68/ Report at Table 10. Producers' inventories of cement increased in Florida, the Southwest and California. Regional grinders' inventories of clinker increased by approximately 33 percent. Report at Table 10G.

69/ Report at Table 11. The number of employees increased in Florida and decreased in the Southwest and in California.

70/ Report at Table 11. The number of production and related workers producing cement and clinker increased in Florida and decreased in the Southwest and California. The number of hours worked by those employees followed the same trends.

71/ Report at Table 11. Total wages increased in Florida and decreased in the Southwest and California. Hourly wages paid to production related workers producing cement and clinker increased in California, stayed approximately the same in the Southwest and decreased in Florida.

72/ Report at Table 11G.

73/ Id.

Wages paid to production related workers grinding cement and clinker decreased by approximately 59 percent. 74/

Our examination of the financial data reveals that the financial condition of the domestic producers in the region has deteriorated substantially from 1986 to 1988. Revenues from net sales decreased by 4.9 percent from 1986 to 1989. Operating income for producers in the region on their operations producing cement and clinker decreased by approximately 91 percent. 75/ Operating income as a percentage of net sales decreased in the region from 4.6 percent in 1986 to 0.4 percent in 1988, and showed a loss of 0.7 percent in the period January to June 1989. Pre-tax net losses worsened steadily from 1.1 percent of sales in 1986 to 11.9 percent of sales in January to June 1989.

We have also examined the percentage return on both total assets and the percentage return on book value of fixed assets for producers in the region. Operating return on the book value of regional producers' fixed assets declined from a positive 3.9 percent in 1986 to a negative 0.2 percent in 1988. It further declined to negative 0.7 percent for January to June of 1989. Net return on the book value of fixed assets worsened from negative 0.3 percent in 1986 to negative 5.4 percent in 1988. Operating return on regional producers' total assets decreased from 2.9 percent in 1986 to negative 0.2 percent in 1988, while net return on total assets worsened from negative 0.3 percent to negative 4.5 percent for the same period.

74/ Id.

75/ Report at Tables 12, 14, and 18. Operating income increased for producers in California and Florida, but decreased for producers in the Southwest.

While the indicators of the condition of the industry are not completely negative, a number of criteria, particularly the financial experience of the regional industry, provide a reasonable indication of material injury in the overall performance of the industry. Our examination of plant-specific data supports this conclusion. 76/ 77/

Reasonable indication of material injury by reason of allegedly LTFV imports from Mexico

The legal standard in preliminary antidumping investigations is set forth in section 733(a) of the Act, 78/ which directs us to determine whether, based on the best information available at the time of the preliminary determination, there is a reasonable indication of material injury to a domestic industry, or threat thereof, by reason of the subject

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76/ Chairman Brunsdale does not draw a separate legal conclusion regarding the state of the industry. Rather, she finds that the foregoing description accurately reflects the state of the industry, and is relevant to her determination of whether the industry is materially injured "by reason of" the subject imports.

77/ Vice Chairman Cass does not join in this conclusion. He believes that the statute under which the Commission conducts title VII investigations does not contemplate that the Commission will make a separate legal finding respecting the condition of the domestic industry. While he believes the condition of the domestic industry is relevant to assessing whether the effect of the allegedly LTFV imports has been "material," that information has relevance only in assessing material injury by reason of the allegedly LTFV imports. See Digital Readout Systems and Subassemblies Thereof from Japan, Inv. No. 731-TA-390 (Final), USITC Pub. 2150 (1989) at 95-113 (Concurring and Dissenting Views of Commissioner Cass); Generic Cephalexin Capsules from Canada, 731-TA-423 (Final), USITC Pub. 2211 (1989) at 47 (Additional Views of Vice Chairman Cass). See Additional Views of Vice Chairman Cass, infra. For this reason, Vice Chairman Cass does not join this, or subsequent statements in the Views of the Commission characterizing the industry's injury in terms of whether it is "materially injured."

78/ 19 U.S.C. § 1673b(a) (1982). Commissioner Eckes' views concerning the legal standard for preliminary investigations are set forth in Shock Absorbers and Parts, Components, and Subassemblies Thereof from Brazil, Inv. No. 731-TA-421 (Preliminary), USITC Pub. 2128 (1988). He finds this standard to be satisfied in this investigation.

imports. 79/ The definition of "material injury" is the same in both preliminary and final investigations, but in preliminary investigations an affirmative determination is based on a "reasonable indication" of material injury, as opposed to the actual finding of material injury or threat required in a final determination. 80/

In the context of this case, in which we are considering the impact of imports on a regional industry, we are required to determine whether there is a reasonable indication that producers of all or almost all of the production in the region are materially injured or threatened with material injury by reason of the imports subject to investigation. 81/

In making a preliminary determination in an antidumping investigation, the Commission is charged with determining whether there is a reasonable indication that material injury to the domestic industry is "by reason of" the imports under investigation. 82/ The Commission may take into account

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79/ Maverick Tube Corp. v. United States, 687 F. Supp. 1659, 1573 (1988). Shock Absorbers and Parts, Components, and Subassemblies Thereof from Brazil, Inv. No. 731-TA-421 (Preliminary), USITC Pub. No 2128 (1988) ("Shock Absorbers") at 4, citing S. Rep. 1298, 93rd Cong., 2d Sess. 170 (1974)("The Committee felt there ought to be a procedure for terminating investigations at an earlier stage where there was no reasonable indication . . . that an industry in the United States is being or is likely to be injured" by the subject imports.)

80/ Compare 19 U.S.C. § 1673b(a) (1982) with 19 U.S.C. § 1673d(b)(1) (1982).

81/ 19 U.S.C. § 1677(4)(C)(1982). In American Lamb v. United States, 785 F.2d 994 (Fed. Cir. 1986), the Federal Circuit stated that (i) the purpose of preliminary determinations is to avoid the cost and disruption to trade caused by unnecessary investigations, (ii) the "reasonable indication" standard requires more than a finding that there is a possibility of such injury, and (iii) the Commission may weigh the evidence before it to determine whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation

82/ 19 U.S.C. § 1673b(a).

other causes of harm to the domestic industry, but it is not to weigh causes. 83/ 84/

Material injury is defined as "harm which is not inconsequential, immaterial or unimportant." 85/ When making a determination as to whether there is a reasonable indication of material injury, the statute directs us to consider in each case:

> (I) the volume of imports of the merchandise which is the subject of the investigation,
>
> (II) the effect of imports of that merchandise on prices in the United States for like products, and
>
> (III) the impact of imports of such merchandise on domestic producers of like products, but only in the context of production operations in the United States; 86/

Petitioner argues that LTFV imports of Mexican cement have displaced domestic production of cement and have suppressed the price of cement in the regional markets, causing domestic producers to receive a low rate of

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83/ "Current law does not . . . contemplate that the effects from the subsidized [or LTFV] imports be weighed against the effects associated with other factors (e.g., the volume and prices of nonsubsidized [LTFV] imports, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry) which may be contributing to overall injury to an industry." S. Rep. No. 249, 96th Cong. 1st Sess. 57-58, 74 (1979).

84/ Chairman Brunsdale notes, however, that under the statute the imports must be a proximate cause of material injury to the domestic industry. The focus of the legislative history is to ensure that an industry injured by many agents is not denied import relief; the isolated impact of the imports on the domestic industry still must be material.

85/ 19 U.S.C. § 1677(7)(A).

86/ 19 U.S.C.(7)(B)(i). The statute sets forth how the Commission is to conduct its evaluation of these factors. It may consider other factors it deems relevant, but must explain why they are relevant. 19 U.S.C. § 1677(7)(B).

return on their assets. 87/ According to petitioner, this poor financial performance is particularly devastating because cement production is a capital intensive, cyclical industry which must accrue high profits during the expansion phase of its business cycle in order to sustain the industry during the next contraction phase of the cycle. Without these high profits, petitioner alleges, cement producers will be unable to make the necessary investments to sustain and increase cement production capacity.

Petitioner argues that imports of cement and clinker from Mexico are clearly significant relative to U.S. production and consumption and are increasing, both absolutely and in relation to production and consumption. Petitioner also contends that the subject imports have lowered the prices of domestic cement in the relevant markets, which in turn, has lowered the domestic producers' return on assets. This has caused producers to forgo replacing or expanding productive capacity, and in fact, to idle capacity. While petitioner acknowledges that domestic producers have themselves been importing Mexican cement and clinker, it argues that such imports are a symptom of material injury.

Respondents argue that Mexican imports have merely displaced imports from other countries and that the poor condition of cement producers in Texas is due to the depressed local economy and the consequent reduced demand for construction, not Mexican imports. They also argue that the rise in imports in Florida is due to increasing demand that cannot be met by domestic production. They also argue that in Florida, 100 percent of cement imports from Mexico were accounted for by domestic producers, who are responsible for the pricing of cement in Florida.

87/ Petition at 59.

An examination of the volume of imports in the region reveals that Mexican exports of cement to the region 88/ increased by approximately 55.3 percent from 1986 to 1988. 89/ Clinker exports to the region decreased from approximately 600,000 short tons in 1986 to almost zero in 1988. 90/ In evaluating the effect of imports on prices for domestic cement within the region, we believe that examining prices for imported and domestic cement in selected metropolitan areas within the region is an appropriate method of analysis. 91/ Because cement has a low value-to-weight ratio, transportation costs constitute a relatively large percentage of the final delivered price of cement to customers. Because cement is fungible, prices charged by suppliers in a given location should tend to be similar at any point in time.

In the course of this preliminary investigation we collected information regarding pricing in eight market areas within the region. The market areas we selected are: Albuquerque, New Mexico; Houston, Texas; Phoenix, Arizona; Miami, Florida; San Antonio, Texas; San Diego, California; Tampa, Florida; and Tucson, Arizona.

Miami, Florida --We received insufficient price data for sales of cement in the Miami market area to make price comparisons in this market because

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88/ Once again, figures for the Gulf states are not included.

89/ Report at Table 21.

90/ Id.

91/ See Gifford-Hill Cement Co. v. United States, 615 F.Supp. 577 (CIT 1985). Due to the producer-specific nature of a regional industry analysis and the need to determine material injury with respect to "all or almost all" producers within the region, we note that it may be necessary to collect pricing information in additional metropolitan areas in any final investigation.

we received no price information from importers for sales of Mexican cement. Delivered prices reported by domestic producers showed an overall increase during the period of investigation. 92/

Tampa, Florida -- Delivered prices reported by producers for sales in the Tampa market showed an overall increase. Prices for Mexican cement also increased during the period. Underselling occurred in 33 of the 41 months where comparisons were possible. 93/

Houston, Texas --Delivered prices reported by producers for sales in the Houston market showed an overall decrease. Prices for Mexican cement also decreased during the period, and underselling occurred in 27 of 36 months where comparisons were possible. 94/

San Antonio, Texas --Delivered prices reported by producers for sales in the San Antonio market showed an overall decrease. Prices for Mexican cement fluctuated during the period, but showed no overall trend. Underselling occurred in 29 of the 38 months where comparisons were possible. 95/

Albuquerque, New Mexico --Delivered prices reported by producers for sales in the Albuquerque market showed an overall decrease. Prices for Mexican cement decreased during the period. Underselling occurred in 3 of the 35 months where comparisons were possible. 96/

92/ Report at A-72.

93/ Id.

94/ Id . at A-73.

95/ Id.

96/ Id. at A-74.

Phoenix, Arizona --Delivered prices reported by producers for sales in the Phoenix market showed an overall decrease. Prices for Mexican cement also decreased during the period. Underselling occurred in 33 of the months where comparisons were possible. 97/

Tucson, Arizona --No prices were reported by producers for sales in the Tucson market, so no price comparisons were possible. 98/

San Diego, California --Delivered prices reported by producers for sales in the San Diego market showed an overall decrease while prices for Mexican cement declined during the period. Underselling occurred in 1 of the 33 months where comparisons were possible. 99/

The Commission received allegations of lost sales and lost revenues from eight domestic producers in the region. 100/ These producers reported 39 lost sales and 54 instances of lost revenues. The lost sales allegations totaled approximately $45.6 million and involved 916,400 tons of cement. The lost revenue allegations totaled approximately $5.2 million and involved nearly 1.3 million short tons of cement. 101/ 102/ 103/

97/ Id. at A-75.

98/ Id.

99/ Id. at A-76.

100/ We have not yet collected any data regarding lost sales or lost revenues from cement producers in the Gulf states.

101/ The staff contacted five purchasers of cement in located in Florida and Arizona regarding reported lost sales and revenues. A summary of the information obtained can be found in the Report at A-77.

102/ Commissioner Lodwick notes that the record at present suggests that the LTFV imports and the domestic product appear to be quite fungible, that the market is quite sensitive to changes in price, and that there is a lack of available substitutes. Given these conditions of competition and the level of LTFV imports in the region as defined, there is a basis to

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We determine that the increase in volume of imports of Mexican cement into the region and the effect of those imports on prices and on domestic producers provides a reasonable indication that the imports have had an injurious effect on the industry. This effect could be particularly detrimental in light of the fact that this is a capital intensive, cyclical industry which may require a reasonably high return on assets in order to allow producers to replace or expand productive capacity and to weather downturns in demand.

102/(...continued)
determine both possible significant price effects and impact on sales of the domestic product to warrant a finding that there is a reasonable indication of material injury by reason of the allegedly LTFV imports in this market.

103/ Chairman Brunsdale does not base her determination on unsubstantiated, anecdotal, and largely irrelevant lost sales/lost revenue evidence. She bases her determination on the preliminary evidence that tends to establish in an economically intelligible fashion the impact of the subject imports on the domestic industry. First, the preliminary indications are that the imports are highly substitutable with the domestic product, second, demand for cement is likely to be quite insensitive to price shifts, given that such demand depends on the demand for new construction. These are circumstances in which the subject imports are likely to have their greatest impact on the volume of domestic shipments. Certain Light-Walled Rectangular Pipes and Tubes from Taiwan, Inv. No. 731-TA-410 (Final), USITC Pub. 2169 (1989) at 28-30 (Views of Acting Chairman Brunsdale and Commissioner Cass).

ADDITIONAL VIEWS OF VICE CHAIRMAN RONALD A. CASS

Gray Portland Cement and Cement Clinker from Mexico
Inv. No. 731-TA-451 (Preliminary)

I join my colleagues in this preliminary investigation in finding that there exists a reasonable indication that an industry in the United States has been materially injured by reason of unfairly traded imports of gray portland cement and cement clinker from Mexico. I also join in their finding that domestically produced gray portland cement and cement clinker constitute the relevant like product, and that facilities that only grind clinker should be included in the domestic industry. Further, I concur that for the purposes of this determination the Commission should employ a regional industry analysis based on a region consisting of the southern tier of the United States. Finally, I join the discussion of the condition of the domestic industry and the discussion of causation of material injury by the subject imports to the extent that they accurately summarize information relevant to my disposition of this investigation. I offer these Additional Views in order to discuss my approach to the definition of a regional industry in this investigation and to explain my analysis of injury, which remains distinct from that of my colleagues.

I. DEFINITION OF A REGIONAL INDUSTRY

With regard to the definition of a regional industry, I concur with the Commission's discussion of the evidence and the arguments of the parties to the extent these are addressed. I particularly agree with the reservations expressed regarding the Commission's ability at this stage of the proceeding

to determine the appropriate regional boundaries. Although I agree with the outcome of the Commission's preliminary analysis of the regional industry question, I interpret the statutory criteria that lead to this outcome somewhat differently than my colleagues.

The statute tells us that "in appropriate circumstances" we may divide the U.S. market for particular products into two or more markets and treat the producers in each market as a separate industry.[1] The only criteria for finding such "regional" industries is that (i) the producers within each market sell all or almost all of their production of the like product in that market, and (ii) demand in that market is not supplied to any substantial degree by producers located outside of the market area.[2] The statute then tells us that we may find injury to "an industry even if the domestic industry as a whole...is not injured" if (i) the subject imports are concentrated in "such an isolated market" and (ii) the producers of all or almost all of the production within that market are materially injured by reason of the subject imports.[3]

The Commission in this and prior opinions[4] has grafted the injury

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[1] 19 U.S.C § 1677(4)(C).

[2] Id.

[3] Id.

[4] See Fall-Harvested Round White Potatoes from Canada, Inv. No. 731-TA-124 (Final), USITC Pub. 1463 (December 1983) at 7, 20; Sugars and Sirups from Canada, Inv. No. 731-TA-3 (Final), USITC Pub. 1047 (March 1980) at 4, 8, 11, 14. Sugars and Sirups was the first case in which the Commission found a regional industry under the Trade Agreements Act of 1979, which added the regional industry provision to the Tariff Act of 1930. In that case the Commission found "appropriate circumstances" for the identification of a regional industry and, without analysis of the statutory language, indicated that these circumstances included a concentration of imports in the potential

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requirement that imports be concentrated in a particular region onto the criteria for identifying regional industries. This rearrangement of statutory terms arguably affects nothing more than order in which the Commission discusses factors relevant to analyzing the proper disposition of regional industry claims; after all, the concentration of imports is a requirement for granting relief in such cases. I believe, however, that this genetic engineering does more. By departing from the statute's text, I believe the Commission has created confusion regarding the composition of the regions to which the Commission may apply a regional analysis and the number of regions that might be found to exist. As discussed below, this confusion can, as in this investigation, be less troublesome in preliminary investigations than in final investigations. It is, however, an unnecessary impediment to implementation of our governing law.

The text of the statute focuses our attention first on the degree to which a given market within the United States is isolated from other markets for U.S. producers of the like product. If U.S. producers sell their product within discrete markets, each discrete market constitutes a region, and the U.S. producers who produce in and sell to that market constitute a regional industry. Looking at import concentration to define markets can lead to outcome-oriented market definitions. Looking at import concentration at the definitional stage could direct our attention away from real isolation of domestic production and consumption markets and instead toward markets in which, because imports (for whatever reason) are concentrated, an injury

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[4](...continued)
region. The Commission has adopted the three prong test in subsequent determinations without further analysis.

finding is more likely. As with our definition of like products, there is no reason to believe that a concern with effects on the outcome of the investigation should influence our definition of regional industries.

The statute thus authorizes the Commission to find any number of isolated regional markets, as Petitioner contends, but we may find injury on the basis of a regional analysis only with respect to a market in which the subject imports are concentrated, and then only if all or nearly all of the producers of the domestic like product in this market are injured by these imports. As Respondents argue, the language of the statute appears to contemplate that only one of the many possible separate markets will meet both of the injury criteria.[5] This reading of the statute leads to the conclusion that the great bulk of the subject imports must be sold in a particular region before the Commission may find injury to the regional domestic industry. Indeed, one should suspect that nearly all the imports would be concentrated in a single region. If something less were required to meet the concentration requirement, the Commission could possibly find injury in two or more regions, each of which absorbed only a portion of the subject imports, or could find injury in one region and not another into which a non-negligible volume of imports was sold. I do not believe it proper in light of the wording of the statute to find injury on the basis of a regional analysis when two regions absorb, for example, only 50 percent of the subject imports, or three regions each absorb 30 percent, even though these are still relatively high proportions of the total and imports may have a disproportionately large impact in a particular region due to low levels of regional domestic

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[5] Post-hearing Brief of CEMEX, S.A. and The Cement Free Trade Association ("CEMEX Post-hearing Brief") at 17-19.

production.

The statute is not designed to lower the effective threshold for showing injury from dumped or subsidized imports, which would, as Respondents claim, violate the GATT. The regional injury analysis is not designed to result in duties on imports to all parts of the United States when there is a showing simply of harm to any producers in any part of the United States. Rather, it is designed to address the situation of GATT-cognizable injury to a discrete set of producers at which imports are targeted in a segregated market within the United States. For that situation to fit readily with the broader GATT and Title VII framework, all or nearly all of the affected imports would have to be concentrated in that isolated market.

With respect to the instant investigation, these criteria make both the definition of regional industries and determination of injury problematic. To define a regional industry here, we should have evidence respecting constraints on the sale of domestically produced cement and clinker across internal borders. Petitioner has provided some evidence that, because of costs associated with transportation of the like product (especially transportation over land, rather than by sea), U.S. producers sell within relatively confined geographic areas. One such area arguably is composed of Arizona, New Mexico, and some parts of Texas. Another such area arguably is restricted to California or to California and Nevada. Petitioner also asserts that Florida alone constitutes such a region. Petitioner would exclude Louisiana, Alabama, and Mississippi from any of these regions and also would exclude these states from a single, non-contiguous region proposed as an alternative to the smaller regions. Respondent objects to the exclusion of the three Gulf Coast States from a single region, and the Commission properly

rejects the non-contiguous "region" proposed by Petitioner as inapposite.

We do not, however, have sufficient evidence to assess where the regional boundaries actually lie. Our record evidence respecting the location of U.S. producers, the area within which they each sell, and the degree to which such locations and sales patterns define segregable, isolated markets--because natural, geo-physical barriers such as mountain ranges or transport services, rail or motor, are incompatible with shipments across certain lines, given the cost, weight, and value of cement and clinker--is too sketchy to allow any judgment to be rendered with confidence. Were this a final investigation, I would conclude that the evidence is best characterized as showing that each U.S. producer sells within a geographically limited area but that no isolated market plainly meeting the two statutory criteria has been shown to exist. Alternatively, I would conclude that the U.S. industries serving isolated regional markets, such as the Arizona-New Mexico-Texas market identified by Petitioner, have failed to establish injury within the terms of Title VII because imports are insufficiently concentrated within any region to meet the statutory concentration requirement for injury to a regional industry.

In this preliminary investigation, however, we are governed by a different evidentiary standard than applied to final investigations. Where factual evidence is disputed and a factual proposition adverse to Petitioner's case is not clearly established, we should treat the relevant fact as arguably resolved in Petitioner's favor for purposes of evaluating whether a reasonable indication exists that the dumped or subsidized imports have materially injured a domestic industry. This standard, which clearly applies with

respect to evaluation of injury,[6] also appears applicable to matters such as definition of the industry to be examined. Often, of course, the facts respecting industry definition will be well established and only the legal conclusions to be drawn will be in doubt. I do not address such a case. Here, the facts themselves are in doubt, and several different characterizations of these facts are possible.

For that reason, I join the other members of the Commission in finding a regional industry along the southern tier of the United States, as defined in the Commission's Views. This is arguably consistent with the record, although probably less consistent than definition of smaller regional markets, and it is the only reading of the record that can support a finding that there is a reasonable indication that this region is suffering material injury by reason of the subject imports. It is clear that this region absorbs almost all imports from Mexico, and as discussed below, appears to be suffering sufficient harm to meet the preliminary investigation "reasonable indication" standard. In the final investigation, however, the Commission will expect the parties to develop substantial additional evidence regarding the extent to which this region presents appropriate circumstances for finding a separate market and for finding injury to that market's producers.

II. REASONABLE INDICATION OF MATERIAL INJURY

As I have argued at length in many previous opinions, I read Title VII of the Tariff Act of 1930, as amended, to require the Commission to assess the

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[6] American Lamb v. United States, 785 F.2d 994, 1001 (Fed. Cir. 1986); see also Yuasa-General Battery Corp. v. United States, slip op. 88-89 (Ct. Int'l. Trade, July 12, 1988), at 5. See New Steel Rails from Canada, Inv. No. 701-TA-297 (Preliminary), USITC Pub. 2135 (November 1988) (Additional Views of Commissioner Cass) ("New Steel Rails").

effects of dumped, or less than fair value (LTFV), imports on the domestic industry by comparing the current condition of the domestic industry to its probable condition had the subject imports not been sold at less than fair value in the United States,[7] and in a preliminary investigation determining whether the evidence provides a reasonable indication that the changes in the circumstances of the industry attributable to dumping constitute material injury.[8]

In evaluating whether imports have materially injured the domestic industry I undertake the three-part inquiry suggested by the statute.[9] First, the statute directs us to consider the volume of allegedly LTFV imports. In the context of our inquiry into the effects of LTFV imports, this entails not only an assessment of the absolute volume of such imports and the extent of their market penetration, but also an evaluation of the extent to which the volumes, and correlatively the prices, of the subject imports have been affected by the alleged unfair trade practices. Second, we must examine the effect of the imports on the prices, and concomitantly the sales, of the domestic like product. Evidence relevant to this effect includes the share of the domestic market held by the imported product, and the degree to which

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[7] See, e.g., New Steel Rails from Canada, Inv. Nos. 701-TA-297 and 731-TA-422 (Final), USITC Pub. 2217 (Sept. 1989)(Dissenting Views of VIce Chairman Cass) 125-159 ("New Steel Rails Final"); Digital Readout Systems and Subassemblies Thereof from Japan, Inv. No. 731-TA-390 (Final), USITC Pub. 2150 (Jan. 1989)(Concurring and Dissenting Views of Commissioner Cass) at 98-108 ("Digital Readout Systems"); 3.5" Microdisks and Media Therefore from Japan, Inv. No. 731-TA-389 (Preliminary), USITC Pub. 2076 (Views of Commissioner Cass).

[8] New Steel Rails at 19-31.

[9] 19 U.S.C. § 1677(7).

consumers see the foreign and domestic products as substitutes and switch their purchases between these products in response to changes in their relative prices. Finally, we must examine the impact of these changes in the prices and sales of the domestic product on the domestic industry as reflected in employment and investment in that industry. In this investigation we also must ask two additional questions in respect of the regional industry: whether subject imports are concentrated in this region and whether there is a reasonable indication that all or nearly all of the producers within the region have been materially injured by the LTFV imports.

In this investigation, as in many preliminary investigations, we do not have complete evidence regarding these elements of injury. We have defined a regional industry different than the one proposed by Petitioner, and although the parties and the Commission staff have developed some information on the imports into, production in, and consumption of the domestic like product in many of the states now included in the southern tier region, we are missing or have incomplete information on numerous matters relevant to our determination. The development of additional evidence in any final investigation may lead to a very different assessment of the injury to U.S. producers from LTFV imports, as might a decision in the final investigation to determine injury with regard to a different region or the national market.

A. Volumes and Prices of LTFV Imports

During the first six months of this year, that portion of our investigation that most nearly corresponds to the period when dumping of cement from Mexico is alleged to have occurred, the volume of Mexican cement imported into Florida, the Southwest, and California amounted to approximately

1.4 million short tons valued at around 42 million dollars.[10] We do not have data on imports of Mexican cement into the other areas of the southern tier, but such imports into the United States as a whole during January through June of 1989 amounted to 1.6 million short tons, only 200 thousand tons more than into Florida, Texas, Arizona, New Mexico, and California, at a value of 51 million dollars.[11] Imports of Mexican cement into Florida, the Southwest, California, and the United States as a whole increased somewhat in each of 1987 and 1988, but imports in the first six months of 1989 in all of these areas, except Florida, have been less, sometimes significantly so, than in the first six months of 1988.[12]

Imports of clinker from Mexico during interim 1989 amounted to 159 thousand short tons in Florida and the Southwest, with a value of 4.5 million dollars, while total U.S. imports of Mexican clinker amounted to 201 thousand short tons valued at 6.1 million dollars.[13] California has not imported any clinker from Mexico since 1986.[14] Imports of Mexican clinker varied in the other areas over the period of investigation, but dropped sharply in 1988 (Florida did not import any Mexican clinker in that year).[15]

The record evidence suggests that dumping may have lowered the prices and thereby increased the volumes of Mexican cement and clinker imported into

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[10] Report at A-62, Table 23.

[11] Id.

[12] Id.

[13] Id. at A-64, Table 24.

[14] Id.

[15] Id.

the United States. Petitioner alleges dumping margins for Mexican cement ranging from 96 to 111 percent, based on Petitioner's comparison of Mexican ex-factory prices for bulk cement sales in the home market (computed by a consultant to the Petitioner) to the unit customs value for cement imports.[16] In a preliminary investigation, we treat the alleged margins as the best evidence available to us of the magnitude of the alleged dumping.[17]

In cases in which the alleged dumping margins reflect a comparison of home market and U.S. prices, the actual decrease in the U.S. price of the subject imports (compared to what that price would have been absent dumping) will not be equivalent to the full percentage of the dumping margin. The extent to which the dumping computed by the dumping margin results in decreased prices for sales to the U.S. is in large measure a function of the importance of each market (home and U.S.) to the foreign producers, with the price decrease consequent to dumping growing as the importance of the U.S. market relative to the exporter's home market declines. An accessible indicator of relative importance is the proportion of its total sales in both of these markets that the producer makes in its home market.[18] Mexican cement

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[16] Id. at A-10.

[17] The legislative history of the Trade Agreements Act of 1979 specifies that, in preliminary investigations in antidumping cases, the Commission "will be guided by the description of the allegation of the margin of dumping contained in the petition or as modified by ... [Commerce]." Statements of Administrative Action, Trade Agreements Act of 1979, at 415.

[18] See, e.g., Certain All-Terrain Vehicles from Japan, Inv. No. 731-TA-388 (Final), USITC Pub. 2163 (March 1989)(Additional Views of Commissioner Cass) at 58-60.

