CERTAIN TABLE WINE FROM FRANCE AND ITALY

Determinations of the Commission in Investigations Nos. 701-TA-210 and 211 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

Determinations of the Commission in Investigations Nos. 731-TA-167 and 168 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

USITC PUBLICATION 1502

MARCH 1984

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Alfred E. Eckes, Chairman

Paula Stern

Veronica A. Haggart

Seeley G. Lodwick

Kenneth R. Mason, Secretary to the Commission

This report was prepared by:

David Coombs, Investigator
William Lipovsky, Office of Industries
Clark Workman, Office of Economics
Paul Taylor, Office of Investigations
Sheila Landers, Office of the General Counsel

Vera A. Libeau, Supervisory Investigator

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

CONTENTS

CONTENTS

Figure

Tables

CONTENTS

Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigations Nos. 701-TA-210 and 211 (Preliminary)
and 731-TA-167 and 168 (Preliminary)

CERTAIN TABLE WINE FROM FRANCE AND ITALY

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is no reasonable indication that an industry in the United States is materially injured, or threatened with material injury, nor is the establishment of an industry in the United States materially retarded, by reason of imports from France and Italy of certain table wine, 2/ provided for in item 167.30 of the Tariff Schedules of the United States (TSUS), which are alleged to be subsidized by the Governments of France (investigation No. 701-TA-210 (Preliminary)) and Italy (investigation No. 701-TA-211 (Preliminary)).

The Commission also determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a), that there is no reasonable indication that an industry in the United States is materially injured, or threatened with material injury, nor is the establishment of an industry in the United States materially retarded, by reason of imports from France (investigation No. 731-TA-167 (Preliminary)) and Italy (investigation No. 731-TA-168 (Preliminary)), of certain table wine, 2/ provided for in item 167.30 of the TSUS, which are alleged to be sold in the United States at less than fair value.

1/ The "record" is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i).

2/ Certain table wine is defined as still wine produced from grapes, containing not over 14 percent of alcohol by volume, other than wines categorized by the appropriate authorities in France or Italy as "Appelation d'Origine Controlee" or "Vins Delimites de Qualite Superieure" or "Denominazione di Origine Controllata," respectively.

Background

On January 27, 1984, petitions were filed with the United States International Trade Commission and the U.S. Department of Commerce by counsel on behalf of the American Grape Growers Alliance for Fair Trade (Alliance), alleging that imports of the subject merchandise are being subsidized, and are being sold in the United States at less than fair value. Accordingly, effective January 27, 1984, the Commission instituted preliminary countervailing and antidumping investigations under sections 703(a) and 733(a), respectively, 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 such merchandise.

Notice of the institution of the Commission's investigations and of the public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on February 6, 1984 (49 F.R. 4440). The conference was held in Washington, D.C., on February 17, 1984, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

On the basis of the record in investigations Nos. 701-TA-210 and 211, and 731-TA-167 and 168 (Preliminary), we determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of ordinary table wine from France or Italy allegedly subsidized and sold at less-than-fair value. 1/

Summary

Although some domestic producers of ordinary table wine are experiencing financial problems, we do not find a reasonable indication of a causal connection between any such problems and the subject imports. Specifically, the volume and market share of imports from France are very small, and there is no evidence on the record of significant underselling, or of price suppression or lost sales by reason of imports from France. The volume of imports from Italy is significant, but their share of the U.S. market has remained flat during the 1981-83 period under investigation. Furthermore, there is no evidence on the record of significant underselling, or of price suppression or lost sales by reason of imports from Italy.

Definition of Domestic Industry

The term "industry" is defined in section 771(4)(A) of the Act 2/ as consisting of "[t]he domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major

1/ Material retardation of an industry is not an issue in these investigations, and will not be discussed further.
2/ 19 U.S.C. § 1677(4)(A).

proportion of the total domestic production of that product." The term "like product," in turn, is defined in section 771(10) 3/ as being "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."

