FROZEN POTATO PRODUCTS FROM CANADA

Determination of No Reasonable Indication of Material Injury or Threat Thereof in Investigation No. 701-TA-3 (Preliminary) Under Section 703(a) of the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

701-TA-3 (Preliminary)

FROZEN POTATO PRODUCTS FROM CANADA

Determination of No Reasonable Indication of Material Injury, Threat of Material Injury, or Material Retardation of the Establishment of an Industry

Determination

On the basis of the record in investigation No. 701-TA-3 (Preliminary), the Commission unanimously determines that there is no reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of the importation from Canada of frozen potato products, provided for in items 138.40 and 141.86 of the Tariff Schedules of the United States, upon which subsidies are allegedly provided by the Government of Canada.

Procedural background

On January 7, 1980, the United States International Trade Commission received notice from the Department of Commerce--the designated administering authority under section 771(1) of the Tariff Act of 1930, as added by title I of the Trade Agreements Act of 1979--that a countervailing duty investigation had been initiated, but no preliminary or final determination had been issued in connection with frozen potato products imported from Canada, upon which subsidies are allegedly provided by the Government of Canada. Accordingly, effective January 1, 1980, the Commission instituted a preliminary countervailing duty investigation under section 703(a) of the Tariff Act of 1930, as amended, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of the merchandise which is the subject of the investigation by the Administering Authority.

Notice of the institution of the Commission's investigation and of the public conference to be held in connection therewith was duly given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's office in New York City, and by publishing the notice in the Federal Register of January 14, 1980 (45 F.R. 2714). The conference was held in Washington, D.C., on January 29, 1980; all persons requesting the opportunity were permitted to appear in person or by counsel.

In arriving at its determination, the Commission gave due consideration to information provided by the Administering Authority, all written submissions from interested parties, and information adduced at the conference and obtained by the Commission's staff from questionnaires, documented personal interviews, and other sources that have been submitted for the record.

STATEMENT OF CHAIRMAN CATHERINE BEDELL AND COMMISSIONERS GEORGE M. MOORE, PAULA STERN AND MICHAEL J. CALHOUN IN SUPPORT OF THE DETERMINATION

On the basis of the best information available in this investigation, No. 701-TA-3 (Preliminary), we determine that there is no reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or that the establishment of an industry in the United States is materially retarded,*/ by reason of the importation from Canada of frozen potato products, provided for in items 138.40 and 141.86 of the Tariff Schedules of the United States, upon which subsidies are allegedly provided by the Government of Canada.

The following findings and conclusions, based on the record in this investigation, support our determination.

I. No reasonable indication of material injury

A. Volume of imports

1. U.S. consumption of frozen potato products nearly doubled during the past decade. During 1975-78 annual apparent consumption rose by nearly 900 million pounds to 3.9 billion pounds, an increase of 29 percent. In the first six months of 1979, such consumption was only slightly less than that in the first six months of 1978. U.S. per capita consumption of frozen potato products rose from 11.1 pounds in 1970 to 17.6 pounds in 1978, equivalent to an average annual rate of growth of 5.9 percent; between 1975 and 1978 per capita consumption rose at an annual rate of 8.1 percent.

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* The question of the material retardation of the establishment of an industry in the United States was not raised as an issue in this investigation.

2. Canadian exports of frozen potato products to the United States trended downward from 12 million pounds in 1972 to a low of 0.9 million pounds in 1977 before rebounding to 7.6 million pounds in 1978. U.S. imports of frozen potato products have supplied only a negligible share of the domestic market for such items. During 1975-78 and January-June 1979, imports from Canada were equivalent to 0.5 percent or less of apparent domestic consumption.

B. Effect of imports on U.S. prices

3. The U.S. Bureau of Labor Statistics' index of prices received by domestic producers of frozen french fried potatoes (which account for 85 percent of U.S. production of frozen potato products) rose 17.8 percent from January 1977 to September 1979, slightly more than the increase in the index of prices received by producers of all frozen vegetables during the period (17.5 percent). The two price indices tended to move in a parallel fashion throughout the entire January 1977-September 1979 period.

4. Data obtained by questionnaires, although incomplete, indicate that there has been no significant price undercutting or price depression or suppression.

C. Impact on affected industry

5. U.S. production of frozen potato products rose from 3.0 billion pounds in 1975 to 3.8 billion pounds in 1978; output in January-June 1979 amounted to 2.1 billion pounds, slightly more than in the corresponding period in 1978.

6. Although aggregate net operating profits of the responding firms declined from $32 million (8.7 percent of sales) in 1977 to $27 million (6.2 percent of sales) in 1979, the decline appeared to be due to rapid increases in general, selling, and administrative expenses, because gross profit and net sales experienced steady growth during the period.

7. Domestic producers responding to the Commission's questionnaires reported increases during 1977-79 in productive capacity (51 percent), employment (5 percent), man-hours worked by production and related workers (6 percent), and wages paid to such workers (27 percent).

8. U.S. exports increased from an estimated 30 million pounds in 1975 to 53 million pounds in 1978; exports amounted to 35 million pounds in the first six months of 1979, compared with 24 million pounds in the first six months of 1978.

9. Year-end U.S. freezer stocks of frozen potato products during 1975-78 varied between a low of 681 million pounds in 1975 and a peak of 830 million pounds in 1977; no clear trend in such stocks was evident.

10. All producers supplying information on the subject of sales lost to imports of frozen potato products from Canada, in response to Commission questionnaires, reported that they had no specific evidence of sales lost to such imports.

An evaluation of these relevant factors reveals no reasonable indication of material injury to the affected industry.

II. <u>No reasonable indication of threat of material injury</u>

The testimony presented on behalf of the petitioner, the Frozen Potato Products Institute, during the course of the Commission's investigation was directed almost entirely to the question of whether a threat of material injury to the domestic industry producing frozen potato products exists by reason of allegedly subsidized imports of such products from Canada. The petitioner contended at the conference that the major components of this threat included (a) rapidly rising imports, (b) severe overcapacity in the Canadian frozen potato processing industry and (c) stagnant demand in the United States for frozen potato products (transcript of conference proceedings, page 30).

11. Report No. 96-317 of the House Committee on Ways and Means on the bill (H.R. 4537) which became the Trade Agreements Act of 1979 states (at page 47): "With regard to the standard for a threat of material injury, the Committee intends that the ITC affirmative determination shall be based upon evidence showing that the threat is real and imminent and not upon mere supposition or conjecture." Similarly, Report No. 96-249 of the Senate Committee on Finance on the bill states (pages 88 and 89): "An ITC affirmative determination with respect to threat of material injury must be based upon information showing that the threat is real and injury is imminent, not a mere supposition or conjecture." The House Report continues (at page 47): "In examining threat of material injury, the ITC will determine the likelihood of a particular situation developing into actual material injury. In this regard, demonstrable trends--for example, the rate of increase of the subsidized or dumped exports to the U.S. market, capacity in the exporting country to generate exports, the likelihood that such exports will be directed to the U.S. market taking into account the availability of other export markets...will be important."

12. Although levels of U.S. imports of frozen potato products from Canada have risen in 1978 and 1979, and U.S. consumption fell slightly in the first half of 1979 (see paragraphs 1 and 2, above), these changes do not establish a reasonable indication of a threat of material injury which is "real and imminent."

13. On the basis of two shifts per day, Canadian capacity to produce frozen potato products increased only marginally from 1977 to 1978, or from 550 million pounds to 570 million pounds. Based on these capacity estimates, Canada operated at 70 percent of capacity in both years. Over 90 percent of Canadian output of frozen potato products in 1977 and 1978 was for consumption in Canada. Furthermore, Canada's domestic demand continues rapid growth; the restaurant industry, the principal consumer of the product, is expected by the end of 1980 to show sales 60 percent greater than those posted in 1975.

