Solid Urea from Russia and Ukraine

Investigation Nos. 731-TA-340-E and 340-H (Third Review)

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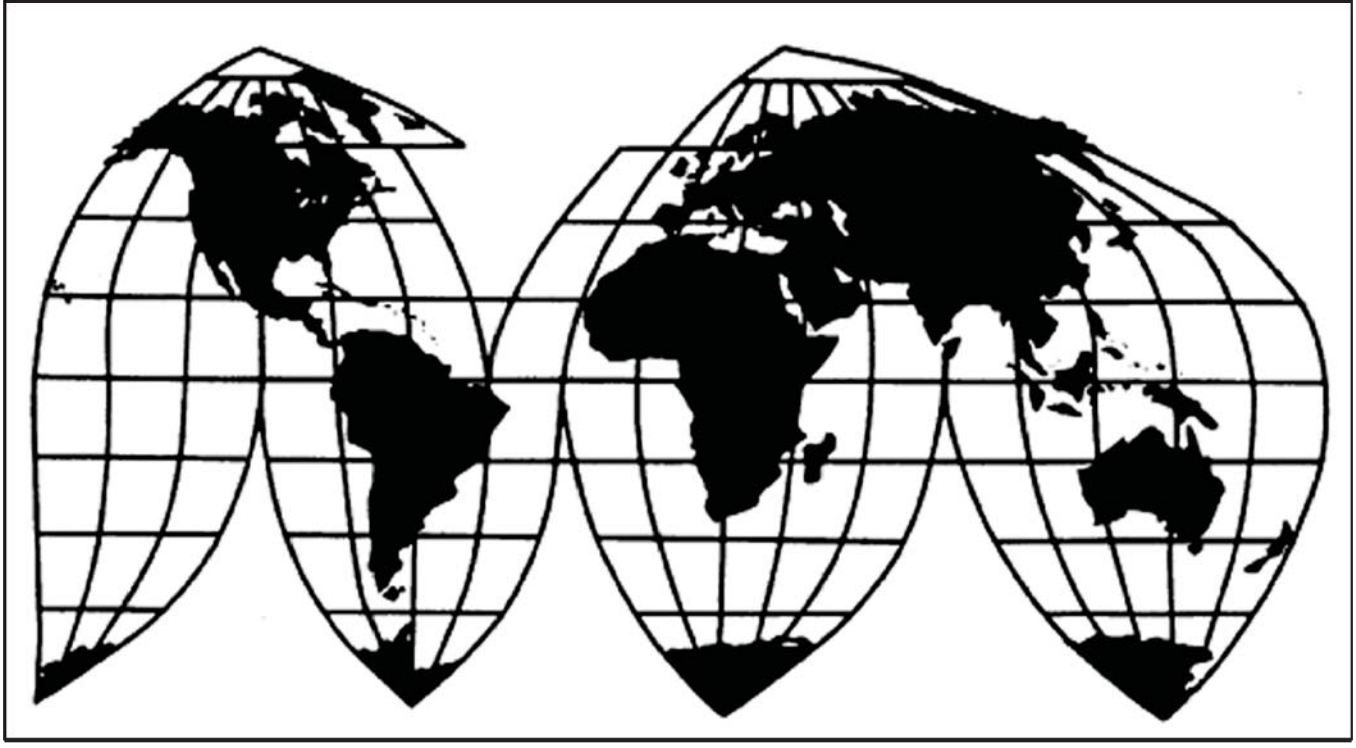
U.S. International Trade Commission



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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 731 TA 340-E and 340-H (Third Review)

SOLID UREA FROM RUSSIA AND UKRAINE

DETERMINATION

On the basis of the record[1] developed in the subject five-year reviews, the United States International Trade Commission (Commission) determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)), that revocation of the antidumping duty orders on solid urea from Russia and Ukraine would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[2]

BACKGROUND

The Commission instituted these reviews on December 1, 2010 (75 F.R. 74746) and determined on March 7, 2011 that it would conduct full reviews (76 F.R. 15339, March 21, 2011). Notice of the scheduling of the Commission's reviews and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on April 28, 2011 (76 F.R. 23835). The hearing was held in Washington, DC, on October 4, 2011, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

[2] Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson dissenting.

VIEWS OF THE COMMISSION

Based on the record in these five-year reviews, we determine under section 751(c) of the Tariff Act of 1930, as amended ("the Act"), that revocation of the antidumping duty orders on solid urea ("urea") from Russia and Ukraine would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[1]

I. BACKGROUND

In July 1987, the Commission determined that an industry in the United States was being materially injured by reason of imports of urea from the German Democratic Republic ("GDR"), Romania, and the Union of Soviet Socialist Republics ("USSR") that were being sold at less than fair value.[2] On July 14, 1987, Commerce issued antidumping duty orders on imports of urea from the GDR, Romania, and the USSR.[3] On June 29, 1992, following the division of the USSR in December 1991 into 15 independent states, Commerce divided the original antidumping duty order on urea from the USSR into 15 orders applicable to each independent state.[4] On April 3, 1998, Commerce revoked the antidumping duty order on urea from the former GDR, based on the fact that the Ad Hoc Committee of Domestic Nitrogen Producers ("Ad Hoc Committee"), the petitioners in the original investigation, had expressed no further interest in the order.[5]

During Commerce's first five-year reviews of the orders on urea, Commerce received no notice of intent to participate by domestic interested parties in the reviews of urea from Azerbaijan, Georgia, Kazakhstan, Krygyzstan, Latvia, and Moldova. Consequently, Commerce revoked the orders with respect to urea from those countries,[6] and the Commission terminated its five-year reviews with respect to those orders.[7] With respect to the remaining orders, the Commission conducted expedited reviews and determined that revocation of the orders covering urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[8] The Commission also determined, however, that revocation of the antidumping duty order covering urea

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[1] Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson dissent from this determination. They join in sections I (Background), II (Domestic Like Product and Industry), III (Cumulation), IV.A (Legal Standards), and IV.B (Conditions of Competition). See Separate and Dissenting Views of Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson.

[2] Urea From the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics, Inv. Nos. 731-TA-338-340 (Final), USITC Pub. 1992 (July 1987) ("Original Determination").

[3] 52 Fed. Reg. 26367 (July 14, 1987).

[4] 57 Fed. Reg. 28828 (June 29, 1992).

[5] 63 Fed. Reg. 16471 (April 3, 1998).

[6] 64 Fed. Reg. 24137 (May 5, 1999); 64 Fed. Reg. 28974 (May 28, 1999).

[7] 64 Fed. Reg. 30358 (June 7, 1999).

[8] See Solid Urea from Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan, Inv. Nos. 731-TA-339 and 340-TA-I (Review) USITC Pub. 3248 (Oct. 1999) ("First Five-Year Review"), Commission Statement on Adequacy in Appendix B.

from Armenia would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[9]

On October 1, 2004, the Commission instituted second five-year reviews of the antidumping duty orders on urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.[10] The domestic interested parties chose to participate only in Commerce's review of the orders concerning Russia and Ukraine, and therefore Commerce revoked the remaining orders, effective November 17, 2004.[11] Following affirmative determinations in these reviews by Commerce and the Commission,[12] Commerce issued a continuation of the antidumping duty orders on urea from Russia and Ukraine on January 5, 2006.[13]

On December 1, 2010, the Commission instituted these third five-year reviews.[14] In response to the notice of institution, the Commission received an adequate joint response with company specific data from the Ad Hoc Committee and its members: CF Industries, Inc., and PCS Nitrogen Fertilizer, L.P.[15] Because the Commission received an adequate domestic interested party response accounting for the majority of domestic urea production, the Commission determined that the domestic interested party group response was adequate.[16] The Commission did not receive any responses from respondent interested parties and, therefore, determined that the respondent interested party group responses were inadequate for both reviews. The Commission found, however, that circumstances warranted conducting full reviews because of reported changes in the conditions of competition since the Commission's last five-year reviews of these orders. The Commission therefore voted to conduct full reviews.[17]

In these five-year reviews, the Commission received questionnaire responses from five domestic producers of urea, believed to account for approximately *** percent of domestic production of urea in 2010.[18] Importer questionnaire responses were received from 11 U.S. importers believed to account for

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[9] First Five-Year Reviews at 9. The Commission declined to cumulate subject imports from Armenia because it found that they were likely to have no discernible adverse impact due to the destruction of the Armenian urea industry in an earthquake in 1998. Consequently, the Commission made a negative determination regarding imports from Armenia. Id.

[10] 69 Fed. Reg. 58957.

[11] 69 Fed. Reg. 77993 (December 29, 2004). As a result, the Commission terminated its reviews corresponding to the revoked orders. 70 Fed. Reg. 2657 (January 14, 2005).

[12] See Solid Urea from Russia and Ukraine, Inv. Nos. 731-TA-340 E& H (Second Review) USITC Pub. 3821 (December 2005) ("Second Five-Year Reviews"). Vice Chairman Deanna Tanner Okun and Commissioners Jennifer A. Hillman and Shara L. Aranoff dissented from this determination. Id. at n.1.

[13] There was litigation concerning the final determination in the second five-year reviews. See Nevinnomysskiy Azot v. United States, Court No. 06-00013, Slip Op. 07-130 (Ct. Int'l Trade 2007). On remand, the Commission again determined that revocation of the antidumping duty orders on urea from Russia and Ukraine would be likely to lead to continuation or recurrence of material injury in the United States within a reasonably foreseeable time. See Solid Urea from Russia and Ukraine, Inv. Nos. 731-TA-730-E and H (Second Review) (Remand), USITC Pub. 4059 (November 2007) ("Second Review Remand"). On June 9, 2008, the Commission's redetermination on remand was affirmed. See Nevinnomysskiy Azot v. United States, 565 F. Supp. 2d 1357 (Ct. Int'l Trade 2008).

[14] 75 Fed. Reg. 74746.

[15] See Commission Statement on Adequacy (March 2011) in Appendix A of the Confidential Staff Report ("CR"), issued as memorandum INV-JJ-111 (October 31, 2011) and revised by memoranda INV-JJ-113 and 115 (November 4 and 7, 2011). The public report ("PR") is designated USITC Publication 4279, December 2011.

[16] See Commission Statement on Adequacy (March 2011); CR/PR at Appendix A.

[17] See Commission Statement on Adequacy (March 2011); CR/PR at Appendix A.

[18] CR at I-21 to I-22, PR at I-18. One U.S. producer of urea, Dyno Nobel, did not provide a response in these reviews. Dyno Nobel represents less than *** percent of total U.S. production capacity and production of urea, based on 2004 capacity (***), the last year for which data were collected in the second reviews, and had an average

80 percent of nonsubject imports for the period examined.[19] None of these firms reported importing subject merchandise between January 2005 and June 2011.[20] The Commission received no questionnaire responses from producers or exporters in Russia.[21] The Commission received one foreign producer questionnaire response from a Ukranian producer accounting for an estimated *** percent of urea production capacity in Ukraine in 2010.[22] When appropriate in these reviews, we have relied on the facts otherwise available, which consist of information from the original investigations and prior five-year reviews, as well as information submitted in these reviews, including information provided by the parties in their briefs, hearing testimony, questionnaire responses, and information available from published sources.[23] [24]

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. Domestic Like Product

In making its determinations under section 751(c) of the Act, the Commission defines the "domestic like product" and the "industry."[25] The 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."[26] The Commission's practice in five-year reviews is to examine the

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capacity utilization of *** percent during 1999-2004. CR at I-22 n.64, PR at I-18 n.64.

[19] CR at I-23, PR at I-21 to I-22.

[20] CR at I-24, PR at I-20; see also CR at IV-1 n.12, PR at IV-1 n.2 (***).

[21] CR at IV-13, PR at IV-10 to IV-11.

[22] CR at IV-23, PR at IV-18 and CR/PR at Table IV-9.

[23] 19 U.S.C. § 1677e(a) authorizes the Commission to "use the facts otherwise available" in reaching a determination when (1) necessary information is not available on the record or (2) an interested party or other person withholds information requested by the agency, fails to provide such information in the time, form, or manner requested, significantly impedes a proceeding, or provides information that cannot be verified pursuant to section 782(i) of the Act. 19 U.S.C. § 1677e(a). The verification requirements in section 782(i) are applicable only to Commerce. 19 U.S.C. § 1677m(i). See Titanium Metals Corp. v. United States, 155 F. Supp. 2d 750, 765 (Ct. Int'l Trade 2001) ("[T]he ITC correctly responds that Congress has not required the Commission to conduct verification procedures for the evidence before it, or provided a minimum standard by which to measure the thoroughness of a Commission investigation.").

[24] Chairman Okun notes that the statute authorizes the Commission to take adverse inferences in five-year reviews, but such authorization does not relieve the Commission of its obligation to consider the record evidence as a whole in making its determination. See 19 U.S.C. § 1677e. She generally gives credence to the facts supplied by the participating parties and certified by them as true, but bases her decision on the evidence as a whole, and does not automatically accept participating parties' suggested interpretations of the record evidence. Regardless of the level of participation, the Commission is obligated to consider all evidence relating to each of the statutory factors and may not draw adverse inferences that render such analysis superfluous. "In general, the Commission makes determinations by weighing all of the available evidence regarding a multiplicity of factors relating to the domestic industry as a whole and by drawing reasonable inferences from the evidence it finds most persuasive." SAA at 869.

[25] 19 U.S.C. § 1677(4)(A).

[26] 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, 96th Cong., 1st Sess. 90-91 (1979).

like product definition from the original determination and any completed reviews and consider whether the record indicates any reason to revisit the prior findings.[27]

In the original investigation and both prior reviews, the Commission defined the domestic like product as urea whether in granular or prilled form, which was consistent with the scope of subject merchandise as defined by Commerce.[28]

In its final determinations concerning these third five-year reviews, Commerce defined the subject merchandise as it had in its original investigation and the prior five-year reviews:

> The merchandise covered by this order is solid urea, a high- nitrogen content fertilizer which is produced by reacting ammonia with carbon dioxide. The product is currently classified under the Harmonized Tariff Schedules of the United States Annotated ("HTS") item 3102.10.00.00.[29]

There is no new information suggesting that we should revisit the definition of the domestic like product used in the original investigations and prior five-year reviews, and the Ad Hoc Committee supports maintaining this definition.[30] Therefore, for the reasons stated in the original determinations and the prior five-year reviews, we continue to define the domestic like product as all forms of urea, coextensive with Commerce's scope.

B. Domestic Industry and Related Parties

Section 771(4)(A) of the 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."[31] 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 Act 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 themselves importers.[32]

During the original investigations and prior five-year reviews, the Commission defined the domestic industry as all producers of the domestic like product.[33] In these third reviews, there is no new information that would warrant reconsideration of the domestic industry definition, and the Ad Hoc Committee agrees with this definition. Accordingly, we define the domestic industry as all known U.S. producers of the domestic like product.[34]

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[27] 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 (Jul. 2003); Steel Concrete Reinforcing Bar From Turkey, Inv. No. 731-TA-745 (Review), USITC Pub. 3577 at 4 (Feb. 2003).

[28] Original Determination at 3-4; First Five-Year Reviews at 6; Second Five-Year Reviews at 6-7.

[29] Solid Urea from the Russian Federation and Ukraine: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders, 76 Fed. Reg. 19747 (April 8, 2011).

[30] Ad Hoc Committee Response to Notice of Institution (January 3, 2011) at 33.

[31] 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.

[32] 19 U.S.C. § 1677(4)(B).

[33] See Second Five-Year Reviews at 7 and n.38.; First Five-Year Reviews at 6; and Original Determination at 4.

[34] There are no related party issues presented in these reviews.

III. CUMULATION

A. Legal Standard

> With respect to five-year reviews, section 752(a) of the Tariff Act provides as follows: the Commission may cumulatively assess the volume and effect of imports of the subject merchandise from all countries with respect to which reviews under section 1675(b) or (c) of this title were initiated on the same day, if such imports would be likely to compete with each other and with domestic like products in the United States market. The Commission shall not cumulatively assess the volume and effects of imports of the subject merchandise in a case in which it determines that such imports are likely to have no discernible adverse impact on the domestic industry.[35]

Cumulation therefore is discretionary in five-year reviews, unlike original investigations, which are governed by section 771(7)(G)(i) of the Act.[36] The Commission may exercise its discretion to cumulate, however, only if the reviews are initiated the same day, the Commission determines that subject imports are likely to compete with each other and the domestic like product in the U.S. market, and imports from each such subject country are not likely to have no discernible adverse impact on the domestic industry in the event of revocation. Our focus in five-year reviews is not only on present conditions of competition, but also on likely conditions of competition in the reasonably foreseeable future.

The threshold criterion for cumulation in these five-year reviews is satisfied because the reviews were both initiated on the same day, December 1, 2010.[37] We consider three issues in deciding whether to exercise our discretion to cumulate subject imports: (1) whether imports from any of the subject countries are precluded from cumulation because they are likely to have no discernable adverse impact on the domestic industry; (2) whether there is a likelihood of a reasonable overlap of competition among imports from the subject countries and the domestic like product; and (3) whether there are similarities and differences in the conditions of competition under which subject imports are likely to compete in the U.S. market.[38] [39]

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[35] 19 U.S.C. § 1675a(a)(7).

[36] 19 U.S.C. § 1677(7)(G)(i); see also, e.g., Allegheny Ludlum Corp. v. United States, 475 F. Supp. 2d 1370, 1378 (Ct. Int'l Trade 2006) (recognizing the wide latitude the Commission has in selecting the types of factors it considers relevant in deciding whether to exercise discretion to cumulate subject imports in five-year reviews); Nucor v. United States, 569 F. Supp. 2d 1328, 1337-38 (Ct. Int'l Trade 2008); U.S. Steel Corp. v. United States, 572 F. Supp.2d 1334 (Ct. Int'l Trade 2008).

[37] 75 Fed. Reg. 74685; CR/PR at Appendix A.

[38] Chairman Okun and Commissioner Pearson note that, while they consider the same issues discussed in this section in determining whether to exercise their discretion to cumulate the subject imports, their analytical framework begins with whether imports from the subject countries are likely to face similar conditions of competition. For those subject imports that are likely to compete under similar conditions of competition, they next proceed to consider whether there is a likelihood of a reasonable overlap of competition whereby those imports are likely to compete with each other and with the domestic like product. Finally, if based on that analysis they intend to exercise their discretion to cumulate one or more subject countries, they analyze whether they are precluded from cumulating such imports because the imports from one or more subject countries, assessed individually, are likely to have no discernible adverse impact on the domestic industry. See Steel Concrete Reinforcing Bar From Belarus, China, Indonesia, Korea, Latvia, Moldova, Poland, and Ukraine, Invs. Nos. 731-TA-873 to 875, 877 to 880, and 882 (Review), USITC Pub. 3933 (Jul. 2007) (Separate and Dissenting Views of Chairman Daniel R. Pearson and Commissioner Deanna Tanner Okun Regarding Cumulation). Accord Nucor Corp. v. United States, 605 F. Supp.2d 1361, 1372 (Ct. Int'l Trade 2009); Nucor Corp. v. United States, 594 F. Supp.2d 1320, 1345-47 (Ct. Int'l Trade

B. Likelihood of No Discernible Adverse Impact

In these reviews, there is no new evidence on the record that would warrant departure from the Commission's findings in the prior five-year reviews that revocation of the antidumping duty orders on urea from Russia and Ukraine would not be likely to have no discernible adverse impact on the domestic industry.[40] [41] Indeed, the record evidence in these reviews further supports a finding that revocation would not likely have no discernible adverse impact. Although subject imports were absent from the U.S. market during the first and second five-year reviews, subject imports from producers in Russia and possibly Ukraine have, despite the antidumping duty orders, reestablished a presence in the U.S. market during the period examined in these third five-year reviews.[42] The information available indicates that subject foreign producers in both Russia and Ukraine possess significant production capacity and excess capacity,[43] and the record here supports a finding that the subject foreign producers in both countries are

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2008), aff'd, Slip Op. 2009-1234 (Fed Cir. Apr. 7, 2010).

[39] Commissioners Lane and Pinkert explain their analysis of other considerations as follows. Where, in a five-year review, they do not find that the imports of the subject merchandise would be likely to have no discernible adverse impact on the domestic industry in the event of revocation and find that such imports would be likely to compete with each other and with the domestic like product in the U.S. market, they cumulate them unless there is a condition or propensity – not merely a trend – that is likely to persist for a reasonably foreseeable time and that significantly limits competition such that cumulation is not warranted. They note, as discussed in the text, the limited record information about the industries in the subject countries, and they thus find that there is no condition or propensity warranting non-cumulation with respect to either of the subject countries. Consequently, they have cumulated imports from the subject countries in these reviews.

[40] See First Five-Year Reviews at 9-10.

[41] See Second Five-Year Reviews at 9. In the second five-year reviews, the Commission noted that there had been no subject imports from the subject countries since the imposition of the antidumping duty order in 1987, but found that the Russian and Ukranian producers were highly export-oriented, exporting the majority of their production during the period of review. Pricing data were unavailable due to the absence of subject imports from the U.S. market. The Commission also took into account other factors, including the vulnerability of the domestic industry, the substitutability of urea from different sources, and the attractiveness of the U.S. market. Consequently, given the large size and export orientation of the Russian and Ukrainian producers, the Commission did not find that subject imports from either Russia or Ukraine would likely have no discernable adverse impact on the domestic industry if the orders were revoked. Id.

[42] CR at IV-1 n.2, PR at IV-1 n.2, and CR/PR at Tables IV-4, IV-8, and C-1. According to official import statistics, imports of urea from Ukraine entered the United States in two calendar years between January 2005 and June 2011, specifically in four months in 2006 and 2007. CR/PR at Tables IV-1 and IV-6. The entries were less than 500 short tons in both years. CR/PR at Table IV-1. No U.S. purchasers have reported purchasing urea from Ukraine since 2005. CR at I-26, PR at I-22. The Ad Hoc Committee stated that it does not believe it likely that the reported Ukrainian subject imports were actually from Ukraine. See CR at I-24 n.70, PR at I-20 n.70; CR at IV-12 n.11, PR at IV-9 n.11; and Ad Hoc Committee Response to Notice of Institution at 5.

[43] The information available indicates that there are 12 Russian producers of urea that have an annual production capacity estimated between *** and *** short tons in 2010, and an annual production capacity projected to be between *** and *** short tons by 2012. CR/PR at Table IV-7. The information available also indicates that there are 6 Ukranian producers of urea with an annual production capacity estimated between *** and *** short tons in 2010, and an annual production capacity projected to be between *** and *** short tons by 2012 . CR/PR at Table IV-9. Russian and Ukranian capacity utilization rates have decreased since 2004. Second Five-Year Reviews at Table IV-4 (Russian capacity utilization rate of almost 93 percent) and at Table IV-9 (Ukranian capacity utilization rate just under *** percent). The combined subject country capacity utilization rate is estimated to be just under *** percent in 2010. Ad Hoc Committee Prehearing Brief at 30 and Exhibit 1.

highly export oriented.[44] Based on the information available in these reviews, we do not find that subject imports from Russian and Ukraine are likely to have no discernible adverse impact on the domestic industry if the orders are revoked.

C. Likelihood of A Reasonable Overlap of Competition

The Commission generally has considered four factors intended to provide a framework for determining whether subject imports compete with each other and with the domestic like product.[45] Only a "reasonable overlap" of competition is required.[46] In five-year reviews, the relevant inquiry is whether there likely would be competition even if none currently exists because the subject imports are absent from the U.S. market.[47] Based on these four factors, the Commission found a reasonable overlap of competition between and among subject imports from Russia and Ukraine and the domestic like product in the prior five-year reviews.[48]

1. Original Investigation and Prior Five-Year Reviews

In the original investigations, the Commission found that the subject imports and domestic urea were substantially fungible and were sold to the same customers. It also found that imports from the subject countries were marketed within a reasonably coincident period, indicating that domestic urea and subject imports were simultaneously present in the market.[49]

In the first five-year reviews, the Commission found that domestically produced and imported urea were substitutable products. It stated that both prilled urea, whether domestically produced or imported, and granular urea were suitable for use alone as a single-nutrient fertilizer or for blending with other solid fertilizers for field applications. Accordingly, it found a likely reasonable level of fungibility between domestically produced urea and subject imports if the orders were revoked.[50] The Commission also found that the subject imports and domestic merchandise would likely be sold in the same or similar

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[44] CR at II-7, PR at II-5 to II-6, and CR/PR at Tables IV-9, IV-10, and IV-19; see also First Five-Year Reviews at 12 and Second Five-Year Reviews at 9, 10.

[45] The four factors generally considered by the Commission in assessing whether there is a reasonable overlap in competition of imports with each other and with the domestic like product are as follows: (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions; (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product; (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and (4) whether the imports are simultaneously present in the market. See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[46] See Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (Ct. Int'l Trade 1996); Wieland Werke, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); United States Steel Group v. United States, 873 F. Supp. 673, 685 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996). We note, however, that there have been investigations where the Commission has found an insufficient overlap in competition and has declined to cumulate subject imports. See, e.g., Live Cattle From Canada and Mexico, Invs. Nos. 701-TA-386 and 731-TA-812 to 813 (Prelim.), USITC Pub. 3155 at 15 (Feb. 1999), aff'd sub nom, Ranchers-Cattlemen Action Legal Foundation v. United States, 74 F. Supp. 2d 1353 (Ct. Int'l Trade 1999); Static Random Access Memory Semiconductors from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-761 to 762 (Final), USITC Pub. 3098 at 13-15 (Apr. 1998).

[47] See generally Chefline Corp. v. United States, 219 F. Supp. 2d 1313, 1314 (Ct. Int'l Trade 2002).

[48] See First Five-Year Reviews at 7-8 and Second Five-Year Reviews at 12.

[49] Original Determination at 8.

[50] First Five-Year Reviews at 11.

channels of distribution, as international trading companies offered urea for sale from multiple countries, including the subject countries. The Commission could not evaluate the other traditional competition factors given the subject imports' absence from the U.S. market.[51]

In the second five-year reviews, the Commission found that three quarters of domestic urea production was granular urea, while all of the subject product produced in Russian and Ukraine was in prilled form. The Commission concluded that the subject imports were likely to be fungible with at least the non-specialized prilled portion of the U.S. market[52] because one-quarter of the domestic production was in prilled form as were virtually all subject imports. The Commission noted that, although granular urea was preferred for use as fertilizer in the United States, substitution with prilled urea could and did occur.[53] Thus, the Commission concluded that subject imports and the domestic like product were likely to be sufficiently fungible for there to be a reasonable overlap of competition. The Commission also found that domestic urea and nonsubject imports were generally sold to distributors, who then sold to end users, and that international trading companies offered urea from multiple countries, including the subject countries, for sale.[54] The Commission found it likely that, if the orders were revoked, these trading companies would offer the subject imports for sale to U.S. importers. The Commission therefore concluded that there was likely to be a reasonable overlap of competition if the orders were revoked.[55]

2. The Current Reviews

Our findings from the prior five-year reviews concerning the likelihood of a reasonable overlap of competition remain valid. As in the prior five-year reviews, the record in these third five-year reviews continues to show that urea from each of the subject countries as well as from the United States is at least moderately substitutable. We note in this regard that granular and prilled urea can be used interchangeably as direct application fertilizer, which accounts for 70 to 80 percent of U.S. fertilizer application.[56] Moreover, unlike in the prior five-year reviews where subject producers manufactured urea only in prilled form, the record indicates that urea producers in both Russia and Ukraine have added granular capacity during the period of review.[57]

Questionnaire responses in these reviews further support a determination that subject imports and the domestic like product are fungible and likely to compete if the orders are revoked. A majority of producers, importers, and purchasers reported that urea from both subject countries and the domestic like product are always or frequently interchangeable.[58] When asked whether differences other than price are important in choosing between urea produced in the United States and in either of the subject countries, the majority of responding producers, importers, and purchasers responded "sometimes" or "never."[59] A majority of responding purchasers reported that urea from the domestic industry and from each subject

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[51] First Five-Year Reviews at 11.

[52] This did not include the pharmaceutical and animal feed markets that used specialized forms of prilled urea, which subject producers did not make. See Second Five-Year Reviews at 11 n.72.

[53] Second Five-Year Reviews at 11.

[54] Given that there were no subject imports since the orders were imposed in 1987, the Commission noted that it was more difficult to evaluate the factors of likely geographic overlap, simultaneous presence, and channels of distribution. See Second Five-Year Reviews at 12.

[55] Second Five-Year Reviews at 12.

[56] CR at II-10 n.28 and II-20, PR at II-7 n.28 and II-15.

[57] CR at II-7 and II-8, PR at II-5; see also Ad Hoc Committee Prehearing Brief at 10-11.

[58] CR/PR at Table II-10.

[59] CR/PR at Table II-11.

country is comparable according to 7 of 15 enumerated factors, such as product consistency and quality standards, and that it always or usually satisfies the minimum quality specifications.[60]

The record of these reviews also shows that subject imports from Russia and Ukraine were sold or offered for sale nationwide and were present in the U.S. market during the period of review.[61] The information on the record likewise indicates that the channels of distribution for the domestic like product and for subject imports from Russia and Ukraine are the same as in the prior five-year reviews where most urea was sold through distributors with the remainder sold directly to end users.[62] Based on the information on the record of these reviews, we find that there would likely be a reasonable overlap of competition between subject imports and the domestic like product, as well as between subject imports from Russia and Ukraine, were the orders to be revoked. For these reasons, and because there is no indication of other significant differences in the likely conditions of competition in the U.S. market that would affect our cumulation analysis, we conclude that it is appropriate to exercise our discretion to cumulate subject imports from Russia and Ukraine in these reviews.

III. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF MATERIAL INJURY IF THE ANTIDUMPING DUTY ORDERS ARE REVOKED

A. Legal Standard

In a five-year review conducted under section 751(c) of the 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."[63] The Statement of Administrative Action[64] states that "under the likelihood standard, the Commission will engage in a counter-factual 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 effects on volumes and prices of imports."[65] Thus, the likelihood standard is prospective in nature.[66] The U.S.

[60] CR/PR at Tables II-9 and II-12. A majority of responding U.S. purchasers, however, reported that domestically produced urea was superior to imported urea from each subject country in availability, delivery terms, delivery time, and reliability of supply. CR/PR at Table II-9.

[61] CR/PR at Tables II-2, and IV-1 and IV-6.

[62] CR/PR at Table II-1; and First Five-Year Reviews at 7 and Second Five-Year Reviews at 12.

[63] 19 U.S.C. § 1675a(a).

[64] Statement of Administrative Action ("SAA") to the Uruguay Round Agreements Act, H.R. Rep. No. 316, 103 Cong., 2d Sess. (1994).

[65] SAA at 883-84. 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.

[66] 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.

Court of International Trade has found that "likely," as used in the five-year review provisions of the Act, means "probable," and the Commission applies that standard in five-year reviews.[67] [68] [69]

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."[70] 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 an original investigation."[71]

Although the standard in a five-year review is not the same as the standard applied in an original antidumping or countervailing duty 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."[72] 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 the orders are revoked or the suspension agreement is terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).[73] 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.[74]

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[67] 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, Slip Op. 02-105 at 20 (Ct. Int'l Trade Sept. 4, 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'").

[68] For a complete statement of Chairman Okun's interpretation of the likely standard, see Additional Views of Vice Chairman Deanna Tanner Okun Concerning the "Likely" Standard in Certain Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Argentina, Brazil, Germany, and Italy, Invs. Nos. 701-TA-362 (Review) and 731-TA-707 to 710 (Review) (Remand), USITC Pub. 3754 (Feb. 2005).

[69] Commissioner Lane notes that, consistent with her views in Pressure Sensitive Plastic Tape From Italy, Inv. No. AA1921-167 (Second Review), USITC Pub. 3698 (June 2004), she does not concur with the U.S. Court of International Trade's interpretation of "likely," but she will apply the Court's standard in these reviews and all subsequent reviews until either Congress clarifies the meaning or the U.S. Court of Appeals for the Federal Circuit addresses this issue.

[70] 19 U.S.C. § 1675a(a)(5).

[71] 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.

[72] 19 U.S.C. § 1675a(a)(1).

[73] 19 U.S.C. § 1675a(a)(1). There have been no duty absorption findings on the subject merchandise.

[74] 19 U.S.C. § 1675a(a)(5). Although the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

No respondent interested parties participated in these full five-year reviews.[75] The record, therefore, contains limited new information with respect to the urea industries in Russia and Ukraine during the period of review. Accordingly, for our determination, we rely as appropriate on the facts available from the original investigations and prior five-year reviews, as well as the new information on the record in these reviews.

B. Conditions of Competition

In evaluating the likely impact of the subject imports on the domestic industry, 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."[76]

1. Original Investigations and Prior Five-Year Reviews

In the original investigation, the Commission described urea as a fungible, widely-traded commodity that is generally sold on the basis of price.[77] In the first five year reviews, the Commission noted that domestic production included a large portion of granular urea, while production in the subject countries was virtually all prilled. It stated that although there were some physical and quality differences between the subject and domestic merchandise, the two forms of urea were chemically identical and both types were suitable for use alone as a single-nutrient fertilizer or for blending with other solid fertilizers for field applications.[78] Thus, it concluded that the domestic and imported product were generally substitutable.[79] The Commission also determined that demand for urea is derived from several factors, including activity in the domestic farm sector, weather and soil conditions, and, to some extent, the price of urea relative to the price of the other major nitrogen fertilizers (anhydrous ammonia, nitrogen solutions, and ammonium nitrate).[80] The Commission found that purchasers in the U.S. market responded relatively quickly to price differences between the domestic and imported product because fertilizer trade publications provided marketing information on a weekly basis to both buyers and sellers.[81] The Commission also found that urea plants were designed exclusively for urea production and that these plants must operate continuously, and at capacity utilization rates of at least 80 percent, to maintain the chemical reaction process by which urea is manufactured.[82]

In the second five-year reviews, the Commission found that a majority of the urea sold in the United States was used for fertilizer, with a major portion of the remainder used for industrial applications. In addition, the majority of domestic production and subject imports was sold to distributors, with the remainder sold directly to end users.[83] The Commission found that urea was

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[75] The Commission received one foreign producer questionnaire response, from Ukrainian producer PJSC Dniproazot, covering the period of January 2008-June 2011. CR at IV-23, PR at IV-18. PJSC Dniproazot reported that its data prior to 2008 were unavailable because the data were destroyed after being kept for three years in accordance with Ukrainian law. CR at IV-23 n.49, PR at IV-18 n.49.

[76] 19 U.S.C. § 1675a(a)(4).

[77] Original Determination at 8-10.

[78] First Five-year Reviews at 15.

[79] First Five-year Reviews at 15-16.

[80] First Five-Year Reviews at 16.

[81] First Five-Year Reviews at 16.

[82] First Five-Year Reviews at 17.

[83] Second Five-Year Reviews at 15.

produced in two forms, granular and prilled, with granular being the preferred form for use as fertilizer.[84] The Commission determined that natural gas constituted over 70 percent of the cost of production of urea and that Russian and Ukrainian producers had access to natural gas supplies at prices significantly below those available to domestic producers. The Commission found that the domestic industry continued to shrink during the period of review and that domestic production accounted for less than one-half of the U.S. market for urea over the period. Thus, the Commission concluded that imports played an important role in serving the U.S. market with nonsubject imports increasing their market share steadily since the orders were imposed.[85] Finally, the Commission found that the world urea market also had an effect on domestic market conditions given that urea was a widely traded commodity, with international trading companies offering urea from multiple countries for sale.[86]

2. The Current Review

In these third five-year reviews, we find the following conditions of competition relevant to our analysis.

In the United States, the largest end-use market for urea is fertilizer, which accounts for more than 80 percent of U.S. consumption of urea; other applications include adhesives, animal feed, lawn and garden, and pharmaceuticals.[87] Two new end uses for urea were reported during these reviews, specifically the use in diesel exhaust fluid and for nitrogen oxides abatement in coal power plants.[88] The majority of both domestic production and imports was sold to distributors, with the remainder sold directly to end users.[89] Apparent U.S. consumption fluctuated over the period of review, peaking in 2007 and remaining 12.2 percent higher in 2010 than in 2005.[90] Demand in North America is projected to increase each year from 2011 to 2015, with a slightly higher growth rate (12.6 percent) projected for fertilizer uses compared to non-fertilizer uses (10.8 percent).[91]

Urea is produced in prilled and granular forms which differ in shape and size, but consist of the same chemical compound.[92] Granular is the preferred form for use in blends with other fertilizers, due to its uniformity of size and strength, although prilled urea is used as fertilizer in the United States and Latin America. Prices for both forms are *** and price differences between the two forms are related to their end uses.[93] The domestic industry has continued to increase the portion of its production that is in granular form during the period of review.[94] Similarly, producers in the subject countries have added

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[84] Second Five-Year Reviews at 16.

[85] Second Five-Year Reviews at 17-18.

[86] Second Five-Year Reviews at 18.

[87] CR at II-10, PR at II-7. Urea accounts for 28 to 30 percent of total U.S. nitrogen use in fertilizers, with about 70 to 75 percent of urea applied directly and the remainder used in fertilizer blends. Id. at n.28.

[88] CR at II-11, PR at II-7.

[89] CR at II-3, PR at II-2. In 2010, 88.4 percent of U.S. producers' sales and 96.4 percent of importers' sales were to distributors. CR/PR at Table II-1.

[90] CR/PR at Table C-1. Apparent U.S. consumption was 8.6 million short tons in 2005, 8.2 million short tons in 2006, 9.9 million short tons in 2007, 8.6 million short tons in 2008, 7.9 million short tons in 2009, and 9.7 million short tons in 2010. Apparent U.S. consumption was 5.3 million short tons in January-June 2010 and 4.9 million short tons in January-June 2011. Id.

[91] CR at II-11, PR at II-8 and CR/PR at Table II-4.

[92] CR at I-16, PR at I-14 to I-15.

[93] CR at V-5 to V-6, PR at V-4 (citing U.S. producers PCS and Agrium).

[94] CR/PR at Table III-3.

granular capacity since the second five-year review and no longer produce only the prilled form.[95] There are several substitutes for urea, particularly for agricultural uses, including ammonia, anhydrous ammonia, and ammonium nitrate, but substitutability is limited.[96]

Natural gas, the feedstock for production of ammonia, which in turn is used to produce urea, constitutes a substantial portion of the raw material costs for producing urea.[97] Domestic producers' raw materials cost decreased as a share of cost of goods sold from approximately 80 percent during 2005-08 to less than 65 percent in 2009-2010, and then to *** percent by June 2011.[98] The decrease in raw materials as a share of the cost of goods sold is due mainly to lower natural gas prices, which are not expected to increase significantly in the reasonably foreseeable future.[99]

The domestic urea industry has continued to shrink. It consisted of 24 producers during the original investigations, 12 producers during the first five-year reviews, 7 producers in the second five-year reviews, and 6 producers (with 7 plants)[100] in these reviews. Domestic producer Agrium U.S. closed one of its urea facilities in Kenai, Alaska, in late 2007.[101] The domestic industry's consolidation during the period resulted in a decline in production capacity, with domestic urea production capacity *** percent lower in 2010 than at the end of the second five-year review (2004).[102] While producers modulate production based on relative natural gas prices, consistent with the high fixed costs of urea production, urea producers generally seek to operate at high capacity utilization rates.[103]

Domestic production accounted for less than one-third of the U.S. market for urea over the period of review.[104] Consequently, imports play an important role in serving the U.S. market and nonsubject imports accounted for a substantial portion of apparent U.S. consumption.[105] Major nonsubject sources of urea in the U.S. market during the period were Canada, China, and countries in the Middle East with readily available supplies of natural gas, such as Egypt, Saudi Arabia, Oman, Kuwait, Qatar, and Bahrain.[106] International trading companies offer for sale urea from multiple countries, including the subject countries.[107]

Most firms reported that the urea market was generally subject to business cycles.[108] Domestic producers reported long term cycles of 5-8 years, with periods of oversupply and low prices until adequate growth in demand restarts the cycle.[109]

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[95] CR at II-7 and II-8, PR at II-5.

[96] CR at II-13, PR at II-9.

[97] CR/PR at V-1. Natural gas accounts for about 50 percent of the production cost of urea, although this can vary depending on the price of natural gas. Hearing Transcript at 19 (Bohn).

[98] CR/PR at V-1 and Table C-1.

[99] CR/PR at V-1.

[100] CR/PR at Table I-3 n.1.

[101] CR/PR at Table I-3 n.1.

[102] Ad Hoc Committee Prehearing Brief at 13-14. ***. CR at III-4, PR at III-3.

[103] CR at III-28 n.44, PR at III-14 n.44.

[104] CR/PR at Tables I-6 and C-1.

[105] Nonsubject imports' share of apparent U.S. consumption, by quantity, was 72.1 percent in 2005, 66.8 percent in 2006, 72.6 percent in 2007, 69.6 percent in 2008, 65.6 percent in 2009, and 71.7 percent in 2010. Nonsubject imports' share of apparent U.S. consumption, by quantity, was 71.4 percent in January-June 2010 and 69.4 percent in January-June 2011. CR/PR at Tables I-6 and C-1.

[106] CR at IV-31, PR at IV-20 to IV-21; and CR/PR at Table IV-2.

[107] CR at I-23 to I-24, PR at I-20 to I-21; Ad Hoc Committee Prehearing Brief at 26 and Exhibit 17.

[108] CR at II-2, PR at II-1 (all U.S. producers, 8 of 10 importers and 9 of 11 purchasers).

[109] CR/PR at II-2.

Based on the record of these reviews, we find that the conditions of competition in the urea market are not likely to change significantly in the reasonably foreseeable future. Accordingly, we find that the current conditions of competition provide a reasonable basis on which to assess the likely effects of revocation of the orders in the reasonably foreseeable future.[110]

C. Likely Volume

In evaluating the likely volume of imports of subject merchandise if the antidumping duty order is revoked, 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.[111] 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.[112]

1. The Original Investigations and the Prior Reviews

During the original investigation, the Commission found that subject imports[113] increased sharply, particularly from 1985 to 1986. U.S. market penetration by the cumulated subject imports increased to 17.8 percent in 1986, from 12.4 percent in 1984.[114]

In the first five-year reviews, several factors supported the Commission's conclusion that subject import volume was likely to be significant. Capacity utilization in the subject countries was low, and the subject industries were export-oriented and responsible for a substantial portion of world trade in urea.[115] China, which was the largest urea-consuming market in the world and by far the largest market for urea imports, had just halted its urea imports in 1997, leaving the United States as one of the largest remaining urea export markets.[116]

In the second five-year reviews, the Commission found that the Russian and Ukrainian industries had significant capacity and increased that capacity over the period of review, while their combined capacity utilization had not been consistently high over the period. The Commission also found that the urea industries in Russia and Ukraine were both highly export-oriented, noting that the combined industries were the world's largest exporters.[117] The Commission found that subject importers were able to shift their exports to different countries as market opportunities changed, apparently facilitated by international trading companies that deal in urea from multiple countries. The Commission found that the

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[110] Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson do not join the remainder of the opinion. See Separate and Dissenting Views of Chairman Deanna Tanner Okun and Vice Chairman Daniel R. Pearson.

[111] 19 U.S.C. § 1675a(a)(2).

[112] 19 U.S.C. § 1675a(a)(2)(A-D).

[113] Subject imports at the time of the original investigation also comprised imports from the former GDR, the former USSR as a whole, and Romania.

[114] Original Determination at 9.

[115] First Five-Year Reviews at 18.

[116] First Five Year Reviews at 18-19.

[117] Second Five-Year Reviews at 19.

United States would be an attractive market for subject importers, due to its relatively high prices and the size of the U.S. market (as the largest importer of urea in the world during the period of review). Finally, the Commission determined that exporters in the subject countries would need to turn to other markets to sell their exports given that forecasts estimated that global urea capacity was likely to outpace global consumption in the near term; the Commission found that the United States would be a natural alternative market.[118] As a result, the Commission concluded that the likely volume of cumulated subject imports, both in absolute terms and relative to production and consumption in the United States, would likely be significant if the orders were revoked.[119]

2. The Current Reviews

We find that, upon revocation of the antidumping duty orders, cumulated subject import volume from Russian and Ukraine would increase significantly. The urea industries in Russia and Ukraine are large, have significant excess capacity, are forecast to increase their capacity in the reasonably foreseeable future, and are highly export-oriented. The U.S. market is and will be an attractive market for subject producers, particularly given that global capacity is forecast to outpace global demand.[120]

The urea industries in Russia and Ukraine are large. As noted earlier, the information available indicates that there are 12 Russian producers of urea with an estimated production of *** short tons in 2009.[121] These producers have estimated annual production capacity between *** and *** short tons in 2010 and an annual production capacity projected to be between *** and *** short tons by 2012.[122] The information available also indicates that there are 5 Ukranian producers of urea with production estimated at *** short tons in 2009.[123] These producers had an estimated annual production capacity between *** and *** short tons in 2010, with limited additional capacity projected by 2012.[124] The record shows that the combined Russian and Ukranian industries had *** the production capacity of the U.S. industry in 2010.[125]

As explained previously, this production capacity now includes capacity to produce both granular and prilled urea.[126] The urea industries in Russia and Ukraine have significant excess capacity which is forecast to increase in the reasonably foreseeable future. Fertecon data reflect a combined excess

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[118] Second Five-Year Reviews at 20-21.