Definition of "Like Product"

The imports under investigation are wines from France and Italy which are classified by the EC as "Vins de Table", and which can be described as "ordinary" table wine. 4/ The "Vins de Table" category includes all table wine other than that classified by the EC as "Vins de Qualite Produits dans Une Region Determine" ("VQPRD"). VQPRD wines, which are generally referred to as "controlled" table wines, are table wines that are produced in conformity with specific regulations regarding vinification methods, and from specific varieties of grapes that are grown in officially designated areas. Such wine is generally perceived to be of a superior quality to, and commands a higher price than ordinary table wine. In contrast, the ordinary table wines under investigation generally are perceived to be not of as high a quality as controlled wine, and are priced lower than controlled wine. Therefore, ordinary table wine is generally used for less formal occasions than controlled wine. However, since there is a considerable range of quality factors and prices within the "controlled" category, there is some overlap in

3/ 19 U.S.C. § 1677(10).

4/ Table wine is defined as still wine made from grapes. Excluded from this definition are sparkling wines and fortified wines. The scope of the imports under investigation excludes dessert wines, vermouth, and other appetizer wines which might otherwise meet the definition of "ordinary". Petitioners' Post Conference Brief at 2. Accordingly, these wines have been excluded from our definition of like product as well.

terms of characteristics and uses between the "controlled" and "ordinary" categories.

Although the U.S. definition of table wine corresponds generally to that utilized by the EC, the United States does not utilize the "controlled" and "non-controlled" classification scheme. Nevertheless, certain types of "non-premium" domestically-produced table wines correspond in terms of characteristics and uses to the ordinary table wine under investigation because they both appeal to a relatively large consumer market for relatively inexpensive wine. These "non-premium" wines are used for relatively more informal occasions than certain "premium" table wines which appeal to a narrow consumer market, and command a relatively higher price.

As with the "ordinary" imports, these domestic non-premium wines are defined to include whatever is not considered "premium" table wine. We have defined "premium" table wine, a category which generally covers certain high-quality "varietal" wines, 5/ as table wines valued at more than $8.00 per gallon, in containers, f.o.b. winery. 6/ Accordingly, non-premium table wine is all table wine falling below this price break. This non-premium category includes wines described as "generic" (red, white, or rose), "semi-generic" (e.g., California Burgundy or New York Chablis) or "non-premium varietal." Thus, the domestically-produced table wines that most closely correspond to

---

5/ Varietal wine bears the name of the grape used in its production, e.g., Cabernet Sauvignon. Report at A-4. In order to qualify as a "varietal" a wine must be made primarily from grapes of a particular varietal grape, such as the cabernet sauvignon grape. Prior to January 1, 1983, a varietal name could be used if 51 percent of the wine was derived from grapes of that variety; since then, the varietal amount has been increased to 75 percent. Report at A-4. However, there is a great range with respect to quality and price within the "varietal" category.

6/ Report at A-4.

the ordinary table wine under investigation are all non-premium table wines. In 1982 "ordinary" table wines represented approximately 90 percent of all wine produced in the United States and approximately 75 percent of all table wine imports from Italy and France. 7/

Both the domestically-produced 8/ and imported 9/ ordinary table wine can be divided by color categories, and some by varietal composition. However, although certain ordinary wines have some distinguishing characteristics, such as color or varietal content, generally no clear dividing lines can be drawn in making distinctions regarding characteristics and uses between them. 10/ Since there is some domestically-produced ordinary table wine that corresponds in terms of characteristics and uses to all the major categories of the "ordinary" imported wine under investigation, we find that the domestic product which is "like" the imported product under investigation is all "ordinary" table wine. 11/

7/ Id. at A-7.

8/ In 1982, white wines accounted for 63 percent of total California bottled table wine shipments, followed by rose (20.5 percent) and red (16.5 percent).

9/ In 1983, 70 percent of the total table wine imports from France were white wine. French Custom Service statistics reprinted in French Federation of Wine and Spirits Exporters' Brief, App. A. Similarly, a majority of total table wine imports from Italy are white wines. U.S. Department of Commerce, IM 146.

10/ See, e.g., Steel Wire Nails from Korea, Inv. No. 731-45-47(F) at 4 (1982).

