

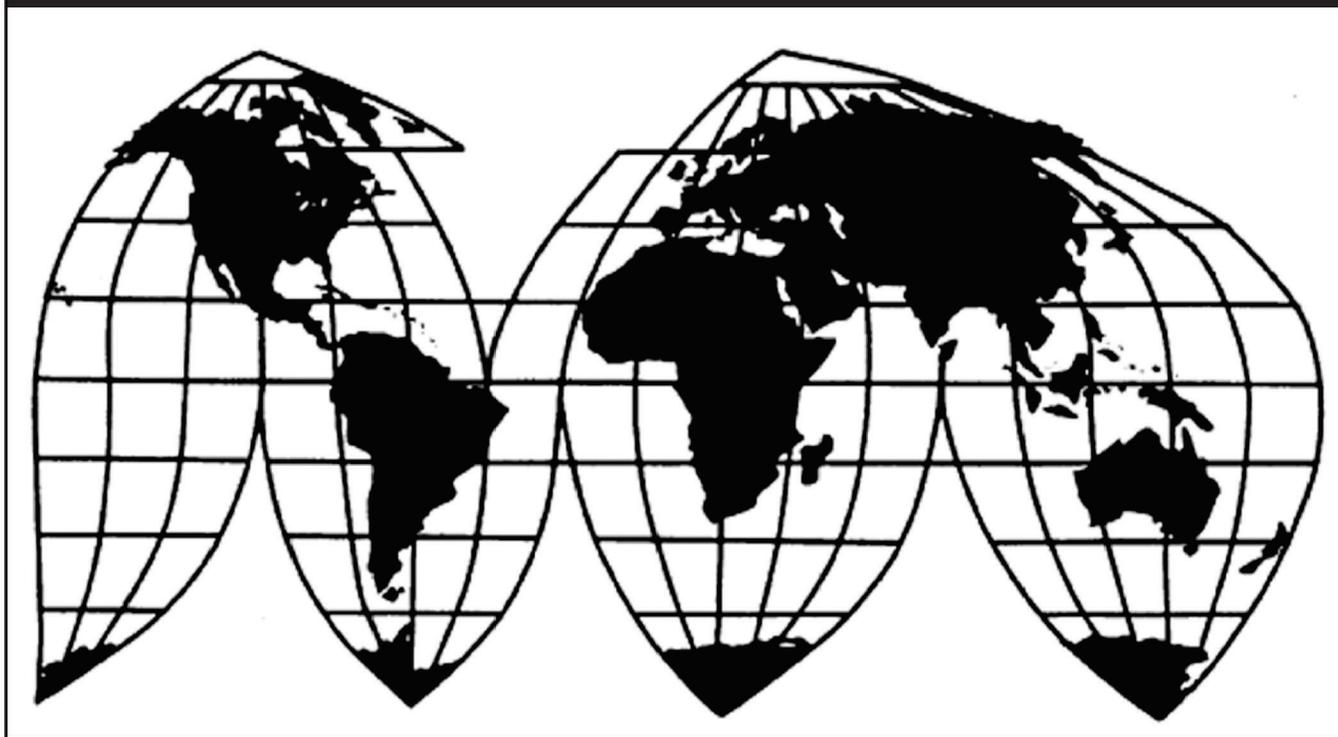
# Xanthan Gum from China

Investigation No. 731-TA-1203 (Review)

Publication 4839

November 2018

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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# U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published. Such information is identified by brackets or by parallel lines in confidential reports and is deleted and replaced with asterisks in public reports.

# UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-1203 (Review)

Xanthan Gum from China

## DETERMINATION

On the basis of the record<sup>1</sup> developed in the subject five-year review, the United States International Trade Commission (“Commission”) determines, pursuant to the Tariff Act of 1930 (“the Act”), that revocation of the antidumping duty order on xanthan gum from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

## BACKGROUND

The Commission, pursuant to section 751(c) of the Act (19 U.S.C. 1675(c)), instituted this review on June 1, 2018 (83 F.R. 25485) and determined on September 4, 2018 that it would conduct an expedited review (83 F.R. 48653, September 26, 2018).

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<sup>1</sup> The record is defined in sec. 207.2(f) of the Commission’s Rules of Practice and Procedure (19 CFR 207.2(f)).



## Views of the Commission

Based on the record in this five-year review, we determine under section 751(c) of the Tariff Act of 1930, as amended (“the Tariff Act”), that revocation of the antidumping duty order on xanthan gum from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

### I. Background

#### A. The Original Investigation

On June 5, 2012, CP Kelco U.S., Inc. (“CP Kelco”), a domestic producer of xanthan gum, filed an antidumping duty petition on imports of xanthan gum from Austria and China. On June 4, 2013, Commerce determined that imports from Austria and China were being sold at less than fair value (“LTFV”).<sup>1</sup> On July 12, 2013, the Commission found that an industry in the United States was not materially injured or threatened with material injury by reason of LTFV imports of xanthan gum from Austria.<sup>2</sup> The Commission also determined that an industry in the United States was threatened with material injury by reason of LTFV imports of xanthan gum from China.<sup>3 4</sup> Consequently, on July 19, 2013, Commerce issued an antidumping duty order on imports of xanthan gum from China.<sup>5</sup>

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<sup>1</sup> Xanthan Gum from Austria: Final Determination of Sales at Less Than Fair Value, 78 Fed. Reg. 33354 (June 4, 2013); Xanthan Gum from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value, 78 Fed. Reg. 33351 (June 4, 2013).

<sup>2</sup> *Xanthan Gum from Austria and China*, Investigation Nos. 731-TA-1202-03 (Final), USITC Pub. 4411 (July 2013) (“Original Determination”).

<sup>3</sup> See Original Determination, USITC Pub. 4411 at 3. While the Commission cumulated subject imports from China and Austria for its material injury analysis, it exercised its discretion not to cumulate subject imports from China and Austria for its threat of material injury analysis. See Original Determination, USITC Pub. 4411 at 20-42. On appeal, the Commission’s negative determination regarding subject imports from Austria was affirmed. *CP Kelco US, Inc. v. United States*, 24 F. Supp. 3d 1337 (Ct. Int’l Trade 2014), *aff’d*, 623 Fed. Appx. 1012 (Fed. Cir. 2015). The Commission’s affirmative determination concerning subject imports from China was not the subject of appeal.

<sup>4</sup> In a separate and concurring opinion, Commissioners Pinkert and Broadbent did not cumulate subject imports and determined that an industry in the United States was materially injured by reason of imports of xanthan gum from China that were sold at LTFV, and that an industry in the United States was not materially injured or threatened with material injury by reason of subject imports from Austria. See Separate and Concurring Views of Commissioners Dean A. Pinkert and Meredith B. Broadbent.

<sup>5</sup> Xanthan Gum from the People’s Republic of China: Amended Final Determination of Sales at Less than Fair Value and Antidumping Duty Order, 78 Fed. Reg. 43143 (July 19, 2013).

## B. The Current Review

On June 1, 2018, the Commission instituted the instant five-year review.<sup>6</sup> On July 2, 2018, CP Kelco and Archer Daniels Midland Company (“ADM”) (collectively, “the domestic interested parties” or “domestic producers”) jointly filed the sole response to the notice of institution.<sup>7</sup> On September 4, 2018, the Commission determined that the domestic interested party group response to its notice of institution was adequate.<sup>8</sup> The Commission did not receive a timely response to the notice of institution from any respondent interested party and determined that the respondent interested party group response was inadequate.<sup>9</sup> The Commission did not find any circumstances that would warrant conducting a full review and determined that it would conduct an expedited review pursuant to section 751(c)(3) of the Tariff Act.<sup>10</sup>

On October 1, 2018, the domestic interested parties filed comments with the Commission pursuant to 19 C.F.R. § 207.62(d).<sup>11</sup>

U.S. industry data are based on information submitted by the two responding domestic producers of xanthan gum in their response to the notice of institution. These producers estimate that they accounted for \*\*\* percent of domestic production of xanthan gum in 2017.<sup>12</sup> No U.S. importer participated in this expedited review, and U.S. import data and related information are based on the official import statistics of the Department of Commerce (“Commerce”).<sup>13</sup> Foreign industry data and related information are based on information from

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<sup>6</sup> *Xanthan Gum from China: Institution of a Five-Year Review*, 83 Fed. Reg. 25485, (June 1, 2018). In accordance with section 751(c) of the Act, Commerce also published a notice of initiation of a five-year review of the subject antidumping duty order. *Initiation of Five-Year (“Sunset”) Reviews*, 83 Fed. Reg. 25436 (June 1, 2018).

<sup>7</sup> See Response of CP Kelco and ADM, EDIS Doc. 649250 (July 2, 2018) (“Domestic Interested Parties’ Response”).

<sup>8</sup> Explanation of Commission Determination on Adequacy, EDIS Doc. 655108 (September 7, 2018).

<sup>9</sup> Explanation of Commission Determination on Adequacy. The Commission received a response to the notice of institution on behalf of Deosen Biochemical Ltd., Deosen Biochemical (Ordos) Ltd., and Deosen USA Inc. (collectively “Deosen”). Deosen Biochemical is a Chinese producer/exporter of xanthan gum and Deosen USA is a U.S. importer of xanthan gum. However, Deosen submitted its response out of time and the Commission found that good cause did not exist to grant Deosen’s request to accept the untimely submission. See Letter Denying Deosen’s Request for Leave to File Entry of Appearance and Response to Notice of Institution, EDIS Doc. 650093 (July 11, 2018).

<sup>10</sup> Explanation of Commission Determination on Adequacy.

<sup>11</sup> Domestic Interested Parties’ Final Comments, EDIS Doc. 657319 (October 1, 2018) (“Domestic Industry’s Final Comments”).

<sup>12</sup> Confidential Report, Memorandum INV-QQ-095 (August 23, 2018) (“CR”) at Table I-1; Public Report (“PR”) at Table I-1.

<sup>13</sup> CR/PR at Tables I-3 and I-4. Since 2014, imports of xanthan gum have been reported under Harmonized Tariff Schedule (“HTS”) statistical reporting number 3913.90.2015. Before 2014, they were

the original investigation, available information submitted by the domestic interested parties in this expedited review, and publicly available information, such as Global Trade Atlas (“GTA”) data, gathered by staff.<sup>14</sup>

## II. Domestic Like Product and Industry

### A. Domestic Like Product

In making its determination under section 751(c) of the Tariff Act, the Commission defines the “domestic like product” and the “industry.”<sup>15</sup> The Tariff Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this subtitle.”<sup>16</sup> The Commission’s practice in five-year reviews is to examine the domestic like product definition from the original investigations and consider whether the record indicates any reason to revisit the prior findings.<sup>17</sup>

Commerce has defined the imported merchandise within the scope of the order under review as follows:

Dry xanthan gum, whether or not coated or blended with other products. Further, xanthan gum is included in this order regardless of physical form, including, but not limited to, solutions, slurries, dry powders of any particle size, or unground fiber.

Xanthan gum that has been blended with other product(s) is included in this scope when the resulting mix contains 15 percent or more of xanthan gum by dry weight. Other products with which xanthan gum may be blended include, but are not limited to, sugars, minerals, and salts.