[119] Second Five-Year Reviews at 21.

[120] CR at IV-26, IV-32, and Tables IV-12 and IV-15, PR at IV19, IV-21, and Tables IV-12 and IV-15.

[121] *** estimates production of urea in Russia to be *** short tons in 2009, up from *** short tons in 2005. CR at IV-13, PR at IV-11.

[122] CR/PR at Table IV-7.

[123] CR at IV-19, PR at IV-15.

[124] CR/PR at Table IV-9.

[125] CR/PR at Tables IV-7, IV-9, and III-3.

[126] In the second five-year reviews concerning these orders, Commission Aranoff did not find that subject import volumes were likely to increase significantly if the orders were revoked, due in large part to the attenuated competition between subject imports of prilled urea and the domestic production and consumption that was predominantly granular urea. Given that both Russian and Ukrainian industries now have ample granular capacity and can compete with domestic producers across the full range of urea products, Commissioner Aranoff finds that a large portion of the domestic market is no longer insulated from competition with the subject imports. In addition, she notes that the anticipated increases in production capacity, and particularly excess capacity, in the subject countries are significantly larger than in the last five-year reviews, which suggests a greater ability to increase exports to the United States if the orders were revoked.

capacity of *** metric tons in 2011, which is forecast to increase to *** metric tons in 2013.[127] Converted to short tons, this would constitute an increase of *** short tons of excess capacity in the reasonably foreseeable future, which would be larger than total U.S. production of *** short tons in 2010.[128] The total excess capacity forecast for 2013 of *** short tons (converted from metric tons) would be well over *** of apparent U.S. consumption of 9.7 million short tons in 2010.[129] Consistent with this increase in excess capacity, capacity utilization for the combined Russia/Ukraine industries is expected to decrease from *** percent in 2011 to *** percent in 2013.[130]

The urea industries in Russia and Ukraine remain highly export oriented, exporting most of their production to third country markets.[131] The combined exports of Russia and Ukraine account for almost 20 percent of world trade in urea.[132] Available information indicates that urea from the subject countries is exported to markets around the world with countries in Latin America and Europe being the largest markets for subject countries' urea exports.[133]

Several factors indicate that the U.S. market is and will continue to be an attractive market for the subject producers. Although imports of subject merchandise from Russia and Ukraine have had a limited presence in the U.S. market throughout the review period, subject imports from Russia increased from 12,000 short tons in 2008 to 113,000 short tons in 2010, indicating a continued interest in supplying the U.S. market.[134] Prices in the United States are relatively high. Industry analyses show U.S. prices consistently higher than prices in other parts of the world.[135] In addition, net-back pricing analysis[136] shows that the United States is a more attractive market than the non-U.S. markets to which Russian and Ukrainian product was actually exported, because the U.S. net-back prices, on an average annual basis,

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[127] Ad Hoc Committee Prehearing Brief, Exhibit 1 (compilation of Fertecon data).

[128] CR/PR at Table III-3.

[129] CR/PR at Table I-5.

[130] With the exception of one reporting Ukranian producer, PJSC Dniproazot, there is no information on the record of these review concerning inventories held by the subject producers, and importers reported that no inventories of subject imports were held during the period examined. CR at IV-9, PR at IV-7. PJSC Dniproazot reported end of period inventories of *** short tons in 2008, *** short tons in 2009, and *** tons in 2010. End of period inventories were *** short tons in January-June 2010 and *** short tons in January-June 2011. CR/PR at Table IV-11. Moreover, there is no information on the record of these reviews indicating a potential for product shifting of urea production facilities in the subject countries. CR at IV-23, PR at IV-19.

[131] See, e.g., CR/PR at Tables IV-8 (Russia) and IV-10 (Ukraine). Russian producers reportedly exported nearly *** percent and Ukrainian producers nearly *** percent of their total urea production in 2010. Ad Hoc Committee Prehearing Brief at 29 and Exhibit 1.

[132] CR/PR at Table IV-19.

[133] CR/PR at Tables IV-8 and IV-10. On March 17, 2008, the European Union terminated its antidumping duties on imports of urea (both solid and liquid forms) from Ukraine which had been in place since January 2002. CR at IV-12, PR at IV-10; Official Journal of the European Union, Council Regulation (EC) No 240/2008, at 48. On July 23, 2007, the European Union also terminated its antidumping measure on urea (both solid and liquid forms) from Russia that had been in place since March 1999. CR at IV-12, PR at IV-10; Official Journal of the European Union, Council Regulation (EC) No 907/2007, at 19. There were no new reported barriers to the subject imports in other countries during the period of review. CR at IV-23, PR at IV-19.

[134] CR/PR at Table IV-1.

[135] See Ad Hoc Committee Prehearing Brief, Exhibit 16 at 6.

[136] "Net-backs" are defined as the highest net return, considering the prevailing price in a particular market and the cost of transporting to and selling in that market. Ad Hoc Committee Prehearing Brief at 36.

are always higher than subject prices to non-U.S. markets.[137] For example, available information indicates that net-back urea prices are higher in the United States, net of freight and duties, than in Brazil, which is currently the largest market for Russian and Ukranian exports.[138] Thus, the record shows that relative prices would render the United States an attractive market for subject producers seeking to utilize excess capacity and for the trading companies that often handle their exports in the event the antidumping orders were revoked.

The attractiveness of the U.S. market is confirmed by Eurochem's actions over the period of review. Eurochem is the largest Russian producer of solid urea. The record shows that Eurochem has added granular production capacity at its Russian facilities and has announced that the U.S. market is one of the primary targets for its granular product.[139] Eurochem has also established a trading company in the United States, EuroChem Trading USA Corp., which will help facilitate its sales.[140] Moreover, the record shows that Eurochem has started shipping solid urea to the United States and is offering it at prices that undercut the domestic producers' prices.[141]

Finally, although global demand for urea is predicted to increase in the reasonably foreseeable future, global urea production capacity is forecast to outpace global consumption over the next few years.[142] This situation of global oversupply suggests that producers in the subject countries will need to seek out alternative export markets. The United States is the world's fourth largest market for urea consumption and the largest importing country, making it the natural alternative market.[143] Furthermore, apparent U.S. consumption of urea is forecast to grow only modestly in the foreseeable future, which will increase the significance of a given volume of additional supply.[144]

The record indicates that international trading companies typically trade urea on a spot basis and look for the highest return, either on a per-unit basis or based on total profit.[145] The record also shows that most imports are sold on a spot basis[146] and that there are no constraints to prevent the trading companies from rapidly shifting urea from one market to another.[147] Thus, the subject producers will be able to readily and rapidly shift their exports to different countries, including the United States, as market opportunities present themselves, such as the revocation of the antidumping duty orders.

For these reasons, we conclude that the likely volume of cumulated subject imports, both in absolute terms and relative to production and consumption in the United States, would be significant if the antidumping duty orders were revoked.

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[137] See Ad Hoc Committee Prehearing Brief at 37-38 and Exhibit 19. Based on the limited information available regarding the Russian and Ukrainian industries, it is unclear whether subject producers sell solid urea directly into export markets or whether the producers sell to international trading companies, which are common in this industry, and the trading companies seek out the markets with the highest net-back return. Even in the latter case, where the Commission lacks information regarding how sales proceeds are shared between the trading company and the subject producer, Russian and Ukrainian producers' incentives to maximize production and exports remain the same.

[138] CR/PR at Tables IV-8 and IV-10; Ad Hoc Committee Prehearing Brief, Exhibit 19.

[139] CR at II-7 and n.17, PR at II-5 and n.17.

[140] CR/PR Table I-4 and IV-1 n.2.

[141] Ad Hoc Committee Posthearing Brief, Exhibit 4 (Affidavit).

[142] Compare CR/PR at Table IV-12 (production, capacity) with CR/PR at Tables IV-15 and IV-16 (demand).

[143] CR/PR at Table IV-18.

[144] CR at II-11 to II-12, PR at II-8.

[145] Ad Hoc Committee Prehearing Brief at 39-40.

[146] CR at V-4, PR at V-3.

[147] See, e.g., U.S. Importer Questionnaire of ***

D. Likely Price Effects

In evaluating the likely price effects of subject imports if an antidumping duty order is revoked, the Commission is directed to consider whether there is likely to be significant price underselling by the subject imports 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.[148]

1. The Original Investigations and the Prior Reviews

In the original investigations, the Commission found a significant decline in U.S. urea prices, as reflected in the decline in unit value.[149] The Commission found that monthly domestic prices decreased by 41 to 56 percent, coincident with significant underselling by subject imports.[150] The underselling also resulted in lost sales by the domestic producers.[151]

In the first five-year reviews, the Commission found a growing worldwide surplus of urea and aggressive competition by subject producers in other markets. The Commission noted that U.S. prices declined steadily from $185 per short ton in 1996 to $124 per short ton in 1998.[152] It found that urea continued to be a substitutable commodity product for which price was a significant purchasing factor, and that consumers generally purchased from the lowest priced supplier. The Commission pointed to underselling by subject merchandise in third country markets and the aggressive pricing by the subject imports in the original investigation and concluded that the subject imports would be likely to significantly undersell domestic urea and significantly depress and suppress prices if the orders were revoked.[153]

In the second five-year reviews, the Commission lacked pricing data reflecting the relative pricing of subject imports due to the absence of subject imports since the imposition of the orders. The Commission noted, however, that U.S. urea prices more than doubled during the period of review as U.S. prices of natural gas increased sharply. The Commission found that subject imports would be moderately substitutable for domestic urea, notwithstanding the fact that only prilled urea was produced in the subject countries and the majority of domestic production was granular. The Commission noted that the United Stated has a substantial prilled urea market, supplied in part by the domestic industry, and that price was an important consideration in purchasing decisions. In addition, the Commission found that Russian and Ukranian producers' access to subsidized natural gas would allow them to undersell the domestic producers, yet still yield a profit on these sales. Given these circumstances and the attractiveness and size of the U.S. market, the Commission found that significant underselling by the subject imports to gain market share was likely.[154]

The Commission also found that urea pricing information was widely disseminated in the U.S. market and that most purchases were made on the spot market. The Commission determined that these factors suggested that underselling by the subject imports could quickly translate into more general price

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[148] 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.

[149] Original Determination at 9.

[150] Original Determination at 9.

[151] Original Determination at 10.

[152] First Five-Year Reviews at 20.

[153] First Five-Year Reviews at 21.

[154] Second Five-Year Reviews at 22.

declines in the U.S. market. Finally, the Commission noted a high correlation between granular and prilled urea prices suggesting that, if domestic prilled urea prices were driven downwards by subject imports, the Commission would expect to see granular prices falling as well.[155] The Commission concluded that significant volumes of cumulated subject imports were also likely to suppress the price increases necessary to compensate for the domestic industry's increasing costs due to rising natural gas prices. The Commission found that the likely underselling by subject imports would be significant and would likely lead to significant adverse price effects.[156]

2. The Current Reviews

In these third five-year reviews, although there have been some imports of subject urea from both Russia and Ukraine during the period examined, no respondent interested party, whether foreign exporter or U.S. importer, provided pricing data for those imports.[157] Therefore, the Commission lacks pricing data reflecting the relative pricing of subject imports in the U.S. market. Domestic producers have provided evidence, however, showing that Russian urea has been offered in the U.S. market over the period examined at prices below the prevailing U.S. price.[158]

Other factors on the record support a finding that subject imports are likely to enter the U.S. market at prices that undersell the domestic like product. First, the record in these reviews indicates that the subject imports are moderately substitutable with the domestic like product. Although the majority of domestic production is granular and the subject imports were historically in prilled form, subject producers in both Russia and Ukraine have been adding granular capacity and production during the period of review. Subject granular urea is readily substitutable with domestic granular urea.[159] Second, price is an important consideration in purchasing decisions[160] and the record indicates that some purchasers will consider switching to prill for use as fertilizer given a sufficient discount.[161] Third, Russian and Ukranian urea producers have access to natural gas at state-set prices that are below market prices, which would enable these subject producers to undersell U.S. producers, and still make a profit.[162]

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[155] Second Five-Year Reviews at 22.

[156] Second Five-Year Reviews at 23.

[157] CR at I-24, PR at I-20 and CR/PR at Table I-4. Domestic interested parties report that no subject urea entered the United States in 2005 and only entered for the first time in the history of the orders in December 2006. The Ad Hoc Committee stated that only one firm, MCC EuroChem, has imported subject merchandise from Russia, and there have been very limited, if any, imports of subject merchandise from Ukraine. CR at I-24 n.70, PR at I-20 n.70; Ad Hoc Committee Response to the Notice of Institution at 5. The responding Ukranian urea producer, PJSC Dniproazot, reported no exports of urea during the period for which it was able to provide data (January 2008-June 2011). CR/PR at Table IV-11.

[158] See Ad Hoc Committee Posthearing Brief at 3 and Response to Notice of Institution at 21.

[159] CR at II-21, PR at II-15.

[160] CR/PR at Tables II-6 and II-7.

[161] CR at V-6, PR at V-4.

[162] CR at IV-18, PR at IV-15. Domestic industrial natural gas prices in Russia are set by Russian government, specifically by the Federal Tariff Service. State controlled (majority shareholder) Gazprom accounted for 78 percent of natural gas production in Russia in 2010. The Russian government announced plans to fully liberalize domestic natural gas prices by 2011, but the severe global and domestic economic downturn of 2008-2009 postponed the process. In July 2011, Russian legislation was enacted requiring domestic natural gas prices to reach "market" levels by 2015. Gazprom's Chairman stated that by 2014 domestic natural gas sales would be equivalent to exports in terms of net revenue; in other words, industrial consumers in Russia could expect prices that are 60 percent of European levels (based on net-back), which would be a 150 percent increase over current prices. Id. See also Ad Hoc Committee Prehearing Brief at Exhibit 12 (Russian natural gas price table) and Exhibit 14 (Ukraine).

Finally, the record shows that Russian and Ukranian producers price aggressively in export markets. For example, Russian and Ukranian prices for urea exported to Latin America (particularly Brazil) and the European Union were consistently lower than the prices offered by Middle Eastern producers to those markets during the same period.[163] [164]

Given these circumstances and the attractiveness and size of the U.S. market, we find that significant underselling by the subject imports to gain market share, as occurred during the original investigation,[165] would be likely if the orders were revoked.

Moreover, as we found in prior five-year reviews, pricing information is widely disseminated in the U.S. market by publications, such as Green Markets, with U.S. pricing often tied to the published Green Market prices. In addition, most purchases of urea are made on the spot market rather than long-term contractual arrangements.[166] These factors, and the flexibility of the international trading companies in the global urea market, suggest that underselling by the subject imports can quickly translate into broad price decreases in the U.S. market.

Accordingly, we find that, if the orders were revoked, the likely significant increase in subject import volume at prices that would likely undersell the domestic like product would be likely to have significant adverse price effects on the domestic industry.

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[163] Ad Hoc Committee Posthearing Brief at Exhibit 5. The record also indicates that Russian urea has been sold or offered for sale during the period of review at prices that undersold the prices of domestic product. See CR at V-10 n.23, PR at V-6 n.23 and Ad Hoc Committee Posthearing Brief at Exhibit 4 (Affidavit).

[164] In the prior reviews, Commissioner Aranoff found that subject imports were not likely to have adverse price effects if the orders were revoked. She notes that, contrary to the record in the last five-year reviews, industry analysts now anticipate solid urea prices will decline in the reasonably foreseeable future. See Ad Hoc Committee Prehearing Brief, Exhibit 16 at 6. In addition, subject imports, which were entirely absent from the U.S. market during the prior period of review, have entered the U.S. market during the current period of review, and there is evidence that the imports from Russia are being offered at prices below the prevailing U.S. price. See Ad Hoc Committee Posthearing Brief at 10 and Exhibit 4 (Affidavit). Finally, the third-country pricing analysis provided in these reviews provides more persuasive evidence of consistent underselling by subject imports in third-country markets than did the record in the prior reviews, because the new analysis is based on a more accurate comparison and covers a broader period of time. This analysis shows consistent and often significant underselling by Russian and Ukrainian urea imports when selling into third-country markets as compared to imports from the Middle East, demonstrating that subject producers are the low-price leaders globally and would likely undersell non-subject imports as well as domestic production in the U.S. market if the orders were revoked.

[165] CR at V-10 n.21, PR at V-6 n.21. In the original investigations, imports from the USSR were priced lower than domestic like product in 26 of 32 comparisons. Confidential staff report for the original investigations, Memorandum INV-K-074 (June 19, 1987) at A-79.

[166] CR at V-4, PR at V-3.

E. Likely Impact[167]

In evaluating the likely impact of imports of subject merchandise if the antidumping duty orders under review were revoked, 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.[168] 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.[169] As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the orders at issue and whether the industry is vulnerable to material injury if the orders were revoked.

1. The Original Investigations and the Prior Reviews

The Commission found in the original investigations that the decline in urea prices, as reflected in the decline in unit values, caused the domestic industry's net sales to decline much more than the cost of goods sold, resulting in a large decline in operating income.[170] The industry experienced a significant decline in profitability, particularly in 1985-1986.[171] Its ratio of operating income to net sales declined from 18 percent in 1984 to 1.4 percent in 1986. U.S. urea unit values declined from $157 in 1984 to $96 in 1986. The quantity of U.S. shipments remained about the same from 1984 to 1986 but the value of the shipments declined from $476.8 million in 1984 to $340.6 million in 1986. Capacity utilization also declined from 80.9 percent in 1984 to 63.5 percent in 1986.[172]

In the first five-year reviews, the Commission found that U.S. market share, prices, and profitability quickly rebounded and were well above 1986 levels. It therefore did not find that the domestic industry was vulnerable, although U.S. prices for urea fell rapidly from 1996 to 1998. The Commission concluded that revocation of the antidumping duty orders would lead to significant increases in the volume of cumulated subject imports at prices that would undersell the domestic product and significantly depress U.S. prices. It found that the volume and price effects of the cumulated subject imports would have a significant negative impact on the domestic industry and would likely cause the domestic industry to lose market share.[173]

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[167] Section 752(a)(6) of the Act states that "the Commission may consider the magnitude of the margin of dumping" in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the "magnitude of the margin of dumping" to be used by the Commission in five-year reviews as "the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title." 19 U.S.C. § 1677(35)(C)(iv). See also SAA at 887. In its expedited sunset review of the antidumping duty orders, Commerce published the following likely dumping margins: Soyuzpromexport (SPE), 68.26 percent; Phillip Brothers, Ltd., and Phillip Brothers, Inc. (Philbro), 53.23 percent; and All Others, 64.93 percent. Solid Urea from the Russian Federation and Ukraine; Final Results of Expedited Sunset Reviews of Antidumping Duty Orders, 76 Fed. Reg. 19747, 19748 (April 8, 2011).

[168] 19 U.S.C. § 1675a(a)(4).

[169] 19 U.S.C. § 1675a(a)(4).

[170] Original Determination at 9.

[171] Original Determination at 9.

[172] Second Five Year Review, Final Staff Report, IV-CC-186, at Table I-2.

[173] First Five-Year Reviews at 22.

In the second five-year reviews, the Commission found that the domestic industry was profitable during three of the six years of the period of review because the industry was able to increase its prices sufficiently to cover its rising cost of goods sold due to increasing natural gas prices. During this period, the Commission noted that tight world demand and supply resulted in strong world market prices, including in the United States. The Commission also found that, while urea prices doubled, the industry's production and sales decreased and capacity was reduced. The domestic industry's market share fell and it could not fully capitalize on the higher market prices. The Commission determined that rising natural gas prices necessitated large production cutbacks and the idling of capacity, and also resulted in a bankruptcy.[174] The Commission found that natural gas prices were expected to ease, but still to remain high and volatile, making planning difficult for the domestic producers. As a consequence, the Commission found the domestic industry to be vulnerable to material injury.[175]

While the industry remained profitable despite the high natural gas prices, the Commission found that these profits would evaporate if the orders were revoked, for several reasons. First, the Commission found that the hedging strategies employed by the domestic producers to mitigate the high spot prices for natural gas were not expected to reduce costs to the same extent in the future.[176] Second, the Commission found that the return of subject imports at significant volumes would occur in a significantly larger portion of the U.S. market not controlled by domestic producers. Finally, the Commission found that prilled subject imports would likely be sold at significant discounts from granular prices in order to capture a portion of the fertilizer market. In addition, the Commission found that apparent U.S. consumption of urea was forecast to grow only modestly in the foreseeable future and that growth would not be sufficient to absorb the likely significant increase in cumulated subject imports if the orders were revoked. Consequently, the Commission found that the volume and price effects of the cumulated subject imports would have a significant negative impact on the domestic industry if the orders were revoked.[177]

2. The Current Reviews

In these third five-year reviews, the indicia of the domestic industry's health are mixed. Given the significant improvement in the industry's financial results since the second five-year review, however, we do not find that the domestic industry is vulnerable to the continuation or recurrence of material injury in the event of revocation of the orders.

In 2010, domestic production was 8.8 percent lower and capacity was 13.7 percent lower than at the beginning of the period.[178] U.S. producer's employment of urea production and related workers decreased by *** percent from 2005 to 2010, from *** to *** workers, which is consistent with the loss

[174] Second Five-Year Reviews at 24.

[175] Second Five-Year Reviews at 25.

[176] Second Five-Year Reviews at 25.

[177] Second Five-Year Reviews at 26.

[178] CR/PR at Table C-1. Domestic production was 3.0 million short tons in 2005, 3.1 million short tons in 2006, 3.0 million short tons in 2007, 2.7 million short tons in 2008, 2.8 million short tons in 2009, and 2.6 million short tons in 2010. Domestic production was 1.4 million short tons in January-June 2010 and 2011. Domestic production capacity was 3.9 million short tons in 2005 and 2006, 4.0 million short tons in 2007, 3.3 million short tons in 2008, 3.4 million short tons in 2009, and 3.3 short tons in 2010. Domestic production capacity was 1.7 million short tons in January-June 2010 and 2011. Id.

in domestic production capacity.[179] Wages paid decreased by *** percent over the same period.[180] Domestic producers' net sales decreased by 9.0 percent from 2005 to 2010, decreasing from 3.0 million short tons to 2.7 million short tons.[181] Domestic producers' market share, by quantity, also decreased, falling from 27.9 percent of apparent U.S. consumption in 2005 to 27.1 percent in 2010, which was the second highest year of apparent U.S. consumption during the period of review.[182]

The domestic industry's financial results, however, have significantly improved since the second five-year reviews. Operating income as a ratio to net sales had recovered by the end of the second review period in 2004 to 15.2 percent, up from significant negative margins earlier in the first part of that review period.[183] The domestic industry had very healthy operating margins in the current review period, increasing from 13.8 in 2005 to 33.6 percent in 2010.[184]

Although the domestic industry has remained profitable and experienced increased demand over the review period,[185] we find for several reasons that, if the antidumping duty orders were revoked, the domestic industry's profits would likely quickly decrease.

First, as we found earlier, the likely volume of cumulated subject imports would be significant if the orders were revoked, due to large export-oriented industries in Ukraine and Russia with increasing excess capacity and an attractive U.S. market. As we also found, cumulated subject imports would likely undersell the domestic like product to gain market share, resulting in likely significant adverse price effects on the domestic industry.

Second, the likely world demand and supply situation for urea will exacerbate these likely outcomes. The record indicates that global export capacity in the 2011-2013 period will increase significantly and the additional capacity will result in lower prices.[186] These lower prices will amplify the negative price effects of the large volumes of low priced subject imports likely to be present in the U.S.

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[179] CR/PR at Table C-1. The number of production workers was *** in 2005, *** in 2006, *** in 2007, *** in 2008, *** in 2009, and *** in 2010. The number of production workers was *** in January-June 2010 and *** in January-June 2011. Id.

[180] CR/PR at Table C-1. Wages paid were $*** in 2005, $*** in 2006, $*** in 2007, $*** in 2008, $*** in 2009, and $*** in 2010. Wages paid were $*** in January-June 2010 and $*** in January-June 2011. Id.

[181] CR/PR at Table C-1. Net sales were 3.0 million short tons in 2005, 3.2 million short tons in 2006, 2.9 million short tons in 2007, 2.7 million short tons in 2008, 2.9 million short tons in 2009, and 2.7 million short tons in 2010. Net sales were *** short tons in January-June 2010 and *** short tons in January-June 2011. Id.

[182] CR/PR at Table C-1. The domestic industry's share of apparent U.S. consumption, by quantity, was 27.9 percent in 2005, 33.2 percent in 2006, 27.4 percent in 2007, 30.3 percent in 2008, 34.2 percent in 2009, and 27.1 percent in 2010. The domestic industry's share of apparent U.S. consumption, by quantity, was 26.5 percent in January-June 2010 and 29.6 percent in January-June 2011. The domestic industry's share of apparent U.S. consumption, by value, was 28.2 percent in 2005, 33.2 percent in 2006, 28.2 percent in 2007, 30.2 percent in 2008, 35.6 percent in 2009, and 27.0 percent in 2010. The domestic industry's share of apparent U.S. consumption, by value, was 26.3 percent in January-June 2010 and 30.8 percent in January-June 2011. Id.

[183] CR/PR at Table I-1.

[184] CR/PR at Table C-1. The domestic industry's operating income was 13.8 percent in 2005, 11.7 percent in 2006, 23.4 percent in 2007, 37.0 percent in 2008, 32.6 percent in 2009, and 33.6 percent in 2010. The domestic industry's operating income was *** percent in January-June 2010 and *** percent in January-June 2011. Id.

[185] The domestic industry expects 2011 to be the peak of a business cycle for solid urea. CR/PR at II-3.

[186] ***, Attachment at 18; Ad Hoc Committee Prehearing Brief at 63-64 and Exhibit 2 at 9-11.

market in the event of revocation.[187] The modest increases forecast in global demand will be dwarfed by this expected global capacity.[188]

Third, the domestic industry supplies a somewhat small segment of the U.S. market for urea, accounting for 27.1 percent of apparent U.S. consumption in 2010, with a capacity utilization rate of 82.3 percent in that year.[189] Given that the high capital costs associated with producing urea require manufacturers to sustain high capacity utilization rates to stay profitable, even relatively small reductions in the domestic industry's market share in the event of revocation of the orders would have significant negative effects on its financial condition. In addition, the return of subject imports in significant volumes will also occur in the granular market with the development of Russian and Ukranian granular urea production capacity during the period examined.[190]

Fourth, although apparent U.S. consumption of urea is forecast to grow in the foreseeable future,[191] we find that this growth in domestic consumption would not be sufficient to absorb the likely significant increase in cumulated subject imports if the antidumping duty orders were revoked. We find that the likely volume and price effects of the subject imports, given the conditions of competition for this industry, would likely have a significant adverse impact on the production, shipments, sales, market share, and revenues of the domestic industry. Decreases in these indicators of industry performance would likely have a direct adverse impact on the industry's profitability and employment, as well as its ability to raise capital, make and maintain capital investments, and fund research and development.

We also have considered the role of factors other than the subject imports so as not to attribute injury from such factors to subject imports. Although the share of the U.S. market held by nonsubject imports has increased since the original investigations and the imposition of the antidumping duty orders, it was generally flat over the period examined and was lower at the end of the period than at the beginning.[192] There is no indication that the presence of these nonsubject imports would prevent subject imports from entering the United States at levels and prices that would cause injury to the domestic industry. Indeed, in 2010, when subject imports entered the United States in the highest amounts since the imposition of the orders, the average unit values ("AUVs") for these imports were significantly lower than both the U.S. producers' AUVs for domestic shipments and the AUVs for nonsubject imports.[193]

Accordingly, we conclude that, if the antidumping duty orders were revoked, subject imports from Russia and Ukraine would likely have a significant adverse impact on the domestic industry within a reasonably foreseeable time.

CONCLUSION

For the foregoing reasons, we determine that revocation of the antidumping duty orders on solid urea from Russia and Ukraine would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

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[187] Ad Hoc Committee Prehearing Brief at 64 and Exhibit 16.

[188] CR at IV-26, PR at IV-19. Global urea production capacity increased by *** percent from 2004 to 2009 with a projected increase of *** percent through 2014. China, Southwest Asia, and the Middle East accounted for an estimated *** percent of global capacity in 2009 and will account for *** percent of new capacity through 2014. Id.

[189] CR/PR at Table C-1.

[190] CR at IV-14 to IV-15 (Russia) and IV-20 (Ukraine), PR at IV-11 to IV-12 (Russia) and IV-16 (Ukraine).

[191] CR at II-11 to II-12, PR at II-8 to II-9; Ad Hoc Prehearing Brief, Exhibit 18.

[192] Nonsubject import market share was 72.1 percent in 2005, 66.8 percent in 2006, 72.6 percent in 2007, and 69.6 percent in 2008, 65.6 percent in 2009, and 71.7 percent in 2010. CR/PR at Tables I-6 and C-1. Nonsubject market share was 71.4 percent in January-June 2010 and was 69.4 percent in January-June 2011. Id.

[193] CR/PR at Tables III-5, IV-1 and IV-12.

ADDITIONAL AND DISSENTING VIEWS OF CHAIRMAN DEANNA TANNER OKUN AND COMMISSIONER DANIEL R. PEARSON

I. INTRODUCTION

Based on the record in these third five-year reviews, we determine that material injury is not likely to continue or recur within a reasonably foreseeable time if the antidumping duty orders on subject imports of solid urea ("urea") from Russia and Ukraine are revoked.

We join our colleagues' discussion regarding domestic like product, domestic industry, the legal standard governing five-year reviews, cumulation, and conditions of competition. We write separately to discuss our analysis of the statutory factors in the context of our negative determination that material injury is not likely to recur upon revocation of the orders.

II. REVOCATION OF THE ORDERS ON SUBJECT IMPORTS FROM RUSSIA AND UKRAINE WOULD NOT BE LIKELY TO LEAD TO CONTINUATION OR RECURRENCE OF MATERIAL INJURY WITHIN A REASONABLY FORESEEABLE TIME

A. Likely Volume of Subject Imports

In evaluating the likely volume of imports of subject merchandise if an antidumping duty order is revoked, 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.[1] 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.[2]

In the original investigations in 1987, the Commission found that, on a cumulated basis, subject import volume from the German Democratic Republic (GDR), Romania, and the Union of Soviet Socialist Republics (USSR) was significant.[3] The volume of cumulated subject imports from those countries increased from 720,000 short tons in 1984 to 1.2 million short tons in 1986.[4] More specifically with regard to Russia and Ukraine, subject imports from the USSR increased from 418,000 short tons in 1984 to 843,000 short tons in 1986.[5] The market share of imports from the USSR increased steadily from 7.2 percent in 1984 to 12.6 percent in 1986.[6]

In the first reviews, the Commission found that, based on a cumulated analysis with eight other subject countries, subject import volume from Russia and Ukraine was likely to be significant based on the low capacity utilization in the subject countries, the fact that subject countries relied primarily on export markets, the high demand for urea in the U.S. market, and the fact that the Chinese market for urea

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[1] 19 U.S.C. § 1675a(a)(2).

[2] 19 U.S.C. § 1675a(a)(2)(A-D).

[3] At that time, Russia and Ukraine were constituent republics of the USSR and, thus, imports from those countries were *de facto* cumulated.

[4] Memorandum INV-K-074, June 19, 1987.

[5] Solid Urea from Russia and Ukraine, Invs. Nos. 731-TA-340-E & H (Second Review), USITC Pub. 3821 (Dec. 2005) ("Second Five-Year Reviews"), at Table I-1.

[6] Id.

had recently been closed to imports.[7] In the second reviews, the Commission majority made similar findings, but in a dissenting opinion then-Vice Chairman Okun determined that, based on a review of the statutorily enumerated factors, the volume of imports would not likely be significant if the orders were revoked.[8] Specifically, she noted that (1) although the subject country industries were large, there was little excess capacity, and plans to increase capacity were limited; (2) there were minimal inventories of subject merchandise, either in Russia, Ukraine, or in the United States; (3) any third-country trade barriers were, for the most part, ineffectual, as the Russian and Ukrainian producers had evidently adjusted to them over time; and (4) there was little scope for product-shifting. She recognized that competition in the U.S. market would be somewhat attenuated going forward because Russian and Ukrainian producers sold mostly prilled urea, while U.S. purchasers favored the granular variety. She, however, also noted that tight supply conditions had prevailed since 2004, resulting in high prices in the U.S. market and worldwide, and the tight supply conditions were likely to continue, so as not to alter fundamentally global conditions in such a way that would significantly shift subject imports away from their current third world markets.

In these reviews, while some volume of subject imports likely would enter the U.S. market upon revocation of the orders, we determine based on the record evidence that the likely volume would not be at significant levels. First, with regard to capacity in the subject countries, there are two issues that we must examine: (1) likely increases in capacity in the Russian and Ukrainian industries in the reasonably foreseeable future, and (2) the amount of existing excess capacity in these industries, so as to consider whether the likely volume of subject imports would be significant.

We recognize that the Commission did not receive questionnaire responses from any Russian urea producer and received a response from a single Ukrainian urea producer, that was estimated by an industry source to account for approximately *** percent of total production in Ukraine.[9] In these reviews, however, the Commission has a considerable amount of public data available concerning the Russian and Ukrainian industries. In particular, the record contains sufficient evidence, from three separate sources, on current production capacity, excess capacity and planned additions to capacity in Russia and Ukraine that enables us to conduct a thorough analysis regarding the statutorily enumerated factors that we must consider. These sources are ***, the International Fertilizer Development Center ("IFDC"), and Fertecon.

For Russia, the production capacity estimates for 2010 from all three sources are similar – *** short tons (Fertecon), *** short tons (***), and *** short tons (IFDC).[10] All three sources project increases, with production capacity in 2013 estimated to increase to *** short tons (***), *** short tons (Fertecon), or *** short tons (IFDC).[11] For Ukraine, IFDC and *** forecast no change in capacity, while

[7] Solid Urea from Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan, Invs. Nos. 731-TA-339 & 340-A-I (Review), USITC Pub. 3248 (Oct. 1999) ("First Five-Year Reviews) at 18-19.

[8] Solid Urea from Russia and Ukraine, Invs. Nos. 731-TA-340-E & H (Second Review), USITC Pub. 3821 (Dec. 2005) ("Second Five-Year Reviews) at 27-31 (dissenting views).

[9] CR at I-13, PR at I-12.

[10] CR/PR at Table IV-7 and Supplemental Table 1, Memorandum INV-JJ-117.

[11] Based on a survey of 11 firms, *** forecasts an increase in capacity of *** short tons, from *** short tons in 2010 to *** short tons in 2013. Based on a survey of 12 firms, IFDC forecasts an increase in capacity of *** short tons, from *** short tons in 2010 to *** short tons in 2013. Based on a survey of 10 firms, Fertecon forecasts an increase in capacity of *** short tons, from *** short tons in 2010 to *** short tons in 2013. CR/PR at Table IV-7 and Supplemental Table 1, Memorandum INV-JJ-117. Thus, while Fertecon estimates the largest production capacity increase from 2010 to 2013, its estimated total in 2013 at *** short tons is less than IFDC's estimated total of *** short tons. Id.

Fertecon forecasts a modest increase in capacity from 2010 to 2013.[12] Thus, on a cumulated basis, the total increase in subject country capacity through 2013 is forecast by these three sources to range between roughly *** short tons (***) to around *** short tons (Fertecon). To place this increase in context, we note that in 2010 the size of the U.S. market for solid urea was nearly 9.7 million short tons and, as discussed in the section of the majority opinion regarding the conditions of competition in the U.S. market, the U.S. market is expected to expand on an annual basis through 2013 and beyond.

With regard to excess capacity in the Russian and Ukrainian industries, the record contains data from *** comparing capacity and production at 5-year intervals (2004, 2009, and 2014) for the former USSR (of which Russia and Ukraine have the largest urea industries). Based on these *** data, capacity utilization in the former USSR was estimated to be *** percent in 2004, *** percent in 2009, and is forecasted to be *** percent in 2014.[13] While excess capacity in the former USSR is estimated at *** short tons in 2009, data specific to Russia and Ukraine for capacity in 2009 and production in 2010 estimate cumulated excess capacity at *** short tons.[14] Although this amount of excess capacity is not insubstantial, it is not expected to increase substantially as demand is expected to continue to grow worldwide.[15] Moreover, this excess capacity did not result in substantial volumes of imports from Russia from 2008 to 2010, when exports by Eurochem were subject to a zero margin; for this period, imports from Russia ranged from a low of 12,000 short tons in 2008 to a high of 113,000 short tons in 2010.[16]

The evidence demonstrates that the Russian and Ukrainian industries have consistent export markets and volumes of shipments exported. For Russia, its two leading export markets have consistently been Brazil and Mexico.[17] For Ukraine, its three leading export markets have consistently been Brazil, Turkey, and India.[18] Moreover, while there were several barriers to Russian and Ukrainian exports in third-country markets at the beginning of the period of review, these barriers have been eliminated. Most important, in 2007 the EU terminated its minimum import price arrangement applicable to urea from Russia and in 2008 terminated its antidumping duties on urea from Ukraine. We find these latter developments to be particularly significant as, given the geographic proximity of EU countries to the urea-producing facilities in Russia and Ukraine, it is likely that the EU would be the most natural export market for those facilities. Thus, to the extent that any excess capacity or additional capacity in the subject countries were to be exported, it would most likely be exported to the European market before being shipped overseas to the U.S. market. In addition, antidumping duties on urea from Ukraine imposed by Mexico in March 2003 have since been removed.[19]

Finally, the record does not contain new information on inventories of subject merchandise held in the subject countries or on the potential for product-shifting. In the second five-year reviews, however, then-Vice Chairman Okun noted that there was little potential for product shifting in favor of greater solid urea production in facilities in the subject countries, and there is no new information on the record of the

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[12] Based on a survey of 6 and 5 firms respectively, *** and IFDC forecast no increase in capacity, with estimated capacity of *** short tons, respectively. Based on a survey of 5 firms, Fertecon forecasts an increase in capacity of *** short tons, from *** short tons in 2010 to *** short tons in 2013. CR/PR at Table IV-9 and Supplemental Table 2, Memorandum INV-JJ-117.

[13] CR/PR at Table IV-13.

[14] CR/PR at Tables IV-7, IV-9 and IV-12; CR at IV-13 and IV-19, PR at IV-10 and IV-15. As apparent U.S. consumption and worldwide demand increased substantially from 2009 to 2010, the lower figure (which also is specific to Russia and Ukraine) is probably a more accurate indicator of the total excess capacity.

[15] CR/PR at Tables IV-15. Apparent U.S. consumption increased sharply from 7.9 million short tons in 2009 to 9.7 million short tons in 2010. CR/PR at Table C-1. Moreover, industry participants expect the U.S. market to grow steadily between 2011 and 2015.

[16] CR/PR at Table IV-1.

[17] CR/PR at Table IV-8.

[18] CR/PR at Table IV-10.

[19] CR at IV-13, PR at IV-10.

current reviews that indicates that this situation has changed.[20] Further, there were no reported inventories of subject product held in the United States by U.S. importers, despite the presence of subject imports from Russia in 2010.[21]

We have also considered other record information in considering arguments that subject country producers would re-orient their export shipments to the U.S. market in the event of revocation of the orders, and find that such information reinforces our conclusions. In doing so, we have examined such factors as the alleged inability of subject country exporters to maintain their exports to Asian markets, and the relative pricing levels among world markets.

First, domestic interested parties argue that Russian and Ukrainian urea exports have declined in Asian markets, primarily due to an alleged freight disadvantage the Russian and Ukrainian companies suffer in comparison to Middle Eastern, Chinese, and Southeast Asian suppliers, and therefore subject country suppliers will be forced to increase shipments to the U.S. market to compensate for this decline.[22] For Russia, however, during the period of review, Asian markets were never among its top export markets, and therefore the amount of volume that would be shifted to the U.S. market would be minimal.[23] In addition, for Ukraine, although India was an important export market and exports to India did decline in 2010, it is unclear whether the alleged freight disadvantage existed before 2010. If the alleged freight disadvantage persisted throughout the period of review, then it is hard to understand why exports to India were so substantial before 2010.[24] In any event, it is difficult to see why, if there is a freight disadvantage for Russia and Ukraine vis-a-vis Middle Eastern suppliers to the Asian market, there would not be a similar disadvantage regarding shipments to the U.S. market. Record information in fact indicates that urea exports from Egypt and Saudi Arabia may face slightly lower freight rates than those from Russia.[25]

Domestic parties' second argument is that U.S. prices are higher than those in Latin America, and as Russia and Ukraine are already significant suppliers to Latin America, they will shift all their Latin American exports to the U.S. market upon revocation. Information submitted by domestic parties does indicate a consistent premium (on a netback basis) for Russian and Ukrainian shipments to the U.S. market compared to shipments to Brazil. This premium varied widely over the period, however, and in recent years was as small as $*** per short ton.[26] More important, the U.S. urea market is much larger than the Brazilian market. For example, in the first six months of 2011 the U.S. market was 4.9 million tons, whereas shipments from Russia and Ukraine to Brazil during that period totaled only 914,000 tons.[27] So even if it is assumed that upon revocation Russia and Ukraine would no longer sell a single ton of urea to Brazil and would shift such exports entirely to the U.S. market, this additional tonnage would comprise less than 20 percent of U.S. consumption. Such an assumption, however, would not be realistic. As we noted in our opinion in the second five-year reviews, the varying nature of the price premium in the U.S.

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[20] Second Five-Year Reviews at 29 (Dissenting Views of Vice Chairman Deanna Tanner Okun, Commissioner Jennifer A. Hillman, and Commissioner Shara L. Aranoff).

[21] CR/PR at Table IV-5.

[22] Domestic parties' prehearing brief at 31; domestic parties' posthearing brief, Appendix at 30-31.

[23] CR/PR at Table IV-8. In 2009 and 2010, Brazil and Mexico were Russia's two top export markets.

[24] CR/PR at Table IV-10. Ukrainian exports to India declined from 876,000 tons in 2009 to 294,000 tons in 2010, but were as high as 1.4 million tons in 2006, an amount that was over one-third of total exports.

[25] CR/PR at V-3; domestic interested parties' prehearing brief at Exhibit 19. U.S. import data for Russia indicate that solid urea transportation and other charges to the U.S. market were $33 per short ton in 2010, compared with $26 per short ton for imports from Egypt and $31 per short ton for imports from Saudi Arabia.

[26] Domestic interested parties' prehearing brief at Exhibit 19. For example, in the first six months of 2011, the premium varied between $*** and $*** per ton, while in calendar year 2010, the premium varied between $*** and $*** per ton.

[27] CR/PR at Table C-1; domestic interested parties' prehearing brief at exhibit 19.

market does not clearly establish an incentive to shift a significant quantity (let alone the entire quantity) of subject product toward the U.S. market from the consistent Brazilian market.[28]

Based on the record in these reviews and the reasons discussed above, we determine that, while some volume of subject imports likely would enter the U.S. market upon revocation of the orders, the likely volume of subject imports would not be at significant levels.

B. Likely Price Effects

In evaluating the likely price effects of subject imports if the antidumping duty order is revoked, the Commission considers whether there is likely to be significant underselling by the subject imports as compared to the domestic like product, and if 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 domestic like products.[29]

In the original investigations, the Commission found that cumulated subject imports from the GDR, Romania, and the USSR significantly undersold the domestic like product and, given that domestic urea prices declined substantially in tandem with significant underselling by subject imports, caused significant price depression.[30] In the first reviews, the Commission observed that U.S. prices declined steadily during the period of review and attributed those declines to displacement of nonsubject imports from third-country markets in which they were facing competition from subject imports.[31] The Commission also cited the overall price sensitivity of urea as a commodity product. In the second reviews, then-Vice Chairman Okun, writing in dissent, acknowledged that there had likely been underselling during the review period, but that had not prevented prices from rising and U.S. producers from recovering their costs.[32] She also rejected claims by domestic interested parties that the prices of subject imports (exported from Black Sea ports) would likely be the lowest in the world.