In reality, an estimate of the decrease in the price of the dumped product that is derived in this fashion will be somewhat overstated as it represents an approximate upper bound of that decrease. For a thorough explication of

(continued...)

producers make nearly 80 percent of their sales in Mexico,[19] indicating that the alleged dumping caused the prices of cement imports from Mexico to decline by a significant portion of the alleged margins.

It is reasonable in this case to infer from these probable decreases in the price that the alleged dumping caused the volumes of Mexican imports into the United States to be larger than they would have been in the absence of the alleged dumping. To determine the extent of this effect, however, additional information must be considered because the degree to which decreases in import prices result in increases in the volume of import sales depends, among other things, on the degree to which domestic consumers treat the imported goods in question as substitutes for the domestic like product. As discussed in the next section of these Views, the record evidence in this investigation indicates that there is a high degree of substitutability between the domestic like product and imported Mexican cement, suggesting that a significant increase in volume was probably associated with the lower price for these imports.

B. Prices and Sales of the Domestic Like Product

Analysis of the impact of imports on the prices and sales of the domestic like product includes consideration of (i) the share of the domestic

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[18](...continued)
this subject, see R. Boltuck, Office of Economics, Assessing the Effects on the Domestic Industry of Price Dumping, USITC Memorandum EC-L-149 at 1, n. 1, 13, 19-21 (May 10, 1988). A more accurate statement of the effects of dumping on import prices also may require some adjustment to reflect the fact that dumping margins are calculated on an ex-factory, rather than a final sales price, basis. This adjustment almost inevitably will reflect a reduced effect from that calculated here.

[19] Data derived from Report at A-58, Table 21.

market held by the subject imports, (ii) the degree of substitutability between the subject imports and the domestic like product, and (iii) the degree to which domestic consumers change their purchasing decisions regarding the domestic and imported products based on variations in these products' absolute and relative prices. Generally, imports have the greatest impact on domestic like product sales and revenues when they are available in significant volumes relative to the domestic product, when consumers are unwilling to purchase more of the category of goods to which imports and the like product belong even if the prices of these goods go down, and when, in addition, consumers view the imported and like products as close substitutes. In this situation a decrease in the price of the import will most likely result in direct substitution of the import for the domestic like product, rather than increased overall purchases of the product. When the import market share is significant, this substitution tends to have a downward effect on domestic prices, and unless domestic producers lower prices to meet import competition, on domestic sales volumes. Here, the evidence on all three of these considerations is consistent with the existence of significant price and sales effects on the domestic like product due to allegedly dumped imports from Mexico.

It appears from the evidence submitted by the parties and collected by the Commission staff that the share of the domestic market by volume held by sales of the subject imports varied from state to state in the southern tier region during interim 1989. In the states for which data are available, this share ranged from a low of 2 percent in California to a high of 20 percent in

Florida.[20] In California and the Southwest, the share of domestic consumption held by imports has remained fairly constant over the period of investigation, rising somewhat in 1987 and 1988, and then falling again in interim 1989.[21] The share of domestic consumption attributable to imports from Mexico over the period of investigation has varied more in Florida: Mexico's volume-based share of domestic cement consumption rising from 12 percent in 1986 to 22 percent in 1988.[22] The share of domestic cement consumption held by Mexican imports in the United States as a whole has been quite constant from 1986 through interim 1989, remaining at either 4 or 5 percent. These data suggest that, while not constant among areas of the United States, the market shares held by the subject imports are fairly significant.

The record evidence also suggests that because demand for cement is derived largely from the demand for construction and other activities that use cement, and because there are no good substitutes for cement in the primary activities for which cement is used, the demand for cement is relatively inelastic. As a result, cement purchases tend to vary only slightly in response to increases or decreases in the price.

As noted above, the record indicates that cement and cement clinker are fairly standardized products and that consumers view imports from Mexico as close substitutes with domestic cement and clinker. In light of the close substitutability of domestic and imported cement, it is quite likely that consumers substitute imported cement for domestic cement when the import price

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[20] Report at A-66, Table 25.

[21] Id.

[22] Id.

is lower. Thus the record evidence in this investigation supports the inference that cement imports from Mexico have lowered prices and sales volumes of domestic cement by amounts that, if not dramatic, certainly are well within the range that normally would be consonant with material injury to the domestic industry producing cement and clinker within the southern tier region.

C. Investment and Employment

As discussed in the Views of the Commission, the financial data developed in this investigation for the different parts of the southern tier region show mixed performance with respect to production, employment, operating income and return on investment. Taken as a whole, however, these data support the conclusion that there is a reasonable indication that imports of cement and cement clinker from Mexico have materially injured the regional domestic industry and indeed, can be seen as consistent with the requirement that all or nearly all of the regional producers within that region be negatively impacted by the subject imports.

There is no evidence that the producers within the region differ in the nature of the products they produce or the types of customers they serve, and no conclusive evidence that they differ sufficiently in the degree of competition with the subject imports that the imports would have greatly disparate effects on different producers. The statute does not require a finding that all or nearly all the producers are operating at a loss, but only that all or nearly all are "materially injured ... by reason of the subsidized or dumped imports."[23] I believe that the evidence presented here is

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[23] 19 U.S.C. § 1677(4)(C).

sufficiently consistent with that requirement to satisfy the standard for preliminary investigations.

CONCLUSION

For the foregoing reasons, I believe that the record evidence in this investigation demonstrates that there is a reasonable indication of material injury to the domestic industry producing gray portland cement and cement clinker by reason of LTFV sales of gray portland cement and cement clinker from Mexico.

Additional Views of Commissioner David B. Rohr Concerning Regional Industry, Injury to a Regional Industry, and Threat

I determine that there is a reasonable indication that the domestic industry in this investigation is materially injured or threatened with material injury by reason of imports of portland gray cement and cement clinker from Mexico alleged to be sold in this country at less than fair value. I am submitting these additional views with respect to certain positions taken by the Commission because, although I do not disagree with the Commission's conclusions, I believe they would benefit from additional elaboration. Further, I believe it appropriate to provide additional guidance to the parties with respect to certain difficult and novel issues that the Commission will have to resolve in the event this matter returns to the Commission for a final investigation.

The Regional Industry

The Commission has determined that it is appropriate to analyze this investigation under the terms of the regional industry provisions of the dumping law.[1] It has further determined that the appropriate region consists of a "Southern Tier" of states that collectively account for in excess of 90 percent of imports of the subject products from Mexico.[2] The Commission has also indicated that it expects to gather additional data relevant to defining the appropriate region in the event that the Commission conducts a final investigation and

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[1] Views of the Commission at 5-16. See 19 U.S.C. §1677(4)(C).

[2] This region basically includes those states, or portions of states within approximately 200-300 miles from the Mexican border and Gulf Coast ports, and would therefore include California, Arizona, New Mexico. Texas, Louisiana, Mississippi, Alabama, and Florida. *See* Views of the Commission at 8. The boundaries of the region are not, of course, absolute and need not correspond to state boundaries. For example, information available to the Commission suggests that there are several plants in northern California and northern Alabama which tend to market all of virtually all their product in specific markets in which there is no evidence of Mexican imports. It *might* be appropriate not to include these producers within the region in any final investigation.

that it would reconsider its determination at that time. I concur with these conclusions.

Regional industry allegations are not frequently encountered at the Commission. The particular factual situation presented in this case is a novel one. Past Commission decisions provide only a little guidance to me as to the resolution of the factual difficulties presented in this investigation. Generally, as the Commission has noted, cement has been considered a classic candidate for regional analysis because of its low value to weight ratio and further because, in past investigations, the Commission has seen a very strong pattern in the marketing of cement which indicates that virtually all of a cement plant's production is sold inside a 200-300 mile radius.[3] An exception to this rule involves transportation by water, particularly international transportation by sea, which is not subject to the higher costs of intracoastal shipping and which has allowed for the economical shipment of cement over long distances.[4]

Because of the general rule in the United States that local plants serve local markets, it is not surprising that conditions in different geographical area vary greatly and that one does not find a form of "arbitrage" which would level these differences. The parties in this investigation do not disagree that conditions in various markets such as Florida, the Southwest and California are very different. The difficulty in this investigation is that although the various markets for cement are relatively isolated within the United States, the length of the U.S./Mexican border and the availability of relatively inexpensive international sea transportation, make all of these markets accessible to some portion of the Mexican imports which enter all along the border and southern coasts. This combination of factors has not, to my knowledge, been faced by the Commission before.

The Commission has noted that in determining the appropriate boundaries of a regional industry it is important to select a geographic area that receives a large proportion of the

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[3] Views of the Commission at 8 and 10 n.20.

[4] Report at A-3, Table 1, listing those countries who have been able to ship cement by sea to the United States in such quantities as to be involved in prior investigations before the Commission.

subject imports.[5] This is a matter of fundamental fairness in the administration of the dumping law and is consistent with the purpose of a regional industry analysis. Properly construed, I believe it provides a basis for choosing between the conflicting alternate regional definitions offered by the parties.

The general logic of the dumping law is that duties are imposed only when it is shown that unfairly traded imports have injured a major proportion of domestic producers.[6] The regional industry provision of the statute permits the application of nationwide duties on imports even if the imports are shown to have injured less than a major proportion of the total domestic industry, who are located in a particular area of the country. I believe, nevertheless, that the general logic of the dumping law can be equally applicable to the regional industry situation as it is to a national industry.

The apparent inconsistency in the logic of the two situations is that an affirmative determination based on a regional analysis would permit the imposition of dumping duties on imports into one market, for example, Baltimore, when those imports are not related in any market sense to imports into, for example, San Diego which have been shown to cause injury to producers only in that market. The imports into Baltimore have not injured any domestic producers yet are being subject to the duties. Either Congress intended to permit this unfairness as an exception to the general rule or the import concentration requirement of the regional industry analysis can be interpreted in such a way that the unfairness remains only a *theoretical* possibility.

Using my Baltimore/San Diego example, there would be no unfairness if all the imports were shown to go to San Diego because all the imports would be implicated in the injury determination. One would not have a situation in which imports not shown to have cased injury were nonetheless subject to antidumping duties that are intended only for injurious imports. Ideally, then, one should seek to define a region in which the domestic producers are

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[5] Views of the Commission at 11-12.

[6] 19 U.S.C. §1677(4)(A).

100 percent isolated, and which contains 100 percent of the imports.

As a practical matter, however, 100 percent isolation of a region in terms of both domestic producers and imports is not realistic in most situations. It nevertheless provides the standard by which to judge the appropriateness of a regional definition. The criteria by which the appropriateness of a region should be determined is that region which includes the largest concentration of imports consistent with the fulfilling of the domestic industry isolation requirements.[7] Thus, given two possible regional definitions which meet the domestic isolation and market realities requirements, if one includes only 60 percent of the imports and the other 90 percent of the imports, the region containing 90 percent of the imports should be chosen.[8] Because all imports will be subject to the duty, it is only fair that as few imports as possible be excluded from injury consideration. I believe this analysis is fair to the parties, is consistent with the Commission's statutory mandate, and avoids the gerrymandering or "free-hand sculpting" that the Court of International Trade has rightly found offensive.

In this investigation, the two areas which petitioner urges be considered a region include 30-35 percent of imports each, while California includes another 20-25 percent and New Orleans and the Gulf Coast account for another 5-10 percent. Inclusion of all four of these areas results in a region which includes all but a negligible amount of imports. It would thus appear at this time to be the most fair and equitable basis for a regional analysis.

Material Injury to a Regional Industry

The regional injury provisions involve a standard of material injury which is different from that in nonregional cases. That different standard, as elucidated in the Atlantic Sugar

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[7] I wish to make clear that this standard in no way changes the statutorily enumerated factors for defining a regional industry. It is an attempt to answer the intersticial question of how to choose between the various alternatives that fulfill the statutory criteria, in other words, which of several possible regions is the best match for the statutory criteria.

[8] The relative concentration of imports remains an important element of this analysis. If import concentration in a particular region is significantly higher than "normal" concentrations, it should certainly be considered for inclusion within the appropriate regional boundaries. If it cannot be fit in, there is at least some question of the market reality of the region.

cases, is that material injury must be shown to be occurring as to "all or almost all" of the production of the regional producers.[9] Although the Commission notes that it looked at the individual performance of these producers, the analysis contained in these Views is disaggregated only to the subregional level. I believe a more disaggregated analysis is possible and appropriate and provides a better guide to the parties as to the questions they must address in the event this matter returns to the Commission for a final investigation.

In this investigation, we have received information on the operations of 28 individual plants in the Southern Tier region, which information includes no information on plants in the Gulf states. It was estimated at the Commission's briefing and vote that the producers from whom we have relatively complete data account for roughly 80% of regional consumption, and therefore a relatively similar proportion of production.[10] There is, obviously, a fundamental difficulty is making a determination regarding whether producers of "all or almost all" of a region's production are being injured when 20% of that production is unaccounted for.

However, this is a preliminary investigation in which the standard the Commission applies requires only a "reasonable indication" of injury rather than actual injury. I note that it was not possible at the outset of the investigation to predict what would be the most appropriate regional boundaries. To impose the enormous reporting requirements inherent in obtaining questionnaires for every possible producer who might be included in any region is simply not right. I believe the choice made by the Commission to limit its questionnaire gathering was appropriate for this preliminary investigation. I further recognize that we must proceed on the best information available to us at the time we make our decisions. I conclude, therefore, that it is possible to perform the disaggregated analysis required under the regional industry provision on the basis of the information available to us.

In 1986, some 65 percent of regional production (12 firms) for whom we have data was

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[9] Naturally in a preliminary investigation such as the present investigation, we are looking only whether there is a "reasonable indication" of such injury.

[10] Transcript of the Commission Briefing and Vote of November 8, 1998 at 8.

accounted for by firms that had positive (greater that 0.0 percent) operating income margins (OIMs). In 1987 and 1988, the percentages of production of firms with positive OIMs were 54 percent (10 firms) and 44 percent (7 firms). Looking at the percentages applicable when the selection criteria is raised to a 10 percent OIM, I note that for the three years the percentages of production of firms meeting that profitability requirement are 42 percent (7 firms), 42 percent (8 firms), and 35 percent (6 firms). Rasing the profitability requirement further to a 13 percent OIM, the percentages are 34 percent (6 firms), 26 percent (4 firms), and 31 percent (5 firms). At the 15 percent OIM level, the percentages are, for the period 1986-1988, 29 percent (5 firms), 16 percent (2 firms), and 22 percent (3 firms).

Operating income margins are not the only criteria by which material injury to an industry or individual firm is determined by the Commission. Choosing, as an example, the 13 percent OIM level and applying as an additional criteria firms whose production did not decline over the period of investigation, the percentage of production of firms meeting this modified criteria are 11 percent (3 firms), 21 percent (3 firms) and 25 percent (4 firms) for the three full years of the investigation. Adding as an additional criteria the requirement that there has been no significant declines in production and related workers over the period of investigation, the percentage of production accounted for by firms who exceed the criteria drops to 6 percent (1 firm), 6 percent (1 firm), and 9 percent (2 firms) for the period 1986-88.

I have simplified this analysis for purpose of illustration in these preliminary views. No one factor is determinative of injury or lack thereof. There is substantial room for debate as to the appropriate indicators to emphasize [11] and the appropriate standard to apply in determining material injury from that indicator.[12] Similarly, it can be argued that any standard must be adjusted to take into consideration different conditions in different parts

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[11] Some indicators may be mathematically related to one another and so must move together and other may be related under the particular conditions of a specific investigation. In such a situation using any of the related indicators implies the others.

[12] For instance, should one use an OIM of 5, 10, 15 or more percent as a cut off between the profitability indicative of an injured or uninjured firm. Similar consideration would arise for all indicators. Obviously, a final conclusion of injury or lack thereof would be based on the indications one obtains from considering each of the separate relevant indicators.

of the region. It might not be appropriate to draw the same inference concerning injury from the same level of OIM earned by a producer in Florida, given the economic conditions there, as that level of profitability if earned by a producer in Texas, given the economic conditions in that market.

For purposes of this preliminary investigation, I believe this disaggregate analysis provides support for the conclusion of the Commission that there is a reasonable indication that the industry is currently experiencing material injury. It also clearly provides a reasonable indication that there is a substantial vulnerability among the firms in the industry to the effects of imports.

Reasonable Indication of Threat of Material Injury

In this investigation, I have made the determination that there is a reasonable indication that the industry is materially injured or threatened with material injury. Normally, when the Commission makes a determination that there is a reasonable indication that an industry is experiencing material injury, it does not proceed to analyze threat because such analysis would be superfluous. For that reason, occasionally, in preliminary investigations, the Commission will use an "injury or threat" formulation when it makes its preliminary determination. Such a formulation is often used when the Commission or an individual Commissioner feels a determination of present injury is particularly tentative or unclear. It is an indication that extra emphasis is warranted in a consideration of the factors relevant to a threat analysis.

I have made such a "injury or threat" determination in this investigation. I do so because I recognize that the "all or almost all" standard of material injury in regional industry investigations is a higher burden than in the usual national industry situation, that the evidence suggests that not all firms are currently experiencing material injury, and that there is little guidance in past Commission decisions for what constitutes "almost all" production within a region. In this context, it is appropriate to pay particular attention to an analysis of threat and its relation to a regional industry analysis.

Section 771(7)(F) of the Tariff Act of 1930 directs the Commission to determine whether a U.S. industry is threatened with material injury by reason of imports "on the basis of evidence that the threat of material injury is real and that actual injury is imminent. [13] Such a determination may not be made on the basis of mere conjecture or supposition." [14] In addition, the Commission must consider whether dumping findings or antidumping remedies in markets of foreign countries against the same class of merchandise suggest a threat of material injury to the domestic industry. [15] We consider these factors in turn.

Petitioner contends that the domestic industries are threatened with material injury because Mexican production capacity is underutilized and increasing. It also contends that this excess capacity is targeted at the U.S. market. Respondents dispute both of these claims, contending that Petitioner's capacity data is mistaken and that Mexican exports to the United States are likely to decrease in 1989 due to predicted increased demand in Mexico. They also

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[13] The ten factors that the statute requires the Commission to consider are: (I) the nature of the subsidy (obviously applicable to countervailing duty investigations), (II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States, (III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level, (IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise, (V) any substantial increase in inventories of the merchandise in the United States, (VI) the presence of underutilized capacity for producing the merchandise in the exporting country, (VII) any other demonstrable adverse trends that indicate the probability that importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury, (VIII) the potential for product shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 1671 or 1673 of this title or to final orders under section 1671e or 1673e of this title, are also used to produce the merchandise under investigation, (IX) in any investigation under this title which involves imports of both raw agricultural product (within the meaning of paragraph (4)(E)(iv) and any product processed from such raw agricultural product, the likelihood there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and (X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.

[14] 19 U.S.C. § 1677(7)(F)(ii).

[15] See 19 U.S.C. § 1677(7)(F)(iii), as amended by Section 1329 of the 1988 Act, Pub. L. 100-418, 102 Stat. 1107, 1206.

contend that the inefficient Mexican rail system will prevent substantial increases in overland cement shipments into the Southwest and that virtually all excess new capacity that becomes available for export will be directed to the California market, not to Petitioner's proposed regions.

The Mexican cement industry consists of nine corporate groups operating a total of 29 cement plants. [16] Mexican production totalled approximately 36.2 million short tons in 1988. Four companies accounted for approximately all exports of cement and clinker to the United States during the period of investigation. Virtually all exports of cement from Mexico go to the United States with a very limited amount going to countries in the Caribbean. [17]

Cemex, Mexico's largest producer, is the leading exporter. It exports to the United States from facilities located near the Gulf of Mexico, in northern Mexico, and on the west coast of Mexico. [18] Cemex presently is expanding the capacity of its facility located in Hermosillo in northern Mexico by nearly 1.5 million short tons and is scheduled to be completed in mid-1990. The record contains further evidence of additional planned capacity expansion in Mexico located so as to make export to the United States the most likely market.[19] This additional capacity is, however, at the outer edge of what one might consider imminent.

As discussed above, Mexican exports of cement to the region [20] increased by approximately 55 percent from 1986 to 1988. [21] Moreover, Mexican capacity appears to be higher than necessary to meet domestic Mexican demand and Mexican capacity utilization,

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[16] Report at A-54. Four of these corporate groups are estimated to account for approximately 90 percent of the Mexican market.

[17] Report at A-55.

[18] Gulf coast plant exports are transported by water to markets in the United States, while exports from northern Mexico and the west coast of Mexico are generally transported by rail to the Southwest region. Mexican exports to California are generally transported by rail or by a combination of rail and water.

[19] Transcript of Briefing and Vote at 10.

[20] Once again, figures for the Gulf states are not included.

[21] See Report at Table 21.

estimated to be approximately 68 percent in 1988, is relatively low. To the extent that Mexican plants are located near its northern border and positioned to serve the United States' market, this capacity is not readily available for supply to distant parts of Mexico due to high transportation costs, should the Mexican market experience an upturn in demand. These trends do not appear likely to change in the near future.

I note that inventories do not appear to be a substantial factor in the market.

I note that the evidence with regard to pricing is somewhat mixed, but there is a substantial amount of Mexican cement as to which there is a reasonable indication that it is entering the United States at price suppressing or depressing levels. In view of this pattern and the lack of any evidence to indicate the likelihood that this situation will change, I conclude that there is a reasonable likelihood of continued imports at prices that will have a suppressing or depressing effect.

In performing this analysis, I note that the Commission has little experience in analyzing threat in the context of a regional industry.[22] This is a matter that will have to explored further in the event that this matter returns to the Commission for a final investigation. I note that while the listed statutory threat factors would not, for the most part, be affected by the differences in analysis required by a regional analysis, I have in the past noted that the vulnerability of the domestic industry is an important factor to be evaluated in determining whether imports pose a real and imminent threat to the domestic industry, and that the analysis of that vulnerability would be affected by a regional analysis.

Based upon the above analysis of the statutory threat factors and the vulnerability of the regional domestic industry, I find that there is a reasonable indication of threat of material injury to the producers of all or almost all production of the like product in the Southern tier of the United States by reason of imports of cement or cement clinker from Mexico.

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[22] To my knowledge, none of the threat determinations made by the Commission under the current dumping and countervailing duty statutes have been made in the context of a regional industry.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 26, 1989, a petition was filed with the U.S. International Trade Commission (the Commission) and the U.S. Department of Commerce by counsel on behalf of members of the Ad Hoc Committee of AZ-NM-TX-FL Producers of Gray Portland Cement.[1] The petition alleges that an industry in the United States is materially injured and is threatened with material injury by reason of imports from Mexico of gray portland cement (hereinafter "portland cement") and cement clinker, provided for in subheadings 2523.10.00, 2523.29.00, and 2523.90.00 of the Harmonized Tariff Schedule of the United States (HTS) (previously reported under item 511.14 of the Tariff Schedules of the United States (TSUS)),[2] which are allegedly being sold in the United States at less than fair value (LTFV).

Accordingly, effective September 26, 1989, the Commission instituted antidumping investigation No. 731-TA-451 (Preliminary) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the alleged LTFV imports of portland cement and clinker into the United States.

Notice of the institution of the Commission's investigation and of a 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 2, 1989 (54 F.R. 40531).[3] The conference was held on October 17, 1989,[4] and the Commission's vote in this investigation was held on November 8, 1989. The statute directs that the Commission make its determination in this case within 45 days after receipt of the petition, or by November 13, 1989.

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[1] The petition lists the following members of the Ad Hoc Committee of AZ-NM-TX-FL Producers of Gray Portland Cement: BoxCrow Cement, Midlothian, TX; Florida Crushed Stone Co., Leesburg, FL; Gifford-Hill & Co., Inc., Dallas, TX; Ideal Basic Industries, Denver, CO; Phoenix Cement Co., Phoenix, AZ; Southwestern Portland Cement Co., Inc., Houston, TX; and Texas Industries, Dallas, TX.

[2] This investigation does not include white, nonstaining portland hydraulic cement, provided for in subheading 2523.21.00 of the HTS and in item 511.11 of the TSUS.

[3] Copies of the Commission's and Commerce's notices are shown in app. A.

[4] A list of witnesses appearing at the conference is presented in app. B.

Previous Commission Investigations Concerning Portland Cement

There have been 11 previous Commission investigations concerning portland cement, dating back to 1960. All of these have been antidumping investigations concerning portland cement, other than white, nonstaining portland cement, with the most recent investigation in 1986 involving cement clinker as well. The first nine investigations were conducted under the provisions of the Antidumping Act of 1921 and the last three were conducted under the provisions of the Tariff Act of 1930. All but the most recent investigation in 1986 were determined on the basis of a regional, rather than a national, industry. A listing of the Commission's investigations is presented in table 1.

The Present Investigation

In the present investigation, the petitioner has filed on behalf of two noncontiguous regional industries--Arizona, New Mexico, and Texas (hereinafter "the Southwest") and Florida or, alternatively, one region consisting of the four aforementioned states. These two "regions" constitute two of three major marketing areas for imports of portland cement and cement clinker from Mexico, with the State of California being the third. Petitioner argues that the Southwest and Florida, either separately or collectively, satisfy the statutory criteria for regional industry analysis-- (1) that the producers within such market sell all or almost all of their production of the like product in question in that market; (2) that the demand in that market is not supplied, to any substantial degree, by producers of the product in question located elsewhere in the United States; and (3) that there is a concentration of subsidized or dumped imports into such an isolated market.[5] For this report, information was collected from producers and importers in the two regions proposed by petitioner, as well as from producers and importers in California. Information for the entire U.S. industry was derived from U.S. Bureau of Mines data and other publicly available data.

With respect to the issue of "like product," the petitioner argues that because clinker is an intermediate product generated during the production of cement and has no other use than to be ground into finished cement, it and portland cement clinker constitute one like product.[6] In support of this claim, petitioner cites the Commission's finding that portland cement and cement clinker constituted one like product in its 1986 investigation. Petitioner further states that most U.S. producers do not sell clinker as a routine matter and, as a result, do not keep profit-and-loss data for clinker operations.

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[5] 19 U.S.C. 1677(4)(C).

[6] Petition, p. 20.

Table 1
Portland cement and cement clinker: Previous investigations, determinations, countries subject to investigation, and scope of investigations[1]

Year of determination	Nature of determination	Subject Countries	Scope of investigation
1960	Negative	Canada	
1961	Affirmative	Sweden	Rhode Island, eastern Massachusetts, and eastern Connecticut (1 market area)
1961	Affirmative	Belgium	East coast of Florida
1961	Affirmative	Portugal	Connecticut, Massachusetts, and New Jersey (1 market area)
1962	Negative	Dominican Republic	Metropolitan New York City and Puerto Rico (2 market areas)
1963	Affirmative	Dominican Republic	Metropolitan New York City
1975	Affirmative[2]	Mexico	Arizona, New Mexico, and southwestern Texas (1 market area)
1976	Negative	Mexico	Florida and southeastern Georgia (1 market area)
1978	Negative	Canada	"Northeast U.S. market," and the "Canadian border U.S. market"[3] (2 optional market areas)
1983	Negative	Australia, and Japan	California and Nevada (1 region)
1986	Negative	Colombia, France, Greece, Japan, Mexico, the Republic of Korea, Spain, and Venezuela	National

[1]Prior to the Trade Act of 1974, the statute provided for an injury analysis on the basis of a "competitive market area," thereafter a "marketing area" or "region."
[2]The Commission "does not determine that there is no reasonable indication that an industry is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States." Subsequent to this determination, the Department of the Treasury made a negative LTFV determination and the investigation was terminated.
[3]The "northeast U.S. market" included the States of Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. The "Canadian border U.S. market" included the States of Alaska, Idaho, Illinois, Indiana, Michigan, Minnesota, Montana, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Washington, Wisconsin, and Wyoming, but did not include those States listed in the "northeast U.S. market."

Insofar as the "domestic industry" is concerned, petitioner states that because the like product is portland cement and cement clinker, it consists of the producers of same in the regional markets at issue. Petitioner further argues that, since the production of clinker accounts for over 80 percent of the cost of producing portland cement, the grinding of clinker is a minor finishing operation. Therefore, it is argued, profits derived from grinding imported clinker should not be considered as profits of a U.S. producer[7] and should not be considered in the Commission's analysis of the health of the two regional industries in the instant investigation. Information collected in Commission questionnaires with respect to "grinding only" operations is presented separately from other producer data throughout this report.

With regard to the relevant period to be examined in the Commission's consideration of material injury or threat thereof, petitioner requests that the Commission consider all relevant economic factors that have a bearing on the state of the industry "within the context of the business cycle,"[8] thereby looking at a period longer than the 3-year period traditionally studied in most investigations. Petitioner argues that in the Florida region the alleged LTFV imports from Mexico "have suppressed prices and prevented regional producers from realizing an adequate return on investment and from achieving the profits they would otherwise have achieved during the expansion phase of the construction and cement cycle."[9] Insofar as the Southwest region is concerned, petitioner argues that the alleged LTFV imports "have increased and have maintained significant market share when regional producers are most vulnerable--during the contraction phase of the construction and cement cycle."[10] In view of this request, but also taking into consideration the short response time, staff asked producers and importers to provide limited trade, financial, and pricing information from 1983 to 1985, in addition to information requested for January 1986-June 1989, in order to enable the Commission to evaluate the industry's performance in the context of the business cycle. Those data are presented in app. C.

