

FRESH CUT ROSES FROM THE NETHERLANDS

**Determination of No Reasonable
Indication of Material Injury
or Threat Thereof in Investigation
No. 701-TA-21 (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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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

701-TA-21 (Preliminary)

FRESH CUT ROSES FROM THE NETHERLANDS

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

On the basis of the record in investigation No. 701-TA-21 (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 the Netherlands of fresh cut roses, provided for in item 192.19 of the Tariff Schedules of the United States, upon which subsidies are allegedly provided by the government of the Netherlands.

On January 3, 1980, a petition was properly filed alleging that subsidies are being provided by the governments of the Netherlands and Israel upon roses exported to the United States. On January 11, 1980, the Commission instituted a preliminary countervailing duty investigation under section 703(a) of the Tariff Act of 1930 only with respect to roses from the Netherlands because Israel is not a "country under the agreement," as defined by section 701(b) of the Tariff Act of 1930, and thus imports therefrom are not subject to an injury requirement.

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 17, 1980

(45 F.R. 3399 and 3400). The conference was held in Washington, D.C., on January 31, 1980; all persons requesting the opportunity were permitted to appear in person or by counsel.

VIEWS OF CHAIRMAN CATHERINE BEDELL AND COMMISSIONERS GEORGE MOORE
PAULA STERN, AND MICHAEL CALHOUN, IN SUPPORT OF THE NEGATIVE
DETERMINATION IN INVESTIGATION NO. 701-TA-21 (PRELIMINARY):
FRESH CUT ROSES FROM THE NETHERLANDS

On the basis of the record in this investigation, 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 the establishment of an industry is materially retarded, 1/ by reason of the importation of fresh cut roses from the Netherlands, 2/ provided for in item 192.19 of the Tariff Schedules of the United States, which were allegedly being subsidized by the government of the Netherlands.

In order for the Commission to find in the affirmative in a preliminary antidumping injury determination under Section 733 of the Tariff Act of 1930 (19 U.S.C. 1673(b)), it is necessary to find that sufficient information has been presented to show that there is a reasonable indication that (1) 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, and (2) that injury is by reason of the allegedly subsidized imports.

The Tariff Act of 1930 (Sec. 703(a)) directs the Commission to "make a determination based upon the best information available to it at the time of the determination" Section 771(7)(B) of the Act requires the Commission to consider (i) the volume of subject imports, (ii) their effect on the domestic price of the like product, and (iii) their impact on the domestic

1/ 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/ The petition which led to the institution of this investigation, filed with the Commission on January 3, 1980, named both Israel and the Netherlands as subsidizing exports of roses. The Commission instituted the investigation only with respect to the Netherlands because Israel is not "a country under the agreement," as defined by Section 701(b) of the Tariff Act of 1930.

domestic producers of the like product. In Sec. 771(7)(C), the Act further specifies a series of economic facts that the Commission must include in these considerations.

The petitioner in this case claimed that imports of roses from the Netherlands were increasing rapidly and that such imports are concentrated during important flower holidays in the months of February, May and June. It was alleged that these imports suppressed U.S. producers' prices for roses and thereby injured the domestic rose growing industry. We have concluded that although the domestic rose industry may be experiencing problems, there is no reasonable indication of material injury or threat of such injury to this industry due to the subject imports.

State of the Domestic Industry

(1) U.S. production of fresh cut roses, as measured by sales, remained relatively stable during 1975-79 at about 464 million blooms per year.

(2) Profits of all U.S. rose growers declined from \$3.2 million in 1974 to a loss of \$0.2 million in 1975. Profits increased to \$3.7 million in 1976 and then declined to \$0.7 in 1978.

(3) No information was obtained on return on investment, ability to raise capital, employment or wages. The absence of this information was not decisive. Capacity utilization and inventories were not found to be meaningful indicators because of the nature of the industry. 3/

3/ The Tariff Act of 1930, Sec. 771(7)(C) mandates the Commission to examine material injury by evaluating "all relevant economic factors . . . including, but not limited to, . . ." output, sales, market share, profits, productivity, return on investment, capacity utilization, factors, influencing domestic prices, cash flow, inventories, employment, wages, growth, ability to raise capital, and investment. However, Sec. 771(7)(E)(ii) states that the "presence or absence of any factor which the Commission is required to evaluate under subparagraph (C) . . . shall not necessarily give decisive guidance with respect to the determination by the Commission of material injury." See 19 U.S.C. 1677.

Impact of the Subject Imports

(4) Imports from the Netherlands declined from 1,656,000 blooms in 1978 to 1,353,000 blooms in 1979.

(5) During the period 1975-79, the Netherlands' share of U.S. apparent consumption of fresh cut roses increased from 0.2 percent to 0.3 percent while the share supplied by other foreign sources increased from 0.7 percent to 6.9 percent.

(6) The increase in the volume of imports of fresh cut roses from the Netherlands was 537,000 blooms from 1975 to 1979. During the same period imports of fresh cut roses from other sources increased by 30,596,000 blooms. As a share of total U.S. imports of fresh cut roses, imports from the Netherlands declined from over 19 percent in 1975 to less than four percent in 1979.

(7) There was no evidence of price suppression or depression or of any price undercutting. Indeed, during the period 1975-79, the average unit values (cents per bloom) of U.S. grower's shipments of hybrid tea roses increased at an estimated average annual rate of 8.6 percent while the unit values of sweetheart roses increased at a rate of 9.1 percent during 1975-78. The average annual increase in crop prices received by farmers during this period was 3.8 percent.