In these reviews, pricing data on the record are limited to data supplied by domestic producers. These data show that prices of both prilled and granular urea spiked dramatically in the second half of 2008, and then fell in 2009 to a level below that at the start of the period of review (2008). Since 2009, prices have increased gradually, so that by the end of the period (June 2011), they approximated their beginning-of-period level.[33]

Because subject imports were largely absent from the U.S. market, and no pricing data were supplied by importers, the record does not permit an analysis of whether subject imports undersold the domestic like product during the period of review. Moreover, it is not possible in these reviews to predict future underselling based on pricing behavior during the original investigations, as at that time Russia and Ukraine were subsumed in the larger USSR entity. Nonetheless, domestic interested parties argue that if subject imports are currently underselling in other markets, they will likely also do so in the U.S. market if the orders are revoked.[34] Therefore, they submitted data purporting to show that in the EU and in Latin America, subject sources are virtually always the lowest-priced suppliers. In addition, with regard to the U.S. market, the record contains information showing that in the majority of months during the period of review, f.o.b. Black Sea prices were lower than f.o.b. Middle East prices for prilled urea.[35] The

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[28] Second Five-Year Reviews at 30-31 (dissenting views).

[29] 19 U.S.C. § 1675(a)(3).

[30] Original Determination at 9.

[31] First Five-Year Reviews at 26.

[32] Second Five-Year Reviews at 32-33 (dissenting views).

[33] CR/PR at Table V-2 & figure V-2.

[34] Domestic interested parties' prehearing brief at 50-53 & Exhibit 24.

[35] CR/PR at Table IV-20. Moreover, as the prices for both the Middle East prilled urea and Black Sea prilled urea are lower than comparable U.S. prilled urea prices, the domestic parties' argument would suggest that more Middle East prilled urea should be entering the U.S. market than did during the period of review. It also begs the question of

differences in price, however, are generally not large. For example, in the period January-October 2011, prices for Black Sea prilled urea were lower than prices for Middle Eastern prilled urea in 8 of these 10 months, with underselling margins not exceeding 10 percent. Moreover, as noted by then-Vice Chairman Okun in the second reviews, these f.o.b. prices tell us nothing about what the U.S. customer would actually pay.[36] As noted above, the record indicates that it is likely that subject import suppliers face a freight cost disadvantage vis-a-vis Middle Eastern suppliers, and thus it is reasonable to expect that when freight costs are factored in, any differences in prices between subject imports and nonsubject imports from the Middle East would be offset to some degree. Thus, these data do not necessarily demonstrate that, upon revocation, subject imports would be the lowest-priced source of supply in the U.S. market or would undersell the domestic like product.

Similarly, we do not find that, upon revocation, subject imports would have price-depressing or price-suppressing effects in the U.S. market. As an initial matter, we recognize that urea is a product that is sensitive to price.[37] The record, however, indicates that, during the period of review, urea prices moved virtually in lockstep with natural gas prices and, in contrast, were relatively unaffected by import levels.[38] For instance, urea prices increased in 2010 despite increasing volumes of subject imports (and significant levels of nonsubject imports).[39] Finally, the industry's ratio of cost-of-goods-sold to net sales also fell overall over the period of review, indicating that despite the presence of increasing volumes of subject imports (and significant volumes of nonsubject imports) during the period, the industry was more than able to cover its costs.[40]

Consequently, in light of the above analysis, and our finding that the likely volume of subject imports would not be significant, we do not find that, upon revocation, subject imports would be likely to have significant price depressing or suppressing effects on prices for the domestic like product, or otherwise have significant negative effects on domestic prices.

C. Likely Impact

In evaluating the likely impact of imports of subject merchandise if an antidumping duty order is revoked, the Commission considers 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: (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.[41] All relevant economic factors are to be considered within the context of the business cycle and the conditions of

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why the Middle East market would dry up for the Russian and Ukrainian urea producers (although it has not been a major market for either of them), as the domestic parties allege. Domestic parties' prehearing brief at 31-32.

[36] Second Five-Year Reviews at 33.

[37] Ninety-two percent of responding purchasers rated price as a "very important" factor in their purchasing decisions. CR at II-17, PR at II-11-12, & Table II-7.

[38] Compare CR/PR at figure V-2 (f.o.b. prices of urea) with figure V-1 (monthly natural gas prices).

[39] CR/PR at Tables IV-2 and V-2. Nonsubject imports increased from 5.2 million tons in 2009 to 6.9 million tons in 2010, or by 33.2 percent, while domestic urea prices increased from $*** per ton in January 2010 to $*** per ton in January 2011, or by *** percent.

[40] CR/PR at Table C-1. The ratio of the industry's cost of goods sold (COGS) to net sales was 80.8 percent in 2005, 83.4 percent in 2006, 72.4 percent in 2007, 60.2 percent in 2008, 63.0 percent in 2009, 62.2 percent in 2010, and *** percent in January-June 2011.

[41] 19 U.S.C. § 1675(a)(4).

competition that are distinctive to the industry.[42] As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the antidumping duty order at issue and whether the industry is vulnerable to material injury if the orders are revoked.[43]

In the original investigations the Commission based its affirmative determination of material injury on evidence of declines in domestic production in an environment of increasing apparent U.S. consumption, along with declines in capacity utilization, unit value of domestic shipments, employment, and overall financial performance.[44] They then inferred a causal connection between subject imports and injury by noting that (1) subject imports increased both absolutely and relative to domestic consumption, paralleling the worsening condition of the domestic industry, (2) there were significant margins of underselling, correlated with declines in domestic prices, (3) there were significant confirmed lost sales, and (4) there was increased supply of urea in a market where consumption of all nitrogen fertilizers declined, indicating that subject imports comprised most of the increase in urea supply.

In the first reviews the Commission, noting the combination of the absence of subject imports with improvements in U.S. market share, prices, and profitability, did not find the industry to be vulnerable but nonetheless found that the likely significant volume of imports which would be sold at low prices would have a direct adverse impact on the profitability of the industry and cause employment declines.[45] In her dissenting opinion in the second reviews, then-Vice Chairman Okun noted that, during the review period, the industry had consolidated and therefore had become more efficient, so that it could not be considered to be vulnerable.[46] These factors, coupled with the fact that a significant percentage of U.S. shipments did not directly compete with subject imports, led her to conclude that the likely adverse impact of any limited volume of subject imports would not be significant.[47]

The record of these reviews reflects the continuation of many of the trends noted by the Commission in the first and second five-year reviews. In particular, the industry became smaller over the period examined, with declines in both capacity and production, but still managed to increase both the quantity and value of shipments, with shipment unit values increasing over 22 percent.[48] Employment

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[42] 19 U.S.C. § 1675(a)(4). Section 752(a)(6) of the Tariff Act states that "the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy" in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the "magnitude of the margin of dumping" to be used by the Commission in five-year reviews as "the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title." 19 U.S.C. § 1677(35)(C)(iv). See also SAA at 887. Commerce has determined that, were the antidumping duty orders on solid urea from Russia and Ukraine to be revoked, dumping would likely continue or recur at the rate of 53.23 percent for Phillipp Brothers, Ltd./Phillipp Brothers, Inc. and at the country-wide rate of 68.26 percent. 76 Fed Reg. 19,747, (Apr. 8, 2011).

[43] 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.

[44] Original Determination at 9.

[45] First Five-Year Reviews at 22.

[46] Second Five-Year Reviews at 35-36.

[47] In these reviews, we recognize that the industries in Russia and Ukraine now produce both granular and prilled forms of urea, and thus that a portion of the domestic market is no longer insulated from competition with subject imports. Nonetheless, based on the record evidence in these reviews as discussed above, we find that the likely volume of subject imports entering, and thus competing in, the U.S. market would not be at significant levels in the reasonably foreseeable future.

[48] CR/PR at Tables I-1 & C-1. Capacity declined irregularly from 3.9 million tons in 2005 to 3.3 million tons in 2010. Likewise, production declined from 3.0 million tons in 2005 to 2.8 million tons in 2010. The quantity of U.S. shipments increased overall from 2.4 million tons in 2005 to 2.6 million tons in 2010, while the value of such shipments increased from $600 million to $803 million. The unit value of U.S. shipments increased from $249 per

data were mixed, with productivity increasing slightly between 2005 and 2010, while the actual number of production workers declined markedly.[49]

The industry's financial performance during the period of review was nothing short of spectacular. Total operating income increased an impressive 175 percent from 2005 to 2010, and operating income margins ranged from 11.7 percent in 2006 to 37.0 percent in 2008.[50] Even in the recession year of 2009, the industry managed an operating income margin of 32.6 percent. Cost of goods sold, both in absolute value and on a unit basis, also declined overall over the period. Notably, the ratio of COGS to sales fell in 2008 from its 2007 level, even though input costs (natural gas prices) spiked in that year.[51] This stellar financial performance also continued when the interim periods are compared, with the operating income margin at *** percent in January-June 2011 compared with *** percent in January-June 2010.

We decline to find the U.S. industry vulnerable, not only because of its strong performance during the period of review, but also because its future prospects appear to be favorable. The majority of questionnaire respondents, whether producers, importers, or purchasers, believe the short-term outlook for demand, both domestically and globally, is quite positive.[52] Domestic interested parties cited several factors that could result in a slowing of industry growth in the reasonably foreseeable future.[53] We find that such predictions, however, would be unduly speculative. For instance, although the pace of development of the shale gas industry in the United States may be uncertain, the record does not provide a clear indication of any retrenchment in development of the industry. Finally, as urea prices in the United States are currently rising, and the forecast for natural gas prices is that they will rise slowly in the near future, the record does not provide any basis for predicting a significant decline in the performance of the industry in the reasonably foreseeable future.[54]

Consequently, consistent with our findings that the likely volume and likely price effects of subject imports will not be significant, we find that subject imports would not be likely to have a significant adverse impact on the domestic industry's output, sales, market share, profits, or return on investment, if the orders were revoked. Based on the current robust demand in the U.S. market, the forecast for continued demand growth and input cost stability, and the strong condition of the domestic industry, the modest volume of subject imports that would be likely upon revocation would not be likely to have a significant adverse impact on the domestic industry.

III. CONCLUSION

For the above-stated reasons, we determine that revocation of the antidumping duty orders on solid urea from Russia and Ukraine would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

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ton in 2005 to $306 per ton in 2010.

[49] Id. The number of production and related workers fell irregularly from *** in 2005 to *** in 2010. Productivity, in tons per hour, was *** in 2005, *** in 2006, *** in 2007, *** in 2008, *** in 2009, and *** in 2010.

[50] CR/PR at Table C-1. The industry's operating income margins were 13.8 percent in 2005, 11.7 percent in 2006, 23.4 percent in 2007, 37.0 percent in 2008, 32.6 percent in 2009, and 33.6 percent in 2010. They were *** percent in January-June 2011, compared with *** percent in January-June 2010. Id.

[51] The ratio of cost-of-goods sold to net sales was 60.2 percent in 2008, down 12.2 percent from its 2007 level, which was 72.4 percent. CR/PR at Table C-1. The Henry Hub Spot Price for natural gas was $8.94 per MMBTU in 2008, considerably above its 2007 level. CR/PR at Table V-1 & figure V-1.

[52] CR at II-12, PR at II-8, & Table II-5. Notably, 8 out of 11 responding purchasers expected demand to increase in 2011 and 2012, and 7 out of 11 expected demand to increase after 2012.

[53] Domestic interested parties' prehearing brief at 62.

[54] CR/PR at Tables V-1 & V-2.

PART I: INTRODUCTION AND OVERVIEW

BACKGROUND

On December 1, 2010, the U.S. International Trade Commission ("Commission" or "USITC") gave notice, pursuant to section 751(c) of the Tariff Act of 1930, as amended ("the Act"),[1] that it had instituted reviews to determine whether revocation of the antidumping duty orders on solid urea from Russia and Ukraine would likely lead to the continuation or recurrence of material injury to a domestic industry.[2] [3] On March 7, 2011, the Commission determined that it would conduct full reviews pursuant to section 751(c)(5) of the Act.[4] Selected information relating to the background and scheduling of this proceeding appears in the following tabulation:[5]

[1] 19 U.S.C. 1675(c).

[2] *Solid Urea From Russia and Ukraine*, 75 FR 74746, December 1, 2010. All interested parties were requested to respond to this notice by submitting the information requested by the Commission.

[3] In accordance with section 751(c) of the Act, the U.S. Department of Commerce ("Commerce") published a notice of initiation of five-year reviews of the subject antidumping and countervailing duty orders concurrently with the Commission's notice of institution. *Initiation of Five-Year (''Sunset'') Review*, 75 FR 74685, December 1, 2010.

[4] *Solid Urea From Russia and Ukraine*, 76 FR 15339, March 21, 2011. The Commission found that with respect to both subject reviews the domestic interested party group responses to its notice of institution were adequate and that the respondent interested party group responses were inadequate. The Commission also found that other circumstances warranted conducting full reviews.

[5] The Commission's notice of institution, notice to conduct full reviews, scheduling notice, and statement on adequacy appear in appendix A and may also be found at the Commission's web site (internet address *www.usitc.gov*). Commissioners' votes on whether to conduct expedited or full reviews may also be found at the web site. Appendix B presents the witnesses that appeared at the Commission's hearing.

Effective date	Action
July 14, 1987	Commerce's antidumping duty orders on solid urea (52 FR 26367)[1]
March 1, 1999	Commerce's initiation and Commission's institution of first five-year reviews (64 FR 9970 and 10020)[1]
November 17, 1999	Commerce's continuation of antidumping duty orders on solid urea (64 FR 62653)[1]
October 1, 2004	Commerce's initiation and Commission's institution of second five-year reviews (64 FR 58890 and 58957)[1]
January 5, 2006	Commerce's continuation of antidumping duty orders on solid urea from Russia and Ukraine (71 FR 581)
December 1, 2010	Commerce's initiation and Commission's institution of third five-year reviews (75 FR 74685 and 74746)
March 7, 2011	Commission's determinations to conduct full five-year reviews (75 FR 15339, March 21, 2011)
April 8, 2011	Commerce's final results of expedited five-year review of the antidumping duty orders on solid urea from Russia and Ukraine (76 FR 19747)
April 21, 2011	Commission's scheduling of the reviews (76 FR 23835)
October 4, 2011	Commission's hearing
November 15, 2011	Commission's vote
December 5, 2011	Commission's determinations transmitted to Commerce

[1] Antidumping orders covered solid urea from German Democratic Republic ("GDR"), Romania, and the Union of Soviet Socialist Republics (later divided into 15 states including Russia and Ukraine). The orders covering solid urea from GDR were revoked on April 3, 1998 (63 FR 16471, April 3, 1998). On March 1, 1999, Commerce revoked the orders covering solid urea from Azerbaijan, Georgia, Kazakhstan, Krygyzstan, Latvia, and Moldova, and on Armenia on November 17, 1999 (64 FR 24137, May 5, 1999, 64 FR 28974, May 28, 1999, and 64 FR 62654, November 17, 1999). Commerce revoked the antidumping orders on Belarus, Estonia, Lithuania, Romania, Tajikistan, Turkmenistan, and Uzbekistan effective November 17, 2004 (69 FR 77993, December 29, 2004).

The Original Investigations

The original investigations resulted from petitions filed by the Ad Hoc Committee of Domestic Nitrogen Producers[6] on July 16, 1986, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value ("LTFV") imports of solid urea from the German Democratic Republic ("GDR"), Romania, and the Union of Soviet Socialist Republics ("USSR"). Following notification of a final determination by Commerce that imports from the GDR, Romania, and the USSR were being sold at LTFV, the Commission determined on July 1, 1987, that a domestic industry was materially injured by reason of LTFV imports of solid urea from the GDR, Romania, and the USSR.[7] Commerce published the antidumping duty orders on solid urea from the GDR, Romania, and the USSR on July 14, 1987.[8] In December 1991, the USSR divided into 15 independent countries. To conform to these changes, Commerce changed the original USSR antidumping duty order into fifteen orders applicable to each independent state of the former USSR.[9]

Subsequent Five-Year Reviews

During its first five-year reviews, Commerce did not receive a notice of intent to participate from any domestic interested party in the reviews concerning Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Latvia, and Moldova; it published the revocation of those antidumping duty orders on May 5, 1999 and May 28, 1999[10] and the Commission, in turn, terminated the corresponding reviews.[11] On November 4, 1999, the Commission completed an expedited five-year review of the subject orders and determined that revocation of the antidumping duty order on solid urea from Armenia would not likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time, and revocation of the orders on solid urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan would be likely to lead to such injury.[12] On November 17, 1999, Commerce revoked the antidumping duty order on imports of solid urea from

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[6] The Ad Hoc Committee of Domestic Nitrogen Producers was composed of the following firms: Agrico Chemical Go., Tulsa, OK; American Cyanamid Co., Wayne, NJ; CF Industries, Long Grove, IL; First Mississippi Corp., Jackson, MS; Mississippi Chemical Corp., Yazoo City, MS; Terra International, Inc., Sioux City, IA; and W.R. Grace & Co., New York, NY. In a letter dated September 5, 1986, the Commission was informed that Farmland Industries, Inc., Kansas City, MO, was no longer a member of the Ad Hoc Committee of Domestic Nitrogen Producers.

[7] *Urea from the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics, Inv. Nos. 731-TA-338-340 (Final)*, USITC Publication 1992, July 1987.

[8] *Urea From the Union of Soviet Socialist Republics*, 52 FR 26367, July 14, 1987.

[9] Further, on June 29, 1992, Commerce issued a *Transfer of the Antidumping Duty Order on Solid Urea From the Union of Soviet Socialist Republics to the Commonwealth of Independent States and the Baltic States and Opportunity to Comment.* This officially determined that the cash deposit rate of 68.26 percent established in the most recent administrative review would remain in effect for each new independent state. 57 FR 28828, June 29, 1992.

[10] *March 1999 Sunset Reviews: Final Results and Revocations*, 64 FR 24137, May 5, 1999 and *March and April 1999 Sunset Reviews: Final Results and Revocations*, 64 FR 28974, May 28, 1999.

[11] *Solid Urea From Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Latvia, and Moldova*, 64 FR 30358, June 7, 1999.

[12] *Solid Urea From Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan*, 64 FR 60225, November 4, 1999, and *Solid Urea From Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan, Invs. Nos. 731-TA-339 and 340 A-I (Review)*, USITC Publication 3248, October 1999.

Armenia,[13] and continued the orders on Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.[14]

On October 1, 2004, the Commission instituted the second five-year sunset reviews on the antidumping duty orders on solid urea from Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.[15] Commerce revoked the orders on Belarus, Estonia, Lithuania, Romania, Tajikistan, Turkmenistan, and Uzbekistan, effective November 17, 2004, because the domestic interested parties did not participate in the second sunset reviews.[16] Subsequently, the Commission terminated the second five-year reviews on solid urea from those countries.[17] Following affirmative determinations in the second five-year reviews by Commerce and the Commission,[18] Commerce issued a continuation of the antidumping duty orders on imports of solid urea from Russia and Ukraine on January 5, 2006.[19]

By decision and order dated August 28, 2007, the U.S. Court of International Trade remanded the Commission's affirmative five-year review determinations in *Solid Urea From Russia and Ukraine* (Nevinnomysskiy Azot v. United States, Slip Op. 07-130).[20] The Commission again determined that revocation of the antidumping duty orders covering solid urea from Russia and Ukraine would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.[21]

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[13] *Revocation of Antidumping Duty Order: Solid Urea From Armenia*, 64 FR 62654, November 17, 1999.

[14] *Continuation of Antidumping Duty Orders: Solid Urea From Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan*, 64 FR 62653, November 17, 1999.

[15] *Solid Urea From Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan*, 69 FR 58957, October 1, 2004.

[16] *Solid Urea from Belarus, Estonia, Lithuania, Romania, Tajikistan, Turkmenistan, and Uzbekistan: Final Results and Revocation of Orders*, 69 FR 77993, December 29, 2004.

[17] *Solid Urea From Belarus, Estonia, Lithuania, Romania, Tajikistan, Turkmenistan, and Uzbekistan*, 70 FR 2657, January 14, 2005.

[18] *Solid Urea from Ukraine; Final Results of the Expedited Sunset Review of the Antidumping Duty Order*, 70 FR 24394, May 9, 2005 and *Solid Urea from the Russian Federation; Final Results of the Expedited Sunset Review of the Antidumping Duty Order*, 70 FR 24528, May 10, 2005; *Solid Urea From Russia And Ukraine*, 70 FR 74846, December 16, 2005.

[19] *Notice of Continuation of Antidumping Duty Orders: Solid Urea from the Russian Federation and Ukraine*, 71 FR 581, January 5, 2006.

[20] *Solid Urea From Russia and Ukraine*, 72 FR 56383, October 3, 2007.

[21] *Solid Urea from Russia and Ukraine, Inv. Nos. 731-TA-340-E and H (Second Review) (Remand)*, USITC Publication 4059, November 2007.

SUMMARY DATA

Table I-1 presents a summary of data from the second full reviews and the current (third) full five-year reviews.[22] There were no imports of solid urea from Russia or Ukraine from the imposition of antidumping duty orders in 1987 through the end of the second reviews in 2004,[23] and only limited subject imports since 2005.[24] Quantity data throughout this report are presented in 1,000 short tons of solid urea, dry, 100-percent urea basis; unless indicated otherwise, "tons" refers to short tons.

[22] Data in the original investigation covering 1984-86 included countries that no longer exist and did not present separate data for Russia and Ukraine, while the first expedited reviews covering 1996-98 presented limited data for Russia and Ukraine. Therefore table I-1 presents data from second and current reviews. Data from the original investigation and the first expedited five-reviews are available in *Solid Urea From Russia and Ukraine, Inv. Nos. 731-TA-340-E & H (Second Review)*, USITC Publication 3821, December 2005, table I-1.

[23] *Solid Urea From Russia and Ukraine, Inv. Nos. 731-TA-340-E & H (Second Review)*, USITC Publication 3821, December 2005, p. I-4.

[24] Domestic interested parties report that no subject urea entered the United States in 2005, and only entered for the first time in the order's history in December 2006. Domestic interested parties note that several entries during 2005-06 were misclassified as solid urea, citing documentation of Census Bureau's confirmation of the corrections. In addition, domestic interested parties report that some of the shipments of Russian urea in 2008-10 were improperly misclassified as urea ammonium nitrate (UAN) solution, thus are not reported as Russian urea in Census data, but should be so classified. Domestic interested parties also reported that a portion of the imports in 2010 from Trinidad and Tobago were misclassified as solid urea. Domestic interested parties' response to the Notice of Institution, p. 5 and Exh. 2-A and email from Daniel Klett, Capital Trade Inc., August 26, 2011.

Table I-1
Solid urea: Comparative data from the second and current reviews, 1999-2010
(*Quantity in 1,000 short tons, value in 1,000 dollars*, *shares/ratios in percent*)

Item	1999	2000	2001	2002	2003	2004
U.S. consumption quantity:						
Amount	7,372	7,810	8,136	8,315	8,842	8,472
U.S. producers' share[1]	51.5	45.3	35.1	49.1	38.0	36.0
U.S. importers' share:[1]						
Russia	0.0	0.0	0.0	0.0	0.0	0.0
Ukraine	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal, subject imports	0.0	0.0	0.0	0.0	0.0	0.0
All other sources	48.5	54.7	64.9	50.9	62.0	64.0
Total imports	48.5	54.7	64.9	50.9	62.0	64.0
U.S. imports from:						
Russia:						
Quantity	0	0	0	0	0	0
Value	0	0	0	0	0	0
Unit value	0	0	0	0	0	0
Ukraine:						
Quantity	0	0	0	0	0	0
Value	0	0	0	0	0	0
Unit value	0	0	0	0	0	0
Subtotal, subject countries						
Quantity	0	0	0	0	0	0
Value	0	0	0	0	0	0
Unit value	0	0	0	0	0	0
All other sources:						
Quantity	3,573	4,275	5,279	4,229	5,480	5,425
Value	484,494	619,255	772,216	555,913	866,102	1,021,567
Unit value	$136	$145	$146	$131	$158	$188
Total:						
Quantity	3,573	4,275	5,279	4,229	5,480	5,425
Value	484,494	619,255	772,216	555,913	866,102	1,021,567
Unit value	$136	$145	$146	$131	$158	$188

Table I-1--*Continued*

2005	2006	2007	2008	2009	2010
8,624	8,159	9,933	8,628	7,943	9,674
27.9	33.2	27.4	30.3	34.2	27.1
0.0	0.0	0.0	0.1	0.2	1.2
0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.1	0.2	1.2
72.1	66.8	72.6	69.6	65.6	71.7
72.1	66.8	72.6	69.7	65.8	72.9
0	4	0	12	14	113
0	851	0	3,173	3,946	29,314
(2)	$233	(2)	$262	$283	$260
0	(3)	(3)	0	0	0
0	9	26	0	0	0
(2)	$399	$373	(2)	(2)	(2)
0	4	(3)	12	14	113
0	860	26	3,173	3,946	29,314
(2)	$234	$373	$262	$283	$260
6,216	5,450	7,216	6,004	5,210	6,938
1,529,452	1,318,055	2,217,638	2,862,233	1,441,064	2,145,022
$246	$242	$307	$477	$277	$309
6,216	5,454	7,216	6,016	5,224	7,050
1,529,452	1,318,915	2,217,664	2,865,406	1,445,010	2,174,336
$246	$242	$307	$476	$277	$308

Table I-1--*Continued*
Solid urea: Comparative data from the second and current reviews, 1999-2010
(*Quantity in 1,000 short tons, value in 1,000 dollars*, *shares/ratios in percent*)

Item	1999	2000	2001	2002	2003	2004
U.S. producers':						
Capacity quantity	4,242	4,242	5,444	5,444	5,417	4,810
Production quantity	3,909	3,582	3,903	4,911	4,112	3,790
Capacity utilization[1]	92.2	84.4	71.7	90.2	75.9	78.8
U.S. shipments:						
Quantity	3,799	3,535	2,857	4,086	3,362	3,047
Value	368,381	475,559	412,786	493,914	587,987	634,117
Unit value	$97	$135	$145	$121	$175	$208
Export shipments:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
Inventory/total shipments[1]	***	***	***	***	***	***
Production workers	790	772	776	778	669	560
Hours worked (*1,000*)	1,629	1,583	1,627	1,605	1,374	1,132
Wages paid (*$1,000*)	48,176	48,926	53,301	53,664	47,441	41,773
Hourly wage	$29.57	$30.90	$32.76	$33.42	$34.53	$36.89
Productivity (*tons/hour*)	2.4	2.3	2.4	3.1	3.0	3.3
Net sales:						
Quantity	3,873	3,627	3,645	5,043	4,386	3,822
Value	377,594	478,279	501,925	600,126	736,262	788,987
Unit Value	$98	$132	$138	$119	$168	$206
Cost of goods sold	406,761	441,722	540,167	591,012	667,014	646,416
Gross profit or (loss)	(29,167)	36,558	(38,242)	9,114	69,248	142,572
SG&A	16,053	17,643	18,045	21,010	22,506	22,693
Operating income or (loss) (*value*)	(45,220)	18,915	(56,287)	(11,896)	46,741	119,879
Unit cost of goods sold	$105	$122	$148	$117	$152	$169
Unit operating income or (loss)	($12)	$5	($15)	($2)	$11	$31
Cost of goods sold/sales (percent)[1]	107.7	92.4	107.6	98.5	90.6	81.9
Operating income or (loss)/sales[1]	(12.0)	4.0	(11.2)	(2.0)	6.3	15.2

[1] Reported data are in percent and period changes are in percentage points.
[2] Not applicable.
[3] Less than 500 short tons

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics. Data for 1999-2004 are compiled from *Solid Urea from Russia and Ukraine, Investigations Nos. 731-TA-340-E & H (Second Review)*, USITC Publication 3821, December 2005, pp. I-5-6, table I-1, and table C-1, and *Solid Urea from Russia and Ukraine, Investigations Nos. 731-TA-340-E & H (Second Review)*, Memo IVN-CC-186, October 28, 2005, table C-1.

Table I-1--*Continued*

2005	2006	2007	2008	2009	2010
3,874	3,970	3,968	3,255	3,392	3,345
3,020	3,113	3,021	2,679	2,824	2,754
78.0	78.4	76.1	82.3	83.3	82.3
2,408	2,705	2,717	2,613	2,719	2,624
600,598	654,100	870,231	1,237,652	799,205	803,227
$249	$242	$320	$474	$294	$306
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
2,973	3,223	2,947	2,653	2,918	2,704
729,075	775,226	940,718	1,254,404	843,563	821,846
$245	$241	$319	$473	$289	$304
589,214	646,336	681,309	755,087	531,153	511,331
139,861	128,890	259,409	499,317	312,410	310,515
39,385	38,028	39,287	35,081	37,148	34,219
100,476	90,862	220,122	464,236	275,262	276,296
$198	$201	$231	$285	$182	$189
$34	$28	$75	$175	$94	$102
80.8	83.4	72.4	60.2	63.0	62.2
13.8	11.7	23.4	37.0	32.6	33.6

PREVIOUS AND RELATED INVESTIGATIONS

Solid urea has not been the subject of any prior countervailing or antidumping duty investigations in the United States. However, solid urea was one of several products included in a 1995 general fact finding study.[25]

The Commission has conducted five-year reviews on a related product, solid fertilizer grade ammonium nitrate, from Russia and Ukraine. The trade remedies on this product date from 2000 (from Russia) and 2001 (for Ukraine).

On August 1, 2006, the Commission instituted a five-year review on solid fertilizer grade ammonium nitrate from Ukraine. Following the determinations by Commerce[26] and the Commission,[27] that termination of the suspended antidumping duty investigation on ammonium nitrate from the Ukraine would likely lead to continuation or recurrence of dumping, and material injury to an industry in the United States, Commerce issued a continuation of the antidumping duty order on July 9, 2007.[28]

On March 1, 2011, the Commission instituted a five-year review of the suspended investigation on solid fertilizer grade ammonium nitrate from Russia.[29] Effective May 2, 2011, Commerce terminated the suspension agreement and imposed an antidumping duty order on solid fertilizer grade ammonium nitrate from Russia.[30] Following determinations by Commerce[31] and the Commission[32] that termination of the antidumping duty order on ammonium nitrate from the Russia would likely lead to continuation or recurrence of dumping, and material injury to an industry in the United States, Commerce issued a continuation of the antidumping duty order on August 10, 2011.[33]

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory Criteria

Section 751(c) of the Act requires Commerce and the Commission to conduct a review no later than five years after the issuance of an antidumping or countervailing duty order or the suspension of an investigation to determine whether revocation of the order or termination of the suspended investigation "would be likely to lead to continuation or recurrence of dumping or a countervailable subsidy (as the case may be) and of material injury."

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[25] *The Economic Effect of Antidumping and Countervailing Duty Orders and Suspension Agreements, Invs. No. 332-344I,* USITC Publication 2900, June 1995.

[26] *Solid Agricultural Grade Ammonium Nitrate from Ukraine; Final Results of the Expedited Sunset Review of the Antidumping Duty Order*, 71 FR 70508 (December 5, 2006).

[27] *Certain Ammonium Nitrate From Ukraine*, 72 FR 35260 (June 27, 2007).

[28] *Solid Agricultural Grade Ammonium Nitrate from Ukraine: Continuation of Antidumping Duty Order*, 72 FR 37195, July 9, 2007.

[29] *Ammonium Nitrate From Russia*, 76 FR 11273, March 1, 2011.

[30] *Termination of the Suspension Agreement on Solid Fertilizer Grade Ammonium Nitrate From the Russian Federation and Notice of Antidumping Duty Order*, 76 FR 23569, April 27, 2011.

[31] The weighted average dumping margins (in percent ad valorem), as reported by Commerce, that would occur if the antidumping duty order were to be revoked, are 253.98 percent for Nevinka and for Russia-wide. *Solid Fertilizer Grade Ammonium Nitrate From the Russian Federation; Final Results of the Expedited Sunset Review of Antidumping Duty Order*, 76 FR 39847, July 7, 2011.

[32] *Ammonium Nitrate From Russia*, 76 FR 47238, August 4, 2011.

[33] *Continuation of Antidumping Duty Order on Solid Fertilizer Grade Ammonium Nitrate From the Russian Federation*, 76 FR 49449, August 10, 2011.

Section 752(a) of the Act provides that in making its determination of likelihood of continuation or recurrence of material injury--

(1) IN GENERAL.-- . . . the Commission shall determine whether revocation of an order, or termination of a suspended investigation, would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. The Commission shall consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated. The Commission shall take into account--

(A) its prior injury determinations, including the volume, price effect, and impact of imports of the subject merchandise on the industry before the order was issued or the suspension agreement was accepted,

(B) whether any improvement in the state of the industry is related to the order or the suspension agreement,

(C) whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated, and

(D) in an antidumping proceeding . . ., (Commerce's findings) regarding duty absorption . . ..

(2) VOLUME.--In evaluating the likely volume of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether the likely volume of imports of the subject merchandise would be significant if the order is revoked or the suspended investigation is terminated, either in absolute terms or relative to production or consumption in the United States. In so doing, the Commission shall consider all relevant economic factors, including--

(A) any likely increase in production capacity or existing unused production capacity in the exporting country,

(B) existing inventories of the subject merchandise, or likely increases in inventories,

(C) the existence of barriers to the importation of such merchandise into countries other than the United States, and

(D) 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.

(3) PRICE.--In evaluating the likely price effects of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether--

(A) there is likely to be significant price underselling by imports of the subject merchandise as compared to domestic like products, and

(B) imports of the subject merchandise are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.

(4) IMPACT ON THE INDUSTRY.--In evaluating the likely impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated, the Commission shall consider all relevant economic factors

which are likely to have a bearing on the state of the industry in the United States, including, but not limited to–

> *(A) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,*
> *(B) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, and*
> *(C) 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.*

The Commission shall evaluate all such relevant economic factors . . . within the context of the business cycle and the conditions of competition that are distinctive to the affected industry.

Section 752(a)(6) of the Act states further that in making its determination, "the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy. If a countervailable subsidy is involved, the Commission shall consider information regarding the nature of the countervailable subsidy and whether the subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement."

Organization of the Report

Information obtained during the course of the reviews that relates to the statutory criteria is presented throughout this report. A summary of trade and financial data for solid urea as collected in the reviews is presented in appendix C. U.S. industry data are based on the questionnaire responses of five U.S. producers of solid urea that are believed to have accounted for approximately *** percent of domestic production of solid urea in 2010. U.S. import data and related information are based on Commerce's official import statistics, corrected for errors based on information supplied by the domestic interested parties.[34] Foreign industry data and related information are based on the questionnaire responses of one producer of solid urea in Ukraine, estimated by one industry source to account for approximately *** percent of total production in Ukraine,[35] and supplemented with available published information. Responses by U.S. producers, importers, purchasers, and foreign producers of solid urea to a series of questions concerning the significance of the existing antidumping and countervailing duty orders and the likely effects of revocation of such orders are presented in appendix D. Additional detailed price data appear in appendix E.

[34] See previous discussion of these corrections in the section of this chapter entitled "Summary Data."

[35] The Ukranian producer was unable to provide an estimate of its share of production. But see ***. No responses were received from foreign producers in Russia.

COMMERCE'S REVIEWS

Administrative Reviews[36]

Between January 2005 and June 2011, Commerce completed one antidumping duty administrative review and one new shipper review with regard to subject imports of solid urea from Russia.[37] In its new-shipper review, Commerce determined, effective May 22, 2008, that the weighted-average margin on solid urea produced in Russia and exported by MCC EuroChem to be zero percent, while all others remained at 64.93 percent.[38] However, effective August 20, 2010, Commerce determined the weighted-average margin on solid urea produced in Russia and exported by MCC EuroChem to be 21.79 percent, while all others remained at 64.93.[39] [40]

Commerce has completed no antidumping duty administrative reviews with regard to subject imports of solid urea from Ukraine.

Five-Year Reviews

Commerce has issued the final results of its expedited reviews with respect to all subject countries. Table I-2 presents the dumping margins calculated by Commerce in its original investigations, first reviews, second reviews, and third reviews for Russia and Ukraine.

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[36] Commerce has not issued duty absorption findings with respect to solid urea from the subject countries.

[37] Commerce conducted one administrative review of solid urea from the USSR prior to its division, finding a margin of 68.26 percent for SPE for the period reviewed (January 2, 1987 through June 30, 1988). *Solid Urea from Russia and Ukraine, Investigations Nos. 731-TA-340-E & H (Second Review)*, USITC Publication 3821, December 2005, p. I-10.

[38] *Solid Urea from the Russian Federation: Final Results of Antidumping Duty New–Shipper Review and Rescission of Antidumping Duty Administrative Review*, 73 FR 29736, May 22, 2008.

[39] *Solid Urea from the Russian Federation: Final Results of Antidumping Duty Administrative Review*, 75 FR 51440, August 30, 2010.

[40] Commerce, on August 31, 2010, initiated an administrative review on solid urea from Russia for the period of July 1, 2009 through June 30, 2010, and on June 17, 2011, preliminarily calculated a weighted-average margin of 1.17 percent for MCC EuroChem, while the rate for all others remained at 64.93 percent. On October 27, 2011, Commerce published the final results of this administrative review in which weighted-average margin for MCC EuroChem remained unchanged from Commerce's preliminary calculation at 1.17 percent. *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Deferral of Initiation of Administrative Review*, 75 FR 53274, August 31, 2010 and *Solid Urea From the Russian Federation: Preliminary Results of Antidumping Duty Administrative Review*, 76 FR 35405, June 17, 2011. *Solid Urea From the Russian Federation: Final Results of Antidumping Duty Administrative Review*, 76 FR 66690, October 27, 2011.

On August 26, 2011, Commerce initiated administrative review of the antidumping order on solid urea from Russia for the period July 1, 2010 through June 30, 2011. *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Requests for Revocation in Part*, 76 FR 53404, August 26, 2011.

Table I-2
Solid urea: Commerce's original, first five-year, second five-year, and third five-year dumping margins for producers/exporters

Producer/exporter	Original margin (*percent*)	First five-year review margin (*percent*)	Second five-year review margin (*percent*)	Third five-year review margin (*percent*)
Soyuzpromexport (SPE)	68.26	68.26	68.26	68.26
Phillipp Brothers, Ltd. & Phillipp Brothers, Inc.	53.23	53.23	53.23	53.23
All others	64.93	68.26	68.26	64.93

Source: *Urea from the Union of Soviet Socialist Republics, Final Determination of Sales at Less Than Fair Values*, 52 FR 19557, May 26, 1987; *Final Results of Expedited Sunset Reviews: Solid Urea from Armenia, Belarus, Estonia, Lithuania, Russia, Ukraine, Tajikistan, Turkmenistan, and Uzbekistan*, 64 FR 48357, September 3, 1999; *Solid Urea from Ukraine; Final Results of the Expedited Sunset Review of the Antidumping Duty Order*, 70 FR 24394, May 9, 2005; *Solid Urea from the Russian Federation; Final Results of the Expedited Sunset Review of the Antidumping Duty Order*, 70 FR 24528, May 10, 2005; *Solid Urea From the Russian Federation and Ukraine: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders*, 76 FR 19747, April 8, 2011.

THE SUBJECT MERCHANDISE

Commerce's Scope

The imported product subject to the antidumping duty orders under review, as defined by Commerce, is solid urea, a high-nitrogen content fertilizer which is produced by reacting ammonia with carbon dioxide.[41]

Tariff Treatment

Solid urea is classifiable in the Harmonized Tariff Schedule of the United States ("HTS") under subheading 3102.10.00.[42] The current rate of duty for solid urea is free, as was the applicable rate at the time of the original investigations.[43]

THE PRODUCT

Description and Applications

Solid urea ($CO(NH_2)_2$) is a white crystalline organic compound containing at least 46 percent nitrogen (N) by weight. It is produced in granular or prilled form for fertilizer and industrial use.

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[41] *Urea From the Union of Soviet Socialist Republics*, 52 FR 26367, July 14, 1987, and *Solid Urea From the Russian Federation and Ukraine: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders*, 76 FR 19747, April 8, 2011.

[42] Previously such merchandise was classified under item number 480.30, in the former Tariff Schedules of the United States. *Solid Urea From the Russian Federation and Ukraine: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders*, 76 FR 19747, April 8, 2011.

[43] *Urea from the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics, Inv. Nos. 731-TA-338-340 (Final)*, USITC Publication 1992, July 1987.

Granular forms are typically larger, irregularly shaped particles ranging predominately in size from 1.7 to 3.4 millimeters ("mm"), while prills are smaller spherical particles of 1.2 to 2.0 mm. The product typically contains a small amount of urea-formaldehyde conditioning agent (1 to 3 percent by weight), which enhances physical strength and inhibits moisture absorption.[44] Urea also contains a small amount of biuret by-product (1.0 to 1.5 percent by weight).[45] Biuret is an organic nitrogen compound that must be kept to a minimum as it can be harmful to fertilized crops and deleterious in other uses. Solid urea is water soluble, not flammable, and is not used as an explosive.

Solid urea is the most popular solid nitrogen fertilizer for sale because of its unique physical and chemical properties. It has the highest nitrogen content of all solid nitrogen fertilizers, the lowest transportation costs per unit of nitrogen nutrient, and excellent physical strength characteristics. Solid urea is also an important industrial product, particularly in the United States, Canada, and other Western countries.

Production costs for prilled urea are generally lower than for granular urea.[46] Prills are used in many applications, including fertilizer and industrial uses. The industrial market for prills consists of a small niche for pharmaceutical applications, a larger market of microprills for animal feed, a small market for swimming pool chemicals, and a larger market for adhesive resins.[47] Granular forms, however, increasingly have become the product of choice as a fertilizer product and for selected nonfertilizer applications because of their physical integrity, including a generally higher impact strength and crushing strength than prills, which are particularly important characteristics for product handling, storage, and bulk transportation. Granular products, because of their irregular particle surface and physical integrity, also are preferred for bulk blending applications with other fertilizer nutrients, such as phosphate and potash. Free-flowing behavior is an important feature when choosing between granular and prilled urea. Russia and Ukraine each currently have granular and prill production capabilities, as does the United States.[48]

On a global basis, *** percent of solid urea shipments are estimated to be consumed for fertilizer use; the remainder is destined for industrial use. According to public and confidential industry sources, in the United States in 2009, solid urea consumption was estimated to be *** percent for fertilizer use and the remainder for animal feed and industrial uses.[49] According to U.S. Census Bureau data, in 2010, granular urea accounted for 75 percent of U.S. production by value, and prills accounted for 25 percent.[50]

In 2009, urea consumption for fertilizer use (either in solid form or as part of a urea-ammonium nitrate solution) in the United States ***. The share of solid urea consumption for fertilizer use as a portion of total urea fertilizer consumption has fluctuated since 2004, ***. However, in terms of absolute

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[44] Staff interviewed ***. Staff telephone interview with ***.

[45] http://www.cfindustries.com, retrieved August 26, 2011.

[46] See http://www.oz-group.com/urea.html, retrieved August 25, 2011; http://www.ikisan.com/Fertilizers/urea.htm, retrieved August 25, 2011.

[47] *Solid Urea from Russia and Ukraine, Investigations Nos. 731-TA-340-E & H (Second Review)*, USITC Publication 3821, December 2005, p. I-11. Microprills have a diameter of approximately 0.5 mm and are favored for animal feed use because of their size compatibility with the other ingredients in the feed. ***.

[48] IFDC, *Worldwide Urea Capacity Listing by Plant*, March 2011.

[49] ICIS.com, "Urea Uses and Market Data," December 2010, http://www.icis.com/v2/chemicals/9076559/urea/uses.html; ***.

[50] U.S. Census Bureau, "Fertilizers and Related Chemicals," *Current Industrial Reports*, MQ325B. Data by quantity was unavailable due to concerns regarding propriety information.

volumes and total nitrogen content, solid urea remains the second most popular fertilizer choice compared to urea solution fertilizers.[51]

In the United States, consumers typically use urea as a single nutrient fertilizer or in bulk blends or nitrogen solutions. Urea is most heavily applied during the spring season to a wide variety of crops and is more effective (efficient) if applied in cooler climate regions.[52]

As an industrial product, solid urea is used in the production of urea-formaldehyde resins used in the adhesives industry (plywood and particle board); molding powders; and varnishes and foams and for impregnating paper, textiles, and leather. The product is also used extensively as a synthetic protein supplement for ruminant animals where tiny microprills are commonly incorporated into animal feeds. Melamine resins are produced from solid urea; their principal uses are for laminates and surface coatings. There are a variety of miscellaneous industrial uses for solid urea, including nitrogen oxide abatement in industrial power plants and de-icing material for airport runways.[53]

Manufacturing Processes

Solid urea is manufactured at high temperatures and pressures by reacting ammonia (NH_3) with carbon dioxide (CO_2). Following this reaction, a sequence of vacuum evaporators removes water, the reaction by-product, from the urea solution. A urea-formaldehyde conditioning agent is added, and the resulting molten urea product is either granulated or prilled. All newly constructed urea plants producing only solid urea employ a process in which all reactants not converted into urea are recycled, resulting in a typical overall input-conversion rate of *** percent.[54]

The beginning of the urea synthesis reaction process, as described above, is fundamentally the same for prilled and granular urea, but the prilling and granulation processes themselves differ. Prilling production facilities employ older and less complex prill tower technologies,[55] which are not as expensive as granulation technologies.[56] Older granulation technologies employ drum granulators, but the newest granulation technologies employ fluid bed granulators that require a substantial capital outlay for the patented process, including the costs of engineering, licensing fees, and royalties. The new fluid bed granulation technologies are reported to produce superior hard, durable, solid urea products—important characteristics for a number of urea end uses—than older granulation technologies.