14. Canadian exports to the United Kingdom in the first 10 months of 1979 rose 63 percent over their level for the same period in 1978, reversing a decline during the years 1977 and 1978. Exports to Japan have risen steadily since 1975; for the first 10 months of 1979 such exports were 263 percent greater than those during the corresponding period in 1978.

An evaluation of these relevant factors reveals no "real and imminent" threat of material injury to the affected industry.

Views of Vice Chairman Alberger

Having considered the full record in investigation No. 701-TA-3 (Preliminary), I determine that there is no reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of the importation from Canada of frozen potato products, provided for in items 138.40 and 141.86 of the Tariff Schedules of the United States, upon which subsidies are allegedly provided by the Government of Canada.

I adopt in full the findings in I, II and III of the attached "Supporting Statement by the Director, Office of Operations, for a Negative Determination on Frozen Potato Products from Canada." That statement is a part of the record 1/ and accurately analyzes all of the factors we are required by the statute to consider. In addition to that statement, I have added one additional finding that I believe is relevant to my determination:

> For every year for which we have data, the United States is a clear exporter of frozen potato products. The ratio had not been smaller than 3 to 1 in any period analyzed. Clearly, this industry has a healthy trade balance, and seems to be competitive in world markets. 2/

1/ The statement was submitted to the Commission as Action Jacket No. OP1-80-007 and was read into the record at the Commission meeting of Feb. 7, 1980.
2/ See Table 1 of this report, p. A-30.

SUPPORTING STATEMENT BY THE DIRECTOR, OFFICE OF OPERATIONS, FOR A NEGATIVE DETERMINATION ON FROZEN POTATO PRODUCTS FROM CANADA (INV. NO. 701-TA-3 (Preliminary))

I. Material retardation. The question of the material retardation of the establishment of an industry in the United States is not an issue in this investigation. Approximately 20 firms produce frozen potato products in the United States.

II. Material injury.

1. U.S. production of frozen potato products rose from 3.0 billion pounds in 1975 to 3.8 billion pounds in 1978; output in January-June 1979 amounted to 2.1 billion pounds, slightly more than in the corresponding period of 1978.

2. Exports increased from an estimated 30 million pounds in 1975 to 53 million pounds in 1978; exports amounted to 35 million pounds in the first 6 months of 1979, compared with 24 million pounds in the first 6 months of 1978.

3. Yearend U.S. freezer stocks of frozen potato products during 1975-78 ranged from 681 million pounds in 1975 to 830 million pounds in 1977; no clear trend in such stocks was evident.

4. The U.S. Bureau of Labor Statistics' index of prices received by domestic producers of frozen french fried potatoes rose 17.8 percent from January 1977 to September 1979, slightly more than the increase in the index of prices received by producers of all frozen vegetables during the period (17.5 percent). The two price indices tended to move in parallel throughout the entire January 1977-September 1979 period.

5. Domestic producers responding to the Commission's questionnaires reported increases during 1977-79 in productive capacity (51 percent), employment (5 percent), man-hours worked by production and related workers (6 percent), and wages paid to such workers (27 percent). Although the aggregate net operating profits of the respondent firms declined from $32 million (8.7 percent of sales) in 1977 to $27 million (6.2 percent of sales) in 1979, all such producers of frozen potato products realized net profits in each of the years 1977-79.

6. Domestic producers were requested to supply evidence of sales lost to imports of frozen potato products from Canada. All respondents supplying information on this subject reported that they had no specific evidence of sales lost because of such imports.

III. Threat of material injury. The testimony presented on behalf of the petitioner, the Frozen Potato Products Institute, during the course of the Commission's investigation was directed almost entirely to the question of whether a threat of material injury to the domestic industry producing frozen potato products exists by reason of allegedly subsidized imports of such products from Canada. The petitioner contended at the conference that the major components of this threat included (1) rapidly rising imports, (2) severe overcapacity in the Canadian frozen potato processing industry, and (3) stagnant demand in the

United States for frozen potato products (transcript of conference proceedings, page 30).

1. Canadian exports of frozen potato products to the United States trended downward from 12 million pounds in 1972 to a low of 0.9 million pounds in 1977 before rebounding to 7.6 million pounds in 1978. U.S. imports of frozen potato products have supplied only a negligible share of the domestic market for such items. During 1975-78 and January-June 1979, imports from Canada were equivalent to 0.5 percent or less of apparent domestic consumption.

2. On the basis of two shifts per day, Canadian capacity to produce frozen potato products increased only marginally from 1977 to 1978, or from 550 million pounds to 570 million pounds. Based on these capacity estimates, Canada operated at 70 percent of capacity in both years. Over 90 percent of Canadian output of frozen potato products in 1977 and 1978 was for consumption in Canada. McCain Foods, Ltd., which in 1978 held about half the Canadian capacity to produce frozen potato products, * * * (deletion of confidential information relating to the operations of McCain Foods, Ltd.)

3. U.S. consumption of frozen potato products nearly doubled during the past decade. During 1975-78 annual apparent consumption rose by nearly 900 million pounds to 3.9 billion pounds, an increase of 29 percent. In the first 6 months of 1979, such consumption was only slightly less than that in the first 6 months of 1978. U.S. per capita consumption of frozen potato products rose from 11.1 pounds in 1970 to 17.6 pounds in 1978, equivalent to an average annual rate of growth of 5.9 percent; between 1975 and 1978 per capita consumption rose at an annual rate of 8.1 percent.

4. According to a memorandum (dated December 31, 1979) from the Director, Office of Policy, Office of the Assistant Secretary of the Treasury for Trade Administration, to the General Counsel of the Treasury, the approximate aggregate net benefit accruing to the subject frozen potato products under the various Canadian programs was 2.41 percent ad valorem, f.o.b. value of plant shipments.

5. The report of the House Committee on Ways and Means on the Trade Agreements Act of 1979 states (at page 47) that "With regard to the standard for a threat of material injury, the Committee intends that the ITC affirmative determination shall be based upon evidence showing that the threat *is real and imminent and not upon mere supposition or conjecture*." (italics added). Similarly, the report of the Senate Committee on Finance on the act states (pages 88 and 89) that "An ITC affirmative determination with respect to threat of material injury must be based upon information showing that the threat *is real and injury is imminent, not a mere supposition or conjecture*." (italics added).

IV. Recommendation. In conclusion, on the basis of my review of the information developed during this investigation, I recommend that the Commission determine that there is no reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of the importation of frozen potato products from Canada upon which subsidies are allegedly provided by the Government of Canada.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On January 7, 1980, the U.S. International Trade Commission received notice from the Department of Commerce--the designated administering authority under section 771(1) of the Tariff Act of 1930, as added by title I of the Trade Agreements Act of 1979 (93 Stat. 176; 19 U.S.C. 1677(1)) 1/--that a countervailing duty investigation had been initiated, but no preliminary or final determination had been issued, in connection with certain frozen potato products imported from Canada. 2/ Such frozen potato products are provided for in items 138.40 and 141.86 of the Tariff Schedules of the United States Annotated (TSUS); they include french fried potatoes, hash-brown potatoes, potato puffs, baked potatoes, whole, blanched potatoes, and other frozen potato products.

The Commission instituted, effective January 1, 1980, investigation No. 701-TA-3 (Preliminary) under section 703(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of the merchandise which is the subject of the investigation by the administering authority. Section 703(a) of the Tariff Act, by reason of section 102 of the Trade Agreements Act of 1979, relating to pending investigations (93 Stat. 189; 19 U.S.C. 1671 note), requires that the Commission make its preliminary determination as to injury in this case within 45 days of January 1, 1980, or by February 14, 1980. 3/

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's New York Office, and by publishing the notice in the Federal Register of January 14, 1980 (45 F.R. 2714). 4/ A public conference was held in Washington, D.C. on January 29, 1980.

1/ Effective Jan. 2, 1980, as provided for by Executive Order 12188, the President, pursuant to Reorganization Plan No. 3 of 1979, assigned to the Secretary of Commerce responsibility for the administration of the countervailing duty laws.