(8) Quoted prices for California-grown and Netherlands-grown roses in the Philadelphia wholesale market in 1979, based on Federal-State Market News Reports of U.S. Department of Agriculture, indicate that Netherlands-grown roses at the wholesale level are either priced higher or equal to the prices of California-grown roses.

(9) Unrebutted testimony by an owner of several retail florist shops and part owner of a wholesale cut flower business in New York City stated that the

price of imported roses is not a consideration in his decision to purchase imports and that imported roses are used to supplement domestic rose supplies whenever they are insufficient to meet market demand.

(10) None of the factors examined in this investigation indicate a threat of material injury due to the subject imports. In particular, we found that:

(a) Imports from the Netherlands are concentrated primarily in February, May, and June when the domestic supplies of fresh cut roses frequently are not adequate to meet the demand in the U.S. market.

(b) There is no indication that the Netherlands intends to divert its shipments of fresh cut roses to the United States from its traditional markets, primarily the European Community.

On the basis of the above considerations, we conclude that there is no reasonable indication of injury or threat of injury to the domestic industry producing fresh cut roses by reason of allegedly subsidized imports of such merchandise from the Netherlands.

VIEWS OF VICE CHAIRMAN BILL ALBERGER

Having considered the record in investigation number 701-TA-21 (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 is materially retarded,^{1/} by reason of the importation of fresh cut roses from the Netherlands, provided for in item 192.19 of the Tariff Schedules of the United States, which are allegedly being subsidized by the government of the Netherlands. ^{2/}

I adopt in full findings 2 through 9, 11 and 12 of the attached "Supporting Statement by the Director of Operations for a Negative Determination. . . ." This statement is part of the record ^{3/} and accurately analyzes the factors which we are required by the statute to consider. In addition, I would substitute the following amended version of the Director's finding number 10, and also add a new finding number 13 which I believe is relevant to my determination:

- (10) Unrebutted testimony by an owner of several retail florist shops and part owner of a wholesale cut flower business in New York City stated that the price of imported roses is not a consideration in his decision to purchase imports, and that imported roses are used to supplement domestic rose supplies whenever domestic supplies are insufficient to meet market demand. (Report at A-23; the Director's Recommended Determination finding no. 10; staff briefing.)

^{1/} 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/} The petition which led to the institution of this investigation, filed with the Commission on January 3, 1980, named both Israel and the Netherlands as subsidizing exports of roses. The Commission instituted the investigation only with respect to the Netherlands because Israel is not a "country under the agreement," as defined by section 701(b) of the Tariff Act of 1930.

^{3/} The statement was submitted to the Commission as Action Jacket No. OP1-80-16, February 11, 1980.

- (13) No information was obtained on return on investment, ability to raise capital, employment or wages. Given the circumstances of this case, such information would not have changed the decision. Capacity utilization and inventories were not found to be meaningful indicators because of the nature of the industry. 1/

1/ The Tariff Act of 1930, Sec. 771(7)(C) mandates the Commission to examine material injury by evaluating "all relevant economic factors . . . including, but not limited to, . . ." output, sales, market share, profits, productivity, return on investment, capacity utilization, factors, influencing domestic prices, cash flow, inventories, employment, wages, growth, ability to raise capital, and investment. However, Sec. 771(7)(E)(ii) states that the "presence or absence of any factor which the Commission is required to evaluate under subparagraph (C). . . shall not necessarily give decisive guidance with respect to the determination by the Commission of material injury." See 19 U.S.C. 1677.

SUPPORTING STATEMENT BY THE DIRECTOR OF OPERATIONS FOR A
NEGATIVE DETERMINATION ON FRESH CUT FLOWERS FROM THE
NETHERLANDS (INV. NO. 701-TA-21 (PRELIMINARY))

1. Counsel for the petitioners, Roses Incorporated, alleged that imports of roses from the Netherlands were increasing rapidly and that such imports are concentrated in the months of February, May, and June. It was further alleged that these imports suppressed U.S. producers' prices for roses and thereby injured the domestic rose growing industry.

According to the petitioner the imports from the Netherlands benefit from subsidies from the Government of the Netherlands which are equal to about 6 percent of the export value of the roses.

2. U.S. production of fresh cut roses remained relatively stable during 1975-79 at about 464 million blooms per year.

3. According to information furnished by Roses Incorporated profits of U.S. rose growers declined from \$3.2 million in 1974 to a loss of \$0.2 million in 1975. Profits increased to \$3.7 million in 1976 and then declined to \$0.7 in 1978.

4. The increase in the volume of imports of fresh cut roses from the Netherlands was 537,000 blooms from 1975 to 1979. In contrast, during the same period imports of fresh cut roses from other sources increased by 30,596,000 blooms. As a share of total U.S. imports of fresh cut roses, imports from the Netherlands declined from over 19 percent in 1975 to less than 4 percent in 1979.

5. Imports from the Netherlands declined from 1,656,000 blooms in 1978 to 1,353,000 blooms in 1979.

6. During the period 1975-79, the Netherlands' share of U.S. apparent consumption of fresh cut roses increased from 0.2 percent to 0.3 percent while the share supplied by other foreign sources increased from 0.7 percent to 6.9 percent.

7. Imports from the Netherlands are concentrated in February, May, and June when domestic supplies of fresh cut roses frequently are not sufficient to meet the demand in the U.S. market.