Fluid bed granulation technology involves spraying molten urea at a concentration of approximately 96 percent onto a moving bed of small urea granules until the granules are built up to the proper size by the use of cool air drawn into the granulator. Drum granulation techniques involve spraying molten urea at a concentration of more than 99 percent onto a rolling bed of solid particles or a

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[51] ***.

[52] See http://www.ikisan.com/Fertilizers/urea.htm, retrieved August 25, 2011.

[53] See ***; http://scorecard.goodguide.com/chemical-profiles/uses.tcl?edf_substance_id=57-13-6, retrieved August 28, 2011; ICIS.com, "Urea Uses and Market Data," December 2010, http://www.icis.com/v2/chemicals/9076559/urea/uses.html.

[54] United Nations Industrial Development Organization (UNIDO) and International Fertilizer Development Center (IFDC), *Fertilizer Manual* (Muscle Shoals, AL: IFDC, 1998), p. 260; ***. In the less-capital-intensive "partial-recycle" or "once-through" production processes, the conversion rate of the ammonia input alone is just 30-65 percent. UNIDO and IFCD, *Fertilizer Manual*, p. 259.

[55] ***.

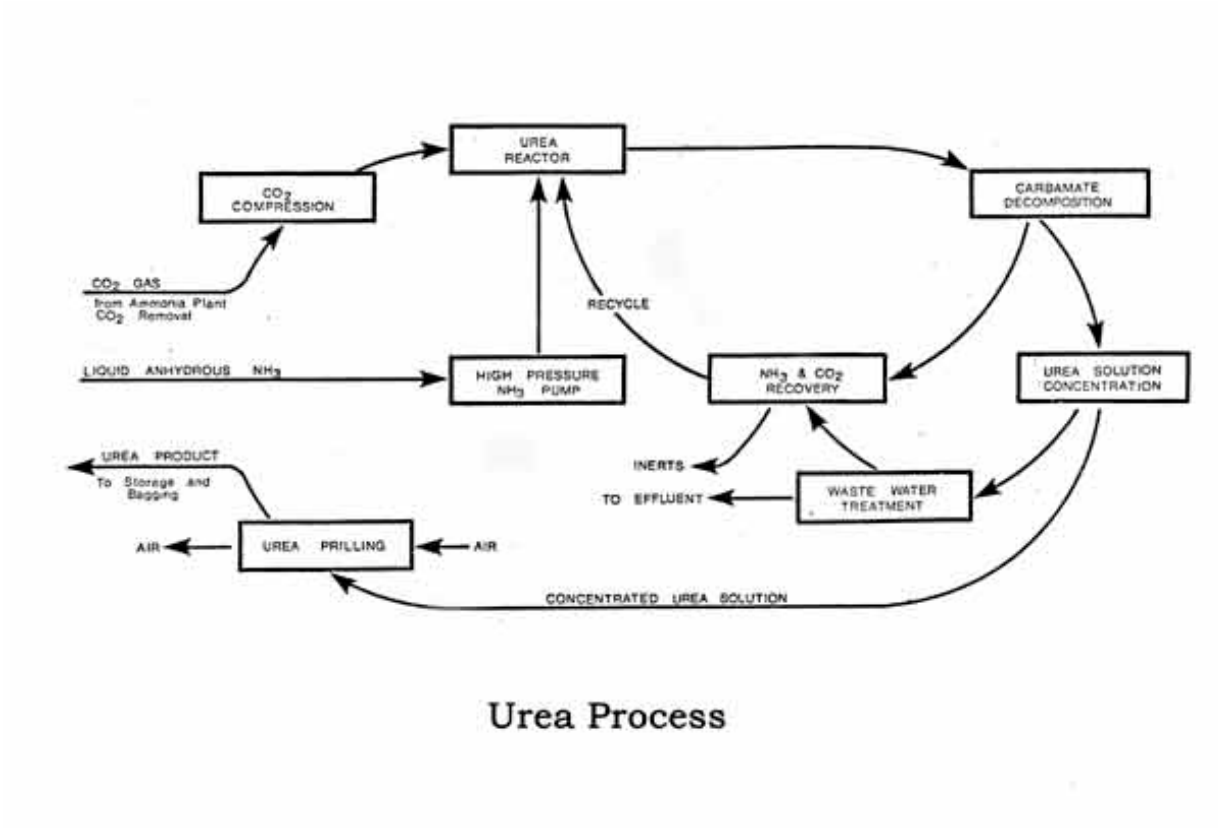
[56] See http://www.oz-group.com/urea.html, retrieved August 25, 2011; http://www.ikisan.com/Fertilizers/urea.htm, retrieved August 25, 2011.

recycled stream of fines. As a result of the rolling action, particles are coated with thin layers of molten urea and gradually built up to granules of an appropriate size through the use of cooling air.[57]

Prilling typically involves pumping a urea melt with a concentration of greater than 99 percent into a perforated spinning cone or similar dispersion device that sits atop a large, multistory cylindrical prill tower. The perforated cone casts out molten spherical urea droplets that solidify as they fall through the large tower and are cooled by upward air flow. This relatively simple process is typical of most prilling operations. A major urea engineering design firm developed a process that significantly improved the physical properties of prills.[58] This process involves a seeding system wherein fine urea dust is blown into the prill tower, forming a nucleus for proper crystal growth. The resulting prill contains long interlocking crystals, significantly improving the crushing and impact strength.[59]

Figure I-1 shows a flow diagram of a typical prilled urea synthesis process.

Figure I-1
Typical prilled urea synthesis process flow diagram



Source: http://www.techhistory.co.nz/, retrieved August 9, 2011.

[57] See http://www.ikisan.com/Fertilizers/urea.htm, retrieved August 25, 2011.

[58] Stamicarbon is the licensing agent for Dutch State Mines (DSM), Geleen, the Netherlands. Stamicarbon is a leading licensor of global urea synthesis technology.

[59] UNIDO and IFDC, *Fertilizer Manual*, p. 267.

As shown by the above diagram, the reaction of ammonia and carbon dioxide (a by-product of the reaction that produces ammonia from natural gas feedstock) produces ammonium carbamate, which is converted in turn into a solution of urea in water. Approximately 40 percent of the ammonium carbamate is not converted during this process and is decomposed back into ammonia and carbon dioxide and then recycled. The process is energy intensive. External energy requirements are supplied by natural gas and by-product steam.

DOMESTIC LIKE PRODUCT ISSUES

In its original determinations, the Commission defined the domestic like product as solid urea, in any form, i.e., whether granular or prilled."[60] In its notice of institution in these current five-year reviews, the Commission solicited comments from interested parties regarding the appropriate domestic like product and domestic industry.[61] The domestic interested parties commented on the Commission's definitions of domestic like product and indicated that it agrees with the definitions of domestic like product and domestic industry stated in the Commission's Notice of Institution.[62] No other interested party provided further comment on the domestic like product. No party requested that the Commission collect data concerning other possible domestic like products in their comments on the Commission's draft questionnaires.

U.S. MARKET PARTICIPANTS

U.S. Producers

During the original investigations, 24 firms supplied the Commission with information on their U.S. operations with respect to solid urea. These firms accounted for all of U.S. production of solid urea in 1986.[63] In these current proceedings, the Commission issued producers' questionnaires to six firms, five of which provided the Commission with information on their solid urea operations.[64] These firms are believed to account for a large majority of U.S. production of solid urea in 2010. Table I-3 presents is a list of current domestic producers of solid urea and each company's position on continuation of the orders, production location(s), related and/or affiliated firms, and share of reported production of solid urea in 2010.

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[60] *Urea from the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics, Inv. Nos. 731-TA-338-340 (Final)*, USITC Publication 1992, July 1987, p. 4.

[61] *Solid Urea From Russia and Ukraine*, 75 FR 74746, December 1, 2010.

[62] Domestic interested parties' submission of January 3, 2011, p. 33.

[63] The 24 U.S. producers that supplied the Commission with usable questionnaire information during the original investigations were: Agrico Chemical Co., Air Products Corp., American Cyanamid, Arcadian Corp., Atlas Powder Co., Borden Chemical Co., CF Industries, Inc., CPEX, Columbia Nitrogen, Cominco American, Inc., Farmland Industries, First Mississippi Corp., Goodpasture, Inc., Hawkeye Chemical Co., J.R. Simplot, LaRoche Industries, Mississippi Chemical Corp., N-ReN Corp., Olin Corp, Standard Oil Co., Terra International, Inc., Unocal, W.R. Grace, and Wycon Chemical Co.

[64] One U.S. producer of solid urea, Dyno Nobel, did not provide a response in these reviews. Dyno Nobel represents less than *** percent of total U.S. production capacity and production of solid urea, based on 2004 capacity (***), the last year for which data were collected in the second reviews, and an average capacity utilization of *** percent during 1999-2004. IFDC and *** report that Dyno Nobel's urea production capacity has not changed since 2007 and 2004, respectively.

Table I-3
Solid urea: U.S. producers, positions on the orders, U.S. production locations, related and/or affiliated firms, and shares of 2010 reported U.S. production

Firm	Position on continuation of the orders	U.S. production location(s)	Parent company	Share of production (*percent*)
Agrium U.S.	***	Kenai, AK[1] Borger, TX	Agrium, Inc. (Canada)[2]	***
CF Industries	***	Donaldsonville, LA	None[3]	***
Koch	***	Enid, OK	Koch Fertizer [4]	***
PCS Nitrogen Fertilizer	***	Augusta, GA Lima, OH	Potash Corporation of Saskatchewan, Inc. (Canada)[5]	***
Rentech Energy Midwest	***	East Dubuque, IL	Rentech, Inc.	***

[1] Agrium closed the facility in Kenai, AK, in late 2007. "Agrium announces closure of Kenai nitrogen facility," Agrium news release, September 25, 2007, found at http://agrium.com/news/05784_8346.jsp.
[2] Agrium is related to foreign producers Misr Fertilizers Production Company (Egypt), Profertil S.A. (Argentina), and Agrium (Partnership) (Canada).
[3] CF is related to Canadian Fertilizers, Ltd. and Terra International, Inc., solid urea producers and exporters in Canada.
[4] Koch is related to Koch Fertilizer Canada, ULC, a solid urea producer and exporter in Canada.
[5] PCS is related to PCS Nitrogen Trinidad Ltd., a solid urea producer and exporter in Trinidad and Tobago.

Note.–In 2004, the final year for which data were collected in the second reviews, the following companies reported U.S. production of solid urea (and their share of 2004 U.S. production): Agrium (*** percent), CF (*** percent), Dyno Nobel (*** percent), Koch (*** percent), MCC (*** percent), PCS (*** percent), Royster-Clark (*** percent), and Terra (*** percent).

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

As indicated in the table above, no U.S. producers are related to foreign producers of the subject merchandise or U.S. importers of the subject merchandise. In addition, as discussed in greater detail in *Part III*, no U.S. producers directly imported subject merchandise, although one producer (***) purchased subject merchandise imported from ***. Three producers (***) imported nonsubject merchandise, three (***) purchased nonsubject merchandise from U.S. importers, and four producers (***) purchased solid urea from other sources.

U.S. Importers

In the original investigations, 16 U.S. importing firms supplied the Commission with usable information on their solid urea import operations. In the second reviews (the first reviews were expedited), 13 firms, accounting for 61.1 percent of U.S. imports as measured by official statistics of the Department of Commerce, corrected for errors, responded to Commission questionnaires. Of the 13 responding U.S. importers, five were domestic producers (***).[65]

In the current proceeding, the Commission issued importers' questionnaires to 21 firms believed to be importers of solid urea, as well as to all U.S. producers of solid urea. Eleven companies,

[65] *Solid Urea from Russia and Ukraine, Investigations Nos. 731-TA-340-E & H (Second Review)*, USITC Publication 3821, December 2005, p. I-25.

representing approximately 80 percent of total imports from nonsubject sources, provided usable questionnaire responses.[66] These include four domestic producers, ***.

Several of the U.S. importers are independent trading enterprises. Interoceanic describes itself as "an international leader in bulk chemical fertilizer distribution...including distribution of imported nitrogen from the FSU, China, and the Arab Gulf into major North American Ports...and {we} have broadened our International Trading to include all types of major fertilizer products to and from worldwide destinations."[67] Gavilon Fertilizer describes itself as "a leading commodity management connecting producers and consumers of food and energy through our global supply chain network." The company claims that "because of the fluidity in the marketing and distribution channel, we leverage our expertise in origination, storage and handling, transportation and logistics and risk management to get the best prices for our customers on a wide array of bulk fertilizer products."[68] Transammonia is "an international merchandising and trading company that markets, trades, distributes and transports fertilizer materials," with offices throughout the world. Transammonia claims to be "the world's largest private fertilizer and fertilizer raw materials merchandising and trading company."[69]

None of the responding firms reported imports of subject merchandise from Russia and Ukraine.[70] Table I-4 lists all responding U.S. importers of solid urea, their locations, and their shares of reported U.S. imports in 2010.

[66] In addition, two Canadian firms related to U.S. importer, Yara North America, Yara Belle Plaine and Yara Canada, provided limited responses.

[67] Interoceanic company website, *About Us*, found at http://ioccorp.com/html/about.html, retrieved on October 18, 2011.

[68] Gavilon company website, *About Gavilon* and *Fertilizer*, found at http://www.gavilon.com/about-gavilon and http://www.gavilon.com/commodities/fertilizer, retrieved on October 18, 2011.

[69] Transammonia company website, *Corporate Structure* and *Facts & Figures*, found at http://www.transammonia.com/e/corporate/corporate.html and http://www.transammonia.com/e/corporate/facts.html.

[70] Domestic interested parties report that no subject urea entered the United States in 2005, and only entered for the first time in the order's history in December 2006. Domestic interested parties contend that only one firm, MCC EuroChem, has imported subject merchandise from Russia, and there have been very limited, if any at all, imports of subject merchandise from Ukraine. Domestic interested parties' response to the Notice of Institution, p. 5.

Table I-4
Solid urea: U.S. importers, source(s) of imports, headquarters, and shares of reported imports in 2010

Firm	Headquarters	Source of imports	Share of reported 2010 imports *(percent)*
Agrium US	Denver, CO	Canada, Egypt	***
Canton Chem	Clarksville, MD	India, Germany	***
CF Industries	Donaldsonville, LA	Canada	***
CHS	Inver Grove Heights, MN	Australia, Bahrain, Bangladesh, China, Egypt, Kuwait, Oman, Saudi Arabia, Trinidad, and Venezuela	***
EMD Chemicals	Gibbstown, NJ	Germany	***
EuroChem Trading	Tampa, FL	Russia[1]	***
Gavilon Fertilizer	Savannah, GA	China, Egypt, Belarus, Romania, Libya, Kuwait, Bahrain, Oman, Saudi Arabia	***
Interoceanic	Ossining, NY	Estonia, Oman	***
Koch Nitrogen International	Wichita, KS	([2])	***
PCS Nitrogen Fertilizer	Northbrook, IL	Trinidad	***
Sabic Americas	Houston, TX	Saudi Arabia	***
Transammonia	Tampa, FL	China, Egypt, Trinidad, Indonesia, Romania, Oman	***
Yara Belle Plaine	Regina, SK	Canada, Qatar	***
Yara Canada	Montreal, QC	Canada	***
Yara North America	Tampa, FL	Qatar, Netherlands, Kuwait, Venezuela, Latvia, Egypt, China, Indonesia, Libya	***
Total			100.0

[1] ***.
[2] Not available/did not provide.

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

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

U.S. Purchasers

The Commission received 12 purchaser questionnaire responses from firms that bought solid urea during January 2005-June 2011. These firms reported purchases totaling 3.2 million short tons in 2010. The largest purchasers were ***. Seven purchasers indicated that they were distributors, 4 end users, 1 trader, 1 dealer, and 1 wholesaler.[71] All 12 purchasers reported purchasing domestic product, *** reported purchasing from Russia,[72] 8 reported purchasing from nonsubject sources, and none reported purchasing from Ukraine.

APPARENT U.S. CONSUMPTION

Data concerning apparent U.S. consumption of solid urea during the period for which data were collected are shown in table I-5 and figures I-2 and I-3.[73] While both U.S. producers' U.S. shipments and U.S. imports fluctuated over the period for which data were collected, ending 9.0 percent and 13.4 percent higher in 2010 than in 2005, they largely followed opposite trends (except in 2007 when they both increased and 2008 when they both decreased, although imports to a much greater extent). Apparent U.S. consumption also fluctuated during 2005-10, reaching its highest level in 2007, then declining during 2008-09, before rising to its second highest level in 2010 (at 12.2 percent higher than in 2005). Apparent U.S. consumption was 7.4 percent lower in January-June 2011 compared with January-June 2010.

[71] Some purchasers specified multiple roles.

[72] ***.

[73] The second quarter of the year is typically when sales of fertilizer are the highest in the United States due to the spring planting season. However, planting conditions and the timing of customer purchases may vary each year and sales can shift from one quarter to another. PCS June 30, 2011 10-Q, p. 11, CF 2010 10-K, p. 13, and Rentech 2010 10-K, p. 13. See ***.

Table I-5
Solid urea: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 2005-10, January-June 2010, and January-June 2011

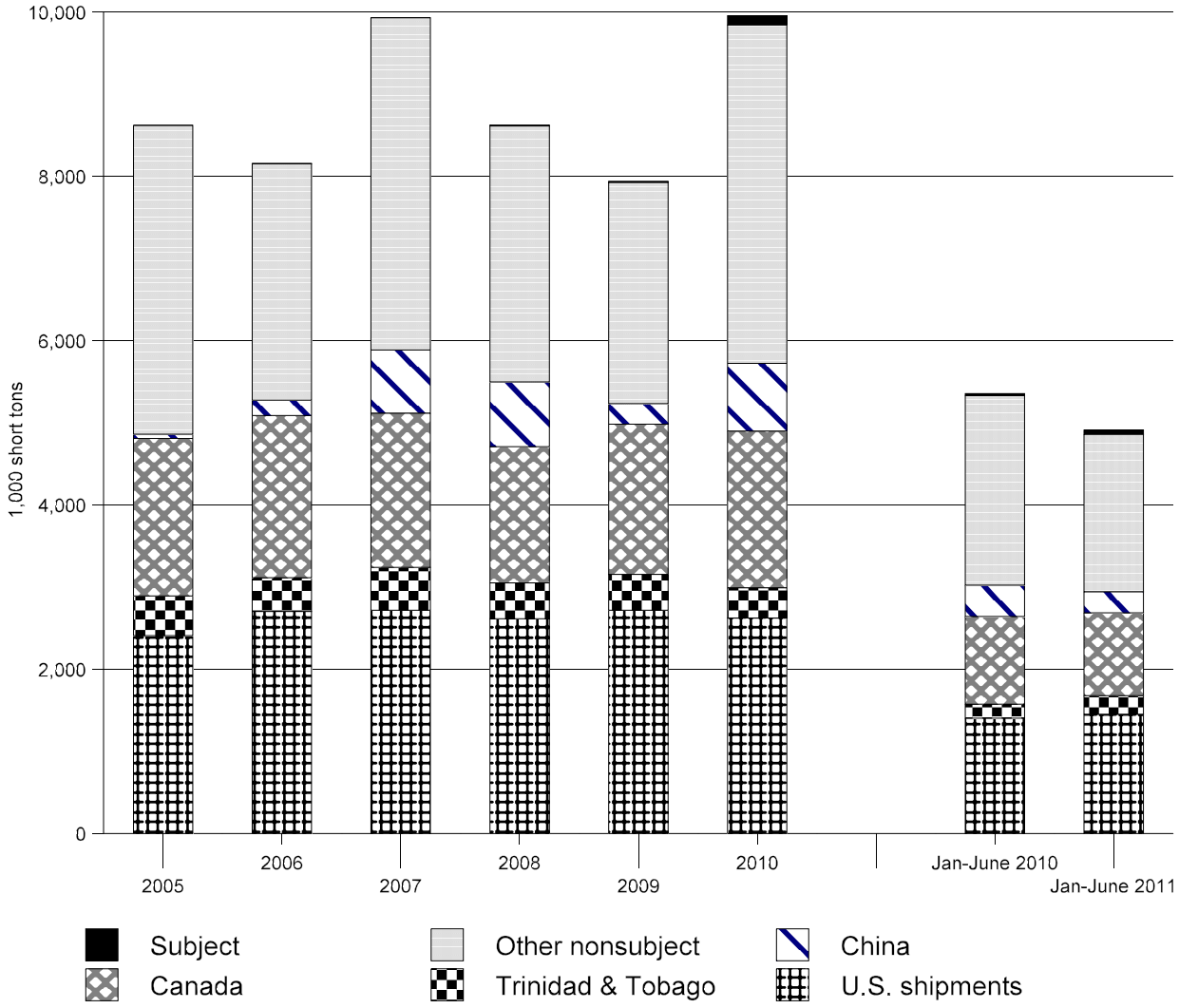
Item	Calendar year						January-June	
	2005	2006	2007	2008	2009	2010	2010	2011
Quantity (*1,000 short tons*)								
U.S. producers' U.S. shipments	2,408	2,705	2,717	2,613	2,719	2,624	1,405	1,452
U.S. imports--								
Russia	0	4	0	12	14	113	113	52
Ukraine	0	([1])	([1])	0	0	0	0	0
Subtotal, subject	0	4	([1])	12	14	113	113	52
Nonsubject countries[1]	6,216	5,450	7,216	6,004	5,210	6,938	3,787	3,409
Total U.S. imports	6,216	5,454	7,216	6,016	5,224	7,050	3,900	3,461
Apparent U.S. consumption	8,624	8,159	9,933	8,628	7,943	9,674	5,305	4,913
Value (*1,000 dollars*)								
U.S. producers' U.S. shipments	600,598	654,100	870,231	1,237,652	799,205	803,227	425,079	555,758
U.S. imports from-								
Russia	0	851	0	3,173	3,946	29,314	29,314	17,881
Ukraine	0	9	26	0	0	0	0	0
Subtotal, subject	0	860	26	3,173	3,946	29,314	29,314	17,881
Nonsubject countries[1]	1,529,452	1,318,055	2,217,638	2,862,233	1,441,064	2,145,022	1,161,330	1,266,728
Total U.S. imports	1,529,452	1,318,915	2,217,664	2,865,406	1,445,010	2,174,336	1,190,644	1,284,609
Apparent U.S. consumption	2,130,050	1,973,015	3,087,895	4,103,058	2,244,215	2,977,563	1,615,723	1,840,367

[1] Less than 500 short tons.

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

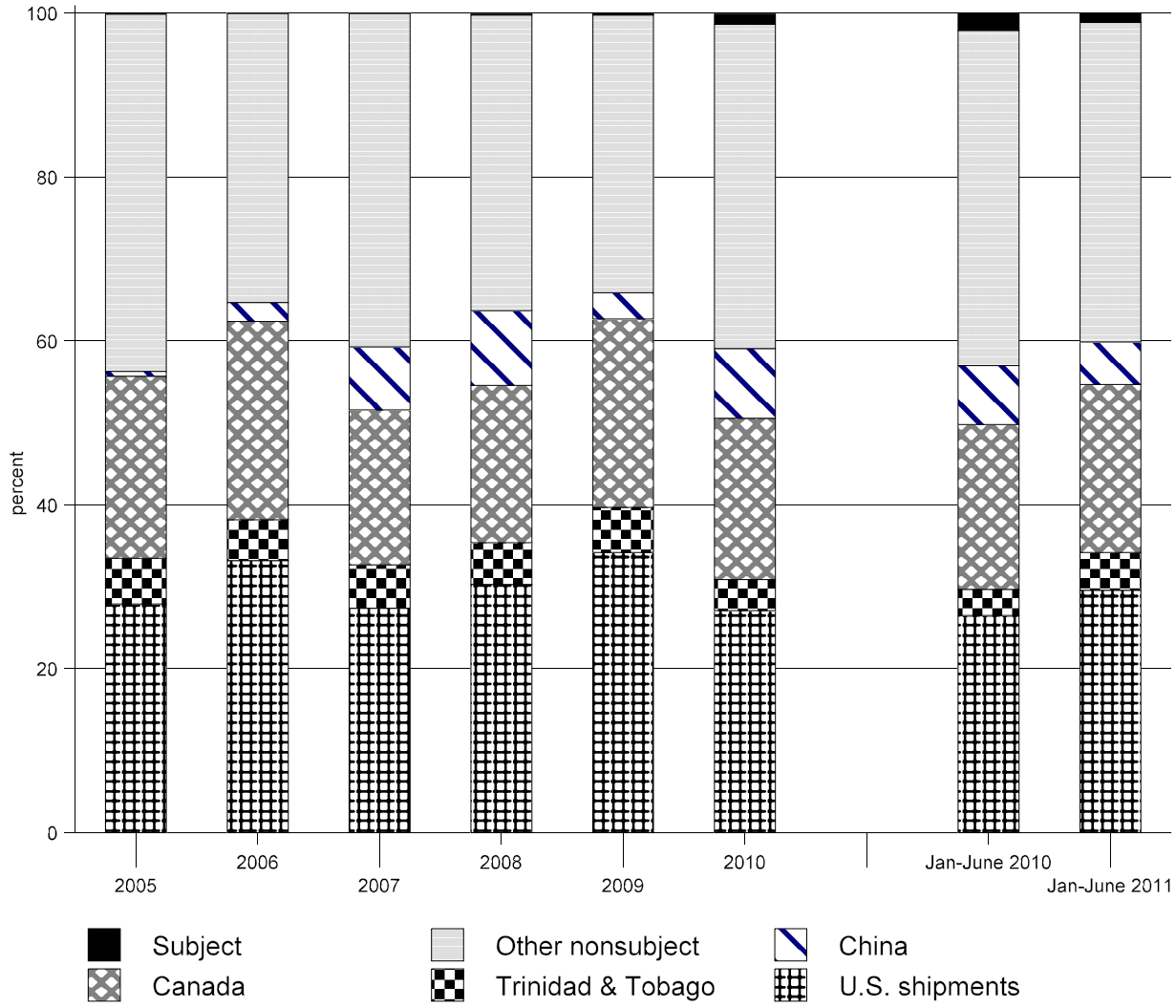
Source: Compiled from data submitted in response to Commission questionnaires, and official Commerce statistics (HTS statistical reporting number, 3102.10.0000) adjusted for misclassifications identified by domestic interested parties.

Figure I-2
Solid urea: Apparent U.S. consumption, by sources, 2005-10, January-June 2010, and January-June 2011



Source: Tables I-5 and IV-1.

Figure I-3
Solid urea: Share of apparent U.S. consumption, by sources, 2005-10, January-June 2010, and January-June 2011



Source: Tables I-5 and IV-1.

U.S. MARKET SHARES

U.S. market share data are presented in table I-6. U.S. producers' market share, in terms of both share of quantity and share of value, fluctuated over the period for which data were collected, cresting in 2009 (when apparent U.S. consumption was at its lowest point), before declining to its lowest point in 2010 (when apparent U.S. consumption was at its second highest point).

Table I-6
Solid urea: Apparent U.S. consumption and market shares, 2005-10, January-June 2010, and January-June 2011

Item	Calendar year						January-June	
	2005	2006	2007	2008	2009	2010	2010	2011
Quantity (*1,000 short tons*)								
Apparent U.S. consumption	8,624	8,159	9,933	8,628	7,943	9,674	5,305	4,913
Value (*1,000 dollars*)								
Apparent U.S. consumption	2,130,050	1,973,015	3,087,895	4,103,058	2,244,215	2,977,563	1,615,723	1,840,367
Share of quantity (*percent*)								
U.S. producers' U.S. shipments	27.9	33.2	27.4	30.3	34.2	27.1	26.5	29.6
U.S. imports from--								
Russia	0.0	0.0	0.0	0.1	0.2	1.2	2.1	1.1
Ukraine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal, subject	0.0	0.0	0.0	0.1	0.2	1.2	2.1	1.1
Nonsubject countries	72.1	66.8	72.6	69.6	65.6	71.7	71.4	69.4
All countries	72.1	66.8	72.6	69.7	65.8	72.9	73.5	70.4
Share of value (*percent*)								
U.S. producers' U.S. shipments	28.2	33.2	28.2	30.2	35.6	27.0	26.3	30.2
U.S. imports from--								
Russia	0.0	0.0	0.0	0.1	0.2	1.0	1.8	1.0
Ukraine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal, subject	0.0	0.0	0.0	0.1	0.2	1.0	1.8	1.0
Nonsubject countries	71.8	66.8	71.8	69.8	64.2	72.0	71.9	68.8
All countries	71.8	66.8	71.8	69.8	64.4	73.0	73.7	69.8

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

Source: Compiled from data submitted in response to Commission questionnaires, and official Commerce statistics (HTS statistical reporting number, 3102.10.0000) adjusted for misclassifications identified by domestic interested parties.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

INTRODUCTION

The U.S. solid urea market is influenced by U.S. market conditions as well as global market conditions. Supply factors affecting the U.S. solid urea market include natural gas prices and global urea production capacity (which affects import supply). Demand factors include both agricultural crop prices (which, in turn, affect the demand for urea as fertilizer) and demand for a wide variety of industrial products that use solid urea as an input.

U.S. market participants identified a number of changes in the conditions of competition and business cycles for solid urea since 2005.[1] These changes include growing global demand, worldwide capacity increases, and volatile pricing. Producer *** reported increased nutrient prices (including solid urea) due to higher agricultural demand, higher energy prices, and higher capital costs to build new fertilizer factories. According to producer ***, the biggest change over the last decade is China's shift in status from a large importer to the largest exporter. Producer *** cited increasing demand for urea from developing countries (including India and South America) and significant worldwide capacity increases. Importer *** reported that greater availability of information has increased market volatility.[2] Purchasers mentioned increases in corn acreage, increased volatility in prices, and increased global demand. Purchaser *** identified some recent drivers in the U.S. solid urea market including high corn prices, high demand in China and India, and the impact of recent events in Egypt, Libya, and Japan.[3]

BUSINESS CYCLES

Most firms (all U.S. producers, 8 of 10 importers, and 9 of 11 purchasers) indicated that the market was subject to business cycles or conditions of competition other than changes in the overall economy. In particular, global agricultural market conditions, natural gas prices, and the high construction costs for fertilizer plants affect the U.S. solid urea market. Domestic interested parties described the solid urea cycle as follows:

> "Generally, high urea prices generate additional investment in urea capacity, with capacity growth exceeding demand growth, resulting in product price declines. As urea demand catches up with the new capacity, the supply/demand balance tightens, leading to increasing prices and a repetition of the cycle. Other events, including volatile natural gas prices and unexpected weather conditions, can have short-term effects on the supply/demand balance and therefore on urea prices."[4]

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[1] Four of five producers, five of nine importers, and five of 12 purchasers reported changes in conditions of competition and/or business cycles.

In addition, domestic interested parties noted that, in addition to the orders, other factors have also affected the U.S. industry since the orders were imposed, including natural gas prices, crop prices, weather conditions, and global supply and demand conditions (including worldwide capacity expansions). Domestic interested parties' posthearing brief, appendix, p. 67.

[2] In its purchaser questionnaire, *** reported that "The flow of information has increased. So all the buyers want to buy at the same time at the bottom of the market. Or, no one wants to buy."

[3] ***.

[4] Domestic interested parties' prehearing brief, p. 23. They also noted that government policies, such as China's changing export tax policies, can affect the urea market.

Among U.S. producers, *** described long-term cycles of balanced market conditions followed by periods of imbalances such as when overbuilding causes supply to exceed demand, short-term effects of weather conditions, and changes in China's export policies. *** stated that long-term trends are tied closely to natural gas prices and the costs of maintaining existing, and building new, facilities. It noted that urea prices were strong in 2004-08, and that solid urea prices are experiencing renewed strength due to strong demand for protein (and thus feed crops) in Brazil, China, and India. *** described business cycles of 5 to 8 years with periods of oversupply and low prices until demand growth restarts the cycle, and also noted the high costs to build new plants (which take 3 to 4 years to build). It expects oversupply and low prices over the next 2 to 5 years as numerous plants currently under construction come on line in 2012-14.

One importer mentioned crop seeding and harvest cycles as relevant to urea demand. Another importer reported weather-based cycles of one to two years as well as global market effects (based on supply, demand, exchange rates, government policies, weather, seasonality, and market psychology).

Among purchasers, some firms noted that solid urea is traded globally and thus is subject to international agricultural conditions. They described agricultural cycles based on crop demand, speculation on commodity markets, and weather. One purchaser noted that cycles typically last two to four months, and that agricultural businesses pre-purchase large quantities of solid urea in the fourth quarter (prior to tax season).

According to domestic interested parties, 2011 is expected to be the peak of a business cycle for solid urea.[5] At the hearing, PCS described the urea industry as being "at the top of the cycle."[6] CF cited current "strong fundamentals" due to agricultural demand and favorable natural gas costs.[7]

CHANNELS OF DISTRIBUTION

Most solid urea is sold through distributors. In 2010, 88.4 percent of U.S. producers' sales and 96.4 percent of importers' sales were to distributors (table II-1). Importers' and, to a lesser extent, producers' distributor shares increased slightly from 2005 to 2010.

GEOGRAPHIC DISTRIBUTION

U.S. producers and U.S. importers of solid urea from nonsubject countries reported selling solid urea to all U.S. regions (table II-2). Two U.S. producers (***) reported sales throughout the United States while three producers (***) reported selling only in particular regions. For U.S. producers, *** percent of sales were within 100 miles of their production facilities, *** percent were between 101 and 1,000 miles, and *** percent were over 1,000 miles.[8]

[5] Domestic interested parties' prehearing brief, p. 22.

[6] Hearing transcript, p. 105 (Mulhall).

[7] Hearing transcript, pp. 107-109 (Bohn).

[8] Importers were requested to provide such data for imports from Russia and Ukraine. However, none of the responding companies imported solid urea from the subject countries.

Table II-1
Solid urea: U.S. producers' and importers' U.S. shipments, by sources and channels of distribution, 2005-10, January-June 2010, and January-June 2011

Item	Period							
	Calendar year						January-June	
	2005	2006	2007	2008	2009	2010	2010	2011
	Share of reported shipments (*percent*)							
U.S. producers' U.S. shipments:								
Distributors	86.6	89.6	86.8	98.9	86.7	88.4	87.3	89.0
End users	13.4	10.4	13.2	1.1	13.3	11.6	12.7	11.0
U.S. importers' U.S. shipments of solid urea from nonsubject countries:								
Distributors	86.6	89.9	93.8	95.7	94.5	96.4	95.0	96.7
End users	13.4	10.1	6.2	4.3	5.5	3.6	5.0	3.3

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

Table II-2
Solid urea: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	Importers
	Number of firms	
Northeast	2	7
Midwest	5	10
Southeast	4	7
Central Southwest	4	8
Mountains	4	7
Pacific Coast	4	7
Other[1]	2	2

[1]All other U.S. markets, including AK, HI, PR, and VI, among others.

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

U.S. SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on available information, U.S. solid urea producers have the capability to respond to changes in demand with moderate changes in shipments to the U.S. market. The main contributing factors to the moderate degree of responsiveness of supply are the availability of some unused capacity, but limited export markets, production alternatives, and inventory levels.

Although four of five producers anticipate no change in the availability of U.S.-produced solid urea in the U.S. market, *** expects an increase in availability as ***. Purchaser *** described limited availability of domestic product, reporting that producers "refuse to sell us more product."

Industry capacity

U.S. producers' capacity utilization increased from 78.0 percent in 2005 to 82.3 percent in 2010, as production capacity declined from 3.9 million short tons to 3.3 million short tons. ***.[9] This level of capacity utilization suggests that U.S. producers may have some available capacity to increase production in response to a price increase. U.S. producers' total capacity was equivalent to 34.6 percent of total U.S. consumption of solid urea in 2010.

Export markets

U.S. producers' exports, as a share of total shipments, decreased from *** percent in 2005 to only *** percent in 2010. ***, which accounted for *** exports in 2005-07, ***. All U.S. producers indicated that it would be difficult to shift their shipments to other markets. They explained that the U.S. solid urea industry was built to serve the U.S. market, and that their plant locations, U.S.-focused marketing and distribution systems, and competition with overseas manufacturers make it difficult to expand export shipments. At the hearing, CF explained that "since the U.S. is such a large importer, with the logistical advantages and the distribution network that CF Industries has, we'd do limited to no exports at all because the netback margin to our plants would be higher keeping it here domestically."[10]

Inventory levels

U.S. producers' inventories declined irregularly during 2005-10, from *** percent of total shipments in 2005 to *** percent in 2010. These inventory levels suggest that U.S. producers may have some limited ability to respond to demand changes with changes in the quantity shipped from inventories.

Production alternatives

Some U.S. producers can produce other products such as UAN, urea liquor, and other nitrogen products on the same equipment as solid urea. However, while four of five producers indicated some

[9] *Part III* of this report provides further detail regarding U.S. production capacity.

[10] Hearing transcript, p. 61 (Bohn).

capability of switching production between solid urea and other products, three of the four described this ability as limited.[11] ***.

Subject Imports

Based on available information drawn largely from secondary sources, producers in Russia and Ukraine may have the capability to respond to demand changes with moderate to large changes in the quantity of solid urea shipped to the U.S. market. The main contributing factors to this degree of responsiveness is increasing capacity (for both granular and prilled urea) in Russia, and the high percentage of production from both Russia and Ukraine that is exported. The following information concerning subject import supply is based on the more detailed discussion presented in *Part IV* of this report.[12]

Production of solid urea in Russia was estimated at *** short tons,[13] with most of production exported to third-country markets. Solid urea capacity in Russia in 2010 was estimated at between ***.[14] Industry sources project that Russian solid urea capacity will increase by *** percent from 2010 to 2012 and from *** percent from 2010 to 2014.[15] Three Russian producers have granular urea capacity, estimated at *** short tons (equivalent to *** percent of Russia total capacity).[16] Eurochem, *** and the largest producer of solid urea in Europe, increased its production capacity for granular urea in 2009 and 2010. Eurochem noted in a press release that the primary markets for granulated urea are the United States and Europe.[17] Russia's top export markets in 2010 were Brazil (27 percent of quantity of exports), Mexico (18 percent), Peru (16 percent), and Turkey (12 percent).[18]

Solid urea production in Ukraine was estimated at *** short tons in 2009,[19] with most of production exported to third-country markets. Solid urea capacity in Ukraine in 2010 was estimated at between ***.[20] Two industry publications project that Ukraine solid urea capacity will remain at 2010 levels through 2014, while one publication projects a *** increase in capacity from 2010 to 2012 and a *** increase from 2010 to 2014.[21] One producer in Ukraine is reported to have started producing granular solid urea in April 2008, with a reported granular capacity of 771,600 short tons (equivalent to *** percent of Ukraine total capacity).[22] Ukraine's top export markets in 2010 were Brazil (29 percent of

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[11] A fifth producer (***) reported also producing *** on the same equipment as solid urea, but indicated that it was not able to switch production between the products.

[12] The total production and capacity figures for Russia and Ukraine cited below are based on information discussed in *Part IV*.

[13] ***.

[14] See table IV-7 in *Part IV* of this report.

[15] See *Part IV* of this report.

[16] International Fertilizer Development Center, *Worldwide Urea Capacity Listing by Plant*, December 2010, pp. 12-13, and table IV-7.

[17] "EuroChem's NAK Azot becomes largest urea plant in Europe," EuroChem press release, September 9, 2010, found at http://www.eurochem.ru/2010/09/eurochems-nak-azot-becomes-largest-urea-plant-in-europe/.

[18] See table IV-8 in *Part IV* of this report.

[19] ***.

[20] See table IV-9 in *Part IV* of this report.

[21] See P*art IV* of this report.

[22] "Granulated urea," Concern Stirol news release, June 17, 2008, found at http://www.stirol.net/en/?news&newsid=231&archive=5 and "Concern Stirol JSC to Launch Granulated Urea Unit," Eurasian chemical market, February 1, 2008, found at http://www.chemmarket.info/en/news/view/4926/, and (continued...)

quantity of exports), Turkey (16 percent), Nigeria (13 percent), India (10 percent), and Mexico (8 percent).[23]

Only one subject foreign producer (PJSC Dniproazot of Ukraine) responded to the Commission's questionnaire. This producer reported ***.

Nonsubject Imports

Based on available information, nonsubject importers of solid urea are likely to respond to changes in demand with moderate to large changes in the quantity shipped to the U.S. market. Supply responsiveness is enhanced by increasing capacity in nonsubject countries.

Canada accounted for more than one quarter of the quantity of import shipments during 2010. Other major sources of nonsubject imports (listed in descending order of quantity of 2010 shipments) were China, Egypt, Saudi Arabia, Oman, Kuwait, Qatar, Trinidad and Tobago, Venezuela, and Bahrain. As discussed in *part IV* of this report, global production capacity for solid urea increased by *** percent from 2004 to 2009, and is projected to increase by *** percent from 2009 to 2014.[24] Among the largest solid urea producing regions, solid urea capacity is expected to increase by *** percent in China, *** percent in Southwest Asia, *** percent in the Middle East, *** percent from the former USSR, and *** percent from Southeast Asia, from 2009 to 2014.[25]

Three of 4 U.S. producers and 8 of 10 importers reported that the availability of nonsubject solid urea has changed since 2005, citing increased production capacity in the Middle East, North Africa, Venezuela, and China. One importer noted new granular capacity in Egypt, Oman, and China, and that exporters in those countries prefer to sell to the U.S. market where granular urea sometimes carries a price premium. Firms also noted that the supply of solid urea from China is highly variable because of Chinese government export policies.[26]

New Suppliers

Five of 12 purchasers indicated that new suppliers entered the U.S. market since 2005, and seven expect additional entrants. Purchasers cited new production facilities overseas, particularly in Egypt and Algeria.[27] One purchaser noted that Eurochem started producing granular urea in 2010 and that a producer in Oman also came on line.

U.S. Demand

Based on the available information regarding substitute products and the cost share of solid urea in end-use products, it is likely that changes in the price level of solid urea will result in a moderate change in the quantity demanded. The main contributing factors to the moderate degree of demand responsiveness is the substitutability of other products for solid urea and the high cost share of solid urea for use as fertilizer.

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[22] (...continued)
table IV-9.

[23] See table IV-10 in *Part IV* of this report.

[24] ***.

[25] See table IV-12 in *Part IV* of this report.

[26] China's export policies for urea are discussed in *Part IV* of this report.

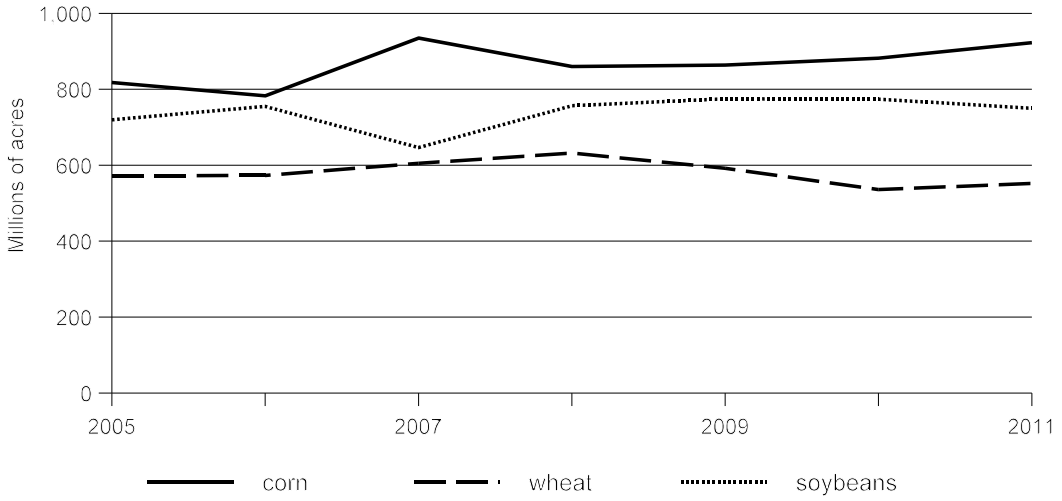
[27] One purchaser reported that Agrium and Dyna Nobel began supplying formaldehyde-free urea prills for the diesel exhaust fluid market, and that it expects foreign producers to start exporting formaldehyde-free solid urea prills to the United States (although it did not indicate which foreign producers).