The Product

Description and uses

Portland cement is a hydraulic cement consisting mainly of compounds of calcium, silica, and iron oxide which, when mixed with water and aggregate, chemically react to form concrete. The cement is a highly standardized product, usually prepared from a mixture of limestone, clay, and iron ore, that is crushed and ground by either a wet or dry process. The mill feed is sintered at about 2,700 degrees Fahrenheit in refractory-lined, cylindrical, steel rotary kilns to make cement clinker, which is in the form of small, grayish-black pellets. Clinker is quite different in appearance and properties from the finished product and has no other use than for the production of cement.

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[7] Petition, p. 21.

[8] Sec. 771(7)(C) of the Tariff Act of 1930.

[9] Petition, p. 37.

[10] Ibid.

Clinker may be stockpiled outside in a dry climate, but must be protected from moisture in areas with varied weather conditions. When the clinker is ground into cement, about 5 percent gypsum and other materials are added to retard the absorption of water and allow for easier handling. The final grinding step and the materials added are very important in determining the specifications and type of finished cement.

Hydraulic cements are distinguished from nonhydraulic cements by the fact that they will set, or harden, under water; nonhydraulic cement will not set under water. Portland[11] cement is the most important of the four major categories of hydraulic cements,[12] accounting for about 95 percent of domestic production and, reportedly, for almost all imports.

All cement generally conforms to the standards established by the American Society for Testing Materials (ASTM). General descriptions of the five standard types of portland cement are given by ASTM as follows:[13]

> Type I--For use when the special properties specified for any other type are not required;
>
> Type II--For general use, especially when moderate sulfate resistance or moderate heat of hydration is required;
>
> Type III--For use when high early strength is required;
>
> Type IV--For use when a low heat of hydration is required.
>
> Type V--For use when high sulfate resistance is required.

In 1988, types I and II portland cement together accounted for 92.2 percent of the quantity of all shipments of portland hydraulic cement from U.S. plants (table 2). Specifications for type I and type II portland hydraulic cement are very similar. The chemical specifications for types I and II differ in that type I has no specifications for several items that are specified for type II. Thus, type II cement meets all the requirements of type I cement and may be used in lieu of type I. In addition to the standard portland cements, there are a number of special cement blends that consist of portland cement (table 2).

Cement is hygroscopic; that is, it has a tendency to absorb water. Because cement and water form concrete, cement must be handled and stored in a manner that minimizes the possibility of contamination by water. Thus, both domestic producers and importers must use some type of enclosed system or storage silo and relatively sophisticated equipment to handle finished cement.

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[11] The name was given in 1824 by Joseph Aspdin, a bricklayer of Leeds, England, to a hydraulic lime that he patented, because when set with water and sand, it resembled a natural limestone quarried on the Isle of Portland in England.

[12] Portland, masonry, pozzolanic, and natural or Roman cement are the four major categories of hydraulic cements.

[13] ASTM designation C-150, petition, p. 6.

Table 2
Portland cement:[1] Shipments from U.S.[2] plants, by type of cement, 1988

Type of cement	Quantity 1,000 short tons	Value 1,000 dollars	Unit value Per short ton
General use (types I and II).....	79,943	3,826,576	$47.87
High-early strength (type III)...	3,359	178,149	53.04
Sulfate-resisting (type V).....	697	36,600	52.51
Oil well.....	916	48,193	52.61
White.....	365	61,155	167.54
Slag and pozzolan.....	625	33,454	53.52
Expansive.....	64	5,595	87.42
Miscellaneous[3]	769	43,092	56.03
Total or average.....	86,738	4,232,814	48.80

[1] The Bureau of Mines portland cement classification includes some cements that are special blends consisting of portland cement but that are technically outside of the portland cement category.
[2] Includes Puerto Rico.
[3] Includes waterproof, low-heat (Type IV), and regulated fast-setting cement.
Source: U.S. Department of the Interior, Bureau of Mines, Mineral Industry Surveys, "Cement in 1988," July 13, 1989, p. 18.

Note.--Data may not add to totals shown because of rounding.

Portland cement is used predominantly in the production of concrete. Concrete is consumed almost wholly by the construction industry. The chief end-uses are highway construction using ready-mix concrete and building construction using ready-mix concrete, concrete blocks, and precast concrete units. In many building applications, concrete is used with steel reinforcement to obtain greater strength and durability. One ton of portland cement is used to make about 4 cubic yards of concrete.

Concrete, being a major material in building construction, competes with structural steel, clay products, building stone, and other materials in various building construction applications. However, in almost every type of structure, regardless of the principal building material used, there are certain basic uses for concrete (foundations, basements, floors, and so forth) for which there is little direct competition. The choice of the principal structural material is governed by many factors, such as cost, personal preference, and building code specifications. Concrete made with gray portland cement is one of the most widely used construction materials in the United States. Table 3 shows the types of customers for cement during 1988.

Table 3
Portland cement: U.S. producers' shipments as a percentage of total shipments, by types of customers, 1988[1] [2]

Type of customer	Percent of total
Building material dealers	4.4
Concrete product manufacturers	11.2
Ready-mixed concrete	73.9
Highway contractors	4.4
Other contractors	3.5
Federal, state, and other government agencies	.3
All other	2.3
Total	100.0

[1] Includes cement imported and distributed by domestic producers.
[2] Includes Puerto Rico.

Source: U.S. Department of the Interior, Bureau of Mines, Mineral Industry Survey, "Cement in 1988," p. 17.

Production process

There are basically two processes used to blend the raw materials to produce cement: the wet process and the dry process, which are both depicted in figure 1. In the wet process, the raw materials are ground, blended, and mixed with water to produce a slurry. This slurry is fed into rotary kilns in which it is heated to induce chemical reactions that convert the raw material into clinker. The wet process is used where some of the raw materials are very moist. It is also the older process, having been used in Europe before the manufacture of portland cement in the United States.

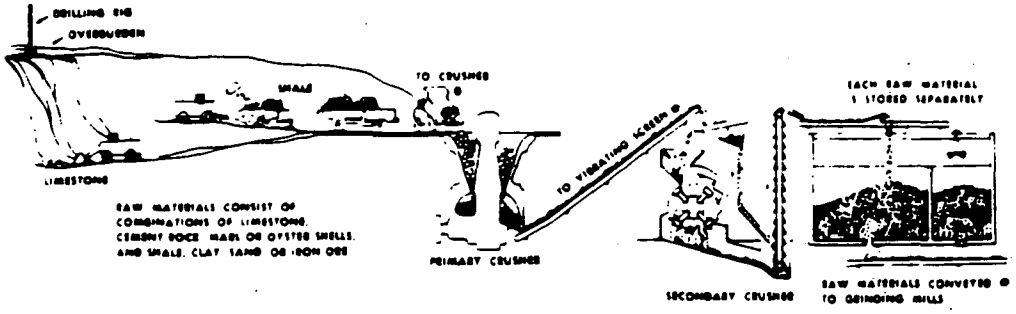
In the dry process, all grinding and blending are done with dry materials in a roller mill. In more technically advanced facilities, the blended raw meal then goes through a preheater and precalciner in which it is partially calcined by direct firing before entering the rotary kiln. In the dry-process facilities that do not include a preheater or precalciner, the raw meal is fed directly into a rotary kiln in which it is calcined into clinker. The advantage of using preheaters and precalciners is that they can reduce kiln fuel consumption.[14] Figure 2 shows some of the new technology used in the dry-process manufacture of portland cement.

In the United States, approximately 59 percent of the cement clinker production facilities use the dry process.[15] Many domestic producers converted their facilities to the dry process. The main advantage of this process is that it is more energy efficient than the wet process, since less time is needed for

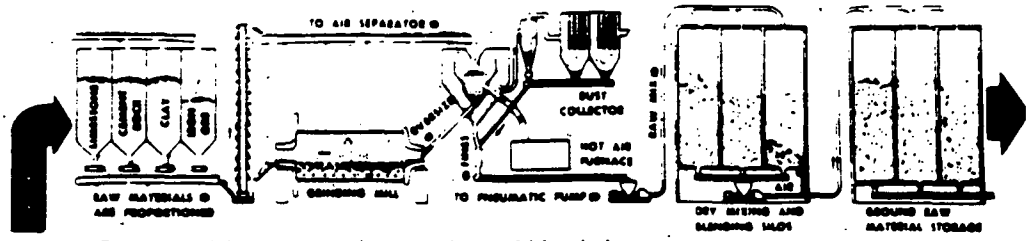
[14] Norman L. Weiss, ed., SME Mineral Processing Handbook (Society of Mining Engineers, American Institute of Mining, Metallurgical, and Petroleum Engineers, Inc., New York, NY, 1985), vol. 2, p. 26.

[15] U.S. Department of the Interior, Bureau of Mines, Directory of Cement Producers and Importers in 1988, Feb. 1, 1989, pp. 10-18.

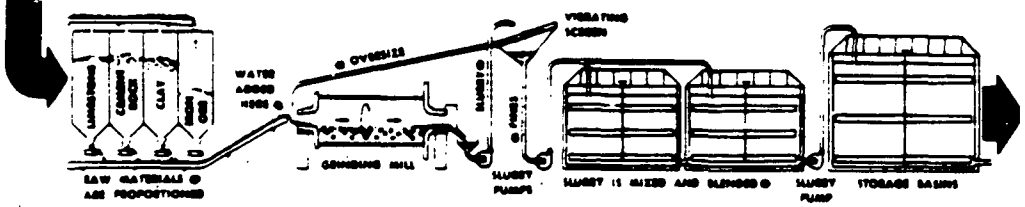
Figure 1.-- **Steps in the manufacture of portland cement**



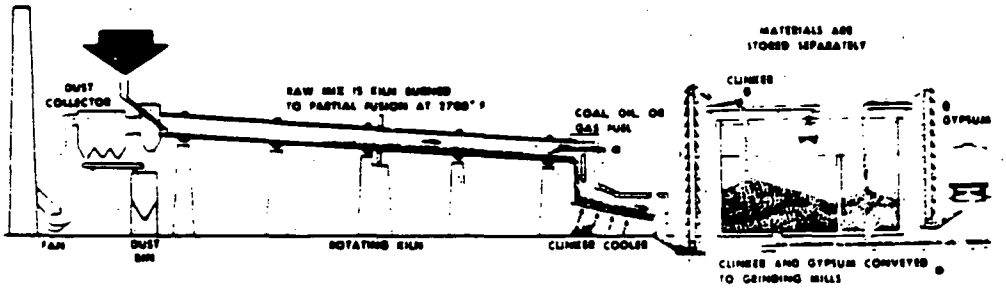
1. Stone is first reduced to 5-in. size, then to ¾ in., and stored.



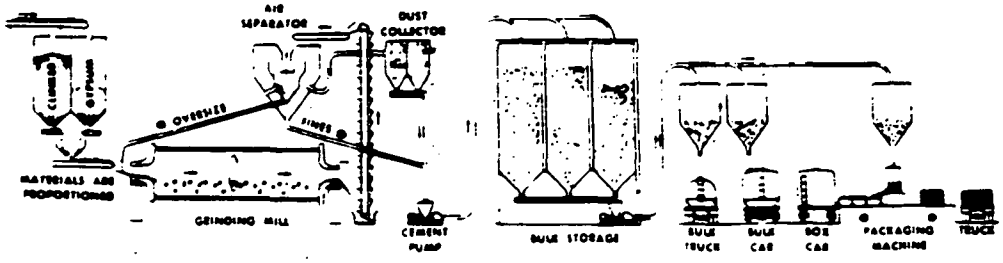
OR 2. Raw materials are ground to powder and blended.



2. Raw materials are ground, mixed with water to form slurry, and blended.



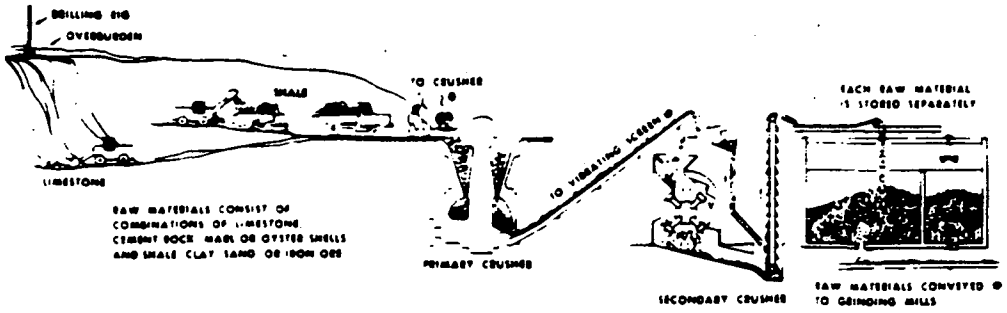
3. Burning changes raw mix chemically into cement clinker.



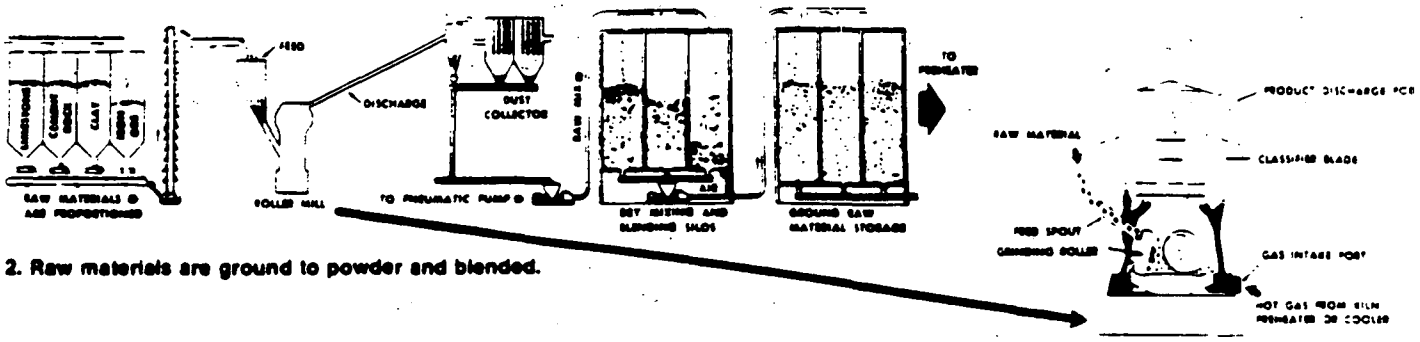
4. Clinker with gypsum is ground into portland cement and shipped.

Source: Portland Cement Association

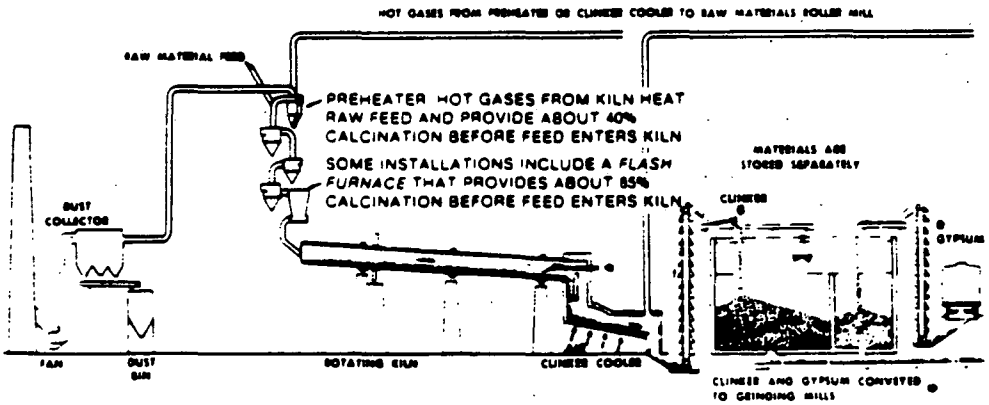
igure 2.-- **New technology in dry-process cement manufacture**



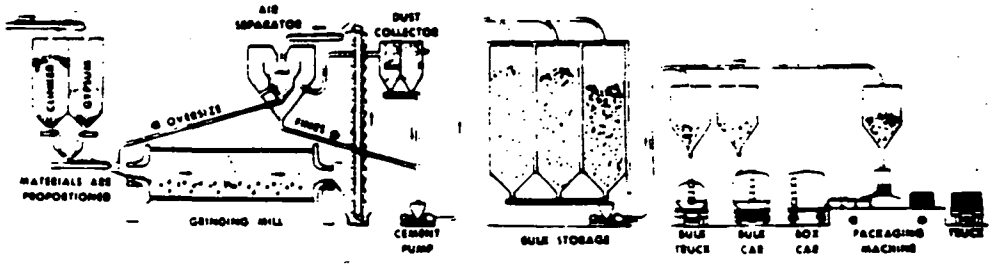
1. Stone is first reduced to 5-in.-size, then to ¾ in., and stored.



2. Raw materials are ground to powder and blended.



3. Burning changes raw mix chemically into cement clinker. Note four-stage preheater, flash furnaces, and shorter kiln.



4. Clinker with gypsum is ground into portland cement and shipped.

Source: Portland Cement Association

heating. Material travels through the kiln in 15 to 20 minutes, whereas the wet process requires approximately 1-1/2 hours of kiln time. For both the wet and dry processes, the major sources of energy to operate the kiln include coal, oil, and gas. The U.S. cement industry uses predominantly coal, whereas the Mexican industry uses mostly fuel oil number 6. The choice of fuel is simply an economic decision based on fuel prices, transportation costs to the production site, and efficiency costs of using one fuel over another.

U.S. tariff treatment

U.S. imports of portland cement (other than white, nonstaining portland cement) from countries entitled to the column 1 (most-favored-nation) duty rate, including Mexico, enter free of duty under subheadings 2523.29.00 and 2523.90.00 of the HTS. U.S. imports of cement clinker from countries entitled to the column 1 duty rate enter free of duty under subheading 2523.10.00. The column 2 rate of duty for both portland cement and cement clinker is $1.32 per metric ton, including the weight of the container, and is applicable to imports from those communist countries and areas specified in general note 3(b) of the HTS.

The Nature and Extent of Alleged Sales at LTFV

Petitioner has alleged that portland cement is being imported from Mexico at prices that are less than fair value. As evidence of the U.S. price of portland cement from Mexico, petitioner has relied upon the unit customs value for imports of portland cement and upon transaction prices. For the foreign market value, the petitioner has relied on prices at which portland cement is sold or offered for sale in the principal markets of Mexico, as reported by a consultant it retained to obtain ex-factory prices from Mexican producers for bulk sales in Mexico. From these comparisons, petitioner arrived at alleged dumping margins ranging from 96 to 111 percent.

The Domestic Market

The regional character

Because of the low value-to-weight ratio and the fungible character of cement, transportation costs are an important limiting factor on its shipment. More than 95 percent of portland cement shipments in the United States are to customers located within 300 miles of the production site. The following tabulation presents the distribution of producers' shipments, by distances, for Florida, the Southwest, and California in 1988 (in percent):

Miles shipped	Florida	Southwest	California
0-99.....	75	56	56
100-299.....	20	36	36
300-499.....	3	5	6
500 or more..	2	3	0

Producers located in Florida, the Southwest, and California shipped more than 90 percent of their cement within a 300-mile radius of their plants in 1988. Moreover, importers of cement from Mexico located in the same regions shipped virtually all of their imports of portland cement from Mexico within a 300-mile radius. The following tabulation presents the distribution of Florida, Southwest, and California importers' shipments, by distance shipped, in 1988 (in percent):

Miles shipped	Florida	Southwest	California
0-99.....	88	91	91
100-299.....	12	6	9
300-499.....	0	3	0
500 or more..	0	0	0

Information on the statutory criteria set forth for regional analysis are shown below for the Florida region, the Southwest region, those regions combined, and the California region (in percent, based on quantity):[16]

Region and share	1986	1987	1988
Florida region--			
Share of:			
U.S. producers' shipments within region..	97	97	96
Regional consumption supplied by producers outside region.....	6	9	7
Imports from Mexico.....	25	29	35
Ratio of imports from Mexico to consumption:			
Within region.....	12	16	22
In all other areas.....	3	3	4

[16] During the investigation, and at the public conference, counsel for Cemex argued that the regions proposed by petitioner were "gerrymandering" (Transcript at 111) and the Commission could not leave out an intervening region (i.e, the States of Louisiana, Mississippi, Alabama, and Georgia) in considering regional industry. Imports from Mexico of portland cement accounted for 5 percent, 6 percent, and 5 percent of aggregate consumption in those states during 1986, 1987, and 1988, respectively. Mexican imports of portland cement going into these four states as a share of total U.S. imports from Mexico were 12 percent, 11 percent, and 7 percent for 1986, 1987, and 1988, respectively.

In a telephone survey of the producers in the four states (one in Mississippi, six in Alabama, and two in Georgia), Commission staff found that most of their production was shipped within those states. Other states receiving their product included Tennessee, Kentucky, South Carolina, and Florida. ***.

Region and share	1986	1987	1988
Southwest region:			
Share of--			
U.S. producers' shipments within region..	98	97	94
Regional consumption supplied by producers outside region.....	12	6	1
Imports from Mexico.....	35	32	30
Ratio of imports from Mexico to consumption:			
Within region.....	9	11	14
In all other areas.....	3	3	4
Florida and Southwest regions:			
Share of--			
U.S. producers' shipments within region..	98	97	95
Regional consumption supplied by producers outside region.....	10	7	3
Imports from Mexico.....	60	61	65
Ratio of imports from Mexico to consumption:			
Within region.....	10	13	17
In all other areas.....	2	2	2
California region:			
Share of--			
U.S. producers' shipments within region..	97	98	97
Regional consumption supplied by producers outside region.....	3	3	3
Imports from Mexico.....	22	23	20
Ratio of imports from Mexico to consumption:			
Within region.....	6	7	7
In all other areas.....	3	4	5

Factors affecting demand

As noted earlier, virtually all portland cement is used in the manufacture of concrete, one of the essential building materials for most types of construction. Thus, the demand for portland cement is highly dependent on general construction activity.

One indicator of construction activity is the number of construction permits authorized. Table 4 presents data on such authorizations by region and by type of permit. These statistics show that authorizations of residential permits in the United States declined by nearly 18 percent from 1986 to 1988, then decreased by more than 5 percent in January-May 1989 compared with January-May 1988. The value of authorizations of nonresidential permits, adjusted for inflation, increased by 6 percent from 1986 to 1988.

Authorizations of nonresidential permits continued to increase in value, by 7 percent, in January-May 1989 in comparison with those in January-May 1988.

For the Florida region, the numbers indicate a decline in residential construction activity from 1986 to 1988. Authorizations for residential housing declined by nearly 13 percent from 1986 to 1988, but then increased by over 6 percent in January-May 1989 relative to authorizations for January-May 1988. Nonresidential authorizations in Florida increased irregularly in real dollar terms by 2 percent from 1986 to 1988. Nonresidential authorizations continued to increase in value by an additional 5 percent in January-May 1989 relative to those reported in January-May 1988.

In the Southwest region, figures show a sharp decline in construction activity from 1986 to 1988. Residential housing authorizations dropped off by 53 percent from 1986 to 1988, then declined by nearly 12 percent in January-May 1989 relative to January-May 1988. The value of nonresidential authorizations in the Southwest dipped by more than 32 percent from 1986 to 1988. Nonresidential authorizations were up in value by just over 1 percent in January-May 1989 compared with January-May 1988.

In California, the figures for construction activity from 1986 to 1988 are mixed. Authorizations for residential construction were off by nearly 20 percent from 1986 to 1988 but showed a slight increase of just short of 2 percent in January-May 1989 compared with January-May 1988. Nonresidential authorizations in California rose irregularly in real dollar terms, by over 10 percent from 1986 to 1988. January-May 1989 nonresidential authorizations were over 10 percent ahead of those for January-May 1988.

Table 4
Authorizations of construction permits, by region and by type of permit, 1986-88, January-May 1988, and January-May 1989

Item	1986	1987	1988	January-May-- 1988	1989
	Quantity (units)				
Residential:					
Florida	195,525	178,764	170,597	68,603	72,907
Southwest	169,864	99,904	79,758	33,679	29,736
Subtotal	365,389	278,668	250,355	101,282	102,643
California	314,641	251,824	253,369	95,888	97,643
Total United States	1,769,443	1,534,772	1,455,623	577,407	546,742
	Value (million dollars)				
Nonresidential:[1]					
Florida	5,054	5,231	5,158	2,123	2,239
Southwest	7,242	6,056	4,916	2,155	2,180
Subtotal	12,296	11,287	10,074	4,278	4,419
California	11,814	11,704	13,014	4,505	4,967
Total United States	71,730	70,927	76,060	26,860	28,789

[1] Deflated by implicit price deflator.
Source: Compiled from statistics of the U.S. Department of Commerce, Bureau of the Census.

Apparent consumption

Table 5 shows apparent consumption of portland cement and cement clinker for Florida, the Southwest, and California, as well as the portion of consumption supplied by U.S. producers outside those regions. Additionally, table 5 presents total apparent consumption of portland cement for the entire United States.[17]

Regional portland cement consumption for Florida and the Southwest represents the total of shipments, as reported in Commission questionnaires, within the respective regions by producers and grinders[18] operating within those regions, plus shipments supplied from U.S. producers outside the regions,[19] plus imports[20] into the regions.[21] For California, consumption figures come from data reported by the Bureau of Mines. These figures are used as the best information available since the questionnaire response from California producers was incomplete. The figures for out-of-region suppliers are based on estimates by Bureau of Mines personnel.

Given cement clinker's status as an intermediate material used in the production of finished portland cement, data on consumption, production, capacity, and capacity utilization must be evaluated separately for cement

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[17] Bureau of Mines data have been used for total U.S. apparent consumption.

[18] For purposes of this investigation, the term "grinders" refers to those operations producing cement from cement clinker that is imported or purchased from domestic sources, rather than producing their own clinker. In the section on "Consideration of Alleged Material Injury to an Industry in the United States" data for these operations are presented seperately from "producers" who produce and grind their own clinker to produce portland cement. In Florida, National Portland Cement Co. and Lafarge Corp. have grinder operations; in the Southwest, Gulf Coast Portland Cement Co. is a grinder; and, in California, Gifford-Hill's Crestmore facility is a grinder operation.

[19] To obtain the share of regional consumption supplied by producers or importers located outside the regions, Commission staff subtracted producers' shipments reported in Commission questionnaires and imports into the regions as reported in official import statistics of the Deparment of Commerce from the State total consumption figures published for the Bureau of Mines. Ideally, the difference between the figures would provide the quantity of shipments into the regions from sources outside the region.

[20] For imports, official statistics of the U.S. Department of Commerce have been used. Examination of the responses to Commission importer questionnaires indicates that all, or virtually all, imports are shipped within the region they are received. Hence, it is assumed that the imports shown in the official statistics are shipped within the region they are received. To the extent any of these imports are shipped outside the region, consumption for a given region may be slightly overstated.

[21] In calculating consumption, there were no export shipments to be extracted from overall shipments data.

Table 5
Portland cement and cement clinker: U.S. shipments,[1] U.S. production,[2] imports, and apparent consumption, 1986-88, January-June 1988, and January-June 1989

(In thousands of short tons)

Item	1986	1987	1988	January-June-- 1988	1989
Portland cement:					
Florida region:					
Apparent consumption.....	6,360	6,819	7,002	3,513	3,727
Shipments by regional producers/grinders.....	3,272	3,591	3,262	1,445	1,651
Imports from--					
Mexico.....	778	1,060	1,571	724	756
All other sources.....	1,946	1,632	1,689	816	677
Total imports.....	2,724	2,692	3,259	1,542	1,433
Total supplied from--					
Within region.....	5,996	6,283	6,521	2,987	3,084
Outside region.....	364	536	481	524	643
Southwest region:					
Apparent consumption.....	12,208	10,882	9,848	5,167	4,760
Shipments by regional producers/grinders.....	9,345	8,536	8,331	4,229	4,070
Imports from--					
Mexico.....	1,097	1,194	1,347	656	480
All other sources.....	355	449	62	40	[3]
Total imports.....	1,452	1,643	1,409	696	480
Total supplied from--					
Within region.....	10,797	10,179	9,740	4,925	4,550
Outside region.....	1,411	703	108	242	210
Florida and Southwest regions, combined:					
Apparent consumption.....	18,568	17,701	16,850	8,680	8,487
Shipments by regional producers/grinders.....	12,617	12,127	11,593	5,674	5,721
Imports from--					
Mexico.....	1,875	2,254	2,917	1,380	1,237
All other sources.....	2,300	2,081	1,751	856	677
Total imports.....	4,175	4,335	4,668	2,236	1,914
Total supplied from--					
Within region.....	16,792	16,462	16,261	7,910	7,635
Outside region.....	1,776	1,239	589	770	852

See footnotes at end of table

Table 5--Continued
Portland cement and cement clinker: U.S. shipments,[1] U.S. production,[2] imports, and apparent consumption, 1986-88, January-June 1988, and January-June 1989

(In thousands of short tons)

Item	1986	1987	1988	January-June-- 1988	1989
Portland cement:					
California region:					
Apparent consumption.....	11,282	11,719	12,542	6,017	6,462
Shipments by regional producers/grinders.....	9,205	9,116	9,390	4,460	5,314
Imports from--					
Mexico.....	693	857	916	411	151
All other sources.....	1,060	1,423	1,836	973	921
Subtotal.....	1,753	2,280	2,752	1,384	1,072
Total supplied from--					
Within region.....	10,958	11,396	12,142	5,844	6,386
Outside region.....	324	323	400	173	76
Total United States:					
Apparent consumption...	89,033	90,458	89,856	41,442	40,423
Cement clinker:					
Florida region:					
Apparent consumption.....	3,197	3,471	3,195	1,322	1,622
Production by regional producers.....	2,233	2,591	2,751	1,168	1,361
Imports from--					
Mexico.....	607	430	0	0	114
All other sources.....	357	450	444	154	148
Total imports.....	964	880	444	154	262
Southwest region:					
Apparent consumption.....	9,510	8,852	8,482	4,035	4,317
Production by regional producers.....	8,869	8,485	8,452	4,017	4,272
Imports from--					
Mexico.....	106	135	29	17	45
All other sources.....	535	232	1	1	0
Total imports.....	641	367	30	18	45
Florida and Southwest regions, combined:					
Apparent consumption.....	12,707	12,323	11,677	5,357	5,939
Production by regional producers.....	11,102	11,076	11,203	5,185	5,632
Imports from--					
Mexico.....	713	565	29	17	159
All other sources.....	892	681	444	155	148
Total imports.....	1,605	1,247	473	172	307

See footnotes at end of table.