8. Quoted prices for California-grown and Netherlands-grown roses in the Philadelphia wholesale market in 1979, based on Federal-State Market News Reports of U.S. Department of Agriculture, show that Netherlands-grown roses at the wholesale level are either priced higher or equal to the prices of California-grown roses.

9. The average unit values (cents per bloom) of U.S. growers' shipments of hybrid tea roses increased at an estimated average annual rate of 8.6 percent during 1975-79. Prices of sweetheart roses are believed to have increased at a somewhat higher rate. The average annual increase in crop prices received by farmers during this period was 3.8 percent.

10. Mr. Louis Battinelli, owner of several retail florist shops and part owner of a wholesale cut flower business in New York City, testified that the price of imported roses is not a consideration in his decision to purchase imported roses. Mr. Battinelli stated that the imported roses are used to supplement domestic rose supplies whenever domestic supplies are not sufficient to meet market demand.

11. The Netherlands is the world's largest producer of fresh cut roses. However, there is no evidence that the Netherlands intends to divert its shipments of fresh cut roses from its traditional markets, primarily the European Community, to the United States.

12. I therefore conclude that if there is a reasonable indication of injury or threat of injury to the domestic industry producing fresh cut roses it is not by reason of allegedly subsidized imports of such merchandise from the Netherlands. Consequently, it is my opinion that the Commission should make a negative determination.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

Following receipt of a petition on January 11, 1980, filed on behalf of Roses, Inc., a trade association of the U.S. rose growing industry, the United States International Trade Commission on January 11, 1980, instituted a preliminary countervailing duty investigation 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 allegedly subsidized imports from the Netherlands of fresh cut roses 1/, provided for in item 192.19 of the Tariff Schedules of the United States. The statute directs that the Commission make its determination within 45 days of its receipt of the petition or in this case by February 19, 1980.

Notice of the institution of the Commission's investigation and of a 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 New York City Office of the U.S. International Trade Commission located at 6 World Trade Center, and by publishing the notice in the Federal Register on January 17, 1980 (45 F.R. 3399 & 3400). 2/ The conference was held in Washington, D.C., on January 31, 1980.

Description and Uses

Roses are members of the Rosaceae family; at least 100 species and thousands of varieties are known to exist. The two most commercially important groups of these relatively expensive flowers are the sweethearts and the hybrid teas. Roses may be white, pink, red, yellow, orange, or intermediate shades or tints. Cut roses are used in wreaths and bouquets for ceremonial occasions, and for general decorative purposes. As fresh cut flowers, roses may last 3 to 5 days in the home without the use of a floral preservative and 5 to 7 days with the use of such a preservative.

U.S. Tariff Treatment

Fresh cut roses are classified for tariff purposes under item 192.19 of the Tariff Schedules of the United States (TSUS). Prior to January 1, 1980, fresh cut roses were classified under item 192.20 of the TSUS. The rates of

1/ The petition filed with the Commission also alleged that subsidies are being provided by the Government of Israel upon roses exported to the United States. The Commission instituted a preliminary countervailing duty investigation with respect to roses from the Netherlands only because Israel is not a "country under the agreement" as defined by sec. 701(b) of the Tariff Act of 1930 and thus imports therefrom are not subject to an injury requirement.

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

duty currently applicable to imports of fresh cut roses are 8 percent ad valorem in column 1 and 40 percent ad valorem in column 2. The column 1 rate reflects a concession granted by the United States in the Tokyo round of the General Agreement on Tariffs and Trade effective January 1, 1980. Fresh cut roses are not eligible for duty-free treatment under the Generalized System of Preferences (GSP). 1/

U.S. imports of fresh cut roses generally are valued for duty-assessment purposes on the basis of their value for exportation in the country of export. Transportation costs for imported fresh cut roses usually account for a substantial portion of the landed cost in the United States since air shipment is often required because of their perishability. Because transportation costs are not part of the dutiable value, the rate of 8 percent ad valorem on fresh cut roses is significantly less than 8 percent of the landed value.

It is difficult for the U.S. Customs Service to arrive at the dutiable value of fresh cut flowers based on their value for exportation in the country of exports from sources in Latin America; very little of the commercial production is sold in the domestic market of the countries in that area and because a significant part of the imports enter on consignment for sale. At present, consignment shipments and related-party entries are valued monthly by the Customs Service for duty purposes, and as of December 1979 the rate of duty was based on the following fixed valuations:

Hybrid tea roses-----	\$0.20 per stem
Sweetheart roses-----	.10 per stem

All imported fresh cut roses are subject to quarantine inspection to prevent the spread of injurious plant pests (7 CFR 319.74). Inspections are made quickly and result in very few detentions. Imported roses also require a permit, but this permit is readily obtainable for roses shown to be free of injurious plant pests. Quarantine inspections are provided free of charge to importers during normal working hours of the Animal and Plant Health Inspection Service of the U.S. Department of Agriculture (USDA). At all other times importers are charged a fee for inspection services.

Other Investigations Concerning Fresh Cut Roses

In 1974, the U.S. Department of the Treasury conducted a countervailing duty proceeding pursuant to section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303), to determine whether certain payments granted by the Government of Colombia upon the exportation of cut flowers constituted a bounty or grant within the meaning of section 303. At the conclusion of the proceeding,

1/ The Generalized System of Preferences, which became effective on Jan. 1, 1976, was established pursuant to the provisions of title V of the Trade Act of 1974. Under the provisions of GSP, eligible articles imported from beneficiary developing countries are admitted duty-free into the United States.

the Treasury Department announced ^{1/} that it has ascertained that payments had been made to cut flower producers by the Government of Colombia upon the exportation of cut flowers. Such payments would have constituted a bounty or grant of 10.2 percent of the dutiable value of the flowers except that the Government of Colombia had taken action, effective July 17, 1974, to require that such payments be paid instead to an agency that assists producers and thereby remain within the sole control of the Government of Colombia. The Treasury Department determined that there was no present violation of U.S. countervailing duty law.