End Uses

The largest end-use market for solid urea is fertilizer, which accounts for more than 80 percent of U.S. consumption of solid urea.[28] Other applications include adhesives, animal feed, lawn and garden, and pharmaceuticals (see *Part I* of this report for further discussion of end uses).

Solid urea is used as fertilizer (applied directly or in blends) on almost every major crop produced in the United States, including corn, wheat, rice, cotton and pasture.[29] Corn, wheat, and soybeans are the largest U.S. crop users of fertilizer. Corn accounts for, by far, the highest use of nitrogen fertilizer (43 percent in 2009), followed by wheat (12 percent in 2009).[30] Figure II-1 shows acreage planted for these major U.S. crops during 2005-11. While field crop planted acreage as a whole remained relatively steady during 2005-11, corn acreage increased by 13 percent over the same period.

Figure II-1
Corn, wheat, and soybeans: U.S. acreage planted 2005-11



Source: National Agricultural Statistics Service, USDA, http://quickstats.nass.usda.gov, retrieved Sept. 1, 2011.

All responding producers and most importers (6 of 7) and purchasers (6 of 8) reported no changes in end uses. Two purchasers noted new end uses (specifically diesel exhaust fluid and nitrogen oxides abatement in coal power plants) and one noted an increase in solid urea associated with increased corn production for ethanol.

Most firms (all producers, 5 of 7 importers, and 6 of 9 purchasers) anticipate no changes in end uses. One purchaser noted that demand for solid urea will grow as it becomes more competitive with UAN and anhydrous ammonia and one noted that health concerns about formaldehyde could negatively affect the market for solid urea formaldehyde resins. One importer and purchaser *** expected growth in solid urea used in diesel emissions fluid and smokestack scrubbing.

[28] Urea accounts for 28 to 30 percent of total U.S. nitrogen use in fertilizers, with about 70 to 75 percent of urea applied directly and the remainder used in fertilizer blends. Inter-Chem, *Blue Book*, July 1, 2011.

[29] Hearing transcript, pp. 12-13 (Bohn).

[30] Agricultural Prices, National Agricultural Statistics Service, USDA, http://www.ers.usda.gov/Data/FertilizerUse/, retrieved Aug. 16, 2011.

Apparent Consumption

Apparent U.S. consumption of solid urea fluctuated during 2005-10 but increased by 12.2 percent overall, rising from 8.6 million to 9.7 million short tons. Apparent consumption was 7.4 percent lower in January-June 2011 than in January-June 2010. As shown in table II-4, North American solid urea demand is projected to increase each year from 2011 to 2015, with a slightly higher growth rate (12.6 percent) projected for fertilizer uses compared to non-fertilizer uses (10.8 percent).

Table II-4
Urea: Projected North American demand for fertilizer and non-fertilizer use, 2011-15

	Period				
	2011	2012	2013	2014	2015
End use	*1,000 short tons*				
Fertilizer	14,222	14,633	15,092	15,551	16,012
Non-fertilizer	2,260	2,399	2,425	2,458	2,504
Total	16,482	17,032	17,517	18,009	18,515
	Shares (in percent)				
Fertilizer	86.3	85.9	86.2	86.4	86.5
Non-fertilizer	13.7	14.1	13.8	13.6	13.5
Total	100.0	100.0	100.0	100.0	100.0

Source: "Fertilizers and Raw Materials Supply, Global Supply/Demand Balances, 2011-2015," International Fertilizer Association, June 2011.

Demand Perceptions

Firms' perceptions of changes in U.S. demand since 2005 were mixed, with most firms reporting that it increased or fluctuated (table II-5). *** reported that U.S. demand has fluctuated since 2005 (with high demand in 2007 and 2008, followed by reduced demand in 2009) due to volatile crop prices and fluctuations in industrial demand (including a decline in demand during the 2008 recession). Purchasers cited demand increases related to higher grain prices, increased grain demand, and increased acreage (including corn acreage for ethanol).

Most purchasers expect U.S. demand to increase in 2011 and 2012, and after 2012. While most U.S. producers expect demand to increase after 2012, their responses varied regarding demand in 2011 and 2012. Importer also responded with varying answers regarding future U.S. demand. Among producers, *** expects U.S. demand to decrease by 2 percent in 2011 and by 1 percent in 2012, and then increase by 2 percent per year after 2012. *** expects strong demand in 2011, but described the U.S. market as relatively mature, with a lower long-term growth rate than other markets. Purchasers cited the following factors as increasing future demand for solid urea: strong grain markets, high crop prices (and particularly, high corn prices), increased industrial applications, and urea replacing ammonia. One purchaser indicated that long-term demand is limited by available arable land.

At the hearing, CF described demand growth in the agricultural sector being largely driven by increased acreage for corn, which is "a primary consumer of nitrogen."[31] Conversely, it described weaker demand from the industrial sector because of the overall economy, although it noted that the diesel exhaust fluid market is a future growth sector.[32]

Table II-5
Solid urea: Firms' perceptions regarding U.S. demand

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Demand since 2005				
U.S. producers	1	2	0	2
Importers	4	1	0	5
Purchasers	8	1	0	2
Demand for purchasers' final products since 2005				
U.S. purchasers	0	1	2	2
Demand in 2011 and 2012				
U.S. producers	1	1	1	2
Importers	2	2	2	2
Purchasers	8	1	0	2
Demand after 2012				
U.S. producers	3	0	0	1
Importers	2	1	1	3
Purchasers	7	1	0	3

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

Substitute Products

There are several substitutes for solid urea, particularly for agricultural uses. All responding U.S. producers, 6 of 8 importers, and 9 of 12 purchasers reported substitutes. Substitutes include ammonia, UAN, anhydrous ammonia, and ammonium nitrate. Factors that may limit substitutability include product availability, equipment availability (including access to specialized equipment for direct injection of ammonia), weather, storage, tillage methods, crop, concerns regarding toxicity of ammonia in transport, distribution system, retailer/end user preferences, and prices.

Purchaser *** reported that substitution between urea, UAN, and ammonia "is limited to 5 to 10 percent of total use in agriculture due to logistical constraints." According to ***, "to store, transport, and apply ammonia requires specialized equipment, training, and involves greater risks compared to urea or UAN." PCS reported that "a couple of years ago" it discontinued sales of ammonium nitrate as a fertilizer product because of the additional handling required because of security concerns and that its

[31] Hearing transcript, pp. 89-90 (Bohn).

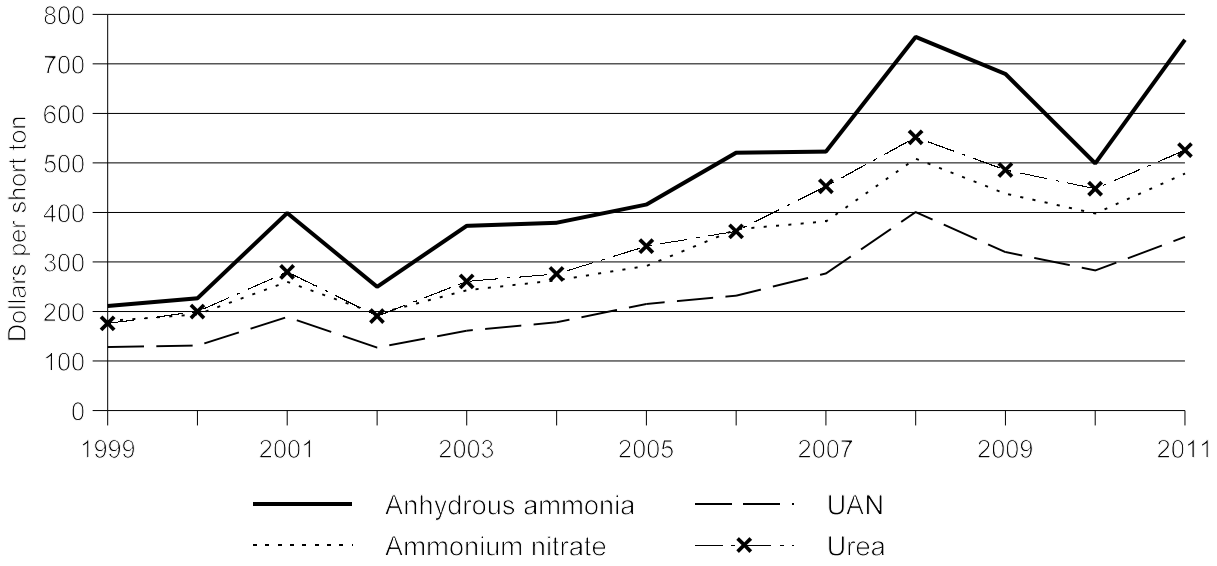
[32] Hearing transcript, p. 90 (Bohn).

customers switched to other products (including direction application of ammonia or urea, and UAN solutions).[33]

About half of all responding firms (2 of 4 U.S. producers, 3 of 6 importers, and 4 of 7 purchasers) indicated that changes in the prices of substitute products affected the price for solid urea. *** noted that ammonia and urea prices are strongly correlated as they are substitutes in end uses and in production (ammonia can be sold as a separate product and also used in urea production). Purchaser *** reported that UAN prices have generally increased with the consolidation of the U.S. industry and that ammonia prices have risen as result of increased rail transportation costs.

Figure II-2 shows prices paid by farmers for anhydrous ammonia, UAN, ammonium nitrate, and urea between 1999 and 2011. After generally increasing from 1999 to 2008 (except for a downturn in 2002), prices for all four products declined from 2008 to 2010, and then increased in 2011.

Figure II-2
Nitrogen fertilizers: Prices paid by farmers for anhydrous ammonia, UAN, ammonium nitrate, and urea in March/April, 1999-2011



Source: Agricultural Prices, National Agricultural Statistics Service, USDA.

The vast majority of firms reported no changes in substitutes since 2005 nor any anticipated changes in substitutes.[34] However, *** reported that it expects that urea and UAN will continue to replace ammonia in agricultural uses due to increased "rail tariffs and the railroads' unease with transporting it {ammonia}."

Cost Share

Solid urea accounts for a moderate to large share of the cost of many of the products in which it is used. Reported cost shares were as follows:

[33] Hearing transcript, pp. 41-42 (Mulhall).

[34] Only one purchaser reported changes since 2005, and only one importer anticipated any changes.

- lawn applications (27 to 49 percent)
- NPK (nitrogen-phosphorus-potassium) blends (12 percent)
- industrial chemicals (cyanuric acid and triazinetrione) (20 to 59 percent)
- urea-formaldehyde concentrate/resins (5 to 58 percent)
- urea liquor (99 percent)

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported solid urea depends upon such factors as relative prices, quality (e.g., size, form, consistency, etc.), and conditions of sale (e.g., price discounts/rebates, lead times, payment terms, product services, etc.). Based on available data, staff believes that there is a moderate degree of substitutability between U.S.-produced solid urea and that imported from subject and nonsubject countries.

Factors Affecting Purchasing Decisions

Purchasers were asked a variety of questions to determine which factors influence their solid urea purchase decisions. Their responses indicate that availability, quality, and price are important factors.

Knowledge of Country Sources

Twelve purchasers indicated they had marketing/pricing knowledge of domestic solid urea, four of Russian product, three of Ukrainian, and six of nonsubject countries. However, as shown in the tabulation below, most purchasers (and their customers) only "sometimes" or "never" make purchasing decisions based on producer or country of origin.

Purchaser / Customer Decision	Always	Usually	Sometimes	Never
Purchaser makes decision based on producer	2	0	6	4
Purchaser's customers make decision based on producer	0	0	6	5
Purchaser makes decision based on country	1	0	3	7
Purchaser's customers make decision based on country	0	0	4	7

Major Factors in Purchasing

Firms most often cited price (12 firms), quality (9), and availability (9), as factors in their purchase decisions for solid urea (table II-6). Availability was most frequently listed as the first-most important factor (5 firms); price was most frequently listed as the second-most important factor (6); and quality was most frequently listed as the third-most important factor (4). Most purchasers (10 of 12) reported that they "usually" purchase the lowest-priced solid urea, while 2 reported "sometimes."

Table II-6
Solid urea: Ranking factors used in purchasing decisions, as reported by U.S. purchasers

Factor	Number of firms reporting			
	First	Second	Third	Total
Price	3	6	3	12
Quality	3	2	4	9
Availability	5	2	2	9
Delivery	0	0	2	2
Size/specifications	2	0	0	2
Reliability of supply	0	1	1	2
Quantity/security of supply/ability to supply bulk	0	1	0	1

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

Five purchasers listed the following reasons for purchasing solid urea from one source although a comparable product was available at a lower price from another source: buying from multiple sources, contracts, lack of reliability of the source, lead time, loyalty, storage limitations, and quality. A few purchasers listed some limited cases in which solid urea was only available from one source; specifically, formaldehyde-free solid urea in bulk rail quantities and uncoated prills from PCS, and specific customer requirements.[35]

Importance of Specified Purchase Factors

In assessing the importance of 15 purchase factors (table II-7), a majority of firms rated the following factors as "very important":

- availability (100 percent of responding purchasers)
- product consistency (100 percent)
- quality meets industry standards (100 percent)
- reliability of supply (100 percent)
- price (92 percent)
- delivery time (92 percent)
- U.S. transportation costs (64 percent)

[35] *** reported that while granular urea from different sources is generally interchangeable, it has one buyer that only purchases ***, and that some buyers prefer larger granules.

Table II-7
Solid urea: Importance of purchase factors, as reported by purchasers

Factor	Very important	Somewhat important	Not important
	Number of firms responding		
Availability	12	0	0
Delivery terms	5	7	0
Delivery time	11	1	0
Discounts offered	5	4	3
Extension of credit	4	3	5
Price	11	1	0
Minimum quantity requirements	1	4	6
Packaging	2	1	9
Product consistency	11	0	0
Quality meets industry standard	11	0	0
Quality exceeds industry standard	3	2	6
Product range	2	2	7
Reliability of supply	11	0	0
Technical support/service	3	4	4
U.S. transportation costs	7	3	1

Note.– One purchaser only responded with respect to the first six factors listed.

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

Factors determining quality

Purchasers reported the following factors that determine the quality of solid urea: uniform size, low dust, consistency, form, coating, nitrogen/moisture/biuret/ammonium salt content, pH levels, anti-caking agent, formaldehyde-free, free flowing, stores well, adherence to industry standards, and supplier reputation.

Supplier certification

Fewer than half of purchasers (5 of 12) require supplier qualification for solid urea. Three purchasers reported that the time to qualify a new supplier ranged from 30 to 90 days, while two firms reported that qualification takes two weeks or less. Only 2 of 11 purchasers reported that a supplier had failed to qualify product; they noted that some import sources (specifically naming nonsubject sources) had failed to qualify.

Lead times

U.S. producers reported that 100 percent of sales were from inventory with lead times of 7 to 10 days.[36]

[36] Importers were requested to provide such data for imports from Russia and Ukraine. However, none of the responding companies imported solid urea from the subject countries.

Changes in purchasing patterns

While purchasers mostly reported increased purchases of solid urea from nonsubject countries since 2005, their purchase patterns for domestic product varied (table II-8). Reasons reported for changes in sourcing included product demand, pricing, availability, customer specifications, lead times, firm expansion, and economic fluctuations. ***. It also reported that ***.

Table II-8
Solid urea: Changes in purchase patterns from U.S., subject, and nonsubject countries

Source of purchase	Decreased	Increased	Constant	Fluctuated	Did not purchase
U.S.	3	3	2	3	0
Russia	0	1	0	0	8
Ukraine	0	0	0	0	9
Other	1	5	0	3	0

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

Six of 12 purchasers reported that they had changed suppliers since 2005, reporting a wide variety of changes. Specifically, several firms reported purchasing from a different list of suppliers each year (due to supply availability, product specifications, credit terms, prices, delivery, and location of supplier terminals). Another firm reported that CF has not consistently been in the market the past few years, one dropped Agrium as a supplier (for unspecified reasons), and one added an Egyptian producer.

Importance of purchasing domestic product

Most purchasers (9 of 12) reported that purchasing U.S.-produced product was not an important factor in their purchasing decisions. However, one reported it was required by its customers (for 5 percent of purchases), and three reported other preferences for domestic product (two of these reported 20 percent of purchases). These firms noted that they prefer to purchase some domestic product to reduce the supply risk of imports.[37]

Prill and granular forms

Most solid urea used in the U.S. market is in granular form rather than prilled form. In the U.S. market, granular urea generally is preferred over prilled for fertilizer applications, while prilled is used for industrial applications. As mentioned in *Part I* of this report, approximately three-quarters of U.S. production of solid urea is in granular form, and the remainder is in prill form. At the time of the previous reviews, all solid urea production in Russia and Ukraine was in prill form.[38] However, granular

[37] *** reported that the solid urea market was very volatile and that it buys as much domestic product as is "economically feasible to reduce risk and shorten the supply chain." It noted that lead times were up to 90 days from the Arab Gulf, up to 60 days from Egypt, and more than 30 days from the Carribean.

[38] *Solid Urea From Russia and Ukraine, Inv. Nos. 731-TA-340-E & H (Second Review)*, USITC Publication 3821, December 2005, p. I-15.

solid urea is now produced in the subject countries. The vast majority of nonsubject imports since 2005 have been in granular form.[39]

Purchasers noted some limits to substitutability between prilled and granular urea. According to ***, "it would be very difficult to switch from granular to prills due to underlying demand which wants granular." *** reported that granular is preferred in the U.S. market because of its better, more even field application and less dust. *** mentioned the limited availability of prills in the U.S. market (particularly with Libyan supply currently unavailable). *** noted that it does not switch between the two forms based solely on price, and that some end-use products require a particular form. *** noted that it purchases only granular solid urea for distribution to its agricultural customers because fertilizer blends require granular urea and that even for direct application, granular urea holds up better than prilled urea and releases nitrogen more slowly.[40] On the other hand, *** reported that it would use prilled urea prices to negotiate granular prices.

According to U.S. producer ***, granular and prilled urea can be used interchangeably as direct application fertilizer (which it notes accounts for 80 percent of U.S. fertilizer application). However, in bulk blends (which according to *** is 20 percent of U.S. fertilizer application), which require uniform size and shape, granular is the preferred product. U.S. producers' data indicate that *** percent of 2010 domestic prill shipments were used for fertilizer and *** percent were used for lawn and garden applications (see *Part III* of this report for further details). About *** percent of domestic prill shipments were for various "specialty" uses (animal feed, pharmaceuticals, pool chemicals, and diesel).[41]

Comparisons of Domestic Products, Subject Imports, and Nonsubject Imports

Purchasers were asked a number of questions comparing solid urea produced in the United States, subject countries, and nonsubject countries. First, purchasers were asked for a country-by-country comparison on the same 15 factors (table II-9) for which they rated the importance. A majority of purchasers rated the U.S. and subject products as comparable on factors such as quality, product consistency, and price.[42] However, purchasers rated the U.S. product as superior to that from Russia and Ukraine on many other factors, namely availability, delivery terms, delivery time, extension of credit, minimum quantity requirements, reliability of supply, technical support/service, and U.S. transportation costs. ***.

In comparing solid urea from Russia to that from Ukraine, all purchasers rated them as comparable on all factors (with the exception of one purchaser with respect to one factor). Most purchasers reported that U.S. and nonsubject solid urea were comparable on all factors except delivery time (for which 4 firms each reported that U.S. product was superior and comparable to nonsubject product). In comparing subject and nonsubject products, most purchasers rated them as comparable on all factors.

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[39] In 2010, *** percent of solid urea imports were in granular form. See table IV-3 in *Part IV* of this report.

[40] Staff telephone interview with ***.

[41] According to domestic interested parties these applications use "specialty" forms of prilled urea. In addition to the fertilizer and "specialty" uses noted above, about *** percent were sold for adhesives, and *** percent were sold for "unknown uses." According to domestic interested parties, subject prilled urea is expected to compete only with non-specialty prills. Domestic interested parties' posthearing brief, appendix, p. 33 and exh. 6.

***. See table IV-4 in *Part IV* of this report.

[42] Firms rated the U.S. product as comparable or superior to that from Russia and Ukraine with respect to quality. With respect to price, they rated the U.S. product as comparable or inferior (i.e., higher-priced) compared to product from Russia and Ukraine.

Table II-9
Solid urea: Comparisons between U.S.-produced and imported product as reported by U.S. purchasers

Factor	U.S. vs Russia			U.S. vs Ukraine			Russia vs Ukraine			U.S. vs nonsubject			Russia vs nonsubject			Ukraine vs nonsubject		
	S	C	I	S	C	I	S	C	I	S	C	I	S	C	I	S	C	I
Availability	6	0	0	5	0	0	0	5	0	2	5	1	0	4	1	0	3	2
Delivery terms	5	0	0	5	0	0	0	5	0	2	6	0	0	4	1	0	4	1
Delivery time	5	0	0	5	0	0	0	5	0	4	4	0	0	4	1	0	4	1
Discounts offered	2	3	0	2	3	0	0	5	0	1	7	0	0	4	1	0	4	1
Extension of credit	4	1	0	4	1	0	0	5	0	2	6	0	0	4	1	0	4	1
Price[1]	0	3	2	0	3	2	0	5	0	1	6	1	1	3	1	0	4	1
Minimum quantity requirements	3	2	0	3	2	0	0	5	0	2	6	0	0	4	1	0	4	1
Packaging	1	3	0	1	3	0	0	4	0	0	7	0	0	3	1	0	3	1
Product consistency	2	3	0	1	4	0	0	4	1	0	8	0	0	3	2	0	4	1
Quality meets industry standard	1	4	0	1	4	0	0	5	0	0	8	0	0	4	1	0	4	1
Quality exceeds industry standard	1	4	0	1	4	0	0	5	0	0	8	0	0	4	1	0	4	1
Product range	1	4	0	1	4	0	0	5	0	0	8	0	0	4	1	0	4	1
Reliability of supply	4	1	0	4	1	0	0	5	0	2	6	0	0	4	1	0	3	2
Technical support/service	3	2	0	3	2	0	0	5	0	2	6	0	0	4	1	0	4	1
U.S. transportation costs[1]	3	2	0	3	2	0	0	5	0	1	7	0	0	4	1	0	4	1

[1] A rating of superior means that price/U.S. transportation cost is generally lower. For example, if a firm reported "U.S. superior", it meant that the U.S. product was generally priced lower than the imported product.

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first listed country's product is inferior.

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

Firms provided mixed responses regarding the interchangeability of solid urea from different countries (table II-10). Two of the four responding U.S. producers reported that solid urea from each country pair was frequently interchangeable, one reported "always" and one reported "sometimes."[43] A majority of importers and purchasers reported that solid urea from each country pair was always interchangeable, with the exception of domestic versus nonsubject solid urea in which the majority of purchasers reported that these sources were "always" or "frequently" interchangeable.

[43] Only three firms compared Russia and Ukraine; one reported "always" and two reported "frequently."

Table II-10
Solid urea: Perceived interchangeability between solid urea produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of U.S. purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. other countries:												
U.S. vs. Russia	1	2	1	0	4	0	2	0	5	1	1	0
U.S. vs. Ukraine	1	2	1	0	4	0	2	0	5	2	0	0
U.S. vs. nonsubject	1	2	1	0	4	0	3	0	5	3	2	0
Subject country comparisons:												
Russia vs. Ukraine	1	2	0	0	5	0	1	0	6	2	0	0
Subject vs nonsubject country comparisons:												
Russia vs. nonsubject	1	2	1	0	4	0	3	0	5	2	2	0
Ukraine vs. nonsubject	1	2	1	0	4	0	3	0	5	2	2	0

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

Several purchasers provided additional comments regarding interchangeability of sources. *** noted that only certain products meet its specifications and can be used in its manufacturing process. ***, indicated that granular and prilled solid urea are not always interchangeable but that granular urea from different sources is always interchangeable, as is prilled urea from different sources. It noted one exception: solid urea from China varies in quality and sometimes contain foreign material.[44] *** reported that granular and prilled product are interchangeable in agricultural markets, and that for industrial applications, sources are interchangeable "provided each country chooses to produce and ship the same type products."

U.S. producer *** reported that for the largest part of the market— solid urea used as direct application fertilizer— domestic and subject imported solid urea are always interchangeable, and that for solid urea blends, Russian granular is always substitutable with domestic product. However, for end uses that require higher quality prilled urea, such as the pharmaceutical, industrial, and animal feed markets, substitutability is to some degree limited. According to U.S. producer ***:

> "A significant portion of Russian and Ukrainian urea is in 'prilled' form which is less uniform in size and thus less suitable to bulk blending with other crop nutrition products such granular urea, DAP and potash. Some of the Russian and Ukrainian urea producers have converted their urea production to granular to better compete with product from the Middle East and other regions but much of it is still prilled product. Some regions of the world are indifferent between the two forms of urea. Granular product is always interchangeable."

A majority of firms reported that factors other than price were only "sometimes" or were "never" important in comparing solid urea from different country sources (table II-11). Purchaser *** reported that availability is an important factor for the agricultural business, and that "transit time from load port to

[44] Staff telephone interview with ***.

destination is important." Another purchaser, ***, indicated that some urea products do not meet its quality specifications.

Table II-11
Solid urea: Perceived importance of factors other than price between solid urea produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of U.S. purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. other countries:												
U.S. vs. Russia	0	0	2	1	1	0	2	3	1	1	1	2
U.S. vs. Ukraine	0	0	2	1	1	0	2	3	1	0	0	2
U.S. vs. nonsubject	0	0	2	1	1	0	3	3	1	0	5	2
Subject country comparisons:												
Russia vs. Ukraine	0	0	2	0	1	0	2	3	0	0	2	2
Subject vs nonsubject country comparisons:												
Russia vs. nonsubject	0	0	2	1	1	0	3	3	0	1	3	2
Ukraine vs. nonsubject	0	0	2	1	1	0	3	3	0	0	3	2

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

Purchasers reported that both domestic and subject product "always" or "usually" met their minimum quality standards (table II-12). Most purchasers reported that the U.S. product always met minimum quality standards. Most firms reported that nonsubject sources always or usually met minimum quantity standards.[45]

Table II-12
Solid urea: Purchasers' responses regarding minimum quality specifications

Source of purchase	Always	Usually	Sometimes	Rarely or never
U.S.	8	4	0	0
Russia	1	2	2	0
Ukraine	1	2	1	0

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

ELASTICITY ESTIMATES

Domestic interested parties stated that they did not disagree with staff's prehearing U.S. supply and U.S demand elasticity estimates.[46] However, they disagreed with the substitution elasticity estimate, as discussed below.

[45] Nonsubject countries listed were Bahrain, China, Egypt, Oman, Saudi Arabia, and Trinidad and Tobago.

[46] Domestic interested parties' prehearing brief, exh. 7.

U.S. Supply Elasticity[47]

The domestic supply elasticity for solid urea measures the sensitivity of the quantity supplied by U.S. producers to a change in the U.S. market price of solid urea. The elasticity of domestic supply depends on several factors, including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to the production of other products, the existence of inventories, and the availability of alternative markets for U.S.-produced solid urea.[48] Earlier analysis of these factors indicates that the U.S. industry has a moderate ability to increase or decrease shipments to the U.S. market given a price change. Staff estimates that the supply elasticity is between 3 and 6.

U.S. Demand Elasticity

The U.S. demand elasticity for solid urea measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of solid urea. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of solid urea in the production of downstream products. Based on available information, the demand elasticity for solid urea is likely to be in the range of -0.75 to -1.25.

Substitution Elasticity

The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and U.S. domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject product (or vice versa) when prices change. The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products. Product differentiation, in turn, depends upon such factors as quality (e.g., size, form, consistency, etc.) and conditions of sale (e.g., service, availability, delivery).

Domestic interested parties disagreed with staff's prehearing estimate of 2 to 4. They stated that since the time of the second review, Russia has significantly increased its granular production and capacity and that a Ukraine producer also produces granulated urea. In addition, they contend that there is a higher degree of substitutability of prilled for granular than would be indicated by the low end of range, and that there are no significant differences between products in same form.

Based on additional information regarding increased production capacity for granular urea in subject countries, staff revises its estimate of the elasticity of substitution between U.S.-produced solid urea and subject imported solid urea to 2 to 5.[49] The substitution elasticity for solid urea sold in the same form (i.e., domestic granular and imported granular, and domestic prills and imported prills) is likely to be at the higher end of the range, and the substitution elasticity for different forms (i.e., domestic granular and imported prills) is likely to be at the lower end of the range.

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[47] A supply function is not defined in the case of a non-competitive market.

[48] Domestic supply response is assumed to be symmetrical for both an increase and a decrease in demand for the domestic product. Therefore, factors affecting increased quantity supplied to the U.S. market also affect decreased quantity supplied to the same extent.

[49] Additionally, the elasticities of substitution between U.S.-produced commercial market solid urea and nonsubject imports, between subject imports and nonsubject imports, and between products of the two subject countries are likely to be in the same range.

PART III: CONDITION OF THE U.S. INDUSTRY

OVERVIEW

IFDC estimated that the United States would account for *** percent of world urea capacity for the 12-month period ending June 30, 2011, down from *** percent during the comparable period ending June 30, 2007.[1] Table III-1 summarizes important events that have taken place in the U.S. industry since January 1, 2005.[2] Notably, Agrium, as a result of its 2007 Alaska plant closure, became the *** responding U.S. urea producer, compared to its position as the *** U.S. producer prior to the closure. CF, the *** U.S. producer, acquired former U.S. producer Terra Industries in 2010.

Table III-1
Solid urea: Survey of industry events since January 1, 2005

Year	Company	Description of event (acquisition, merger, shutdown)
2006	Rentech	**Acquisition**: Rentech, Inc. acquires producer Royster-Clark Nitrogen, Inc. from Agrium.[1]
	PCS	**Closure**: Permanently discontinues urea production at facility in Memphis, TN, in September 2006. The plant had been put into indefinite shutdown mode in June 2003.[2]
2007	Agrium	**Closure**: Closes facility in Kenai, AK, after being unable to secure sufficient natural gas supply.[3]
2008	PCS	**Manufacturing operations change**: PCS assumes operation responsibilities at Lima, OH plant from INEOS in January 2008.[4]
	Dyno Nobel	**Acquisition**: Dyno Nobel is acquired by Incitec Pivot Ltd.[5]
2009	Koch	**Expansion**: Completed a project at its Enid, OK facility in March 2009, which increased urea production capacity by 140,000 short tons.[6]
2010	CF	**Acquisition**: Acquires Terra Industries, a producer of nitrogen products (though not solid urea) in April 2010.[7]

Table continued on next page.

[1] *Worldwide Urea Capacity Listing by Plant*, IFDC, December 2010, pp. 43 and 46. *** reported that the United States accounted for *** percent of world capacity in 2009, down from *** percent in 2004, and *** percent in 1994. Moreover, U.S. capacity has declined by *** percent since 1994. *** attributes this decline to ***. ***. *See also*, ***.

[2] The non-responding U.S. producer, Dyno Nobel, was acquired by Incitec Pivot Limited ("IPL") in 2008, at the time Australia's largest integrated fertilizer manufacturer and distributor. "Scheme meetings orded to vote on Incitec Pivot Proposal," Dyno Nobel news release, April 21, 2008, Scheme Booklet, p. 50, found at http://www.incitecpivot.com/zone_files/PDFs/scheme_booklet.pdf.

Table III-1--*Continued*
Solid urea: Survey of industry events since January 1, 2005

[1] "Rentech Completes Its Acquisition of Royster-Clark Nitrogen, Inc.," Rentech news release, April 26, 2006, found at http://phoenix.corporate-ir.net/phoenix.zhtml?c=66629&p=irol-newsArticle&ID=939312&highlight=.
[2] PCS 2006 10-K, p. 29. The plant had an annual production capacity 0.41 million tonnes of urea. "PotashCorp Revises Second-Quarter Guidance, PCS news release," June 17, 2003, found at http://www.potashcorp.com/media/POT_2ndQuarterGuidance_PR_061703.pdf.
[3] "Agrium announces closure of Kenai nitrogen facility," Agrium news release, September 25, 2007, found at http://agrium.com/news/05784_8346.jsp.
[4] "INEOS Nitriles and PCS Nitrogen to Conclude Operating Agreement at Lima Site," PCS news release, April 10, 2007, found at http://www.potashcorp.com/news/865/.
[5] "Incitec Pivot enters into Scheme Implementation Agreement with Dyno Nobel," Incitec Pivot news release, March 11, 2008, found at http://www.incitecpivot.com/zone_files/PDFs/asx_announcement_110308.pdf.
[6] "Koch Nitrogen Company, LLC Enhances Enid Facility To Increase Urea Production," Koch news release, March 18, 2009, found at http://www.kochind.com/files/031809KNCEnhancesEnidfacility.pdf.
[7] Terra Industries ceased production of solid urea in mid-2004. *Solid Urea from Russia and Ukraine, Investigations Nos. 731-TA-340-E & H (Second Review)*, USITC Publication 3821, December 2005, p. I-24 and CF 2010 10-k, pp. 1-2.

Source: Compiled from sources noted above.

Background

Information in this section is based on the questionnaire responses of five current domestic producers that accounted for the majority of domestic production in 2010. The sixth U.S. producer, Dyno Nobel, did not provide a response in these reviews. The company is estimated to represent less than *** percent of total U.S. production capacity and production of solid urea.[3]

Changes Experienced by the Industry

Domestic producers were asked to indicate whether their firm had experienced any plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns because of strikes or equipment failure; curtailment of production because of shortages of materials or other reasons, including revision of labor agreements; or any other change in the character of their operations or organization relating to the production of solid urea since 2005. All domestic producers indicated that they had experienced such changes; their responses are presented in table III-2.

Table III-2
Solid urea: Changes in the character of U.S. producers' operations since January 1, 2005

* * * * * * *

Anticipated Changes in Operations

No U.S. producer reported anticipating changes in the character of their operations relating to the production of solid urea.

[3] Based on 2004 capacity (***), the last year in the second reviews and an average capacity utilization of *** percent during 1999-2004. IFDC and *** report that Dyno Nobel's urea production capacity has not changed since 2007 and 2004, respectively.

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

U.S. producers' capacity, production, and capacity utilization data for solid urea are presented in table III-3.[4] Production capacity increased between 2005 and 2007, before declining to a level 13.7 percent lower in 2010 than in 2005. Production capacity in 2006 increased by 2.5 percent largely due to ***.[5] The nearly 20 percent decline in capacity in 2008 was *** due to the closure of Agrium's facility in Kenai, AK. Agrium was unable to find a long-term contract to supply natural gas feedstock supply following the end of its settlement agreement with Unocal in October 2005.[6] While Agrium had been able find limited natural gas supply in the interim, production was curtailed as a result.[7] Capacity declined further in 2010 following *** completion of ***.

Production fluctuated between 2005 and 2010, ending 8.8 percent lower in 2010 than in 2005. Agrium reported declines in production ***.[8] This decline was partially offset by ***. *** accounted for *** of the decline in production in 2010, during which time the firm reported a ***.[9]

Table III-3
Solid urea: U.S. capacity, production, and capacity utilization, by form, 2005-10, January-June 2010, and January-June 2011

Item	Calendar year						January-June	
	2005	2006	2007	2008	2009	2010	2010	2011
Granular:[1]								
Capacity (*1,000 short tons*)	***	***	***	***	***	***	***	***
Production (*1,000 short tons*)	***	***	***	***	***	***	***	***
Capacity utilization (*percent*)	***	***	***	***	***	***	***	***
Prill:[2]								
Capacity (*1,000 short tons*)	***	***	***	***	***	***	***	***
Production (*1,000 short tons*)	***	***	***	***	***	***	***	***
Capacity utilization (*percent*)	***	***	***	***	***	***	***	***

Table continued on next page.

[4] *** reported that its production capacity fluctuated ***.

[5] Pastilles are 4mm half-spherical urea particles of high purity used for pharmaceutical purposes. "Plant to Produce New Form of Urea Pastilles," *Augusta Chronicle*, November 8, 2006.

[6] "Agrium announces closure of Kenai nitrogen facility," Agrium news release, September 25, 2007, found at http://agrium.com/news/05784_8346.jsp and Agrium's Annual Report, p. 23. Agrium purchased the facility from Union Oil Company of California (Unocal) in September 2000, but there was a dispute over obligations under the Purchase and Sales Agreement, associated Earnout obligations, and gas supply issues. This was dispute was settled in December 2004 and included a definitive gas supply obligation from Unocal to the Kenai facility up until October 31, 2005. "Agrium Settles Dispute with Unocal: Agreement Includes Over $100 Million in Benefits to Agrium," Agrium news release, December 14, 2004, found at http://phx.corporate-ir.net/phoenix.zhtml?c=98093&p=irol-newsArticle_Print&ID=654814&highlight=.

[7] For example, Agrium noted that while it had obtained sufficient natural gas supplies for 2007, the facility was expected to operate at about 75 percent of capacity. "Agrium to continue operation of Kenai, Alaska nitrogen facility in 2007," Agrium news release, August 23, 2006, found at http://agrium.com/news/05784_6899.jsp.

[8] Agrium 2006 annual report, p. 13, and Agrium 2007 annual report, pp. 35 and 43.

[9] ***.

Table III-3--*Continued*
Solid urea: U.S. capacity, production, and capacity utilization, by form, 2005-10, January-June 2010, and January-June 2011

Total:								
Capacity (*1,000 short tons*)[3]	3,874	3,970	3,968	3,255	3,392	3,345	1,728	1,728
Production (*1,000 short tons*)	3,020	3,113	3,021	2,679	2,824	2,754	1,439	1,433
Capacity utilization (*percent*)	78.0	78.4	76.1	82.3	83.3	82.3	83.3	82.9

[1] *** reported granular capacity.
[2] *** reported prill capacity.
[3] ***.

Note.–*** stated that it was unable to break out granular and prill capacity, but that it is a marketing decision whether to produce granular or prill, and that it would change depending on market demand. The share of granular versus prill U.S. shipments were used as a proxy for the estimated of granular and prill capacity and production. E-mails from ***, August 26, 2011 and August 29, 2011.

Note.–*** reported shipments of other solid urea, namely urea pastilles. Capacity and production of this product were included under prill in this table. Email from ***, August 30, 2011.

Note.–Because of rounding, figures may not add to total shown.

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

Constraints on Capacity

All five domestic producers provided the information presented in table III-4 regarding their constraints on capacity to produce solid urea.

Table III-4
Solid urea: U.S. producers' constraints on capacity

* * * * * * *

Alternative Products

The Commission asked domestic producers to report production of other products on the same equipment and machinery, and/or using the same production or related workers employed to produce solid urea. All companies *** indicated that they produce other products on their solid urea equipment and machinery.[10]

[10] ***.

U.S. PRODUCERS' SHIPMENTS

Data on U.S. producers' shipments of solid urea are presented in table III-5.[11] The quantity of U.S. shipments increased from 2005 to 2007 by 12.8 percent, then fluctuated moderately by (4.1 percent or less) thereafter, ending in 2010 9.0 percent higher than in 2005. *** accounted for the majority of the increase in 2006, as ***. Likewise, one firm, ***, was responsible for the majority of the increase in U.S. commercial shipments in 2007, as ***[12]. *** reported declines in U.S. commercial shipments between 2009 and 2010, ***. Only one firm, ***, reported internal consumption, and two firms, ***, reported transfers to related firms. Three firms, *** reported export shipments. *** accounted for the majority of the exports shipments in 2005-07, but ***.

Most firms followed the same year-on-year trends in the unit values of U.S. commercial shipments and ending in 2010 higher than in 2005, although the magnitude of the change in unit values differed among firms. ***, which had some of the largest changes in unit values since 2005, reported that these fluctuations were due to multiple factors including ***.

Table III-5
Solid urea: U.S. producers' shipments, by type, 2005-10, January-June 2010, and January-June 2011

Item	Calendar year						January-June	
	2005	2006	2007	2008	2009	2010	2010	2011
Quantity (*1,000 short tons*)								
U.S. shipments	2,408	2,705	2,717	2,613	2,719	2,624	1,405	1,452
Export shipments	***	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***	***
Value (*1,000 dollars*)								
U.S. shipments	600,598	654,100	870,231	1,237,652	799,205	803,227	425,079	555,758
Export shipments	***	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***	***
Unit value (*per short ton*)								
U.S. shipments	$249	$242	$320	$474	$294	$306	$303	$383
Export shipments	***	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***	***
Share of quantity (*percent*)								
U.S. shipments	***	***	***	***	***	***	***	***
Export shipments	***	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***	***

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

[11] U.S. producer Rentech has a distribution agreement with Agrium to promote and sell nitrogen fertilizer products, including solid urea manufactured by Rentech, for which Rentech pays Agrium a commission. Rentech typically sells 80 percent of its nitrogen fertilizer products through this agreement. Rentech 2010 10-K, p. 13.

[12] ***.

Data on U.S. producers' shipments of solid urea by form are presented in table III-6, and U.S. producers' share of U.S. shipments by application is presented in table III-7. An increasing majority share of U.S. producers' U.S. shipments were granular solid urea, continuing the trend in the second reviews, rising from *** percent in 2005 to *** percent in 2010[13]. *** firms reported shipments of granular solid urea, with the majority of it used in fertilizer applications followed by lawn and garden. Two firms (***) reported shipments of prill for use in a variety of applications, and one firm, ***, reported shipments of other solid urea, namely urea pastilles.[14] U.S. producers reported that *** percent of their U.S. shipments of solid urea (all forms) was used for fertilizer applications, *** percent for animal feed, *** percent for lawn and garden, *** for adhesives, *** percent for pharmaceuticals, *** percent for other known uses (such as pool chemicals and diesel), and *** percent for other unknown uses.

Table III-6
Solid urea: U.S. producers' U.S. shipments, by form, 2005-10, January-June 2010, and January-June 2011

* * * * * * *

Table III-7
Solid urea: U.S. producers' share of U.S. shipments, by application, 2010

* * * * * * *

U.S. PRODUCERS' INVENTORIES

U.S. producers inventories, as shown in table III-8, fluctuated over the period for which data were collected, declining by *** percent between 2005 and 2010. Ratios of inventories to production, U.S. shipments, and total shipments followed the same pattern as inventories. The responding producers (except ***), generally reported similar trends in inventories[15]. ***, with a decline of ***, was responsible for the majority of the decline in inventories between 2005 and 2006[16]. *** accounted for a large portion of the fluctuation in every other year except in 2008.

Table III-8
Solid urea: U.S. producers' end-of-period inventories, 2005-10, January-June 2010, and January-June 2011

* * * * * * *

[13] During the second reviews, granular solid urea's share of U.S. producers' U.S. shipments rose from 56.7 percent in 1999 to 74.0 percent in 2004. *Solid Urea from Russia and Ukraine, Investigations Nos. 731-TA-340-E & H (Second Review)*, USITC Publication 3821, December 2005, p. I-19.

[14] ***.

[15] The exception to this was in ***. Also see ***.

[16] The ratio of inventories to U.S. shipments was affected particularly in 2005 and to a lesser extent 2006 by ***.

U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports and purchases of solid urea are presented in table III-9. *** domestic producers except *** reported direct imports and purchases during the period for which data were collected[17]. *** reported that it imported because demand exceeded the firm's production capabilities, and that purchased some of its imports from ***. *** reported that it imported from its subsidiary in *** and that it generally purchased solid urea for ***. The firm reported that higher purchases during ***. *** reported importing to ***. The firm reported that it purchases for logistical reasons, specifically ***, and to ***. *** reported importing *** from a related company in ***, and that it purchases solid urea produced by unknown firms ***.

Table III-9
Solid urea: U.S. producers' imports and purchases, 2005-10, January-June 2010, and January-June 2011

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

The U.S. producers' aggregate employment data for solid urea are presented in table III-10.[18] The number of production and related workers ("PRWs") declined between 2005 and 2010 by ***, but was higher in January-June 2011 compared with January-June 2010. The majority of the decline was accounted for by Agrium, which closed its Kenai, AK facility in 2007, resulting in the layoff of over 100 employees, ***.[19] This decline in 2007-08 was partially offset by ***. In addition to ***, which reported declines in PRWs in ***, *** accounted for the majority of declines in PRWs in 2006 (during which the firm ***) and 2010 (during which ***).[20]

Table III-10
Solid urea: U.S. producers' employment-related data, 2005-10, January-June 2010, and January-June 2011

* * * * * * *

[17] *** reported purchases from Russia in 2010 and purchases from other domestic producers. *** reported purchases of imports from all other sources. *** (which reported that it did not know the source of its purchases) reported purchases from other sources.

[18] *** did not provide employment data. In 2004, the last year of second-review, the firm reported *** PRWs producing similar production as in 2005.

