



Ottawa, Friday, April 22, 1994

Inquiry No.: NQ-93-003

IN THE MATTER OF an inquiry under section 42 of the *Special Import Measures Act* respecting:

**SYNTHETIC BALER TWINE WITH A KNOT STRENGTH
OF 200 lbs OR LESS, ORIGINATING IN OR EXPORTED
FROM THE UNITED STATES OF AMERICA**

FINDING

The Canadian International Trade Tribunal, under the provisions of section 42 of the *Special Import Measures Act*, has conducted an inquiry following the issuance by the Deputy Minister of National Revenue for Customs and Excise of a preliminary determination of dumping dated December 23, 1993, and of a final determination of dumping dated March 23, 1994, respecting the importation into Canada of synthetic baler twine with a knot strength of 200 lbs or less, originating in or exported from the United States of America.

Pursuant to subsection 43(1) of the *Special Import Measures Act*, the Canadian International Trade Tribunal hereby finds that the dumping in Canada of the aforementioned goods, originating in or exported from the United States of America, has caused, is causing and is likely to cause material injury to the production in Canada of like goods.

Desmond Hallissey
Desmond Hallissey
Presiding Member

Arthur B. Trudeau
Arthur B. Trudeau
Member

Michèle Blouin
Michèle Blouin
Member

Michel P. Granger
Michel P. Granger
Secretary

The statement of reasons will be issued within 15 days.

Inquiry No.: NQ-93-003

Place of Hearing:	Ottawa, Ontario
Dates of Hearing:	March 28 and 29, 1994
Date of Finding:	April 22, 1994
Tribunal Members:	Desmond Hallissey, Presiding Member Arthur B. Trudeau, Member Michèle Blouin, Member
Director of Research:	Réal Roy
Research Manager:	Daryl Poirier
Economist:	Ihn Ho Uhm
Statistical Officer:	Nynon Burroughs
Counsel for the Tribunal:	Gilles B. Legault
Registration and Distribution Officer:	Joël Joyal
Participants:	Paul C. LaBarge David Liston Gregory Kanargelidis for TecSyn International Inc. (Complainant) Ann Ottoson-King* for Bridon Pacific Limited Bridon Cordage Inc. (Importer/Exporter)

* As of April 20, 1994, Mr. John B. Laskin is counsel of record for Bridon Pacific Limited and Bridon Cordage Inc.



Ottawa, Monday, May 9, 1994

Inquiry No.: NQ-93-003

**SYNTHETIC BALER TWINE WITH A KNOT STRENGTH
OF 200 lbs OR LESS, ORIGINATING IN OR EXPORTED
FROM THE UNITED STATES OF AMERICA**

Special Import Measures Act - Whether the dumping of the above-mentioned goods has caused, is causing or is likely to cause material injury to the production in Canada of like goods.

DECISION: The Canadian International Trade Tribunal has found that the dumping in Canada of synthetic baler twine with a knot strength of 200 lbs or less, originating in or exported from the United States of America, has caused, is causing and is likely to cause material injury to the production in Canada of like goods.

Place of Hearing:	Ottawa, Ontario
Dates of Hearing:	March 28 and 29, 1994
Date of Finding:	April 22, 1994
Date of Reasons:	May 9, 1994
Tribunal Members:	Desmond Hallissey, Presiding Member Arthur B. Trudeau, Member Michèle Blouin, Member
Director of Research:	Réal Roy
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Counsel for the Tribunal:	Gilles B. Legault
Registration and Distribution Officer:	Joël Joyal
Participants:	Paul C. LaBarge David Liston Gregory Kanargelidis for TecSyn International Inc.

(Complainant)

Ann Ottoson-King*
for Bridon Cordage Inc.
Bridon Pacific Limited

(Exporter/Importer)

Witnesses:

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President and Chief Operating Officer
TecSyn International Inc.

Jerry Nolin
Vice-President and General Manager
Poli-Twine Canada
A Division of TecSyn Canada Limited

Gordon Rettaler
Marketing Manager
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* As of April 20, 1994, Mr. John B. Laskin is counsel of record for Bridon Cordage Inc. and Bridon Pacific Limited.



Ottawa, Monday, May 9, 1994

Inquiry No.: NQ-93-003

IN THE MATTER OF an inquiry under section 42 of the *Special Import Measures Act* respecting:

**SYNTHETIC BALER TWINE WITH A KNOT STRENGTH
OF 200 lbs OR LESS, ORIGINATING IN OR EXPORTED
FROM THE UNITED STATES OF AMERICA**

TRIBUNAL: DESMOND HALLISSEY, Presiding Member
 ARTHUR B. TRUDEAU, Member
 MICHÈLE BLOUIN, Member

STATEMENT OF REASONS

CONDUCT OF THE INQUIRY

On December 23, 1993, upon receipt of a preliminary determination of dumping¹ made by the Deputy Minister of National Revenue for Customs and Excise (the Deputy Minister), the Canadian International Trade Tribunal (the Tribunal) initiated an inquiry under section 42 of the *Special Import Measures Act*² (SIMA) respecting the importation into Canada of synthetic baler twine with a knot strength of 200 lbs or less, originating in or exported from the United States of America (the subject goods). The purpose of this inquiry is to determine whether the dumping of the subject goods has caused, is causing or is likely to cause material injury to the production in Canada of like goods. The Deputy Minister's investigation of dumping covered importations of the subject goods from January 1 to June 30, 1993. On March 23, 1994, the Deputy Minister made a final determination of dumping³ with respect to the subject goods.