2/ A copy of the administering authority's letter to the Commission is presented in app. A.

3/ Sec. 102(a)(1) provides that if, on the effective date of the application of title VII of the Tariff Act of 1930 to imports from a country, an investigation is in progress under sec. 303 of the Tariff Act and the Secretary of the Treasury has not made a preliminary determination, he shall then terminate such investigation and the matter shall proceed "as if the affirmative determination called for in section 702 of that Act /Tariff Act of 1930, as amended/ were made . . . ." Sec. 702(c)(2) relates to the determination by the administering authority commencing an investigation.

4/ A copy of the Commission's notice of investigation and conference is presented in app. B.

Development of the Case

Investigation No. 701-TA-3 (Preliminary) evolved from a countervailing duty petition filed with the Department of the Treasury on April 20, 1979, by the Frozen Potato Products Institute on behalf of its members. The petition alleged that the Government of Canada bestows bounties and grants upon Canadian companies exporting frozen potato products to the United States. Treasury's notice of initiation of the investigation was published in the Federal Register of May 25, 1979 (44 F.R. 30496). This notice indicated that a satisfactory petition had been received and that a countervailing duty investigation had been started to determine if benefits are paid by the Government of Canada upon the manufacture, production, or exportation of certain frozen potato products which constitute the payment of a bounty or grant within the meaning of the U.S. countervailing duty law.

Since the Secretary of the Treasury had not made a preliminary countervailing duty determination by January 1, 1980, the investigation under the old legislative provisions was terminated and then reinstituted under the Trade Agreements Act of 1979, section 102(a)(1), which requires the Commission to conduct preliminary countervailing duty investigations in cases where on January 1, 1980, the Secretary of the Treasury had not made a preliminary determination under section 303 of the Tariff Act as to whether a bounty or grant is being paid or bestowed.

Description and Uses

The frozen potato products considered in this investigation consist chiefly of french fries, hash-brown potatoes, potato puffs, baked potatoes, and whole, blanched potatoes, but include all frozen potato products provided for in TSUS items 138.40 and 141.86. French fries account for the great bulk of the frozen potato products consumed in the United States.

French fried potatoes are made from mature white or Irish potatoes. The whole potatoes are first subjected to a series of washing, peeling, sorting, and trimming operations before they are cut into pieces, in either a straight or crinkled configuration. After the cutting operation, the potatoes are blanched to destroy enzyme activity and leach out constituents responsible for off colors and bad flavors. The potato strips are then ready to be deep fried in vegetable oil. The degree of frying by the processor depends on the requirements of the consumer. For example, restaurants prefer to finish-fry french fries in deep fat to develop proper color and crispiness, so they order partially fried (par-fried) potatoes. Home consumers, on the other hand, purchase french fries that have been more extensively par-fried by the processor. The latter product can be placed directly in the oven to be finished for consumption; it is usually of a lower quality than that finish-fried in deep fat. After frying, the french fries are frozen and packed in various sizes of institutional and retail containers. Generally, the institutional containers hold from 4.5 to 50 pounds of product, while the containers for the retail trade hold from 9 ounces to 5 pounds. Cartons, poly bags, and kraft bags are used for institutional containers, and cartons and poly bags are used for retail containers.

Hash-brown potatoes rank second in importance among the frozen potato products consumed in the United States. Hash-brown potatoes are made by shredding whole, cooked potatoes. The resultant product is then packed in cartons and frozen. Byproduct material from french fry production (e.g., raw, thin slices and broken pieces) may also be shredded or diced, cooked, and frozen to make hash-brown potatoes. Other frozen potato products are of much less importance and include potato puffs (a potato mixture usually extruded in the form of croquettes), baked potatoes, and whole, blanched potatoes.

U.S. Tariff Treatment

Frozen potato products which are the subject of this investigation are classified for tariff purposes under TSUS item 138.40 if raw and cut, sliced, or otherwise reduced in size, and under item 141.86 if otherwise prepared or preserved (e.g., frozen, cooked potato products). The rates of duty applicable to articles entered under item 138.40 are 17.5 percent ad valorem (col. 1) and 35 percent ad valorem (col. 2). 1/ The col. 1 rate has been in effect since September 10, 1955; no concession was granted by the United States on item 138.40 in the seventh round of trade negotiations (Tokyo round) under the General Agreement on Tariffs and Trade. The rates of duty applicable to frozen potato products entered under item 141.86 are 16.6 percent ad valorem (col. 1) and 35 percent ad valorem (col. 2). The col. 1 rate became effective on January 1, 1980, and is the first of eight stages of annual rate modifications as a result of concessions granted by the United States in the Tokyo round. The final (eighth) stage is 10.0 percent ad valorem. 2/ Imports of frozen potato products under item 141.86 from 27 least developed developing countries (LDDC) are dutiable at 10 percent ad valorem; it is believed that there have been no imports of frozen potato products from the LDDC's in recent years. Imports of frozen potato products under items 138.40 and 141.86 are not eligible for duty-free treatment under the Generalized System of Preferences.

Nature and Extent of Alleged Bounties or Grants Being Paid or Bestowed

The petition filed with the U.S. Treasury Department by the Frozen Potato Products Institute alleged that the Government of Canada bestows bounties or grants on the production of frozen potato products. The frozen potato products covered in the petition include french fries, hash-brown potatoes, potato puffs, baked potatoes, whole, blanched potatoes, and other frozen potato products.

1/ Prior to Jan. 1, 1980, the articles entered under item 138.40 were provided for under item 138.50.

2/ Prior to Jan. 1, 1980, the articles entered under item 141.86 were provided for under item 141.81; the change reflects the establishment of a new tariff category owing to a modification in the rate of duty.

Four Canadian Federal and/or Provincial Government programs were alleged by the petitioner to bestow bounties or grants to producers or exporters of frozen potato products. The Canadian programs are the Advance Payments for Crops Act, the Agricultural Stabilization Act, incentives from the Department of Regional Economic Expansion (DREE), all of which are administered by the Federal Government, and disaster payments made by the Federal Government and the British Columbia Government. The following discussion describes the four programs, and the level of bounties or grants paid under them, as estimated by the U.S. Treasury Department. 1/

(1) The Advance Payments for Crops Act: Under this program, the Canadian Government guarantees certain loans to potato growers through growers' organizations. In addition, the Government pays the interest on these loans to the lenders on behalf of potato growers. All loans made under this program have been repaid by the borrowers and the Government has never paid benefits under the loan guarantee. The interest paid by the Government on behalf of potato growers is considered by the U.S. Treasury Department to be countervailable. Total interest payments in 1978, allocable to the subject merchandise, are estimated by the U.S. Treasury Department to have been about Can $8,800, which is equal to 0.008 percent of the value of all frozen potato products processed in Canada in 1978.

(2) The Agricultural Stabilization Act: This act is a price-support program under which the Canadian Government provides payments to growers only after the crop has been marketed. The payments are equal to the difference between the floor price and the average selling price received by the growers. For potatoes to be eligible for price support, each crop must be designated as such by the Government; price support for potatoes is not mandatory. Furthermore, each crop can be designated on a regional basis, as was done for the 1977 crop. In 1977, only the potato crop produced in Eastern Canada (Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland) was designated for support. Payments for the 1977 crop were made in late 1978 and early 1979, well after the crop was marketed. Payments on the 1977 crop have been estimated by the U.S. Treasury Department at Can $1.8 million for potatoes processed into frozen potato products, which is equal to approximately 1.7 percent of the value of the subject merchandise produced in Canada in 1978, from the 1977 crop. 2/

(3) DREE incentives: There are four types of incentives under this program: Nonrepayable development incentives (grants); repayable development incentives; provisionally repayable development incentives; and loan guarantees. Only nonrepayable development incentives and loan guarantees have been used by the producers of frozen potato products. Information presently

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1/ The estimated level of the bounties or grants are from a memorandum (dated December 31, 1979) from the Director, Office of Policy, Office of the Assistant Secretary of the Treasury for Trade Administration to the General Counsel of the Treasury.