[19] "Agrium announces closure of Kenai nitrogen facility," Agrium news release, September 25, 2007, found at http://agrium.com/news/05784_8346.jsp

[20] PCS 2006 10-K, p. 11 and e-mail from ***, September 2, 2011.

U.S. PRODUCERS' FINANCIAL CONDITION AND EXPERIENCE

Background

The financial results of five U.S. producers of solid urea, Agrium, CF, Koch, PCS, and Rentech, are presented in this section of the report.[21] [22] [23] The sixth U.S. producer, Dyno Nobel, did not submit its questionnaire response.

While most of the U.S. producers that reported financial results to the Commission in its 2004-05 reviews are still in operation, consolidation and plant closures have resulted in a smaller U.S. industry in terms of productive capacity and increased industry concentration; i.e., *** share of cumulative sales quantity *** in 2010, *** share *** in 2010, and *** share ***. In contrast, *** in 2010.[24]

Commercial sales make up the majority of overall solid urea revenue. Accordingly, the small amount of transfers and internal consumption included in the financial results reported by ***, respectively, are not separately presented in this section of the report.[25] While similar in terms of underlying production of solid urea, U.S. producers vary in terms of the primary product groups represented by their overall operations.[26] Company-specific emphasis on solid urea end-use markets is also a distinguishing characteristic; e.g., the U.S. nitrogen operations of PCS in general are focused more on industrial customers, while CF's nitrogen operations are focused primarily on the agricultural market.[27]

While consolidation and industry restructuring are reflected to some extent in the pattern of company-specific financial results presented in this section of the report, important changes also occurred prior to 2005. In 2003, CF adopted a new business model which ". . . established financial performance, rather than assured supply to our pre-IPO {initial public offering} owners, as our principal objective."[28] Prior to that time CF operated as a traditional supply cooperative. Pursuant to its August 2005 IPO, CF terminated its status as a cooperative and became a publically traded company. While some aspects of the company's operating expenses changed due to the IPO, CF modified its underlying business model, as indicated above, prior to 2005.

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[21] The U.S. producers reported their financial results on the basis of generally accepted accounting principles (GAAP). Agrium reported its financial results on the basis of Canadian GAAP, but also prepares financial statements in accordance with International Financial Reporting Standards (IFRS). PCS reportedly adopted IFRS in 2010.

[22] ***. E-mail from ***, August 24, 2011. ***. USITC auditor notes (prehearing).
***. E-mail from USITC auditor to ***, September 21, 2011. USITC auditor notes (posthearing). ***.

[23] With one exception, U.S. producers reported financial results on a calendar-year basis. Rentech's nitrogen fertilizer plant, previously Royster-Clark Nitrogen, was acquired in April 2006. ***. USITC auditor notes (prehearing).
In early 2006, Royster-Clark divested other parts of its operations in addition to Royster-Clark Nitrogen; i.e., Agrium acquired Royster-Clark's retail operations in early February 2006. Agrium 2006 Annual Report, p. 19. Pursuant to this acquisition, Agrium in effect became Rentech's primary nitrogen fertilizer sales agent. Rentech 2010 10-K, p. 13.

[24] USITC auditor notes (prehearing).

[25] ***. Response to question II-11, *** U.S. producer questionnaire. ***. E-mail from ***, August 24, 2011.

[26] The overall urea operations of several U.S. producers are classified directly within reportable segments whose primary activity reflects the production and sale of nitrogen fertilizer: CF (Nitrogen fertilizer business); PCS (Nitrogen segment); and Rentech (Nitrogen products manufacturing). In contrast, Agrium's urea activity is reported as part of the Nitrogen product group which in turn is part of that company's Wholesale segment.

[27] PCS 2009 10-K, p. 19. CF 2010 10-K, p. 39.

[28] CF 2005 10-K, p. 2.

With regard to notable changes since 2005, Rentech acquired Royster-Clark Nitrogen's manufacturing plant in East Dubuque, IL, in 2006 as part of an effort to commercialize a synthetic fuels technology. Rentech initially planned to replace natural gas with coal gasification capacity which would in turn supply the feedstock for both the original nitrogen-fertilizer plant and a separate, to-be-constructed synthetic fuels plant. Rentech ultimately cancelled these plans due, at least in part, to a trend of generally stabilized natural gas prices which reportedly rendered the conversion of the plant to coal gasification less cost effective. Rentech continues to operate the East Dubuque, IL facility as a traditional nitrogen fertilizer plant.[29]

In October 2007, Agrium formally shuttered its Kenai, AK operations due to the inability to secure a continued long-term supply of natural gas. Similar to Rentech, as noted above, Agrium reportedly considered coal gasification as a substitute for natural gas at the Kenai, AK plant.[30]

In April 2010, CF acquired Terra, a solid urea producer whose operations were reflected in the 2004-05 reviews.[31] ***.[32] During the same general period when CF negotiated and ultimately acquired Terra, Agrium unsuccessfully attempted to acquire CF, while Yara International, a multinational chemical company headquartered in Norway, unsuccessfully attempted to acquire Terra.[33] In general, market observers characterized this acquisition-related activity as reflecting a drive to increase the scale of operations in an increasingly global fertilizer market. In addition to a broader strategic platform, it was also noted that the industrial and agricultural focus of Terra and CF, respectively, was complementary and would provide added stability through business cycles.[34]

Producers' Operations on Solid Urea

Table III-11 presents the overall financial results of the U.S. industry's operations on solid urea. Corresponding company-specific financial information for selected items is presented in table III-12. Table III-13 presents a variance analysis of the U.S. industry's financial results.[35]

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[29] Rentech 2006 10-K, pp. 2-3. "Rentech Switches Focus to Natchez from REMC," *Gasification News*, December 12, 2007, Vol. 10, Issue 21. Rentech 2008 10-K, p. F-22.

[30] Agrium 2007 Annual Report, p. 35. "Agrium to Shut its Alaska Nitrogen Fertilizer Plant, Gasification Study Continues," *Gasification News*, October 3, 2007, Vol. 10, Issue 16.

[31] CF 2010 10-K, p. 39.

[32] E-mail with attachments from ***, August 12, 2011.

[33] Agrium 2010 Annual Report, p. 3. CF 2010 10-K, p. 140.

[34] "Fewer fertilizer makers," *Farm Industry News*, February 2010, Vol. 43, Issue 2. "Terra Industries Acquired by Yara," Mergers & Acquisitions Report, February 22, 2010, Vol. 23, Issue 8. "CF-Terra Agreement Signed After Yara Declines to Raise Bid," *Chemical Week*, March 22/29, 2010, p. 13.

[35] The Commission's variance analysis is calculated in three parts: sales variance, COGS variance, and sales, general and administrative (SG&A) expenses variance. Each part consists of a price variance (in the case of the sales variance) or a cost variance (in the case of the COGS and SG&A variances) and a volume (quantity) variance. The sales or cost variance is calculated as the change in unit price/cost times the new volume, while the volume variance is calculated as the change in volume times the old unit price/cost. Summarized at the bottom of the respective tables, the price variance is from sales, the cost/expense variance is the sum of those items from COGS and SG&A, respectively, and the net volume variance is the sum of the price, COGS, and SG&A volume variances. All things being equal, a stable overall product mix generally enhances the utility of the Commission's variance analysis.

Table III-11
Solid urea: Results of U.S. producers' operations, fiscal years 2005-10, January-June 2010, and January-June 2011

Item	Fiscal year						January-June	
	2005	2006	2007	2008	2009	2010	2010	2011
					Quantity (*1,000 short tons*)			
Total net sales	2,973	3,223	2,947	2,653	2,918	2,704	***	***
					Value (*$1,000*)			
Total net sales	729,075	775,226	940,718	1,254,404	843,563	821,846	***	***
Raw material	468,892	524,789	539,394	603,974	336,806	331,210	***	***
Direct labor	18,081	20,905	21,815	22,740	28,173	26,076	***	***
Other factory costs	102,241	100,642	120,101	128,373	166,174	154,046	***	***
Total cost of goods sold	589,214	646,336	681,310	755,087	531,153	511,331	***	***
Gross profit	139,861	128,890	259,408	499,317	312,410	310,515	***	***
Selling expenses	1,140	1,261	1,465	1,637	1,380	829	***	***
General and administrative expenses	38,245	36,767	37,822	33,444	35,768	33,390	***	***
Total SG&A expenses	39,385	38,028	39,287	35,081	37,148	34,219	***	***
Operating income	100,476	90,862	220,121	464,236	275,262	276,296	***	***
Interest expense	6,770	4,009	3,320	2,475	7,577	27,689	***	***
Other expenses	7,667	2,863	9,705	16,129	(399)	3,210	***	***
CDSOA funds received	0	0	0	0	0	0	***	***
Other income items	3,159	4,323	5,924	12,901	22,113	8,481	***	***
Net income	89,198	88,313	213,020	458,533	290,197	253,878	***	***
Depr. and amortization (incl. above)	39,827	34,532	31,938	29,048	38,495	34,983	***	***
Est. cash flow from operations	129,025	122,845	244,958	487,580	328,692	288,861	***	***
					Ratio to net sales (*percent*)			
Raw material	64.3	67.7	57.3	48.1	39.9	40.3	***	***
Direct labor	2.5	2.7	2.3	1.8	3.3	3.2	***	***
Other factory costs	14.0	13.0	12.8	10.2	19.7	18.7	***	***
Total cost of goods sold	80.8	83.4	72.4	60.2	63.0	62.2	***	***
Gross profit	19.2	16.6	27.6	39.8	37.0	37.8	***	***
Total SG&A expenses	5.4	4.9	4.2	2.8	4.4	4.2	***	***
Operating income	13.8	11.7	23.4	37.0	32.6	33.6	***	***
Net income	12.2	11.4	22.6	36.6	34.4	30.9	***	***

Table continued on next page.

Table III-11--*Continued*
Solid urea: Results of U.S. producers' operations, fiscal years 2005-10, January-June 2010, and January-June 2011

Item	Fiscal year						January-June	
	2005	2006	2007	2008	2009	2010	2010	2011
	Unit value (*dollars per short ton*)							
Net sales	245	241	319	473	289	304	***	***
Cost of goods sold:								
Raw material	158	163	183	228	115	122	***	***
Direct labor	6	6	7	9	10	10	***	***
Other factory costs	34	31	41	48	57	57	***	***
Total cost of goods sold	198	201	231	285	182	189	***	***
Gross profit	47	40	88	188	107	115	***	***
SG&A expenses	13	12	13	13	13	13	***	***
Operating income	34	28	75	175	94	102	***	***
	Number of companies reporting							
Data	5	5	5	5	5	5	***	***
Operating losses	1	0	0	0	0	0	***	***

Note: The interim financial results ***.

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

Table III-12
Solid urea: Selected financial information of U.S. producers' operations, fiscal years 2005-10, January-June 2010, and January-June 2011

* * * * * * *

Net Sales Quantity and Value

Solid urea sales quantity was at its highest annual level in 2006. In addition to the idling and ultimate closure of Agrium's Kenai, AK plant in 2007, weather-related supply disruptions in 2005 and 2008 also affected the level of company-specific sales quantity shown in table III-12.[36] In 2008, the industry reported its lowest annual sales quantity.

While not uniform, the pattern of company-specific average sales values shown in table III-12 was similar. In general, U.S. producers attributed changes in average sales value since 2005 to global and domestic supply and demand conditions.[37] Among the larger-quantity producers, PCS reported *** average sales values for much of the period. At least in part, this may be explained by the focus of PCS's U.S. plants on industrial customers, as noted above, while other U.S. producers focus on the agricultural

[36] As described by CF in its 2005 10-K, "{d}uring the third quarter of 2005, operating levels at our Donaldsonville, Louisiana nitrogen complex were affected by Hurricane Katrina and Hurricane Rita . . . {t}otal lost production resulting from both hurricanes was approximately 11,000 tons of shippable ammonia, 66,000 tons of urea and 52,000 tons of UAN solution." CF 2005 10-K, p. 31. In its 2008 10-K and with respect to Hurricane Gustav, which struck the region on September 1, 2008, CF states that "{t}otal lost production as a result of the storm consisted of about 40,000 shippable tons of ammonia, 100,000 tons of urea and 31,000 tons of UAN (28%) solution." CF 2008 10-K, p. 34.

[37] USITC auditor notes (prehearing).

Table III-13
Solid urea: Variance analysis of the financial results of U.S. producers' operations, fiscal years 2005-10, January-June 2010, and January-June 2011

	Fiscal year						Jan.-June
	2005-10	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Total net sales:							
Price variance	158,725	(15,178)	231,894	407,413	(536,053)	40,197	***
Volume variance	(65,954)	61,329	(66,402)	(93,727)	125,212	(61,914)	***
Total net sales variance	92,771	46,151	165,492	313,686	(410,841)	(21,717)	***
Cost of goods sold:							
Raw material:							
Cost variance	95,265	(16,455)	(59,556)	(118,322)	327,456	(19,124)	***
Volume variance	42,417	(39,442)	44,951	53,742	(60,288)	24,720	***
Net raw material variance	137,682	(55,897)	(14,605)	(64,580)	267,168	5,596	***
Direct labor:							
Cost variance	(9,630)	(1,303)	(2,701)	(3,098)	(3,163)	30	***
Volume variance	1,636	(1,521)	1,791	2,174	(2,270)	2,068	***
Net direct labor variance	(7,995)	(2,824)	(911)	(925)	(5,433)	2,098	***
Other factory costs:							
Cost variance	(61,054)	10,199	(28,079)	(20,238)	(24,987)	(68)	***
Volume variance	9,249	(8,600)	8,621	11,966	(12,814)	12,197	***
Net other factory cost variance	(51,805)	1,599	(19,459)	(8,272)	(37,801)	12,128	***
Net cost of goods sold:							
Cost variance	24,581	(7,558)	(90,336)	(141,658)	299,305	(19,163)	***
Volume variance	53,302	(49,564)	55,362	67,881	(75,371)	38,985	***
Total net cost of goods sold variance	77,883	(57,122)	(34,974)	(73,777)	223,934	19,822	***
Gross profit variance	170,654	(10,971)	130,518	239,909	(186,907)	(1,895)	***
SG&A expenses:							
Expense variance	1,603	4,670	(4,516)	291	1,435	203	***
Volume variance	3,563	(3,313)	3,257	3,914	(3,502)	2,727	***
Total SG&A variance	5,166	1,357	(1,259)	4,205	(2,067)	2,929	***
Operating income variance	175,820	(9,614)	129,259	244,114	(188,974)	1,034	***
Summarized as:							
Price variance	158,725	(15,178)	231,894	407,413	(536,053)	40,197	***
Net cost/expense variance	26,185	(2,888)	(94,853)	(141,367)	300,740	(18,960)	***
Net volume variance	(9,089)	8,452	(7,783)	(21,932)	46,339	(20,203)	***

Note.--The variance analysis of interim financial results ***.

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

market. Company-specific revenue also to some extent reflects differences in the structure of solid urea sales; e.g., during the period for which data were collected, a ***.[38]

With regard to the notable increase in overall average sales value in 2008 (see table III-12), CF stated in its 2008 10-K that "{s}trength in international markets, reflecting a reduction in Chinese exports and increased demand in Latin America, contributed to the 40% increase in average urea selling prices." Similarly, PCS noted that in 2008 "{r}ealized prices for urea were up 33 percent on strong agricultural demand, production disruptions in the Middle East and delays in new capacity early in 2007." As described by Agrium, ". . . global urea prices averaged 60 percent higher in 2008 than 2007, while North American urea prices were 46 percent higher. The global nitrogen market tightened through the first eight months of the year {2008} due to growth in global nitrogen demand spurred by rising grain prices and expanded crop acreage. Global urea trade increased in the first half of 2008, partly due to another strong year of growth in demand from India. In April 2008, the Chinese government imposed prohibitive export tariffs on urea, which effectively restricted nitrogen supplies for the world market."[39]

While not specifically addressing the sharp decline in urea prices in 2009, CF did state in its 2009 10-K that "{m}arket conditions in 2009 were weaker than experienced in 2008 as lower demand for our products resulted from high industry-wide inventories entering the year, poor weather conditions, and our customers' hesitancy to restock due to an uncertain pricing environment. Pricing levels and raw material costs had reached unprecedented levels in 2008, but both declined in 2009. By late 2009, conditions had improved with expectations of a strong spring 2010 planting season and a tightening of the international supply/demand balance."[40] Similarly, while not addressing urea specifically, PCS noted in its 2009 Annual Report that in 2009 there was a "{s}harp decrease {in net sales prices} consistent with declining crop commodity prices, lower energy costs and weak industrial and agricultural demand that resulted from cautious customer buying behavior during the global economic crisis."[41] As described by Agrium, "{g}lobal and North American benchmark nitrogen prices rose dramatically in mid-2008 but declined significantly in late 2008 along with other commodity prices with the onset of the global economic recession. U.S. Gulf urea prices averaged $298 per tonne in 2009, a decline of 46 percent from $551 per tonne in 2008. The five-year average price for U.S. Gulf urea prices was $266 per tonne for the 2003-2007 period. Prices for all forms of nitrogen products including ammonia, nitrogen solutions, and ammonium nitrate experienced similar declines in year-over-year prices. Lower nitrogen prices were due to a decline in global demand resulting from a combination of lower crop prices, reduced global credit availability, and reduced industrial utilization rates."[42]

The revenue section of the variance analysis (table III-13) shows that specific period-to-period changes in revenue were driven predominately by either volume variances (2005-06, 2009-10) or price variances (2006-07, 2007-08, 2008-09, and interim 2010-11).

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[38] E-mail from ***, August 25, 2011. E-mail with attachments from ***, August 24, 2011.

***. E-mail from ***, August 25, 2011. As described by CF in its 2010 10-K, "{u}nder our FPP {forward pricing program}, customers generally make an initial cash down payment at the time of order and generally pay the remaining portion of the contract sales value in advance of the shipment date, thereby significantly increasing our liquidity . . . {a}s our customers enter into forward nitrogen fertilizer purchase contracts with us, we generally use natural gas derivatives or fixed price fertilizer purchase contracts to hedge against changes in the price of natural gas, the largest and most volatile component of our supply cost." CF 2010 10-K, p. 26.

[39] CF 2008 10-K, p. 47. PCS 2008 Annual Report, p. 32. Agrium 2008 Annual Report, p. 40.

[40] CF 2009 10-K, p. 39.

[41] PCS 2009 Annual Report, p. 35.

[42] Agrium 2009 Annual Report, p. 34.

Operating Costs and Expenses

Raw materials represent the single largest component of overall solid urea COGS, *** percent of total COGS on a cumulative basis, and primarily reflects natural gas; e.g., when considered as a stand-alone component and with respect to nitrogen fertilizer operations in general, natural gas accounted for 45 percent to 56 percent of CF's nitrogen fertilizer segment cost of sales.[43] In response to substantial increases in natural gas prices, U.S. producers reportedly curtail urea production when manufacturing costs exceed corresponding sales values.[44] Consistent with the capital intensive nature of urea production, other factory costs and direct labor account for the second and third largest shares of COGS, respectively, at *** percent and *** percent on a cumulative basis.

As shown in table III-11, average raw material costs generally increased, peaked in 2008 and then subsequently ended the period somewhat lower compared to the beginning. While average direct labor and other factory costs also fluctuated, the range was generally small and therefore had a limited impact on overall COGS. With respect to average raw material cost specifically, the pattern of change shown in table III-11 is generally consistent with average U.S. industrial natural gas prices during the period (see table V-1).

Narrative accompanying the public financial statements of several of the larger urea producers generally indicated that they purchase natural gas on both a spot basis and pursuant to longer-term contracts.[45] In addition to differences in the underlying mix of natural gas purchasing arrangements, proximity to major natural gas supply points likely explains to some extent why average company-specific raw material costs vary (see table III-12).

Notwithstanding differences in specific hedging instruments used and corresponding accounting treatment, the use of derivatives to hedge natural gas purchases is commonplace among U.S. producers; e.g., in 2009, derivatives covered approximately 38 percent of the natural gas consumed at CF's Donaldsonville, LA plant.[46] Regardless of the type of derivative used, GAAP accounting treatment can vary depending on the nature of derivative activity and the extent to which it qualifies for formal hedge accounting. With respect to the financial results reported to the Commission, *** confirmed that hedging gains and losses are reflected as adjustments to other factory costs.[47]

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[43] CF 2005 10-K, p. 4. CF 2006 10-K, p. 4. CF 2007 10-K, p. 5. CF 2008 10-K, p.5. CF 2009 10-K, p. 5. CF 2010 10-K, p.7.

[44] For example, CF stated in its 2005 10-K that ". . . due to the high cost of natural gas during the third and fourth quarters of 2005, we curtailed production of fertilizers at our Donaldsonville complex because market prices of nitrogen fertilizer were below our cost of production." CF 2005 10-K, p. 14. Similarly, PCS states that "{w}e vary production at our US plants in response to margin volatility created by natural gas costs." PCS 2005 Annual Report, p. 13.

[45] Agrium 2010 Annual Report, p. 73. CF 2010 10-K, p. 7. It appears reasonable to conclude that all U.S. producers purchase natural gas using a mix, unique to each company, of short-term and long-term contracts.

[46] CF 2009 10-K, p. 74. CF reported that it primarily used natural gas swap contracts, while PCS indicated that it used futures, swaps, and option agreements. Similarly, Agrium reported the use of natural gas forward, swap, and option contracts. CF 2010 10-K, p. 84. PCS 2010 Annual Report, p. 61. Agrium 2010 Annual Report, p. 56.

[47] E-mail with attachments from ***, August 12, 2011. E-mail with attachments from ***, August 16, 2011. ***. E-mail from ***, August 20, 2011.

***. USITC Auditor notes (prehearing).

Profitability

As shown in table III-11, the industry's operating income was at its lowest absolute level in 2006.[48] After increasing, annual operating income subsequently peaked in 2008 and then declined in 2009. Operating income margins (i.e., operating income as a share of sales) followed a similar pattern, but were higher in interim 2011 than in any full 12-month period.

As isolated in the table III-12 variance analysis, the pattern of change in total operating income was primarily the result of alternating positive and negative price and raw material cost variances. Similarly, the pattern of generally higher operating income margins was largely attributable to a positive spread between average sales value and raw material costs which increased throughout much of the period and was notably higher in interim 2011 compared to interim 2010.

With respect to the substantial increase in ***.[49]

While the industry's overall SG&A expense ratio (i.e., total SG&A expenses as a share of total sales) moved within a relatively narrow range, the modest decline in interim 2011 (see table III-11) enhanced the corresponding increase in gross profitability. As indicated in the note to table III-12, the decline in ***.

Capital Expenditures and Research and Development Expenses

Table III-14 presents data on company-specific capital expenditures and research and development (R&D) expenses.[50]

Table III-14
Solid urea: Value of capital expenditures and research and development expenses of U.S. producers, fiscal years 2005-10, January-June 2010, and January-June 2011

* * * * * * *

As shown in table III-14, U.S. producers reported varying levels of capital expenditures. Koch accounted for *** of the industry's cumulative capital expenditures followed by CF and PCS. Koch's capital expenditures *** primarily reflect the expansion of its Enid, OK plant capacity. With respect to PCS, the company's relatively higher level of capital expenditures at the beginning of the period were reportedly related to ***.[51] Agrium, which reported its largest capital expenditures in ***, stated that in that year ***.[52] In 2009, the majority of the industry's capital expenditures was accounted for by ***.[53]

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[48] The industry's relatively lower level of operating income at the beginning of the current period for which data were collected presumably reflects, at least in part, production and supply disruptions caused by Hurricanes Katrina and Rita, as noted previously. In contrast, the production and supply disruptions caused by Hurricane Gustav in 2008 appear to have been largely offset by positive demand factors which prevailed throughout much of that year.

[49] E-mail from ***, August 25, 2011.

[50] Based on a comparison of corresponding segment asset turnover ratios calculated from public financial information, staff in general does not consider the solid urea asset information reported to the Commission to be meaningful. USITC auditor notes (prehearing). Accordingly, asset information and corresponding ROI is not presented in this section of the report.

[51] E-mail with attachments from ***, August 16, 2011. With regard to the notable decline in the level of its capital expenditures in 2010 and interim 2011, ***. Ibid.

[52] E-mail from ***, August 25, 2011.

[53] E-mail with attachments from ***, August 12, 2011.

PART IV: U.S. IMPORTS AND THE FOREIGN INDUSTRY

U.S. IMPORTS

Overview

The Commission issued questionnaires to 21 firms believed to have imported solid urea since 2005, as well as to all six U.S. producers of solid urea. Eleven firms provided data and information in response to the questionnaires, while 10 firms indicated that they had not imported solid urea since January 1, 2005.[1] Based on official Commerce statistics for imports of solid urea, importers' questionnaire data accounted for approximately 80 percent of total U.S. imports during January 2005-June 2011. None of the responding firms reported imports of subject merchandise from Russia or Ukraine.[2] In light of the questionnaire data coverage, import data in this report are based on official Commerce statistics for solid urea, adjusted for misclassifications.[3]

Imports from Subject and Nonsubject Countries

Table IV-1 presents data for U.S. imports of solid urea from Russia, Ukraine, and all other sources.[4] The principal nonsubject countries from which there were imports are (in order of the quantity of total imports during January 2005 - June 2011) Canada, Qatar, Saudi Arabia, Kuwait, China, Trinidad and Tobago, Venezuela, Egypt, and Bahrain. In 2010, imports from Canada were approximately one-quarter of total imports and accounted for approximately *** of U.S. producers' imports. There were limited subject imports from Russia, with no imports in 2005 and 2007, a small quantity in 2006, and then increasing each year from 2008 through 2010. Imports from all other sources have fluctuated since 2005, but were 11.6 percent higher in 2010 than in 2005.[5] Imports from Russia were lower in January-June 2011 than in January-June 2010, while imports from all other sources were also lower. The average unit value of U.S. imports from Russia were generally lower than other sources over the period for which data

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[1] The wholesale crop nutrient business of U.S. importer Agrilliance, which represented approximately *** percent of U.S. imports of solid urea each year between 2005 and 2007, was transferred to joint-venture owner and U.S. solid urea importer, CHS. ***. Email from ***, August 17, 2011 and "Land O'Lakes and CHS complete crop nutrients and crop protection products transaction," CHS press release, September 4, 2007, found at http://chsinc.mediaroom.com/index.php?s=43&item=42, retrieved August 25, 2011.

[2] Domestic interested parties report that no subject urea entered the United States in 2005, and only entered for the first time in the order's history in December 2006. Domestic interested parties contend that only one firm, MCC EuroChem, has imported subject merchandise from Russia, and there has been very limited, if any at all, imports of subject merchandise from Ukraine. Domestic interested parties' response to the Notice of Institution, p. 5.

Staff has contacted EuroChem Trading USA Corp., the U.S. based trading arm of Russian producer MCC EuroChem OJSC, multiple times to obtain import data. Counsel indicated that the firm "***." Staff interview with *** and Staff's email to EuroChem, October 20, 2011.

[3] Domestic interested parties note that several entries during 2005-06 were misclassified as solid urea, citing documentation of Census Bureau's confirmation of the corrections. In addition, domestic interested parties report that some of the shipments of Russian urea in 2008-10 were improperly misclassified as urea ammonium nitrate (UAN) solution, and thus are not reported as Russian urea in Census data, but should be so classified. Domestic interested parties' response to the Notice of Institution, p. 5 and Exh. 2-A.

[4] Responding importers reported that the majority (more than 90 percent in each period) of U.S. shipments of nonsubject imports consisted of granular solid urea.

[5] U.S. imports of solid urea from China rose from less than 1 percent of total U.S. solid urea imports in 2005 to the second largest source in 2010, accounting for approximately 11 percent of total U.S. imports of solid urea.

were collected. Specifically, the average unit values were the lowest in 2008 and 2010, and approximately equal to or lower than each individual non-subject source January-June 2011.

Table IV-1
Solid urea: U.S. imports, by sources, 2005-10, January-June 2010, and January-June 2011

Source	Calendar year						January-June	
	2005	2006	2007	2008	2009	2010	2010	2011
Quantity (*1,000 short tons*)								
Russia	0	4	0	12	14	113	113	52
Ukraine	0	([1])	([1])	0	0	0	0	0
Subtotal	0	4	([1])	12	14	113	113	52
Other sources	6,216	5,450	7,216	6,004	5,210	6,938	3,787	3,409
Total	6,216	5,454	7,216	6,016	5,224	7,050	3,900	3,461
Value (*1,000 dollars*)[2]								
Russia	0	851	0	3,173	3,946	29,314	29,314	17,881
Ukraine	0	9	26	0	0	0	0	0
Subtotal	0	860	26	3,173	3,946	29,314	29,314	17,881
Other sources	1,529,452	1,318,055	2,217,638	2,862,233	1,441,064	2,145,022	1,161,330	1,266,728
Total	1,529,452	1,318,915	2,217,664	2,865,406	1,445,010	2,174,336	1,190,644	1,284,609
Unit value (*dollars per short ton*)								
Russia	([3])	$233	([3])	$262	$283	$260	$260	$342
Ukraine	([3])	399	$373	([3])	([3])	([3])	([3])	([3])
Subtotal	([3])	234	373	262	283	260	260	342
Other sources	$246	242	307	477	277	309	307	372
Total	246	242	307	476	277	308	305	371
Share of quantity (*percent*)								
Russia	0.0	0.1	0.0	0.2	0.3	1.6	2.9	1.5
Ukraine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	0.0	0.1	0.0	0.2	0.3	1.6	2.9	1.5
Other sources	100.0	99.9	100.0	99.8	99.7	98.4	97.1	98.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of value (*percent*)								
Russia	0.0	0.1	0.0	0.1	0.3	1.3	2.5	1.4
Ukraine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	0.0	0.1	0.0	0.1	0.3	1.3	2.5	1.4
Other sources	100.0	99.9	100.0	99.9	99.7	98.7	97.5	98.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table continued on next page.

Table IV-1--*Continued*
Solid urea: U.S. imports, by sources, 2005-10, January-June 2010, and January-June 2011

[1] Less than 500 short tons.
[2] Landed, duty-paid.
[3] Not applicable.

Source: Compiled from official Commerce statistics (HTS statistical reporting number, 3102.10.0000) adjusted for misclassifications identified by domestic interested parties.

Leading Nonsubject Sources of Imports

The leading nonsubject suppliers are shown in table IV-2. Nonsubject imports fluctuated over the period for which data were collected, reaching their highest level in 2007, then declined through 2009, before reaching their second highest level in 2010. The leading nonsubject source was Canada, which accounted for 26 to 36 percent of imports of solid urea from nonsubject sources during January 2005 - June 2011. The second largest nonsubject source in 2010 was China, which also experienced the largest growth rate in imports of solid urea, rising from 0.8 percent of total nonsubject imports in 2005 to 11.9 percent in 2010.

Imports from countries other than the listed leading sources, which include countries formerly under antidumping orders revoked in November 2004, declined during 2005-10 from 17.4 percent of total nonsubject imports in 2005 to 7.5 percent in 2010. Of the countries previously under an antidumping order, only Romania imported solid urea after 2008, although almost 40 percent less in 2010 than in 2005. Imports of solid urea from Romania, which accounted for the largest quantity of such imports in 2005 (256,581 short tons), declined between 46 percent and 70 percent each year between 2005-08, before doubling in 2009 and rising 245.6 percent in 2010 (156,639 short tons). In contrast, imports from Belarus fluctuated between 2005 and 2008, declining in 2006, then rising in 2007 to a peak level of 231,852 short tons, followed by an 88.2 percent decline in 2008, and ceased after 2008. Imports from Estonia declined during 2005-07, before rising in 2008 to a level 2.6 percent less than in 2005 (81,671 short tons). Imports of solid urea from Lithuania, the other country previously subject to an antidumping order for which imports of solid urea were reported during 2005-10, increased in 2006 (from 3,772 to 28,559 short tons), declined the following year, and effectively stopped after 2007.

Table IV-2
Solid urea: U.S. imports from leading nonsubject sources, 2005-10, January-June 2010, and January-June 2011

Source	Calendar year						January-June	
	2005	2006	2007	2008	2009	2010	2010	2011
Quantity (*1,000 short tons*)								
Canada	1,918	1,974	1,878	1,660	1,829	1,909	1,066	1,009
China	52	190	769	788	250	825	383	256
Egypt	84	90	523	239	185	602	418	303
Saudi Arabia	562	361	515	602	591	602	273	295
Oman	0	0	0	0	71	514	243	276
Kuwait	500	550	648	760	276	507	369	140
Qatar	805	566	464	525	538	447	283	321
Trinidad and Tobago	485	408	524	438	438	368	170	226
Venezuela	480	394	583	347	444	352	235	188
Bahrain	247	208	347	245	337	293	99	145
All other	1,083	709	965	399	251	518	247	249
Total	6,216	5,450	7,216	6,004	5,210	6,938	3,787	3,409
Value (*1,000 dollars*)[1]								
Canada	497,542	514,446	584,967	823,019	559,816	586,586	339,180	395,294
China	14,181	45,286	225,544	308,964	69,693	258,911	119,455	90,717
Egypt	22,267	21,555	142,264	148,954	52,456	189,403	126,541	114,307
Saudi Arabia	140,057	86,413	170,131	249,056	158,384	186,961	82,043	109,851
Oman	0	0	0	0	18,947	167,788	74,218	100,262
Kuwait	125,186	126,397	206,577	393,311	67,753	159,416	114,327	53,084
Qatar	192,368	130,834	163,472	233,210	141,090	142,071	86,625	113,560
Trinidad and Tobago	113,500	93,450	175,114	214,105	118,246	115,866	52,520	81,272
Venezuela	103,271	82,721	175,018	152,836	101,768	89,893	60,555	64,116
Bahrain	60,212	49,318	100,440	128,140	87,691	90,475	30,853	53,383
All other	260,868	167,635	274,109	210,638	65,219	157,652	75,014	90,882
Total	1,529,452	1,318,055	2,217,638	2,862,233	1,441,064	2,145,022	1,161,330	1,266,728

Table continued on next page.

Table IV-2--*Continued*
Solid urea: U.S. imports from leading nonsubject sources, 2005-10, January-June 2010, and January-June 2011

Source	Calendar year						January-June	
	2005	2006	2007	2008	2009	2010	2010	2011
	Unit value (*dollars per short ton*)							
Canada	$259	$261	$312	$496	$306	$307	$318	$392
China	272	238	293	392	278	314	312	354
Egypt	265	239	272	623	283	315	303	377
Saudi Arabia	249	239	330	414	268	311	301	372
Oman	([2])	([2])	([2])	([2])	266	326	305	363
Kuwait	251	230	319	518	245	314	310	380
Qatar	239	231	352	444	262	318	306	353
Trinidad and Tobago	234	229	334	489	270	315	309	360
Venezuela	215	210	300	441	229	255	257	341
Bahrain	243	237	290	522	260	309	311	367
All other	241	236	284	528	260	304	304	365
Average	246	242	307	477	277	309	307	372

[1] Landed, duty-paid.
[2] Not applicable.

Source: Compiled from official Commerce statistics (HTS statistical reporting number, 3102.10.0000) adjusted for misclassifications identified by domestic interested parties.

Data on U.S. importers' U.S. shipments of solid urea by form are presented in table IV-3, and U.S. importers' share of U.S. shipments in 2010 by application is presented in table IV-4. *** reported shipments of granular solid urea, with the majority of it used in fertilizer applications, followed distantly by adhesives.[6] Six firms reported U.S. shipments of prilled solid urea, the majority of which in 2010 was used in animal feed applications, and one firm, ***, reported shipments of other solid urea, namely ***.[7] U.S. importers reported that *** percent of their U.S. shipments of imported solid urea (in all forms) in 2010 was used for fertilizer applications, *** percent for adhesives, *** percent for lawn and garden, *** percent for animal feed, *** percent for pharmaceuticals, *** percent for other known uses (such as ethanol, cosmetic applications, and cigarette production), and none for unknown uses.

[6] Three firms reported that they were unable to identify the specific end application for which the imported solid urea was used.

[7] *** reported that *** was used for pharmaceutical applications, cosmetic applications, and cigarette production.

Table IV-3
Solid urea: U.S. importers' U.S. shipments, by form, 2005-10, January-June 2010, and January-June 2011

Item	Calendar year						January-June	
	2005	2006	2007	2008	2009	2010	2010	2011
Quantity (*1,000 short tons*)								
U.S. importers' U.S. shipments from all sources--								
Granules	4,612	4,724	5,907	6,595	6,303	7,646	3,151	4,185
Prills	***	***	***	***	***	***	***	***
Other	***	***	***	***	***	***	***	***
Total	4,973	5,046	6,371	6,877	6,541	7,887	3,226	4,360
Value ($*1,000*)								
U.S. importers' U.S. shipments from all sources--								
Granules	1,087,564	1,006,454	1,608,624	1,895,571	1,146,342	1,633,075	592,480	973,685
Prills	***	***	***	***	***	***	***	***
Other	***	***	***	***	***	***	***	***
Total	1,165,476	1,063,537	1,726,211	1,991,805	1,204,126	1,718,659	610,132	1,029,320
Share of quantity (*percent*)								
U.S. importers' U.S. shipments from all sources--								
Granules	92.7	93.6	92.7	95.9	96.4	96.9	97.7	96.0
Prills	***	***	***	***	***	***	***	***
Other	***	***	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Share of value (*percent*)								
U.S. importers' U.S. shipments from all sources--								
Granules	93.3	94.6	93.2	95.2	95.2	95.0	97.1	94.6
Prills	***	***	***	***	***	***	***	***
Other	***	***	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Table IV-4
Solid urea: U.S. importers' share of U.S. shipments, by application, 2010

* * * * * * *

U.S. IMPORTERS' IMPORTS SUBSEQUENT TO JUNE 30, 2011

The Commission requested importers to indicate whether they had imported or arranged for the importation of solid urea from Russia, Ukraine and all other sources for delivery after June 30, 2011. *** reported a small quantity of arranged imports of granular and prill solid urea from *** in July-September 2011, and *** reported having arranged imports from *** in ***. Data on the actual and arranged imports for 2011-12 are presented in the following tabulation:

Source	2011		2012		Total
	July-Sept.	Oct.-Dec.	Jan.-Mar.	After Mar.	
Granular:					
Russia	0	0	0	0	0
Ukraine	0	0	0	0	0
All other sources	***	***	***	***	***
Prill:					
Russia	0	0	0	0	0
Ukraine	0	0	0	0	0
All other sources	***	***	***	***	***

U.S. IMPORTERS' INVENTORIES

Data relating to U.S. importers' inventories of solid urea are presented in table IV-5. No firms reported inventories of imports from subject countries, while six firms reported inventories of imports from all other sources. Three firms (***) held the majority of the inventories, with *** reporting the largest quantity in each year except 2007 and 2008, as well as the largest increase in the quantity of inventories of imports over the period for which data were collected.

After declining between 2005 and 2007, importers' inventories rose to their highest level in 2008, then fluctuated over the remaining periods, ending 22.4 percent higher in 2010 than in 2005. The increase in 2008 was largely attributable to ***, which ascribed the increase to ***.[8] Inventories of imports were lower in January-June 2011 than in January-June 2010, *** largely attributable to *** as it worked down its high December 2010 inventory levels.

[8] E-mail from ***, September 6, 2011.

Table IV-5
Solid urea: U.S. importers' end-of-period inventories of imports, by source, 2005-10, January-June 2010, and January-June 2011

Item	Calendar year						January-June	
	2005	2006	2007	2008	2009	2010	2010	2011
Imports from Russia								
Inventories (*1,000 short tons*)	0	0	0	0	0	0	0	0
Ratio to U.S. imports (*percent*)	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Ratio to total shipments of imports (*percent*)	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Imports from Ukraine:								
Inventories (*1,000 short tons*)	0	0	0	0	0	0	0	0
Ratio to U.S. imports (*percent*)	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Ratio to total shipments of imports (*percent*)	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Subtotal:								
Inventories (*1,000 short tons*)	0	0	0	0	0	0	0	0
Ratio to U.S. imports (*percent*)	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Ratio to total shipments of imports (*percent*)	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Imports from all other sources:								
Inventories (*1,000 short tons*)	434	333	330	568	445	531	225	178
Ratio to U.S. imports (*percent*)	8.9	8.0	5.9	11.5	9.6	8.3	5.2	2.8
Ratio to total shipments of imports (*percent*)	9.5	7.8	6.1	13.5	11.3	9.4	6.2	3.0
Imports from all sources:								
Inventories (*1,000 short tons*)	434	333	330	568	445	531	225	178
Ratio to U.S. imports (*percent*)	8.9	8.0	5.9	11.5	9.6	8.3	5.2	2.8
Ratio to total shipments of imports (*percent*)	9.5	7.8	6.1	13.5	11.3	9.4	6.2	3.0

[1] Not applicable

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

CUMULATION CONSIDERATIONS

In assessing whether subject imports are likely to compete with each other and with the domestic like product with respect to cumulation, the Commission generally has considered the following four factors: (1) the degree of fungibility, including specific customer requirements and other quality-related questions; (2) presence of sales or offers to sell in the same geographic markets; (3) common channels of distribution; and (4) simultaneous presence in the market. Channels of distribution and fungibility (interchangeability) are discussed in *Part II* of this report. Additional information concerning geographical markets and simultaneous presence in the market is presented below.

For purposes of its original determinations, first five-year review determinations, and second five-year review determinations the Commission cumulated imports from subject sources.[9] Domestic interested parties contend that the statutory requirements for cumulation have been met, including initiation of reviews of the antidumping duty orders on solid urea from each subject country on the same day, ease of interchangeability, commodity nature of the product and importance of price considerations, and continuing competition from Russian solid urea. Moreover, the domestic interested parties assert that the continued nonmarket pricing of natural gas in Russia and Ukraine and the relationship between Russian state-controlled gas supplier Gazprom and the owner of the majority of Ukranian urea production capacity, necessitate cumulation.[10] No other interested party provided further comment on cumulation.

Geographic Markets

As noted previously, solid urea produced in the United States is shipped nationwide. During January 2005-June 2011, the top Customs districts for imports from Russia were Baltimore, MD, Houston-Galveston, TX, and New Orleans, LA. Additional information on geographic markets may be found in *Part II* of this report.

Presence in the Market

Table IV-6 presents data on the monthly entries of U.S. imports of solid urea, by source, during January 2005-June 2011. Imports of solid urea from Russia were present sporadically in only a few months of each year, except in 2005 and 2007 when there were no imports. Imports from Ukraine were only present in a few months in 2006 and 2007.[11] Imports from all other sources combined were present throughout the period.

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[9] In the original determinations the Commission cumulated imports from the USSR, the GDR, and Romania. *Urea from the German Democratic Republic, Romania, and the Union of Soviet Socialist Republics, Invs. Nos. 731-TA-338-340 (Final)*, USITC Publication 1992, July 1987, p. 7. In the first five-year review the Commission cumulated imports from all subject countries except Armenia. *Solid Urea From Armenia, Belarus, Estonia, Lithuania, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan, Invs. Nos. 731-TA-339 and 340 A-I (Review)*, USITC Publication 3248, October 1999, p. 12; and *Solid Urea from Russia and Ukraine, Invs. Nos. 731-TA-340-E & H (Second Review)*, USITC Publication 3821, December 2005, p. 9.

[10] Domestic interested parties' response to the Notice of Institution, p.16, domestic interested parties' prehearing brief, pp. 24-27, and domestic interested parties' posthearing brief, pp. 27-28.

[11] Domestic interested parties stated that they do not believe that these imports were likely urea from Ukraine. Domestic interested parties' response to the Notice of Institution, p. 5.

Table IV-6
Solid urea: U.S. imports, monthly entries into the United States, by sources, January 2005-June 2011

Country	Calendar year						January-June
	2005	2006	2007	2008	2009	2010	2011
Russia	0	1	0	1	1	2	2
Ukraine[1]	0	1	3	0	0	0	0
All others	12	12	12	12	12	12	6

[1] The domestic interested parties contend that these imports were unlikely to be from Ukraine.

Source: Compiled from official statistics of Commerce.

Trade Remedies in Other Countries

On July 23, 2007, the European Union terminated its antidumping measure in the form of a minimum import price (115 Euro per metric ton) on urea (solid and liquid form) from Russia. This measure had been in place since March 1999. In its decision, the Counsel of the European Union noted that "in consideration of the circumstances ...that the cost structure of the Russian exporters is significantly distorted by the double pricing of gas practiced by Russia, it is found necessary to monitor closely the evolution of the imports of urea originating in Russia, with a view to facilitating swift appropriate action should the situation so require."[12]

On March 17, 2008, the European Union terminated its antidumping duties on imports of urea (solid and liquid form) from Ukraine which were established in January 2002. Similar to its decision on imports of urea from Russia, the European Union noted that it would "closely monitor the evolution of imports of urea... with a view to facilitating swift appropriate action should the situation so require."[13]

In addition, antidumping duties imposed by Mexico on urea from Ukraine in March 2003, have since been removed.