On December 30, 1993, the Tribunal issued a notice of commencement of inquiry.⁴ As part of the inquiry, the Tribunal sent detailed questionnaires to Canadian manufacturers, importers and purchasers of the subject goods, requesting production, financial, import and market information, as well as other information, covering the period from January 1, 1990, to December 31, 1993. From the replies to the questionnaires and other sources, the Tribunal research staff prepared public and protected pre-hearing staff reports covering that period.

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1. Canada Gazette Part I, Vol. 128, No. 3, January 15, 1994, at 258-59.
 2. R.S.C. 1985, c. S-15.
 3. *Supra*, note 1, No. 14, April 2, 1994, at 2014-15.
 4. *Supra*, note 1 at 276-77.

The record of this inquiry consists of all Tribunal exhibits, including the public and protected replies to questionnaires, all exhibits filed by the parties at the hearing, as well as the transcript of the proceedings. All public exhibits were made available to the parties. Protected exhibits were made available only to independent counsel whose undertakings were accepted.

Public and *in camera* hearings were held in Ottawa, Ontario, on March 28 and 29, 1994. The complainant, TecSyn International Inc. (TecSyn), was represented by counsel, submitted evidence and made arguments in support of a finding of injury. Counsel for Bridon Cordage Inc. (Bridon Cordage) and Bridon Pacific Limited (Bridon Pacific) did not attend the hearing, but submitted written evidence and arguments in support of a finding of no injury.

PRODUCT

The product that is the subject of this inquiry is described by the Deputy Minister in the preliminary determination of dumping as synthetic baler twine with a knot strength of 200 lbs or less, originating in or exported from the United States of America.

While this description excludes synthetic baler twine with a knot strength greater than 200 lbs (wire replacement twine), it does not limit the subject goods to the remaining synthetic baler twine which must meet a specified knot strength (i.e. twine for use in square balers). The subject goods also include synthetic twine where tensile strength, rather than knot strength, specifications must be met (i.e. twine for use in round balers).

Synthetic baler twine is most commonly manufactured from polypropylene, which is a resin derived from petroleum or natural gas. The polypropylene is purchased in pellet form and introduced into an extruding machine which melts the pellets prior to the extrusion process. Certain additives are then combined with the resin to impart colour and resistance to ultraviolet solar radiation.

There are two basic manufacturing methods for this product. The fibrillated tape or film method involves the extrusion of polypropylene as a thin film sheet, which is slit, stretched and twisted into polypropylene twine. The monofilament method involves the production of a collection of small round continuous running threads of polypropylene which are then wrapped or twisted with a spiral polypropylene strand to bind them together. The final step in both methods is to wind the twine into balls and to pack two balls into a cardboard carton, itself called a bale. Some bales of synthetic baler twine are made up of only one ball.

In addition to synthetic baler twine, natural or sisal baler twine is also used extensively in Canada and other countries to bale hay or straw. However, sisal baler twine is no longer produced in Canada and is not subject to this inquiry. At the same time, although synthetic baler twine with a knot strength greater than 200 lbs is produced in Canada, it is specifically excluded from the class of goods in this inquiry.

Synthetic baler twine is used with agricultural baling equipment to bind bales of hay or straw. Baling equipment is designed specifically to produce either square or round bales. In the case of square balers, the twine is knotted. As square bales usually undergo considerable physical manipulation, the knot strength of the twine is an

important consideration. In the case of round balers, the twine is merely wound around the bale a number of times, and the twine is not stressed by either knotting or the physical manipulation of the bale itself. Nevertheless, in round baling, the tensile strength of the twine is still an important consideration.

According to the evidence, fibrillated tape baler twine is used in both square- and round-baling operations, but monofilament baler twine is used exclusively in round-baling operations, as it does not satisfy the knotting requirements of square baling. The evidence also shows that Poli-Twine Canada, A Division of TecSyn Canada Limited (Poli-Twine) produces both fibrillated tape baler twine and monofilament baler twine, while Bridon Cordage produces only fibrillated tape baler twine. Furthermore, the evidence shows that, when used for round baling, the fibrillated tape baler twine and the monofilament baler twine are not easily distinguished by end users.

Synthetic baler twine may be offered in a variety of bale weights for twine of the same length. For example, 20,000-ft. twine offered by the same manufacturer/importer may be available in three different package weights, depending on the twine's tensile strength (or knot strength, in the case of square-baling twine). Generally speaking, the higher the tensile/knot strength for a given length of twine, the thicker, and therefore the heavier, the bale of twine will be. Square-baling twine typically has a knot strength of either 130 or 170 lbs, while round-baling twine typically has a tensile strength of 110 or 125 lbs, but can go as high as 150 lbs.