Table 5--Continued
Portland cement and cement clinker: U.S. shipments,[1] U.S. production,[2] imports, and apparent consumption, 1986-88, January-June 1988, and January-June 1989

(In thousands of short tons)

Item	1986	1987	1988	January-June-- 1988	January-June-- 1989
Cement clinker:					
California region:					
Apparent consumption.....	10,668	10,368	9,723	[4]	[4]
Production by regional producers.....	10,439	10,368	9,690	[4]	[4]
Imports from--					
Mexico.....	81	0	0	0	0
All other sources.....	148	0	33	0	0
Total imports.....	229	0	33	0	0
Total United States:					
Apparent consumption.....	68,635	68,719	70,439	[4]	[4]
Production.....	64,633	65,032	68,520	[4]	[4]
Imports from--					
Mexico.....	1,095	1,215	437	253	201
All other sources.....	2,877	2,472	1,482	579	617
Total imports.....	3,972	3,687	1,919	832	818

[1] Includes shipments of portland cement by both producers and grinders.
[2] Production for clinker only.
[3] Less than 500 short tons.
[4] January-June 1988 and January-June 1989 data not available from Bureau of Mines.

Source: For portland cement, apparent consumption is computed from Bureau of Mines data. For cement clinker, apparent consumption for Florida and the Southwest is computed from data submitted in response to questionnaires of the U.S. International Trade Commission and official import statistics of the U.S. Department of Commerce. For California and the United States, cement clinker consumption is computed from Bureau of Mines data.

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

clinker and finished portland cement in order to avoid double counting or other aberrations. Consumption of cement clinker for Florida and the Southwest is the total of within-region production, as reported in questionnaires, plus official imports into the region. Since the Bureau of Mines only reports production of clinker, it is not possible to derive clinker supplied by out-of-region producers. For California, Bureau of Mines figures are used as the best information available.

Florida--Apparent consumption of portland cement in Florida rose 10 percent from 1986 to 1988. Imports accounted for most of the growth during that period. Cement clinker consumption experienced little change from 1986 to 1988; however, regional producers increased their share of consumption, with the share supplied by imports dropping over the period.

Southwest.--In the Southwest, apparent consumption of portland cement dropped by 19 percent from 1986 to 1988. During that time, the level of imports increased as a share of consumption, with imports from Mexico increasing nearly 23 percent for the period. Likewise, clinker consumption dropped from 1986 to 1988, with regional producers accounting for an increasing share of regional consumption.

California.--California experienced an 11-percent increase in consumption of portland cement from 1986 to 1988. Producers' shipment levels remained essentially level over the period, and imports increased as a share of the market. Imports from Mexico increased by 32 percent from 1986 to 1988. Consumption of clinker dropped during the period of investigation, with import levels dropping to nearly zero.

U.S. producers

According to the Bureau of Mines, there were 134 active cement manufacturing plants operating in the United States in 1988, down from 141 in 1986. The list of plants includes 10 operations solely for the grinding of imported, purchased, or interplant transfers of clinker.

Foreign ownership of U.S. cement plants is high and growing, with a number of facilities changing hands since 1986. According to the January 1989 ROI Cement Industry Research Reports publication "The Organization of the North American Cement Industry," the greatest changes in the North American cement industry "more than anything else over the past decade have been the great increase in joint ventures and foreign ownership, especially by international cement companies." In 1988, 67 of the plants in the United States were operated by foreign ownership or joint ventures with foreign owned participants.

Holderbank Financiere Glaris Ltd. of Switzerland (Holderbank) is involved in operations totaling 16.3 million tons capacity in the United States and Canada and 4.6 million tons in Mexico. Lafarge Coppee (Lafarge) of France has full or partial ownership interests in 13.1 million tons in the United States and Canada and Blue Circle Industries PLC (Blue Circle) of the United Kingdom (UK) has cement interests of 3.6 million tons in the United States.

Lonestar Industries (Lonestar) fully owns and operates 4.8 million tons of cement capacity in the United States and has joint-venture interests totaling another 3.9 million tons. Lonestar purchased many of its U.S. cement assets in the 1970s, becoming the largest cement company in the United States. In the 1980s, however, Lonestar has either sold many of its assets entirely or included them in joint ventures. Cementos Mexicanos (Cemex) currently operates 25.2 million tons of cement capacity, all in Mexico, 7.3 million tons of which was acquired from Blue Circle this year. Additionally, Cemex has formed several joint ventures with U.S. cement companies in recent years.

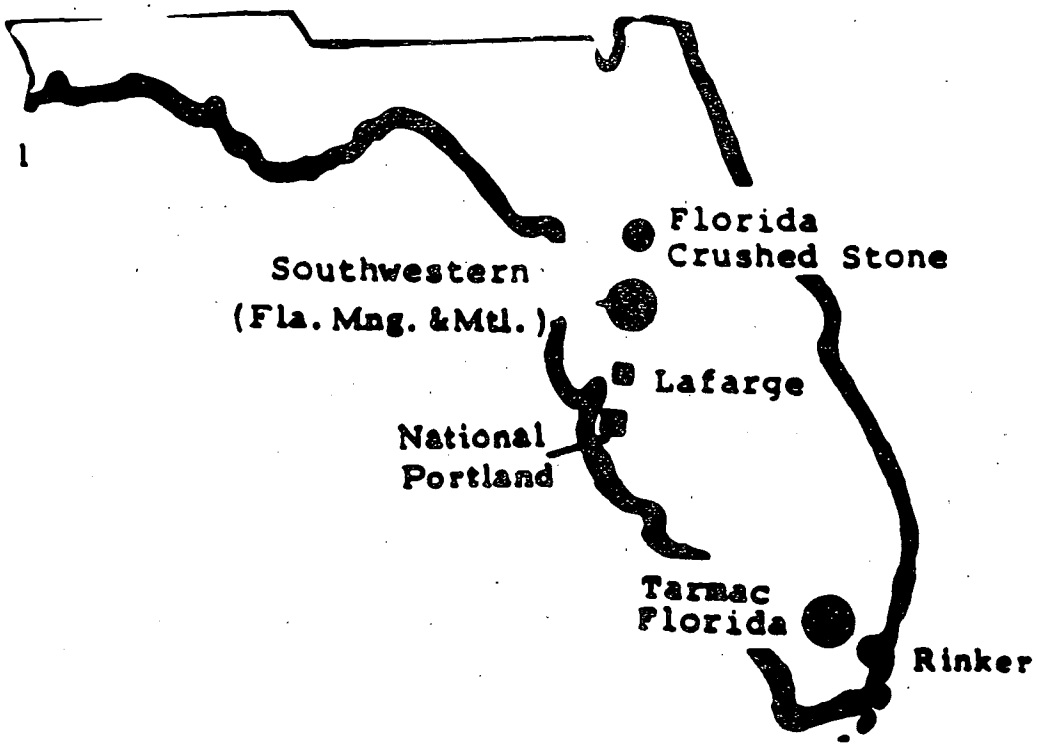
Florida producers.--There are presently four producer and two grinder operations in Florida (fig. 3). Florida Crushed Stone (FCS) in Brooksville, FL, is the newest of these facilities, having begun operations in 1987. Florida Mining and Minerals Corp. (FM&M), also located in Brooksville, is owned by Southdown, Inc., an owner of cement plants throughout the United States including facilities in Texas and California. Southdown purchased FM&M in July 1988 as part of its purchase of Moore McCormack Resources, Inc. Tarmac Roadstone USA, Inc., operates a plant in Pennsuco, FL. Tarmac began operation of the Pennsuco facility in March 1988 as a joint venture with Lonestar, then purchased the remainder of the venture in late 1988. ***, with FCS and FM&M being members of the petitioning group.

Rinker Materials Corp. is located in Miami, FL, and in 1988 was purchased by CSR Limited of Australia. ***. Lafarge of Tampa, FL, and National Portland Cement Co. of Palmetto, FL, operate grinding facilities at those locations. Both firms import clinker from Mexico as well as other sources for grinding into portland cement. Lafarge has cement operations throughout the United States, including plants in Texas. ***.

Southwest producers.--There are currently 13 active producers and one grinder operation in the Southwest (fig. 4). Ten are located in Texas, one in New Mexico, and two in Arizona. The single grinder operation is located in Texas. BoxCrow Cement (BoxCrow), Gifford-Hill & Co., Inc. (Gifford-Hill), and Texas Industries, Inc. (TXI) operate facilities located in Midlothian, TX. In addition, TXI operates a cement plant at Hunter, TX. Gifford-Hill, owned by C.H. Beazer Holdings PLC of the UK, has three other facilities in the United States, two of them in California. All three companies are in support of the petition as members of the petitioning group.

Alamo Cement Co. (Alamo), owned by Presa SpA Cementeria de Robilante of Italy, and Capitol Aggregates, Inc., operate cement plants in San Antonio, TX. ***. Southdown, Inc., and Lafarge have producing operations at Odessa, TX, and New Braunfels, TX, respectively. Southdown closed facilities in El Paso, TX, in 1985, and entered into a venture with Cemex to import portland cement from the latter's plants in Mexico and use the El Paso facility as a distribution terminal. Southdown states ***. In October 1987, Southdown closed its Amarillo, TX, manufacturing facilities, ***. Lafarge closed its Fort Worth, TX, plant in October 1986 and its Dallas, TX, plant in February 1988 due to ***.

Figure 3.--Florida producer/grinder locations

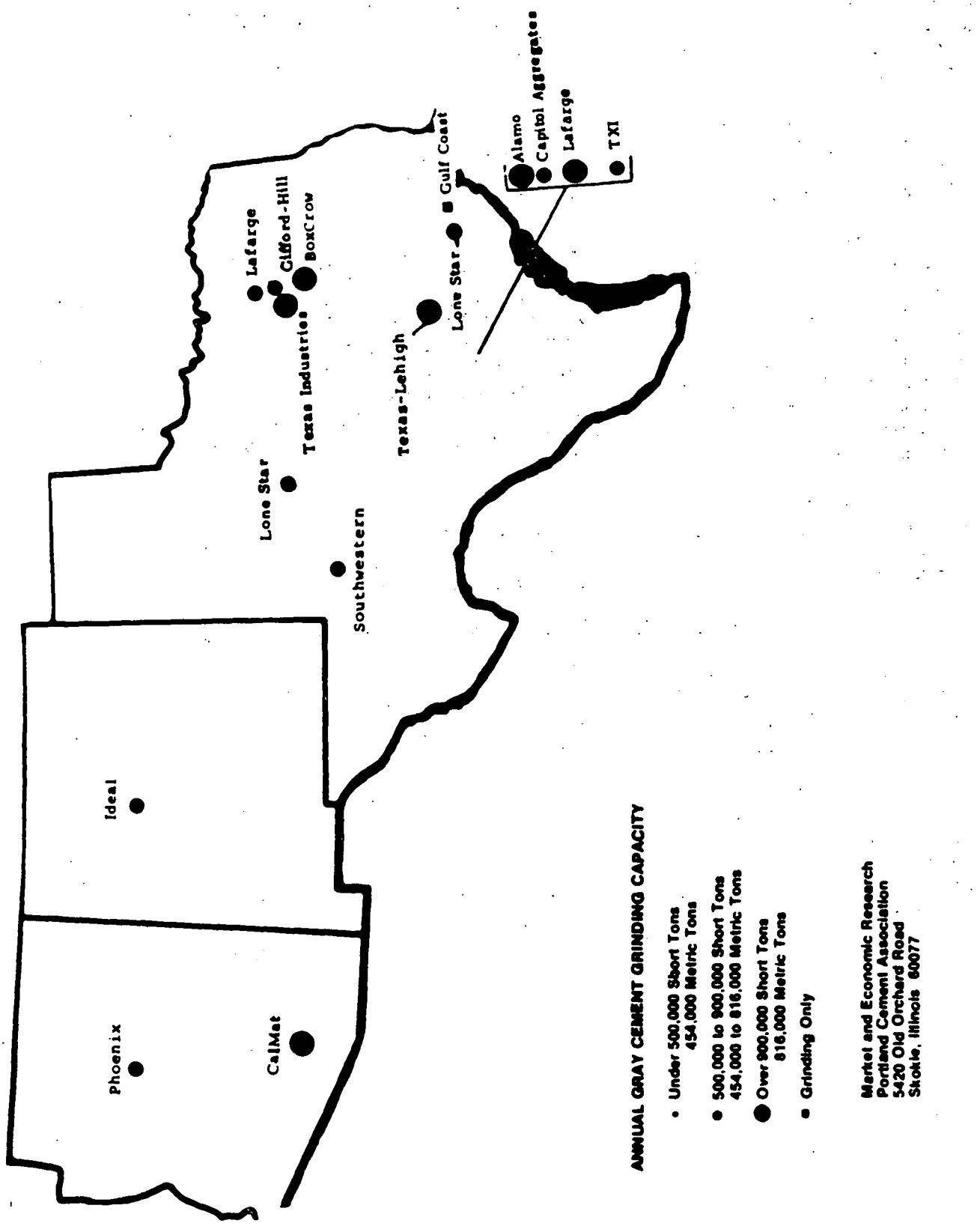


ANNUAL GRAY CEMENT GRINDING CAPACITY

- Under 500,000 Short Tons
  454,000 Metric Tons
- 500,000 to 900,000 Short Tons
  454,000 to 816,000 Metric Tons
- Over 900,000 Short Tons
  816,000 Metric Tons
- Grinding Only

Market and Economic Research
Portland Cement Association
5420 Old Orchard Road
Skokie, Illinois 60077

Figure 4.--Southwest producer/grinder locations



Lonestar currently operates one portland cement manufacturing facility located in Maryneal, TX. In 1985, Lonestar closed its Houston, TX, cement facility. Lonestar operates other facilities around the United States, including a joint venture operation, RMC Lonestar, located in California. ***. Texas-Lehigh is a joint venture producer located in Buda, TX, owned equally by Centex Corp. and Lehigh Portland Cement Co. (Lehigh). Prior to 1987, Lehigh operated a facility in Waco, TX, but shut down that plant "because of poor market conditions." ***.

The lone grinder in the Southwest is Gulf Coast Portland Cement Co. located in Houston, TX. Gulf Coast was purchased by Sunstar Cement Corp., a Cemex company, in August 1989. Gulf Coast imports clinker for grinding from Mexico, Spain, and Colombia and purchases clinker from domestic producers. ***.

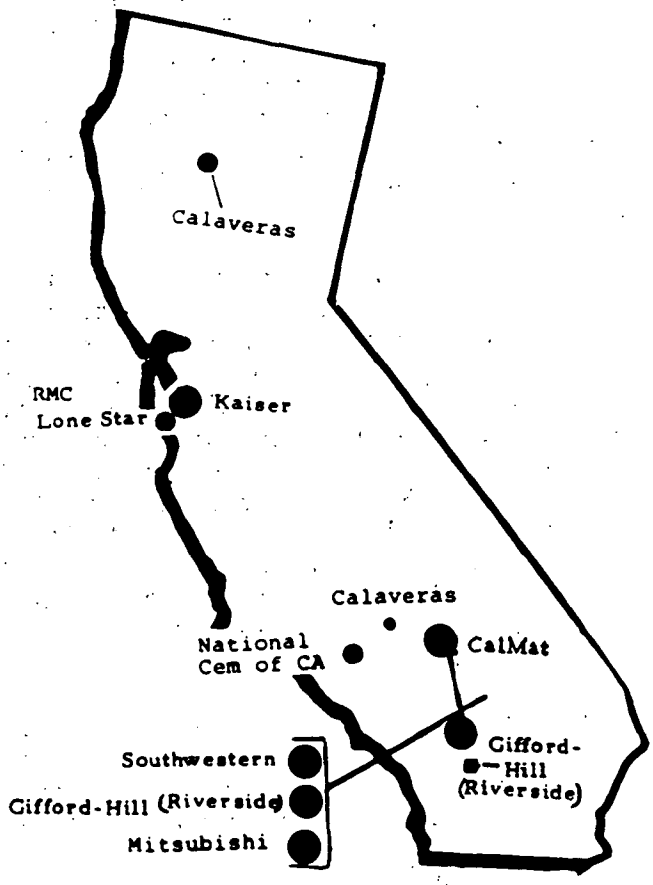
Ideal Basic Industries, Inc. (Ideal) produces portland cement at its facility in Tijeras, NM. Ideal is owned by Holderbank of Switzerland and has a number of cement plants around the country, particularly in the Western United States. Phoenix Cement Co. (Phoenix) is located in Clarkdale, AZ, north of Phoenix, AZ. Phoenix is owned by the Salt River Pima-Maricopa Indian Community, which purchased the facility from Gifford-Hill in May 1987. The other cement plant in Arizona is owned by the CalMat Co. (CalMat) and located in Rillito, near Tuscon. CalMat is indirectly controlled by Onoda Cement Co., Ltd., of Japan and has two other cement plants located in California. Ideal and Phoenix are members of the petitioning group, and CalMat ***.

California producers.--There are presently 10 active producers and one grinder operation in California (fig. 5). Seven of the producers and the one grinder operation are located in southern California, and the other three are producers located in the northern part of the State.

Southdown, which also has plants in Florida and the Southwest operates a plant in Victorville in southern California. Gifford-Hill has two southern California facilities--one a producer and the other a grinder operation. The producer is located in Oro Grande and the grinder in Crestmore. The Crestmore facility has been a grinder operation since August 1987, ***. As noted earlier, both Southdown and Gifford-Hill support the petition.

CalMat has manufacturing facilities located in Colton and Mojave in southern California. National Cement of California produces portland cement at its plant located in Lebec, CA. This plant was purchased from a subsidiary of Lafarge in November 1987. National Cement of California is owned by Societe Anonyme des Ciments Vicat of France and ***. Mitsubishi Cement Co. (Mitsubishi) operates a producer facility in Lucerne Valley, CA. Mitsubishi is owned by Mitsubishi Mining & Cement Co., Ltd., of Japan, which purchased the plant from Kaiser Cement Corp. (Kaiser) in 1988. ***.

Figure 5.--California producer/grinder locations



The remaining producer in southern California is Calaveras Cement Co. (Calaveras), with its plant in Monolith, CA. The Monolith plant was purchased in March 1989. Calaveras is owned by Cimentaries CBR, S.A., of Belgium and also operates a plant in northern California at Redding. Kaiser and RMC Lonestar have production facilites located south of San Francisco in Permanente, CA, and Davenport, CA, respectively. RMC Lonestar is a joint venture of California Readymix, Inc., and Lonestar. ***.

U.S. importers

On a national basis, U.S. producers, grinders, and importers having an affiliation with foreign producers (either through direct ownership or a joint-venture operation) account for many of imports from all sources of portland cement and cement clinker into the United States.[22] In the Commission's 1986 investigation, U.S. producers[23] responding to questionnaires accounted for nearly 40 percent of all portland cement imported into the United States during 1985. Given cement clinker's status as an intermediate product in the production of portland cement, all of the clinker would be imported by or for U.S. producer or grinder operations.

Florida.--In the Florida region, importers accounting for nearly 90 percent of imports of portland cement and virtually all imports of cement clinker from Mexico during the period of investigation responded to the Commission's questionnaire. The two grinder operations, National Portland and Lafarge, accounted for *** clinker imports from Mexico. Both firms import clinker from ***. Lafarge also imported finished portland cement from Mexico and accounted for *** percent of Mexican imports into Florida during 1988. Rinker, a producer located in Miami, FL, was *** Florida importer of portland cement from Mexico in 1988. Rinker's imports of portland cement from Mexico, as a share of its shipments of product from its Miami plant, were *** percent in 1988. Other importers in Florida included Blue Circle Atlantic, owned by Blue Circle of the UK, with three terminals in the region and Ideal, a producer in the Southwest and other States, but not in Florida.

Southwest.--Importers accounting for nearly all imports from Mexico of portland cement and cement clinker into the Southwest region responded to the Commission's questionnaire. Gulf Coast was the *** importer of clinker, with the imports destined for use in its Houston grinding facility.

Four importers, BCW, Inc., Lonestar-Falcon, Texas Sunbelt Cement (Texas Sunbelt), and Southwestern Sunbelt Cement (Southwestern Sunbelt), accounted for nearly all imports from Mexico of portland cement into the Southwest region.

BCW, Inc. has three terminals in Arizona and is owned equally by three Mexican firms: Empress Tolteca de Mexico S.A. de C.V. (Tolteca), Cementos Portland Nacional, and Cementos del Pacifico. Tolteco was acquired by Cemex in

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[22] Imports from Mexico by U.S. producers and grinders in Florida, the Southwest, and California are shown in table 6.

[23] Including grinders.

1989. BCW, Inc., has import terminals in California as well. Lonestar-Falcon, located in Dallas, TX, is a joint venture of Lonestar and Falcon Investments of Richmond Hill, GA.

Texas Sunbelt has three import terminals in the southern part of Texas, at Corpus Christi, McAllen, and San Antonio. Texas Sunbelt is a joint venture of Cemex and Texas-Lehigh. Southwestern Sunbelt has import terminals in El Paso, TX, Albuquerque, NM, and Phoenix, AZ. Southwestern Sunbelt was a joint venture of Cemex and Southdown,[24] a U.S. producer, until 1989, when Cemex purchased Southdown's portion of the venture.

California.--BCW, Inc., with terminals in San Diego and Richmond, and Southwestern Sunbelt, with a San Diego terminal, accounted for *** imports from Mexico of portland cement and cement clinker into California during the period of investigation.

Table 6
Portland cement and cement clinker: U.S. producer and grinder imports from Mexico, 1986-88, January-June 1988, and January-June 1989

(In thousands of short tons)

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

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

[24] See "U.S. producers" section of this report.

Consideration of Alleged Material Injury to an Industry in the United States[25]

The data in this section come from responses to the Commission's questionnaires sent to producers and grinders in Florida, the Southwest, and California. All producers and grinders in Florida and the Southwest provided questionnaire responses; the responses from California represented less than full coverage. A number of firms in California changed hands during the period of investigation, and it was primarily in those firms that responses for the full period of investigation were incomplete.[26]

Data in this section are presented separately for firms in Florida, the Southwest, these areas combined,[27] and California. Although the text will not discuss the trends in the combined region, it can be said that the trends for that region basically track those experienced in the Southwest, although to a lesser degree. Information with respect to grinder operations is presented separately from that of producer operations. Tables concerning grinder operations will be noted with a "G" after the table number (i.e., table 7, table 7G).

U.S. production, capacity, and capacity utilization

Table 7 details production of portland cement ground from producers' own clinker, from imported clinker, and from purchased clinker as well as providing data on clinker production.

Florida.--Capacity to produce both portland cement and cement clinker increased during January 1986-June 1989. Likewise, production increased in both categories over the same period. Capacity utilization for portland cement rose from 61.3 percent in 1986 to 86.5 percent in 1988, while utilization rates for cement clinker dropped irregularly over the same period.

Southwest.--Production capacity rose for both portland cement and cement clinker from 1986 to 1988, while production of both dropped during the period. Capacity utilization in the Southwest dropped irregularly in both categories from 1986 to 1988.

California.--In California, questionnaire respondents reported increases in both portland cement capacity and production during January 1986-June 1989. Capacity utilization rates for portland cement increased irregularly from 1986 to 1988, with rates for cement clinker showing a steady increase over the same period.

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[25] Trade and financial data by plant, by region, are presented in app. D.

[26] ***.

[27] In the petition, the petitioner argued one regional industry consisting of Florida and the Southwest as an alternative to considering each region separately.

Table 7
Portland cement and cement clinker: U.S. capacity, production, and capacity utilization, by products and by regions, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Production (1,000 short tons)				
Florida region:					
Portland cement from--					
Firms' cement clinker....	2,307	2,607	2,860	1,216	1,419
Imported cement clinker..	34	-	-	-	-
Purchased cement clinker.....	183	282	-	-	-
Total.....	2,524	2,889	2,860	1,216	1,419
Cement clinker.....	2,233	2,591	2,751	1,168	1,361
Southwest region:					
Portland cement from--					
Firms' cement clinker....	8,859	8,274	8,090	4,042	3,793
Imported cement clinker..	34	-	-	-	-
Purchased cement clinker.....	35	34	101	47	24
Total.....	8,928	8,308	8,191	4,089	3,817
Cement clinker.....	8,869	8,485	8,452	4,017	4,272
Florida and Southwest regions, combined:					
Portland cement from--					
Firms' cement clinker....	11,166	10,881	10,950	5,258	5,212
Imported cement clinker..	68	-	-	-	-
Purchased cement clinker.....	218	316	101	47	24
Total.....	11,452	11,197	11,051	5,305	5,236
Cement clinker.....	11,102	11,076	11,203	5,185	5,633
California region:					
Portland cement from--					
Firms' cement clinker....	5,199	5,262	5,641	2,710	2,903
Imported cement clinker..	-	-	-	-	-
Purchased cement clinker.....	51	-	25	-	-
Total.....	5,250	5,262	5,666	2,710	2,903
Cement clinker.....	5,373	5,700	5,845	2,807	2,824

continued on next page

Table 7--Continued
Portland cement and cement clinker: U.S. capacity, production, and capacity utilization, by products and by regions, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	End-of-period capacity (1,000 short tons)				
Florida region:					
Portland cement	2,779	2,774	3,305	2,085	2,225
Cement clinker	1,637	2,397	2,878	1,833	1,954
Southwest region:					
Portland cement	12,635	13,503	13,509	8,639	8,564
Cement clinker	10,476	11,616	11,568	7,311	7,245
Florida and Southwest regions, combined:					
Portland cement	15,414	16,277	16,814	10,724	10,789
Cement clinker	12,113	14,013	14,446	9,044	9,199
California region:					
Portland cement	6,532	6,612	6,422	4,242	4,250
Cement clinker	6,020	6,186	5,803	3,844	3,841
	Capacity utilization[1] (percent)				
Florida region:					
Portland cement	61.3	72.6	86.5	58.3	63.8
Cement clinker	97.3	82.4	95.6	63.7	69.7
Southwest region:					
Portland cement	67.1	60.5	62.4	48.4	45.6
Cement clinker	81.7	74.0	74.8	56.6	60.1
Florida and Southwest regions, combined:					
Portland cement	66.1	62.6	67.3	50.4	49.4
Cement clinker	83.8	75.5	79.0	58.1	62.1
California region:					
Portland cement	80.4	79.6	88.2	63.9	68.3
Cement clinker	89.3	92.1	100.7	73.0	73.5

[1] Computed from responses of firms providing both capacity and production.

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

Grinder operations.--Data concerning production, capacity, and capacity utilization for grinder operations in the three regions are shown in table 7G.

Table 7G
Portland cement and cement clinker: U.S. grinders' capacity, production, and capacity utilization, by products, regions, and firms, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*

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

U.S. producers' shipments

Table 8 presents domestic shipment data for portland cement. Data are presented on a within- and outside-region basis. For all three regions, more than 90 percent of shipments occurred within the region where the product is produced. This was true for all the reporting periods of the investigation. No exports were reported by any of the producers responding to Commission questionnaires.

Florida.--Shipments within Florida increased by 10 percent from 1986 to 1988. January-June 1989 shipments were up nearly 15 percent compared with the same period of 1988.

Southwest.--Shipments within the Southwest by producers in that region declined throughout the period of investigation, dropping by more than 11 percent from 1986 to 1988 and by 4 percent in January-June 1989 compared with the corresponding period of 1988.

California.--Shipments by California producers within region increased irregularly, by slightly more than 9 percent, from 1986 to 1988, and January-June 1989 shipments were nearly 4 percent ahead of shipments for January-June 1988.