Xanthan gum is a polysaccharide produced by aerobic fermentation of

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reported under HTS 3913.90.20, a broader category which contains products that are outside the scope of this review. CR at I-6, n.11, PR at I-5, n.11.

<sup>14</sup> See CR at I-20 to I-21, PR at I-15 to I-16.

<sup>15</sup> 19 U.S.C. § 1677(4)(A).

<sup>16</sup> 19 U.S.C. § 1677(10); see, e.g., *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996); *Torrington Co. v. United States*, 747 F. Supp. 744, 748-49 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991); see also S. Rep. No. 249, 96<sup>th</sup> Cong., 1<sup>st</sup> Sess. 90-91 (1979).

<sup>17</sup> See, e.g., *Internal Combustion Industrial Forklift Trucks from Japan*, Inv. No. 731-TA-377 (Second Review), USITC Pub. 3831 at 8-9 (Dec. 2005); *Crawfish Tail Meat from China*, Inv. No. 731-TA-752 (Review), USITC Pub. 3614 at 4 (July 2003); *Steel Concrete Reinforcing Bar from Turkey*, Inv. No. 731-TA-745 (Review), USITC Pub. 3577 at 4 (Feb. 2003).

*Xanthomonas campestris*. The chemical structure of the repeating pentasaccharide monomer unit consists of a backbone of two P-1,4-D-Glucose monosaccharide units, the second with a trisaccharide side chain consisting of P-D-Mannose-(1,4)- P-D-Glucuronic acid-(1,2)-a-D-Mannose monosaccharide units. The terminal mannose may be pyruvylated and the internal mannose unit may be acetylated.

Merchandise covered by the scope of this order is classified in the Harmonized Tariff Schedule ('HTS') of the United States at subheading 3913.90.20. This tariff classification is provided for convenience and customs purposes; however, the written description of the scope is dispositive.<sup>18</sup>

Xanthan gum is a polysaccharide produced by the fermentation of a carbohydrate source using the strain of bacteria known as *Xanthomonas campestris*. Xanthan gum is a useful additive to industrial and consumer products to provide stability and viscosity. It is used primarily in five sectors: food and beverage products, consumer goods, pharmaceutical products, industrial uses, and oil field uses.<sup>19</sup> Xanthan gum is used as a stabilizer and thickener for foods without affecting flavor, particularly in condiments, beverages, syrups, baked goods, and prepared foods. Xanthan gum also provides thickening and stabilizing properties to consumer good and pharmaceutical products, such as toothpaste, sunscreen, and pharmaceuticals.<sup>20</sup> Its properties also are useful in a variety of industrial and household chemical applications and in oil drilling, allowing for an equal distribution of components within a product that would otherwise separate due to different densities.<sup>21</sup>

In the original investigation, the Commission found a single domestic like product consisting of all xanthan gum, coextensive with Commerce's scope.<sup>22</sup> The Commission found that all grades of xanthan gum are derived from fermentation of the bacteria *Xanthomonas campestris* and, as such, each grade shares the same basic physical characteristics and chemical composition. The Commission noted that there was somewhat limited interchangeability among the various grades of xanthan gum because lower-level purity grades (such as those used in the oil segment) cannot be used in products that require higher purity levels due to government regulations (such as food products); nonetheless, it determined that higher purity level grades could be substituted for lower purity level grades of xanthan gum. The Commission found that the different grades of xanthan gum were generally sold in the same

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<sup>18</sup> CR at I-5, PR at I-4. The scope is unchanged from the original investigation, and Commerce has not conducted any scope inquiries since the imposition of the order. *Id.*

<sup>19</sup> CR at I-6 to I-8, PR at I-5 to I-6.

<sup>20</sup> CR at I-7 to I-8, PR at I-6. For example, xanthan gum can keep ingredients from separating while in the packaging.

<sup>21</sup> CR at I-8, PR at I-6.

<sup>22</sup> Original Determination, USITC Pub. 4411 at 6.

channels of distribution, with most xanthan gum being sold directly to end users and the remainder to distributors.<sup>23</sup>

The Commission also found that all xanthan gum is made in similar manufacturing facilities, using similar production processes and employees.<sup>24</sup> It further determined that while the production process for xanthan gum may vary somewhat depending on the grade being produced, all grades of xanthan gum were perceived by both producers and customers to be the same product, although certain food and consumer product grades must meet the necessary regulatory requirements.<sup>25</sup> Finally, it observed that prices varied among the end-use industries, and that food and consumer grades, which require higher purity levels, were generally higher priced than oil grades.

In this expedited five-year review, the record does not indicate any changes to the pertinent characteristics of xanthan gum since the prior proceeding that would warrant revisiting the domestic like product definition.<sup>26</sup> The domestic interested parties assert that the Commission should define the same domestic like product as it did in the original investigation.<sup>27</sup> Consequently, we again define the domestic like product as all xanthan gum, coextensive with Commerce's scope.

## **B. Domestic Industry and Related Parties**

Section 771(4)(A) of the Tariff Act defines the relevant industry as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>28</sup> In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

Section 771(4)(B) of the Tariff Act, known as the related parties provision, allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are

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<sup>23</sup> Original Determination, USITC Pub. 4411 at 5-6.

<sup>24</sup> Original Determination, USITC Pub. 4411 at 6.

<sup>25</sup> Original Determination, USITC Pub. 4411 at 6.

<sup>26</sup> See *generally* CR at I-13 to I-14, PR at I-9.

<sup>27</sup> Domestic Interested Parties’ Response at 21.

<sup>28</sup> 19 U.S.C. § 1677(4)(A). The definitions in 19 U.S.C. § 1677 are applicable to the entire subtitle containing the antidumping and countervailing duty laws, including 19 U.S.C. §§ 1675 and 1675a. See 19 U.S.C. § 1677.

themselves importers.<sup>29</sup> Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.<sup>30</sup>

In the original investigation, the Commission found a single domestic industry, consisting of all domestic producers of xanthan gum. The Commission also considered whether appropriate circumstances existed to exclude petitioner CP Kelco from the domestic industry as a related party. The Commission determined that CP Kelco was a related party under the statute because it imported xanthan gum from China during the period of investigation and because its wholly owned subsidiary, CP Kelco (Shandong) Biological Co., Ltd., produced xanthan gum in China and exported it to the United States. The Commission found that although CP Kelco's subject import quantities during the period of investigation were not insubstantial,<sup>31</sup> its principal interest was in domestic production.<sup>32</sup> Consequently, the Commission found that appropriate circumstances did not exist to exclude CP Kelco from the domestic industry, and defined the domestic industry as all U.S. producers of the domestic like product.<sup>33</sup>

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<sup>29</sup> See *Torrington Co v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

<sup>30</sup> The primary factors the Commission examines in deciding whether appropriate circumstances exist to exclude a related party include the following:

- (1) the percentage of domestic production attributable to the importing producer;
- (2) the reason the U.S. producer has decided to import the product subject to investigation (whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market);
- (3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;
- (4) the ratio of import shipments to U.S. production for the imported product; and
- (5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzhou Trina Solar Energy Co. v. USITC*, 100 F. Supp.3d 1314, 1326-31(Ct. Int'l. Trade 2015); see also *Torrington Co. v. United States*, 790 F. Supp. at 1168.

<sup>31</sup> CP Kelco's imports of subject merchandise from China, which declined irregularly during the period of investigation, were \*\*\* pounds in 2010, \*\*\* pounds in 2011, and \*\*\* pounds in 2012. Confidential Views of the Commission, Inv. No. 731-TA-1203 (Final), EDIS Doc. 654661 (July 2013) ("Confidential Original Determination") at 11.

<sup>32</sup> CP Kelco was the largest domestic producer in 2012, accounting for \*\*\* percent of domestic production, and reported that it invested in the Chinese production facility "as its initial attempt to compete with low-priced subject imports by providing a sourcing alternative for the lowest-priced applications." Its ratio of total subject imports to domestic production, which declined irregularly during the period of investigation, was \*\*\* percent in 2010, \*\*\* percent in 2011, and \*\*\* percent in 2012. Confidential Original Determination at 11.

<sup>33</sup> Original Determination, USITC Pub. 4411 at 7.

In the current review, the domestic interested parties agree with the Commission's definition of the domestic industry in the original investigation.<sup>34</sup> However, this review raises the issue of whether appropriate circumstances exist to exclude CP Kelco from the domestic industry pursuant to the related parties provision. As in the original investigation, CP Kelco, a domestic producer of xanthan gum, is a related party because it is a U.S. importer of subject merchandise and wholly owns a Chinese producer of xanthan gum, CP Kelco (Shandong) Biological Co., Ltd.<sup>35</sup> It imported \*\*\* pounds of subject imports in 2017, constituting \*\*\* percent of total subject imports.<sup>36</sup> The ratio of its subject imports to its domestic production was \*\*\* percent in 2017.<sup>37</sup> CP Kelco was the largest domestic producer of xanthan gum in 2017, producing \*\*\* pounds of xanthan gum that accounted for \*\*\* percent of total U.S. production in that year.<sup>38</sup> CP Kelco supports continuation of the order and no party has advocated for its exclusion from the domestic industry. Based on the record, the Commission again concludes that CP Kelco's primary interest is in domestic production rather than importation. Therefore, we find that appropriate circumstances do not exist to exclude CP Kelco from the domestic industry as a related party.

Accordingly, consistent with the domestic like product definition, we again define the domestic industry as consisting of all U.S. producers of xanthan gum.

### **III. Revocation of the Antidumping Duty Order Would Likely Lead to Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time**

#### **A. Legal Standards**

In a five-year review conducted under section 751(c) of the Tariff Act, Commerce will revoke an antidumping or countervailing duty order unless: (1) it makes a determination that dumping or subsidization is likely to continue or recur and (2) the Commission makes a determination that revocation of the antidumping or countervailing duty order "would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time."<sup>39</sup> The Uruguay Round Agreements Act Statement of Administrative Action ("SAA") states that "under the likelihood standard, the Commission will engage in a counterfactual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining

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<sup>34</sup> Domestic Interested Parties' Response at 21; CR at I-14, PR at I-9.

<sup>35</sup> Domestic Interested Parties' Response at 2 and 18; Original Determination, USITC Pub. 4411 at Tables III-1 n.1.

<sup>36</sup> Domestic Interested Parties' Response at Exhibit 12.

<sup>37</sup> Derived from Domestic Interested Parties' Response at Exhibits 11 and 12.

<sup>38</sup> Domestic Interested Parties' Response at Exhibit 11; CR/PR at Appendix B. CP Kelco reported an operating income of \*\*\* in 2017.