2/ In mid-January 1980, the Canadian Government announced that the potato crop grown in Eastern Canada in 1978 will be eligible for price support. No payments have yet been made under this program.

available indicates that nonrepayable development incentives paid to assist 15 projects have totaled Can $7.6 million since 1969. These payments did not exceed 0.7 percent of the value of the merchandise produced in 1978 when allocated over the working life of the facilities purchased with these grants (10 years for machinery and 20 years for buildings), as estimated by the U.S. Treasury Department. Loan guarantees amounted to Can $1.5 million for a single project involving frozen potato products. The Government has not been required to pay off the guaranteed loan since the project has not been in default. In past cases, the U.S. Treasury Department has not considered a loan guarantee, in the absence of payment of funds by the guarantor, to constitute a bounty or grant.

(4) Disaster payments: A one-time disaster payment was made in 1977 by the Canadian and British Columbia Governments to potato growers in British Columbia who were left without a market when a chip processor with whom they had contracted to grow potatoes closed his business. None of the potatoes involved in the payments are believed to have been used in the production of frozen potato products, according to the U.S. Treasury Department.

The aggregate net benefit accruing to the subject merchandise under the four programs is estimated by the U.S. Treasury Department to be approximately 2.41 percent ad valorem.

The domestic industry also alleged in its petition that drawbacks of customs duties on imported frozen potatoes for processing constitute a countervailable bounty or grant. However, the rebate of customs duties paid on imported raw materials consumed in the manufacture of goods for export was not considered to be countervailable by the U.S. Treasury Department. Accordingly, the Canadian customs drawback program was not investigated by Treasury.

U.S. Producers

Approximately 20 firms in the United States produce frozen potato products for use in food service establishments and for the retail trade. Producing facilities are located throughout the United States, although there is a concentration of facilities in Idaho, Oregon, and Washington. Less than 5 of the 20 or so producers are believed to dominate the frozen potato products industry by their large-scale operations.

The processing industry is concentrated in the Northwestern United States because it is in that region that the elongated russet potato is primarily grown. This potato is favored by processors for making french fries. Most domestic producers process a full line of frozen potato products, e.g., french fries, hash browns, and miscellaneous frozen processed potatoes.

U.S. Market

U.S. demand for frozen potato products nearly doubled during the past decade as people increasingly chose to eat more of their meals outside the home, especially at fast-food service outlets, where most frozen potato products are consumed. During 1975-78, apparent annual U.S. consumption of frozen potato products rose by nearly 900 million pounds to 3.9 billion pounds, an increase of 29 percent (table 1). In January-June 1979, apparent consumption, at 1.9 billion pounds, was slightly less than in January-June 1978. The decline in consumption in January-June 1979 is attributable in part to consumers' eating fewer meals out owing to the slower pace of economic activity and perhaps to the gasoline shortage in the spring of the year.

The great bulk of the frozen potato products consumed in the United States consists of french fries; in 1978, french fries accounted for 85 percent of the domestic pack of frozen potato products. 1/ The remainder are made up of hash-browns and miscellaneous other products such as potato puffs and baked potatoes. Most of the french fries are believed to be consumed in fast-food outlets such as those that specialize in hamburgers and fish or chicken meals, and in restaurants. In recent years about four-fifths of the french fries have been consumed in food-service establishments, and most of the remainder have been eaten in the home. Somewhat more than half the hash-browns and miscellaneous other frozen potato products are consumed in the home; the rest are used by the food-service trade.

Channels of Distribution

In the United States, frozen potato products generally move from domestic producers and importers through distributors to food service establishments and retail outlets. As indicated above, most such products are french fries and are consumed in eating establishments. Many of the fast-food chains operate their own distribution centers, which supply their local outlets. The fast-food chains generally enter into annual contracts with domestic producers, which process the product according to the individual customer's specifications. The general appearance of french fries served in an eating establishment is an important quality consideration. Thus, frozen french fries shipped to the food-service trade are usually longer than those that go to food stores for consumption in the home. A portion of long, slim french fries gives the appearance of more bulk than an equivalent portion of short, plump fries, even though both portions may have the same net weight.

Consideration of Material Injury or Threat Thereof

U.S. imports

U.S. Department of Commerce data on imports of frozen potato products were not separately reported until 1978. For 1978 and January-October 1979,

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1/ During 1975-79 the share of domestic production accounted for by french fries declined slightly, while that of miscellaneous products rose.

Commerce data show that more than 99 percent of U.S. imports of frozen potato products came from Canada. 1/ A comparison of Department of Commerce import data for frozen potato products from Canada with Statistics Canada export data for such products to the United States during January-October 1979 shows Canadian data 4 percent higher than U.S. data. 2/ Canadian Government data are used in this report to show U.S. imports of frozen potato products during the period 1975-78; U.S. Department of Commerce data are used for 1979 unless indicated otherwise.

U.S. imports of frozen potato products declined from 4.1 million pounds in 1975 to 0.9 million pounds in 1977 and then rose to 7.6 million pounds in 1978 (table 2). In January-October 1979, imports amounted to 14.1 million pounds, valued at $2.8 million, with a unit value of 20 cents per pound, according to U.S. data. 3/ Virtually all the imports from Canada consisted of french fries, most of which are believed to have gone to the food-service trade. In 1979, negligible imports (19,000 pounds) were reported from Mexico and Japan; these were probably specialty potato products. In recent years most of the imports have entered the United States from Canada through border ports in the Northeast, principally in Maine.

The decline in U.S. imports of frozen potato products in 1976 and 1977 is attributable in part to a drought in Western European potato-producing regions, which resulted in increased Canadian exports of potato products to Europe. Furthermore in 1975 and 1976 one Canadian producer (* * *) bought two U.S. facilities in Maine for processing frozen french fries. * * *. Imports of frozen potato products from Canada rose in 1978 and 1979, partly in response to increased Canadian production due to large potato crops in 1977 and 1978. The increase in Canadian exports to the United States coincided with sharply reduced exports to the United Kingdom (formerly Canada's major foreign market for frozen potato products). In the first ten months of 1979, Canadian exports to the United Kingdom rose 63 percent compared to the same period in 1978. Canadian exports to the United States were also stimulated by a decline in the late 1970's in the value of the Canadian dollar relative to the U.S. dollar. 4/

1/ Imports of frozen, cooked potato products are separately reported under TSUS item 141.86 (item 141.81 before Jan. 1, 1980); frozen potato products, if raw and reduced in size, are provided for under item 138.40 (item 138.50 before Jan. 1, 1980), a basket class. U.S. Customs Service officials report that there have been no imports of frozen, raw potato products in recent years.

2/ A comparison of data for 1978 reveals that Canadian exports to the United States, as reported by Statistics Canada, were 17 percent greater than U.S. imports, as shown in Department of Commerce import data. It is believed that some of the imports in early 1978 were misclassified when the new statistical class was added.

3/ During January-October 1979, imports from Canada amounted to 14.8 million pounds, compared with 6.4 million pounds in the same period in 1978, as reported by Statistics Canada.

4/ The International Monetary Fund's index of the average exchange rate of the U.S. dollar per Canadian dollar is as follows (1975=100): 1976=103.2, 1977=95.7, 1978=89.2, and November 1979=86.2.

In recent years, the United States has become a more important foreign market for Canadian frozen potato producers (table 3). About 30 percent of Canada's exports went to the United States in 1978, compared with only 13 percent in 1975 and 4 percent in 1976. Five of the seven Canadian producers of frozen potato products export to the United States. In 1978, about 2 percent of the Canadian output of frozen potato products was exported to the United States; Canadian exports of such merchandise to all markets were equivalent to about 6 percent of production in that year.