It should be noted that knot strength and tensile strength are not interchangeable terms. Synthetic baler twine with a knot strength of 130 lbs may have a considerably higher tensile strength.

In Canada, there are basically four different packages or "put-ups" for square-baling twine and another four for round-baling twine. These eight different product configurations are differentiated on the basis of twine "runnage," or length of twine per bale, as shown in the following table.

Square-Baling Twine	7,200	9,000	9,600	10,000
Round-Baling Twine	16,000	20,000	24,000	28,000

Source: Tribunal Staff Report.

Most domestic and imported synthetic baler twine conforms to the above length categories. However, domestic square-baling twine is also produced in a 12,000-ft. length, while some imported twine for both square and round balers is of atypical lengths, and some imported round-baling twine is 30,000 ft. in length.

Square bales of hay or straw may weigh from 35 to 100 lbs and are generally kept in covered storage. Round bales may weigh from 800 to 2,000 lbs and, because of their size, are commonly stored in the open field. Square baling is more common in Central and Eastern Canada, where both cattle and feed tend to be sheltered indoors. In contrast, round baling is more prevalent in Western Canada, where there tend to be larger farms and where cattle and feed are usually exposed to the elements. In both Eastern and Western Canada, bales which are stored *al fresco* are often covered with a tarpaulin or a covering of some kind as protection against the weather.

DOMESTIC INDUSTRY

The domestic synthetic baler twine industry today consists of two firms: Poli-Twine, a subsidiary of TecSyn, and Guelph Twines Ltd. (Guelph Twines).

Poli-Twine, with a manufacturing facility in Belleville, Ontario, and whose parent firm, TecSyn, has headquarters in St. Catharines, Ontario, is by far the largest of the two domestic manufacturers of synthetic baler twine.

Synthetic baler twine was first produced in Canada in the mid-1960s when Poli-Twine Corporation Limited (Poli-Twine Corp.) began manufacturing monofilament baler twine in Saskatoon, Saskatchewan. Imperial Oil Limited purchased the Poli-Twine Corp. operation in 1968, opened a second plant in Belleville, Ontario, in 1974 and amalgamated the Saskatoon plant and the Belleville operation in 1977. Throughout this period and up to 1981, Poli-Twine Corp. continued to produce and market only monofilament baler twine. In 1981, Poli-Twine Corp. added extra capacity to produce fibrillated tape baler twine. In April 1984, the Poli-Twine Corp. operation was purchased from Imperial Oil Limited by Niagara Structural Steel (St. Catharines) Limited (now known as TecSyn International Inc.). In 1987, TecSyn expanded its synthetic baler twine operation into the United States, with the establishment of a facility, Poli-Twine Western Inc., in Clearfield, Utah.

Guelph Twines, located in Guelph, Ontario, was incorporated in 1972 and began operation by making industrial and commercial twine. It expanded into fibrillated tape baler twine production in 1975. Synthetic baler twine constitutes a very small proportion of Guelph Twines' total sales volume.

Both Poli-Twine and Guelph Twines manufacture a variety of other products in addition to synthetic baler twine. These include tying twine for industrial and commercial markets, paper and polypropylene cable fillers for the wire and cable industry, and twisted ropes for retail and industrial markets.

IMPORTERS AND EXPORTERS

There are currently only a few countries which export any significant volumes of synthetic baler twine to Canada. On the basis of Statistics Canada import data and Tribunal questionnaire data, the United States and Portugal accounted for 92 percent of

all imports during the first 11 months of 1993. The United States accounted for 62 percent of those imports, and Portugal for 30 percent. South Africa accounted for 3 percent of all imports, former Czechoslovakia for 4 percent, and all other countries combined for the remaining 1 percent.

Two manufacturers of synthetic baler twine in the United States exported the subject goods to Canada during the period of investigation by the Department of National Revenue, namely, Bridon Cordage located in Albert Lea, Minnesota, and Exxon Chemical Company (Exxon) located in Kingman, Kansas. Four importers accounted for 87 percent of imports of synthetic baler twine from the United States and Portugal in 1993. Those importers were Bridon Pacific, Wilbur-Ellis Company of Canada Ltd. (Wilbur-Ellis), Amjay Ropes and Twines Limited (Amjay) and Scandan Inc. (Scandan).

MARKETING AND DISTRIBUTION

The market for synthetic baler twine is such that virtually all deliveries must take place during the months of January to June (the shipping season), prior to the baling season which commences in June. Production and inventory build-up of the subject goods then start again for the following season, although some sales/shipments continue to take place after June. These are described as "in-season" sales.

Distributors and distributors/dealers negotiate with suppliers between October and December (the booking season) for the baling season of the next calendar year. Interprovincial Cooperative Limited (IPCO) is the largest Canadian distributor, since it negotiates contracts and prices for the purchase of synthetic baler twine on behalf of six provincial co-operatives. As such, it is generally accepted that the prices negotiated with IPCO act as the industry benchmark for the booking season.