<sup>39</sup> 19 U.S.C. § 1675a(a).

effects on volumes and prices of imports.”<sup>40</sup> Thus, the likelihood standard is prospective in nature.<sup>41</sup> The U.S. Court of International Trade has found that “likely,” as used in the five-year review provisions of the Tariff Act, means “probable,” and the Commission applies that standard in five-year reviews.<sup>42</sup>

The statute states that “the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time.”<sup>43</sup> According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ timeframe applicable in a threat of injury analysis in original investigations.”<sup>44</sup>

Although the standard in a five-year review is not the same as the standard applied in an original investigation, it contains some of the same fundamental elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the orders are revoked or the suspended investigation is terminated.”<sup>45</sup> It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, whether the industry is vulnerable to material injury if an order is revoked or a suspension agreement is terminated, and any findings by Commerce

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<sup>40</sup> SAA, H.R. Rep. No. 103-316, vol. I at 883-84 (1994). The SAA states that “{t}he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed.” *Id.* at 883.

<sup>41</sup> While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued {sic} prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

<sup>42</sup> See *NMB Singapore Ltd. v. United States*, 288 F. Supp. 2d 1306, 1352 (Ct. Int’l Trade 2003) (“‘likely’ means probable within the context of 19 U.S.C. § 1675(c) and 19 U.S.C. § 1675a(a)”), *aff’d mem.*, 140 Fed. Appx. 268 (Fed. Cir. 2005); *Nippon Steel Corp. v. United States*, 26 CIT 1416, 1419 (2002) (same); *Usinor Industeel, S.A. v. United States*, 26 CIT 1402, 1404 nn.3, 6 (2002) (“more likely than not” standard is “consistent with the court’s opinion;” “the court has not interpreted ‘likely’ to imply any particular degree of ‘certainty’”); *Indorama Chemicals (Thailand) Ltd. v. United States*, 26 CIT 1059, 1070 (2002) (“standard is based on a likelihood of continuation or recurrence of injury, not a certainty”); *Usinor v. United States*, 26 CIT 767, 794 (2002) (“‘likely’ is tantamount to ‘probable,’ not merely ‘possible’”).

<sup>43</sup> 19 U.S.C. § 1675a(a)(5).

<sup>44</sup> SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

<sup>45</sup> 19 U.S.C. § 1675a(a)(1).

regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).<sup>46</sup> The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission's determination.<sup>47</sup>

In evaluating the likely volume of imports of subject merchandise if an order under review is revoked and/or a suspended investigation is terminated, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.<sup>48</sup> In doing so, the Commission must consider "all relevant economic factors," including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.<sup>49</sup>

In evaluating the likely price effects of subject imports if an order under review is revoked and/or a suspended investigation is terminated, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to the domestic like product and whether the subject imports are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of the domestic like product.<sup>50</sup>

In evaluating the likely impact of imports of subject merchandise if an order under review is revoked and/or a suspended investigation is terminated, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to the following: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.<sup>51</sup> All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry. As instructed by the statute, we have considered the extent to

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<sup>46</sup> 19 U.S.C. § 1675a(a)(1). Commerce has not made any duty absorption findings concerning xanthan gum from China. CR at I-5, PR at I-4.

<sup>47</sup> 19 U.S.C. § 1675a(a)(5). Although the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

<sup>48</sup> 19 U.S.C. § 1675a(a)(2).

<sup>49</sup> 19 U.S.C. § 1675a(a)(2)(A-D).

<sup>50</sup> See 19 U.S.C. § 1675a(a)(3). The SAA states that "{c}onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices." SAA at 886.

<sup>51</sup> 19 U.S.C. § 1675a(a)(4).

which any improvement in the state of the domestic industry is related to the order under review and whether the industry is vulnerable to material injury upon revocation.<sup>52</sup>

No respondent interested party participated in this expedited review. The record, therefore, contains limited information with respect to the xanthan gum industry in China. There also is limited new information on the xanthan gum market in the United States during the period of review. Accordingly, for our determination, we rely as appropriate on the facts available from the original investigation and the limited new information on the record in this five-year review.

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

In evaluating the likely impact of the subject imports on the domestic industry if an order is revoked, the statute directs the Commission to consider all relevant economic factors “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>53</sup> The following conditions of competition inform our determination.

### **1. Demand Conditions**

In the original investigation, the Commission found that demand for xanthan gum is driven by demand in the major end-use segments of the U.S. market, including food and beverage, oilfield, industrial, consumer, and pharmaceutical.<sup>54</sup> The largest segments of the U.S. market for xanthan gum were the oilfield and food and beverage market segments. The Commission found that the overall increase in demand resulted from increases in demand in the oilfield segment, which replaced the food and beverage segment as the largest segment of the U.S. market by 2012; further, demand in the oilfield sector was expected to continue to increase in the imminent future.<sup>55</sup> While the other market segments experienced some growth over the period of investigation, they generally declined in terms of their share of the overall market.<sup>56</sup> The Commission found that apparent U.S. consumption of xanthan gum decreased from 55.3 million pounds in 2010 to 54.5 million pounds in 2011, but then increased to 74.0 million pounds in 2012.<sup>57</sup>

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<sup>52</sup> The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, the Commission “considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.” SAA at 885.

<sup>53</sup> 19 U.S.C. § 1675a(a)(4).

<sup>54</sup> Original Determination, USITC Pub. 4411 at 16.

<sup>55</sup> Original Determination, USITC Pub. 4411 at 17.

<sup>56</sup> Original Determination, USITC Pub. 4411 at 17.

<sup>57</sup> Original Determination, USITC Pub. 4411 at 17.

The record in the current review indicates that the drivers of demand for xanthan gum in the U.S. market have not changed from those in the original investigation.<sup>58</sup> Apparent U.S. consumption in 2017 was \*\*\* pounds, which is \*\*\* percent higher than 2012 levels and \*\*\* percent higher than in 2010.<sup>59</sup>

## 2. Supply Conditions

During the original investigation, the Commission observed that only four countries produced xanthan gum: the United States, China, Austria, and France.<sup>60</sup> The Commission also determined that subject imports supplied the largest share of the U.S. market throughout the period of investigation, followed by the domestic industry and nonsubject imports.<sup>61</sup>

The Commission found that two U.S. firms produced xanthan gum,<sup>62</sup> and that the domestic industry's share of apparent U.S. consumption was \*\*\* percent in 2010, \*\*\* percent in 2011, and \*\*\* percent in 2012.<sup>63</sup> There were \*\*\* Chinese producers of xanthan gum, and the market share of subject imports from China was 41.6 percent in 2010, 43.8 percent in 2011, and 45.7 percent in 2012.<sup>64</sup> The Commission observed that both the domestic industry and subject imports supplied large quantities to the food and beverage and oilfield segments of the U.S. market, and also supplied the smaller industrial and consumer segments.<sup>65</sup> Finally, nonsubject imports' market share—mostly comprised of imports from France for the food and beverage segment—decreased from \*\*\* percent in 2010 to \*\*\* percent in 2012.<sup>66</sup>

In this review, the domestic interested parties identify two known and currently operating U.S. producers of xanthan gum: ADM and CP Kelco.<sup>67</sup> The domestic industry's share of apparent U.S. consumption was \*\*\* percent in 2017.<sup>68</sup> Subject and nonsubject imports' shares of the U.S. market in 2017 were \*\*\* and \*\*\* percent, respectively.<sup>69</sup>

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<sup>58</sup> CR at I-6 to I-8, PR at I-5 to I-6.

<sup>59</sup> Domestic Industry's Final Comments at 4; CR/PR at Table I-4; CR at I-18, PR at I-13.

<sup>60</sup> Original Determination, USITC Pub. 4411 at 17.

<sup>61</sup> Original Determination, USITC Pub. 4411 at 17.

<sup>62</sup> In the preliminary phase of the original investigation, the Commission noted that there were three domestic producers: CP Kelco, ADM, and Tate & Lyle. However, Tate & Lyle discontinued xanthan gum manufacturing in 2009 and hence did not produce the domestic like product during the period of investigation for the final phase investigation. Original Determination, USITC Pub. 4411 at 6, n.31.

<sup>63</sup> Confidential Original Determination at 32.

<sup>64</sup> Confidential Original Determination at 32. There was also one Austrian producer, and the cumulated subject imports' market share increased from \*\*\* percent to \*\*\* over the period of investigation. *Id.* As described in the background section, the Commission reached a negative determination on imports of xanthan gum from Austria. Original Determination, USITC Pub. 4411 at 21.

<sup>65</sup> Original Determination, USITC Pub. 4411 at 18.

<sup>66</sup> Confidential Original Determination at 32.

<sup>67</sup> Domestic Industry's Final Comments at 4; Domestic Interested Parties' Response at 18.

<sup>68</sup> CR/PR at Table I-5.

<sup>69</sup> CR/PR at Table I-5.

Xanthan gum from China is not currently subject to other antidumping or countervailing duty investigations outside the United States.<sup>70</sup>

### 3. Substitutability and Other Conditions

In the original investigation, a majority of market participants reported that subject imports from China were always or frequently interchangeable with domestically produced xanthan gum.<sup>71</sup> The Commission found that there was somewhat limited substitutability among the various grades of xanthan gum because lower-level purity grades (such as those used in the oilfield segment) could not be used in applications that required higher purity levels (such as food products) due to government regulations and customer specifications. The Commission also observed that the higher purity grades of xanthan gum, which were used in food, consumer, and pharmaceutical applications, could be substituted for lower purity grades of xanthan gum in oilfield applications, although doing so was not viewed as cost-effective by industry participants. The Commission found that there was a greater degree of substitutability between subject imports and the domestic like product within a particular segment.<sup>72 73</sup>

In the original investigation, market participants reported differing views as to the importance of non-price factors in purchasing decisions.<sup>74</sup> The Commission found that while quality was often the first consideration in purchasing decisions, followed by price and availability, the majority of U.S. purchasers viewed the quality of the domestic like product and the subject merchandise as comparable.<sup>75</sup> Consequently, the Commission found that price was of at least moderate importance in purchasing decisions.<sup>76</sup>

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<sup>70</sup> CR at I-21, PR at I-15.

<sup>71</sup> Original Determination, USITC Pub. 4411 at 18.

<sup>72</sup> Original Determination, USITC Pub. 4411 at 19.

<sup>73</sup> Commissioners Pinkert and Broadbent did not join this sentence given their finding that Austrian and Chinese xanthan gum are not substitutable within the food and beverage segment. Original Determination, USITC Pub. 4411 at 19, n.122.

<sup>74</sup> Ten of 14 U.S. importers and 13 of 28 U.S. purchasers reported that differences in non-price factors between domestically produced xanthan gum and subject imports from China were always or frequently important; four importers and 15 purchasers reported that they were sometimes or never important. Original Determination, USITC Pub. 4411 at 19, n.124.

<sup>75</sup> Original Determination, USITC Pub. 4411 at 19. Twenty-three of 28 U.S. purchasers reported that subject imports from China were comparable with domestically produced xanthan gum in terms of quality meeting industry standards. *Id.* at n.126.