11/ Importers of "Lambrusco" or Lambrusco-like ("Lambrusco") wine from Italy have argued that Lambrusco wines (e.g., Riunite, Cella, Giacobazzi, and Zonin) have characteristics that distinguish them from domestically-produced wine. They argue that the Lambrusco imports are more effervescent, fruitier and less alcoholic than U.S. table wines. Furthermore, the importers argue, Lambrusco wines were developed specifically for the U.S. market, to appeal to the palates of a public partial to soft drinks and beer. Thus the importers maintain that these Lambruscos have not made inroads into the market for

(Footnote continued)

In this investigation, there are two additional issues to be addressed with respect to determining the scope of domestic industry: (1) whether grape growers should be included, and (2) whether a domestic producer that also imports some of the wines under investigation should be excluded on the grounds that it is a "related party."

The plain language of the statute defines the industry in terms of a relatively narrow "like product" definition. However, in agricultural product cases, 12/ defining the domestic industry presents a particular problem. Congress foresaw the special problems of agricultural industry definition when it authorized the Commission to consider including both growers and producers in one industry. 13/

(Footnote continued)
traditional domestic table wine, which generally is drier and more alcoholic, but has created a new market of "pop wines" which compete more with the soft drink and beer markets than the wine market.

On the other hand, some domestic producers have begun to develop less alcoholic, sweeter wines to capture part of this new market. Specifically Gallo recently has introduced a brand called "Polo Brindisi" to "bridge the gap between the sweeter Italian wines and the more traditional California generic wines." See Gallo Advertising Brochure reprinted in Post-Conference Brief of Brown-Forman, Ex. 4 at 2. In addition, Gold Seal and the California Wine Cooler companies also recently have introduced "pop" wines to compete in this sub-market. Since currently there are domestically-produced products that are substantially similar in terms of light alcohol content and fruitiness to the Lambruscos, and which are beginning to compete for the same market, we do not find these importers' arguments persuasive with respect to the like product issue.

12/ See cases cited in notes 14 and 15, infra.

13/ The Senate Finance Committee stated in the Committee report on the Trade Agreements Act of 1979:

> Because of the special nature of agriculture . . . special problems exist in determining whether an agricultural industry is materially injured. For example, in the livestock sector, certain factors relating to the state of a particular industry within that sector may appear to indicate a favorable situation for that industry when in fact the opposite is true. Thus, gross sales and employment in the industry producing beef could be increasing at a time when economic loss is occurring, i.e., cattle herds are being liquidated because prices make the maintenance of the herds unprofitable.
> S. Rept. No. 249, 96th Cong., 1st Sess. 88 (1979).

In agricultural investigations, the Commission has exercised discretion in the use of this authority. Commission precedent for processed agricultural products has followed two lines of cases--one including only processors, and the other including the grower as well as the processor. The Commission has defined the industry to include only processors when the agricultural product can be sold in more than one market. 14/ When the agricultural product enters a single, continuous line of production resulting in one end product, the Commission has focused on the highly integrated nature of the relationship between growers and producers, and found the industry to include both growers and processors. 15/ In addition, the Commission has stressed the commonality of economic interest between the growers and processors, either in the form of interlocking ownership 16/ or economic integration in the sense of shared revenues. 17/

14/ **Frozen French Fried Potatoes from Canada**, Inv. No. 731-TA-93, USITC Pub. No. 1259 (1982). **Canned Hams and Shoulders from Belgium, Denmark, the Federal Republic of Germany, France, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom**, Invs. Nos. 701-TA-31-39 (Final), USITC Pub. No. 1082 (1980). **Mushrooms**, Inv. No. TA-201-43, USITC Pub. No. 1089 (1980).

15/ **Certain Fish and Certain Shellfish from Canada**, Inv. No. 303-TA-9, USITC Pub. No. 966 (1979); **Fish Fresh, Chilled or Frozen, Whether or Not Whole, But Not Otherwise Prepared or Preserved from Canada**, Inv. No. 701-TA-40, USITC Pub. No. 1066 (1980); **Sugar from the European Community**, Inv. No. 104-TAA-7, USITC Pub. No. 1247 (1982); **Lamb Meat from New Zealand ("Lamb Meat")**, Inv. No. 701-TA-80 (P), USITC Pub. No. 1191 (1981); **Frozen Concentrated Orange Juice ("Orange Juice")**, Inv. No. 701-TA-184, USITC Pub. No. 1283(P) (1982) and 1406(F) (1983).

16/ In both **Lamb Meat** and **Orange Juice**, there was a significant amount of interlocking ownership.