THE INDUSTRY IN RUSSIA

Overview

The IFDC lists 10 Russian firms producing solid urea, with 13 operating facilities and two facilities under construction.[14] In addition, one existing producer has an additional facility in the planning stages, as do two firms which do not currently produce solid urea.[15] Two other firms have idled their three facilities.[16] No producers in Russia responded to the Commission's foreign producers'

[12] Official Journal of the European Union, Council Regulation (EC) No 240/2008, p. 48.

[13] Official Journal of the European Union, Council Regulation (EC) No 907/2007, p. 19.

[14] These firms are ***. IFDC, *Worldwide Urea Capacity Listing by Plant*, December 2010, pp. 12-14.

[15] These firms are ***.

[16] These firms are ***.

questionnaire. *** estimates production of urea in Russia to be *** short tons in 2009, up from *** short tons in 2005.[17]

IFDC lists only two producers (***) that increased their production capacity since 2007, the first year of the study. JSC Novomoskovsk, along with Nevinnomyssky Azot, was acquired in 2002 by EuroChem (the only Russian producer believed to have exported subject merchandise to the United States during the period for which data were collected). EuroChem reported in December 2009 that it had opened its reconstructed granulated urea shop (Urea-3) at Novomoskovsk, increasing the shop's granular urea capacity by 31 percent (from 1,680 to 2,204 short tons per day), an increase of 17 percent of the facility's overall urea capacity (from 3,006 to 3,528 short tons per day).[18] [19] In September 2009 EuroChem opened a second line in its Urea-3 shop at its plant in Novomoskovsk, increasing the capacity to 3,472 short tons per day. EuroChem noted that with this increase the plant was the largest urea plant in Europe with a daily capacity of 4,795 short tons per day. EuroChem also reported that the facility is using a fluid bed granulation technology, as opposed to the older technology of urea production by means of prilling in a granulating tower, reportedly enabling a higher-quality product, increased productivity, reduced raw material consumption, and lower energy consumption per tonne of finished product. EuroChem claims to be the only manufacturer of granulated urea in Russia.[20] [21]

JSC Togliattiazot reported in September 2009 that it has temporarily shut down production at one of its two urea plants due to the closure of one of its ammonia lines, and then in January 2010 announced that it was running its urea production at about 50 percent of its capacity as it had shut down one of its urea production units, following a dispute over natural gas supply.[22]

In December 2008 Uralchem completed its acquisition of Azot Berezniki, and in 2009 announced that after a modernization project it had increased production capacity by 124.6 percent compared with the same period in 2008.[23] [24] JSC Acron reported that it had completed the general construction and was installing the production equipment of a new urea unit with a planned capacity of 364,000 short tons, with completion planned for 2012.[25]

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[17] Converted to short tons from nitrogen measurement in metric tons using 2.174 (N) and 1.1023 (MT) conversion factors. ***.

[18] "EuroChem Opens First Granulated Urea Workshop in Russia," EuroChem press release, December 23, 2009, found at http://www.eurochem.ru/2009/12/eurochem-opens-first-granulated-urea-workshop-in-russia/.

[19] Similarly, *** reported that ***. ***.

[20] "EuroChem's NAK Azot becomes largest urea plant in Europe," EuroChem press release, September 9, 2010, found at http://www.eurochem.ru/2010/09/eurochems-nak-azot-becomes-largest-urea-plant-in-europe/.

[21] IFDC lists two other Russian producers with operating granular capacity, JSC Acron and Gazprom Neftekhim Salavat. IFDC reports total 2010 Russian granular capacity of *** short tons. IFDC, *Worldwide Urea Capacity Listing by Plant*, December 2010, pp. 12-13.

[22] TogliattiAzot was reported have produced about 800,000 tonnes per year of urea in years prior to 2010. "Russia's TogliattiAzot to run six ammonia lines by end Sept," ICIS news, September 16, 2009, found at http://www.icis.com/Articles/2009/09/16/9247706/russias-togliattiazot-to-run-six-ammonia-lines-by-end-sept.html, and "Russia's TogliattiAzot cuts ammonia, urea, methanol output," ICIS news, January 20, 2010, found at http://www.icis.com/Articles/2010/01/20/9327225/russias-togliattiazot-cuts-ammonia-urea-methanol.html.

[23] *Uralchem About Us, Azot branch*, found at http://uralchem.com/eng/assets/788/793/, retrieved on September 1, 2011, and "Four core production units at Azot reached their planned annual production volumes in the first eleven months of 2009," Uralchem press release, December 14, 2009, found at http://uralchem.com/eng/press-service/863/document2785.shtml.

[24] *** reported that capacity was increased from *** metric tons (*** short tons). ***.

[25] *JSC Acron 2010 Annual Report, Investments and Technical Maintenance*, found at http://2010.annualreport.acron.ru/eng/business_overview/business_segments/production_and_sales/investments_and

(continued...)

Fertecon, IFDC, and *** forecast increases in solid urea production capacity in Russia between 2010 and 2014, although they differ in the quantity.[26] All three sources attribute at least some of this increase to two producers, Acron and Agro-Cherepovets. IFDC and Fertecon both project these new facilities to increase each firm's production capacity by *** short tons and *** short tons, respectively, while *** forecasts increases of *** short tons and *** short tons, respectively.[27] In addition to these two firms, Fertecon estimates that *** will increase production capacity by *** in 2012 with ***,[28] and an increase of *** short tons by ***. Table IV-7 lists each Russian producer and its 2010 capacity and projected 2012 capacity from the IFDC, ***, and Fertecon.

[25] (...continued)
_technical, and Acron Investor presentation, August 2011, p. 13, found at http://www.acron.ru/_upload/docs_lang/filename_document2_2272.pdf.

[26] Fertecon forecasts increase of ***, IFDC projects an increase of ***, and *** estimates a *** increase.

[27] Agro-Cherepovets' new *** urea plant, which commenced construction in 2009, was reported to come online in *** and reaching full capacity of approximately 551,000 short tons in ***. U.S. Geological Survey, *2009 Minerals Yearbook*, p. 53.5, "PhosAgro – 6M 2011 IFRS Results", Phosagro, p. 10, found at http://www.phosagro.com/upload/1356/PhosAgro%206M2011%20results%20call.pdf, and Fertecon, *Russian and Ukranian Urea*, September 2011, domestic interested parties' prehearing brief, exh. 2, p. 5.

[28] Gazprom Neftekhim Salavat reported that completion of the firm's urea granulation plant, anticipated in September 2011, will enable the firm to produce up to 1,543 short tons of granulated urea. "JSC Gazprom neftekhim Salavat to complete construction and assembly works at urea granulation plant by September 2011," Gazprom neftekhim Salavat press release, April 21, 2011, found at http://eng.gpns.ru/press/yr2011/mn4/day21/408.

Table IV-7
Solid urea: Russian producers, production locations, and production capacities, 2010 and 2012

Firm	Location	2010 capacity (*1,000 short tons*)			2012 projected capacity (*1,000 short tons*)		
		IFDC	***	Fertecon	IFDC	***	Fertecon
Agro-Cherepovets	Cherepovets	***	***	***	***	***	***
Acron[1]	Novgorod	***	***	***	***	***	***
Angarsk[2]	Angarsk	***	***	***	***	***	***
Azot Berezniki[3]	Berezniki	***	***	***	***	***	***
Cherkassy[2]	Cherkassy	***	***	***	***	***	***
KuibyshevAzot (KUAZ)	Togliatti	***	***	***	***	***	***
Mineralniye Udobreniya	Perm	***	***	***	***	***	***
Nevinnomyssky Azot[5] (Eurochem)	Nevinnomyssky	***	***	***	***	***	***
Novomoskovsk Azot (Eurochem)	Novomoskovsk	***	***	***	***	***	***
Gazprom Neftekhim Salavat[6]	Salavat	***	***	***	***	***	***
Sibur-Mineral Udobreniya	Kemerovo	***	***	***	***	***	***
Togliattiazot (TOAZ)	Togliatti	***	***	***	***	***	***
Total		***	***	***	***	***	***

[1] Acron reports its annual urea capacity to be 551,000 shorts tons, and 2010 production of 449,000 metric tons (495,000 short tons). "Acron, About the Group, production capacity," found at http://www.acron.ru/en/about/geography/operations/acron/, retrieved on September 1, 2011.
[2] Reported to be idle.
[3] *** reported an increase in capacity from *** short tons in 2009, which *** does not report.
[4] Not listed.
[5] *** lists two facilities at Nevinnomsyssky with *** short tons and *** short tons capacity, while Fertecon lists two facilities with *** short tons and *** short tons.
[6] On January 28, 2011 changed name from Salavatnefteorgsintez. Gazprom neftekhim Salavat, History, found at http://eng.gpns.ru/about/history.

Source: IFDC, *Worldwide Urea Capacity Listing by Plant*, December 2010, pp. 12-13, converted to short tons from metric tons, Fertecon, *Russian and Ukranian Urea*, September 2011, domestic interested parties' prehearing brief, exh. 2, converted to short tons from metric tons, and ***, converted to short tons from nitrogen measurement in metric tons using 2.174 (N) and 1.1023 (MT) conversion factors. Figures may contain approximately 4 percent (global average) urea in solution.

Table IV-8 presents data on Russian exports, including top export markets. Exports from Russia by quantity increased between 2005 and 2007, then declined in 2008 to a period low, rose to a high in 2009, then fell in 2010, ending 1.8 percent higher than in 2005.[29]

Table IV-8
Solid urea: Russian top export markets, 2005-10

Item	Calendar year					
	2005	2006	2007	2008	2009	2010
	Quantity (*1,000 short tons*)					
Brazil	1,871	1,894	1,732	1,673	1,013	1,395
Mexico	646	696	744	866	1,120	944
Peru	366	466	736	468	422	833
Turkey	221	457	450	604	462	618
All others[1]	1,954	1,662	1,561	1,198	2,513	1,358
Total	5,057	5,175	5,223	4,808	5,530	5,148
	Value ($*1,000*)					
Brazil	281,808	297,808	399,027	604,255	188,652	279,764
Mexico	110,477	123,949	164,179	363,611	205,917	193,663
Peru	54,015	74,085	155,030	169,929	79,534	179,897
Turkey	35,707	80,780	87,848	235,358	82,151	116,983
All others	312,950	281,411	322,899	446,996	470,477	288,010
Total	794,958	858,033	1,128,983	1,820,150	1,026,731	1,058,318

[1] An anomalous quantity of 1.2 billion short tons was reported for exports to Lithuania in 2005. Lithuanian imports from Russia were used as an estimate.

Source: Global Trade Atlas database. Converted to short tons from nitrogen measurement in metric tons using 2.174 (N) and 1.1023 (MT) conversion factors.

[29] Fertecon reports that "the destinations in official customs data are not accurate because destination are sometimes shown as location of trader selling rather than end market or are sometimes miscoded. In addition, significant portion of shipments are through terminals in Ukrainian or Baltic Republic ports the final destination registered by Russian Customs is not always correct." Fertecon's adjusted export statistics report slightly lower quantities (0.3 to 6.3 percent) than those reported in Global Trade Atlas database, but show the same trends (although ending in 2010 4.2 percent higher than in 2005), with Brazil (and Latin America in general) remaining the largest export destination (although with slightly lower share of total exports in each year). Fertecon, *Russian and Ukranian Urea*, September 2011, domestic interested parties' prehearing brief, exh. 2.

Domestic industrial natural gas prices in Russia are set by Russian government, specifically by the Federal Tariff Service.[30] State controlled (majority shareholder) Gazprom accounted for 78 percent of natural gas production in Russia in 2010.[31] In 2006-07, plans were announced to fully liberalize domestic natural gas prices by 2011,[32] but the severe global and domestic economic downturn of 2008-2009 postponed the process.[33] The policy discussion has since been revisited. In December 2010, Prime Minister Vladimir Putin issued a decree (no. 1205) "On Improvement of State Regulation of Gas Prices," that directs officials to draw up proposals to "transition , starting January 1, 2015, from state regulation of wholesale gas prices to state regulation transport services on high-pressure pipelines in Russia." In July 2011, President Dmitri Medvedev signed federal legislation that called for domestic natural gas price levels to reach "market" levels by 2015. Gazprom's Chairman stated that by 2014 domestic natural gas sales would be equivalent to exports in terms of net revenue; in other words, industrial consumers in Russia could expect prices that are 60 percent of European levels (based on netback), which would be a 150 percent increase over current prices.[34]

THE INDUSTRY IN UKRAINE

Overview

The IFDC and Fertecon list five Ukrainian firms producing solid urea, with nine facilities.[35] Three of these Ukrainian producers are owned by the DF Group, namely Cherkassy Azot, Concern Stirol, and Severodonetsk Azot.[36] Another producer, JSC Dniproazot, was leased in 2011 to Ukraine's largest oil producer, OJSC Ukrnafta[37]. *** estimates production of urea in Ukraine to be *** short tons in 2009, down from *** short tons in 2005.[38]

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[30] *About Federal Tariff Service, Department for gas and oil industries regulation*, FTS of Russia, found at http://www.fstrf.ru/eng/about/dep/gas and http://eng.gazpromquestions.ru/index.php?id=5. Also see, Domestic interested parties' prehearing brief, pp. 16-19 and posthearing brief, app., pp. 19-20.

[31] *Gazprom In Questions and Answers, Production*, Gazprom website, found at http://eng.gazpromquestions.ru/?id=7#c302.

[32] Russian government decree No. 333 (May 2007) provided for domestic gas prices to move up in stages according to the principle of "equal profitability of gas supply to domestic and foreign markets," and for other steps to end Gazprom's quasi-monopoly of domestic sales and control of the pipeline network through which gas is transported to customers. "Liberalisation Heralds Change in the Gas Market," Russian Analytical Digest, No. 100, 26 July 2011, pp. 10-14, found at http://www.css.ethz.ch/box_feeder/Russian_Analytical_Digest_100.pdf

[33] *Gazprom Marketing, Russia*, Gazprom website, found at http://www.gazprom.com/marketing/russia/.

[34] "The Rising Price of Russian Natural Gas," *The Washington Review*, September 2011, found at http://www.thewashingtonreview.org/articles/russian-gas.html.

[35] These firms are ***. *** lists another producer, Cherkassy JSC.

[36] "Group DF reveals its 90% share in Stirol," BG Capital, November 25, 2010, found at http://bgcapital.ge/en/news/2643, "Firtash buys out another fertilizer maker," BG Capital, February 7, 2011, found at http://ua.bgcapital.ge/en/news/2919/, and "Dmitry Firtash Grows his group's chemical companies," Group DF, March 2, 2011, found at http://www.groupdf.com/News_306.asp.

[37] "Ukrnafta allowed renting Dniproazot," UKRINFORM, February 15 ,2011, found at http://www.mfa.gov.ua/australia/en/news/detail/53603.htm and "Ukrnafta agrees to rent Dniproazot ammonia plant," UKRINFORM, April 20, 2011, found at http://rs.concorde.ua/?n_id=13781&a=1.

[38] Converted to short tons from nitrogen measurement in metric tons using 2.174 (N) and 1.1023 (MT) conversion factors. ***.

Domestic industrial natural gas prices in Ukraine are set by the Ukrainian energy regulatory agency, National Electricity Regulatory Commission.[39] The Ukrainian state gas company, Naftogaz, the principal natural gas producer and distributor in Ukraine, sources the majority of its supply from Russia (primarily Gazprom). The pricing of the gas imports from Russia is based on an 2009 agreement, and is linked to oil product gas prices in Western Europe.[40] The price was reduced by 30 percent in 2010 as part of an agreement between the two countries which include the extension of a lease of the Russian navy's base at the Black Sea port of Sevastopol.[41] While this agreement reduced the prices ***.[42]

IFDC lists only two producers (***) that increased their production capacity since 2007, the first year of the study.[43] Concern Stirol reported that it had started producing granular solid urea in April 2008, with a reported capacity of 771,600 short tons.[44] [45] Severodonetsk Azot Association reportedly increased its urea production capacity by 25 percent, from 1,322 short tons to 1,653 short tons per day.[46] IFDC and *** forecast solid urea production capacity in Ukraine to remain at 2010 levels through 2014, while Fertecon projects production capacity to increase by ***.[47]

Table IV-9 lists each Ukrainian producer and their 2010 capacity and projected 2012 capacity from the IFDC, ***, and Fertecon. Table IV-10 presents data on Ukraine exports, including top export markets.[48]

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[39] "Ukrtransgas, Tariff policy," Ukrtransgas website (affiliated company of Naftogaz), found at http://www.utg.ua/en/benefits/tariff-policy/. Also see, domestic interested parties' prehearing brief, pp. 19-20 and posthearing brief, app., pp. 21-27.

[40] "Ukraine's gas deal: What's it all about," PetroleumWorld.com, found at http://petroleumworld.com/lag09020601.htm.

[41] "Russia lowers Ukraine gas prices," Financial Times, April 21, 2010, found at http://www.ft.com/cms/s/0/36f41472-4d52-11df-baf3-00144feab49a,s01=1.html#axzz1c5p4lBbT.

[42] Fertecon, *Russian and Ukranian Urea*, September 2011, domestic interested parties' prehearing brief, exh. 2, p. 25. One source asserts that Ukrainian domestic prices are approaching European netback much more rapidly than those in Russia. "Liberalisation Heralds Change in the Gas Market," Simon Pirani, Russian Analytical Digest, No. 100, 26 July 2011, pp. 10-14, found at http://www.css.ethz.ch/box_feeder/Russian_Analytical_Digest_100.pdf.

[43] Fertecon also lists *** as increasing its capacity (***). Fertecon, *Russian and Ukranian Urea*, September 2011, domestic interested parties' prehearing brief, exh. 2, p. 19.

[44] "Granulated urea," Concern Stirol news release, June 17, 2008, found at http://www.stirol.net/en/?news&newsid=231&archive=5 and "Concern Stirol JSC to Launch Granulated Urea Unit," Eurasian chemical market, February 1, 2008, found at http://www.chemmarket.info/en/news/view/4926/.

[45] IFDC lists *** with granular urea production capacity in Ukraine. International Fertilizer Development Center, *Worldwide Urea Capacity Listing by Plant*, December 2010, pp. 13-14

[46] "Ukraine's Azot Severodonetsk to increase urea output by 25%," ICIS news, April 23, 2009, found at http://www.icis.com/Articles/2009/04/23/9210356/ukraines-azot-severodonetsk-to-increase-urea-output-by-25.html.

[47] Fertecon attributes this increase to expansions at Azot Cherkassy and Severodonetsk Azot Association.

[48] Fertecon did not report errors in Ukraine exports statistics. Fertecon, *Russian and Ukranian Urea*, September 2011, domestic interested parties' prehearing brief, exh. 2.

Table IV-9
Solid urea: Ukranian producers, production locations, and production capacities, 2010 and 2012

Firm	Location	2010 capacity (*1,000 short tons*)			2012 projected capacity (*1,000 short tons*)		
		IFDC	***	Fertecon	IFDC	***	Fertecon
Severodonetsk Azot Association	Severodonetsk	***	***	***	***	***	***
Azot Cherkassy	Cherkassy	***	***	***	***	***	***
JSC Dniproazot	Dnieprodzerzhinsk	***	***	***	***	***	***
Concern Stirol	Gorlovka	***	***	***	***	***	***
Odessa Port Plant (OPZ)	Odessa	***	***	***	***	***	***
Cherkassy JSC	Cherkassy	***	***	***	***	***	***
Total		***	***	***	***	***	***

Source: IFDC, *Worldwide Urea Capacity Listing by Plant*, December 2010, pp. 13-14, Fertecon, *Russian and Ukranian Urea*, September 2011, domestic interested parties' prehearing brief, exh. 2, converted to short tons from metric tons, and ***, converted to short tons from nitrogen measurement in metric tons using 2.174 (N) and 1.1023 (MT) conversion factors. Figures may contain approximately 4 percent (global average) urea in solution.

Table IV-10
Solid urea: Ukraine top export markets, 2005-10

Item	Calendar year					
	2005	2006	2007	2008	2009	2010
	Quantity (*1,000 short tons*)					
Brazil	298	330	984	478	259	824
Turkey	556	403	794	760	369	458
Nigeria	159	259	129	297	78	390
India	682	1,396	680	903	876	294
Mexico	297	227	289	240	204	226
All others	1,970	1,336	893	776	1,485	699
Total	3,962	3,951	3,768	3,453	3,271	2,890
	Value (*$1,000*)					
Brazil	54,995	61,707	241,550	219,541	53,985	190,030
Turkey	98,337	72,546	200,023	243,396	79,875	105,119
Nigeria	26,300	49,711	33,579	91,498	16,353	79,079
India	128,182	265,859	159,542	440,898	184,250	64,995
Mexico	52,301	44,467	69,024	84,659	46,701	48,942
All others	354,261	253,598	214,638	256,980	324,215	157,197
Total	714,376	747,887	918,357	1,336,972	705,379	645,362

Source: Global Trade Atlas database. Converted to short tons from nitrogen measurement in metric tons using 2.174 (N) and 1.1023 (MT) conversion factors.

Solid Urea Operations

Table IV-11 presents data from the one responding Ukrainian producer, PJSC Dniproazot, for January 2008-June 2011.[49] Capacity remained stable and production increased by *** percent between 2008 and 2010.[50] The firm reported a ***.

More than *** percent of PJSC Dniproazot's shipments of solid urea were exported, mainly to Asia and Latin America, with the remainder sold in the home market. The firm reported a decline in home market shipments between 2008 and 2010, while export shipments increased (although the share of each export market fluctuated between 2008 and 2010). PJSC Dniproazot stated that the increase in value

[49] PJSC Dniproazot reported that the data prior to 2008 was unavailable because "***." E-mail from ***, August 15, 2011.

[50] PJSC Dniproazot reported higher than average unit values for home market shipments during 2009, 2010, January-June 2010, and January-June 2011. Staff has contacted PJSC Dniproazot requesting an explanation.

in 2009 was as a result of ***.[51] PJSC Dniproazot reported that *** and the firm's exports of solid urea were not subject to trade barriers in other countries.[52]

Table IV-11
Solid urea: Ukrainian producer PJSC Dniproazot's capacity, production, shipments, and inventories, 2008-10, January-June 2010, and January-June 2011

* * * * * * *

GLOBAL MARKET

Production

Global urea production capacity increased by *** percent from 2004 to 2009, according to an industry source, with a projected increase of *** percent through 2014. China, Southwest Asia, and the Middle East accounted for an estimated *** percent of global capacity in 2009 and will account for *** percent of new capacity through 2014.[53] In terms of production, the United States is forecasted to ***.[54] Table IV-12 presents historical and projected capacity and production data for urea by country or region, and table IV-13 presents historical and projected capacity utilization data for urea by country or region.

Table IV-12
Solid urea: Capacity and production, by country or region, 2004, 2009, and 2014 (projected) (*1,000 short tons*)

* * * * * * *

Table IV-13
Solid urea: Capacity utilization, by country or region, 2004, 2009, and 2014 (projected) (percent)

* * * * * * *

China

China is the world's largest urea producer, with an estimated *** producers and *** locations in 2009.[55] However, as of early 2011, it reportedly had 212 companies that either were producing urea, constructing urea production facilities, or planning to construct urea production facilities.[56] It is also the world's largest consumer of urea and was once the world's largest importer, but became self-sufficient and is now a leading exporter to other Asian markets such as Bangladesh, Vietnam, and India. Fertilizer use represented the largest use of urea in China (*** percent), with *** accounting for the remainder.[57] China has imposed export taxes on urea since 2005, which have fluctuated and since 2008 have ranged

[51] E-mail from ***, September 7, 2011.

[52] E-mail from ***, October 17, 2011.

[53] ***.

[54] ***.

[55] ***.

[56] IFDC, *Worldwide Urea Capacity Listing by Plant,* March 2011.

[57] ***.

from *** during peak season.[58] In December 2010, China announced the 2011 tariff of 110 percent for peak season (consisting of a 35 percent temporary tax, and a 75 percent special tax) and 7 percent for low season (July 1 to October 31).[59]

The Chinese urea industry is somewhat distinctive in that coal is the primary feedstock from which gas and later ammonia is produced. China has much greater supplies of coal than natural gas. Use of coal in the urea production process reportedly takes place more among midsize and small Chinese urea producers, with the largest producers using natural gas and oil.[60] One estimate places coal-based urea production in China at 70 percent, with natural gas–based urea production at 20 percent.[61] Table IV-14 presents historical and projected data on the urea industry in China.

Table IV-14
Solid urea: Industry and market in China, 1999-2009 and 2014 (projected)

* * * * * * *

Other Nonsubject Producers

India and Indonesia were reportedly the second- and third-largest urea producers in the world, based on 2009 data. India had an estimated *** producers in March 2010,[62] although as of early 2011, it reportedly had as many as 25 companies that either were producing urea, constructing urea production facilities, or planning to construct urea production facilities.[63] However, in 2009 the Indian urea industry was operating at approximately full capacity, exported no urea, and imported *** short tons. Indonesia

[58] Domestic interested parties' posthearing brief, pp. 52-53.

[59] "Fertilizer export levy imposed," China Daily, December 2, 2010, found at http://www.chinadaily.com.cn/bizchina/2010-12/02/content_11641906.htm#.

[60] Wang Wenshan, "The Current Situation of China's Synthetic Ammonia and Urea Production Based on Natural Gas and Oil," n.d., available at www.fertilizer.org.

[61] China National Chemical Information Center, "Urea Production in China," May 2010, http://www.sinofi.com/english/show_news.asp?id=525. Urea production in China based on coal is reportedly concentrated in central and eastern China, and production based on natural gas is reportedly concentrated in western China. "Frbiz Analyzes Urea-Producing Raw Material Price Trends," PRNewswire, November 18, 2009.

[62] ***.

[63] IFDC, *Worldwide Urea Capacity Listing by Plant*, March 2011.

had an estimated *** producers in 2009,[64] with ***.[65] However, in 2009 domestic consumption accounted for *** percent of Indonesian urea production. The Indonesian industry also exports very little urea.[66]

The Middle East region, encompassing 15 countries from Iran to Cyprus, produced less urea than China or India based on 2009 data, but is expected to increase its share of global production by 2014 by *** percentage points, more than any other region in the world. The region will continue to be the world's largest exporter and is expected to increase its share of the global export market as well, reaching *** percent in 2014. On an individual basis, Saudi Arabia was the largest producer, representing *** percent of regional production in 2009, followed by Oman at *** percent and Iran at *** percent. Iran, however, has the largest production capacity in the region and is expected to account for *** of the region's capacity increases by 2014.[67] Iran exported no urea to the United States from 1996 to the interim 2011 period, and U.S. imports of urea from Saudi Arabia, the world's sixth-largest urea producer, represented 8.3 percent of nonsubject imports in 2010.[68] Readily available supplies of natural gas help support the Middle East region as a production location.

Consumption

Global urea demand (as represented by apparent consumption) grew an estimated *** percent annually from 1994 to 2009, but is forecasted to slow to an estimated *** percent during 2009–14 (due in part to the economic slowdown in 2008–09), from *** short tons to *** short tons. An increasing global population, rising income, and growing dietary demands, along with inadequate growth in available farmland, contribute to increased urea consumption.[69] Table IV-15 presents historical and projected global demand data for urea (as represented by apparent consumption).

Table IV-15
Solid urea: Global demand, 1999-2009 and 2014 (projected)

* * * * * * *

Table IV-16 presents historical and projected demand data for urea by country or region (as represented by apparent consumption). The United States has been and is forecast to remain the ***-largest global market for urea, following China, Southwest Asia, and Southeast Asia.

Table IV-16
Solid urea: Global demand, by country or region, 2004, 2009, and 2014 (projected) (1,000 short tons)

* * * * * * *

[64] ***.

[65] IFDC, *Worldwide Urea Capacity Listing by Plant*, March 2011.

[66] ***.

[67] ***.

[68] USITC Dataweb, retrieved October 25, 2011.

[69] ***.

Firms' questionnaire responses regarding demand outside the United States are summarized in table IV-17. Most firms reported that such demand has increased and that they expect such demand to continue to increase. One producer reported that global demand has increased each year since 2005 except for 2009-10 when demand declined by about one percent due to lower crop prices. Firms attributed increasing global demand to the growth of the middle class in developing countries (and thus higher demand for meat protein and agricultural commodities), population growth, increased acreage and higher grain prices, and improved farming practices.

One U.S. producer noted that *Fertecon* projects 4 percent global demand growth for solid urea in 2011, 5 percent in 2012, and 2 to 3 percent after 2012. Another producer projects 1.5 to 4 percent per year future growth in global demand, with higher growth in certain countries (such as Brazil) than in areas with decreasing agricultural production (certain parts of Europe).

The sole responding foreign producer reported that ***.

Table IV-17
Solid urea: Firms' perceptions regarding demand outside the United States

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Demand since 2005				
U.S. producers	3	1	0	0
Importers	6	1	0	1
Purchasers	8	0	0	1
Foreign producer	***	***	***	***
Demand in 2011 and 2012				
U.S. producers	3	1	0	0
Importers	5	3	0	0
Purchasers	7	0	0	1
Foreign producer	***	***	***	***
Demand after 2012				
U.S. producers	3	0	0	0
Importers	4	2	0	1
Purchasers	7	0	0	1
Foreign producer	0	0	0	0

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

Imports

Table IV-18 presents global imports by country, including the top import countries in 2010 (based on available data). The top importing countries during 2005-10 were (listed by total quantity) the United States, India, Brazil, Thailand, Mexico, Turkey, France, and Australia.

Table IV-18
Solid urea: Global imports, by country, 2005-10

Item	Calendar year					
	2005	2006	2007	2008	2009	2010
	Quantity (*1,000 short tons*)					
United States	6,281	5,507	7,216	6,006	5,241	7,006
India	1,698	4,320	6,382	5,900	5,647	4,983
Brazil	1,717	1,750	2,768	2,463	2,139	2,808
Thailand	1,751	1,670	1,924	1,991	2,788	2,611
Australia	1,268	1,156	1,004	1,085	837	1,492
France	986	1,119	1,238	1,222	1,181	1,434
Turkey	891	1,217	1,424	1,334	1,555	1,417
Mexico	1,473	1,290	1,421	1,109	1,553	1,334
All others	15,242	33,075	15,219	15,238	15,382	16,518
Total	31,307	33,075	38,595	36,349	36,324	39,603
	Value (*$1,000*)					
United States	1,400,551	1,218,692	2,019,720	2,646,139	1,342,503	2,013,549
India	314,807	893,055	1,731,999	2,344,409	1,221,054	1,190,138
Brazil	355,850	364,794	767,406	1,227,289	513,452	712,053
Thailand	432,927	406,005	608,840	1,007,844	756,356	783,693
Australia	274,278	243,706	276,116	541,129	213,012	405,542
France	228,579	257,580	379,863	595,030	317,308	436,336
Turkey	194,715	265,474	419,714	565,477	390,320	387,534
Mexico	357,745	305,502	441,048	558,820	336,865	384,757
All others	3,471,395	3,414,571	4,368,305	6,988,679	4,247,865	4,798,968
Total	7,030,846	7,369,380	11,013,010	16,474,816	9,338,736	11,112,569

Source: Global Trade Atlas database. Some quantities were converted to short tons from nitrogen measurement in metric tons using 2.174 (N) and 1.1023 (MT) conversion factors.

Exports

Table IV-19 presents global exports by country, including the top export countries in 2010 (based on available data). The top exporting countries in during 2005-10 (by total quantity, based on available data) were Russia, China, Ukraine, Saudi Arabia, Qatar, Oman, Canada, and Egypt.

Table IV-19
Solid urea: Global exports, by country, 2005-10

Item	Calendar year					
	2005	2006	2007	2008	2009	2010
				Quantity (*1,000 short tons*)		
China	1,731	1,507	5,802	4,806	3,696	7,746
Russia[1]	5,057	5,175	5,223	4,808	5,530	5,148
Egypt	18	206	571	1,177	4,813	4,343
Saudi Arabia	2,872	3,003	3,740	3,673	3,411	3,804
Oman	905	2,038	2,084	2,058	2,687	3,254
Qatar[2]	3,265	3,284	3,210	3	3,234	3,234
Ukraine	3,962	3,951	3,768	3,453	3,271	2,890
Canada	1,974	2,042	1,975	1,744	1,907	1,964
All others	7,923	8,282	9,826	7,782	9,590	8,596
Total	27,707	29,489	36,201	29,504	38,139	40,980
				Value (*$1,000*)		
China	361,498	326,657	1,479,808	1,632,044	895,140	2,096,099
Russia[1]	794,958	858,033	1,128,983	1,820,150	1,026,731	1,058,318
Egypt	2,840	40,294	23,378	405,561	1,064,462	1,033,474
Saudi Arabia	543,912	545,599	904,685	1,473,506	764,182	952,243
Oman	153,626	284,673	297,912	413,004	492,650	711,194
Qatar[2]	683,869	673,864	896,235	1,054	785,419	785,419
Ukraine	714,376	747,887	918,357	1,336,972	705,379	645,362
Canada	504,768	525,204	622,793	870,388	584,772	606,551
All others	1,894,902	2,024,499	2,928,903	3,832,605	2,542,099	2,379,300
Total	5,654,750	6,026,710	9,201,053	11,785,284	8,860,835	10,267,960

Table continued on next page.

Table IV-19–*Continued*
Solid urea: Global exports, by country, 2005-10

[1] An anomalous quantity of 1.2 billion short tons was reported for exports to Lithuania in 2005. Lithuanian imports from Russia were used as an estimate.
[2] The majority of countries are not reported for 2008 exports from Qatar.

Note.--Export data for several countries, including relatively large exporting countries Kuwait and Trinidad & Tobago, were not available for 2010.

Source: Global Trade Atlas database. Some quantities were converted to short tons from nitrogen measurement in metric tons using 2.174 (N) and 1.1023 (MT) conversion factors.

Prices

As noted previously in the report, natural gas accounts for a large portion of cost of production of solid urea, and is also reflected in the solid urea prices. Further descriptions of natural gas pricing in the United States can be found in *Part V*, and for subject countries earlier in *Part IV*.

Firms reported that solid urea prices reflect global supply and demand and generally move in tandem, although there may be short-term regional price differences. Firms attributed such price differences across markets to transportation costs, regional supply and demand conditions, trade barriers, and government policies. They also noted that there may be short-term variations based on timing of the planting season, weather, freight availability, storage limitations, and shipping time. *** reported that U.S. prices are usually somewhat higher than other prices because of higher transportation costs. No comments were received from the sole responding foreign producer regarding price comparisons between foreign and domestic markets. Data on certain foreign benchmark prices for solid urea are presented in table IV-20.

Table IV-20
Solid urea: Monthly f.o.b. prices, by port and type, January 2005-October 2011

* * * * * * *

PART V: PRICING AND RELATED INFORMATION

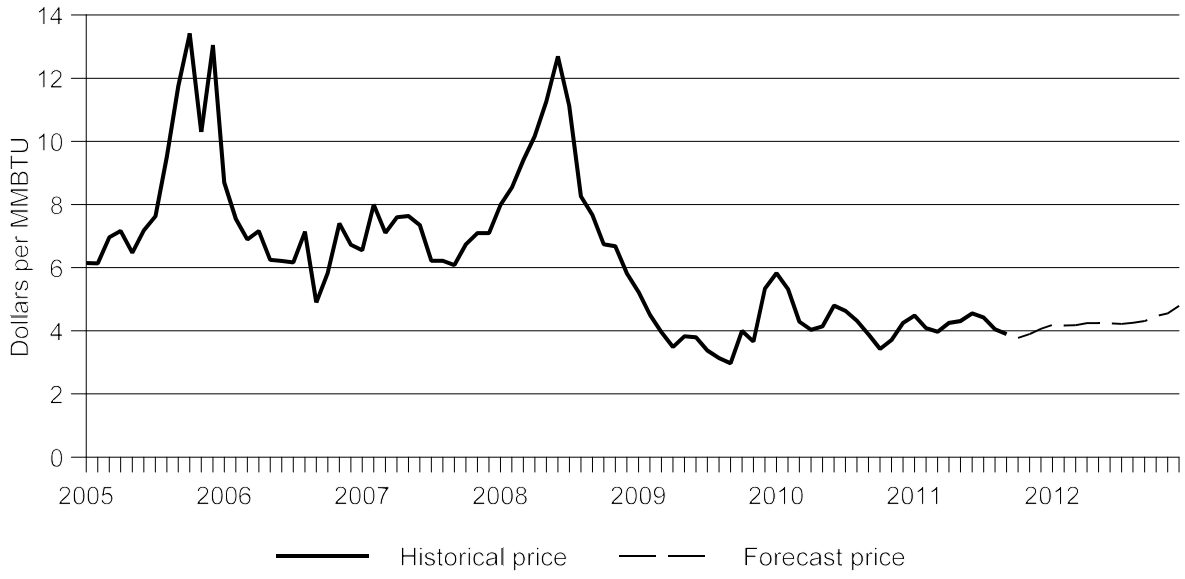
FACTORS AFFECTING PRICES

Raw Material Costs

Natural gas constitutes a substantial portion of the raw material costs for producing solid urea.[1] U.S. producers' raw materials declined as a share of cost of goods sold from approximately 80 percent during 2005-08 to less than 65 percent in 2009-10, and then to *** percent by June 2011. The decline in raw materials' share of cost of goods sold is due mainly to lower natural gas prices.

As seen in figure V-1, the price of natural gas decreased by 36.6 percent overall between January 2005 and September 2011, with large price spikes in 2005 and 2008, followed by a steep decline later in 2008. The price of natural gas is forecasted to fluctuate between July 2011 and December 2012, rising by 26.7 percent during this period. Natural gas price forecasts on a yearly basis through 2015 are shown in table V-1. As can be seen in the table, prices are forecasted to increase only slightly through 2015.[2]

Figure V-1
Natural gas: Monthly historical prices for January 2005-September 2011 and forecast prices for October 2011-December 2012
Source: Henry Hub Spot natural gas price, downloaded from http://www.eia.gov on Oct. 12, 2011.



[1] According to CF, natural gas accounts for about 50 percent of the production cost of solid urea, although this can vary depending on the price of natural gas. Hearing transcript, p. 19 (Bohn)

[2] The yearly natural gas data are Energy Information Administration's (EIA) model forecasts under its "reference case scenario." EIA forecasts prices through 2035.

Table V-1
Natural gas: Historical and forecasted yearly spot prices

Item	2008	2009	2010	2011	2012	2013	2014	2015
	Dollars per MMBTU							
Henry Hub Spot Price	8.94	3.95	4.43	4.48	4.50	4.56	4.57	4.66

Source: Energy Information Administration, *Annual Energy Outlook 2011*, April 26, 2011, reference case tables, downloaded from http://www.eia.gov/forecasts/aeo/source_natural_gas.cfm on October 18, 2011.

Increased domestic natural gas resources from shale gas have contributed to natural gas price stability over the past few years, and this trend is expected to continue. According to the Energy Information Administration (EIA), "the combination of horizontal drilling and hydraulic fracturing technologies has made it possible to produce shale gas economically, leading to an average annual growth rate of 48 percent over the 2006-2010 period."[3] The EIA report further stated, "domestic natural gas supply and prices are determined largely by supply and demand for natural gas in the North American market, where the development and production of shale gas in the Lower 48 States is largely responsible for current and foreseeable future market conditions."[4]

Most domestic producers indicated that changes in natural gas prices affect their solid urea selling prices over time with long-term impacts on production capacity and supply, and that natural gas prices are expected to fluctuate with market conditions. *** expects that U.S. natural gas prices will "trend higher over the medium term from their current low levels but shale gas supplies are likely to keep prices at a reasonable level relative to many other regions of the world." Several U.S. producers mentioned a possible price spike due to natural gas supply and price volatility, and uncertainties in short-term demand. Most responding importers reported that changes in natural gas costs have not affected their solid urea selling prices and do not anticipate near-term changes in raw material costs.

At the hearing, domestic interested parties noted that stable natural gas prices have positively impacted the solid urea industry over the last two years, and that the availability of natural gas from shale using hydraulic fracturing technologies has moderated natural gas prices.[5] While domestic interested parties expect stable natural gas prices in the near future, they noted several factors that could lead to volatile pricing, including changes in government regulations affecting natural gas supply (e.g. regulation of hydraulic fracturing technologies) or demand (e.g. policies favoring natural gas over coal) and natural disasters.[6]

U.S. Inland Transportation Costs

All five U.S. producers reported that transportation to their customers' locations is arranged by the customer. Conversely, three of five responding importers indicated that they typically arrange transportation to their customers. Three U.S. producers reported that their U.S. inland transportation costs ranged from 5 to 10 percent, and one (***) reported substantially higher transportation costs of *** percent. Only one importer reported U.S. inland transportation costs; it reported 5 percent.

[3] "Further increases in shale gas production are expected, with total production growing by almost threefold from 2009 to 2035 in the AEO2011 Reference case. However, there is a high degree of uncertainty around the projection, starting with the estimated size of the technically recoverable shale gas resource." EIA, *Annual Energy Outlook 2011*, April 26, 2011, pp. 2, 36.

[4] EIA, *Annual Energy Outlook 2011*, April 26, 2011, p 36.

[5] Hearing transcript, pp. 18-19 (Bohn), p. 30 (Mulhall).

[6] Hearing transcript, pp. 19-20, 56-57 (Bohn), pp. 58-60 (Mulhall).

Transportation Costs to the U.S. Market

U.S. import data for Russia indicate that solid urea transportation and other charges to the U.S. market were $33 per short ton in 2010. For some of the major nonsubject import sources, such charges were as follows: Canada ($10), Egypt ($26), Saudi Arabia ($31), and Trinidad and Tobago ($25).[7]

Domestic interested parties assert that Russia and Ukrainian urea exports are at a freight disadvantage in selling to Asia compared to Middle East and Asian urea suppliers, but do not face this freight disadvantage in selling to the Americas.[8] According to ***, Russian solid urea has a freight advantage over solid urea imported from the Arab Gulf region.[9]

PRICING PRACTICES

Pricing Methods

Two U.S. producers use both transaction-by-transaction negotiations and contracts, one uses only transaction-by-transaction negotiations, one uses set price lists, and one uses transaction-by-transaction negotiations, contracts, and set price lists. PCS's prices for prilled urea to many of its industrial users are tied to prilled and granular urea prices published in fertilizer trade publications such as *Green Markets*.[10] PCS's prices for prilled urea sold for fertilizer also reference published granular urea prices.[11] Eight importers use transaction-by-transaction pricing, and four of these firms (***) also use contracts. *** also uses set price lists. One importer (***) reported using only set price lists.

U.S. producers sold mainly on a short-term contract basis; about 84 percent of 2010 sales of granular and prilled urea were on a short-term contract basis, 13 percent were on a spot basis, and 3 percent were on a long-term contract basis. For importers, about 65 percent of 2010 sales were on a spot basis, 23 percent were on a short-term contract basis, and 12 percent were on a long-term contract basis.

Most purchasers (8 of 12) contact three to five suppliers before making a purchase. Four purchasers purchase solid urea daily, two purchase weekly, and three purchase monthly.[12] No purchaser expects its purchasing pattern to change.

Sales Terms and Discounts

All five U.S. producers and the majority of importers quote prices on an f.o.b. basis.[13] Four of five producers offer no discounts, while one producer (***) negotiates discounts on an individual contract basis. Eight of 11 importers also reported no discounts, 2 reported quantity discounts, and 1 (***) reported negotiating discounts on an individual contract basis.

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[7] Data are based on charges, insurance, and freight from USITC Dataweb.

[8] Domestic interested parties' posthearing brief, p. 30. Domestic interested parties' prehearing brief, app. 19, also presents selected ocean freight data for urea.

[9] Staff telephone interview with ***.

[10] Hearing transcript, pp. 28-29 (Mulhall).

[11] Hearing transcript, pp. 28-29 (Mulhall).

[12] In addition, three purchasers reported no set purchase pattern.

[13] Six of nine responding importers reported quoting prices exclusively on an f.o.b. basis; *** reported quoting both f.o.b. and delivered; and *** reported usually quoting delivered.

Price Leadership

Eight of 12 purchasers reported price leaders and listed one or more U.S. producers including CF (reported by 7), PCS (reported by 4), and Koch (reported by 3).

International Price Effects

All producers, most importers (9 of 11), and most purchasers (10 of 12) indicated that prices for solid urea in non-U.S. markets affect U.S. prices. Firms reported that urea is an internationally-traded commodity with published prices, and that "it can be cost effectively stored and transported in a wide range of dry bulk facilities." Importers indicated that urea prices are closely aligned throughout the world. U.S. producers contend that, when prices in non-U.S. markets are lower relative to U.S. prices, more imports enter the U.S. market. U.S. producers also reported that the size of the U.S. market, the developed distribution systems, and the absence of low-priced imports from Russia and Ukraine make the U.S. market more attractive to exporters than other markets.