<sup>76</sup> Original Determination, USITC Pub. 4411 at 19. The Commission also noted that qualification standards were a factor in the U.S. market, with 26 out of 27 purchasers requiring qualification processes for their suppliers of xanthan gum. The record indicated that the pharmaceutical sector had the most stringent qualification requirements, purchasers in the food and beverage segment also tended to have more stringent processes, including FDA approval, and sometimes required re-qualification for different uses, while the oilfield sector generally required less stringent qualification. However, if multiple producers met a purchaser's qualification standard for a certain product or

The Commission also observed that the domestic industry exported a significant quantity of its xanthan gum production during the period of investigation, with export shipments ranging from \*\*\* percent to \*\*\* percent of its total shipments.<sup>77</sup> Finally, the Commission found that raw material costs, which constituted a relatively small share of the cost of xanthan gum, increased over the period of investigation due in large part to the increase in the price of corn.<sup>78</sup>

In this review, there is no new information on the record to suggest any changes since the original investigation regarding substitutability between the domestic like product and subject imports, the importance of price, or other conditions relevant to xanthan gum in the U.S. market. Accordingly, we again find that subject imports and the domestic like product are generally substitutable within a particular application, and that price is at least moderately important in purchasing decisions.

### **C. Likely Volume of Subject Imports**

#### **1. The Original Investigation**

In the original investigation, the Commission observed that China maintained a growing and significant presence in the U.S. market throughout the period of investigation.<sup>79</sup> The volume of subject imports from China increased by 46.8 percent during the period of investigation, from 23.0 million pounds in 2010, or 41.6 percent of apparent U.S. consumption, to 23.9 million pounds in 2011, or 43.8 percent of apparent U.S. consumption, and to 33.8 million pounds in 2012, or 45.7 percent of apparent U.S. consumption.<sup>80</sup> The Commission also found that additional volumes in the oilfield sector were likely in the imminent future, and that subject imports from China gained market share at the expense of the domestic industry in the other sectors.<sup>81</sup>

The Commission found that substantial unused Chinese xanthan gum capacity<sup>82</sup> and inventories<sup>83</sup> would likely be directed to the U.S. market, given the increase over the period of

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segment, price gained importance as a purchasing factor. Original Determination, USITC Pub. 4411 at 20.

<sup>77</sup> Confidential Original Determination at 35.

<sup>78</sup> Original Determination, USITC Pub. 4411 at 20.

<sup>79</sup> Original Determination, USITC Pub. 4411 at 21.

<sup>80</sup> Original Determination, USITC Pub. 4411 at 21.

<sup>81</sup> Original Determination, USITC Pub. 4411 at 21-22.

<sup>82</sup> The Chinese producers reported \*\*\* pounds of excess capacity in 2012, and this was projected to grow to \*\*\* pounds in 2013 and 2014. Confidential Original Determination at 40-41. The Commission noted that questionnaire data likely understated total available Chinese capacity because it did not receive a response from the largest Chinese xanthan gum producer. Original Determination, USITC Pub. 4411 at 22-23.

<sup>83</sup> Chinese producers reported \*\*\* pounds of inventories in 2012, and anticipated inventories of \*\*\* pounds in 2013 and \*\*\* pounds in 2014. Confidential Original Determination at 41.

investigation in subject import volume, the gain in subject import market share at the expense of the domestic industry in most segments of the market, and the fact that the United States was the largest single export market for Chinese xanthan gum. Therefore, the Commission concluded that the Chinese producers had both the ability and incentive to increase significantly the volume and market penetration of subject imports from China in the imminent future.<sup>84</sup>

## 2. The Current Review

We find that the subject import volume would likely be significant in the event of revocation. During the period of review, subject imports consistently maintained a substantial presence in the U.S. market, despite the antidumping duty order. Subject imports of xanthan gum from China totaled 34.9 million pounds in 2013, 28.0 million pounds in 2014, 26.4 million pounds in 2015, 22.4 million pounds in 2016, and 26.7 million pounds in 2017.<sup>85</sup> Subject imports' market share was \*\*\* percent in 2017, and it fluctuated between 41.6 percent and 45.7 percent during the original investigation.<sup>86</sup>

Several factors support the conclusion that subject imports from China have the ability and incentive to capture additional market share within a reasonably foreseeable time if the order were revoked.<sup>87</sup> The domestic interested parties provided a list of nine firms in China currently engaged in the production of xanthan gum.<sup>88</sup> They assert that the three largest Chinese producers had an estimated aggregate production capacity of \*\*\* in 2015.<sup>89</sup> Available GTA data indicate that China is export oriented as it remains the world's largest supplier of xanthan gum.<sup>90</sup> The domestic interested parties also argue that the Chinese producers have a "demonstrated ability to easily shift production capacity between xanthan gum and other products," which could cause China's available capacity to be even higher.<sup>91</sup> Finally, the record indicates that China continues to have a strong interest in the U.S. market and remains the single largest source of xanthan gum imports to the United States, accounting for 57.7 percent of total U.S. imports in 2017.<sup>92</sup>

Based on the above, in particular the size of the industry in China and its export orientation, the industry's ability to shift production between xanthan gum and other products,

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<sup>84</sup> Original Determination, USITC Pub. 4411 at 23.

<sup>85</sup> CR/PR at Table I-3. Because imports of xanthan gum were reported under a broader HTS category prior to 2014, U.S. import data for 2013 may be overstated. CR at I-16, n.30, PR at I-10, n.30.

<sup>86</sup> CR/PR at Table I-5.

<sup>87</sup> The record contains only limited data concerning the xanthan gum industry in China because no producer or exporter of subject merchandise participated in this review.

<sup>88</sup> CR at I-19, PR at I-14; Domestic Interested Parties' Response at Exhibit 9.

<sup>89</sup> CR at I-19 to I-20, PR at I-14; Domestic Interested Parties' Response at 8.

<sup>90</sup> CR/PR at Table I-7. GTA data may be overstated as it may contain products outside the scope of this review.

<sup>91</sup> Domestic Interested Parties' Response at 10.

<sup>92</sup> CR at I-20, PR at I-14; Domestic Interested Parties' Response at 8.

and the continued presence of subject imports in the U.S. market even under the discipline of the order, we find that subject producers would likely increase their exports to the United States if the antidumping duty order were to be revoked. Accordingly, based on the available information, we conclude that the volume of subject imports would likely be significant, both in absolute terms and relative to U.S. consumption, should the order be revoked.

## **D. Likely Price Effects**

### **1. The Original Investigation**

In the original investigation, the Commission found that xanthan gum from different sources were generally good substitutes for a particular application and that price was of at least moderate importance in purchasing decisions.<sup>93</sup> The Commission observed a pattern of significant underselling by subject imports from China during the period of investigation across all market segments, and pervasive underselling for the high volume oilfield product where sales in the U.S. market were most concentrated.<sup>94</sup> Subject imports undersold the domestic like product in 108 of 127 comparisons, or in \*\*\* percent of such comparisons.<sup>95</sup> Based on the data, the Commission concluded that subject imports from China were likely to significantly undersell the domestic like product in the imminent future.<sup>96</sup>

The Commission also observed that pricing pressure from underselling by subject imports contributed to the domestic producers' inability to increase prices in tandem with raw material costs, and that \*\*\* lowered prices in the second half of 2012 to remain competitive with subject imports from China in the price-sensitive oilfield segment of the market.<sup>97</sup> The Commission found that continued or intensified underselling by subject imports from China would likely put downward pressure on domestic prices in the imminent future, resulting in price-depressing or price-suppressing effects.<sup>98</sup>

### **2. The Current Review**

As noted above, the limited record in this expedited review indicates that subject imports from China and the domestic like product are generally good substitutes for a particular application, and that price continues to be an important factor in purchasing decisions. Due to its expedited nature, this review does not contain pricing data. We have found, however, that subject import volumes from China would likely increase significantly upon revocation of the order. Given the continued attractiveness of the U.S. market and the importance of price to purchasers, subject producers would be likely to resume the behavior observed in the original investigation, offering subject merchandise in the U.S. market at low

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<sup>93</sup> Original Determination, USITC Pub. 4411 at 25.

<sup>94</sup> Original Determination, USITC Pub. 4411 at 26.

<sup>95</sup> Confidential Original Determination at 49.

<sup>96</sup> Original Determination, USITC Pub. 4411 at 26-27.

<sup>97</sup> Confidential Original Determination at 50.

<sup>98</sup> Original Determination, USITC Pub. 4411 at 27.

prices to gain market share. These subject imports would likely undersell domestically produced xanthan gum, as they did during the original investigation. Consequently, there would likely be significant underselling by subject imports from China.

Because of the substitutability between the domestic like product and subject imports and because price continues to be an important factor in purchasing decisions, the likely significant volume of low-priced subject imports would likely force the domestic industry to lower prices or lose sales. In light of these considerations, we conclude that subject imports would likely have significant depressing or suppressing effects on prices for the domestic like product and/or gain market share at the domestic industry's expense upon revocation of the order.

## **E. Likely Impact**

### **1. The Original Investigation**

In the original determination, the Commission concluded that subject imports from China threatened material injury to the domestic industry in the imminent future, based on the likely substantial increase in subject import volume and the likely adverse price effects.<sup>99</sup> The Commission found that lost sales would negatively affect the domestic industry's production, shipments, employment, and inventories; moreover, the Commission found that suppressed or depressed prices would negatively affect the domestic industry's revenues, profits, and ability to make capital improvements.<sup>100</sup>

The Commission considered the role of other factors so as not to attribute likely injury from these factors to the subject imports. Specifically, the Commission considered whether other factors, including demand changes and nonsubject imports, would likely have an imminent adverse impact on the domestic industry, and concluded that the impact of such factors would be limited.<sup>101</sup> The Commission underscored that likely changes in future demand would likely benefit the domestic industry and were not a credible alternate cause of future injury. Moreover, the Commission found that given the declining market share of nonsubject imports throughout the period of investigation, nonsubject sources were not likely to take significant market share or sales from the domestic industry, or depress or suppress domestic prices, in the imminent future.<sup>102</sup> In sum, the Commission acknowledged the presence of other factors, but found that they would not sever the requisite causal nexus between the subject imports from China and their likely impact on the domestic industry.

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<sup>99</sup> Original Determination, USITC Pub. 4411 at 31.

<sup>100</sup> Original Determination, USITC Pub. 4411 at 31.

<sup>101</sup> Original Determination, USITC Pub. 4411 at 31.

<sup>102</sup> Original Determination, USITC Pub. 4411 at 31.

## 2. The Current Review

In this expedited review, the information available on the domestic industry's condition is limited. In 2017, the domestic industry's production capacity was \*\*\* pounds, its production was \*\*\* pounds, and its capacity utilization rate was \*\*\* percent.<sup>103</sup> The industry's domestic shipments were \*\*\* pounds.<sup>104</sup> The net sales value was \$\*\*\*, and it had an operating loss of \$\*\*\* and an operating margin of \*\*\* percent.<sup>105</sup> The limited evidence in this expedited review is insufficient for us to make a finding on whether the domestic industry is vulnerable to the continuation or recurrence of material injury in the event of revocation of the order.

We find that revocation of the order would likely lead to a significant increase in the volume of subject imports and that these imports would likely undersell the domestic like product to a significant degree, resulting in likely significant depression or suppression of the domestic industry's prices and/or losses in market share. We find that the increased subject import competition that would likely occur after revocation of the order would likely have a significant impact on the domestic industry. The domestic industry would likely lose market share to subject imports or experience lower prices due to the aggressively priced subject imports, which would adversely impact its production, shipments, sales, and revenue. These reductions would likely have a direct adverse impact on the domestic industry's profitability and employment levels, as well as its ability to raise capital and make and maintain necessary capital investments.