17/ In **Orange Juice**, the Commission noted that 80 percent of all the oranges used to produce frozen concentrated juice were either processed by grower-owned, non-profit cooperatives or by independent processing plants under "participation plans" whereby the price paid to the grower is determined by the final selling price of the juice. Only a small percentage of growers were paid on a cash basis.

In the present case, there is no substantial product integration. At best, approximately 55 percent of all grapes suitable for use in ordinary table wine are so used. 18/ Furthermore, there are at least two other major markets for grapes: raisins and table grapes. In each of these markets, grape growers consistently receive higher returns for their grapes than in the ordinary table wine market. 19/ Further, these other markets react to factors unrelated to competition from imported wine. 20/

Moreover, there is little commonality of economic interest between grape growers and wine producers. Unlike the facts in Orange Juice, in which over 80 percent of the subject oranges were processed by cooperatives or sold through a "participation plan," approximately 70 percent of total California grapes are sold on a cash basis. 21/ Thus the prices of grapes are not tied

---

18/ Based on figures in Report at A-9 adjusted by excluding 10 percent of grapes which go into premium table wine production. See also Petitioners' post-conference brief, Ex. 6 at 24. This figure varies from year to year. In 1983, this figure was only 42 percent. Report at A-9.

19/ For example, in 1981, California table grapes brought $639 per ton when sold fresh, $322 per ton when sold for drying into raisins, and $195 per ton when sold for crushing. Similarly, raisin grapes brought $467 per ton when sold fresh, $329 per ton when sold for drying, and $199 per ton when sold for crushing. See Wines & Vines: Fortieth Statistical Issue, July 1983 at 50.

20/ Shipments of fresh grapes have declined precipitously in recent years, allegedly due in part to an influx of imports, and the price of fresh grapes has fallen significantly. Brown-Forman brief at 13, n. 10; U.S. Dept. of Commerce IM-146. Shipments of raisins have also declined significantly, due in part to a decline in exports of raisins. Id., U.S. Department of Agriculture statistics. This has resulted in a decline in raisin prices. On the other hand, raisins are subject to a marketing order, which allows producers to exert some control over supply, and indirectly over prices, by using approved market allocation provisions in the order. See U.S.D.A. Outlook and Situation on Fruit, July 1981, Pub. No. TFS-219.

21/ The California Crop and Livestock Reporting Service reported that in 1983, 71 percent of all California grapes crushed were purchased. See also data in Report at A-9.

to the price of wine. 22/ Rather most prices are set immediately before or during each harvest, the amount determined by market conditions. 23/ Thus, wineries actually benefit from the low grape prices which result from an oversupply situation; conversely, growers benefit from the higher prices generally characteristic of shortage periods. 24/ We therefore find that it is not appropriate to include grape growers within the scope of the domestic industry in this investigation.

We now address the issue involving application of the "related party" provision of section 771(4)(B) of the Tariff Act of 1930.

This provision states:

> When some producers are related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped merchandise, the term "industry" may be applied in appropriate circumstances by excluding such producers from those included in that industry. 25/

The related parties provision involves a two-step determination: (1) whether the domestic producers are themselves importers of the subject product or are related to the importers or foreign producers of such product through a corporate relationship; and (2) whether there are appropriate circumstances for excluding these domestic producers from the domestic industry for the injury analysis.

22/ As one of petitioners' witnesses testified at the preliminary conference: "Grape growers generally do not bargain for the price that they receive for their grapes; they are price takers and depend upon the natural laws of supply and demand."

23/ Report at A-9. See also Tr. at 127; 1983 Allied Grape Growers' Annual Report quoted in Feb. 17, 1984, Statement of Dale E. Hathaway at 5, n. 6.

24/ The shortfall grape crop in 1983 did not result in higher table wine prices, apparently because wineries still held substantial inventories from the 1982 bumper crop.

25/ Section 771(4)(B); 19 U.S.C. § 1677(4)(B).

Within boundaries provided by the statute and legislative history, the Commission can apply its discretion regarding appropriate circumstances. The Commission is not to include domestic producers if their relation to the importers protects them from injury and if their inclusion would skew the economic data. Nor are domestic producers to be excluded if they constitute such a major proportion of the total industry that their exclusion would severely distort industry data.