Table 8G shows portland cement shipment data for grinder operations in Florida, the Southwest, and California.

Table 9 presents shipment data with respect to cement clinker. As noted earlier, most domestically produced clinker is used captively by the producer to produce finished portland cement. Consequently, reporting of shipments in this category tended to be somewhat uneven. Some producers reported such clinker as a company transfer, but most did not report any shipments of clinker, choosing instead to simply report production with the notation that all clinker was used in the production of portland cement.

Table 8
Portland cement: Shipments of U.S. producers,[1] by regions, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

[1] There were no export shipments by producers in Florida, the Southwest, or California.

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

Table 8G
Portland cement: U.S. shipments within the region produced by U.S. grinders,[1] by regions and by firms, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

[1] There were no export shipments by grinders in Florida, the Southwest, or California.

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

Table 9
Cement clinker: Shipments of U.S. producers,[1] by regions, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

[1] There were no export shipments by producers in Florida, the Southwest, or California.
[2] Computed from data of firms providing data on both quantity and value of shipments.

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

U.S. producers' inventories

Producers' inventories of portland cement and cement clinker are presented in table 10.

Florida.--Florida producers' inventories of portland cement, as a share of production, ranged from 4.0 to 5.0 percent for the period of investigation while cement clinker inventories ranged from 2.3 to 4.4 percent.

Southwest.--Portland cement inventories for Southwest producers ran between 5.6 and 6.6 percent of production during the period of investigation. However, inventories of cement clinker were somewhat higher for the same period, ranging from 13.2 to 16.9 percent of production.

California.--Inventories of portland cement held by California producers ranged from 2.5 to 3.5 percent of production for the five reporting periods. Cement clinker inventories were higher in all reporting periods, ranging from a low of 5.5 percent to a high of 11.0 percent.

Table 10G presents data with regard to inventories held by grinder operations.

Table 10
Portland cement and cement clinker: U.S. producers' inventories, by regions and by products, as of Dec. 31 of 1986-88, and as of June 30 of 1988 and 1989

Item	1986	1987	1988	January-June-- 1988	1989
	End-of-period inventories (1,000 short tons)				
Florida region:					
Portland cement	107	116	134	121	138
Cement clinker	61	114	64	90	62
Southwest region:					
Portland cement	490	546	526	464	431
Cement clinker	1,175	1,354	1,206	1,113	1,448
Florida and Southwest regions, combined:					
Portland cement	597	662	660	585	569
Cement clinker	1,236	1,468	1,270	1,203	1,510
California region:					
Portland cement	182	186	189	137	150
Cement clinker	460	627	341	508	312
	Ratio to production (percent)[1]				
Florida region:					
Portland cement	4.2	4.0	4.7	5.0	4.9
Cement clinker	2.6	4.4	2.3	3.9	2.3
Southwest region:					
Portland cement	5.5	6.6	6.4	5.6	5.6
Cement clinker	13.2	16.0	14.3	13.9	16.9
Florida and Southwest regions, combined:					
Portland cement	5.2	5.9	5.9	5.5	5.4
Cement clinker	11.1	13.3	11.3	11.6	13.4
California region:					
Portland cement	3.5	3.5	3.3	2.5	2.6
Cement clinker	8.6	11.0	5.8	9.0	5.5

[1] Ratios are based on data supplied by firms that reported both inventory and production information.

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

Table 10G
Cement clinker: U.S. grinders' inventories, by regions, products, and by firms, as of Dec. 31 of 1986-88, and as of June 30 of 1988 and 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

[1] Average ratios are based on data supplied by firms that reported both inventory and production information.

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

U.S. producers' employment and wages

Most of the firms responding to the Commission's questionnaire were unable to separate workers producing clinker from those producing finished portland cement because most of their workers did both. Therefore, the most detailed employment statistics that had any meaning were those for workers producing portland cement and cement clinker (table 11).

Florida.--The number of such workers in Florida increased by 34.7 percent from 1986 to 1988, owing largely to the opening of a new plant by FCS. Employment was down 5.1 percent in January-June 1989 compared with the same period a year earlier.

Southwest.--Employment of production and related workers in the Southwest region dropped by 25.3 percent from 1986 to 1988. January-June 1989 employment was off 3.4 percent compared with January-June 1988.

California.--The number of portland cement and cement clinker workers in California plants declined by 6.3 percent from 1986 to 1988. January-June 1989 employment figures were down 1.5 percent compared with the same period of 1988.

Employment data for grinder operations are presented in table 11G.

Table 11
Total establishment employment and average number of production and related workers producing portland cement and cement clinker, hours worked, [1] wages paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1986-88, January-June 1988, and January-June 1989 [2]

Item	1986	1987	1988	January-June-- 1988	January-June-- 1989
	Number of employees				
Florida region	432	570	563	557	588
Southwest region	2,210	1,942	1,697	1,679	1,641
Subtotal	2,642	2,512	2,260	2,236	2,229
California region	790	761	747	751	746
	Number of production and related workers (PRWs)				
Florida region:					
All products	364	490	484	476	507
Portland cement and cement clinker	343	471	462	455	432
Southwest region:					
All products	1,804	1,526	1,346	1,348	1,302
Portland cement and cement clinker	1,784	1,505	1,332	1,338	1,292
Florida and Southwest regions, combined:					
All products	2,168	2,016	1,830	1,824	1,809
Portland cement and cement clinker	2,127	1,976	1,794	1,793	1,724
California region:					
All products	582	561	547	550	544
Portland cement and cement clinker	553	532	518	521	513
	Hours worked by PRWs (thousands)				
Florida region:					
All products	819	1,111	1,125	463	502
Portland cement and cement clinker	772	1,066	1,075	447	452
Southwest region:					
All products	3,555	2,979	2,826	1,415	1,422
Portland cement and cement clinker	3,511	2,950	2,811	1,404	1,412
Florida and Southwest regions, combined:					
All products	4,374	4,090	3,951	1,878	1,924
Portland cement and cement clinker	4,283	4,016	3,886	1,851	1,864
California region:					
All products	1,233	1,181	1,096	491	577
Portland cement and cement clinker	1,173	1,119	1,040	469	545

See footnotes at end of table.

Table 11--Continued
Total establishment employment and average number of production and related workers producing portland cement and cement clinker, hours worked, [1] wages paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1986-88, January-June 1988, and January-June 1989 [2]

Item	1986	1987	1988	January-June-- 1988	1989
	Wages paid to PRWs (thousands of dollars)				
Florida region:					
All products	9,624	12,138	11,463	4,621	5,150
Portland cement and cement clinker	9,078	11,601	10,911	4,443	4,704
Southwest region:					
All products	47,766	40,644	38,068	19,414	18,235
Portland cement and cement clinker	47,145	40,259	37,800	19,275	18,104
Florida and Southwest regions, combined:					
All products	57,390	52,782	49,531	24,035	23,385
Portland cement and cement clinker	56,223	51,860	48,711	23,718	22,808
California region:					
All products	18,100	17,459	16,731	7,488	8,379
Portland cement and cement clinker	17,239	16,555	15,892	7,152	7,910
	Hourly wages paid to PRWs [3]				
Florida region:					
All products	$11.75	$10.93	$10.19	$9.98	$10.26
Portland cement and cement clinker	11.76	10.88	10.15	9.94	10.41
Southwest region:					
All products	13.44	13.64	13.47	13.72	12.82
Portland cement and cement clinker	13.43	13.65	13.45	13.73	12.82
Florida and Southwest regions, combined:					
All products	13.12	12.91	12.54	12.80	12.15
Portland cement and cement clinker	13.13	12.91	12.53	12.81	12.24
California region:					
All products	14.68	14.78	15.27	15.25	14.52
Portland cement and cement clinker	14.70	14.79	15.28	15.25	14.51

See footnotes at end of table.

Table 11--Continued
Total establishment employment and average number of production and related workers producing portland cement and cement clinker, hours worked, [1] wages paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1986-88, January-June 1988, and January-June 1989 [2]

Item	1986	1987	1988	January-June-- 1988	1989
	Productivity for portland cement (short tons per hour) [4]				
Florida region	3.2	2.7	2.7	2.7	3.1
Southwest region	2.2	2.5	2.6	2.6	2.4
Average	2.4	2.6	2.6	2.6	2.6
California region	3.0	3.2	3.6	3.5	3.4
	Unit labor costs for portland cement (per short ton) [5]				
Florida region	$4.55	$5.01	$4.90	$4.63	$4.21
Southwest region	7.79	7.06	6.67	6.79	6.94
Average	7.00	6.49	6.18	6.25	6.14
California region	6.34	5.99	5.47	5.53	5.56

[1] Includes hours worked plus hours of paid leave time.
[2] Firms providing employment data accounted for 90 percent of reported total shipments (quantity) in 1988.
[3] Calculated using data from firms that provided information on both wages paid and hours worked.
[4] Calculated using data from firms that provided information on both hours worked and production.
[5] On the basis of total compensation paid. Calculated using data from firms that provided information on both total compensation paid and production.

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

Table 11G
Total establishment employment and average number of production and related workers grinding portland cement and cement clinker, hours worked, [1] wages paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1986-88, January-June 1988, and January-June 1989 [2]

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

[1] Includes hours worked plus hours of paid leave time.
[2] Firms providing employment data accounted for 100 percent of reported total shipments quantity in 1988.

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

Financial experience of U.S. producers

This section of the report presents the financial experience of U.S. producers of portland cement and cement clinker located in Florida, the Southwest, those areas combined, and California. The financial performance of grinders of cement clinker is also reported, separately, at the end of the discussion on each region. Information on U.S. producers' cost of production is presented in appendix E.

Florida.--Four plants of U.S. producers,[28] accounting for all reported production of portland cement in Florida in 1988, supplied income-and-loss data on their portland cement and cement clinker operations and on their overall establishment operations.

Portland cement and cement clinker operations.--Income-and-loss data are shown in table 12. Net sales of portland cement and cement clinker increased by 28 percent from $91.2 million in 1986 to $116.7 million in 1988. During January-June 1989, net sales further rose by 28 percent to $62.6 million, compared with net sales of $49.0 million in the corresponding period of 1988.

The reporting plants sustained an aggregate operating loss of $3.8 million, or 3.9 percent of net sales, in 1987, compared with $2.0 million, or 2.2 percent of net sales, in 1986. In 1988, such plants earned an aggregate operating income of $7.6 million, or 6.6 percent of net sales. The primary factor for the reversal of the financial experience in 1988 was the increase in average selling price of portland cement to $40.17 per short ton, compared with $36.66 in 1987 and $38.20 in 1986. The financial performance continued to improve during January-June 1989, when operating income was $9.9 million, or 15.8 percent of net sales, compared with $4.9 million, or 9.9 percent of net sales, in the same period of 1988. During the same period, the average selling price rose to $43.49 per short ton from $39.28.

Pretax net income-and-loss margins followed a similar trend as the operating income-and-loss margins. However, the region reported pretax net losses each year during 1986-88 and a small net income margin of 1.8 percent in January-June 1989. The high interest expense in 1988 also reflects the ***. Florida Crushed Stone Co. started production of cement clinker in February 1987 by constructing a new cement plant. The key financial data of each plant are presented in appendix D.

Grinders of portland cement.--Two grinders--*** and *** -- income-and-loss data on their portland cement operations, which involve grinding imported cement clinker. The key financial data of each plant are shown in the following tabulation:

* * * * * * *

[28] ***.

Table 12
Income-and-loss experience of U.S. producers in Florida on their operations producing portland cement and cement clinker, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Value (1,000 dollars)				
Net sales	91,184	97,037	116,747	49,018	62,582
Cost of goods sold	87,495	94,031	99,706	40,259	46,600
Gross profit	3,689	3,006	17,041	8,759	15,982
Selling, general and administrative expenses	5,663	6,784	9,393	3,888	6,082
Operating income or (loss)	(1,974)	(3,778)	7,648	4,871	9,900
Startup or shutdown expense	***	***	***	***	***
Interest expense	***	***	***	***	***
Other income or (expense), net	***	***	***	***	***
Net income or (loss) before income taxes	(1,974)	(9,693)	(5,540)	(2,329)	1,112
Depreciation and amortization included above	9,019	12,201	10,086	5,134	4,911
Cash flow[1]	7,045	2,508	4,546	2,805	6,023
	Share of net sales (percent)				
Cost of goods sold	96.0	96.9	85.4	82.1	74.5
Gross profit	4.0	3.1	14.6	17.9	25.5
Selling, general and administrative expenses	6.2	7.0	8.0	7.9	9.7
Operating income or (loss)	(2.2)	(3.9)	6.6	9.9	15.8
Net income or (loss) before income taxes	(2.2)	(10.0)	(4.7)	(4.8)	1.8
	Number of plants reporting				
Operating losses	1	2	1	1	0
Net losses	1	2	2	2	2
Data	3	4	4	4	4

[1] Cash flow is defined as net income or loss plus depreciation and amortization.

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

Overall establishment operations.--Income-and-loss data on the overall operations of establishments within which portland cement and cement clinker are produced are presented in appendix F, table F-1.

Investment in productive facilities.--The value of property, plant, and equipment and total assets of the reporting plants are shown in table 13. The return on book value of fixed assets and the return on total assets are also presented in that table. The operating and net return on the book value of fixed assets and on total assets followed generally the same trend as did the ratio of operating and net income to net sales during the reporting periods.

The increase in the value of fixed assets in 1987 represents the ***.

Capital expenditures.--The capital expenditures incurred by the reporting plants are shown in the following tabulation (in thousands of dollars):

Item	1986	1987	1988	January-June-- 1988	1989
All products of establishments	980	***	987	1,367	1,481
Portland cement and cement clinker	543	***	782	1,362	1,443

Capital expenditures rose significantly in 1987, when ***.

Research and development expenses.--Research and development expenses of the reporting plants are presented in the following tabulation (in thousands of dollars):

Item	1986	1987	1988	January-June-- 1988	1989
All products of establishments	100	100	100	25	45
Portland cement and cement clinker	70	80	87	20	40

Impact of imports on capital and investment.--The Commission requested each plant to describe any actual and/or potential negative effects of imports of portland cement and/or cement clinker from Mexico on its existing development and production efforts, growth, investment, and ability to raise capital. Their responses are shown in appendix G.

Table 13
Portland cement and cement clinker: Value of property, plant, and equipment of U.S. producers in Florida, accounting years 1986-88, January-June 1988, and January-June 1989

Item	As of end of accounting year-- 1986	1987	1988	As of June 30-- 1988	1989
	Value (1,000 dollars)				
All products of establishments:					
Fixed assets:					
Original cost	200,345	285,635	270,768	248,667	272,706
Book value	132,736	204,325	243,382	226,754	240,177
Total assets[1]	160,906	236,501	263,114	248,526	271,482
Portland cement and cement clinker:					
Fixed assets:					
Original cost	139,239	221,081	262,582	240,705	263,623
Book value	83,424	157,143	235,410	218,861	231,493
Total assets[2]	100,388	178,684	254,471	239,770	262,029
	Return on book value of fixed assets (percent) [3]				
All products of establishments:					
Operating return[4]	2.2	0.3	5.4	3.4	7.0
Net return[5]	2.2	(2.6)	(0.1)	(2.0)	0.8
Portland cement and cement clinker:					
Operating return[4]	2.5	0.8	1.3	2.1	3.7
Net return[5]	2.5	(2.9)	(4.2)	(3.4)	(2.6)
	Return on total assets (percent) [3]				
All products of establishments:					
Operating return[4]	1.8	0.3	5.0	3.1	6.2
Net return[5]	1.8	(2.2)	(0.1)	(1.8)	0.7
Portland cement and cement clinker:					
Operating return[4]	2.1	0.7	1.2	1.9	3.3
Net return[5]	2.1	(2.6)	(3.9)	(3.1)	(2.3)

[1] Defined as book value of fixed assets plus current and noncurrent assets.
[2] Total establishment assets are apportioned, by firm, to product groups on the basis of the ratio of the respective book values of fixed assets.
[3] Computed using data from only those firms supplying both asset and income-and-loss information, and as such, may not be derivable from data presented. Data for the partial-year periods are calculated using annualized income-and-loss information.
[4] Defined as operating income or loss divided by asset value.
[5] Defined as net income or loss divided by asset value.

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

Southwest.--Seventeen plants of U.S. producers,[29] accounting for all reported production of portland cement in the Southwest in 1988, provided income-and-loss data on their portland cement and cement clinker operations and on their overall establishment operations.

Portland cement and cement clinker operations.--Income-and-loss data are shown in table 14. Net sales of portland cement and cement clinker decreased by 23 percent, from $331.0 million in 1986 to $255.3 million in 1988. During January-June 1989, net sales fell further, by 10 percent, to $119.2 million, compared with net sales of $132.0 million in the same period of 1988.

The reporting plants sustained increasing aggregate operating losses since 1987, compared with an operating income of $2.3 million, or 0.7 percent of net sales, in 1986. The operating loss almost doubled, from $21.7 million, or 8.0 percent of net sales, in 1987 to $43.2 million, or 16.9 percent of net sales, in 1988. Such loss rose by 55 percent to $30.9 million, or 26.0 percent of net sales, in January-June 1989, from $20.0 million, or 15.1 percent of net sales, in the corresponding period of 1988.

Pre-tax losses rose from $27.5 million in 1986 to $81.8 million in 1988, and totaled $50.1 million in January-June 1989. During the same period, pretax loss margins jumped from 8.3 percent to 42.0 percent.

Five reporting plants shut down during the period of investigation. The Fort Worth, TX, and Dallas, TX, plants of Lafarge Corp. shut down in 1987 and 1989, respectively. *** in 1987. Lehigh closed one of its two kilns in February 1986 and completely shut down its Waco, TX, plant in September 1986. Southwestern closed its El Paso, TX, plant in May 1986 and its Amarillo, TX, plant in October 1987. The Amarillo plant reported ***. BoxCrow constructed a new plant and started production of portland cement and cement clinker in June 1987. The increase in 1988 interest expense reflects ***, the first full year that expense was reported. The key financial data of each plant are presented in appendix D.

Grinders of portland cement.--One grinder, ***, provided income-and-loss data on its portland cement operations, which involve grinding cement clinker, the majority of which was imported. The key financial data of that plant are shown in the following tabulation:

* * * * * * *

Overall establishment operations.--Income-and-loss data on the overall operations of establishments within which portland cement and cement clinker are produced are presented in appendix F, table F-2.

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[29] ***.

Table 14
Income-and-loss experience of U.S. producers in the Southwest on their operations producing portland cement and cement clinker, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Value (1,000 dollars)				
Net sales	330,958	271,646	255,312	131,971	119,225
Cost of goods sold	299,270	265,331	271,326	139,145	137,076
Gross profit or (loss)	31,688	6,314	(16,016)	(7,174)	(17,850)
Selling, general and administrative expenses	29,425	28,014	27,185	12,784	13,099
Operating income or (loss)	2,264	(21,700)	(43,201)	(19,958)	(30,949)
Startup or shutdown expense	***	***	***	***	***
Interest expense	***	***	***	***	***
Other income or (expense), net	***	***	***	***	***
Net (loss) before income taxes	(27,525)	(64,321)	(81,781)	(38,393)	(50,065)
Depreciation and amortization included above	37,774	40,578	41,520	19,899	21,837
Cash flow[1]	10,249	(23,743)	(40,261)	(18,494)	(28,228)
	Share of net sales (percent)				
Cost of goods sold	90.4	97.7	106.3	105.4	115.0
Gross profit or (loss)	9.6	2.3	(6.3)	(5.4)	(15.0)
Selling, general and administrative expenses	8.9	10.3	10.6	9.7	11.0
Operating income or (loss)	0.7	(8.0)	(16.9)	(15.1)	(26.0)
Net (loss) before income taxes	(8.3)	(23.7)	(32.0)	(29.1)	(42.0)
	Number of plants reporting				
Operating losses	9	10	11	10	12
Net losses	10	13	14	12	14
Data	16	15	13	13	13

[1] Cash flow is defined as net income or loss plus depreciation and amortization.

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

Investment in productive facilities.--The value of property, plant, and equipment and total assets of the reporting plants are shown in table 15. The return on book value of fixed assets and the return on total assets are also presented in that table. The operating and net return on the book value of fixed assets and on total assets followed generally the same trend as did the ratio of operating and net income to net sales during the reporting periods. The increase in the value of fixed assets in 1987 reflects ***. Phoenix purchased the Clarkdale, AZ, plant from Gifford-Hill on May 4, 1987, and ***. Gifford-Hill reported that the *** from its acquisition by Beazer PLC in October 1986.

Capital expenditures.--The capital expenditures incurred by the reporting plants are shown in the following tabulation (in thousands of dollars):

Item	1986	1987	1988	January-June-- 1988	1989
All products of establishments	36,121	***	19,654	7,093	10,867
Portland cement and cement clinker	35,494	***	19,381	6,990	10,760

The increase in the capital expenditures in 1987 represents ***.

Research and development expenses.--Research and development expenses of the reporting plants are presented in the following tabulation (in thousands of dollars):

Item	1986	1987	1988	January-June-- 1988	1989
All products of establishments	521	432	337	187	165
Portland cement and cement clinker	518	430	335	186	164

Impact of imports on capital and investment.--The Commission requested each plant to describe any actual and/or potential negative effects of imports of portland cement and/or cement clinker from Mexico on its existing development and production efforts, growth, investment, and ability to raise capital. Their responses are shown in appendix G.

Table 15
Portland cement and cement clinker: Value of property, plant, and equipment of U.S. producers in the Southwest, accounting years 1986-88, January-June 1988, and January-June 1989

Item	As of end of accounting year-- 1986	1987	1988	As of June 30-- 1988	1989
	Value (1,000 dollars)				
All products of establishments:					
Fixed assets:					
Original cost	787,240	920,232	932,989	924,023	938,030
Book value	539,453	673,145	650,420	661,256	639,233
Total assets[1]	730,900	833,721	807,154	822,608	804,185
Portland cement and cement clinker:					
Fixed assets:					
Original cost	779,460	913,402	925,069	917,914	929,924
Book value	534,555	667,632	645,398	656,809	634,218
Total assets[2]	722,397	826,153	792,329	807,655	788,779
	Return on book value of fixed assets (percent)[3]				
All products of establishments:					
Operating return[4]	0.1	(3.0)	(7.0)	(6.3)	(9.9)
Net return[5]	(5.5)	(9.3)	(12.5)	(11.6)	(15.3)
Portland cement and cement clinker:					
Operating return 4/	0.4	(3.3)	(6.7)	(6.1)	(9.8)
Net return 5/	(5.1)	(9.6)	(12.4)	(11.6)	(15.8)
	Return on total assets (percent)[3]				
All products of establishments:					
Operating return[4]	0.1	(2.5)	(5.7)	(5.1)	(7.9)
Net return[5]	(4.0)	(7.5)	(10.1)	(9.3)	(12.1)
Portland cement and cement clinker:					
Operating return[4]	0.3	(2.6)	(5.5)	(4.9)	(7.8)
Net return[5]	(3.8)	(7.8)	(10.0)	(9.4)	(12.6)

[1] Defined as book value of fixed assets plus current and noncurrent assets.
[2] Total establishment assets are apportioned, by firm, to product groups on the basis of the ratio of the respective book values of fixed assets.
[3] Computed using data from only those firms supplying both asset and income-and-loss information, and as such, may not be derivable from data presented. Data for the partial-year periods are calculated using annualized income-and-loss information.
[4] Defined as operating income or loss divided by asset value.
[5] Defined as net income or loss divided by asset value.

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

Florida and the Southwest, combined.--Twenty-one plants of U.S. producers,[30] accounting for all reported production of portland cement in Florida and the Southwest in 1988, provided income-and-loss data on their portland cement and cement clinker operations and on their operations involving overall establishment operations.

Portland cement and cement clinker operations.--Income-and-loss data are shown in table 16. Net sales declined by 13 percent from 1986 to 1987 and increased by 1 percent from 1987 to 1988. During January-June 1989, net sales rose by 0.5 percent compared with such sales in the same period of 1988.

Aggregate operating and pretax net income and loss margins followed a similar trend as the margins in the Southwest. However, the operating loss margins are lower in Florida and the Southwest combined than those in the Southwest alone. The key financial data of each plant are presented in appendix D.

Grinders of portland cement.--Three grinders--***, ***, and ***--provided income-and-loss data on their portland cement operations, which involve grinding mainly imported cement clinker. Aggregate key financial data of these plants are shown in the following tabulation:

* * * * * * *

Overall establishment operations.--Income-and-loss data on the overall operations of establishments within which portland cement and cement clinker are produced are presented in appendix F, table F-3.

Investment in productive facilities.--The value of property, plant, and equipment and total assets of the reporting plants are shown in table 17. The return on book value of fixed assets and the return on total assets are also presented in that table. The operating and net returns on the book value of fixed assets and on total assets followed generally the same trend as did the ratio of operating and net income to net sales during the reporting periods.

Capital expenditures.--The capital expenditures incurred by the reporting plants are shown in the following tabulation (in thousands of dollars):

Item	1986	1987	1988	January-June-- 1988	1989
All products of establishments	37,101	***	20,641	8,460	12,348
Portland cement and cement clinker	36,037	***	20,163	8,352	12,203

[30] ***.

Table 16
Income-and-loss experience of U.S. producers in Florida and the Southwest combined, on their operations producing portland cement and cement clinker, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Value (1,000 dollars)				
Net sales	422,142	368,683	372,059	180,989	181,807
Cost of goods sold	386,765	359,362	371,032	179,404	183,676
Gross profit or (loss)	35,377	9,320	1,025	1,585	(1,868)
Selling, general and administrative expenses	35,088	34,798	36,578	16,672	19,181
Operating income or (loss)	290	(25,478)	(35,553)	(15,087)	(21,049)
Startup or shutdown expense	***	***	***	***	***
Interest expense	***	***	***	***	***
Other income or (expense), net	***	***	***	***	***
Net (loss) before income taxes	(29,499)	(74,014)	(87,321)	(40,722)	(48,953)
Depreciation and amortization included above	46,793	52,779	51,606	25,033	26,748
Cash flow[1]	17,294	(21,235)	(35,715)	(15,689)	(22,205)
	Share of net sales (percent)				
Cost of goods sold	91.6	97.5	99.7	99.1	101.0
Gross profit or (loss)	8.4	2.5	0.3	0.9	(1.0)
Selling, general and administrative expenses	8.3	9.4	9.8	9.2	10.6
Operating income or (loss)	0.1	(6.9)	(9.6)	(8.3)	(11.6)
Net (loss) before income taxes	(7.0)	(20.1)	(23.5)	(22.5)	(26.9)
	Number of plants reporting				
Operating losses	10	12	12	11	12
Net losses	11	15	16	14	16
Data	19	19	17	17	17

[1] Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table 17
Portland cement and cement clinker: Value of property, plant, and equipment of U.S. producers in Florida and the Southwest combined, accounting years 1986-88, January-June 1988, and January-June 1989

Item	As of end of accounting year-- 1986	1987	1988	As of June 30-- 1988	1989
	Value (1,000 dollars)				
All products of establishments:					
Fixed assets:					
Original cost	987,585	1,205,867	1,203,757	1,172,690	1,210,736
Book value	672,189	877,470	893,802	888,010	879,410
Total assets[1]	891,806	1,070,222	1,070,268	1,071,134	1,075,667
Portland cement and cement clinker:					
Fixed assets:					
Original cost	918,699	1,134,483	1,187,651	1,158,619	1,193,547
Book value	617,979	824,775	880,808	875,670	865,711
Total assets[2]	822,785	1,004,837	1,046,800	1,047,425	1,050,808
	Return on book value of fixed assets (percent)[3]				
All products of establishments:					
Operating return[4]	0.5	(2.3)	(3.6)	(3.8)	(5.3)
Net return[5]	(4.0)	(7.8)	(9.1)	(9.2)	(10.9)
Portland cement and cement clinker:					
Operating return[4]	0.7	(2.5)	(4.6)	(4.1)	(6.2)
Net return[5]	(4.1)	(8.4)	(10.2)	(9.6)	(12.2)
	Return on total assets (percent)[3]				
All products of establishments:					
Operating return[4]	0.4	(1.9)	(3.0)	(3.2)	(4.3)
Net return[5]	(3.0)	(6.4)	(7.6)	(7.6)	(8.9)
Portland cement and cement clinker:					
Operating return[4]	0.5	(2.0)	(3.8)	(3.4)	(5.1)
Net return[5]	(3.1)	(6.9)	(8.5)	(7.9)	(10.0)

[1] Defined as book value of fixed assets plus current and noncurrent assets.
[2] Total establishment assets are apportioned, by firm, to product groups on the basis of the ratio of the respective book values of fixed assets.
[3] Computed using data from only those firms supplying both asset and income-and-loss information, and as such, may not be derivable from data presented. Data for the partial-year periods are calculated using annualized income-and-loss information.
[4] Defined as operating income or loss divided by asset value.
[5] Defined as net income or loss divided by asset value.