In 1977, the United States International Trade Commission conducted an investigation under section 201(b)(1) of the Trade Act of 1974 (19 U.S.C. 2251(b)(1)), to determine whether fresh cut flowers, provided for in TSUS item 192.20, were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. The Commission reached a negative determination in this case. ^{2/}

Following receipt of a petition on November 15, 1979, filed on behalf of Roses, Inc., the Commission instituted an investigation under section 201(b)(1) of the Trade Act of 1974, to determine whether fresh cut roses are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. The Commission determination in this case will be made on or before May 15, 1980.

Nature and Extent of the Alleged Bounties or Grants Being Paid or Bestowed by the Netherlands

According to the petition filed on behalf of Roses, Inc., fresh cut rose producers in the Netherlands are the recipients of three types of benefits which constitute bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended. These are described as--

1. Interest rate subsidies to farmers who submit a plan of development that upon completion will raise the level of earned income per man-work unit to at least equal to that received for nonagricultural work in the region.

^{1/} See 39 F.R. 26922.

^{2/} Fresh cut flowers: Report to the President on Investigation No. TA-201-22 Under Section 201 of the Trade Act, USITC Publication 827, August 1977.

2. Differentiated investment grants known as "WIR" that are granted by the Netherlands Government for investments in new operating assets. The WIR are used to offset tax assessments, and any excess is paid out in cash.
3. Payment by the Netherlands Government of a portion of the social welfare costs paid by growers and the payment of wages for formerly unemployed individuals for 1 year and one-half of the wages for the second year.

The petitioner stated that in combination these programs have conferred upon growers in the Netherlands a range of benefits that, in the aggregate, amounted to about 2.0 percent ad valorem per rose bloom.

At the Commission's conference in investigation 701-TA-21 counsel for Roses, Inc., provided additional information on the alleged bounties or grants being paid to rose growers that, in the aggregate, would increase the overall subsidy to at least 6 percent ad valorem.

The additional bounties or grants cover the following areas:

- (1) Assistance by the European Economic Community and the Government of the Netherlands in the construction and operation of the Flower Auction, at Aalsmeer, the Netherlands.
- (2) Funding of a program by the Government of the Netherlands to purchase the facilities of inefficient growers, and the granting of credits and deferred payment terms to new entrants who purchase the facilities.
- (3) Funding of research and export promotion programs for fresh cut flowers, including roses by the Government of the Netherlands.
- (4) The granting of no interest loans and tax credits to growers to assist in their payment of fuel costs or in the purchase of fuel efficient equipment.

U.S. Producers

During 1950-79 there was a marked shift in the composition of the fresh cut rose industry in the United States, from many small local growers near eastern and midwestern population centers to a few large and efficient growers primarily in California and Colorado. While California growers are situated in a favorable climate for producing cut roses, Colorado also has a great deal of sunshine--a requisite for growing good quality roses--in spite of cold winter weather and high fuel costs. However, Pennsylvania, Indiana, and New

York also are important rose-producing States owing in part to their close proximity to eastern and midwestern population centers.

The following table shows the downward trend in the number of commercial producers of cut roses in major producing States in recent years.

Fresh cut roses: U.S. commercial growers of hybrid tea and sweetheart roses in leading producing States, 1975-78

Year	(Number of growers)	
	Hybrid tea roses	Sweetheart (miniature) roses
1975-----	256	205
1976-----	230	192
1977-----	237	198
1978-----	221	180

Source: Compiled from official statistics of the U.S. Department of Agriculture.

In 1978, there were 221 growers of hybrid tea roses in 14 major producing States, ^{1/} representing a 14-percent decline from the number of growers in 1975. The number of producers of sweetheart roses in 13 major producing States ^{1/} also declined over the period 1975-78, from 205 to 180, or by 12 percent. It is estimated that there are about 250 commercial rose growers in the 50 States.

U.S. rose growers vary in size from firms with as few as 2,000 rose plants to firms with over 1.3 million rose plants in production. In 1975, the last year for which data are available, less than 25 percent of the growers of hybrid tea and sweetheart roses accounted for more than 60 percent of the production of those rose types. Many U.S. rose growers are diversified in their output, producing other types of cut flowers, potted flowering plants, or other floricultural products. The importance of cut rose production to their overall operations varies significantly by firm.

Channels of Distribution

The channels of distribution used to market fresh cut roses are the same as those used to market other types of fresh cut flowers. The distribution channels for fresh cut roses are shown in figure 1. Most fresh cut rose production moves through the traditional market channels from the grower to the wholesaler to the retail florist and then finally to the consumer.

^{1/} It is estimated that the major producing States account for at least 90 percent of U.S. rose production.

Wholesalers generally carry a full line of fresh cut flowers along with various other plant materials and supplies used by retailers. These wholesalers act as warehouses and distribution points in major markets. There are over 2,000 wholesalers in the United States.