In this case, one major domestic producer also imports some of the wine under investigation from France and Italy. Seagram, which owns Paul Masson and Gold Seal vineyards and which recently acquired the "Wine Spectrum" consisting of Taylor Wine Co., Sterling Vineyards, and Gonzales and Co., Inc., is presently the second largest domestic wine producer, accounting in 1983 for approximately 11 percent of California table wine shipments. 26/ However, Seagram's imports of the wine under investigation from both Italy and France account for only a very small percentage of its total shipments. 27/ Since Seagram's imports of the wines under investigation account for a very small proportion of its total shipments, and since it produces several domestic ordinary table wines, it does not appear that its importer status protects it to any significant degree from the imports under investigation. In addition, since it is the second largest domestic producer, its exclusion from the scope

26/ The Gomberg Report, v. 3, No. 12 (Feb. 15, 1984) at 3. Shipments of California wineries account for approximately 90 percent of domestic shipments. These data include shipments for export as well as domestic consumption. However, exports account for a small portion of total shipments. This is the best information available regarding the respective market shares of domestic producers.

27/ The exact figure is business confidential information, because it is derived from Seagram's questionnaire response.

of the domestic industry would severely distort the economic data regarding the industry. Thus, appropriate circumstances do not exist for excluding Seagram as a related party from the scope of the domestic industry.

Condition of the Domestic Industry

Background

The United States is one of the fastest growing wine markets in the world. 28/ During the past decade, consumption in the United States rose by more than 50 percent, and wine purchases increased, on average, by more than 5 percent per year. 29/ Growth in wine consumption is expected to continue steadily, at an average annual rate of 5-6 percent, through the rest of the century. 30/

Despite overall growth in wine consumption, sales are affected by fluctuations in economic cycles. 31/ Fluctuating consumer disposable income is the major factor causing total purchases to vary year to year. 32/ In 1982, a recession year, total table wine sales increased, but at a slower rate than in previous years. 33/ Total shipments of ordinary table wine remained fairly constant during this period. 34/ However, shipments for domestic consumption actually increased between 1982 and 1983. The decline in total shipments resulted in large part from a drop in exports, which fell by

---

28/ Bank of America, California Wine Report (Dec. 1983 (hereinafter BOA Report) reprinted in Banfi brief, Ex. 4, at 2.
29/ Id.
30/ The Impact American Wine Market Review and Forecast (1983 ed.) at 70.
31/ Wines and Vines (July 1983) at 32.
32/ BOA Report, supra, n. 28 at 2.
33/ Id.
34/ Report at A-18 (based upon questionnaire responses accounting for 71 percent of non-premium table wine shipments (including exports). These figures, which are confidential, indicate a slight increase between 1981 and 1982, and a slight decrease between 1982 and 1983.

18 percent between 1982 and 1983 compared to an increase of 4 percent between 1981 and 1982. 35/

A major factor affecting the financial performance of wine producers from year to year is periodic wine surpluses resulting from large grape crops and/or inventories of wine from previous years. 36/ In 1982, the volume of grapes crushed for wine production was a record 3.1 million tons. 37/ This caused wineries with excess inventories to reduce prices precipitously in order to move product. 38/ A short crop and high inventories in 1983 resulted in a substantially smaller crush of 2.3 million tons. 39/ This, in turn, has resulted in a more balanced inventory picture. 40/

During the last few years, a number of the larger producers of ordinary table wine have been engaged in a series of aggressive promotional programs, including intensive advertising and price cutting in an effort to increase market share. 41/ The combination of these factors created major downward pressure on table wine prices, particularly that of ordinary wine. 42/

35/ Report at Table 6. The decline in export shipments is attributable to a drop in Canadian purchases of bulk wine in 1983, which apparently resulted largely from the 1982 season grape glut which also affected Canada, and to the strength of the U.S. dollar in overseas markets.

36/ BOA Report, supra, n. 28 at 7.

37/ Report, Table 5.

38/ Guild Wineries and Distilleries 1982-83 Annual Report (hereinafter "Guild Report") at 1. For example, the commodity market for wine collapsed with bulk wine being sold at prices far below grape cost alone. For example, as reported by one winery, bulk white table wine prices, which immediately prior to the 1982 crush averaged about $1.60 per gallon, decreased to as low as 29 cents per gallon by mid 1983.