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

Research and development expenses.--Research and development expenses of the reporting plants are presented in the following tabulation (in thousands of dollars):

Item	1986	1987	1988	January-June-- 1988	1989
All products of establishments	621	532	437	212	210
Portland cement and cement clinker	588	510	422	206	204

Impact of imports on capital and investment.--The Commission requested each plant to describe any actual and/or potential negative effects of imports of portland cement and/or cement clinker from Mexico on its existing development and production efforts, growth, investment, and ability to raise capital. Their responses are shown in appendix G.

California.--Three plants of U.S. producers,[31] accounting for 60 percent of reported production of portland cement in California in 1988, supplied income-and-loss data on their portland cement and cement clinker operations and on their overall establishment operations.

Portland cement and cement clinker operations.--Income-and-loss data are shown in table 18. Net sales of portland cement and cement clinker rose by 12 percent, from $173.9 million in 1986 to $194.9 million in 1988. During January-June 1989, net sales declined by 1 percent to $94.0 million, compared with net sales of $95.0 million in the corresponding period of 1988.

All three responding plants operated profitably during each period of investigation. The operating income increased from $26.9 million in 1986 to $38.1 million in 1988. During the same period, operating income margins rose from 15.5 percent to 19.5 percent. A greater decline in costs and expenses than selling price contributed to the increase in operating income. During January-June 1989, operating income rose to $19.1 million, or 20.3 percent of net sales, compared with $15.1 million, or 15.9 percent of net sales, in the corresponding period of 1988. Pretax net income margins followed a similar trend as operating income margins during the period of investigation. The key financial data of each plant are presented in appendix D.

Grinders of portland cement.--One grinder, ***, provided income-and-loss data on its portland cement operations, which involve grinding cement clinker that was purchased either intra-company or from local competitors. The key financial data of that plant are shown in the following tabulation:

* * * * * * *

Overall establishment operations.--Income-and-loss data on the overall operations of establishments within which portland cement and cement clinker are produced are presented in appendix F, table F-4.

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[31] ***.

Table 18
Income-and-loss experience of U.S. producers in California on their operations producing portland cement and cement clinker, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Value (1,000 dollars)				
Net sales	173,877	183,497	194,928	95,020	93,974
Cost of goods sold	130,270	133,430	142,831	72,201	66,407
Gross profit	43,607	50,066	52,097	22,818	27,567
Selling, general and administrative expenses	16,692	16,179	13,997	7,673	8,493
Operating income	26,915	33,887	38,100	15,145	19,074
Interest expense	4,886	6,678	5,734	2,358	3,219
Other income or (expense), net	663	1,210	(276)	238	252
Net income before income taxes	22,692	28,419	32,090	13,025	16,107
Depreciation and amortization included above	12,636	12,753	12,589	6,264	6,241
Cash flow[1]	35,328	41,172	44,679	19,289	22,348
	Share of net sales (percent)				
Cost of goods sold	74.9	72.7	73.3	76.0	70.7
Gross profit	25.1	27.3	26.7	24.0	29.3
Selling, general and administrative expenses	9.6	8.8	7.2	8.1	9.0
Operating income	15.5	18.5	19.5	15.9	20.3
Net income before income taxes	13.1	15.5	16.5	13.7	17.1
	Number of firms reporting				
Operating losses	0	0	0	0	0
Net losses	0	0	0	0	0
Data	3	3	3	3	3

[1] Cash flow is defined as net income or loss plus depreciation and amortization.

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

Investment in productive facilities.--The value of property, plant, and equipment and total assets of the reporting plants are shown in table 19. The return on book value of fixed assets and the return on total assets are also presented in that table. The operating and net returns on the book value of fixed assets and on total assets followed generally the same trend as did the ratio of operating and net income to net sales during the reporting periods.

Capital expenditures.--The capital expenditures incurred by the reporting plants are shown in the following tabulation (in thousands of dollars):

Item	1986	1987	1988	January-June-- 1988	1989
All products of establishments	6,929	3,494	8,085	2,654	4,808
Portland cement and cement clinker	6,549	2,937	7,625	2,453	4,465

Research and development expenses.--None of the responding plants reported any research and development expenses during the periods covered by the investigation.

Impact of imports on capital and investment.--The Commission requested each plant to describe any actual and/or potential negative effects of imports of portland cement and/or cement clinker from Mexico on its existing development and production efforts, growth, investment, and ability to raise capital. Their responses are shown in appendix G.

Table 19
Portland cement and cement clinker: Value of property, plant, and equipment of U.S. producers in California, accounting years 1986-88, January-June 1988, and January-June 1989

Item	As of end of accounting year-- 1986	1987	1988	As of June 30-- 1988	1989
	Value (1,000 dollars)				
All products of establishments:					
Fixed assets:					
Original cost	245,199	249,395	252,383	251,144	254,206
Book value	200,738	193,851	186,510	190,903	183,184
Total assets[1]	271,281	256,483	244,145	259,519	239,880
Portland cement and cement clinker:					
Fixed assets:					
Original cost	230,663	234,554	237,021	236,271	238,930
Book value	189,096	182,358	174,945	177,885	172,130
Total assets[2]	254,458	240,158	228,075	237,933	224,318
	Return on book value of fixed assets (percent)[3]				
All products of establishments:					
Operating return[4]	14.4	18.8	22.4	17.0	22.2
Net return[5]	12.3	15.9	19.0	14.7	18.7
Portland cement and cement clinker:					
Operating return[4]	14.2	18.6	21.8	17.0	22.2
Net return[5]	12.0	15.6	18.3	14.6	18.7
	Return on total assets (percent)[3]				
All products of establishments:					
Operating return[4]	10.7	14.2	17.1	12.5	16.9
Net return[5]	9.1	12.0	14.5	10.8	14.3
Portland cement and cement clinker:					
Operating return[4]	10.6	14.1	16.7	12.7	17.0
Net return[5]	8.9	11.8	14.1	10.9	14.4

[1] Defined as book value of fixed assets plus current and noncurrent assets.
[2] Total establishment assets are apportioned, by firm, to product groups on the basis of the ratio of the respective book values of fixed assets.
[3] Computed using data from only those firms supplying both asset and income-and-loss information, and as such, may not be derivable from data presented. Data for the partial-year periods are calculated using annualized income-and-loss information.
[4] Defined as operating income or loss divided by asset value.
[5] Defined as net income or loss divided by asset value.

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

Consideration of the Question of Threat of Material Injury

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. § 1677(7)(F)(i)) provides that--

> In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission shall consider, among other relevant factors [32]--
>
> (I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),
>
> (II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,
>
> (III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,
>
> (IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,
>
> (V) any substantial increase in inventories of the merchandise in the United States,
>
> (VI) the presence of underutilized capacity for producing the merchandise in the exporting country,
>
> (VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,

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[32] Section 771(7)(F)(ii) of the act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

> (VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 736, are also used to produce the merchandise under investigation,
>
> (IX) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and
>
> (X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.[33]

Subsidies (item (I) are not at issue in this investigation; information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the causal relationship between imports of the subject merchandise and the alleged material injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in the section entitled "Consideration of material injury to an industry in the United States." Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), and (VIII) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows.

The Mexican industry

The Mexican cement industry consists of nine corporate groups operating a total of 29 cement plants. It is estimated that four of these corporate groups account for 90 percent of the Mexican market. Twenty of the plants are located south of Monterey and account for an estimated 75 percent of Mexico's total production. Mexico's cement producers are located predominantly in four major areas of consumption. The Federal District (Mexico City) and the States

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[33] Section 771(7)(F)(iii) of the act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

of Veracruz, Jalisco, and Nuevo Leon together accounted for about 42 percent of total domestic consumption in 1987. In addition to production plants, there are 31 distribution terminals located throughout the country to facilitate shipping and storage.

Plants are located throughout Mexico, usually near deposits of limestone and clay, which are essential raw materials for the production of cement.[34] Cement production totaled approximately 36.2 million short tons in 1988.[35] Four companies: Cemex, Tolteca, Apasco, and Cementos de Chihuahua S.A. (CDC) accounted for all, or virtually all, exports of portland cement and cement clinker to the United States during the period of investigation. Virtually all exports from Mexico go to the United States, with a very limited amount going to countries in the Caribbean.

Of the four exporting companies, Cemex, Mexico's largest producer, is the leading exporter. Cemex owns or has interests in 16 cement plants, with a total capacity of approximately 25.8 million short tons in 1988. This figure includes CDC's and Tolteca's capacity. Both firms are discussed separately later in this section. Cemex exports to the United States from facilities located near the Gulf of Mexico, in northern Mexico, and on the west coast of Mexico. Gulf coast plant exports go by water to the United States, whereas exports from the plants in the other two locales generally go by rail to the Southwest region. Presently, Cemex is expanding the capacity of its facility located in Heromosillo in northern Mexico by nearly 1.5 million short tons. The expansion is due for completion in mid-1990. As noted earlier in this report, Cemex owns Southwestern Sunbelt, a U.S. importer with import terminals located in both the Southwest and California.

Apasco, with a capacity of nearly 4.8 million short tons according to Mexican Cement Chamber figures, exports to the United States from the Port of Veracruz and has two plants located in the Gulf coast area. All of Apasco's exports of portland cement and *** of its cement clinker exports went to Florida. Apasco is ***. Apasco is 49-percent owned by Holderbank of Switzerland, which is the parent of Ideal, a U.S. producer with plants throughout the United States, including one in Tijeras, NM.

Tolteca, which was recently purchased by Cemex, operates plants with a total capacity of more than 6.6 million short tons. Tolteca has exported to the United States throughout the period of investigation, primarily to the Southwest and California. Tolteca's plants are located in the Mexico City area and along the west coast of Mexico. Its exports to the Southwest generally travel by rail from its Heromosillo facility, with its shipments to California going by a rail and ship combination. Tolteca is presently increasing its Heromosillo capacity of 1.3 million short tons by 1.1 million short tons. The expansion should be completed in 1990.

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[34] Foreign Investment Barriers or Other Restrictions That Prevent Foreign Capital From Claiming the Benefits of Foreign Government Programs, USITC 2212, p. 2-7.

[35] Camara Nacional de Cemento (Mexican Cement Chamber) figures as supplied in Department of State cablegram. Figures have been converted from metric to short tons.

CDC, the remaining exporter, ships primarily by rail; most of its shipments go into the Texas market. CDC's parent, Control Administrativo Mexicano S.A. de C.V. (CAMSA), also owns Mexcement, Inc., a U.S. importer located in El Paso, TX. Cemex is a minority participant in CDC's operations.

Table 20 provides portland cement capacity, production, and capacity utilization figures as well as home-market shipments and export shipments for all Mexican producers (regardless of whether they export), and apparent Mexican consumption. These figures are from the Mexican Cement Chamber as reported in the U.S. Department of State's cablegram responding to the Commission's request for information on the foreign industry.

The cablegram suggests that the capacity utilization figures should be viewed with some caution "because some Mexican cement capacity cannot be used even if demand for cement were greater. For example, the Cementos Anhuac plant in Mexico City has the largest capacity of any plant in Mexico, some 2.5 million (metric) tons per year. This plant is in a Catch 22 situation because it is unable to purchase natural gas from Pemex, the Government-owned oil company, and must use fuel oil, which increases the pollution the plant produces, so Government regulations force management to reduce production to cutback pollution."

Table 20
Portland cement: Mexican capacity, production, capacity utilization, total shipments, export shipments, and apparent consumption, 1986-88

(In 1,000 short tons)

Item	1986	1987	1988
Capacity	36,290	36,245	36,245
Production	21,771	24,633	24,816
Capacity utilization (percent)	60.0	68.0	68.8
Shipments:			
Total sales	21,867	24,476	24,789
Exports[1]	3,347	4,059	4,865
Apparent consumption[2]	18,520	20,417	19,924

[1] Does not include exports of cement clinker. Cement clinker exports for 1986 and 1987 were 991,000 short tons and 957,000 short tons, respectively. 1988 figures were not available.
[2] There were no imports of portland cement (or cement clinker) in 1986, 1987, and 1988.

Source: Mexican Cement Chamber as reported in U.S. Department of State cablegram.

Counsel for the four Mexican producers provided information with respect to their clients' operations in Mexico producing portland cement and cement clinker. The data are presented in table 21. As indicated earlier, these four producers account for all, or virtually all, exports to the United States.[36]

Exports to Florida.--Mexican exports of portland cement to Florida increased by nearly 124 percent from 1986 to 1988. Exports to Florida for January-June 1989 were nearly 42 percent ahead of levels for January-June 1988. Cement clinker exports to Florida dropped from 450,000 short tons in 1986 to zero in 1988. Producers reported 128,000 short tons of clinker exports in January-June 1989.

Exports to the Southwest.--Exports of portland cement to the Southwest by Mexican producers increased by nearly 29 percent from 1986 to 1988. January-June 1989 exports were off by just over 20 percent compared with the same period in 1988. Clinker exports increased from 1986 to 1987, then fell to zero from the rest of the period of investigation.

Exports to California.--Portland cement exports into California rose by nearly 32 percent from 1986 to 1987, then continued to increase, but slowly, by 4 percent in 1988. January-June 1989 exports increased by over 24 percent compared with January-June 1988.

Exports of portland cement to the three regions, as a share of total exports to the United States, ranged from a low of 77 percent to a high of 92 percent during the five reporting periods.

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[36] ***.

Table 21
Portland cement and cement clinker: Mexican capacity, production, capacity utilization, home market shipments, export shipments to the United States, export shipments to third countries, and inventories, 1986-88, January-June 1988, and January-June 1989

(Quantity in 1,000 short tons)

Item	1986	1987	1988	January-June-- 1988	January-June-- 1989
Portland cement:					
Capacity.....Quantity..	26,109	26,447	26,211	13,105	13,080
Production.....do....	18,905	20,639	21,494	10,245	10,981
Capacity utilization....percent..	72	78	82	78	84
Shipments:					
Home market sales....Quantity..	15,649	17,546	16,907	7,919	8,748
Exports to the United States:					
Florida.....do....	759	1,117	1,697	748	1,061
Southwest.....do....	1,117	1,251	1,439	693	551
Subtotal.....do....	1,876	2,368	3,136	1,441	1,612
California.....do....	669	880	918	391	486
Other States.....do....	580	995	540	254	194
Total United States..do....	3,125	4,243	4,594	2,086	2,292
Exports to third countries.....do....	28	40	40	19	37
Inventories.....do....	88	69	66	63	41
Cement clinker:[1]					
Capacity.....Quantity..	16,502	16,121	15,805	7,920	7,649
Production.....do....	12,975	14,510	14,128	6,678	7,207
Capacity utilization...percent)..	79	90	89	84	94
Shipments:					
Home market sales....Quantity..	33	40	39	18	12
Exports to the United States:					
Florida.....do....	450	356	0	0	128
Southwest.....do....	74	110	0	0	0
Subtotal.....do....	524	466	0	0	128
California.....do....	76	0	0	0	0
Other States.....do....	314	382	377	239	27
Total United States..do....	914	848	377	239	155
Exports to third countries.....do....	0	40	94	64	0
Inventories.....do....	868	528	554	521	482

[1]Tolteca did not provide information with respect to cement clinker.

Source: Compiled from data submitted in response to requests from counsel representing Cemex, Apasco, Tolteca, and CDC.

U.S. inventories of portland cement clinker and cement clinker from Mexico

Data with regard to inventories held by importers of portland cement and cement clinker from Mexico are presented in table 22.

Florida.--Inventories of portland cement rose in real terms from 1986 to 1988, but dropped as a percent of total imports for the same period. Clinker inventories dropped to zero in 1988 and remained there as of June 30, 1989.

Southwest.--Yearend inventories of portland cement increased irregularly, both in real terms and as a percent of total imports, from 1986 to 1988. The experience with clinker inventories was similar to that of Florida, with no inventories held as of June 30, 1989.

California.--Inventories of portland cement were relatively level in real terms from 1986 to 1988. There were no inventories of cement clinker reported during the period of investigation.

Table 22
Portland cement and cement clinker: U.S. importers' inventories of imports from Mexico, by regions and by products, as of Dec. 31 of 1986-88, and as of June 30 of 1988 and 1989

Item	1986	1987	1988	January-June-- 1988	1989
	End-of-period inventories (1,000 short tons)				
Florida region:					
Portland cement.....	55	72	74	47	116
Cement clinker.....	***	***	***	***	***
Southwest region:					
Portland cement.....	54	45	91	57	50
Cement clinker.....	***	***	***	***	***
Florida and Southwest regions, combined:					
Portland cement.....	109	117	165	104	166
Cement clinker.....	***	***	***	***	***
California region:					
Portland cement.....	***	***	***	***	***
Cement clinker.....	***	***	***	***	***
	Ratio to imports (percent)[1]				
Florida region:					
Portland cement.....	8.0	7.3	5.3	4.1	7.5
Cement clinker.....	***	***	***	***	***
Southwest region:					
Portland cement.....	5.5	4.1	6.6	4.3	4.7
Cement clinker.....	***	***	***	***	***
Florida and Southwest regions, combined:					
Portland cement.....	6.5	5.6	5.9	4.2	6.4
Cement clinker.....	***	***	***	***	***
California region:					
Portland cement.....	***	***	***	***	***
Cement clinker.....	***	***	***	***	***

[1] Ratios are based on data supplied by firms that reported both inventory and imports information.

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

Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury

U.S. imports

According to official statistics of the U.S. Department of Commerce, total U.S. imports from Mexico of portland cement (table 23) increased 32 percent from 1986 to 1988. During the same period total imports from Mexico of cement clinker (table 24) dropped by 60 percent.

Florida.--Imports from Mexico of portland cement in Florida nearly doubled from 1986 to 1988, with Mexico's share of total imports into Florida going from 29 to 48 percent. At the same time, imports of cement clinker from Mexico dropped from 607,000 short tons in 1986 to zero in 1988. January-June 1989 clinker imports from Mexico stood at 103,000 short tons.

Southwest.--Portland cement imports from Mexico into the Southwest rose nearly 23 percent from 1986 to 1988. Mexico's share of total imports into the market climbed from 76 percent in 1986 to 96 percent in 1988. Meanwhile, imports of cement clinker into the Southwest, both those from Mexico and total imports, dropped sharply over the period.

California.--Imports from Mexico of portland cement into California rose 32 percent from 1986 to 1988, while imports from all other sources increased at a faster pace over the same period. Like the Southwest, California's imports of cement clinker, both those from Mexico and all other sources, dropped off to near nothing in 1988.

Market penetration by the alleged LTFV imports

The ratio of imports of portland cement and cement clinker to apparent consumption for Mexico and all other countries is shown in tables 25 and 26.

Florida.--Mexico's share of consumption in the Florida market for portland cement rose from 12 percent in 1986 to 22 percent in 1988. During the same period, imports from all other sources dropped as a share of the Florida market, going from 31 percent in 1986 to 24 percent in 1988. Mexico's share of consumption of clinker dropped off to zero in 1988, pulling down the total market share for all imports from 30 percent in 1986 to 14 percent in 1988.

Southwest.--As a share of apparent consumption in the Southwest, imports from Mexico of portland cement increased their share from 9 percent in 1986 to 14 percent in 1988. With respect to clinker imports, market share for Mexico and all other sources dropped off to near zero in 1988.

California.--Imports from Mexico held a 6- to 7-percent portion of the California portland cement market between 1986 and 1988. During the same period, imports from other sources increased in share from 9 percent to 15 percent. In the meantime, clinker imports both from Mexico and from all other sources stood at a near-zero share of the California market.

Table 23
Portland cement: U.S. imports from Mexico and all other sources, by regions, 1986-88, January-June 1988, and January-June 1989

Source	1986	1987	1988	January-June-- 1988	1989
	Quantity (1,000 short tons)				
Florida region:					
Mexico	778	1,060	1,571	724	756
All other sources	1,946	1,632	1,689	816	677
Total	2,724	2,692	3,259	1,542	1,433
Southwest region:					
Mexico	1,097	1,194	1,347	656	480
All other sources	355	449	62	40	[1]
Total	1,452	1,643	1,409	696	480
Florida and Southwest regions, combined:					
Mexico	1,875	2,254	2,917	1,380	1,237
All other sources	2,300	2,081	1,751	856	677
Total	4,175	4,335	4,668	2,236	1,914
California region:					
Mexico	693	857	916	411	151
All other sources	1,060	1,423	1,836	973	921
Total	1,753	2,280	2,752	1,384	1,072
Total United States:					
Mexico	3,118	3,715	4,491	2,072	1,661
All other sources	8,968	10,116	10,734	5,078	4,306
Total	12,086	13,831	15,225	7,150	5,967
	Value (1,000 dollars)[2]				
Florida region:					
Mexico	26,469	38,870	44,846	21,210	23,736
All other sources	61,912	53,283	58,393	28,351	26,384
Total	88,381	92,153	103,239	49,561	50,121
Southwest region:					
Mexico	39,198	39,889	40,255	19,943	13,430
All other sources	12,536	12,908	2,163	1,205	24
Total	50,734	52,797	42,419	21,148	13,454
Florida and Southwest regions, combined:					
Mexico	64,668	78,759	85,101	41,153	37,167
All other sources	74,448	66,192	60,556	29,556	26,408
Total	139,115	144,950	145,658	70,710	63,575
California region:					
Mexico	24,525	27,827	28,986	13,172	4,801
All other sources	37,910	48,925	59,422	30,957	28,567
Total	62,436	76,752	88,408	44,129	33,368
Total United States:					
Mexico	106,794	127,625	134,615	63,643	51,088
All other sources	323,853	358,039	389,486	180,916	161,876
Total	430,647	485,664	524,102	244,559	212,964

See footnotes at end of table

Table 23-Continued
Portland cement: U.S. imports from Mexico and all other sources, by regions, 1986-88, January-June 1988, and January-June 1989

Source	1986	1987	1988	January-June-- 1988	1989
	Percent of total quantity				
Florida region:					
Mexico	29	39	48	47	53
All other sources	71	61	52	53	47
Total	100	100	100	100	100
Southwest region:					
Mexico	76	73	96	94	99
All other sources	24	27	4	6	[3]
Total	100	100	100	100	100
Florida and Southwest regions, combined:					
Mexico	45	52	62	63	65
All other sources	55	48	38	37	35
Total	100	100	100	100	100
California region:					
Mexico	40	38	33	30	14
All other sources	60	62	67	70	86
Total	100	100	100	100	100
Total United States:					
Mexico	26	27	30	26	28
All other sources	74	73	70	74	72
Total	100	100	100	100	100

[1] Less than 500 short tons.
[2] On a C.I.F. value basis.
[3] Less than 0.05 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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

Table 24
Cement clinker: U.S. imports from Mexico and all other sources, by regions, 1986-88, January-June 1988, and January-June 1989

Source	1986	1987	1988	January-June-- 1988	1989
	Quantity (1,000 short tons)				
Florida region:					
Mexico	607	430	0	0	114
All other sources	357	450	444	154	148
Total	964	880	444	154	262
Southwest region:					
Mexico	106	135	29	17	45
All other sources	535	232	1	1	0
Total	641	367	30	18	45
Florida and Southwest regions, combined:					
Mexico	713	565	29	17	159
All other sources	892	681	444	155	148
Total	1,605	1,247	473	172	307
California region:					
Mexico	81	0	0	0	0
All other sources	148	0	33	0	0
Total	229	0	33	0	0
Total United States:					
Mexico	1,095	1,215	437	253	201
All other sources	2,877	2,472	1,482	579	617
Total	3,972	3,687	1,919	832	818
	Value (1,000 dollars)[1]				
Florida region:					
Mexico	12,092	7,997	0	0	2,486
All other sources	8,919	10,804	13,068	5,552	3,854
Total	21,011	18,801	13,068	5,552	6,340
Southwest region:					
Mexico	2,920	3,517	1,449	742	1,696
All other sources	13,141	5,725	31	31	0
Total	16,061	9,241	1,480	773	1,696
Florida and Southwest regions, combined:					
Mexico	15,012	11,514	1,449	742	4,542
All other sources	22,060	16,529	13,100	5,583	3,854
Total	37,073	28,043	14,548	6,325	8,396
California region:					
Mexico	2,784	0	0	0	0
All other sources	3,219	0	891	0	0
Total	6,003	0	891	0	0
Total United States:					
Mexico	23,823	26,241	10,415	5,679	6,149
All other sources	76,744	69,975	49,681	19,589	22,158
Total	100,567	96,216	60,097	25,268	28,306

See footnote at end of table

Table 24--Continued
Cement clinker: U.S. imports from Mexico and all other sources, by regions, 1986-88, January-June 1988, and January-June 1989

Source	1986	1987	1988	January-June-- 1988	1989
	Percent of total quantity				
Florida region:					
Mexico	63	49	0	0	43
All other sources	37	51	100	100	57
Total	100	100	100	100	100
Southwest region:					
Mexico	17	37	98	97	100
All other sources	83	63	2	3	0
Total	100	100	100	100	100
Florida and Southwest regions, combined:					
Mexico	44	45	6	10	52
All other sources	56	55	94	90	48
Total	100	100	100	100	100
California region:					
Mexico	35	0	0	0	0
All other sources	65	0	100	0	0
Total	100	0	100	0	0
Total United States:					
Mexico	28	33	23	30	25
All other sources	72	67	77	70	75
Total	100	100	100	100	100

[1] On a C.I.F. value basis.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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

Table 25
Portland cement: U.S. and regional apparent consumption, imports from Mexico and all other sources, and ratios of imports to apparent consumption, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Quantity (1,000 short tons)				
Florida region:					
Apparent consumption.....	6,360	6,819	7,002	3,513	3,727
Imports:					
Mexico.....	778	1,060	1,571	724	756
All other sources.....	1,946	1,632	1,689	816	677
Total imports.....	2,724	2,692	3,259	1,542	1,433
Southwest region:					
Apparent consumption.....	12,208	10,882	9,848	5,167	4,760
Imports:					
Mexico.....	1,097	1,194	1,347	656	480
All other sources.....	355	449	62	40	[1]
Total imports.....	1,452	1,643	1,409	696	480
Florida and Southwest regions, combined:					
Apparent consumption.....	18,568	17,701	16,850	8,680	8,487
Imports:					
Mexico.....	1,875	2,254	2,917	1,380	1,237
All other sources.....	2,300	2,081	1,751	856	677
Total imports.....	4,175	4,335	4,668	2,236	1,914
California region:					
Apparent consumption.....	11,282	11,719	12,542	6,017	6,462
Imports:					
Mexico.....	693	857	916	411	151
All other sources.....	1,060	1,423	1,836	973	921
Total imports.....	1,753	2,280	2,752	1,384	1,072
Total United States:					
Apparent consumption.....	89,033	90,458	89,856	41,442	40,423
Imports:					
Mexico.....	3,118	3,715	4,491	2,072	1,661
All other sources.....	8,968	10,116	10,734	5,078	4,306
Total.....	12,086	13,831	15,225	7,150	5,967

See footnote at end of table

Table 25-Continued
Portland cement: U.S. and regional apparent consumption, imports from Mexico and all other sources, and ratios of imports to apparent consumption, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Ratio of imports to consumption (percent)				
Florida region:					
Mexico	12	16	22	21	20
All other sources	31	24	24	23	18
Total	43	39	47	44	38
Southwest region:					
Mexico	9	11	14	13	10
All other sources	3	4	1	1	[2]
Total	12	15	14	13	10
Florida and Southwest regions, combined:					
Mexico	10	13	17	16	15
All other sources	12	12	10	10	8
Total	22	24	28	26	23
California region:					
Mexico	6	7	7	7	2
All other sources	9	12	15	16	14
Total	16	19	22	23	16
Total United States:					
Mexico	4	4	5	5	4
All other sources	10	12	12	12	11
Total	14	15	17	17	15

[1] Less than 500 short tons.
[2] Less than 0.05 percent.

Source: Apparent consumption computed from Bureau of Mines figures. Import data compiled from official statistics of the U.S. Department of Commerce.

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

Table 26
Cement clinker: U.S. and regional apparent consumption, imports from Mexico and all other sources, and ratios of imports to apparent consumption, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Quantity (1,000 short tons)				
Florida region:					
Apparent consumption.....	3,197	3,471	3,195	1,322	1,622
Imports:					
Mexico.....	607	430	0	0	114
All other sources.....	357	450	444	154	148
Total imports.....	964	880	444	154	262
Southwest region:					
Apparent consumption.....	9,510	8,852	8,482	4,035	4,317
Imports:					
Mexico.....	106	135	29	17	45
All other sources.....	535	232	1	1	0
Total imports.....	641	367	30	18	45
Florida and Southwest regions, combined:					
Apparent consumption.....	12,707	12,323	11,677	5,357	5,939
Imports:					
Mexico.....	713	565	29	17	159
All other sources.....	892	681	444	155	148
Total imports.....	1,605	1,247	473	172	307
California region:					
Apparent consumption.....	10,668	10,368	9,723	[1]	[1]
Imports:					
Mexico.....	81	0	0	0	0
All other sources.....	148	0	33	0	0
Total imports.....	229	0	33	0	0
Total United States:					
Apparent consumption.....	68,635	68,719	70,439	[1]	[1]
Imports:					
Mexico.....	1,095	1,215	437	253	201
All other sources.....	2,877	2,472	1,482	579	617
Total.....	3,972	3,687	1,919	832	818

See footnotes at end of table

Table 26--Continued
Cement clinker: U.S. and regional apparent consumption, imports from Mexico and all other sources, and ratios of imports to apparent consumption, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Ratio of imports to consumption (percent)				
Florida region:					
Mexico	19	12	0	0	7
All other sources	11	13	14	12	9
Total imports	30	25	14	12	16
Southwest region:					
Mexico	1	2	[2]	[2]	1
All other sources	6	3	[2]	[2]	0
Total imports	7	4	[2]	[2]	1
Florida and Southwest regions, combined:					
Mexico	6	5	[2]	[2]	3
All other sources	7	6	4	3	2
Total imports	13	10	4	3	5
California region:					
Mexico	1	0	0	0	0
All other sources	1	0	[2]	0	0
Total imports	2	0	[2]	0	0
Total United States:					
Mexico	2	2	1	[1]	[1]
All other sources	4	4	2	[1]	[1]
Total imports	6	5	3	[1]	[1]

[1] January-June 1988 and January-June 1989 data not available from Bureau of Mines.
[2] Less than 0.05 percent.