We have also considered the role of factors other than subject imports, including demand changes and the presence of nonsubject imports, so as not to attribute likely injury from other factors to the subject imports. Demand was greater in 2017 than in 2012. There is no indication on the record that demand is likely to decline, and therefore is not likely to be a cause of injury. We recognize that nonsubject imports have increased their presence in the U.S. market since the original investigation; their share of apparent U.S. consumption was \*\*\* percent in 2017.<sup>106</sup> Nevertheless, because the domestic industry maintains a substantial share of the U.S. market,<sup>107</sup> and subject imports would likely compete head-to-head with the domestic like product upon revocation, the likely increase in subject imports would likely take market share from the domestic industry as well as from nonsubject imports. Consequently, the subject imports would likely have adverse effects distinct from any that may be caused by nonsubject imports.

Accordingly, we conclude that if the antidumping duty order on xanthan gum from China were to be revoked, subject imports would likely have a significant impact on domestic producers of xanthan gum within a reasonably foreseeable time.

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<sup>103</sup> CR/PR at Table I-2.

<sup>104</sup> CR/PR at Table I-2.

<sup>105</sup> CR/PR at Table I-2.

<sup>106</sup> See CR/PR at Table I-5; Original Determination, USITC Pub. 4411 at 31; Confidential Original Determination at 59. Nonsubject imports' market share declined throughout the period of investigation from \*\*\* percent in 2010 to \*\*\* percent in 2011, and \*\*\* percent in 2012. *Id.*

<sup>107</sup> CR/PR at Table I-5. The responding domestic producers accounted for \*\*\* percent of apparent U.S. consumption in 2017. *Id.*

#### **IV. Conclusion**

For the above reasons, we determine that revocation of the antidumping duty order on xanthan gum from China would likely lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

# INFORMATION OBTAINED IN THIS REVIEW

## BACKGROUND

On June 1, 2018, the U.S. International Trade Commission (“Commission”) gave notice, pursuant to section 751(c) of the Tariff Act of 1930, as amended (“the Act”),<sup>1</sup> that it had instituted a review to determine whether revocation of the antidumping duty order on xanthan gum from China would likely lead to the continuation or recurrence of material injury to a domestic industry.<sup>2</sup> All interested parties were requested to respond to this notice by submitting certain information requested by the Commission.<sup>3 4</sup> The following tabulation presents information relating to the background and schedule of this proceeding:

| Effective or statutory date | Action  |
|-----------------------------|---|
| June 1, 2018                | Notice of initiation and institution by Commerce and Commission |
| September 4, 2018           | Commission’s vote on adequacy                                   |
| October 1, 2018             | Commerce’s results of its expedited review                      |
| November 15, 2018           | Commission’s determination and views                            |

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<sup>1</sup> 19 U.S.C. 1675(c).

<sup>2</sup> *Xanthan Gum from China; Institution of a Five-Year Review*, 83 FR 25485, June 1, 2018. In accordance with section 751(c) of the Act, the U.S. Department of Commerce (“Commerce”) published a notice of initiation of a five-year review of the subject antidumping duty order concurrently with the Commission’s notice of institution. *Initiation of Five-Year (“Sunset”) Reviews*, 83 FR 25436, June 1, 2018. Pertinent *Federal Register* notices are referenced in app. A, and may be found at the Commission’s website ([www.usitc.gov](http://www.usitc.gov)).

<sup>3</sup> As part of their response to the notice of institution, interested parties were requested to provide company-specific information. That information is presented in app. B. Summary data compiled in prior proceedings is presented in app. C.

<sup>4</sup> Interested parties were also requested to provide a list of three to five leading purchasers in the U.S. market for the subject merchandise. As discussed further in appendix D, the Commission did not receive any responses to its purchaser survey.

## RESPONSES TO THE COMMISSION’S NOTICE OF INSTITUTION

### Individual responses

The Commission accepted one submission<sup>5</sup> in response to its notice of institution in the subject review. It was filed on behalf of CP Kelco U.S., Inc. (“CP Kelco”) and Archer Daniels Midland Company (“ADM”), domestic producers of xanthan gum (collectively referred to herein as “domestic interested parties”).

A complete response to the Commission’s notice of institution requires that the responding interested party submit to the Commission all the information listed in the notice. Responding firms are given an opportunity to remedy and explain any deficiencies in their responses. A summary of the number of responses and estimates of coverage for each is shown in table I-1.

**Table I-1**  
**Xanthan gum: Summary of responses to the Commission’s notice of institution**

| Type of interested party               | Completed responses |                   |
|--|---------------------|-------------------|
|  | Number              | Coverage          |
| Domestic:                              |                     |                   |
| U.S. producer                          | 1                   | ***% <sup>1</sup> |
| Respondent:                            |                     |                   |
| U.S importer <sup>2</sup>              | 0                   | N/A               |
| Foreign producer/exporter <sup>2</sup> | 0                   | N/A               |

<sup>1</sup> In their response to the notice of institution, domestic interested parties estimated that they account for this share of total U.S. production of xanthan gum during 2017. Domestic interested parties’ response to the notice of institution, July 2, 2018, exh. 11.

<sup>2</sup> The Commission received, but did not accept, a response from Deosen, a U.S. importer and foreign producer/exporter.

Note -- The “number of responses” is the number of physical responses received by the Commission not the number of firms contained in the submissions. This number should correspond with the number of individual responses stated in the preceding paragraph.

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<sup>5</sup> The Commission also received one response to the notice of institution on behalf of Deosen Biochemical Ltd., Deosen Biochemical (Ordos) Ltd., and Deosen USA Inc. (collectively “Deosen”). Deosen Biochemical is a foreign producer/exporter of xanthan gum and Deosen USA Inc. is a U.S. importer of xanthan gum. Deosen stated that it would be willing to participate in the Commission’s review by providing information requested by the Commission. However, Deosen submitted its response out of time and the Commission found that the alleged good cause was not sufficient to accept the submission. Consequently, this report does not present the data or additional information from Deosen’s response to the notice of institution.

### **Party comments on adequacy**

The Commission received a joint submission from parties commenting on the adequacy of responses to the notice of institution and whether the Commission should conduct an expedited or full review. This submission was filed on behalf of ADM and CP Kelco.

The domestic interested parties argued that the Commission should find the respondent interested party group response to be inadequate since there was no complete or timely submission by any respondent interested party. Therefore, because of the inadequate response by the respondent interested parties and the fact that there have been no major changes in the conditions of competition in the market since the Commission's original investigation, they request that the Commission conduct an expedited review of the antidumping duty order on imports of xanthan gum from China.<sup>6</sup>

### **THE ORIGINAL INVESTIGATION**

The original investigations resulted from petitions filed on June 5, 2012 with Commerce and the Commission by CP Kelco U.S., Atlanta, Georgia. On June 4, 2013, Commerce determined that imports of xanthan gum from Austria and China were being sold at less-than-fair-value ("LTFV").<sup>7</sup> On July 12, 2013, the Commission determined that the domestic industry was not materially injured or threatened with material injury by reason of LTFV imports of xanthan gum from Austria. The Commission also determined that the domestic industry was threatened with material injury by reason of LTFV imports of xanthan gum from China.<sup>8</sup> On July 19, 2013, Commerce issued its antidumping duty order on imports of xanthan gum from China with the final weighted-average dumping margins ranging from 12.90 percent to 154.07 percent.<sup>9</sup>

### **PREVIOUS AND RELATED INVESTIGATIONS**

Xanthan gum has not been the subject of any prior related antidumping or countervailing duty investigations in the United States.

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<sup>6</sup> Domestic interested parties' comments on adequacy, August 14, 2018, p. 2.

<sup>7</sup> *Xanthan Gum from Austria: Final Determination of Sales at Less Than Fair Value*, 78 FR 33354, June 4, 2013; and *Xanthan Gum from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33351, June 4, 2013.

<sup>8</sup> *Xanthan Gum from Austria and China*, 78 FR 43226, July 19, 2013.

<sup>9</sup> *Xanthan Gum From the People's Republic of China: Amended Final Determination of Sales at Less than Fair Value and Antidumping Duty Order*, 78 FR 43143, July 19, 2013.

## **ACTIONS AT COMMERCE**

Commerce has not conducted any changed circumstances reviews, critical circumstances reviews, or issued any anti-circumvention findings since the completion of the original investigation. In addition, Commerce has not issued any duty absorption findings or any company revocations or scope rulings since the imposition of the order.

## **THE PRODUCT**

### **Commerce's scope<sup>10</sup>**

In the current proceeding, Commerce has defined the scope as follows:

Dry xanthan gum, whether or not coated or blended with other products. Further, xanthan gum is included in this order regardless of physical form, including, but not limited to, solutions, slurries, dry powders of any particle size, or unground fiber.

Xanthan gum that has been blended with other product(s) is included in this scope when the resulting mix contains 15 percent or more of xanthan gum by dry weight. Other products with which xanthan gum may be blended include, but are not limited to, sugars, minerals, and salts.

Xanthan gum is a polysaccharide produced by aerobic fermentation of *Xanthomonas campestris*. The chemical structure of the repeating pentasaccharide monomer unit consists of a backbone of two P-1,4-D-Glucose monosaccharide units, the second with a trisaccharide side chain consisting of P-D-Mannose-(1,4)- P-DGlucuronic acid-(1,2)-a-D-Mannose monosaccharide units. The terminal mannose may be pyruvylated and the internal mannose unit may be acetylated.

Merchandise covered by the scope of this order is classified in the Harmonized Tariff Schedule ("HTS") of the United States at subheading 3913.90.20. This tariff classification is provided for convenience and customs purposes; however, the written description of the scope is dispositive.

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<sup>10</sup> *Xanthan Gum from the People's Republic of China: Amended Final Determination of Sales at Less than Fair Value and Antidumping Duty Order*, 78 FR 43143, July 19, 2013.

## U.S. tariff treatment

Xanthan gum is currently imported under HTS statistical reporting number 3913.90.2015.<sup>11</sup> The 2018 general rate of duty for this HTS statistical reporting number is 5.8 percent ad valorem.<sup>12</sup> Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

## Description and uses<sup>13</sup>

The polysaccharide xanthan gum is one of a group of products, known as hydrocolloids, that form a gel in the presence of water. Several attributes make xanthan gum a useful additive to industrial and consumer products to provide stability and viscosity<sup>14</sup>:

- High viscosity at low concentration levels. Even small concentrations of xanthan gum can be effective in thickening a liquid.
- Shear-thinning<sup>15</sup> at low shear rates. When a shear force<sup>16</sup> such as stirring or shaking is applied to a solution containing xanthan gum, the viscosity decreases, allowing for easier flow of the solution. Xanthan gum also has properties that allow solutions to continually reform to the initial viscosity level when shear force is removed.
- Low sensitivity to a solution's pH levels, temperatures, cold water solubility, or ionic strength.