Domestic Manufacturers

Poli-Twine contracts with what it describes as major distributors and distributors/dealers for the sale of synthetic baler twine. These major distributors and distributors/dealers have local dealer networks throughout Canada. Poli-Twine "drop ships" to the individual dealers and bills the major distributors for the product.

Guelph Twines markets its product in Ontario through distributors and dealers, mainly feed mills and farm equipment outlets, that supply synthetic baler twine to consumers. In Quebec, synthetic baler twine is marketed through a Montréal-based wholesale distributor that sells the twine through similar farm supply dealers. Synthetic baler twine is sold F.O.B. Guelph and is either picked up at the plant by customers or shipped to them by independent truckers.

Importers

Bridon Pacific negotiates prices with master distributors (generally agricultural co-operatives), but also sells directly to dealers that retail the product to consumers.

Amjay negotiates prices with a broad spectrum of master distributors, distributors and dealers.

Wilbur-Ellis' marketing practices are unknown, as this importer did not respond to the Tribunal questionnaire. However, it is believed that this company also sells to master distributors and directly to dealers.

Scandan negotiates prices from year to year with a few major distributors.

RESULTS OF THE DEPUTY MINISTER'S INVESTIGATION

On March 23, 1994, the Deputy Minister made a final determination of dumping respecting the subject goods. Of the goods reviewed during the period of investigation, January 1 to June 30, 1993, 100 percent of those exported by Bridon Cordage had been dumped at a weighted average margin of dumping of 16.6 percent, and 14.0 percent of those exported by Exxon had been dumped at a weighted average margin of dumping of 9.4 percent.

POSITION OF PARTIES

Poli-Twine — Manufacturer

Counsel for Poli-Twine argued that the dumping of the subject goods by Bridon Cordage and Exxon had caused, was causing and was likely to cause material injury to Poli-Twine, by far the largest manufacturer of the subject goods in Canada. Counsel stated that increased imports of the subject goods at dumped prices in a market that is price-sensitive resulted in price erosion, price suppression and lost sales. This, counsel argued, caused a severe reduction in revenues and a decimation of profits.

Counsel indicated that imports from Bridon Cordage have surged since 1989 and that sales of imports from Exxon were effected at prices that were much lower than those that were already reduced by the price competition from Bridon Cordage. In fact, counsel added, during the period from 1989 to 1992, the value of total imports of the subject goods declined by 7.6 percent, while the volume of imports increased by 13.7 percent, which indicates that higher volumes were achieved through lower prices. Moreover, the evidence shows that, during that period, the share of imports from the United States consistently increased, despite a reduction in total imports in 1991 and notwithstanding the strong appreciation of the U.S. dollar against the Canadian dollar in 1992. Given that pricing is done in Canadian dollars, counsel suggested that U.S. exporters are taking increasingly larger losses in view of their increasing market share.

As an example of price erosion and lost sales, counsel referred to the prices negotiated in the fall of 1992, during the booking season, between IPCO and the various suppliers of synthetic baler twine. IPCO is one of the larger distributors of synthetic baler twine in Canada, and the prices negotiated with it become the benchmark for the industry. Counsel argued that, as a result of those negotiations, Poli-Twine had to drop its prices to keep IPCO as a client, since Bridon Pacific had matched and even offered prices that were lower than the prices first tendered by Portuguese exporters. Furthermore, after the booking season, Wilbur-Ellis started quoting Exxon's synthetic baler twine at prices that were far lower than Exxon's domestic prices, a dramatic departure from this manufacturer's past marketing practice. Counsel added that, in January 1993, Wilbur-Ellis began quoting spot prices to dealers in Western Canada. Ultimately, Poli-Twine was asked by certain IPCO members for refunds on synthetic baler

twine that had already been delivered and paid for, in order to match those spot prices. According to counsel, this price competition had a drastic effect on Poli-Twine's sales of the subject goods, since the company lost customers or encountered reduced orders, all to the benefit of Bridon Pacific, especially in Western Canada. In addition, the loss of orders and the loss of customers led to a decrease in capacity utilization followed by a reduction in employment.

Counsel pointed out that TecSyn's response to heavy losses during the past few years was a major restructuring of its operations, with the adoption of cost-cutting measures and other initiatives designed to salvage its operations, and in particular the operations of Poli-Twine. In that latter regard, measures to lessen the injury were taken with respect to sources of raw materials, consolidation of warehousing, the construction of new space at its Belleville plant and reduction in inventory levels. Those measures also included layoffs and permanent reductions in employment, as well as renegotiations of collective agreements and rent. Significant changes to the operations of the company were also implemented, such as the installation of new equipment to enhance capacity and marketing arrangements for the development and promotion of export sales. In spite of those efforts, counsel contended that Poli-Twine was unable to return to the profitability that it enjoyed in 1990. Consequently, there is a reluctance to commit additional capital to the plant under existing conditions.