The retail florist shops and the mass-merchandising outlets generally are the points at which fresh cut roses are sold to the ultimate consumer. The retail florist is considered a full service outlet and generally carries a full line of fresh cut flowers. In addition, the retail florist generally allows the consumer to charge and have the product delivered as well as usually providing other services such as designing flower arrangements. The mass merchandiser on the other hand generally operates on a cash-and-carry basis and is considered a no-service outlet.

In recent years, the grower-shipper has gained an important role in the distribution channel. The grower-shipper initially was a flower producer, but has since expanded to include shipping flowers produced by other growers. In many cases the grower-shipper also has expanded his product line to cover a full line of fresh cut flowers to satisfy the needs of mass merchandisers and retail florists.

Some wholesalers have also integrated their operation and have established purchasing centers in major markets in order to obtain a product line that can be tailored to the needs of the mass merchandiser, the retail florist, and the consumer. These wholesalers are known as wholesaler-shippers.

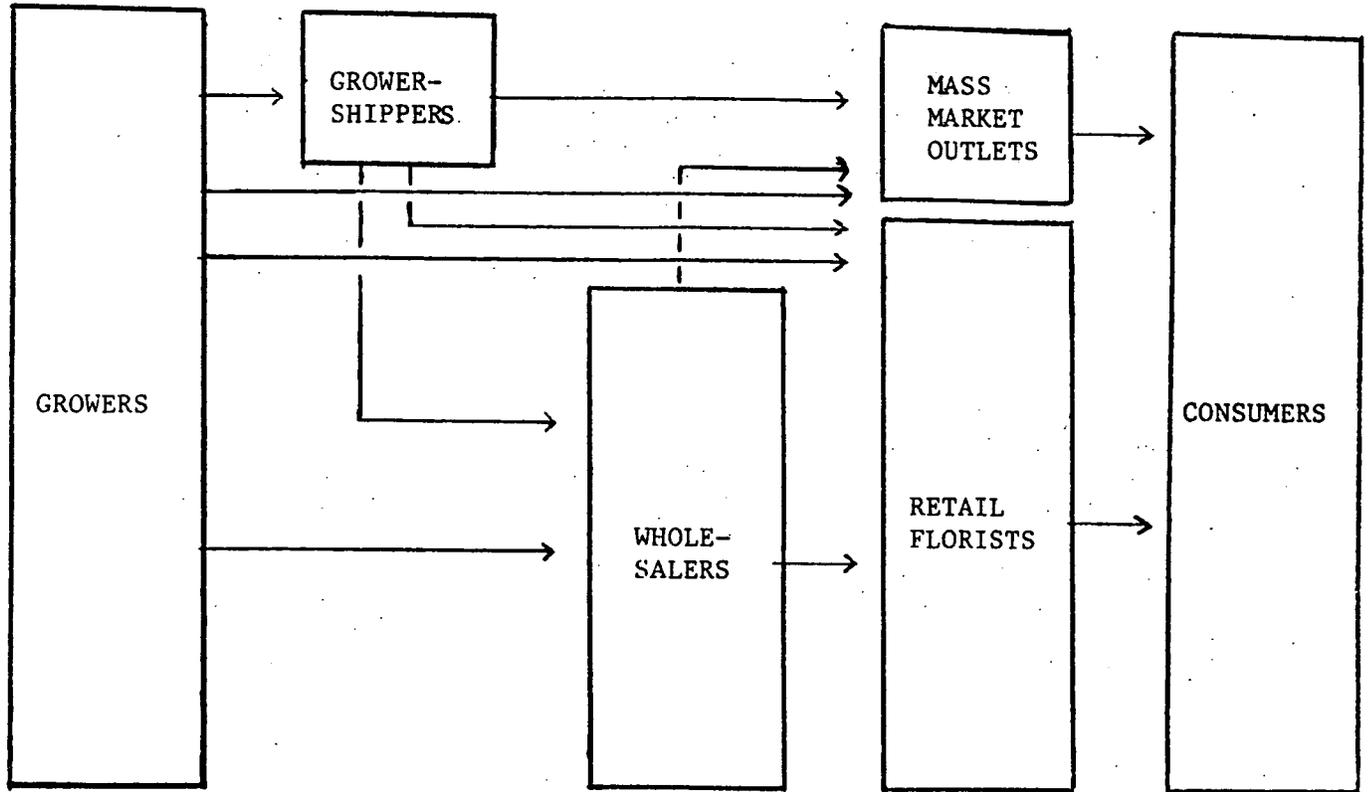
Importers of fresh cut roses normally enter the distribution channel at the same level as the grower or grower-shipper. However, some importers have expanded their operations to include wholesaling functions in major U.S. markets.

The Foreign Industry

Fresh cut roses are produced for local consumption throughout the world. Prior to the 1970's, most of the international movement of fresh cut roses was border trade, especially in Europe, where per capita consumption of fresh cut flowers is high. Paralleling the advent of successful air transport of large quantities of fresh cut flowers from Latin America to the United States, there has been increased trade from Latin America to Europe and Japan, and from countries such as the Netherlands, South Africa, and Israel to distant overseas markets.

The Netherlands is the world's leading producer of fresh cut roses. It is estimated that growers in the Netherlands produce more than 1 billion roses annually. The Netherlands also is the world's leading flower exporter followed by Colombia and Israel. In 1978 total flower exports from the Netherlands totaled \$672 million. Data on the U.S. share of these exports are not available, but, in 1978 the United States ranked 10th as a Netherlands export market for all types of ornamental crops.

Figure.--Principal distribution channels for marketing fresh cut flowers in the United States.