U.S. production and exports

During 1975-78, U.S. production of frozen potato products rose by 28 percent—from 3.0 billion pounds to 3.8 billion pounds--in response to a growing demand for such potato products. In January-June 1979, domestic output amounted to 2.1 billion pounds, only about 0.7 percent more than in the corresponding period of 1978. The great bulk of the production consisted of french fries (table 4). In 1978, that type of frozen potato accounted for 85 percent of the output, hash-brown potatoes, for 6 percent, and other styles of frozen potato products, for the remainder. About 80 percent of the production of french fries is packaged for the food-service trade, and most of the remainder is for the retail-food-store market (table 5).

The United States is a net exporter of frozen potato products (table 1). In 1978, when U.S. exports of frozen potato products were separately reported for the first time, about 53 million pounds, valued at $14 million, was shipped abroad. During January-June 1979, exports amounted to 35 million pounds, compared with 24 million pounds in the corresponding period of 1978. U.S. exports are believed to have risen in recent years, being equivalent to about 1.0 to 1.5 percent of domestic output. Most of the exports have been of french fries.

For several years, Japan has been the principal foreign market for frozen potato products, (taking 70 percent of the total in 1978) because of its rapid expansion of western-style, fast-food outlets. The second major export market in 1978 was Canada, which took 10 percent of the total. The bulk of the exports to Canada consisted of frozen potato products other than french fries. U.S. exports of frozen potato products in 1978, as compiled from official statistics of the U.S. Department of Commerce, are shown in the following tabulation:

Market	Quantity	Value	Unit value
	1,000 pounds	1,000 dollars	Cents per pound
Japan	36,955	9,565	26
Canada	5,186	1,114	21
Hong Kong	2,448	661	27
All other	8,511	2,293	26
Total or average	53,100	13,633	26

Inventories

The U.S. Department of Agriculture collects data on frozen potato products held in freezer stocks in cold storage, which are compared with domestic production as reported by the American Frozen Food Institute in the following tabulation:

Year	Yearend inventories	Production	Ratio of inventories to production
	Million pounds	Million pounds	Percent
1975	680.7	3,001.0	23
1976	750.4	3,335.1	22
1977	829.8	3,622.8	23
1978	777.5	3,848.8	20

During 1975-78, yearend inventories of frozen processed potato products ranged from 681 million to 830 million pounds. Inventories ranged between one-fifth and one-fourth of domestic output in most of the years. As would be anticipated, the great bulk of the inventory consisted of french fries.

Capacity utilization

To assist its consideration of the question of material injury to a domestic industry, the Commission asked U.S. producers of frozen potato products to report their annual capacities to produce such items in their domestic facilities. Responses to the questionnaires showed that the respondents' rate of capacity utilization declined from 1977 to 1979, as shown in the following tabulation:

Year	Production	Capacity	Capacity utilization
	Million pounds	Million pounds	Percent
1977	1,610	1,556	104
1978	1,761	2,089	84
1979	1,707	2,345	73

One firm reported that it operated above its rated capacity in 1977. It is evident from the tabulation that the decline in capacity utilization of the responding firms—which accounted for about 46 percent of aggregate domestic output in 1978—is attributable chiefly to a large (51-percent) increase in capacity during the period. Firms in this industry typically close their plants for 6 to 8 weeks each summer in preparation for the new crop. However, the questionnaires asked them to report capacity utilization based on a 50-week year.

Employment, hours worked, and wages

In its petition to Treasury for a countervailing duty investigation, the Frozen Potato Products Institute stated, "In 1976 the industry employed close to 11,700 employees with a total payroll of about $90.5 million. In 1977 frozen potato product producers employed approximately 12,600 employees and met a payroll of about $140 million." Similarly, a witness testifying on behalf of the petitioners at the Commission's conference on January 29, 1980, stated, "The domestic industry employs about 15,000 workers and has an annual payroll in excess of $140 million."

In its questionnaire sent to domestic producers, the Commission requested data on the average number of employees, man-hours worked by production and related workers, and wages paid to such workers. For those firms responding to the Commission's questionnaire--which appear to account for approximately half the total industry employment--the average number of persons employed in the production of frozen potato products increased by 5 percent from 1977 to 1979, while wages paid to such workers rose by 27 percent. Man-hours worked by employees in producing such products rose in 1978 from the preceding year, but then declined slightly. Notwithstanding the decline in 1979, 6 percent more man-hours were worked that year than in 1977, as indicated in the following table.

Average number of employees, total and production and related workers, and man-hours worked by and wages paid to the latter, in domestic establishments in which frozen potato products were produced, 1977-79

Item	1977	1978	1979
Average number of employees:			
All persons	8,888	9,501	9,619
Production and related workers engaged in the production of--			
All products	7,763	8,275	8,340
Frozen potato products	6,324	6,516	6,619
Man-hours worked by production and related workers engaged in the production of--			
All products------1,000 man-hours	15,012	15,864	15,950
Frozen potato products------do	11,685	12,558	12,419
Wages paid to production and related workers engaged in the production of--			
All products------1,000 dollars	64,220	74,764	82,525
Frozen potato products------do	50,675	59,580	64,557

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

Profit-and-loss experience

The Commission received usable profit-and-loss data from five firms, which represented about 45 percent of domestic production of frozen potato products in 1978. Net sales of these firms rose from $368.9 million in 1977 to $435.1 million in 1979. The net operating profit of the firms declined from $32.1 million in 1977 to $27.2 million in 1979, and the ratio of net operating profit to net sales declined from 8.7 percent to 6.2 percent during the 3-year period. All the firms reported net operating profits during 1977-79. The profit-and-loss experience of the respondent firms is presented in the following table.

Profit-and-loss experience of five U.S. producers on their frozen potato product operations, 1977-79

Item	1977	1978	1979
Net sales---1,000 dollars---	368,915	421,409	435,113
Cost of goods sold---do---	294,151	341,895	350,307
Gross profit---do---	74,764	79,514	84,806
General, selling, and administrative expenses 1,000 dollars---	42,689	50,792	57,646
Net operating profit---do---	32,075	28,722	27,160
Other expense, net---do---	36	1,835	1,540
Net profit before Federal and other income taxes---do---	32,039	26,887	25,620
Ratio of net operating profit to net sales percent---	8.7	6.8	6.2
Number of firms reporting a net operating profit---	5	5	5

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

Consideration of the Causal Relationship Between Imports From Canada and the Alleged Material Injury or Threat Thereof

Market penetration of imports from Canada

U.S. imports of frozen potato products have supplied only a negligible share of the domestic market for such food products. During 1975-78 and January-June 1979, imports from Canada amounted to 0.5 percent or less of apparent domestic consumption. Since Canada is virtually the sole supplier of imports, the ratio of imports from Canada to apparent consumption is equal to that including imports into the United States from all sources. The following tabulation shows U.S. imports from Canada:

Period	Imports from Canada	Apparent consumption	Ratio of imports to consumption
	Million pounds	Million pounds	Percent
1975	4.1	2,990.0	0.1
1976	2.2	3,234.6	.1
1977	.9	3,508.3	1/
1978	7.6	3,855.6	.2
January-June--			
1978	3.7	1,980.1	.2
1979	9.7	1,920.1	.5

1/ Less than 0.05 percent.

Loss of sales

Domestic producers were requested to supply evidence of sales lost to imports of frozen potato products from Canada. The five producers that supplied information on this subject responded that they had no specific evidence of lost sales due to imports. One of the five producers responded that "Canadian competition represents more of a threat than a past reality." This firm went on to say that the "threat is more real today due to increased Canadian capacity, an increase in Canadian exports . . ., and a reduced duty for the Canadian product."

Canadian situation

As a result of increases in population and per capita consumption, apparent annual consumption of frozen potato products (predominantly french fries) in Canada more than doubled during the 1970's (table 6). Such consumption rose from 183 million pounds in 1970 to 380 million pounds in 1978, representing an average annual rate of growth of 9.5 percent. 1/ Canadian producers have supplied all but a small portion of the products consumed; imports amounted to 3 percent or less of annual consumption. Virtually all imports in recent years came from the United States.