Counsel concluded that the evidence is clear that dumped goods are the cause of the alleged material injury. In this regard, counsel maintained that the evidence reveals that Bridon Pacific has competed with Poli-Twine not only on price but also on service and in-season sales, especially in Western Canada, and that Poli-Twine actually lost sales based on price during the in-season period. This, counsel added, clearly establishes a causal relationship between the price erosion that had been suffered and the conduct of the importer.

Bridon Cordage and Bridon Pacific — Exporter/Importer

In her brief, counsel for Bridon Cordage and Bridon Pacific argued that, contrary to Poli-Twine's argument, synthetic baler twine is not a commodity sold on price alone. Although counsel recognized that the synthetic baler twine market is price-sensitive, she maintained that the market is more sensitive to a quality product that will perform the task wanted by the farmer. Furthermore, quality also includes delivery reliability and security of supply, which are important to distributors and dealers, and obviously to farmers, because the hay and grasses must be baled when ready.

Counsel also maintained that the total market for baling products is a cyclical market. For instance, due to weather conditions, 1992 was a short year for baling. Counsel explained that the weather conditions were, indeed, known well ahead of time to allow purchasers to lessen the amount of synthetic baler twine purchased in advance.

Counsel agreed that pricing decisions made by large buyers such as IPCO have set prices for the season in the traditional Canadian market. She noted that it is usual, in such situations, for new entrants to acquire market share by using non-traditional methods, which may be at odds with the marketing practices of the traditional players. In order to counteract the power of a large player that controls the market to the point

of setting prices, efforts will be made to increase competition. Manufacturers that do not make the effort to increase competition must cope with the changes in the market. Nonetheless, counsel maintained that the evidence established Poli-Twine as a price leader in the booking season negotiations.

As to the other factors that may have contributed to the injury, and whose effects should not be attributed to the dumped goods, counsel referred to a farmer's preference for one type of synthetic baler twine over another. She suggested that monofilament baler twine would likely be sold at a lower price, as it was not the preferred product. She also viewed the effect of fluctuations in the exchange rate as irrelevant to the inquiry. Counsel contended that there can be no injury from alleged dumping when the price differential results from exchange rate fluctuations. She also argued that Tecsyn's reorganization could not be attributed to current synthetic baler twine imports because that restructuring predated the current inquiry and may have been a factor in the confidence, or lack thereof, which customers had in Poli-Twine's long-term viability. Finally, Poli-Twine's decision to refund money was seen as purely a business decision that showed a lack of understanding of how the market functions and how marketing decisions should be made, and that decision should not be attributed to import competition.

In conclusion, counsel pointed out that, in order to issue a finding of material injury, it must be clearly demonstrated that dumped imports, rather than the above-mentioned factors, are the cause of reverses suffered by the domestic industry.

ECONOMIC INDICATORS

There are only two Canadian manufacturers of the subject goods and only a handful of major importers of synthetic baler twine; therefore, most economic data relating to this case are confidential in nature. Consequently, only the direction, and changes in magnitude relative to a base year, in key criteria such as production, market shares, prices, etc., can be identified, rather than their absolute values.

However, information on imports is not confidential. For that reason, data can be presented on absolute changes in import volumes and sources of supply. These data are then used as reference points to subsequently discuss changes in production and apparent market data. An index table also provides information on changes in those and other key economic criteria.

As the following table shows, imports of synthetic baler twine fell from 11.9 million lbs in 1990 to 8.5 million lbs in 1991, a decrease of 29 percent. In 1992 and 1993, imports increased by 21 percent and 11 percent, respectively. In 1993, total imports of 11.4 million lbs were 4 percent below their level in 1990. The United States held 62 percent of those imports in 1993, up from 58 percent in 1990. Portugal, the next largest supplier, accounted for 30 percent of total imports in 1993, as compared to 16 percent in 1990.

Country	1990	%	1991	%	1992	%	1993	%
United States	6,907	58	4,479	53	6,714	65	7,116	62
Portugal	1,866	16	1,798	21	2,425	24	3,435	30
Former Czechoslovakia	640	5	1,095	13	392	4	457	4
South Africa	223	2	225	3	95	1	357	3
Federal Republic of Germany	845	7	721	8	514	5	37	-
Others	<u>1,435</u>	<u>12</u>	<u>187</u>	<u>2</u>	<u>169</u>	<u>2</u>	<u>31</u>	-
Total	11,916	100	8,505	100	10,309	100	11,433	100
Percent Change			(29)		21		11	

1. Figures may not add up due to rounding.

Source: Manufacturer's and Importer's Questionnaires and Statistics Canada.

Table 3 presents, in index form, the changes over the period from 1990 to 1993 in key indicators, i.e. domestic production, the apparent market, prices, employment and net profit before taxes.

	1991	1992	1993
Domestic Production (units)	88	84	87
Apparent Market (units)	79	80	89
Prices ¹	99	94	94
Employment	94	73	77
Net Income (loss) Before Taxes	(191) ²	59	76

1. Weighted average prices from four major suppliers to their ten major accounts in Canada.

2. The net loss before taxes is largely attributable to the major restructuring implemented by TecSyn in 1991.

Source: Tribunal Staff Report.