Source: Apparent consumption for Florida and the Southwest computed from the Commission's questionnaires; apparent consumption for California computed from Bureau of Mines figures. Import data compiled from official statistics of the U.S. Department of Commerce.

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

Prices

Since portland cement has a low value-to-weight ratio, inland transportation costs are an important part of the final delivered price to a customer. Prices can differ from location to location, even within a single metropolitan area. However, because cement is a homogeneous product, prices charged by different suppliers to a customer in a given location should be similar at any point in time. When changing supply and demand conditions cause prices to decrease, prices tend to equalize between the competing firms within a relatively short time period, as each firm tries to maintain its market share.

Cement prices have traditionally been determined through a "base-point" pricing system. Under this system, the cement mill closest to a particular customer is considered that customer's base point, and that mill effectively sets the price against which other producers must compete. A delivered price for cement consists of an f.o.b. mill price and any freight costs. In areas where freight costs are regulated, a mill may be forced to reduce its f.o.b. price component and its gross revenues in order to compete with the base-point mill.[37] In general, firms trying to enter new markets farther from their plant have to absorb additional freight costs in order to compete with firms closer to the markets.[38] Thus, distance plays an important role in a supplier's willingness and ability to sell to a particular customer.

Shipments of portland cement by mode of transportation in 1988 are shown in table 27. The vast majority, 89.5 percent, of all shipments to consumers were made by truck. Shipments of portland cement from the U.S. producers' plants to their distribution terminals were by rail, truck, and barge. Rail (44 percent) and barges and boats (43 percent) carried the majority of the cement to the terminals, and trucks accounted for most of the remainder. Most highway transport trucks carry about 25 short tons of cement, whereas a standard rail car hauls about 100 short tons. A standard barge transports approximately 1,500 short tons of dry material.

The actual hauling of cement to end users is generally performed by independent common carriers or by subsidiary trucking firms of ready-mix companies. Many ready-mix companies have trucks for their basic requirements and often pick up the cement at the plant for their basic needs.[39] In Florida, 85-90 percent of cement shipments are transported via common carrier.[40]

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[37] Trucking rates are not regulated in Florida or Arizona. However, there are regulations in Texas that do affect trucking (Transcript of the conference, p. 85). For those areas where freight rates are deregulated, the discount could be from the freight rate, the f.o.b. price, or both.

[38] Transcript of the conference, p. 86.

[39] The trend over the last 10 years has been in favor of privately-owned carriage customers hauling their own cement (Transcript of the conference, p. 85).

[40] Transcript of the conference, p. 86.

Table 27
Portland cement: Shipments from U.S. plants, in bulk, [1] by types of carriers, 1988

(In thousands of tons)

Type of carrier	Plant to terminal	Terminal to consumers	Plant to consumers	Total to consumers
Railroad.....	9,496	1,479	3,562	5,041
Truck.....	2,333	25,536	47,381	72,917
Barge and boat..	9,289	2,199	334	2,533
Unspecified[2]....	514	419	568	987
Total.....	21,632	32,717	49,769	81,478

[1] Bulk shipments accounted for 95.1 percent of total shipments in 1988.
[2] Includes cement used at the plant.

Source: U.S. Bureau of Mines, Mineral Industry Surveys, "Cement in 1988," July 13, 1989.

Since transportation costs for portland cement vary from area to area and account for a significant portion of the delivered price, most shipments are made within a 200-mile radius of the plant or storage terminal. U.S. producers reported that at least 65 percent of shipments of cement are made within 99 miles of their plant or terminal.[41] Most of the remainder of shipments are made within 299 miles of the plant or terminal. Producers estimated the transportation costs for sales within 0-99, 100-299, and 300-499 miles from each firm's plant or storage facility. Transportation costs are estimated to average about $6.77 per ton for trucking cement within 99 miles. Average estimated trucking costs increase substantially to $14.41 per ton when the delivery distance is 100-299 miles. For shipments within 300-499 miles from the storage facility, the average estimated transportation costs increase to $19.50 per ton.[42]

The Commission requested price data from U.S. producers and importers of Mexican cement for their sales to eight distinct market areas in Florida, Arizona, New Mexico, Texas, and California.[43] The market areas chosen for price comparisons were Albuquerque, NM; Houston, TX; Phoenix, AZ; Miami, FL; San Antonio, TX; San Diego, CA; Tampa, FL; and Tucson, AZ. Producers and importers were requested to provide price data for their largest transaction (in terms of quantity) in the fourth full week of each month from January 1986 to June 1989. Pricing data reported by U.S. producers represented approximately *** percent of shipments in Florida, *** percent in the Southwest, and *** percent in California in 1988. Pricing data reported by

[41] Several producers reported that approximately 80 percent or more of their shipments are within 100 miles of their location.

[42] Most producers reported that 5 percent or less of their sales are made 300-499 miles from the plant or terminal.

[43] In the context of this discussion, a market area is defined as a relatively narrow geographic area within which a delivered price can be examined with little variation between suppliers in freight charges to customers.

U.S. importers represented approximately *** percent of shipments in Florida, *** percent of shipments in the Southwest, and more than *** percent in California.[44] Pricing data are analyzed on a delivered basis because of the significance of freight costs for cement.

Price trends and comparisons.--Weighted-average delivered prices for domestic cement generally *** in the Florida region and *** in the Southwest region during the period January 1986 to June 1989. In general, Mexican prices followed a similar pattern, *** in Florida, and *** in the Southwest. Prices for both domestic and imported cement in the San Diego market area also *** during the period.

Miami, FL.--One U.S. producer submitted price data for sales of portland cement in the Miami market area; however, no prices were received from U.S. importers for sales of Mexican cement, thus, no price comparisons can be made. Delivered prices reported by the U.S. producer *** in 1986 and 1987, *** . Prices then *** percent in January 1988 and *** percent in January 1989; the overall *** from January 1986 to June 1989 was *** percent.

Tampa, FL.--Delivered prices reported by U.S. producers for sales in the Tampa market *** within each year but had an overall *** of *** percent (table 28).[45] In 1986, prices *** approximately *** percent from January to December from *** to *** per ton. Prices were *** in January 1987, *** but they *** during the year to a low of *** in September, before *** to *** in December. Similarly, prices were *** in January 1988, *** per ton, and *** percent to *** by December 1988. Prices for U.S. portland cement *** percent from *** in January 1989 to *** in June.

Prices for Mexican cement in the Tampa market *** steadily during the period.[46] Prices *** from *** in January 1986 to *** in June 1989 for an overall *** of *** percent. Prices for Mexican portland cement were lower than domestic prices in 33 of the 41 months where comparisons were possible, with margins ranging from 0.1 to 16.5 percent. In six instances, prices for Mexican cement were between 0.8 and 11.4 percent higher than those for the domestic product. During two months, prices for U.S. and Mexican cement were the same.

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[44] Coverage figures for both producers and importers include sales of cement in additional market areas in the regions; thus, the actual coverage for price data shown in the tables is lower.

[45] ***.

[46] Prices were reported by ***.

Table 28
Portland cement: Weighted-average delivered prices and margins of under/(over) selling reported by U.S. producers and importers for sales of portland cement in the Tampa, FL, market area, by months, January 1986-June 1989

Period	U.S. price	Mexican price	Margin (percent)
*	*	*	* * *

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

Houston, TX.--Delivered prices reported by U.S. producers for sales in the Houston market *** within each year but showed an overall *** of *** percent (table 29).[47] In 1986, prices *** approximately *** percent from January to December from *** to *** per ton. Prices were *** in January 1987, ***, but they *** during the year to ***. Prices continued to *** in 1988 and 1989 and reached a level of *** in June 1989.

Prices for Mexican cement *** irregularly during the period January 1986 to June 1989.[48] In 1986, prices *** irregularly from *** in January to *** in December. Prices were *** in January 1987, *** but *** throughout 1987 and 1988 and reached a level of *** in December 1988. Prices *** in January 1989 but *** to *** in June 1989. Prices for Mexican cement were lower than those for domestic cement in the Houston market in 27 of 36 months where comparisons were possible; margins ranged from 0.6 to 15.6 percent. In nine instances, Mexican cement was priced higher than domestic cement by between 1.6 and 10.7 percent.

San Antonio, TX.--Delivered prices reported by U.S. producers in the San Antonio market showed an overall *** percent (table 30).[49] Prices *** approximately *** percent from *** (per ton) in January 1986 to *** in December 1986. Prices were *** in January 1987, *** but then *** percent during 1987. Similarly, prices *** percent from *** in January 1988 to *** in December 1988 and further *** from *** in January 1989 to *** in June 1989.

Prices for Mexican cement *** during the period but showed ***. Prices were *** in 1986, *** greatly in 1987, *** in 1988, and were *** in 1989.[50] Prices for Mexican portland cement were lower than domestic prices in 29 of 38

[47] In each month during the period, there were at least four U.S. producers reporting prices.

[48] Prices were reported by ***.

[49] In all months, there were at least three and as many as five firms reporting price data.

[50] ***.

Table 29
Portland cement: Weighted-average delivered prices and margins of under/(over) selling reported by U.S. producers and importers for sales of cement in the Houston, TX, market area, by months, January 1986-June 1989

Period	U.S. price	Mexican price	Margin (percent)
*	*	*	*

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

Table 30
Portland cement: Weighted-average delivered prices and margins of under/(over) selling reported by U.S. producers and importers for sales of cement in the San Antonio, TX, market area, by months, January 1986-June 1989

Period	U.S. price	Mexican price [1]	Margin (percent)
*	*	*	*

[1] ***.

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

months where comparisons were possible; margins ranged from 0.4 to 12 percent.In nine months, prices for Mexican cement were 0.8 to 39.6 percent higher than prices for domestic product.

Albuquerque, NM.--Prices for domestic portland cement sold in the Albuquerque market *** but showed an overall *** of *** percent (table 31).[51] In 1986, U.S. prices *** slightly; however, they *** irregularly by *** percent in 1987, *** percent in 1988, and *** percent in January-June 1989.

Prices for Mexican cement were reported by ***; prices were *** at *** from May 1986 through April 1988. Prices then *** percent in May 1988 and *** percent in total during October and November 1988; they *** at that level through June 1989. Prices for Mexican cement were lower than those for domestic cement in 3 of 35 months where comparisons were possible; margins

[51] ***.

Table 31
Portland cement: Weighted-average delivered prices and margins of under/(over) selling reported by U.S. producers and importers for sales of cement in the Albuquerque, NM, market area, by months, January 1986-June 1989

Period	U.S. price	Mexican price	Margin (percent)
*	*	*	*	*	*	*

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

ranged from 9.6 to 11.1 percent. In 32 months, prices for Mexican cement were above those for the domestic product by between 0.5 and 23.7 percent.

Phoenix, AZ.--U.S. prices for cement in the Phoenix market *** percent from *** in January 1986 to *** in February 1989 (table 32).[52] Prices *** approximately *** percent during March-June 1989 but still showed an overall *** of *** percent.

Prices for Mexican cement in Phoenix showed *** from March 1986 through April 1988.[53] Prices *** approximately *** percent in June 1988 and then remained *** through June 1989; the overall price *** was *** percent. Mexican prices were below domestic prices in 33 of 38 months where comparisons were possible, with margins ranging from 0.9 to 14.2 percent. In the remaining five months, Mexican cement was priced 0.5 to 14.5 percent above domestic cement.

Tucson, AZ.--No prices were received from U.S. producers for sales of portland cement in the Tucson market. One importer reported prices for Mexican cement sold in the Tucson market. These prices *** during the period January 1986 to June 1989 and showed an overall *** of *** percent.

San Diego, CA.--Prices reported by U.S. producers for sales in the San Diego market *** in each year during 1986-88 before *** during January-June 1989.[54] U.S. producers' prices showed an overall *** of *** percent during the period January 1986 to June 1989 (table 33).

[52] ***.

[53] ***.

[54] ***.

Table 32
Portland cement: Weighted-average delivered prices and margins of under/(over) selling reported by U.S. producers and importers for sales of cement in the Phoenix, AZ, market area, by months, January 1986-June 1989

Period	U.S. price [1]	Mexican price	Margin (percent)
*	*	*	*

[1] ***.

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

Table 33
Portland cement: Weighted-average delivered prices and margins of under/(over) selling reported by U.S. producers and importers for sales of cement in the San Diego, CA, market area, by months, January 1986-June 1989

Period	U.S. price	Mexican price	Margin (percent)
*	*	*	*

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

Similarly, prices for Mexican cement *** percent during the period February 1986 to June 1989.[55] Mexican cement was priced *** percent lower than domestic cement in 1 of the 33 months where comparisons were possible. In the other 32 months prices for Mexican cement were between 1.6 and 8.7 percent higher than prices for domestic cement.

Clinker price trends and comparisons.--The Commission requested price data from U.S. producers and importers for their purchases of cement clinker during the period January 1986 to June 1989 (table 34). Prices for cement clinker purchased from domestic suppliers *** during the period, showing ***. Similarly, purchase prices for Mexican cement clinker ***. Comparisons were possible in 23 months. Purchase prices for Mexican clinker were lower than those for domestic clinker in eight instances, with margins ranging from 2.8 to 32.2 percent. In 15 instances, purchase prices for Mexican clinker were between 2.4 and 22.5 percent higher than those for the domestic product.

[55] ***.

Table 34
Cement clinker: Weighted-average purchase prices and margins of under/(over) selling reported by U.S. producers and importers for purchases of cement clinker, by month, January 1986-June 1989

Period	U.S. price	Mexican price	Margin (percent)
*	*	*	*	*	*	*

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

Lost sales and lost revenues

The Commission received allegations of lost sales and lost revenues from five U.S. producers in Florida and the Southwest.[56] The 14 lost sales allegations submitted by producers in Florida totaled approximately $1.1 million and involved 234,500 tons of portland cement allegedly purchased from Mexican suppliers during 1986-89. The 16 specific lost sales allegations submitted by producers in the Southwest totaled approximately $36 million and involved 553,900 tons of cement.[57] The 19 lost revenue allegations submitted by producers in Florida totaled approximately $1.3 million and involved 224,251 tons of portland cement. The 18 lost revenue allegations from producers in the Southwest region totaled approximately $931,125 and involved 297,100 tons of cement.[58] Staff contacted five purchasers, and a summary of the information obtained follows.

* * * * * * *

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during the period January 1986 through June 1989 the nominal value of the Mexican peso depreciated 82.5 percent against the U.S. dollar (table 35). However, a dramatic increase in the Mexican producer price index of 639 percent compared with a 10.9-percent increase in the U.S. producer price index resulted in a 16.9-percent appreciation of the Mexican peso relative to the U.S. dollar in real terms.

---

[56] Three U.S. producers reported 9 lost sales and 17 lost revenues allegations in the California region. The lost sales and lost revenue allegations totaled approximately $8.5 million and $3.0 million and involved 129,000 and 817,382 tons of cement, respectively.

[57] ***.

[58] ***.

Table 35
Exchange rates: Indexes of the nominal and real exchange rates between the U.S dollar and Mexican peso[1] and indexes of producer prices[2] in Mexico and the United States, by quarters, January 1986-June 1989

Period	Nominal exchange rate index	Real exchange rate index[3]	Mexican producer price index	U.S. producer price index
1986:				
Jan.-Mar.....	100.0	100.0	100.0	100.0
Apr.-June.....	81.1	95.7	115.9	98.2
July-Sept.....	63.6	92.2	141.5	97.7
Oct.-Dec.....	50.7	88.9	172.0	98.1
1987:				
Jan.-Mar.....	41.3	86.5	207.7	99.2
Apr.-June.....	34.1	90.8	268.2	100.8
July-Sept.....	29.0	97.7	343.3	101.9
Oct.-Dec.....	23.7	99.4	428.5	102.3
1988:				
Jan.-Mar.....	18.8	109.4	597.8	102.9
Apr.-June.....	18.6	114.3	644.8	104.8
July-Sept.....	18.6	117.0	668.9	106.2
Oct.-Dec.....	18.6	118.6	681.7	106.7
1989:				
Jan.-Mar.....	18.2	120.2	718.9	109.0
Apr.-June.....	17.5	116.9	739.1	110.9

[1] Exchange rates are expressed in U.S. dollars per unit of foreign currency.
[2] Producer price indexes--intended to measure final product prices--are based on average quarterly indexes presented in line 63 of the International Financial Statistics.
[3] The indexed real exchange rate represents the nominal exchange rate adjusted for relative movements in producer price indexes in the United States and Mexico. Producer prices in the United States increased 10.9 percent between January 1986 and June 1989 compared with a 639.1-percent increase in Mexico during the same period.

Note.--January-March 1986=100.

Source: International Monetary Fund, International Financial Statistics, September 1989.

APPENDIX A

FEDERAL REGISTER NOTICES OF THE U.S. INTERNATIONAL TRADE COMMISSION AND THE DEPARTMENT OF COMMERCE

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-451 (Preliminary)]

Gray Portland Cement and Cement Clinker From Mexico

AGENCY: United States International Trade Commission.

ACTION: Institution of a preliminary antidumping 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 antidumping investigation No. 731-TA-451 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Mexico of gray portland cement and cement clinker, provided for in subheadings 2523.10.00, 2523.29.00, and 2523.90.00 of the Harmonized Tariff Schedule of the United States (previously reported under item 511.14 of the Tariff Schedules of the United States), that are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by November 13, 1989.

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), as amended by 53 FR 33034 (August 29, 1988) and 54 FR 5220 (February 2, 1989), and part 201, subparts A through E (19 CFR part 201), as amended by 54 FR 13672 (April 5, 1989).

EFFECTIVE DATE: September 27, 1989.

FOR FURTHER INFORMATION CONTACT: Jim McClure (202-252-1191), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-252-1000.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on September 26, 1989 by Ad Hoc Committee of AZ-NM-TX-FL Producers of Gray Portland Cement of Washington, DC.

Participation in the Investigation

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 (19 CFR 201.11), not later than seven (7) days after publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Public Service List

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), as amended by 53 FR 33039 (August 29, 1988) and 54 FR 5220 (February 2, 1989) each public document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the public service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Limited Disclosure of Business Proprietary Information Under a Protective Order and Business Proprietary Information Service List

Pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a)), as amended by 53 FR 33039 (August 29, 1988) and 54 FR 5220 (February 2, 1989), the Secretary will make available business proprietary information gathered in this preliminary investigation to authorized applicants under a protective order, provided that the application be made not later than seven (7) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive business proprietary information under a protective order. The Secretary will not accept any submission by parties containing business proprietary information without a certificate of service indicating that it has been served on all the parties that are authorized to receive such information under a protective order.

Conference

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on October 17, 1989 at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Jim McClure (202-252-1191) not later than October 13, 1989 to arrange for their appearance. Parties in support of the imposition of antidumping 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.

Written Submissions

Any person may submit to the Commission on or before October 20, 1989 a written brief containing information and arguments pertinent to the subject matter of the investigation, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rules (19 CFR 201.8). All written submissions except for business proprietary 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 to the Commission.

Any information for which business proprietary treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Business Proprietary Information." Business proprietary submissions and requests for business proprietary treatment must conform with the requirements of § 201.6 and 207.7 of the Commission's rules (19 CFR 201.6 and 207.7), as amended by 54 FR 13672 (April 5, 1989) and 53 FR 33034 (August 29, 1988) and 54 FR 5220 (February 2, 1989).

Parties which obtain disclosure of business proprietary information pursuant to § 207.7(a) of the commission's rules (19 CFR 207.7(a)), as amended by 53 FR 33034 (August 29, 1988) and 54 FR 5220 (February 2, 1989), may comment on such information in their written brief, and may also file additional written comments on such information no later than October 23, 1989. Such additional comments must be limited to comments on business

proprietary information received in or after the written briefs.

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: September 28, 1989.

By order of the Commission.

Lisbeth K. Godley,

Acting Secretary.

[FR Doc. 89-23260 Filed 9-29-89; 8:45 am]

BILLING CODE 7020-02-M

DEPARTMENT OF COMMERCE

International Trade Administration

[A-201-802]

Initiation of Antidumping Duty Investigation; Gray Portland Cement and Clinker from Mexico

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping duty investigation to determine whether imports of gray portland cement and clinker from Mexico are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of gray portland cement and clinker from Mexico materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 10, 1989. If the ITC determination is affirmative, we will make a preliminary determination on or before March 5, 1990.

EFFECTIVE DATE: October 23, 1989.

FOR FURTHER INFORMATION CONTACT: Irene Darzenta, Kimberly Hardin, or Mary S. Clapp, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-0186, or 377-8371, 377-3965, respectively.

SUPPLEMENTARY INFORMATION:

The Petition

On September 26, 1989, we received a petition filed in proper form by the Ad Hoc Committee of Arizona-New Mexico-Texas-Florida Producers of Gray Portland Cement on behalf of the U.S. gray portland cement and clinker industry. In compliance with the filing requirements of 19 CFR 353.12, petitioner alleges that imports of gray portland cement and clinker from Mexico are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, a U.S. industry.

Petitioner has alleged it has standing to file the petition. Specifically, petitioner has alleged that it is an interested party as defined under section 771(9)(F) of the Act and that it has filed the petition on behalf of a regional U.S. industry producing the product that is subject to this investigation. Any interested party, as described under paragraphs (C), (D), (E), or (F) of section 771(9) of the Act, that wishes to register support for, or opposition to, this petition, must file written notification with the Assistant Secretary for Import Administration.

United States Price and Foreign Market Value

Petitioner's estimate of United States Price is based on the ex-factory price charged by a Mexican producer/exporter for the sale of a large shipment of gray portland cement to a U.S. customer in May 1989. Petitioner also bases its estimate of United States Price on unit Customs value of imports from Mexico for May 1989.

Petitioner's estimate of foreign market value (FMV) is based on the price at which such or similar merchandise is sold or offered for sale in the principal markets of Mexico.

Based on a comparison of United States Price and FMV as estimated by the Petitioner, the alleged dumping margins range from 96 to 111 percent.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on gray portland cement and clinker from Mexico and found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of gray portland cement and clinker from Mexico are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make a preliminary determination by March 5, 1990.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the United States fully converted to the *Harmonized Tariff Schedule* (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered, or withdrawn from warehouse, for consumption on or after that date is now classified solely according to the appropriate HTS item number(s).

The products covered by this investigation include gray portland cement and clinker. Gray portland cement is a hydraulic cement and the primary component of concrete. Clinker, an intermediate material produced when manufacturing cement, has no other use than for being ground into finished cement. Gray portland cement is currently classifiable under HTS item number 2523.29, and cement clinker is currently classifiable under number 2523.10. Gray portland cement has also

been entered under number 2523.90 as "other hydraulic cements."

Request for Exclusion

Any producer or reseller that desires exclusion from an antidumping duty order must submit to the Assistant Secretary of Import Administration, not later than 30 days after the date of publication of this notice, an irrevocable written request for exclusion in accordance with 19 CFR 353.14.

Notification of ITC

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

Preliminary Determination by ITC

The ITC will determine by November 10, 1989, whether there is a reasonable indication that imports of gray portland cement and clinker from Mexico materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated; otherwise, it will proceed according to statutory and regulatory procedures.

This notice is published pursuant to section 732(c)(2) of the Act.

Dated: October 16, 1989.

Eric I. Garfinkel,

Assistant Secretary for Import Administration.

[FR Doc. 89- 24911 Filed 10-20-89; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

CALENDAR OF THE PUBLIC CONFERENCE

CALENDAR OF THE PUBLIC CONFERENCE

Those persons listed below appeared at the United States International Trade Commission's conference:

Subject	:	Gray portland cement and cement clinker from Mexico
Inv. Nos.	:	731-TA-451 (Preliminary)
Date and Time	:	October 17, 1989 - 10:00 a.m.

The session was held in the Main Hearing Room 101 of the U.S. International Trade Commission, 500 E Street, SW, in Washington.

In support of the imposition of antidumping duties:

Kilpatrick & Cody--Counsel
Washington, DC
on behalf of--

The Ad Hoc Committee of AZ-NM-TX-FL Producers of Gray Portland Cement
Washington, DC

John N. Stoss, President, Phoenix Cement Co.

Jon R. Thompson, Division V-P, Cement Marketing, Texas Industries, Inc.

C. M. Coleman, V-P & General Manager, Florida Mining & Materials

James E. Allsopp, Jr., V-P Sales, Florida Crushed Stone Co.

Andrew R. Wechsler, Economists Incorporated

Kenneth R. Dunmore, Economists Incorporated

Joseph W. Dorn)
Martin M. McNerney) --OF COUNSEL

In opposition to the imposition of antidumping duties:

Steptoe & Johnson--Counsel
Washington, DC
on behalf of--

CEMEX, S.A., CFTA, and Pacific Coast Cement Corp.

Richard O. Cunningham)
Robert Fleishman)--OF COUNSEL
Susan G. Esserman)

O'Connor & Hannan--Counsel
Washington, DC
on behalf of--

Grupo Cementos Apasco, S.A.

Lic. Luis Martinez Arguello, Executive Director

Ken Stanhagen, Trade Resources Company

Joseph H. Blatchford) --OF COUNSEL
Andrew Jaxa-Debicki)

APPENDIX C

1983-88 DATA

This appendix presents information with regard to the performance of U.S. producers of portland cement during 1983-88 for Florida, the Southwest, Florida and the Southwest combined, and California. Fewer producers were able to provide data for the 1983-88 period than for the 1986-June 1989 period and, therefore, data will not be entirely consistent with data presented in the main body of the report. In general, the trends expressed in the 1986-June 1989 period hold true for the more extended period.

U.S. production, capacity, and capacity utilization

Table C-1 details production of portland cement, production capacity, and capacity utilization during 1983-88.

Florida.--Capacity to produce portland cement in Florida rose 47 percent from 1983 to 1986, then increased another 12 percent from 1986 to 1988. The increase in capacity is due largely to the opening of the Florida Crushed Stone facility in 1986. From 1983 to 1988, production by Florida producers increased irregularly by 47 percent. Capacity utilization over the same period dropped on an irregular basis from 86.7 percent in 1983 to 78.6 percent in 1988.

Southwest.--Production capacity in the Southwest increased by 11 percent from 1983 to 1988. During the same period, production dropped irregularly by 11 percent. Likewise, capacity utilization dropped irregularly, from 72.9 percent to 60.5 percent, over the same time frame.

California.--Productive capacity in California increased by 19 percent from 1983 to 1988, with production increasing 44 percent over the same period. Capacity utilization steadily increased from 80.2 percent in 1983 to 96.8 percent in 1988.

Table C-1
Portland cement: U.S. capacity, production, and capacity utilization, by regions, 1983-88

Item	1983	1984	1985	1986	1987	1988
	Production (1,000 short tons)					
Florida region:						
From firms' cement clinker	1,546	1,620	1,627	1,665	2,013	2,274
From imported cement clinker	0	38	5	34	0	0
From purchased cement clinker	0	0	0	4	0	0
Total	1,546	1,658	1,632	1,703	2,013	2,274
Southwest region:						
From firms' cement clinker	6,946	7,715	7,412	6,482	6,178	6,444
From imported cement clinker	100	88	217	34	0	0
From purchased cement clinker	178	28	50	35	8	-
Total	7,224	7,831	7,679	6,551	6,186	6,444
Florida and Southwest regions, combined:						
From firms' cement clinker	8,492	9,335	9,039	8,147	8,191	8,718
From imported cement clinker	100	126	222	68	0	0
From purchased cement clinker	178	28	50	39	8	3
Total	8,770	9,489	9,311	8,254	8,199	8,721
California region:						
From firms' cement clinker	2,030	2,441	2,472	2,691	2,735	2,922
From imported cement clinker	-	-	-	-	-	-
From purchased cement clinker	-	47	225	51	-	-
Total	2,030	2,488	2,697	2,742	2,735	2,922
	End-of-period capacity (1,000 short tons)					
Florida region	1,783	1,783	1,783	2,582	2,892	2,892
Southwest region	9,915	10,134	10,438	10,411	10,929	11,049
Total	11,698	11,917	12,221	12,993	13,821	13,941
California region	2,531	3,002	3,002	2,877	2,957	3,020

continued on next page

Table C-1--Continued
Portland cement: U.S. capacity, production, and capacity utilization, by regions, 1983-88

Item	1983	1984	1985	1986	1987	1988
	Capacity utilization[1] (percent)					
Florida region	86.7	93.0	91.5	66.0	69.6	78.6
Southwest region	72.9	77.3	71.3	62.2	55.4	60.5
Average	75.0	79.6	74.3	63.0	58.4	64.3
California region	71.7	75.0	84.7	91.9	90.1	93.7

[1] Computed from responses of firms providing both capacity and production.