These attributes combine to make xanthan gum unique when compared with other hydrocolloids, such as gelatin, agar gum, or pectin. The original investigation reported market substitution between xanthan gum and other hydrocolloids, particularly guar gum and carboxymethylcellulose (CMC), although the extent of this substitution was not clear.

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<sup>11</sup> Since 2014, imports of xanthan gum have been reported under HTS statistical reporting number 3913.90.2015. Before 2014, they were reported under HTS 3913.90.20, a broader category which contains products that are outside the scope of this review.

<sup>12</sup> As a result of the United States Trade Representative's ("USTR") ongoing section 232 investigation into certain acts, policies, and practices of the Government of China related to technology transfer, intellectual property, and innovation, this HTS subheading is on the list of provisions to be covered by increase duties at rate of 10 percent ad valorem. USTR is seeking public comment on this proposed action, concluding August 30, 2018. *Request for Comments Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 FR 33608, July 17, 2018.

<sup>13</sup> Unless otherwise noted, this information is based on *Xanthan Gum from Austria and China, Inv. Nos. 731-TA-1202-1203 (Final)*, USITC Publication 4411, July 2013, pp. I-5 through I-7.

<sup>14</sup> Viscosity describes a fluid's resistance to flow. A fluid with high viscosity does not flow quickly.

<sup>15</sup> Shear-thinning refers to the lowering of the viscosity when a shear force is applied to the fluid.

<sup>16</sup> Shear force occurs when a force is applied parallel to the plane of contact.

Xanthan gum is used primarily in five sectors: food and beverage products, consumer goods, pharmaceutical products, industrial uses, and oil field uses. Grades for these five applications are determined largely by the levels of impurities remaining in the product.<sup>17</sup> Xanthan gum is a common component in food and beverage systems, particularly condiments, beverages, syrups, baked goods and bakery products, and prepared foods. It is also used as a stabilizer and thickener for foods without affecting flavor. In condiments, its shear-thinning qualities allow for easy pouring characteristics, while its viscosity keeps ingredients from separating in the packaging. Xanthan gum also provides elasticity to dough and baked products, allowing for the entrapment of air in the finished baked good. It is often used as a replacement to gluten to provide structure to the baked good. It is also used as a stabilizer for beverages (such as fruit juices and dairy products), particularly in low-sugar or sugar-free beverages to provide texture. Xanthan gum's low inclusion rates for food and beverages (from about 0.05% to 0.2%) allows for it to be easily included into a recipe for its structural functionality.

Xanthan gum is also used for a number of consumer good and pharmaceutical applications. These products include toothpaste, sunscreen, and pharmaceuticals, such as amoxicillin. Xanthan gum provides thickening and stabilizing properties to these products, keeping ingredients from separating while in the packaging, for instance. This is important, in that it keeps the ingredients of the products evenly distributed for all applications, instead of having certain ingredients settle based on relative density.

Xanthan gum's properties are useful in a variety of industrial and household chemical applications and in oil drilling. As with consumer goods, in products such as paints, coatings, and home care products, xanthan gum allows for an equal distribution of components within a product that would otherwise separate due to different densities. Xanthan gum is particularly well suited for these products due to its insensitivity to alkaline conditions, which is an environment in which other stabilizers cannot effectively perform. The chemical's properties are also useful in oilfield drilling when a viscosifier is required under extreme conditions. Xanthan gum's ability to create suspension in water-based drilling fluid allows for the removal of rock and debris from the drilling area.

Additionally, within the above general grades, there are consumer demands for various other specifications such as additional coating of the product, granule size, and packaging of the xanthan gum. These specifications affect the application's properties, such as how the xanthan gum dissolves in the solution, the clarity of the resulting solution, viscosity of the solution in certain environments, and convenience for the end user's manufacturing process. Some consumers may also specify Xanthan gum made from non-Genetically Modified Organisms (GMO) feedstocks.

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<sup>17</sup> Higher purity xanthan gum, such as that produced for use in food and beverage or consumer goods and pharmaceuticals can often be marketed for industrial purposes, but not vice versa.

## Manufacturing process<sup>18</sup>

Xanthan gum is produced from the fermentation of the bacteria strain *Xanthomonas campestris* (*X. campestris*). The production process requires maintaining the bacteria strain used for culture, providing carbohydrate, nitrogen, and micronutrient sources to initiate the fermentation process, extracting and refining the xanthan gum from the culture; milling the product into a powder, and finally, packaging it for distribution.

The production process begins with fermentation of the bacteria. First, selected strains of *X. campestris* must be properly maintained and stored for continuous production. A small amount of the strain is expanded in a shake flask, and then further reproduced in a seed tank for scalable expansion, to create the inoculum for large bioreactors. It is then placed in a bioreactor where it interacts with a carbohydrate source (typically a corn derivative, such as cornstarch), a nitrogen source (such as casein hydrolysates, soybean meal, or distillers' solubles), micro-minerals, and water. This step produces xanthan gum broth, which contains xanthan, bacterial cells, and other chemicals. Recovery of the xanthan gum begins by removing the cell debris using either filtration or centrifugation. Then alcohol is added to the broth to separate the xanthan gum from water, creating a xanthan gum fiber. The resulting residual mixture of alcohol, water, cellular debris, and nutrients is distilled to recover the alcohol, while the other residual material is sent to a water waste treatment facility. The xanthan gum fiber is then dried, milled to a particular granule size, and packaged into specified quantities. The product may also be coated with non-water soluble material, such as cottonseed oil or lecithin, to aid in the dispersal of the xanthan gum particles when placed in a solution. At this point, the xanthan gum is marketable.

Xanthan gum production requires facilities that meet standards set by the U.S. Environmental Protection Agency for wastewater. For industrial grade xanthan gum, this is the main regulatory concern with the production process. For xanthan gum to qualify as "food grade," the Food and Drug Administration ("FDA") requires certain processes and tests be done, as does the U.S. Department of Agriculture ("USDA") for certain meat and dairy products.

First, the FDA requires that the strain of *X. campestris* be nonpathogenic and nontoxic to humans and animals. Second, it requires that the recovery process render no viable cells of the strain. There are also specifications that the residual isopropyl used in the recovery process must not exceed 750 parts per million, the final product must meet certain viscosity properties, the product must also pass two specified laboratory tests, and finally, the product must have proper labeling and use information.

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<sup>18</sup> Unless otherwise noted, this information is based on *Xanthan Gum from Austria and China, Inv. Nos. 731-TA-1202-1203 (Final)*, USITC Publication 4411, July 2013, pp. I-7 and I-8.

## THE INDUSTRY IN THE UNITED STATES

### U.S. producers

During the final phase of the original investigation, the Commission received U.S. producer questionnaires from ADM and CP Kelco, which accounted for 100 percent of the production of xanthan gum in the United States during 2012.<sup>19</sup>

In response to the Commission's notice of institution in this current review, domestic interested parties provided a list of two known and currently operating U.S. producers of xanthan gum.<sup>20</sup> These firms are ADM and CP Kelco.

### Recent developments

On April 16, 2018, CP Kelco announced that nine of its Xanthan gum products were verified as non-GMO by the Non-GMO Project, a non-profit organization that focuses on building and protecting the supply of non-GMO food in North America.<sup>21</sup>

### U.S. producers' trade and financial data

The Commission asked domestic interested parties to provide trade and financial data in their response to the notice of institution of the current five-year review.<sup>22</sup> U.S. producers' production capacity was consistent from 2010 to 2012. However, it was \*\*\* percent lower in 2017 than in 2012. U.S. producers' production was \*\*\* percent lower in 2017 than in 2012. U.S. producers' capacity utilization was \*\*\* percentage points higher in 2017 than in 2012.

U.S. producers' commercial U.S. shipments was \*\*\* in 2012 and 2017. However, the value of those shipments was \*\*\* percent higher in 2017 than in 2012. U.S. producers' internal consumption \*\*\* from 2010 to 2012 and was \*\*\* greater in 2017 than in 2012. \*\*\*. Table I-2 presents a compilation of the data submitted from all responding U.S. producers as well as trade and financial data submitted by U.S. producers in the original investigation.

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<sup>19</sup> *Xanthan Gum from Austria and China, Inv. Nos. 731-TA-1202-03 (Final)*, USTIC Publication 4411, July 2013, p. III-1.

<sup>20</sup> *Domestic Interested Parties' Response to the Notice of Institution*, July 2, 2018, p. 18.

<sup>21</sup> CP Kelco, "CP Kelco Receives Non-GMO Project Verification for 9 Xanthan Gum Products," April 16, 2018. <https://www.cpkelco.com/news/cp-kelco-non-gmo-project-verification-for-9-xanthan-gum-products>.

<sup>22</sup> Individual company trade and financial data are presented in app. B.

**Table I-2**

**Xanthan gum: Trade and financial data submitted by U.S. producers, 2010-2012, and 2017**

\* \* \* \* \*

The average unit value of U.S. producers' U.S. commercial shipments increased from \$\*\*\* per pound in 2010 to \$\*\*\* per pound in 2011 and then decreased to \$\*\*\* per pound in 2012. The average unit value of U.S. producers' U.S. commercial shipments in 2017 was \$\*\*\* per pound, which is \*\*\* percent higher than in 2012. U.S. producers' net sales were \*\*\* percent lower in 2017 than in 2012. Gross profit was \*\*\* percent lower in 2017 than in 2012. The ratio of operating income to net sales was \*\*\* percent in 2012, but a \*\*\* percent in 2017.

**DEFINITIONS OF THE DOMESTIC LIKE PRODUCT AND DOMESTIC INDUSTRY**

The domestic like product is defined as the domestically produced product or products which are like, or in the absence of like, most similar in characteristics and uses with, the subject merchandise. The domestic industry is defined as the U.S. producers as a whole of the domestic like product, or those producers whose collective output of the domestic like product constitutes a major proportion of the total domestic production of the product. Under the related parties provision, the Commission may exclude a related party for purposes of its injury determination if "appropriate circumstances" exist.<sup>23</sup>

In its original determination, the Commission defined the domestic like product as a single product, coextensive with the scope of the investigation.<sup>24</sup> The Commission also considered whether appropriate circumstances existed to exclude CP Kelco from the domestic industry. The Commission found that appropriate circumstances did not exist to exclude CP Kelco from the domestic industry. Consequently, the Commission defined the domestic industry as all U.S. producers of the domestic like product.<sup>25</sup>

In its notice of institution for this review, the Commission solicited comments from interested parties regarding what they deemed to be the appropriate definitions of the domestic like product and domestic industry and inquired as to whether any related party issues existed. According to their response to the notice of institution, the domestic interested parties agreed with the Commission's definition of the domestic like product as stated in the original investigation.<sup>26</sup> The domestic interested parties did not cite any potential related party issues and agreed with the Commission's prior definition of the domestic industry.<sup>27</sup>

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<sup>23</sup> Section 771(4)(B) of the Tariff Act of 1930, 19 U.S.C. § 1677(4)(B).

<sup>24</sup> *Xanthan Gum from Austria and China, Inv. Nos. 731-TA-1202-1203 (Final)*, USITC Publication 4411, December 2003, p. 6.