As the preceding tables show, domestic production of the subject goods decreased in 1991 as compared to 1990, as did imports. However, while imports increased by 21 percent in 1992, domestic production continued to decline in that year, before recovering slightly in 1993. As a result, production volumes in 1993 were significantly lower than those in 1990.

In response to the changes in import and domestic production levels, the apparent market for the subject goods fell steeply in 1991 from the previous year. The market then increased marginally in 1992 and more substantially in 1993. The apparent market for the subject goods in 1993 remains significantly lower than it was in 1990.

Weighted average prices from four major suppliers to their ten major accounts in Canada declined marginally in 1991 and fell off more steeply in 1992, before stabilizing in 1993.

Total employment in domestic production of the subject goods decreased substantially from 1990 to 1993.

The industry's return (net income before taxes) on domestic sales of the subject goods was positive in every year but 1991. Nevertheless, the rates of return were relatively modest and substantially lower in both 1992 and 1993 than in 1990.

The share of the market held by sales from domestic production and the share of the market held by sales from imports were not significantly different in 1993 from what they had been in 1990.

REASONS FOR DECISION

Section 42 of SIMA requires that the Tribunal determine whether the dumping of the subject goods has caused, is causing or is likely to cause material injury to the production in Canada of like goods. Before proceeding with this determination, the Tribunal must be satisfied that the domestic industry, as represented in this case by the complainant, produces goods that are like those described by the Deputy Minister in the preliminary determination of dumping and that it constitutes at least a major proportion of the total domestic production of synthetic baler twine with a knot strength of 200 lbs or less.

The class of goods described by the Deputy Minister in the preliminary determination of dumping inherently includes two types of synthetic baler twine: fibrillated and monofilament. Both types are produced in Canada and constitute like goods to the imported synthetic baler twine for the purposes of this inquiry.

With regard to the requirement that the complainant constitute at least a major proportion of the total domestic production of synthetic baler twine with a knot strength of 200 lbs or less, the Tribunal finds that this requirement is met because Poli-Twine accounts for the overwhelming majority of the total domestic production of the two domestic manufacturers of those goods.

Past and Present Injury

Demand for synthetic baler twine in Canada is not only differentiated between square- and round-baling twine but also between different regions of the country.

For example, farms in Central and Eastern Canada are typically smaller than those in Western Canada, and baled hay must often be physically handled by one person during cattle feeding. Smaller bales of hay are, therefore, more appropriate to those operations. Testimony during the hearing indicated that about 90 percent of market demand in Eastern Canada is for square-baling twine. Furthermore, given this market's closer proximity to offshore suppliers, market demand is satisfied not only by North American suppliers but also by European suppliers, particularly Portugal.

On the other hand, farms in Western Canada are typically much larger than those in the east. Larger bales of hay, which are designed primarily to be spread out in a feedlot or used to feed cattle in a large farming operation, are more appropriate to those operations. Testimony during the hearing indicated that about 80 percent of market demand in Western Canada is for round-baling twine. In contrast to the situation in Central and Eastern Canada, the western market is geographically more isolated from offshore suppliers. Therefore, while some specialized Portuguese twine in particular does successfully target specific markets in the west, market demand tends to be satisfied predominantly by North American suppliers, i.e. domestic manufacturers and U.S. exporters.

The increase from 1990 to 1993 in the share of total imports held by Portugal and the United States must be viewed in the context of those different markets for the subject goods. In 1993, the United States accounted for 62 percent of total imports, or more than twice the share of imports held by Portugal, and those U.S. imports were directed primarily to the synthetic baler twine market in Western Canada.

As the data indicate, the increases from 1990 to 1993 in the import share held by the United States and Portugal were largely at the expense of other historical suppliers to the Canadian market, such as the Federal Republic of Germany, Switzerland and the United Kingdom. The Tribunal concludes that it is partly for that reason that the share of the market held by sales from domestic production did not differ significantly in 1993 from what it had been in 1990. However, the Tribunal is also of the opinion that this relatively stable market share is primarily attributable to Poli-Twine's decision to meet import prices in the Canadian market in order to maintain viable production volumes.

The witnesses for Poli-Twine testified that the company historically has had to reduce its price quotations in order to meet import offerings in the Canadian market. More specifically, Poli-Twine provided testimony and evidence with respect to price reductions that it had made in 1993 on both round- and square-baling twine, as a result of lower price offerings on those products by suppliers of U.S. synthetic baler twine. As a consequence of those lower price offerings, Poli-Twine claimed that it had to resubmit price quotations for several major product lines for the 1993 shipping season. In doing so, prices had to be reduced significantly from their opening levels. Poli-Twine claimed that those initial price levels had been realistic, based on production and other costs related to those products and on the need to earn a reasonable rate of return on their sale. Because those particular products accounted for major proportions of the volume of goods which had already been produced by Poli-Twine, it was critical to the company's short-term survival that those goods be sold. The subsequent price reductions which were made on those products seriously eroded the profitability of the company as a whole and did not provide rates of return that were adequate to permit the reinvestment needed for the longer-term survival of the company.