1/ Per capita Canadian consumption of frozen potato products rose from 8.7 pounds in 1970 to 16.1 pounds in 1978, or by 8.0 percent a year. During the same period, per capita U.S. consumption increased from 11.1 pounds to 17.6 pounds, for an annual growth of 5.9 percent.

The restaurant industry, which supplies much of the demand for these products, experienced rapid growth in Canada during the last 5 years. By the end of 1980, it is expected to show sales 60 percent above the level experienced in 1975.

Canadian exports of frozen potato products to all markets rose without interruption from 11 million pounds in 1971 (5 percent of Canadian production in that year) to a peak of 53 million pounds (13.5 percent of production) in 1976, but then fell to 31 million pounds in 1977 and to 26 million pounds in 1978. However, exports during January-October 1979 amounted to 45 million pounds, more than double those during the corresponding period of 1978. As shown in table 3, the principal export markets for Canadian frozen potato products in recent years have included the United States, the United Kingdom, and Japan.

In contrast to trends in aggregate Canadian exports of frozen potato products during the 1970's, exports to the United States trended downward from 12 million pounds in 1972 to a low of 0.9 million pounds in 1977 before rebounding to 7.6 million pounds in 1978. Like total exports of Canadian frozen potato products, those to the United States rose in January-October 1979, reaching a new high of 14.8 million pounds.

The Select Standing Committee on Agriculture of the Province of British Columbia estimated in early 1978, on the basis of two shifts a day, that Canada's capacity to produce frozen french fried potatoes had increased from 550 million pounds in 1977 to 570 million pounds in 1978. These capacity estimates indicate that Canada operated at 70 percent of capacity in both years. Fifty-five percent of Canada's 1978 capacity was located in the Eastern provinces, as shown in the following tabulation:

Plant location	Firm	Estimated capacity (Million pounds)
Eastern Canada:		
New Brunswick	McCain Foods, Ltd.	200
Prince Edward Island	C.M. McLean, Ltd.	100
Ontario	Kellogg Salada	15
Subtotal		315
Western Canada:		
Manitoba	Carnation Foods	65
Do	McCain Foods, Ltd.	60
Alberta	York Foods	50
Do	I & S Produce	10
British Columbia	Swan Valley Foods, Ltd.	35
Do	Fresh Pack (McCain)	20
Do	Fraser Vale	15
Subtotal		255
Total		570

The testimony presented on behalf of the petitioner during the course of the Commission's investigation was directed predominantly to the question of whether a threat of material injury to the domestic industry producing frozen potato products exists by reason of the importation of allegedly subsidized exports of such products from Canada. In particular, the petitioners cited the "overcapacity" in Canada brought about by the establishment of new processing plants for frozen potato products and by the expansion and modernization of existing facilities. 1/ New construction includes a Can $14 million facility at Portage la Prairie, Manitoba, built by Canada's largest potato processor, McCain Foods, Ltd., which in 1978 held almost half of Canadian capacity to produce frozen french fries. The facility was built with the aid of a Can $2.4 million grant from the Canadian Department of Regional Economic Expansion. The processing capacity of the new plant, which began operation in February 1979, was reported to be about 60 million pounds annually, or about 10 percent of total Canadian capacity.

McCain is a Canadian company with facilities for processing frozen vegetables and prepared foods in Canada, the Netherlands, the United Kingdom, Australia, and the United States. * * *. A U.S. Department of Agriculture dispatch from Ottawa, dated October 17, 1979, reported that the company projected a 50-percent increase in Manitoba's potato acreage between 1976 and 1986. The expanded acreage will probably be used to meet the demand for processing potatoes.

A second facility was built in British Columbia by Swan Valley Foods, Ltd., in 1978; the estimated annual capacity of the plant was 35 million pounds. Earlier, four potato-processing plants were expanded or built in Eastern Canada, principally in Prince Edward Island. Two other Canadian producers, one each in British Columbia and Ontario, ceased operations in early 1978; their combined capacity was reported to be 75 million pounds a year.

Prices

Domestic producers and importers were asked to supply data on quarterly prices received during 1977-79 for grade A fancy, long, frozen french fried potatoes produced in the United States or imported from Canada. Three producers and three importers provided comparable price data for this product; such data are shown in the table on the following page. As indicated, the average price received by domestic producers rose from $6.26 per case (equivalent to 20.9 cents per pound) in the first quarter of 1977 to $7.33 per case (24.4 cents per pound) in the fourth quarter of 1979, or by 17 percent. The largest increases in prices received by domestic producers occurred during the third quarter of each year.

Although the table appears to afford a reasonable indication of trends in prices received by domestic producers, the lack of data during some quarters on prices received for the Canadian product severely hampers a direct comparison of domestic and import prices. As shown, importers' average prices were lower than domestic producers' average prices in the fourth quarter of 1977 and the first two quarters of 1978. In mid-1978, importers' average

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1/ Transcript of the conference, p. 18.

Frozen french fried potatoes: Ranges and averages of lowest net selling prices received by U.S. producers and by importers of Canadian-made items, 1/ by quarters, 1977-79

(Per case of 6/5-lb. poly bags)

Period	Domestic producers' price		Importers' price	
	Range	Average	Range	Average
1977:				
January-March	$5.70-$6.83	$6.26	2/	2/
April-June	5.70- 6.68	6.19	2/	2/
July-September	6.00- 7.11	6.55	2/	2/
October-December	6.00- 7.07	6.53	3/	***
1978:				
January-March	5.85- 7.19	6.52	2/	***
April-June	5.70- 7.02	6.36	2/	***
July-September	6.30- 7.79	7.04	***	***
October-December	6.60- 7.64	7.12	***	***
1979:				
January-March	6.60- 7.65	7.12	2/	***
April-June	6.75- 7.68	7.21	2/	***
July-September	6.90- 8.13	7.50	***	***
October-December	6.80- 7.86	7.33	***	***

1/ Grade A, fancy, long.
2/ Not available.