<sup>25</sup> *Xanthan Gum from Austria and China, Inv. Nos. 731-TA-1202-1203 (Final)*, USITC Publication 4411, December 2003, p. 7.

<sup>26</sup> Domestic interested parties' response to the notice of institution, July 2, 2018, p. 21.

<sup>27</sup> *Ibid.*

## U.S. IMPORTS AND APPARENT U.S. CONSUMPTION

### U.S. importers

During the final phase of the original investigation, the Commission received U.S. importer questionnaires from 15 firms, which accounted for the vast majority of total U.S. imports of xanthan gum from China during 2012. The largest importers in 2012 were \*\*\*.<sup>28</sup>

Although the Commission did not accept responses from any respondent interested parties in this current review, in its response to the Commission's notice of institution, the domestic interested parties provided a list of 13 potential U.S. importers of xanthan gum.<sup>29</sup>

### U.S. imports

Table I-3 presents the quantity, value, and unit value for imports from China as well as the other top sources of U.S. imports.

U.S. imports from China<sup>30</sup> decreased by 20.1 percent from 2014 to 2016 and then increased by 19.5 percent in 2017, ending 4.6 percent lower than in 2014. The value of U.S. imports from China decreased irregularly by 27.8 percent from 2014 to 2017. Consequently, the unit value of U.S. imports from China decreased from \$2.30 per pound in 2014 to \$1.74 per pound 2017. The leading nonsubject sources of U.S. imports of xanthan gum in 2017 were Austria and France, accounting for 29.4 percent and 7.7 percent of total U.S. imports, by quantity, respectively. The unit values of imports from Austria and France were higher than the unit value of imports from China in every year during 2014-17.

Total U.S. imports increased irregularly by 1.8 percent from 2014 to 2017 with an increase from 2014 to 2015 followed by a decrease between 2015 and 2017. The 2015 to 2017 change primarily reflects decreases in imports from France and Austria as the quantity of imports from China was mostly unchanged. The value of all U.S. imports decreased by 13.9 percent from 2014 to 2017 with the majority of the decrease occurring from 2015 to 2017. The 2015-17 change largely reflects a decrease in the value of U.S. imports from China, France, and Austria. The average unit value of all U.S. imports decreased irregularly from \$2.72 per pound in 2014 to \$2.30 per pound in 2017.

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<sup>28</sup> *Investigation Nos. 731-TA-1202-1203 (Final): Xanthan Gum from Austria and China—Staff Report*, INV-LL-039, June 11, 2013, p. IV-1.

<sup>29</sup> Domestic interested parties' response to the notice of institution, July 2, 2018, exh. 8.

<sup>30</sup> Prior to 2014, imports of xanthan gum were reported under HTS 3913.90.2000, a broader category which contains products that are outside the scope of this review. Consequently, U.S. import data for 2013 may be overstated and comparisons between U.S. imports in 2013 and other calendar years during 2014-17 are likely overstated. Therefore, the report analyzes U.S. import trends during 2014-17.

**Table I-3**  
**Xanthan gum: U.S. imports, 2013-17**

| Item                 | 2013                                     | 2014    | 2015    | 2016    | 2017    |
|----------------------|--|---------|---------|---------|---------|
|                      | <b>Quantity (1,000 pounds)</b>           |         |         |         |         |
| China (subject)      | 34,868                                   | 28,020  | 26,372  | 22,375  | 26,736  |
| Austria              | 10,759                                   | 12,628  | 15,007  | 14,939  | 13,628  |
| France               | 6,399                                    | 4,766   | 5,034   | 3,561   | 3,578   |
| Canada               | 1,310                                    | 5       | 18      | 706     | 771     |
| Germany              | 66                                       | 0       | 17      | 271     | 325     |
| All other imports    | 1,849                                    | 147     | 726     | 583     | 1,337   |
| Subtotal, nonsubject | 20,383                                   | 17,546  | 20,802  | 20,060  | 19,639  |
| Total imports        | 55,251                                   | 45,566  | 47,174  | 42,435  | 46,375  |
|                      | <b>Landed, duty-paid value (\$1,000)</b> |         |         |         |         |
| China (subject)      | 100,584                                  | 64,581  | 58,676  | 42,816  | 46,615  |
| Austria              | 33,691                                   | 41,631  | 49,687  | 44,963  | 41,805  |
| France               | 25,842                                   | 16,775  | 18,625  | 12,112  | 13,563  |
| Canada               | 4,504                                    | 633     | 182     | 1,830   | 1,796   |
| Germany              | 11,122                                   | 2       | 18      | 740     | 860     |
| All other imports    | 68,354                                   | 502     | 1,879   | 1,317   | 2,196   |
| Subtotal, nonsubject | 143,513                                  | 59,542  | 70,391  | 60,962  | 60,222  |
| Total imports        | 244,097                                  | 124,123 | 129,066 | 103,778 | 106,837 |
|                      | <b>Unit value (dollars per pound)</b>    |         |         |         |         |
| China (subject)      | 2.88                                     | 2.30    | 2.22    | 1.91    | 1.74    |
| Austria              | 3.13                                     | 3.30    | 3.31    | 3.01    | 3.07    |
| France               | 4.04                                     | 3.52    | 3.70    | 3.40    | 3.79    |
| Canada               | 3.44                                     | 120.19  | 10.09   | 2.59    | 2.33    |
| Germany              | 169.28                                   | 22.10   | 1.10    | 2.73    | 2.65    |
| All other imports    | 36.98                                    | 3.42    | 2.59    | 2.26    | 1.64    |
| Subtotal, nonsubject | 7.04                                     | 3.39    | 3.38    | 3.04    | 3.07    |
| Total imports        | 4.42                                     | 2.72    | 2.74    | 2.45    | 2.30    |

Note.--Because of rounding, figures may not add to total shown. Quantities have been converted from kilograms to pounds using a conversion rate of 2.20462 pounds per kilogram.

Source: Official Commerce statistics for HTS statistical reporting numbers 3913.90.2000 and 3913.90.2015.

### **Apparent U.S. consumption and market shares**

Table I-4 presents data on U.S. producers' U.S. shipments, U.S. imports, and apparent U.S. consumption, while table I-5 presents data on U.S. market shares of U.S. apparent consumption.

**Table I-4****Xanthan gum: U.S. producers' U.S. shipments, U.S. imports, and apparent U.S. consumption, 2010-12, and 2017**

| Item                           | 2010                           | 2011    | 2012    | 2017    |
|--------------------------------|--------------------------------|---------|---------|---------|
|                                | <b>Quantity (1,000 pounds)</b> |         |         |         |
| U.S. producers' U.S. shipments | ***                            | ***     | ***     | ***     |
| U.S. imports from—             |                                |         |         |         |
| China                          | 23,026                         | 23,875  | 33,799  | 26,736  |
| All other                      | ***                            | ***     | ***     | 19,639  |
| Total imports                  | ***                            | ***     | ***     | 46,375  |
| Apparent U.S. consumption      | 55,339                         | 54,537  | 73,963  | ***     |
|                                | <b>Value (1,000 dollars)</b>   |         |         |         |
| U.S. producers' U.S. shipments | ***                            | ***     | ***     | ***     |
| U.S. imports from—             |                                |         |         |         |
| China                          | 53,911                         | 60,587  | 87,473  | 46,615  |
| All other                      | ***                            | ***     | ***     | 60,222  |
| Total imports                  | ***                            | ***     | ***     | 106,837 |
| Apparent U.S. consumption      | 168,562                        | 174,517 | 223,657 | ***     |

Note.— For the year 2017, import quantities have been converted from kilograms to pounds using a conversion rate of 2.20462 pounds per kilogram.

Source: For the years 2010-12, data are compiled using data submitted in the Commission's original investigation. *See app. C.* For the year 2017, U.S. producers' U.S. shipments are compiled from the domestic interested parties' response to the Commission's notice of institution and U.S. imports are compiled using official Commerce statistics under HTS statistical reporting number 3913.90.2015.

Table I-5

**Xanthan gum: Apparent U.S. consumption and U.S. market shares, 2010-12, and 2017**

| Item                      | 2010  | 2011    | 2012    | 2017 |
|---------------------------|---|---------|---------|------|
|                           | <b>Quantity (1,000 pounds)</b>                          |         |         |      |
| Apparent U.S. consumption | 55,339  | 54,537  | 73,963  | ***  |
|                           | <b>Value (1,000 dollars)</b>                            |         |         |      |
| Apparent U.S. consumption | 168,562   | 174,517 | 223,657 | ***  |
|                           | <b>Share of consumption based on quantity (percent)</b> |         |         |      |
| U.S. producer's share     | ***   | ***     | ***     | ***  |
| U.S. imports from--       |   |         |         |      |
| China                     | 41.6  | 43.8    | 45.7    | ***  |
| All other sources         | ***   | ***     | ***     | ***  |
| Total imports             | ***   | ***     | ***     | ***  |
|                           | <b>Share of consumption based on value (percent)</b>    |         |         |      |
| U.S. producer's share     | ***   | ***     | ***     | ***  |
| U.S. imports from--       |   |         |         |      |
| China                     | 32.0  | 34.7    | 39.1    | ***  |
| All other sources         | ***   | ***     | ***     | ***  |
| Total imports             | ***   | ***     | ***     | ***  |

Note. – Because of rounding, figures may not add up to total shown. For the year 2017, U.S. import quantities have been converted from kilograms to pounds using a conversion rate of 2.20462 pounds per kilogram.

Source: For the years 2010-11, data are compiled using data submitted in the Commission's original investigation. *See app. C.* For the year 2017, U.S. producers' U.S. shipments are compiled from the domestic interested parties' response to the Commission's notice of institution and U.S. imports are compiled using official Commerce statistics under HTS statistical reporting number 3913.90.2015.

Apparent U.S. consumption was \*\*\* percent higher in 2017 than in 2012. The quantity of U.S. shipments of imports from China was \*\*\* percent lower in 2017 than in 2012, but was \*\*\* percent higher in 2017 than in 2010. By value, U.S. shipments of imports from China were 46.7 percent lower in 2017 than in 2012 and were 13.5 percent lower in 2017 than in 2010. The quantity of U.S. shipments of imports from all other sources was \*\*\* percent higher in 2017 than in 2010. By value, U.S. shipments of imports from all other sources were \*\*\* percent higher in 2017 than in 2012 and were \*\*\* percent higher in 2017 than in 2010.

U.S. producers' market share, by quantity, was \*\*\* percentage points higher in 2017 than in 2012. The market share held by imports from China was \*\*\* percentage points lower in 2017 than in 2012. The market share held by imports from other sources, on the other hand, was \*\*\* percentage points higher in 2017 than in 2012.

By value, U.S. producers' market share was \*\*\* percentage points higher in 2017 than in 2012. The market share held by imports from China, conversely, was \*\*\* percentage points lower in 2017 than in 2012. The market share held by imports from all other sources was \*\*\* percentage points higher in 2017 than in 2012.