Extensive data on selling prices offered by domestic manufacturers and importers of the subject goods to wholesalers/distributors in Canada were provided to the Tribunal. On an aggregated basis, selling prices for the subject goods by the two manufacturers and by two major importers generally declined over the period from 1991 to 1993, the period for which these data were provided. In addition to aggregated sales data, specific sales data were also obtained for the 9,000-ft., 20,000-ft. and 28,000-ft. twine, three high-volume lengths of the subject goods. In 1993, those three products accounted for almost two thirds of the total market for all lengths of the subject goods in Canada. Selling prices by the same four major suppliers for those specific products also demonstrated a clearly downward trend over the period. Overall, the Tribunal found conclusive evidence that price erosion had taken place over the period under review.

There remained the question of whether the dumped subject goods were the cause of the price erosion. Price lists, if any, issued by manufacturers and importers, were rather meaningless in relation to the ultimate contract prices arrived at between buyers and sellers. At best, the evidence showed that price lists served as a starting point for more serious discussions on final price levels. Accordingly, price lists were of little use in attempting to determine causality of price erosion. However, price quotations in response to calls for prices were very instructive.

In its efforts to determine the cause of the price erosion, the Tribunal benefited from the testimony provided by Mr. Gordon Rettaler, Marketing Manager for IPCO. IPCO is the largest single purchaser of synthetic baler twine in Canada, accounting for more than 20 percent of total purchases. Mr. Rettaler, who negotiates the purchase of synthetic baler twine for six of IPCO's member co-operatives, had first-hand knowledge not only of the bidding process but also of the sequence and timing of bids by prospective suppliers to his organization.

Poli-Twine, Bridon Cordage and Bridon Pacific were in agreement that large buyers such as IPCO set prices for the season in the Canadian market for the subject goods.

IPCO claims to receive good-quality product from Poli-Twine, as well as good service. It also acknowledges that it receives comparable quality and service on the U.S. synthetic baler twine supplied by Bridon Pacific. In the Tribunal's view, there are clearly advantages for IPCO to have more than one supplier of the subject goods, not only in terms of price but also in terms of security of supply. Should any one particular supplier be unable to deliver product for one reason or another, other suppliers would be available to help make up a shortfall that might otherwise be critical. At the same time, the Tribunal found nothing altruistic about IPCO's purchasing decisions with regard to synthetic baler twine. IPCO insists that each bidder's prices be competitive with other suppliers in the Canadian market, which then allows IPCO to source from several suppliers at the same time and always at competitive prices which benefit IPCO's member co-operatives.

During *in camera* testimony, much of the evidence provided by Mr. Rettaler dealt with particulars of specific, commercially confidential price quotations from specific suppliers. In the Tribunal's view, this evidence supported the testimony of witnesses for Poli-Twine that they not only had to match U.S. prices to obtain business but also had to give credits to a major customer after the goods had been delivered, as a result of subsequent low price offerings by a U.S. supplier.

In addition to the price competition arising from imported U.S. synthetic baler twine, Poli-Twine has also had to compete with low price quotations from an importer of Portuguese synthetic baler twine. In contrast to imports of the subject goods from the United States, Portuguese twine was not sold in Canada at dumped prices and did not compete as directly in the same markets in Western Canada supplied by Canadian and U.S. manufacturers. As a result, synthetic baler twine imports from Portugal did not affect domestic production to the same extent as imports of synthetic baler twine from the United States.

Foreign suppliers also have different capacities to respond to in-season demand in the markets in both Eastern and Western Canada. While about 80 percent of market demand is shipped during the normal shipping season of January to June, the remaining 20 percent of market demand is derived from in-season sales which arise from the harvesting of small, late-season crops. The witnesses for Poli-Twine claimed that, historically, only Canadian manufacturers participated in in-season sales activity.

The smaller volumes and speedy delivery required for those in-season sales are claimed to preclude competition from offshore suppliers, such as those in Portugal that ship their twine to Canada by ocean freight. In contrast, U.S. manufacturers of synthetic baler twine are geographically closer to markets in Western Canada than Poli-Twine and are, therefore, well placed to serve this in-season market.

The witnesses for Poli-Twine stated that, in addition to freight considerations, another advantage which U.S. manufacturers have during the Canadian in-season period is that their price offerings have no adverse impact on the pricing of the bulk of their sales, which are made in the United States. That is to say, sales by U.S. suppliers at lower in-season prices in Canada would not have any effect on revenues earned in their primary market in the United States. This indicates that there are no impediments to U.S. suppliers selling in Canada at dumped prices. Conversely, any lower price offerings by Canadian manufacturers for in-season sales would result in domestic accounts requesting retroactive price reductions on the total sales volumes which had already been purchased at firm prices. Unlike their U.S. counterparts, Canadian manufacturers would be unable to balance such price reductions against higher sales volumes sold at higher prices in another market.