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

U.S. producers' shipments

Table C-2 presents domestic shipments data for portland cement for 1983-88. Data are presented on a within- and outside-region shipments basis. For all three regions, more than 90 percent of shipments occurred within the region the product is produced. No exports were reported by any of the producers responding to Commission questionnaires.

Florida.--Shipments within Florida increased on an irregular basis, by 43 percent, from 1983 to 1988.

Southwest.--Shipments within the Southwest by producers in that region increased approximately 8 percent from 1983 to 1984, then dropped by 22 percent from 1984 to 1988.

California.--Reported shipments by California producers showed a steady upward climb of 46 percent from 1983 to 1988.

Table C-2
Portland cement: Shipments of U.S. producers, by regions, 1983-88

Item	1983	1984	1985	1986	1987	1988
*	*	*	*	*	*	*

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

U.S. producers' inventories

Producers' inventories of portland cement for the 1983-88 period are presented in table C-3.

Florida.--Florida producers' inventories of portland cement, as a share of production, ranged from 4.3 percent, occurring in 1983, to 5.3 percent, occurring in 1986.

Southwest.--Portland cement inventories for Southwest producers ranged from 5.5 percent to 7.8 percent during the 1983-88 period. Inventories were higher during the latter half of the period.

California.--Inventories of portland cement held by California producers ranged from 3.9 percent to 4.6 percent of production during the six reporting periods.

Table C-3
Portland cement: U.S. producers' inventories, by regions, as of Dec. 31 of 1986-88

Item	1983	1984	1985	1986	1987	1988
	End-of-period inventories (1,000 short tons)					
Florida region	67	79	78	90	101	90
Southwest region	393	400	403	429	485	471
Total	460	479	481	519	586	561
California region	92	106	123	108	120	129
	Ratio to production (percent)[1]					
Florida region	4.3	4.8	4.8	5.3	5.0	4.0
Southwest region	5.9	5.5	5.6	6.5	7.8	7.3
Average	5.6	5.3	5.5	6.3	7.1	6.4
California region	4.5	4.3	4.6	3.9	4.4	4.4

[1] Ratios are based on data supplied by firms that reported both inventory and production information.

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

Financial experience of U.S. producers during 1983-88

This section presents the financial experience of U.S. producers of portland cement and cement clinker during 1983-88 for Florida, the Southwest, Florida and the Southwest combined, and California. The level of response of U.S. producers in Florida and the Southwest is not as high as the response in the main financial section; therefore, data presented here for 1986-89 are not entirely consistent with data in that section.

Florida.--Three plants of U.S. producers[1] supplied income-and-loss data on their portland cement and cement clinker operations. These data are shown in table C-4.

* * * * * * *

Return on investment.--The operating and net return on the book value of fixed assets are presented in table C-5. These returns on fixed assets followed the same trend as did the ratio of operating and net income or loss to net sales.

[1] ***.

Table C-4
Income-and-loss experience of U.S. producers in Florida on their operations producing portland cement and cement clinker, accounting years 1983-88

Item	1983	1984	1985	1986	1987	1988
*	*	*	*	*	*	*

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

Table C-5
Portland cement and cement clinker: Value of property, plant, and equipment of U.S. producers, by region, accounting years 1983-88

Item	1983	1984	1985	1986	1987	1988
	Value (1,000 dollars)					
Florida:						
Fixed assets:						
Original cost	***	***	***	***	***	***
Book value	***	***	***	***	***	***
The Southwest:						
Fixed assets:						
Original cost	532,209	557,882	624,011	703,396	845,603	858,478
Book value	378,281	371,081	409,177	478,599	619,696	600,883
Florida and the Southwest, combined:						
Fixed assets:						
Original cost	***	***	***	***	***	***
Book value	***	***	***	***	***	***
California:						
Fixed assets:						
Original cost	83,120	189,008	172,768	171,337	174,517	176,004
Book value	55,674	154,137	140,024	131,130	126,582	120,446
	Return on book value of fixed assets (percent)[1]					
Florida:						
Operating return[2]	***	***	***	***	***	***
Net return[3]	***	***	***	***	***	***
The Southwest:						
Operating return[2]	21.2	21.1	16.0	2.7	(1.4)	(4.6)
Net return[3]	18.1	17.1	11.3	(3.8)	(8.5)	(10.7)
Florida and the Southwest, combined:						
Operating return[2]	***	***	***	***	***	***
Net return[3]	***	***	***	***	***	***
California:						
Operating return[2]	5.3	1.0	11.4	18.1	22.9	25.9
Net return[3]	(1.3)	(1.5)	8.2	15.6	19.3	21.4

[1]Computed using data from only those firms supplying both asset and income-and-loss information, and as such, may not be derivable from data presented.
[2]Defined as operating income or loss divided by asset value.
[3]Defined as net income or loss divided by asset value.

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

Southwest.--Fourteen plants of U.S. producers[2] provided income-and-loss data on their portland cement and cement clinker operations. These data are shown in table C-6.

Net sales increased by 5 percent from 1983 to 1984 and then declined by 44 percent from 1984 to 1988. Operating income margins fell each year from a high of 21.6 percent in 1983 to 4.7 percent in 1986 and then turned into negative margins of 3.5 percent in 1987 and 11.6 percent in 1988. Pre-tax net income and loss margins followed a similar trend as the operating income and loss margins but the income margins were lower and the loss margins were higher.

Return on investment.--The operating and net return on the book value of fixed assets are presented in table C-5. These returns on fixed assets followed the same trend as did the ratio of operating and net income or loss to net sales.

Table C-6
Income-and-loss experience of U.S. producers in the Southwest on their operations producing portland cement and cement clinker, accounting years 1983-88

Item	1983	1984	1985	1986	1987	1988
	Value (1,000 dollars)					
Net sales	406,515	425,735	394,262	279,767	243,155	236,880
Cost of goods sold	296,682	313,931	302,973	242,434	225,999	238,200
Gross profit or (loss)	109,833	111,804	91,289	37,333	17,156	(1,320)
Selling, general and administrative expenses	22,091	23,382	25,774	24,312	25,729	26,116
Operating income or (loss)	87,742	88,422	65,515	13,021	(8,573)	(27,436)
Interest expense	11,868	14,342	17,780	29,779	31,960	38,964
Other income (expense), net	451	(376)	(1,409)	(1,543)	(11,904)	(94)
Net income or (loss) before income taxes	76,325	73,704	46,325	(18,301)	(52,437)	(66,494)
	Share of net sales (percent)					
Cost of goods sold	73.0	73.7	76.8	86.7	92.9	100.6
Gross profit or (loss)	27.0	26.3	23.2	13.3	7.1	(0.6)
Selling, general and administrative expenses	5.4	5.5	6.5	8.7	10.6	11.0
Operating income or (loss)	21.6	20.8	16.6	4.7	(3.5)	(11.6)
Net income or (loss) before income taxes	18.8	17.3	11.7	(6.5)	(21.6)	(28.1)

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

[2] ***.

Florida and the Southwest, combined.--Seventeen plants of U.S. producers[3] provided income-and-loss data on their portland cement and cement clinker operations. These data are shown in table C-7.

* * * * * * *

Return on investment.--The operating and net return on the book value of fixed assets are presented in table C-5. These returns on fixed assets followed a similar trend as did the ratio of operating and net income or loss to net sales.

Table C-7
Income-and-loss experience of U.S. producers in Florida and the Southwest, combined, on their operations producing portland cement and cement clinker, accounting years 1983-88.

Item	1983	1984	1985	1986	1987	1988
* * * * * * *						

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

[3] ***.

California.--Three plants of U.S. producers[4] supplied income-and-loss data on their portland cement and cement clinker operations. These data are presented in table C-8.

Net sales rose by 73 percent from 1983 to 1988. The responding plants sustained an aggregate operating loss margin of 5.4 percent in 1983. Thereafter, financial performance of the California region plants started improving. The operating income margin jumped from a low of 3.2 percent in 1984 to 19.5 percent in 1988. Pre-tax net income or loss margins followed the same trend as the operating income or loss margins.

Return on investment.--The operating and net return on book value of fixed assets are presented in table C-5. These returns on fixed assets followed a similar trend as the ratio of operating and net income or loss to net sales. The jump in the value of fixed assets in 1984 from the 1983 level represents mainly ***.

Table C-8
Income-and-loss experience of U.S. producers in California on their operations producing portland cement and cement clinker, accounting years 1983-88

Item	1983	1984	1985	1986	1987	1988
	Value (1,000 dollars)					
Net sales	112,424	150,233	175,416	173,877	183,497	194,928
Cost of goods sold	106,351	132,904	137,643	130,270	133,430	142,831
Gross profit	6,073	17,329	37,773	43,607	50,067	52,097
Selling, general and administrative expenses	12,099	12,521	15,523	16,692	16,179	13,997
Operating income or (loss)	(6,026)	4,808	22,250	26,915	33,887	38,100
Interest expense	1,733	2,415	5,013	4,886	6,678	5,734
Other income (expense), net	(1,427)	(2,975)	(1,090)	663	1,210	(276)
Net income or (loss) before income taxes	(9,186)	(582)	16,147	22,692	28,419	32,090
	Share of net sales (percent)					
Cost of goods sold	94.6	88.5	78.5	74.9	72.7	73.3
Gross profit	5.4	11.5	21.5	25.1	27.3	26.7
Selling, general and administrative expenses	10.8	8.3	8.8	9.6	8.8	7.2
Operating income or (loss)	(5.4)	3.2	12.7	15.5	18.5	19.5
Net income or (loss) before income taxes	(8.2)	(0.4)	9.2	13.1	15.5	16.5

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

[4] ***.

Prices

The Commission requested U.S. producers and importers to provide their annual average unit shipment value on an f.o.b. plant or terminal basis for the period 1983 to 1988. Data for Florida, the Southwest, and California are shown in the following tabulation:

	1983	1984	1985	1986	1987	1988
Florida						
U.S. producers....	$46.58	$45.67	$45.67	$41.85	$42.03	$44.23
U.S. importers....	***	46.76	41.42	39.80	38.88	40.36
Southwest						
U.S. producers....	$54.28	$52.99	$51.59	$46.53	$42.91	$38.17
U.S. importers....	53.63	53.74	52.55	49.30	48.41	32.78
California						
U.S. producers....	$56.90	$59.98	$63.15	$63.18	$63.18	$62.27
U.S. importers....	***	***	***	***	***	***

Five U.S. producers and four U.S importers reported usable annual average shipment value data for the Florida region. U.S. average unit shipment values decreased 10.2 percent from 1983 to 1986 and then increased 5.7 percent from 1986 to 1988; the level in 1988 was approximately 5 percent below the 1983 level. Average unit shipment values for Mexican cement declined *** percent from 1983 to 1987, then increased 3.8 percent in 1988. The level in 1988 was *** percent lower than in 1983.

Fourteen U.S. producers and five U.S. importers reported annual average shipment value data for the Southwest region. U.S. average unit shipment values declined steadily from 1983 to 1898, decreasing 29.7 percent during the period. Average unit shipment values for Mexican cement increased slightly from 1983 to 1984 then decreased 39 percent from 1984 to 1988.

Four U.S. producers and two U.S. importers reported annual average shipment value data for California. U.S. average unit shipment values increased 11 percent from 1983 to 1986 and then decreased 5.7 percent from 1986 to 1988. The level in 1988 was 4.7 percent higher than in 1983. During 1983-85 ***. Average unit shipment values for U.S. importers ***. ***.

APPENDIX D

TRADE AND FINANCIAL DATA, BY REGIONS AND BY PLANTS

Table D-1
Portland cement and cement clinker: U.S. capacity, production, and capacity utilization, by products, regions and plants, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

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

Table D-2
Portland cement: U.S. shipments within the region produced by U.S. producers, by regions and by plants, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

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

Table D-3
Cement clinker: U.S. shipments within the region produced by U.S. producers, by regions and by plants, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

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

Table D-4
Portland cement and cement clinker: U.S. producers' inventories, by regions, products and by plants, as of Dec. 31 of 1986-88, and as of June 30 of 1988 and 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

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

Table D-5
Total establishment employment and average number of production and related workers producing product portland cement and cement clinker, hours worked,[1] wages paid to such employees, and labor productivity, hourly wages, and unit labor production costs, by plants, 1986-88, January-June 1988, and January-June 1989[2]

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

[1] Includes hours worked plus hours of paid leave time.
[2] Firms providing employment data accounted for 90 percent of reported total shipments quantity in 1988.

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

Table D-6
Income-and-loss experience of U.S. producers in the Florida region on their operations producing portland cement and cement clinker, by plants, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

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

Table D-7
Income-and-loss experience of U.S. producers in the Southwest region on their operations producing portland cement and cement clinker, by plants, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

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

Table D-8
Income-and-loss experience of U.S. producers in the Florida and Southwest regions, combined, on their operations producing portland cement and cement clinker, by plants, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

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

Table D-9
Income-and-loss experience of U.S. producers in the California region on their operations producing portland cement and cement clinker, by plants, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
*	*	*	*	*	*	*

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

APPENDIX E

COST OF PRODUCTION DATA

Cost of production of U.S. producers

This section of the report presents the cost of production of U.S. producers of portland cement and cement clinker by regions. It is divided into Florida, the Southwest, Florida and the Southwest combined, and California.

Florida.--Four plants of U.S. producers[1] supplied cost of production data. These data are shown in table E-1. Weighted-average production costs of portland cement per short ton declined by 4 percent from $36.90 in 1986 to $35.46 in 1988 and fell slightly to $32.47 in January-June 1989, compared with $32.54 in the corresponding period of 1988. Weighted-average production costs of cement clinker per short ton declined by 5 percent from $27.90 in 1986 to $26.55 in 1988 and slightly fell to $25.67 in January-June 1989, compared with $25.70 in the same period of 1988.

The percentage distribution of the components of cost of production as a share of total production costs of portland cement and cement clinker is presented in table E-2. For the production of portland cement, the cost of cement clinker accounted for over 70 percent of total cost of production during the period covered by the investigation. During the same period, as a share of total production costs, energy costs averaged about 7 percent. Depreciation and other variable costs declined, whereas other fixed costs increased.

For the production of cement clinker, raw material costs accounted for over 30 percent of total production costs, and energy costs averaged about 36 to 39 percent during the period covered by the investigation. As a share of total production costs, direct labor and other variable costs combined fluctuated around 22 percent, and depreciation and other fixed costs fluctuated between 6 and 10 percent.

Southwest.--Thirteen plants of U.S. producers[2] supplied cost of production data. Weighted-average production costs of portland cement per short ton declined by 10 percent from $35.78 in 1986 to $32.24 in 1988 and then increased by 1 percent to $33.55 in January-June 1989, compared with $33.25 in the same period of 1988. Weighted-average production costs of cement clinker per short ton declined by 12 percent from $27.45 in 1986 to $24.25 in 1988 and fell slightly to $25.03 in January-June 1989, compared with $25.22 in the corresponding period of 1988.

For the production of portland cement, the cost of cement clinker accounted for over 75 percent of the total cost of production during the period covered by the investigation. During the same period, as a share of total production costs, direct labor averaged about 3 percent; depreciation expense rose from 3 to 4 percent; and energy, other variable costs, and other fixed costs each fluctuated around 6 percent.

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[1] ***.

[2] ***.

Table E-1
Production costs of portland cement and cement clinker, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
Florida:					
Portland cement:					
Production cost (per short ton)	$36.90	$36.29	$35.46	$32.54	$32.47
Production (1,000 short tons)	2,307	2,600	2,860	1,243	1,448
Number of reporting plants	3	4	4	4	4
Cement clinker:					
Production cost (per short ton)	$27.90	$27.87	$26.55	$25.70	$25.67
Production (1,000 short tons)	2,233	2,582	2,751	1,168	1,361
Number of reporting plants	3	4	4	4	4
The Southwest:					
Portland cement:					
Production cost (per short ton)	$35.78	$33.35	$32.24	$33.25	$33.55
Production (1,000 short tons)	5,783	5,706	5,883	2,925	2,771
Number of reporting plants	12	12	10	10	10
Cement clinker:					
Production cost (per short ton)	$27.45	$24.77	$24.25	$25.22	$25.03
Production (1,000 short tons)	5,798	6,012	6,541	3,011	3,207
Number of reporting plants	11	11	10	10	10
Florida and the Southwest, combined:					
Portland cement:					
Production cost (per short ton)	$36.10	$34.27	$33.29	$33.04	$33.18
Production (1,000 short tons)	8,090	8,306	8,743	4,168	4,219
Number of reporting plants	15	16	14	14	14
Cement clinker:					
Production cost (per short ton)	$27.57	$25.71	$24.93	$25.35	$25.22
Production (1,000 short tons)	8,031	8,594	9,292	4,179	4,568
Number of reporting plants	14	15	14	14	14

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Table E-1--Continued
Production costs of portland cement and cement clinker, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
California:					
*	*	*	*	*	*	*

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

Table E-2
Portland cement and cement clinker: Ratio of specified production cost elements to total production costs, accounting years 1986-88, January-June 1988, and January-June 1989

(In percent, except where noted)

Item	1986	1987	1988	January-June-- 1988	1989
Florida:					
Portland cement:					
Cement clinker used:					
Imported	0.0	0.0	0.0	0.0	0.0
Domestic	71.8	71.8	71.7	73.7	72.6
Direct labor	0.8	1.2	1.9	2.1	1.8
Energy	7.4	7.1	6.7	7.1	7.0
Depreciation	3.2	3.4	2.3	1.6	2.1
Other variable costs	11.8	10.7	9.0	7.2	8.3
Other fixed costs	5.0	5.7	8.5	8.3	8.2
Total	100.0	100.0	100.0	100.0	100.0
Number of reporting plants	3	4	4	4	4
Cement clinker:					
Raw materials	32.7	31.0	32.9	34.0	35.9
Direct labor	5.2	8.4	7.8	7.5	6.7
Energy	38.6	37.3	36.9	37.1	36.2
Depreciation	4.4	7.5	7.4	8.9	7.5
Other variable costs	17.0	13.1	14.2	12.4	10.6
Other fixed costs	2.0	2.6	0.8	0.2	3.0
Total	100.0	100.0	100.0	100.0	100.0
Number of reporting plants	3	4	4	4	4
The Southwest:					
Portland cement:					
Cement clinker used:					
Imported	0.6	0.0	0.0	0.0	0.0
Domestic	75.3	75.3	75.1	75.6	75.4
Direct labor	2.8	2.6	2.5	2.3	2.2
Energy	5.9	5.9	6.1	5.9	6.0
Depreciation	3.2	3.7	4.2	3.8	4.4
Other variable costs	5.8	5.7	5.8	6.1	5.7
Other fixed costs	6.5	6.8	6.3	6.3	6.3
Total	100.0	100.0	100.0	100.0	100.0
Number of reporting plants	12	12	10	10	10

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Table E-2--Continued
Portland cement and cement clinker: Ratio of specified production cost elements to total production costs, accounting years 1986-88, January-June 1988, and January-June 1989

(In percent, except where noted)

Item	1986	1987	1988	January-June-- 1988	1989
Cement clinker:					
Raw materials	3.4	3.5	3.9	3.5	3.6
Direct labor	13.2	11.7	11.5	12.0	11.3
Energy	38.8	37.8	36.3	35.6	34.4
Depreciation	12.5	14.5	14.3	16.0	13.9
Other variable costs	15.2	15.6	16.8	15.2	17.5
Other fixed costs	16.9	16.9	17.2	17.8	19.3
Total	100.0	100.0	100.0	100.0	100.0
Number of reporting plants	12	11	10	10	10
Florida and the Southwest, combined:					
Portland cement:					
Cement clinker used:					
Imported	0.4	0.0	0.0	0.0	0.0
Domestic	74.3	74.2	73.9	75.0	74.5
Direct labor	2.2	2.1	2.3	2.3	2.1
Energy	6.3	6.3	6.3	6.3	6.3
Depreciation	3.2	3.6	3.5	3.1	3.7
Other variable costs	7.5	7.4	6.9	6.4	6.6
Other fixed costs	6.1	6.5	7.1	6.9	6.9
Total	100.0	100.0	100.0	100.0	100.0
Number of reporting plants	15	16	14	14	14
Cement clinker:					
Raw materials	11.7	12.5	13.1	12.1	13.4
Direct labor	10.9	10.6	10.4	10.7	9.9
Energy	38.7	37.7	36.5	36.0	35.0
Depreciation	10.3	12.2	12.1	14.0	12.0
Other variable costs	15.7	14.8	16.0	14.4	15.4
Other fixed costs	12.7	12.2	12.0	12.8	14.3
Total	100.0	100.0	100.0	100.0	100.0
Number of reporting plants	15	15	14	14	14
California:					

* * * * * * *

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

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

For the production of cement clinker, raw material costs accounted for only about 4 percent of total production costs, but energy costs averaged about 36 to 39 percent during the period covered by the investigation. As a share of total production costs, direct labor and other variable costs fluctuated around 12 to 13 percent, and about 15 to 17 percent, respectively; depreciation and other fixed costs averaged about 14 and 17 percent, respectively.

Florida and the Southwest, combined.--Seventeen plants of U.S. producers[3] supplied cost of production data. Weighted-average production costs of portland cement per short ton declined by 8 percent from $36.10 in 1986 to $33.29 in 1988 and then increased slightly to $33.18 in January-June 1989, compared with $33.04 in the corresponding period of 1988. Weighted-average production costs of cement clinker per short ton declined by 10 percent from $27.57 in 1986 to $24.93 in 1988 and slightly fell to $25.22 in January-June 1989, compared with $25.35 in the same period of 1988.

The percentage distribution of the elements of cost of production as a share of total production costs of portland cement in the combined regions generally followed the same pattern as shown in the Southwest region. For the production of cement clinker, raw material costs accounted for about 12 to 13 percent of total production costs, and energy cost averaged about 35 to 39 percent during the period covered by the investigation. As a share of total production costs, direct labor and other variable costs fluctuated about 11 percent, and around 15 to 16 percent, respectively; depreciation and other fixed costs averaged about 12 percent.

California.--

* * * * * * *

[3] ***.

APPENDIX F

OVERALL ESTABLISHMENT DATA

Table F-1
Income-and-loss experience of U.S. producers in Florida on the overall operations of their establishments within which portland cement and cement clinker are produced, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Value (1,000 dollars)				
Net sales	111,139	121,904	133,158	52,415	69,038
Cost of goods sold	101,234	112,647	105,714	41,941	48,665
Gross profit	9,905	9,257	27,444	10,474	20,373
Selling, general and administrative expenses	6,944	8,615	9,730	4,017	6,351
Operating income	2,961	642	17,714	6,457	14,022
Startup or shutdown expense	***	***	***	***	***
Interest expense	***	***	***	***	***
Other income or (expense), net	***	***	***	***	***
Net income or (loss) before income taxes	2,961	(5,273)	4,158	(891)	5,014
Depreciation and amortization included above	9,891	13,226	10,454	5,316	5,072
Cash flow[1]	12,852	7,953	14,612	4,425	10,086
	Share of net sales (percent)				
Cost of goods sold	91.1	92.4	79.4	80.0	70.5
Gross profit	8.9	7.6	20.6	20.0	29.5
Selling, general and administrative expenses	6.2	7.1	7.3	7.7	9.2
Operating income	2.7	0.5	13.3	12.3	20.3
Net income or (loss) before income taxes	2.7	(4.3)	3.1	(1.7)	7.3
	Number of plants reporting				
Operating losses	1	2	1	1	0
Net losses	1	2	2	1	1
Data	3	4	4	4	4

[1] Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table F-2
Income-and-loss experience of U.S. producers in the Southwest on the overall operations of their establishments within which portland cement and cement clinker are produced, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	January-June-- 1989
	Value (1,000 dollars)				
Net sales	345,107	280,130	261,815	135,367	122,234
Cost of goods sold	313,494	272,139	279,809	143,106	140,447
Gross profit or (loss)	31,613	7,991	(17,994)	(7,738)	(18,214)
Selling, general and administrative expenses	30,881	28,464	27,510	12,941	13,283
Operating income or (loss)	732	(20,473)	(45,504)	(20,679)	(31,497)
Startup or shutdown expense	***	***	***	***	***
Interest expense	***	***	***	***	***
Other income, net	***	***	***	***	***
Net (loss) before income taxes	(29,531)	(62,657)	(83,250)	(38,695)	(48,851)
Depreciation and amortization included above	38,675	41,413	42,243	20,334	22,287
Cash flow[1]	9,144	(21,244)	(41,007)	(18,361)	(26,564)
	Share of net sales (percent)				
Cost of goods sold	90.8	97.1	106.9	105.7	114.9
Gross profit or (loss)	9.2	2.9	(6.9)	(5.7)	(14.9)
Selling, general and administrative expenses	8.9	10.2	10.5	9.6	10.9
Operating income or (loss)	0.2	(7.3)	(17.4)	(15.3)	(25.8)
Net (loss) before income taxes	(8.6)	(22.4)	(31.8)	(28.6)	(40.0)
	Number of plants reporting				
Operating losses	10	10	11	10	12
Net losses	11	12	14	12	14
Data	16	15	13	13	13

[1] Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table F-3
Income-and-loss experience of U.S. producers in Florida and the Southwest, combined, on the overall operations of their establishments within which portland cement and cement clinker are produced, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Value (1,000 dollars)				
Net sales	456,246	402,034	394,973	187,782	191,272
Cost of goods sold	414,728	384,786	385,523	185,047	189,112
Gross profit	41,518	17,248	9,450	2,736	2,159
Selling, general and administrative expenses	37,825	37,079	37,240	16,958	19,634
Operating income or (loss)	3,693	(19,831)	(27,790)	(14,222)	(17,475)
Startup or shutdown expense	***	***	***	***	***
Interest expense	***	***	***	***	***
Other income, net	***	***	***	***	***
Net (loss) before income taxes	(26,570)	(67,930)	(79,092)	(39,586)	(43,837)
Depreciation and amortization included above	48,566	54,639	52,697	25,650	27,359
Cash flow[1]	21,996	(13,291)	(26,395)	(13,936)	(16,478)
	Share of net sales (percent)				
Cost of goods sold	90.9	95.7	97.6	98.5	98.9
Gross profit	9.1	4.3	2.4	1.5	1.1
Selling, general and administrative expenses	8.3	9.2	9.4	9.0	10.3
Operating income or (loss)	0.8	(4.9)	(7.0)	(7.6)	(9.1)
Net (loss) before income taxes	(5.8)	(16.9)	(20.0)	(21.1)	(22.9)
	Number of plants reporting				
Operating losses	11	12	12	11	12
Net losses	12	14	16	13	15
Data	19	19	17	17	17

[1] Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table F-4
Income-and-loss experience of U.S. producers in California on the overall operations of their establishments within which portland cement and cement clinker are produced, accounting years 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
	Value (1,000 dollars)				
Net sales	182,232	192,738	204,979	99,655	99,255
Cost of goods sold	136,285	139,774	148,916	75,585	70,106
Gross profit	45,947	52,963	56,063	24,069	29,149
Selling, general and administrative expenses	16,949	16,470	14,257	7,805	8,840
Operating income	28,998	36,493	41,806	16,264	20,309
Interest expense	5,074	6,978	6,049	2,466	3,491
Other income or (expense), net	681	1,270	(272)	255	304
Net income before income taxes	24,605	30,785	35,485	14,053	17,122
Depreciation and amortization included above	12,961	13,118	13,003	6,447	6,547
Cash flow[1]	37,566	43,903	48,488	20,500	23,669
	Share of net sales (percent)				
Cost of goods sold	74.8	72.5	72.6	75.8	70.6
Gross profit	25.2	27.5	27.4	24.2	29.4
Selling, general and administrative expenses	9.3	8.5	7.0	7.8	8.9
Operating income	15.9	18.9	20.4	16.3	20.5
Net income before income taxes	13.5	16.0	17.3	14.1	17.3
	Number of plants reporting				
Operating losses	0	0	0	0	0
Net losses	0	0	0	0	0
Data	3	3	3	3	3

[1] Cash flow is defined as net income or loss plus depreciation and amortization.

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

APPENDIX G

EFFECTS OF IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

The Commission requested U.S. producers to describe and explain the actual and potential negative effects of imports of portland cement and/or cement clinker into Florida, the Southwest, or California, from Mexico, on the producers' existing development and production efforts, growth, investment, and ability to raise capital. The responses by producers are shown below, by area and plant.

Florida:

* * * * * * *

The Southwest:

* * * * * * *

California:

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