Price Differences Between Granular and Prilled Solid Urea

U.S. producers PCS and Agrium produce both prilled and granular urea.[14] According to these producers, *** price differences between the two forms are related to their different end uses. For example, standard-grade granular urea may be priced up to $*** less than specialty-grade prills for industrial applications, whereas granular urea is slightly higher-priced than agricultural-grade prills. In addition, differences in geographical distribution also affect prices of prilled versus granular urea. Both producers indicated that a *** percent change in granular prices relative to prilled prices would cause customers to switch from granular to prilled solid urea.

Four importers reported imports of both prilled and granular urea. One importer (***) reported that price differences between prilled and granular urea depend on market geography, timing, and availability. Importers *** and *** reported that granular urea is usually priced at a premium relative prill urea, citing differences of $10 to $20 per short ton. Importer *** stated that price differences are related to market conditions. No importers specified the percent price change for customers to switch from granular to prilled urea.

Six purchasers reported that they purchase both prilled and granular urea, five purchase only granular urea, and one purchases only prilled urea. Purchasers indicated that granular urea is usually priced at a $10 to $15 per short ton premium. However, they also indicated that tight U.S. supply of prills could result in prills being priced at a premium. Purchasers of granular urea indicated that a discount of $15 to $100 per short ton would be necessary for them to consider switching from granular to prilled urea.[15] According to ***, agricultural users typically require granular urea although a few might switch to prills if they were priced $20 to $40 less than granular. However, it noted that in the U.S. market, prills sometimes trade at a premium to granules because of a lack of prill availability.[16] Most purchasers indicated that prilled pricing does not substantially affect granular pricing, reflecting in their view differences in end uses of the two products, as well as lack of availability of prilled urea in the U.S.

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[14] ***.

[15] Six purchasers reported dollar amounts to switch from granular to prilled, specifically, $15, $20, $30, $40, $50, and $100 per short ton.

[16] Staff telephone interview with ***.

market.[17] However, *** reported that "if prilled urea is abundant it has a depressing effect on granular prices as well."

PRICE DATA

The Commission requested U.S. producers and importers to provide monthly data for the total quantity and f.o.b. value of the following products shipped to unrelated U.S. customers during January 2008-June 2011:[18]

Product 1.--Prilled urea, dry, 100-percent urea basis

Product 2.–Granular urea, dry, 100-percent urea basis

Data were requested separately for five end uses (adhesives, animal feed, fertilizer, lawn and garden, and pharmaceuticals) plus all other sales. Four U.S. producers provided usable pricing data, although not all firms reported pricing for all products for all months and all end uses.[19] No importers of solid urea from subject countries provided data. By quantity, pricing data for January 2008-June 2011 accounted for approximately 87 percent of U.S. producers' shipments of solid urea. Price data for products 1 and 2 are presented in table V-2 and figure V-2. Price data for prilled urea by end-use are shown in Appendix E.

As shown in figure V-2, sales volumes of granular urea were much higher than prilled volumes and show more monthly variation, since prilled urea has non-seasonal (as well as agricultural) applications. Nearly *** percent of granular urea pricing was for fertilizer sales. Granular urea sales also were reported for adhesives and lawn and garden products, with lawn and garden products being the lowest-priced use. For prilled urea, data were reported for all six end-use categories with "all other sales" comprising almost *** percent of total quantity.[20] Fertilizer and animal feed accounted for *** percent and *** percent of total quantity of prilled urea, respectively. Pharmaceuticals was the smallest end use by quantity, but the highest priced.

Table V-2
Solid urea: Weighted-average f.o.b. prices and quantities of domestic product, January 2008-June 2011

* * * * * * *

Figure V-2
Solid urea: Weighted-average f.o.b prices and quantities of domestic product, January 2008-June 2011

* * * * * * *

[17] When asked about the impact of prilled pricing on granular pricing, *** stated that because of the lack of availability of prills in the U.S. market (particularly the lack of Libyan prills), it does not use prill pricing in negotiating granular pricing. It also noted that prills can sell at a premium to granular because they can be sold into the diesel emission fluid market.

[18] Price data were requested for only a period of three calendar years and six months to reduce the burden on questionnaire respondents. Monthly price trend data for January 2005-August 2011 are presented in the "Green Market Price Data" section below.

[19] *** did not provide price data.

[20] The "all other sales" category includes sales to unknown market sectors.

Price Trends and Comparisons

Solid urea prices spiked in 2008 as natural gas prices peaked. Prices fluctuated mildly in 2009 and the first part of 2010, and have trended upwards since. Because no price data were reported for Russia or Ukraine, no price comparisons are available.[21]

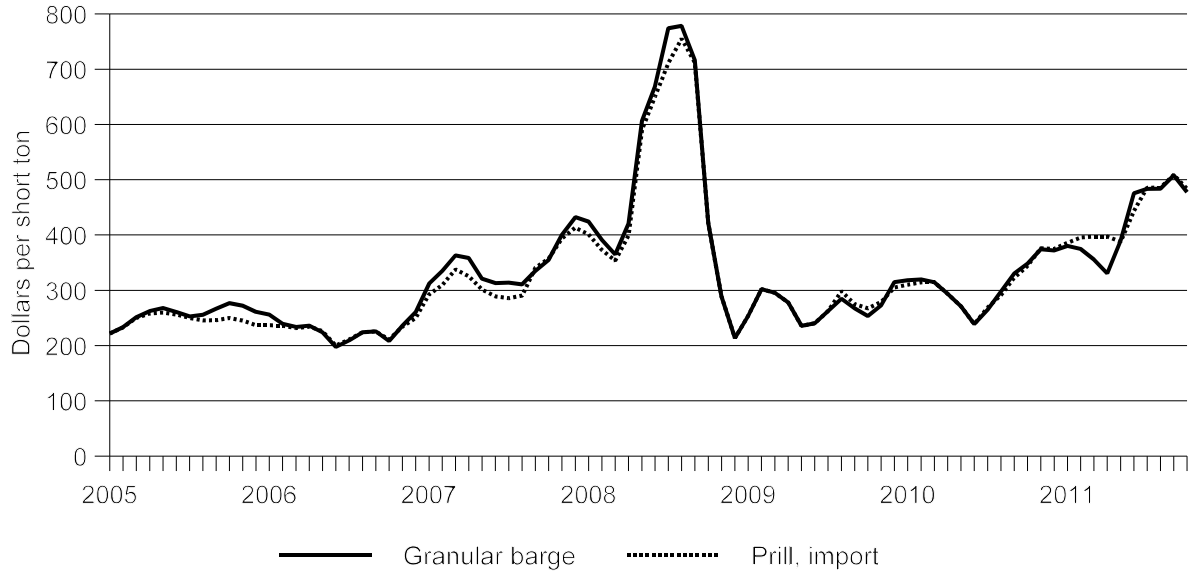
Most purchasers (8 of 9) indicated that, since 2005, the price of U.S.-produced solid urea has changed by about the same amount as prices of imports from Russia and Ukraine. Three purchasers reported that U.S.-produced solid urea is now higher-priced than imports from Russia and Ukraine, and one purchaser indicated that U.S.-produced solid urea is now lower-priced. ***.

***.[22] ***.[23]

Green Market Price Data

Figure V-3 shows Green Markets' monthly average Gulf Coast f.o.b. prices for prilled and granular solid urea. Prices fluctuated in 2005 and 2006, then trended upwards in 2007, before spiking in 2008. From April to August/September 2008, granular prices increased by 70 percent, while prilled prices increased by 89 percent. Prices then declined through the end of 2008, fluctuated through mid-2010, and then trended upwards in 2010 and 2011.

Figure V-3
Solid urea: Average Gulf Coast f.o.b. prices, by forms and by months, January 2005-October 2011



Source: Green Markets, various issues.

[21] In the original investigations, imports from the USSR were priced lower than domestic product in 26 of 32 comparisons. Confidential staff report for the original investigations (memorandum INV-K-074, June 19, 1987), p. A-79. No price data were provided in the expedited first reviews. No imports and thus no price data were reported for Russia or Ukraine in the second reviews.

[22] ***. Staff telephone interview with ***.

[23] ***. Domestic interested parties' posthearing brief, exh. 4. ***. Staff telephone interview with ***.

APPENDIX A

FEDERAL REGISTER NOTICES AND STATEMENT OF ADEQUACY

[1] "Tails" in this context means the tail fan, which includes the telson and the uropods.

DEPARTMENT OF COMMERCE

International Trade Administration

Initiation of Five-Year ("Sunset") Review

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

SUMMARY: In accordance with section 751(c) of the Tariff Act of 1930, as amended ("the Act"), the Department of Commerce ("the Department") is automatically initiating a five-year review ("Sunset Review") of the antidumping duty orders listed below. The International Trade Commission ("the Commission") is publishing concurrently with this notice its notice of *Institution of Five-Year Review* which covers the same orders.

DATES: *Effective Date:* December 1, 2010.

A–821–801	731–TA–340–E	Russia	Solid Urea (3rd Review)	Dana Mermelstein, (202) 482–1391.
A–823–801	731–TA–340–H	Ukraine	Solid Urea (3rd Review)	Dana Mermelstein, (202) 482–1391.

Filing Information

As a courtesy, we are making information related to Sunset proceedings, including copies of the pertinent statute and Department's regulations, the Department schedule for Sunset Reviews, a listing of past revocations and continuations, and current service lists, available to the public on the Department's Internet Web site at the following address: "*http://ia.ita.doc.gov/sunset/*." All submissions in these Sunset Reviews must be filed in accordance with the Department's regulations regarding format, translation, service, and certification of documents. These rules can be found at 19 CFR 351.303.

Pursuant to 19 CFR 351.103 (c), the Department will maintain and make available a service list for these proceedings. To facilitate the timely preparation of the service list(s), it is requested that those seeking recognition as interested parties to a proceeding contact the Department in writing within 10 days of the publication of the Notice of Initiation.

Because deadlines in Sunset Reviews can be very short, we urge interested parties to apply for access to proprietary information under administrative protective order ("APO") immediately following publication in the **Federal Register** of this notice of initiation by filing a notice of intent to participate. The Department's regulations on submission of proprietary information and eligibility to receive access to business proprietary information under APO can be found at 19 CFR 351.304–306.

Information Required From Interested Parties

Domestic interested parties defined in section 771(9)(C), (D), (E), (F), and (G) of the Act and 19 CFR 351.102(b) wishing to participate in a Sunset Review must respond not later than 15 days after the date of publication in the **Federal Register** of this notice of initiation by filing a notice of intent to participate. The required contents of the notice of intent to participate are set forth at 19 CFR 351.218(d)(1)(ii). In accordance with the Department's regulations, if we do not receive a notice of intent to participate from at least one domestic interested party by the 15-day deadline, the Department will automatically revoke the order without further review. *See* 19 CFR 351.218(d)(1)(iii).

If we receive an order-specific notice of intent to participate from a domestic interested party, the Department's regulations provide that all parties wishing to participate in the Sunset Review must file complete substantive responses not later than 30 days after the date of publication in the **Federal Register** of this notice of initiation. The required contents of a substantive response, on an order-specific basis, are set forth at 19 CFR 351.218(d)(3). Note that certain information requirements differ for respondent and domestic parties. Also, note that the Department's information requirements are distinct from the Commission's information requirements. Please consult the Department's regulations for information regarding the Department's conduct of Sunset Reviews.[2] Please consult the Department's regulations at 19 CFR Part 351 for definitions of terms and for other general information concerning antidumping and countervailing duty proceedings at the Department.

This notice of initiation is being published in accordance with section 751(c) of the Act and 19 CFR 351.218 (c).

Dated: November 24, 2010.

Susan H. Kuhbach,

Acting Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations.

[FR Doc. 2010–30237 Filed 11–30–10; 8:45 am]

BILLING CODE 3510–DS–P

[1] The Department was scheduled to initiate the sunset review of the antidumping order on raw pistachios from Iran (A–507–502) in December 2010. However, the recently enacted Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 includes a ban on all U.S. imports from Iran, including pistachios, effective September 29, 2010. *See* Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, 111 Public Law 195, section 103(b); *see also Iranian Transactions Regulations,* 75 FR 59611 (Dept. of Treasury, September 28, 2010). While this import ban remains in effect, 19 U.S.C. 1675(c)(7) provides that the 5-year period from the date of the Department's prior determination to continue the order in effect is tolled. Accordingly, the Department may not initiate a sunset review of the antidumping order on raw pistachios from Iran until two months after the import ban on pistachios is lifted.

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–340–E and 340–H (Third Review)]

Solid Urea From Russia and Ukraine

AGENCY: United States International Trade Commission.

ACTION: Institution of five-year reviews concerning the antidumping duty orders on solid urea from Russia and Ukraine.

SUMMARY: The Commission hereby gives notice that it has instituted reviews pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)) (the Act) to determine whether revocation of the antidumping duty orders on solid urea from Russia and Ukraine would be likely to lead to continuation or recurrence of material injury. Pursuant to section 751(c)(2) of the Act, interested parties are requested to respond to this notice by submitting the information specified below to the Commission; [1] to be assured of consideration, the deadline for responses is January 3, 2011. Comments on the adequacy of responses may be filed with the Commission by February 14, 2011. For further information concerning the conduct of these reviews and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207), as most recently amended at 74 FR 2847 (January 16, 2009).

DATES: *Effective Date:* December 1, 2010.

FOR FURTHER INFORMATION CONTACT: Mary Messer (202–205–3193), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION:

Background. On July 14, 1987, the Department of Commerce ("Commerce") issued antidumping duty orders on imports of solid urea from the Union of Soviet Socialist Republics ("USSR") (52 FR 26367). On June 29, 1992, following the division of the USSR in December 1991 into 15 independent states, Commerce divided the original antidumping duty order on solid urea from the USSR into 15 orders applicable to each independent state (57 FR 28828). Following first five-year reviews by Commerce and the Commission, effective November 17, 1999, Commerce issued a continuation of the antidumping duty orders on imports of solid urea from Russia and Ukraine (64 FR 62653). Following second five-year reviews by Commerce and the Commission, effective January 5, 2006, Commerce issued a continuation of the antidumping duty orders on imports of solid urea from Russia and Ukraine (71 FR 581). The Commission is now conducting third reviews to determine whether revocation of the orders would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time. It will assess the adequacy of interested party responses to this notice of institution to determine whether to conduct full reviews or expedited reviews. The Commission's determinations in any expedited reviews will be based on the facts available, which may include information provided in response to this notice.

Definitions. The following definitions apply to these reviews:

(1) *Subject Merchandise* is the class or kind of merchandise that is within the scope of the five-year reviews, as defined by Commerce.

(2) The *Subject Countries* in these reviews are Russia and Ukraine.

(3) The *Domestic Like Product* is 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.* In its original determinations, its expedited first five-year review determinations, and its full second five-year review determinations, the Commission defined the *Domestic Like Product* as solid urea consistent with Commerce's scope of subject merchandise.

(4) The *Domestic Industry* is 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. In its original determinations, its expedited first five-year review determinations, and its full second five-year review determinations, the Commission defined the *Domestic Industry* as all domestic producers of solid urea.

(5) An *Importer* is any person or firm engaged, either directly or through a parent company or subsidiary, in importing the *Subject Merchandise* into

[1] No response to this request for information is required if a currently valid Office of Management and Budget (OMB) number is not displayed; the OMB number is 3117–0016/USITC No. 11–5–234, expiration date June 30, 2011. Public reporting burden for the request is estimated to average 15 hours per response. Please send comments regarding the accuracy of this burden estimate to the Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436.

the United States from a foreign manufacturer or through its selling agent.

Participation in the reviews and public service list. Persons, including industrial users of the *Subject Merchandise* and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the reviews as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11(b)(4) of the Commission's rules, no later than 21 days after publication of this notice in the **Federal Register.** The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the reviews.

Former Commission employees who are seeking to appear in Commission five-year reviews are advised that they may appear in a review even if they participated personally and substantially in the corresponding underlying original investigation. The Commission's designated agency ethics official has advised that a five-year review is not considered the "same particular matter" as the corresponding underlying original investigation for purposes of 18 U.S.C. 207, the post employment statute for Federal employees, and Commission rule 201.15(b)(19 CFR 201.15(b)), 73 FR 24609 (May 5, 2008). This advice was developed in consultation with the Office of Government Ethics. Consequently, former employees are not required to seek Commission approval to appear in a review under Commission rule 19 CFR 201.15, even if the corresponding underlying original investigation was pending when they were Commission employees. For further ethics advice on this matter, contact Carol McCue Verratti, Deputy Agency Ethics Official, at 202–205–3088.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and APO service list. Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI submitted in these reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made no later than 21 days after publication of this notice in the **Federal Register**. Authorized applicants must represent interested parties, as defined in 19 U.S.C. 1677(9), who are parties to the reviews. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Certification. Pursuant to section 207.3 of the Commission's rules, any person submitting information to the Commission in connection with these reviews must certify that the information is accurate and complete to the best of the submitter's knowledge. In making the certification, the submitter will be deemed to consent, unless otherwise specified, for the Commission, its employees, and contract personnel to use the information provided in any other reviews or investigations of the same or comparable products which the Commission conducts under Title VII of the Act, or in internal audits and investigations relating to the programs and operations of the Commission pursuant to 5 U.S.C. Appendix 3.

Written submissions. Pursuant to section 207.61 of the Commission's rules, each interested party response to this notice must provide the information specified below. The deadline for filing such responses is January 3, 2011. Pursuant to section 207.62(b) of the Commission's rules, eligible parties (as specified in Commission rule 207.62(b)(1)) may also file comments concerning the adequacy of responses to the notice of institution and whether the Commission should conduct expedited or full reviews The deadline for filing such comments is February 14, 2011. All written submissions must conform with the provisions of sections 201.8 and 207.3 of the Commission's rules and any submissions that contain BPI must also conform with the requirements of sections 201.6 and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Also, in accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the reviews must be served on all other parties to the reviews (as identified by either the public or APO service list as appropriate), and a certificate of service must accompany the document (if you are not a party to the reviews you do not need to serve your response).

Inability to provide requested information. Pursuant to section 207.61(c) of the Commission's rules, any interested party that cannot furnish the information requested by this notice in the requested form and manner shall notify the Commission at the earliest possible time, provide a full explanation of why it cannot provide the requested information, and indicate alternative forms in which it can provide equivalent information. If an interested party does not provide this notification (or the Commission finds the explanation provided in the notification inadequate) and fails to provide a complete response to this notice, the Commission may take an adverse inference against the party pursuant to section 776(b) of the Act in making its determinations in the reviews.

Information to be Provided In Response To this Notice of Institution: If you are a domestic producer, union/worker group, or trade/business association; import/export *Subject Merchandise* from more than one *Subject Country;* or produce *Subject Merchandise* in more than one *Subject Country,* you may file a single response. If you do so, please ensure that your response to each question includes the information requested for each pertinent *Subject Country.* As used below, the term "firm" includes any related firms.

(1) The name and address of your firm or entity (including World Wide Web address) and name, telephone number, fax number, and E-mail address of the certifying official.

(2) A statement indicating whether your firm/entity is a U.S. producer of the *Domestic Like Product,* a U.S. union or worker group, a U.S. importer of the *Subject Merchandise,* a foreign producer or exporter of the *Subject Merchandise,* a U.S. or foreign trade or business association, or another interested party (including an explanation). If you are a union/worker group or trade/business association, identify the firms in which your workers are employed or which are members of your association.

(3) A statement indicating whether your firm/entity is willing to participate in these reviews by providing information requested by the Commission.

(4) A statement of the likely effects of the revocation of the antidumping duty orders on the *Domestic Industry* in general and/or your firm/entity specifically. In your response, please discuss the various factors specified in section 752(a) of the Act (19 U.S.C. 1675a(a)) including the likely volume of subject imports, likely price effects of subject imports, and likely impact of imports of *Subject Merchandise* on the *Domestic Industry.*

(5) A list of all known and currently operating U.S. producers of the *Domestic Like Product.* Identify any known related parties and the nature of the relationship as defined in section 771(4)(B) of the Act (19 U.S.C. 1677(4)(B)).

(6) A list of all known and currently operating U.S. importers of the *Subject Merchandise* and producers of the

Subject Merchandise in each *Subject Country* that currently export or have exported *Subject Merchandise* to the United States or other countries after 2004.

(7) A list of 3–5 leading purchasers in the U.S. market for the *Domestic Like Product* and the *Subject Merchandise* (including street address, World Wide Web address, and the name, telephone number, fax number, and E-mail address of a responsible official at each firm).

(8) A list of known sources of information on national or regional prices for the *Domestic Like Product* or the *Subject Merchandise* in the U.S. or other markets.

(9) If you are a U.S. producer of the *Domestic Like Product,* provide the following information on your firm's operations on that product during calendar year 2009, except as noted (report quantity data in short tons and value data in U.S. dollars, f.o.b. plant). If you are a union/worker group or trade/business association, provide the information, on an aggregate basis, for the firms in which your workers are employed/which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total U.S. production of the *Domestic Like Product* accounted for by your firm's(s') production;

(b) Capacity (quantity) of your firm to produce the *Domestic Like Product* (i.e., the level of production that your establishment(s) could reasonably have expected to attain during the year, assuming normal operating conditions (using equipment and machinery in place and ready to operate), normal operating levels (hours per week/weeks per year), time for downtime, maintenance, repair, and cleanup, and a typical or representative product mix);

(c) The quantity and value of U.S. commercial shipments of the *Domestic Like Product* produced in your U.S. plant(s); and

(d) The quantity and value of U.S. internal consumption/company transfers of the *Domestic Like Product* produced in your U.S. plant(s).

(e) The value of (i) net sales, (ii) cost of goods sold (COGS), (iii) gross profit, (iv) selling, general and administrative (SG&A) expenses, and (v) operating income of the *Domestic Like Product* produced in your U.S. plant(s) (include both U.S. and export commercial sales, internal consumption, and company transfers) for your most recently completed fiscal year (identify the date on which your fiscal year ends).

(10) If you are a U.S. importer or a trade/business association of U.S. importers of the *Subject Merchandise* from the *Subject Country(ies),* provide the following information on your firm's(s') operations on that product during calendar year 2009 (report quantity data in short tons and value data in U.S. dollars). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) The quantity and value (landed, duty-paid but not including antidumping duties) of U.S. imports and, if known, an estimate of the percentage of total U.S. imports of *Subject Merchandise* from each *Subject Country* accounted for by your firm's(s') imports;

(b) The quantity and value (f.o.b. U.S. port, including antidumping duties) of U.S. commercial shipments of *Subject Merchandise* imported from each *Subject Country;* and

(c) The quantity and value (f.o.b. U.S. port, including antidumping duties) of U.S. internal consumption/company transfers of *Subject Merchandise* imported from each *Subject Country.*

(11) If you are a producer, an exporter, or a trade/business association of producers or exporters of the *Subject Merchandise* in the *Subject Country(ies),* provide the following information on your firm's(s') operations on that product during calendar year 2009 (report quantity data in short tons and value data in U.S. dollars, landed and duty-paid at the U.S. port but not including antidumping duties). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total production of *Subject Merchandise* in each *Subject Country* accounted for by your firm's(s') production; and

(b) Capacity (quantity) of your firm to produce the *Subject Merchandise* in each *Subject Country* (i.e., the level of production that your establishment(s) could reasonably have expected to attain during the year, assuming normal operating conditions (using equipment and machinery in place and ready to operate), normal operating levels (hours per week/weeks per year), time for downtime, maintenance, repair, and cleanup, and a typical or representative product mix); and

(c) The quantity and value of your firm's(s') exports to the United States of *Subject Merchandise* and, if known, an estimate of the percentage of total exports to the United States of *Subject Merchandise* from each *Subject Country* accounted for by your firm's(s') exports.

(12) Identify significant changes, if any, in the supply and demand conditions or business cycle for the *Domestic Like Product* that have occurred in the United States or in the market for the *Subject Merchandise* in each *Subject Country* after 2004, and significant changes, if any, that are likely to occur within a reasonably foreseeable time. Supply conditions to consider include technology; production methods; development efforts; ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production); and factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad). Demand conditions to consider include end uses and applications; the existence and availability of substitute products; and the level of competition among the *Domestic Like Product* produced in the United States, *Subject Merchandise* produced in each *Subject Country,* and such merchandise from other countries.

(13) (OPTIONAL) A statement of whether you agree with the above definitions of the *Domestic Like Product* and *Domestic Industry;* if you disagree with either or both of these definitions, please explain why and provide alternative definitions.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.61 of the Commission's rules.

Issued: November 19, 2010.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 2010–29948 Filed 11–30–10; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 731–TA–340–E and 340–H (Third Review)]

Solid Urea From Russia and Ukraine

AGENCY: United States International Trade Commission.

ACTION: Notice of Commission determinations to conduct full five-year reviews concerning the antidumping duty orders on solid urea from Russia and Ukraine.

SUMMARY: The Commission hereby gives notice that it will proceed with full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) to determine whether revocation of the antidumping duty orders on solid urea from Russia and Ukraine would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. A schedule for the reviews will be established and announced at a later date. For further information concerning the conduct of these reviews and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

DATES: *Effective Date:* March 7, 2011.

FOR FURTHER INFORMATION CONTACT: Mary Messer (202–205–3193), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION: On March 7, 2011, the Commission determined that it should proceed to full reviews in the subject five-year reviews pursuant to section 751(c)(5) of the Act. The Commission found that the domestic interested party group responses to its notice of institution (75 FR 74746, December 1, 2010) were adequate and that the respondent interested party group responses were inadequate. The Commission also found that other circumstances warranted conducting full reviews.[1] A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's Web site.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

By order of the Commission.
Issued: March 16, 2011.

James R. Holbein,

Acting Secretary to the Commission.

[FR Doc. 2011–6537 Filed 3–18–11; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–821–801, A–823–801]

Solid Urea From the Russian Federation and Ukraine: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

SUMMARY: On December 1, 2010, the Department of Commerce (the Department) initiated the third sunset reviews of the antidumping duty orders on solid urea from the Russian Federation (Russia) and Ukraine, pursuant to section 751(c) of the Tariff Act of 1930, as amended (the Act). *See Initiation of Five-Year ("Sunset") Review,* 75 FR 74685 (December 1, 2010) (*Notice of Initiation*). The Department has conducted expedited (120-day) sunset reviews of these orders. As a result of these sunset reviews, the Department finds that revocation of the antidumping duty orders would be likely to lead to continuation or recurrence of dumping as indicated in the "Final Results of Reviews" section of this notice.

DATES: *Effective Date:* April 8, 2011.

FOR FURTHER INFORMATION: Dustin Ross or Minoo Hatten, AD/CVD Operations, Office 5, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; *telephone:* (202) 482–0747 or (202) 482–1690, respectively.

SUPPLEMENTARY INFORMATION:

Background

On December 1, 2010, the Department published the notice of initiation of the sunset reviews of the antidumping duty orders [1] on solid urea from Russia and Ukraine pursuant to section 751(c) of the Act. *See Notice of Initiation.*

The Department received notices of intent to participate in these sunset reviews from the domestic interested parties, the urea-producing members of the Ad Hoc Committee of Domestic Nitrogen Producers, CF Industries, Inc., and PCS Nitrogen Fertilizer, L.P., within the 15-day period specified in 19 CFR 351.218(d)(1)(i). The domestic interested parties claimed interested-party status under section 771(9)(C) of the Act as manufacturers of a domestic like product for each proceeding.

The Department received complete substantive responses to the *Notice of Initiation* from the domestic interested parties within the 30-day period specified in 19 CFR 351.218(d)(3)(i). The Department received no substantive responses from any respondent interested parties. In accordance with section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2), the Department is conducting expedited (120-day) sunset reviews of the antidumping duty orders on solid urea from Russia and Ukraine.

Scope of the Orders

The merchandise subject to the orders is solid urea, a high-nitrogen content fertilizer which is produced by reacting ammonia with carbon dioxide. The product is currently classified under the Harmonized Tariff Schedule of the United States (HTSUS) item number 3102.10.00.00. Previously such merchandise was classified under item number 480.3000 of the Tariff Schedules of the United States. Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise subject to the orders is dispositive.

Analysis of Comments Received

All issues raised in these reviews are addressed in the "Issues and Decision Memorandum for the Expedited Sunset Reviews of the Antidumping Duty Orders on Solid Urea From the Russian Federation and Ukraine" from Gary Taverman to Ronald K. Lorentzen dated concurrently with this notice (Issues and Decision Memo), which is hereby adopted by this notice. The issues discussed in the Issues and Decision Memo include the likelihood of continuation or recurrence of dumping and the magnitude of the margin likely to prevail if the orders were revoked. Parties can find a complete discussion

[1] *Antidumping Duty Order; Urea From the Union of Soviet Socialist Republics,* 52 FR 26367 (July 14, 1987); *Solid Urea From the Union of Soviet Socialist Republics; Transfer of the Antidumping Duty Order on Solid Urea From the Union of Soviet Socialist Republics to the Commonwealth of Independent States and the Baltic States and Opportunity to Comment,* 57 FR 28828 (June 29, 1992).

of all issues raised in these reviews and the corresponding recommendations in this public memorandum which is on file in the Central Records Unit, room 7046 of the main Department of Commerce building.

In addition, a complete version of the Issues and Decision Memo can be accessed directly on the Web at *http://ia.ita.doc.gov/frn.* The paper copy and electronic version of the Issues and Decision Memo are identical in content.

Final Results of Reviews

The Department determines that revocation of the antidumping duty orders on solid urea from Russia and Ukraine would be likely to lead to continuation or recurrence of dumping at the following weighted-average percentage margins:

Company	Weighted-average margin (percent)
Soyuzpromexport	(SPE) 68.26
Phillipp Brothers, Ltd., and Phillipp Brothers, Inc. (Phibro)	53.23
All Others	64.93

Notification Regarding APO

This notice serves as a reminder to parties subject to administrative protective order (APO) of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.305(a). Timely written notification of the destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

The Department is issuing and publishing the final results and notice in accordance with sections 751(c), 752(c), and 777(i)(1) of the Act.

Dated: March 31, 2011.

Ronald K. Lorentzen,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 2011–8446 Filed 4–7–11; 8:45 am]

BILLING CODE 3510–DS–P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 731–TA–340–E and 340–H (Third Review)]

Solid Urea From Russia and Ukraine; Scheduling of Full Five-Year Reviews Concerning the Antidumping Duty Orders on Solid Urea From Russia and Ukraine

AGENCY: United States International Trade Commission.

ACTION: Notice.

SUMMARY: The Commission hereby gives notice of the scheduling of full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) (the Act) to determine whether revocation of the antidumping duty orders on solid urea from Russia and Ukraine would be likely to lead to

continuation or recurrence of material injury within a reasonably foreseeable time. The Commission has determined to exercise its authority to extend the review period by up to 90 days pursuant to 19 U.S.C. 1675(c)(5)(B). For further information concerning the conduct of these reviews and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

DATES: *Effective Date:* April 21, 2011.

FOR FURTHER INFORMATION CONTACT: Nathanael Comly (202–205–3174), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server *(http://www.usitc.gov).* The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION:

Background.—On March 7, 2011, the Commission determined that responses to its notice of institution of the subject five-year reviews were such that full reviews pursuant to section 751(c)(5) of the Act should proceed (76 FR 15339, March 21, 2011). A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements are available from the Office of the Secretary and at the Commission's Web site.

Participation in the reviews and public service list.—Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in these reviews as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, by 45 days after publication of this notice. A party that filed a notice of appearance following publication of the Commission's notice of institution of the reviews need not file an additional notice of appearance. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the reviews.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made by 45 days after publication of this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the reviews. A party granted access to BPI following publication of the Commission's notice of institution of the reviews need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff report.—The prehearing staff report in the reviews will be placed in the nonpublic record on September 14, 2011, and a public version will be issued thereafter, pursuant to section 207.64 of the Commission's rules.

Hearing.—The Commission will hold a hearing in connection with the reviews beginning at 9:30 a.m. on October 4, 2011, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before September 27, 2011. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on September 29, 2011, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), 207.24, and 207.66 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *incamera* no later than 7 business days prior to the date of the hearing.

Written submissions.—Each party to the reviews may submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.65 of the Commission's rules; the deadline for filing is September 23, 2011. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.67 of the Commission's rules. The deadline for filing posthearing briefs is October 13, 2011; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the reviews may submit a written statement of information pertinent to the subject of the reviews on or before October 13, 2011. On November 4, 2011, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before November 8, 2011, but such final comments must not contain new factual information and must otherwise comply with section 207.68 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 Fed. Reg. 68036 (November 8, 2002). Even where electronic filing of a document is permitted, certain documents must also be filed in paper form, as specified in II (C) of the Commission's Handbook on Electronic Filing Procedures, 67 Fed. Reg. 68168, 68173 (November 8, 2002).

Additional written submissions to the Commission, including requests pursuant to section 201.12 of the Commission's rules, shall not be accepted unless good cause is shown for accepting such submissions, or unless the submission is pursuant to a specific request by a Commissioner or Commission staff.

In accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the reviews must be served on all other parties to the reviews (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

By order of the Commission.

Issued: April 25, 2011.

William R. Bishop,

Acting Secretary to the Commission.

[FR Doc. 2011–10281 Filed 4–27–11; 8:45 am]

BILLING CODE P

EXPLANATION OF COMMISSION DETERMINATION ON ADEQUACY
in
Solid Urea from the Russian Federation and Ukraine
Inv. Nos. 731-TA-340-E and 340-H (Third Review)

On March 7, 2011, the Commission determined that it should proceed to full reviews in the subject five-year reviews pursuant to section 751(c)(5) of the Tariff Act of 1930, as amended, 19 U.S.C. § 1675(c)(5).[1]

The Commission received a single domestic producer response filed on behalf of the Ad Hoc Committee of Domestic Nitrogen Producers and its members, CF Industries, Inc., and PCS Nitrogen Fertilizer, L.P. The Commission found the individual response to the Commission's notice of institution to be adequate. The Commission further determined that the domestic interested party group response was adequate because these producers account for a significant percentage of domestic solid urea production.

The Commission did not receive a response from any respondent interested party in either of the reviews and, therefore, determined that the respondent interested party group responses were inadequate for both reviews.

The Commission found, however, that circumstances warranted conducting full reviews because of reported changes in the conditions of competition since the Commission's last five-year reviews of these orders. The Commission therefore determined to conduct full reviews.

A record of the Commissioners' votes is available from the Office of the Secretary and the Commission's web site (http://www.usitc.gov).

[1] Commissioners Lane and Williamson voted to expedite both five-year reviews.

APPENDIX B

HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Solid Urea from Russia and Ukraine

Inv. Nos.: 731-TA-340-E and H (Third Review)

Date and Time: October 4, 2011 - 9:30 a.m.

Sessions were held in connection with these third five-year reviews in the Main Hearing Room, 500 E Street (room 101), SW, Washington, D.C.

OPENING REMARKS:

In Support of Continuation of Orders (**Valerie A. Slater**, Akin Gump Strauss Hauer & Feld LLP)

In Support of the Continuation of the Antidumping Duty Orders:

Akin Gump Strauss Hauer & Feld LLP
Washington, D.C.
on behalf of

Ad Hoc Committee Nitrogen Producers ("Ad Hoc Committee")

Christopher Bohn, Vice President, Corporate Planning, CF Industries, Inc.

Al Mulhall, Senior Director, Market Research, Potash Corporation Inc.

Daniel W. Klett, Economist, Capital Trade, Inc.

Valerie A. Slater)
) – OF COUNSEL
Margaret Marsh)

CLOSING REMARKS:

In Support of Continuation of Orders (**Valerie A. Slater**, Akin Gump Strauss Hauer & Feld LLP)

APPENDIX C

SUMMARY DATA

Table C-1
Solid urea: Summary data concerning the U.S. market, 2005-10, January-June 2010, and January-June 2011

(Quantity=1,000 short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data								Period changes						
							January-June								Jan.-June
Item	2005	2006	2007	2008	2009	2010	2010	2011	2005-10	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
U.S. consumption quantity:															
Amount	8,624	8,159	9,933	8,628	7,943	9,674	5,305	4,913	12.2	-5.4	21.7	-13.1	-7.9	21.8	-7.4
Producers' share (1)	27.9	33.2	27.4	30.3	34.2	27.1	26.5	29.6	-0.8	5.2	-5.8	2.9	3.9	-7.1	3.1
Importers' share (1):															
Russia	0.0	0.0	0.0	0.1	0.2	1.2	2.1	1.1	1.2	0.0	0.0	0.1	0.0	1.0	-1.1
Ukraine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	0.0	0.0	0.0	0.1	0.2	1.2	2.1	1.1	1.2	0.0	0.0	0.1	0.0	1.0	-1.1
Other sources	72.1	66.8	72.6	69.6	65.6	71.7	71.4	69.4	-0.4	-5.3	5.8	-3.1	-4.0	6.1	-2.0
Total imports	72.1	66.8	72.6	69.7	65.8	72.9	73.5	70.4	0.8	-5.2	5.8	-2.9	-3.9	7.1	-3.1
U.S. consumption value:															
Amount	2,130,050	1,973,015	3,087,895	4,103,058	2,244,215	2,977,563	1,615,723	1,840,367	39.8	-7.4	56.5	32.9	-45.3	32.7	13.9
Producers' share (1)	28.2	33.2	28.2	30.2	35.6	27.0	26.3	30.2	-1.2	5.0	-5.0	2.0	5.4	-8.6	3.9
Importers' share (1):															
Russia	0.0	0.0	0.0	0.1	0.2	1.0	1.8	1.0	1.0	0.0	0.0	0.1	0.1	0.8	-0.8
Ukraine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	0.0	0.0	0.0	0.1	0.2	1.0	1.8	1.0	1.0	0.0	0.0	0.1	0.1	0.8	-0.8
Other sources	71.8	66.8	71.8	69.8	64.2	72.0	71.9	68.8	0.2	-5.0	5.0	-2.1	-5.5	7.8	-3.0
Total imports	71.8	66.8	71.8	69.8	64.4	73.0	73.7	69.8	1.2	-5.0	5.0	-2.0	-5.4	8.6	-3.9
U.S. imports from:															
Russia:															
Quantity	0	4	0	12	14	113	113	52	(2)	(2)	-100.0	(2)	14.9	708.2	-53.5
Value	0	851	0	3,173	3,946	29,314	29,314	17,881	(2)	(2)	-100.0	(2)	24.4	642.8	-39.0
Unit value	(2)	233	(2)	262	283	260	260	342	(2)	(2)	(2)	(2)	8.2	-8.1	31.2
Ending inventory quantity	0	0	0	0	0	0	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Ukraine:															
Quantity	0	0.02	0.07	0	0	0	0	0	(2)	(2)	204.8	-100.0	(2)	(2)	(2)
Value	0	9	26	0	0	0	0	0	(2)	(2)	185.1	-100.0	(2)	(2)	(2)
Unit value	(2)	399	373	(2)	(2)	(2)	(2)	(2)	(2)	(2)	-6.4	(2)	(2)	(2)	(2)
Ending inventory quantity	0	0	0	0	0	0	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Subtotal:															
Quantity	0	4	0.07	12	14	113	113	52	(2)	(2)	-98.1	17087.1	14.9	708.2	-53.5
Value	0	860	26	3,173	3,946	29,314	29,314	17,881	(2)	(2)	-96.9	11945.3	24.4	642.8	-39.0
Unit value	(2)	234	373	262	283	260	260	342	(2)	(2)	59.5	-29.9	8.2	-8.1	31.2
Ending inventory quantity	0	0	0	0	0	0	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Other sources:															
Quantity	6,216	5,450	7,216	6,004	5,210	6,938	3,787	3,409	11.6	-12.3	32.4	-16.8	-13.2	33.2	-10.0
Value	1,529,452	1,318,055	2,217,638	2,862,233	1,441,064	2,145,022	1,161,330	1,266,728	40.2	-13.8	68.3	29.1	-49.7	48.8	9.1
Unit value	$246	$242	$307	$477	$277	$309	$307	$372	25.7	-1.7	27.1	55.1	-42.0	11.8	21.2
Ending inventory quantity	434	333	330	568	445	531	225	178	22.4	-23.3	-0.9	72.1	-21.7	19.3	-20.9
All sources:															
Quantity	6,216	5,454	7,216	6,016	5,224	7,050	3,900	3,461	13.4	-12.3	32.3	-16.6	-13.2	35.0	-11.3
Value	1,529,452	1,318,915	2,217,664	2,865,406	1,445,010	2,174,336	1,190,644	1,284,609	42.2	-13.8	68.1	29.2	-49.6	50.5	7.9
Unit value	$246	$242	$307	$476	$277	$308	$305	$371	25.3	-1.7	27.1	55.0	-41.9	11.5	21.6
Ending inventory quantity	434	333	330	568	445	531	225	178	22.4	-23.3	-0.9	72.1	-21.7	19.3	-20.9
U.S. producers':															
Average capacity quantity	3,874	3,970	3,968	3,255	3,392	3,345	1,728	1,728	-13.7	2.5	-0.1	-18.0	4.2	-1.4	0.0
Production quantity	3,020	3,113	3,021	2,679	2,824	2,754	1,439	1,433	-8.8	3.1	-2.9	-11.3	5.4	-2.5	-0.4
Capacity utilization (1)	78.0	78.4	76.1	82.3	83.3	82.3	83.3	82.9	4.4	0.4	-2.3	6.2	1.0	-0.9	-0.4
U.S. shipments:															
Quantity	2,408	2,705	2,717	2,613	2,719	2,624	1,405	1,452	9.0	12.4	0.4	-3.8	4.1	-3.5	3.3
Value	600,598	654,100	870,231	1,237,652	799,205	803,227	425,079	555,758	33.7	8.9	33.0	42.2	-35.4	0.5	30.7
Unit value	$249	$242	$320	$474	$294	$306	$303	$383	22.7	-3.1	32.5	47.9	-37.9	4.1	26.5
Export shipments:															
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Productivity (tons per hour)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Net sales:															
Quantity	2,973	3,223	2,947	2,653	2,918	2,704	***	***	-9.0	8.4	-8.6	-10.0	10.0	-7.3	***
Value	729,075	775,226	940,718	1,254,404	843,563	821,846	***	***	12.7	6.3	21.3	33.3	-32.8	-2.6	***
Unit value	$245	$241	$319	$473	$289	$304	***	***	23.9	-1.9	32.7	48.1	-38.9	5.1	***
Cost of goods sold (COGS)	589,214	646,336	681,309	755,087	531,153	511,331	***	***	-13.2	9.7	5.4	10.8	-29.7	-3.7	***
Gross profit or (loss)	139,861	128,890	259,409	499,317	312,410	310,515	***	***	122.0	-7.8	101.3	92.5	-37.4	-0.6	***
SG&A expenses	39,385	38,028	39,287	35,081	37,148	34,219	***	***	-13.1	-3.4	3.3	-10.7	5.9	-7.9	***
Operating income or (loss)	100,476	90,862	220,122	464,236	275,262	276,296	***	***	175.0	-9.6	142.3	110.9	-40.7	0.4	***
Capital expenditures	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit COGS	$198	$201	$231	$285	$182	$189	***	***	-4.6	1.2	15.3	23.1	-36.0	3.9	***
Unit SG&A expenses	$13	$12	$13	$13	$13	$13	***	***	-4.5	-10.9	13.0	-0.8	-3.7	-0.6	***
Unit operating income or (loss)	$34	$28	$75	$175	$94	$102	***	***	202.3	-16.6	165.0	134.3	-46.1	8.3	***
COGS/sales (1)	80.8	83.4	72.4	60.2	63.0	62.2	***	***	-18.6	2.6	-10.9	-12.2	2.8	-0.7	***
Operating income or (loss)/ sales (1)	13.8	11.7	23.4	37.0	32.6	33.6	***	***	19.8	-2.1	11.7	13.6	-4.4	1.0	***

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics, as adjusted.

APPENDIX D
RESPONSES OF U.S. PRODUCERS, U.S. IMPORTERS, U.S. PURCHASERS, AND FOREIGN PRODUCERS CONCERNING THE SIGNIFICANCE OF THE ANTIDUMPING DUTY ORDERS AND THE LIKELY EFFECTS OF REVOCATION

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APPENDIX E

DETAILED PRILLED SOLID UREA PRICE DATA

Table E-1
Prilled solid urea: Weighted-average f.o.b. prices and quantities of domestic product, by end use, January 2008-June 2011

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Figure E-1
Solid urea: Weighted-average f.o.b prices of prilled solid urea (by end use) and granular solid urea, January 2008-June 2011

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