Source: U.S. International Trade Commission.

Almost all fresh cut flowers in the Netherlands are sold through 12 auctions owned and operated by growers. Each auction site is a complete facility containing a selling area, receiving and shipping facilities, and office facilities. The largest of these auctions is located at Aalsmeer where nearly 4,000 local growers have joined together cooperatively to sell their flowers. In addition to the flowers produced by the local growers, flowers from around the world can be found on the auction floor.

Consideration of Injury or Likelihood Thereof

U.S. imports

Imports of fresh cut roses have trended sharply upward since the beginning of the 1970's. Prior to that time, imports were almost negligible, consisting primarily of border trade with Canada. Imports increased steadily from less than 1 million blooms in 1970 to 35 million blooms in 1979. Almost all varieties of imported fresh cut roses have domestic counterparts to which they are comparable in quality. The significant growth in the imports of roses has been facilitated by the development of reliable transoceanic airline schedules and the use of sophisticated shipping facilities in New York City and Miami.

Fresh cut rose imports for the period 1975-79 increased substantially each year (table 1), rising from just over 4 million blooms in 1975 to nearly 35 million blooms in 1979. The level of imports more than doubled in 1979 compared with the level in 1978. As a share of the total quantity of the six major flower types imported into the United States, imports of roses increased from 1.5 percent in 1975 to 5.0 percent in 1979. Imports from Colombia, the principal source of roses, increased from 2.6 million blooms in 1975 to 27.1 million blooms in 1979, and as a share of total U.S. rose imports increased from 61 percent in 1975 to 77 percent in 1979. The Netherlands was the third largest exporter of fresh cut roses to the United States in 1979. Imports from the Netherlands more than doubled from 816,000 blooms in 1975 to nearly 1.7 million blooms in 1978 before declining to 1.4 million blooms in 1979. Such imports from the Netherlands as a share of total U.S. rose imports declined from over 19 percent in 1975 to less than 4 percent in 1979.

Imports of roses from the Netherlands usually are concentrated in the months of February, May, and June when demand and prices for fresh cut roses in the United States are at their peak. These 3 months accounted for 56 percent of U.S. fresh cut rose imports from the Netherlands in 1977, 54 percent in 1978, and 73 percent in 1979 (table 2). The months of February and May are also peak periods of both production and sales in the United States, especially for red roses owing to the two most important flower holidays (Valentine's Day and Mother's Day) in those months. Around Valentine's Day and Mother's Day, it is not unusual for demand for fresh cut roses especially red varieties to exceed rose supplies from both domestic and foreign sources. At other times of the year, domestic supply sources usually are able to meet demand requirements except for the month of June which is a peak demand period for pastel shades of roses for use in weddings. During this period it is believed that imports from the Netherlands consist primarily of the pastel shades.

Table 1.-- Fresh cut roses: U.S. imports of fresh cut roses,
by principal sources, 1975-79

(In thousands of blooms)

Source	1975	1976	1977	1978	1979
Colombia-----	2,554	4,513	7,711	12,099	27,066
Israel-----	<u>1/</u>	286	838	1,713	5,629
Netherlands-----	816	1,257	1,277	1,656	1,353
All other-----	822	189	520	979	915
Total-----	4,192	6,245	10,346	16,447	34,963

1/ Not separately reported but included in "all other."

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 2.--Fresh cut roses: U.S. imports from the Netherlands,
by months, 1977-79

Month	1977		1978		1979	
	Quantity of 1,000 blooms	Percent of total	Quantity of 1,000 blooms	Percent of total	Quantity of 1,000 blooms	Percent of total
January-----	45	3.5	14	0.8	2	0.1
February-----	226	17.7	106	6.4	161	11.9
March-----	7	0.5	5	.3	31	2.2
April-----	113	8.8	51	3.1	79	5.8
May-----	364	28.5	447	27.0	431	31.9
June-----	122	9.6	342	20.7	399	29.5
July-----	48	3.8	39	2.4	55	4.1
August-----	59	4.6	214	12.9	81	6.0
September-----	92	7.2	273	16.5	45	3.3
October-----	123	9.6	139	8.4	30	2.2
November-----	67	5.2	9	.5	34	2.5
December-----	11	.9	17	1.0	5	.4
Total-----	1,277	100	1,656	100	1,353	100

Source: Compiled from official statistics of the U.S. Department of Agriculture.

U.S. production

U.S. production of fresh cut roses remained relatively stable in terms of quantity during the period 1975-79 (table 3). In 1975, domestic production was estimated at 463 million blooms. Production increased to 467 million blooms in 1976 and then declined to 464 million blooms in 1977 and remained at that level through 1979. In terms of value, U.S. production increased significantly over the period. Table 4 shows U.S. production of hybrid tea and sweetheart roses in major producing States for the period 1975-78. The value of production in the major producing States increased steadily over the period from \$68 million to \$87 million, a rise of over 25 percent while production (in terms of quantity) in those States went up only slightly from 418.5 million blooms to 419.3 million blooms, representing an increase of less than 1 percent. The major producing States account for over 90 percent of U.S. production.

Data on the seasonality of U.S. production are not available; however, the majority of U.S. production is believed to be scheduled during the first, second, and fourth quarters of the year when demand for fresh cut roses is high. Although the third quarter is a period when growing conditions are ideal, it usually is a period of low domestic production because the demand for fresh cut roses is low owing to the availability of roses from home gardens, fewer holidays, and fewer people being home and indoors during the summer months. U.S. growers use this period to trim back their plants which allows the rose plants to rejuvenate. Thus, the rose plant can produce more blooms during the first, second, and fourth quarters (when growing conditions are not ideal) than would otherwise be possible.