In the Tribunal's view, it is clear that the industry suffered price erosion and price suppression caused by the dumped imports and that this price-based injury was sufficiently large to be material. Selling prices for the subject goods between 1990 and 1993 were reduced by approximately 6 percent. In 1993, Poli-Twine had to reduce its original price quotations to IPCO by a substantial amount in order to secure business that would otherwise have gone to U.S. suppliers, whose low prices were only made possible by dumping. Those price reductions had a material effect on the firm's profitability.

As seen in the section on economic indicators, the industry's return (net income before taxes) on domestic sales of the subject goods was positive, although relatively modest, in every year but 1991. The rates of return were also lower in both 1992 and 1993 than they were in 1990, in spite of extensive cost-cutting measures put in place by Poli-Twine. Poli-Twine's efforts in this regard included cuts in personnel, the negotiation of wage and rent concessions, the consolidation of warehousing operations and the sourcing of its polypropylene resin requirements on the cheaper spot market. In the Tribunal's view, the positive financial effects of those measures on Poli-Twine's bottom line conceal the true magnitude of the injury actually caused by the dumping of the subject goods. Had Poli-Twine not implemented those cost-cutting measures, its net reduction in profitability would have been much more severe.

Notwithstanding those initiatives by Poli-Twine, the per-unit cost of goods sold by Canadian manufacturers increased over the period, while per-unit net sales decreased by twice as much (e.g. assuming an increase in the cost of goods sold of \$0.05/lb. over the period, the selling price would have decreased by \$0.10/lb.). As a consequence, gross margins were reduced. In a further effort to mitigate the effect of those reductions in gross margins on its bottom line, Poli-Twine took additional measures to reduce its general, selling and administrative expenses and financial expenses. In spite of its success in reducing costs in this area, the squeeze on Poli-Twine's gross margins was simply too great to be fully counteracted.

The Tribunal is persuaded that competitive pressures in Canada arise predominantly from U.S., rather than Portuguese, suppliers of synthetic baler twine. While Portuguese imports are obviously a factor in the price determination process, there is no doubt in the Tribunal's mind that the United States, by virtue of its dominant share of the import market and its ability to compete in the in-season market, plays the key role among exporters in determining price levels in the Canadian market.

In summary, on the basis of the foregoing assessment, the Tribunal is satisfied that the past and present injury caused by the dumped imports is material.

Other Factors

Various factors were advanced in the preliminary and final briefs submitted by counsel for Bridon Cordage and Bridon Pacific as having contributed to injury suffered by the complainant. Among those factors were: (1) that synthetic baler twine is not a commodity sold on price alone; (2) that farmers' preference for fibrillated tape baler twine could not be supplied by Poli-Twine; and (3) that Poli-Twine's decision to refund money to an account was a bad decision. It was also alleged that large exports of synthetic baler twine to the United States were made by Poli-Twine in a deliberate effort to reduce sales volumes in Canada in anticipation of this inquiry.

No evidence was presented by Bridon Cordage and Bridon Pacific to support any of their allegations. To the contrary, evidence presented by Poli-Twine showed that synthetic baler twine is indeed a commodity product, that it could supply market demands, that its decision to refund money in 1993 was, for good business reasons, the only one feasible, and that its exports to the United States did increase in 1991 over 1990, but that the level of those exports dropped substantially in both 1992 and 1993. For these reasons, the Tribunal rejects all of the reasons put forward by Bridon Cordage and Bridon Pacific as explanatory causes of the material injury suffered by the complainant.

Future Injury

With regard to the future, the Tribunal believes that Poli-Twine will, for some time, be faced with the same market conditions as those faced in the recent past. In a market where a purchaser switches suppliers for as little as a few cents a pound, Poli-Twine will likely continue to meet dumped price competition as it cannot afford to lose sales volume and imperil its whole synthetic baler twine operation. In the same vein, continued low price offerings by U.S. exporters, made possible by the dumping, are to be expected, as these exporters suffer no major consequences in their home market arising from this dumping. In fact, as long as the United States has excess production, it will find its way into the Canadian market at whatever prices are necessary in order to get the business. In the recent past, these prices have been dumped by a considerable margin.

The Tribunal also finds that some of the cost containment and reduction measures put in place by Poli-Twine to help it compete with U.S. imports and to maintain a viable share of the Canadian market for the subject goods are not sustainable in the long run. The evidence suggests that Poli-Twine's physical, financial and human resources are being stretched to the limit by the need to compete over an extended period of time against dumped prices for the subject goods in the Canadian market. Price erosion or suppression cannot continue. At the very least, Poli-Twine needs price stability and, possibly, price increases to generate sufficient revenues to finance the necessary investment to modernize its operations and to operate on the most cost-effective basis in both the short and long term. The Tribunal, therefore, considers that continued dumping would likely cause material injury to Poli-Twine's production in Canada of like goods.

CONCLUSION

Accordingly, the Tribunal concludes that the dumping of synthetic baler twine with a knot strength of 200 lbs or less, originating in or exported from the United States of America, has caused, is causing and is likely to cause material injury to the production in Canada of like goods.

Desmond Hallissey
Desmond Hallissey
Presiding Member

Arthur B. Trudeau
Arthur B. Trudeau
Member

Michèle Blouin
Michèle Blouin
Member