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

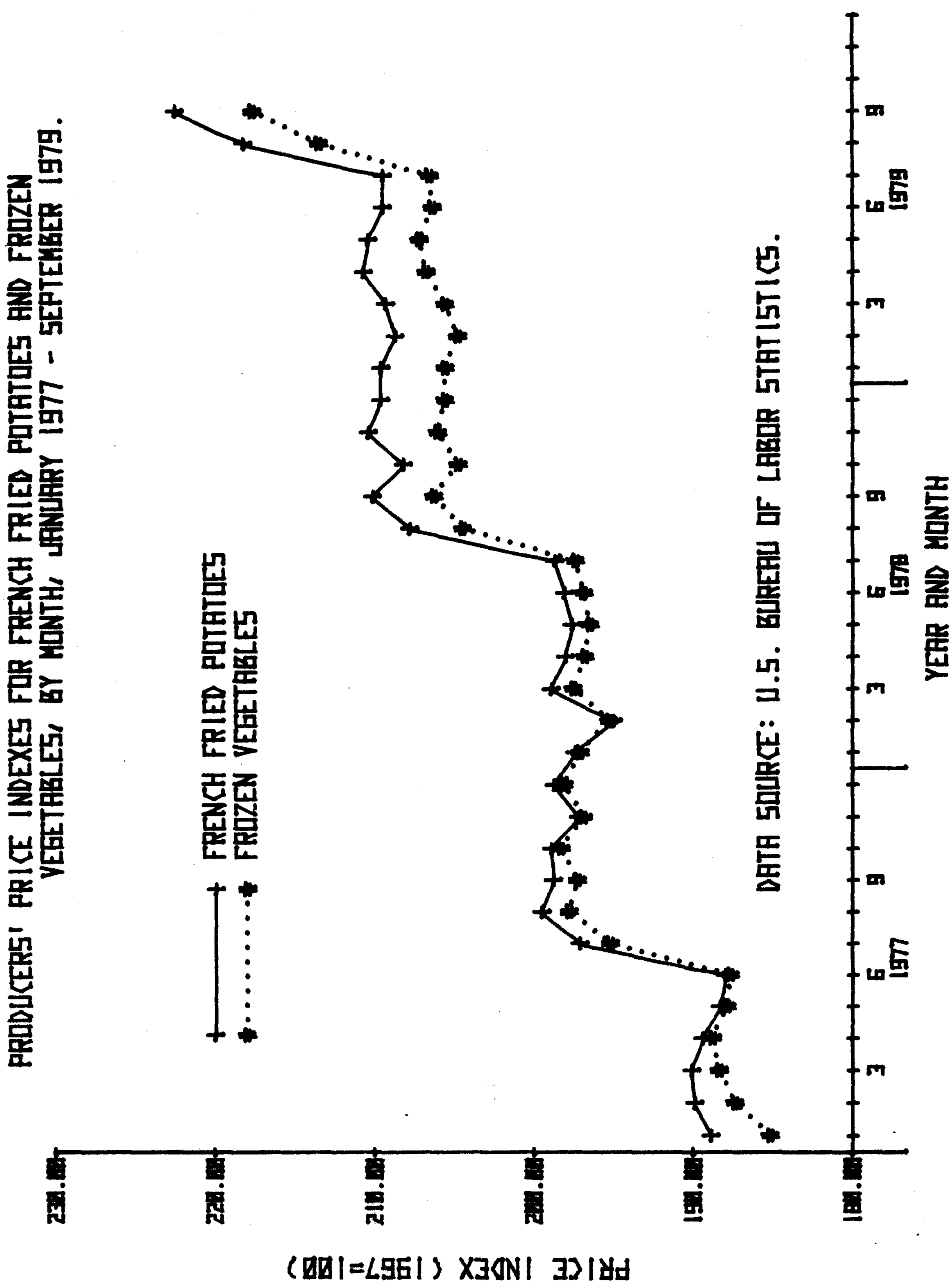
prices almost doubled and were higher than, or equal to, domestic producers' average prices during the remainder of the period July 1978-December 1979. 1/

One domestic producer and two importers reported prices for frozen french fried potatoes of a grade lower than that shown in the table. The prices of one of the importers ranged from 7 percent to 11 percent higher than the

1/ Rather than an accurate reflection of a real change of that magnitude in importers' prices, the jump in such "average" prices from about *** during October 1977-June 1978 to almost *** during July 1978-June 1979 is almost certainly the result of a lack of reliable data. Only one importer reported prices of the item during October 1977-June 1978. That importer, which reported no sales during July 1978-June 1979, had prices substantially less than those of the other two importers during July-December 1979. The result is an "average" importers' price which was low during October 1977-June 1978 and high during July 1978-June 1979.

domestic producer's prices during quarters in which both reported sales. The other importer reported prices 1 percent to 20 percent lower than those of the domestic producer.

Indexes of monthly prices received during January 1977-September 1979 by domestic producers for all frozen vegetables and for frozen french fried potatoes, as compiled by the U.S. Bureau of Labor Statistics, are plotted in the following figure. It confirms the upward trend of prices reported to the Commission by domestic producers of frozen french fried potatoes, and shows that such prices tended to move parallel with producers' prices of all frozen vegetables throughout the period covered. The index of prices received by producers of all frozen vegetables rose 17.5 percent from January 1977 to September 1979, and the index of prices received by producers of frozen french fried potatoes rose 17.8 percent.


PRODUCERS' PRICE INDEXES FOR FRENCH FRIED POTATOES AND FROZEN VEGETABLES, BY MONTH, JANUARY 1977 - SEPTEMBER 1979.
FRENCH FRIED POTATOES
FROZEN VEGETABLES
DATA SOURCE: U.S. BUREAU OF LABOR STATISTICS.
PRICE INDEX (1967=100)
YEAR AND MONTH
3
6
9
1977
1978
1979

APPENDIX A

ADMINISTERING AUTHORITY'S LETTER TO THE COMMISSION CONCERNING FROZEN POTATO PRODUCTS FROM CANADA

A-20

RECEIVED
JAN 7 1980
OFFICE OF THE SECRETARY
U.S. INTL. TRADE COMMISSION

04 JAN 1980

DOCKET NUMBER
#620
Office of the Secretary
Intl. Trade Commission

Dear Mr. Mason:

In accordance with the requirements of the Trade Agreements Act of 1979, the following countervail and antidumping cases are being referred to the Commission for a determination of injury or reasonable indication thereof. With regard to countervail investigations, only those cases involving products from countries which signed the Code at Geneva are being referred.

I. Countervailing Duty Cases in which the collection of duties was waived pursuant to the Trade Act of 1974 (5 cases):

Product	Country
Dairy Products (other than quota cheeses)	Member states of the European Communities
Canned Hams	Member states of the European Communities
Butter Cookies	Denmark
Fish	Canada
Leather Handbags	Brazil

II. Countervailing Duty Cases in which final affirmative determinations were issued between July 26 and December 31, 1979 (2 cases):

Product	Country
Tomato Products	Member states of the European Communities
Potato Starch	Member states of the European Communities

III. Countervailing Duty final affirmative determination with regard to frozen beef from member states of the European Communities (1 case).

IV. Countervailing Duty investigations in which a preliminary affirmative determination (but no final determination) has been issued (8 cases):

Product	Country
Corn Starch	Member states of the European Communities

Valves	Italy
Rayon Staple Fiber	Austria
Valves	Japan
Scales	Japan
Malleable Pipe Fittings	Japan
Firearms	Brazil
Ferroalloys	Brazil

V. Countervailing Duty Cases which have been initiated, but for which no preliminary or final determination has been issued (4 cases):

Product	Country
Frozen Potato Products	Canada
Roses	Netherlands
Glass Lined Steel Reactor Pressure Vessels	France
Chains and Parts	Japan

VI. Antidumping Cases for which there have been preliminary affirmative determinations, but no final determinations (3 cases):

Product	Country
Portable Typewriters	Japan
Melamine	Austria
Melamine	Italy

VII. Antidumping Cases which have been initiated, but for which no preliminary or final determinations have been issued (9 cases):

Product	Country
Sodium Hydroxide	United Kingdom
Sodium Hydroxide	West Germany
Sodium Hydroxide	Italy
Sodium Hydroxide	France
Rail Passenger Cars	Italy

Rail Passenger Cars	Japan
Electric Motors	Japan
Microwave Ovens	Japan
Canned Clams	Canada

If you have any questions regarding any of these cases, please feel free to contact me or members of my staff at 566-2323.

Regards,

Richard B. Self

Richard B. Self
Director, Office of Policy
Office of the Assistant Secretary
for Trade Administration

cc: Dave Binder

Mr. Kenneth R. Mason
Secretary to the Commission
U.S. International Trade Commission
Washington, D.C. 20436

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, $300
15

APPENDIX B

U.S. INTERNATIONAL TRADE COMMISSION'S NOTICE OF INSTITUTION OF PRELIMINARY COUNTERVAILING DUTY INVESTIGATIONS AND SCHEDULING OF CONFERENCES

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C. 20436

Notice of Institution of Preliminary Countervailing Duty Investigations and Scheduling of Conferences

AGENCY: United States International Trade Commission

ACTION: Institution of two preliminary countervailing duty investigations under section 703(a) of the Tariff Act of 1930 to determine whether with respect to the articles involved there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of allegedly subsidized imported merchandise.

EFFECTIVE DATE: January 1, 1980.

FOR FURTHER INFORMATION CONTACT: The supervisory investigator assigned by the Commission to the particular investigation for which the information is sought. The assignments of supervisory investigators and their telephone numbers at the Commission are designated below.