U.S. exports

Data on U.S. exports of fresh cut roses are not available for recent years. It is estimated that exports amounted to 8 million blooms and 10 million blooms in 1975 and 1976, respectively; and they have most likely remained stable or declined since then (table 3). About two-thirds of U.S. exports of all fresh cut flowers go to Canada; it is believed that about the same percentage or a slightly higher percentage of rose exports go to Canada. The United States has a transportation-cost advantage in the Canadian market compared with more distant suppliers. However, the lack of growth by U.S. exports in the Canadian market during recent years is believed to be due to increased competition from other foreign suppliers of fresh cut roses such as Colombia, Israel, and the Netherlands.

Profit-and-loss experience

Counsel for Roses, Inc., submitted profit-and-loss data which have not been verified by the U.S. International Trade Commission covering the U.S.

Table 3 .--Fresh cut roses: U.S. production, exports, imports, and apparent consumption, 1975-79

Year	Pro- duction	Exports <u>1/</u>	Imports	Apparent con- sumption	Imports from the Nether- lands	Ratio of imports to consumption	Ratio of imports from the Nether- lands to consumption
-----Millions of blooms-----					-----Percent-----		
1975-----	463.4	8.0	4.2	459.6	0.8	0.9	0.2
1976-----	466.6	10.0	6.2	462.8	1.3	1.3	.3
1977-----	464.0	10.0	10.3	464.3	1.3	2.2	.3
1978-----	464.0	10.0	16.4	470.4	1.7	3.5	.4
1979-----	<u>1/</u> 464.0	10.0	35.0	<u>1/</u> 489.0	<u>1/</u> 1.4	<u>1/</u> 7.2	<u>1/</u> .3

1/ Estimated by the U.S. International Trade Commission.

Source: Production based on data from Floriculture Crops of the United States Department of Agriculture, with adjustments to include all 50 States. Imports from U.S. Department of Agriculture plant quarantine entry data.

Table 4.--Fresh cut roses: U.S. production of hybrid tea and sweetheart roses, in major producing States, 1975-78

Type	1975	1976	1977	1978
Quantity (1,000 blooms)				
Hybrid tea-----	306,279	307,584	301,107	306,806
Sweetheart-----	112,221	114,689	118,023	112,449
Total-----	418,500	422,273	419,130	419,255
Value (1,000 dollars)				
Hybrid tea-----	54,256	58,854	62,177	69,069
Sweetheart-----	13,753	15,661	16,604	18,005
Total-----	68,009	74,515	78,781	87,074
Unit value (cents per bloom)				
Hybrid tea-----	17.7	19.1	20.6	22.5
Sweetheart-----	12.3	13.7	14.1	16.0
Average-----	16.3	17.6	18.8	20.8

Source: Compiled from official statistics of the U.S. Department of Agriculture.

rose industry in major producing States for the period 1974-78 (table 5). ^{1/} From 1974 to 1978, the value of sales by rose growers in the major producing States increased steadily from \$67.9 million to \$87.1 million. During the same period their operating and growing expenses steadily increased from \$64.6 million to \$86.4 million. Increased labor cost was the single most important item contributing to the growth in operating and growing expenses, accounting for over 25 percent of the increase. Increased fuel and water and electricity costs accounted for another 17 percent of the increase. Operating profit (loss) fluctuated widely from 1974 to 1978. Operating profit was \$3.2 million in 1974 before declining to a \$236,000 loss in 1975. Operating profit then rebounded in 1976 to \$3.7 million before declining to \$3.0 million in 1977 and \$711,000 in 1978.

Table 5.--Fresh cut roses: Total sales of fresh cut roses, total growing and operating expenses, and operating profit (loss), 1974-78

Item	1974	1975	1976	1977	1978
Total sales of fresh cut roses---1,000 dollars--	67,850	68,009	74,351	78,781	87,074
Total growing and operating expenses 1,000 dollars--	64,620	68,620	70,645	75,759	86,363
Operating profit (loss) 1,000 dollars--	3,230	(236)	3,706	3,022	711
Ratio of operating profit: (loss) to total sales-----percent--	4.8	(0.3)	5.0	3.8	0.8

Source: Estimated from data submitted to the United States International Trade Commission by Counsel for Roses, Incorporated.

Consideration of the Causal Relationship Between Imports from the Netherlands and the Alleged Injury

Market penetration of imports from the Netherlands

From 1975 to 1979 imports of fresh cut roses from the Netherlands increased from 816,000 blooms to 1.4 million blooms, while imports of such roses from all sources rose from 4.2 million to 35.0 million blooms. As a ratio of imports to consumption for the same years, imports from the Netherlands increased from the level of 0.2 percent to 0.3 percent, and imports from all sources rose from 0.9 percent to 7.2 percent.

^{1/} Profit-and-loss data are estimates based upon extrapolations of questionnaire data of reporting member growers of Rose Inc., as questionaired by Counsel for Roses, Inc., against the reported universe of USDA data for rose growers, and then factored by the established ratios of the related data of the reporting growers.

