

UNITED STATES TARIFF COMMISSION

SYNTHETIC METHIONINE FROM JAPAN

Determination of Injury in
Investigation No. AA1921-115
Under the Antidumping Act, 1921, as Amended



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UNITED STATES TARIFF COMMISSION

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[AA1921-115]

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May 14, 1973

On February 13, 1973, the Tariff Commission received advice from the Treasury Department that "synthetic methionine from Japan is being, or is likely to be, sold at less than fair value" within the meaning of the Antidumping Act of 1921, as amended (19 U.S.C. 160(a)). Accordingly, the Commission on February 20, 1973, instituted investigation No. AA1921-115 under section 201(a) of that act, to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such synthetic methionine into the United States.

A public hearing was held on April 19, 1973. Notice of the investigation and hearing was published originally in the Federal Register of February 26, 1973 (38 F.R. 5212). Notice of the rescheduling of the hearing date from April 10, 1973, to April 19, 1973, was published in the Federal Register of March 7, 1973 (38 F.R. 6242).

In arriving at its determination, the Commission gave due consideration to all written submissions from interested parties, evidence adduced at the hearing, and all factual information obtained by the Commission's staff from responses to questionnaires, personal interviews, and other sources.

On the basis of the investigation, the Commission has unanimously determined 1/ that an industry in the United States is being injured by reason of the importation of synthetic methionine from Japan sold, or likely to be sold, at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

1/ Vice Chairman Parker did not participate in the decision.

Statement of Reasons 1/

The Antidumping Act, 1921, as amended, imposes two conditions which must be satisfied before an affirmative determination can be made. First, there must be injury or likelihood of injury to an industry in the United States, or an industry in the United States must be prevented from being established. Second, such injury (or likelihood of injury or prevention of establishment) must be "by reason of" the importation into the United States of the class or kind of foreign merchandise the Secretary of the Treasury has determined is being, or is likely to be, sold at less than fair value (LTFV).

In our judgment the aforementioned conditions are satisfied in the instant case. Accordingly, we have made an affirmative determination-- that an industry in the United States is being injured 2/ by reason of imports of synthetic methionine from Japan being sold at less than fair value. 3/

1/ Commissioner Ablondi concurs in the result.

2/ Since injury is found, it is unnecessary for an affirmative determination to make a finding as to likelihood of injury or prevention of establishment of an industry.

3/ Commissioner Moore agrees that an industry in the United States is being injured by reason of the importation and sales at less than fair value of synthetic (D,L-) methionine from Japan. However, he believes that the injury to an industry in the United States is not caused by reason of less-than-fair-value sales of Japanese imports to the Eli Lilly Co. D,L-methionine, now imported from Japan, is the only form of methionine which fulfills that company's requirements in the manufacture of certain pharmaceuticals or life-saving antibiotics for human consumption. According to information available to the Commission, other U.S. pharmaceutical companies will soon require D,L-methionine in the manufacture of these life-saving medicines. Commissioner Moore believes that the United States industry described in the Commission's Statement of Reasons does not produce, or have available for sale, the kind of methionine imported from Japan which is required by the Eli Lilly Co. or may be required by other pharmaceutical companies in the future for the production of life-saving medicines for human consumption. Accordingly, he concludes that an industry in the United States is not being, nor likely to be, injured or prevented from being established

Synthetic D,L-methionine and the calcium salt of methionine hydroxy analog are used primarily in poultry feed. They are completely interchangeable in poultry feed, but the hydroxy analog cannot be used in the manufacture of pharmaceuticals and in the human diet.

In this case the domestic industry found to be injured consists of those facilities in the United States devoted to the production of methionine and its hydroxy analog. Since 1969, only the latter form of methionine has been manufactured in the United States, and by only two companies. Virtually all of the domestically produced methionine is used in poultry feed.

The Treasury Department's investigation covered imports of synthetic methionine by three Japanese firms over a period of 7 months in 1972. It showed that all three firms made sales at less than fair value, and that the margins of dumping--i.e., the difference between fair value and LTFV sales prices--were substantial and existed on virtually all

by reason of less-than-fair-value sales of D,L-methionine from Japan for use in making medicines for human consumption.

Commissioners Leonard and Young do not believe any distinction should be made on the basis of use. First, there is a possibility that some pharmaceutical company might resell part of its methionine imported at LTFV to the poultry or feed-mill industry and thus indirectly cause injury to the domestic industry. Second, the continued sale of any LTFV imports would tend to discourage the initiation of U.S. production of D,L-methionine.

import entries investigated. The evidence shows that the price competition from such sales in the United States enabled Japanese importers to make substantial inroads into the U.S. market.

Market penetration

Japanese methionine held 2 percent of the domestic market in 1966, 18 percent in 1968, and more than 20 percent in 1971 and 1972. Although the official record shows that imports from Japan were smaller in 1972 than in 1971, there is evidence that a substantial amount of the 1971 imports remained unsold at the end of that year and exerted pressure on the market in 1972.

Undercapacity of domestic industry

Operating at 100 percent of capacity, the U.S. producers could supply little more than half the domestic demand for methionine and its hydroxy analog. Yet in 1972 the competition from Japanese and other imports was such that both U.S. producers operated considerably below capacity, and their sales were less than their production. Data from the producers indicate that if they had operated close to capacity, direct domestic employment would have been increased 15 to 20 percent.

Price depression and lost sales

The price for synthetic methionine has been periodically depressed, particularly in 1969 and in 1972. Domestic producers' prices were forced down in part to meet the competition of the Japanese product. In some cases sales were lost by domestic producers; in others the domestic producers held their customers only by negotiating considerably reduced

prices. That is, several purchasers stated that the declining methionine prices during most of 1972 were caused primarily by low-price offers from sellers of synthetic methionine from Japan. One of the U.S. producers cited 33 instances in 1972 (42 instances since mid-1969) where low-price offers from sellers of methionine from Japan, mostly in the first part of 1972, led either to loss of sales to the customer in question or to a reduction in price to hold the customer; the information from this producer was generally consistent with the data obtained from individual purchasers, from the importers of synthetic methionine from Japan, and from the other U.S. producers. In total, these data covered a 3- to 6-year period with major emphasis in 1972. The Commission--taking into account the fact that each U.S. producer has also lost sales and reduced prices owing to competition with its domestic rival and with French and German importers as well as the Japanese--has been able to verify that LTFV imports from Japan were the most important single cause of price depression.

Reduced profitability of domestic producers

The average annual unit value of sales of the U.S. methionine industry fell by more than 13 cents per pound from 1971 to 1972. ^{1/} While the decline did not lower the profits of the U.S. industry disastrously, it caused a substantial reduction from the profit level of previous years, and it resulted largely from the sales at LTFV described in the preceding paragraph.

^{1/} Methionine hydroxy analog prices have been converted to D,L-methionine basis.

Conclusion

On the basis of the foregoing, we have determined that an industry in the United States is being injured by reason of imports of synthetic methionine from Japan sold, or likely to be sold, at less than fair value.