## THE INDUSTRY IN CHINA

During the final phase of the original investigation, the Commission received foreign producer/exporter questionnaires from \*\*\* firms, which accounted for approximately \*\*\* percent of production of xanthan gum from China during 2012, and approximately \*\*\* percent of exports from China to the United States of xanthan gum during 2012.<sup>31</sup> \*\*\* accounted for \*\*\* percent of responding Chinese producers' total production.<sup>32</sup>

Although the Commission did not receive responses from any respondent interested parties in this current review, the domestic interested parties provided a list of nine firms that they believe currently produce xanthan gum in China.<sup>33</sup> Domestic interested parties also presented in their response to the notice of institution data regarding production capacity of Chinese producers of xanthan gum. They estimated that three of the largest Chinese producers, Fufeng Group Limited ("Fufeng"), Meihua Holdings Group Co., Ltd. ("Meihua"), and Deosen, had an aggregate production capacity of \*\*\* in 2015.<sup>34</sup> Moreover, according to domestic interested parties, China continues to have a strong interest in the U.S. market and remains the single largest source of xanthan gum imports in the U.S.<sup>35</sup> Table I-6 presents export data for xanthan gum from China in descending order of quantity for 2017.

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<sup>31</sup> *Investigation Nos. 731-TA-1202-1203 (Final): Xanthan Gum from Austria and China—Staff Report*, INV-LL-039, June 11, 2013, p. VII-9.

<sup>32</sup> *Ibid.*

<sup>33</sup> Domestic interested parties' response to the notice of institution, July 2, 2018, exh. 9.

<sup>34</sup> Domestic interested parties' response to the notice of institution, July 2, 2018, p. 8.

<sup>35</sup> *Ibid.*, p. 11.

**Table I-6****Xanthan gum: Exports of xanthan gum from China, by destination, 2013-17**

| Item                           | Calendar year |         |         |         |         |
|--------------------------------|---------------|---------|---------|---------|---------|
|                                | 2013          | 2014    | 2015    | 2016    | 2017    |
| <b>Quantity (1,000 pounds)</b> |               |         |         |         |         |
| United States                  | 42,735        | 43,826  | 37,735  | 25,342  | 30,123  |
| Russia                         | 16,216        | 21,116  | 20,674  | 26,524  | 24,932  |
| Saudi Arabia                   | 22,310        | 18,684  | 38,498  | 20,773  | 22,365  |
| United Arab Emirates           | 10,451        | 13,528  | 13,308  | 16,950  | 17,258  |
| Germany                        | 8,595         | 11,413  | 11,489  | 11,383  | 13,551  |
| India                          | 6,901         | 8,203   | 11,051  | 9,781   | 13,237  |
| Brazil                         | 10,798        | 9,349   | 11,489  | 10,092  | 10,983  |
| Mexico                         | 8,738         | 10,327  | 10,965  | 8,665   | 8,502   |
| Netherlands                    | 9,797         | 11,292  | 7,585   | 7,473   | 8,256   |
| Canada                         | 9,139         | 6,897   | 3,144   | 5,363   | 7,767   |
| All other                      | 96,152        | 96,074  | 90,857  | 83,747  | 99,727  |
| Total                          | 241,831       | 250,709 | 256,795 | 226,093 | 256,703 |

Note.--Because of rounding, figures may not add to totals shown. Quantities have been converted from kilograms to pounds using a conversion rate of 2.20462 pounds per kilogram.

Source: Global Trade Information Services, Inc., Global Trade Atlas, HTS subheading 3913.90. These data may be overstated as HTS 3913.90 may contain products outside the scope of this review.

### **ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS**

Based on available information, xanthan gum from China has not been subject to other antidumping or countervailing duty investigations outside the United States.

### **THE GLOBAL MARKET**

Global trade data for xanthan gum are limited due to its classification in a basket category and the number of producing countries. The Global Trade Atlas ("GTA") reports exports of xanthan gum in a six-digit basket category HS 3913.90, natural polymers and modified natural polymers nesoi, in primary forms, which includes products outside the scope of this review. The original investigation found that four countries produce xanthan gum: the United States, China, Austria, and France. Of these, Austria, the second largest source of U.S. xanthan gum imports, did not report export data for HTS 3913.90 to GTA during 2013-17. Table I-7 presents GTA data for exports of HTS 3913.90 from China, the United States, and France.

**Table I-7****Xanthan gum: Global exports by major sources, 2013-17**

| <b>Item</b>                    | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Quantity (1,000 pounds)</b> |             |             |             |             |             |
| China                          | 241,829     | 250,706     | 256,792     | 226,091     | 256,659     |
| United States                  | 127,272     | 111,218     | 115,384     | 114,161     | 133,639     |
| Italy                          | 23,130      | 23,403      | 26,181      | 32,447      | 56,231      |
| France                         | 23,619      | 22,939      | 22,522      | 20,670      | 20,508      |
| All other                      | 70,333      | 90,463      | 84,829      | 77,859      | 98,226      |
| Total                          | 486,183     | 498,729     | 505,708     | 471,228     | 565,263     |

Note.--Because of rounding, figures may not add to total shown. Quantities have been converted from kilograms to pounds using a conversion rate of 2.20462 pounds per kilogram.

Source: Global Trade Information Services, Inc., Global Trade Atlas, HTS subheading 3913.90. These data may be overstated as HTS 3913.90 may contain products outside the scope of this review.

**APPENDIX A**

***FEDERAL REGISTER NOTICES***



The Commission makes available notices relevant to its investigations and reviews on its website, [www.usitc.gov](http://www.usitc.gov). In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

| Citation                    | Title  | Link  |
|-----------------------------|--|---|
| 83 FR 25436<br>June 1, 2018 | <i>Initiation of Five-Year (Sunset) Reviews</i>                  | <a href="https://www.gpo.gov/fdsys/pkg/FR-2018-06-01/pdf/2018-11815.pdf">https://www.gpo.gov/fdsys/pkg/FR-2018-06-01/pdf/2018-11815.pdf</a> |
| 83 FR 25485<br>June 1, 2018 | <i>Xanthan Gum From China; Institution of a Five-Year Review</i> | <a href="https://www.gpo.gov/fdsys/pkg/FR-2018-06-01/pdf/2018-11676.pdf">https://www.gpo.gov/fdsys/pkg/FR-2018-06-01/pdf/2018-11676.pdf</a> |



**APPENDIX B**  
**COMPANY-SPECIFIC DATA**



**RESPONSE CHECKLIST FOR U.S. PRODUCERS**

\* \* \* \* \*



**APPENDIX C**

**SUMMARY DATA COMPILED IN PRIOR INVESTIGATION**



Table C-1

## Xanthan gum: Summary data concerning the U.S. market, 2010-12

(Quantity=1,000 pounds; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per pound)  
(Period changes=percent--exceptions noted)

|                                 | Report data |        |        | Period changes |         |         |
|---------------------------------|-------------|--------|--------|----------------|---------|---------|
|                                 | 2010        | 2011   | 2012   | 2010-12        | 2010-11 | 2011-12 |
| U.S. consumption quantity:      |             |        |        |                |         |         |
| Amount.....                     | 55,339      | 54,537 | 73,963 | 33.7           | (1.4)   | 35.6    |
| Producers' share (1).....       | ***         | ***    | ***    | ***            | ***     | ***     |
| Importers' share (1):           |             |        |        |                |         |         |
| Austria.....                    | ***         | ***    | ***    | ***            | ***     | ***     |
| China.....                      | 41.6        | 43.8   | 45.7   | 4.1            | 2.2     | 1.9     |
| Subtotal, subject.....          | ***         | ***    | ***    | ***            | ***     | ***     |
| Nonsubject countries.....       | ***         | ***    | ***    | ***            | ***     | ***     |
| Total imports.....              | ***         | ***    | ***    | ***            | ***     | ***     |
| U.S. consumption value:         |             |        |        |                |         |         |
| Amount.....                     | ***         | ***    | ***    | ***            | ***     | ***     |
| Producers' share (1).....       | ***         | ***    | ***    | ***            | ***     | ***     |
| Importers' share (1):           |             |        |        |                |         |         |
| Austria.....                    | ***         | ***    | ***    | ***            | ***     | ***     |
| China.....                      | 32.0        | 34.7   | 39.1   | 7.1            | 2.7     | 4.4     |
| Subtotal, subject.....          | ***         | ***    | ***    | ***            | ***     | ***     |
| Nonsubject countries.....       | ***         | ***    | ***    | ***            | ***     | ***     |
| Total imports.....              | ***         | ***    | ***    | ***            | ***     | ***     |
| U.S. importers' U.S. shipments: |             |        |        |                |         |         |
| Austria                         |             |        |        |                |         |         |
| Quantity.....                   | ***         | ***    | ***    | ***            | ***     | ***     |
| Value.....                      | ***         | ***    | ***    | ***            | ***     | ***     |
| Unit value.....                 | ***         | ***    | ***    | ***            | ***     | ***     |
| Ending inventory quantity.....  | ***         | ***    | ***    | ***            | ***     | ***     |
| China:                          |             |        |        |                |         |         |
| Quantity.....                   | 23,026      | 23,875 | 33,799 | 46.8           | 3.7     | 41.6    |
| Value.....                      | 53,911      | 60,587 | 87,473 | 62.3           | 12.4    | 44.4    |
| Unit value.....                 | \$2.34      | \$2.54 | \$2.59 | 10.5           | 8.4     | 2.0     |
| Ending inventory quantity.....  | 5,708       | 8,029  | 7,785  | 36.4           | 40.7    | (3.0)   |
| Subject sources:                |             |        |        |                |         |         |
| Quantity.....                   | ***         | ***    | ***    | ***            | ***     | ***     |
| Value.....                      | ***         | ***    | ***    | ***            | ***     | ***     |
| Unit value.....                 | ***         | ***    | ***    | ***            | ***     | ***     |
| Ending inventory quantity.....  | ***         | ***    | ***    | ***            | ***     | ***     |
| Nonsubject sources:             |             |        |        |                |         |         |
| Quantity.....                   | ***         | ***    | ***    | ***            | ***     | ***     |
| Value.....                      | ***         | ***    | ***    | ***            | ***     | ***     |
| Unit value.....                 | ***         | ***    | ***    | ***            | ***     | ***     |
| Ending inventory quantity.....  | ***         | ***    | ***    | ***            | ***     | ***     |
| All sources:                    |             |        |        |                |         |         |
| Quantity.....                   | ***         | ***    | ***    | ***            | ***     | ***     |
| Value.....                      | ***         | ***    | ***    | ***            | ***     | ***     |
| Unit value.....                 | ***         | ***    | ***    | ***            | ***     | ***     |
| Ending inventory quantity.....  | ***         | ***    | ***    | ***            | ***     | ***     |

Table continued next page

**Table C-1--Continued**  
**Xanthan gum: Summary data concerning the U.S. market, 2010-12**

\* \* \* \* \*

(1) Report data are in percent and period changes are in percentage points.

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

**APPENDIX D**

**PURCHASER QUESTIONNAIRE RESPONSES**



As part of their response to the notice of institution, interested parties were asked to provide a list of three to five leading purchasers in the U.S. market for the domestic like product. A response was received from domestic interested parties and it included contact information for the following three firms as the top purchasers of xanthan gum: \*\*\*. None of the purchasers responded or provided input to Commission questionnaires and inquiries.