Prices

Long-term domestic price movements.--The average unit values of U.S. growers' shipments for hybrid tea and sweetheart roses for the period 1975-79, are an indicator of annual movements in prices received by rose growers during the period, as reported by the U.S. Department of Agriculture and presented in the following tabulation (in cents per bloom):

Type	1975	1976	1977	1978	1979
Hybrid tea-----	17.1	19.1	20.6	22.5	<u>1/</u> 23.7
Sweetheart-----	12.3	13.7	14.1	16.0	2/
Weighted average-----	16.4	17.6	18.8	20.8	<u>2/</u>

1/ Estimated by the U.S. International Trade Commission.

2/ Not available.

During the period 1975-79, the unit values of hybrid tea roses increased at a 8.6-percent annual rate, and the unit values of sweetheart roses increased at a rate of 9.1 percent during 1975-78. In comparison, the prices received by farmers for all crops increased by 4.2 percent from 1975 to 1978 and by 3.8 percent from 1975 to 1979.

Short-term domestic and import price movements.--Prices for domestic and imported fresh cut roses frequently fluctuate widely, from week to week and from month to month, largely because inventories cannot be maintained to soften the impact of occasional sharp shifts in supply and demand. Prices tend to be high during the first two quarters of the year because of large seasonal demands created by Valentine's Day, Easter, Secretary's Week, Mother's Day and Memorial Day. They decline during the third quarter, when local growers are in peak production, and then rise again during the final months of the year with the onset of the Jewish holidays and Christmas. The magnitude of these seasonal price fluctuations is often strengthened or weakened by other factors such as weather and scheduling problems.

Table 6 shows price for California-grown and Netherlands-grown roses in the Philadelphia wholesale market on selected dates from May 17 to Nov. 1, 1979. 1/ On 6 of the 11 dates, prices reported for both California-grown and Netherlands-grown roses were equivalent to each other or the range of prices quoted overlapped each other with Netherlands-grown roses always being at the high end of the range. On the other five dates the prices quoted for California-grown roses were lower than the prices for Netherlands-grown roses by a substantial margin.

1/ Data were also presented at the conference on investigation No. 701-TA-21 on prices of roses from various sources in the Boston wholesale market. Those data also show that roses from the Netherlands are almost always higher in price than roses from other sources.

Table 6.--Fresh cut roses: Philadelphia wholesale market prices 1/ for California-grown and Netherlands-grown roses on selected dates, May 17-Nov. 1, 1979

(In cents per bloom)

Date	: California- : grown	: Netherlands- : grown
May 17-----	60	60
May 22-----	60	60
May 24-----	55-60	60
May 29-----	40-55	60
May 31-----	40-55	60
June 7-----	40-50	60
June 14-----	40-45	50
Aug. 23-----	<u>2/</u> 60	<u>2/</u> 60
Sept. 13-----	40-50	60
Oct. 18-----	40-50	50-60
Oct. 25-----	40-50	60-70
Nov. 1-----	50	50

1/ For roses 18 to 22 inches in length.

2/ For roses 22 to 26 inches in length.

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Mr. Louis Battinelli, ^{1/} President of several retail florist shops and a wholesale cut flower house in New York City, testified that the price of imported roses is not a consideration in his decision to purchase imported roses instead of domestic roses. Mr. Battinelli stated that quality, variety, and availability are the principal reasons imported roses are purchased by him. Mr. Battinelli further stated that the imported roses are used to supplement domestic supplies of roses whenever such supplies are not sufficient to meet market demand.

^{1/} Pages 72 through 85 of the transcripts of the conference on investigation No. 701-TA-21 (Preliminary).

APPENDIX

U.S. INTERNATIONAL TRADE COMMISSION NOTICE OF
INVESTIGATION AND CONFERENCE CONCERNING
INVESTIGATION NO. 701-TA-21 (Preliminary)

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

701-TA-21 (Preliminary)
Fresh Cut Roses from the Netherlands

Notice of Institution of Preliminary Countervailing Duty
Investigation and Scheduling of Conference

Investigation instituted. Following receipt of a petition on January 3, 1980, filed on behalf of Roses Incorporated, a trade association of the U.S. rose growing industry, the United States International Trade Commission on January 11, 1980, instituted a preliminary countervailing duty investigation 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 allegedly subsidized imports from the Netherlands of fresh cut roses, provided for in item 192.19 of the Tariff Schedules of the United States. This investigation 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.

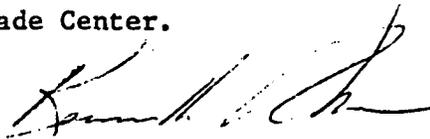
Written Submissions. Any person may submit to the Commission on or before February 5, 1980, a written statement of information pertinent to the subject matter of the investigation. A signed original and nineteen copies of such statements must be submitted.

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 the written submissions, except for confidential business data, will be available for public inspection.

Conference. The Director of Operations of the Commission has scheduled a conference in connection with the investigation for 10 a.m., e.s.t., on Thursday, January 31, 1980, at the U.S. International Trade Commission Building, 701 E. Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the supervisory investigator for the investigation, Mr. William Fry (202-523-0242). 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 supervisory investigator.

Inspection of petition. The petition filed in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission, and at the New York City office of the U.S. International Trade Commission located at 6 World Trade Center.



Kenneth R. Mason
Secretary

Issued: January 14, 1980

Library Cataloging Data

U.S. International Trade Commission.

Fresh cut roses from the Netherlands.
Determination of no reasonable indication
of material injury or threat thereof in
investigation no. 701-TA-21 (preliminary)
under section 703(a) of the Tariff act of
1930, together with the information obtained
in the investigation. Washington, 1980.

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