SUPPLEMENTARY INFORMATION: The Trade Agreements Act of 1979, section 102(a)(1), requires the Commission to conduct preliminary countervailing duty investigations in cases where on January 1, 1980, the Secretary of the Treasury has not made a preliminary determination under section 303 of the Tariff Act as to whether a bounty or grant is being paid or bestowed. Accordingly, the Commission hereby gives notice that, effective as of January 1, 1980, it is instituting the following investigations pursuant to section

703(a) of the Tariff Act of 1930, as added by title I of the Trade Agreements Act of 1979. These investigations will be subject to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 FR 76457) and, particularly, Subpart B thereof, effective January 1, 1980.

Written submissions. Any person may submit to the Commission on or before the date specified below for the relevant investigation a written statement of information pertinent to the subject matter of the investigation. A signed original and nineteen true copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conferences. The Director of Operations of the Commission has scheduled a conference in each investigation on the date specified below. Parties wishing to participate in a conference should contact the appropriate supervisory investigator designated below. It is anticipated that parties in support of the petition for countervailing duties and parties opposed to such petition will each be collectively allocated one hour within which to make an oral presentation at the conference. Further details concerning the conduct of the conference will be provided by the applicable supervisory investigator.

PRELIMINARY COUNTERVAILING DUTY INVESTIGATIONS

Inv. No.	Product/Country	Conference date	Conference location	Deadline for written submission	Contact person
701-TA-3 (Preliminary)	Frozen potato products, provided for in TSUS items 138.40 and 141.86/Canada	Jan. 29, 1980	ITC Building Washington, D.C.	Feb. 1, 1980	Robert Eninger 523-0312
701-TA-20 (Preliminary)	Chains and parts thereof provided for in TSUS items 652.24, 652.27, 652.30, 652.33, and 652.35/Japan	Feb. 1, 1980	ITC Building Washington, D.C.	Feb. 6, 1980	Lynn Featherstone 523-1376

By order of the Commission.

Kenneth R. Mason
Secretary

Issued: January 9, 1980

APPENDIX C

STATISTICAL TABLES

Table 1.--Potato products, frozen: U.S. stocks, production, exports, imports, and apparent consumption, 1975-78, January-June 1978, and January-June 1979

Period	Beginning stocks	Production	Exports	Imports	Ending stocks	Apparent consumption	Ratio of imports to consumption
	Million pounds						Percent
1975-------	695.6	3,001.0	1/ 30.0	4.1	680.7	2,990.0	0.1
1976-------	680.7	3,335.1	1/ 33.0	2.2	750.4	3,234.6	.1
1977-------	750.4	3,622.8	1/ 36.0	.9	829.8	3,508.3	2/
1978-------	829.8	3,848.8	53.1	7.6	777.5	3,855.6	.2
Jan.-June--							
1978-----	829.8	2,124.9	23.5	3.7	954.8	1,980.1	.2
1979-----	777.5	2,139.6	35.0	9.7	971.7	1,920.1	.5

1/ It is estimated that about 1 percent of production was exported.
2/ Less than 0.05 percent.

Source: Stocks, compiled from official statistics of the U.S. Department of Agriculture; production, American Frozen Food Institute; exports, compiled from official statistics of the U.S. Department of Commerce, except as noted; and imports, compiled from official statistics of Statistics Canada, except for 1979 figures, which are compiled from official statistics of the U.S. Department of Commerce.

Table 2.--Potato products, frozen: Canadian exports to the United States, 1975-78, January-October 1978, and January-October 1979

Period	Quantity	Value
	1,000 pounds	1,000 Canadian dollars
1975----------------------------------	4,072	851
1976----------------------------------	2,222	383
1977----------------------------------	878	188
1978----------------------------------	7,604	1,412
Jan.-Oct.--		
1978--------------------------------	6,354	1,131
1979--------------------------------	14,755	3,286

Source: Compiled from official statistics of Statistics Canada.

Table 3.--Potato products, frozen: Canadian exports of domestic merchandise, by principal markets, 1975-78, January-October 1978, and January-October 1979

Market	1975	1976	1977	1978	January-October-- 1978	January-October-- 1979
	Quantity (1,000 pounds)					
United States	4,072	2,222	878	7,604	6,354	14,755
Japan	290	1,029	1,259	3,840	2,691	9,760
Trinidad-Tobago	424	852	1,290	2,914	2,380	4,072
United Kingdom	17,452	38,091	17,941	3,671	3,058	4,972
West Germany	0	207	913	2,272	2,272	2,006
All other	9,593	10,620	8,823	5,452	4,728	9,702
Total	31,831	53,021	31,104	25,753	21,483	45,227
	Value (1,000 Canadian dollars)					
United States	851	383	188	1,412	1,131	3,286
Japan	60	232	253	909	615	2,606
Trinidad-Tobago	89	174	305	788	639	1,205
United Kingdom	3,225	7,595	3,004	734	628	1,396
West Germany	-	58	159	606	606	568
All other	1,984	2,415	1,500	1,258	1,092	2,516
Total	6,209	10,857	5,409	5,707	4,711	11,577
	Unit value (cents per pound)					
United States	21	17	21	19	18	22
Japan	21	23	20	24	23	27
Trinidad-Tobago	21	20	24	27	27	30
United Kingdom	18	20	17	20	20	28
West Germany	-	28	17	27	27	28
All other	21	23	17	23	23	26
Average	19	20	17	22	22	26

Source: Compiled from official statistics of Statistics Canada.

Table 4. Potato products, frozen: U.S. production, by types, 1975-78, January-June 1978, and January-June 1979

(In millions of pounds)

Period	French fries	Hash browns	Miscellaneous potato products 1/	Total
1975	2,633.0	173.6	194.4	3,001.0
1976	2,907.8	188.5	238.8	3,335.1
1977	3,134.3	204.3	284.2	3,622.8
1978	3,265.5	222.0	361.3	3,848.8
Jan.-June--				
1978	1,776.6	121.0	227.3	2,124.9
1979	1,812.8	159.5	167.3	2,139.6

1/ Includes "tater" products, cottage fries, au gratin, patties, and oven-baked potatoes.

Source: American Frozen Food Institute.

Table 5.--French fried potatoes, frozen: U.S. production, by final container sizes, 1975-78, January-June 1978, and January-June 1979

(In millions of pounds)

Period	Final container size			
	Food-service 1/	Retail 2/	Bulk	Total
1975	2,048.5	565.9	18.7	2,663.0
1976	2,243.2	646.7	18.0	2,907.8
1977	2,510.1	596.6	27.6	3,134.3
1978	2,676.6	562.2	26.8	3,265.5
Jan.-June--				
1978	1,411.9	367.8	3/ (3.1)	1,776.6
1979	1,508.3	302.1	2.4	1,812.8

1/ Cartons, poly bags and kraft bags holding from 4.5 to 50 pounds each.
2/ Cartons holding from 9 to 16 ounces each and poly bags holding from 20 ounces to 5 pounds each.
3/ Deficit quantity attributable to previous years' carryover.

Source: American Frozen Food Institute.

Table 6.--Potato products, frozen: Canadian production, exports, imports, and apparent consumption, 1970-78, January-September 1978, and January-September 1979

(In millions of pounds)

Period	Production 1/	Exports		Imports	Apparent consumption
		Total	To the United States		
1970	211.0	28.2	8.7	0.6	183.4
1971	215.6	10.8	6.1	.9	205.7
1972	225.0	16.8	12.1	1.2	209.4
1973	277.7	17.6	11.0	5.7	265.8
1974	336.0	23.3	5.5	5.1	317.8
1975	364.6	31.8	4.1	.9	333.7
1976	391.9	53.0	2.2	11.1	350.0
1977	385.3	31.1	.9	10.8	365.0
1978	402.6	25.8	7.6	3.2	380.0
Jan.-Sept.--					
1978	2/	18.5	5.3	2.4	2/
1979	2/	41.8	13.4	2.3	2/

1/ Calculated as Canadian consumption plus exports minus imports.
2/ Not available.

Source: Exports and imports, compiled from official statistics of Statistics Canada; consumption, Select Standing Committee on Agriculture of the Province of British Columbia.

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