39/ Report, Table 5.

40/ The ratio of inventories to domestic shipments has declined substantially in 1983 compared to 1982, and is close to the 1981 ratio. Report at A-17 (taxable withdrawals) and A-18 (inventories). See also BOA Report, supra, n. 28 at 8.

41/ Guild Report, supra, n. 38, at 2; "From the Editor," The Wine Spectator (July 1-15, 1983) at 6; Impact, Dec. 1, 1983; Impact, (Dec. 1, 1983) at 2-4.

42/ Guild Report, supra, n. 38, at 2.

Financial Condition of the Domestic Industry. 43/

The domestic wine industry is a heavily concentrated one. The top ten domestic producers account for approximately 85 percent of table wine shipments. 44/ Within the top ten, the top two producers, E. & J. Gallo and Seagram together account for approximately 50 percent of all table wine sales, and a slightly higher percentage of all ordinary table wine sales. 45/ The top three producers, which includes Almaden, account for approximately 59 percent of total table wine shipments. 46/

Profitability data varies substantially from producer to producer. 47/ Whereas some are enjoying positive operating profit margins, others are experiencing negative ones. In addition, analysis of the profitability data is complicated by the fact that some large producers are apparently foregoing short term profits in an effort to increase market share through price cutting. Therefore, profitability data are inconclusive. However, regardless of the conflicting data regarding the financial performance of the domestic industry, our determination is based upon the causation analysis which follows.

43/ Since one reporting producer accounts for over one third of all the domestically-produced ordinary table wine under investigation, overall industry data necessarily reflect the operations of this firm, which is business confidential information. Thus, our discussion of the financial condition of the industry must be made in general terms.

44/ Gomberg Report, supra, n. 26 at 3.

45/ In 1983, Gallo accounted for approximately 40.2 percent of total California wine shipments; Seagram accounted for approximately 11.3 percent. Id.

46/ The other top-ten wineries and their approximate share of 1983 California wine shipments (which account for 90 percent of total U.S. shipments) consist of Heublein (5.9 percent), Italian Swiss Colony (4.8 percent), Guild (3.5 percent), Franzia (3.2 percent), Sebastiani (1.8 percent), Lamont (1.7 percent), and California Cooler (1.5 percent). Id.

47/ Usable data on profitability regarding non-premium table wine operations were supplied by four of the top ten wineries and six others, representing a total of 66 percent of estimated shipments of non-premium table wine in 1983. Report at A-21.

No Reasonable Indication of Material Injury or Threat Thereof by Reason of Imports from France and Italy 48/

The statute directs the Commission to assess the effects of imports on the domestic industry according to the significance of the following factors, among others: (1) volume; (2) effect on pricing; and (3) the impact of the imports on the domestic industry. 49/

Imports from Italy

In 1983, imports of table wines from Italy accounted for approximately 16 percent of domestic consumption. However, these imports have held a relatively flat share of the domestic market during the 1981-83 period which

---

48/ We do not find it appropriate to cumulate the imports from Italy and France in making our determination. The Commission has the discretion to consider the combined impact of allegedly unfair imports "only when the factors and conditions of trade show its relevance to the determination of injury." S. Rep. No. 1298, 93rd Cong., 2d Sess. 180 (1974). In **Certain Carbon Steel Products from Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, the Netherlands, and the United Kingdom**, Invs. Nos. 731-TA-18-24(P) USITC Pub. No. 1064 (1980), the Commission majority used a cumulative analysis to combine imports whose share of the market was otherwise insignificant because the subject imports were "comparable and compete in the same markets." Id. at 5, thereby exhibiting a collective "hammering" effect on the domestic industry disproportionate to the imports market share alone. The factors considered relevant included: the fungibility of the subject imports, the markets affected by the various imports, volume and trends of the imports, marketing practices of each country, market shares, pricing practices, inventory practices, and the presence or absence of coordinated action. Id. Views of Vice Chairman Alberger at 14 and Views of Commissioner Stern at 64.

In these investigations, imports from France are concentrated in the traditionally vinified white wine category; most of the imports from Italy are of the sweet, effervescent, Lambrusco-type wines discussed supra. In addition, imports from these respective countries are generally marketed by separate groups of importers. For these reasons, we do not believe that imports from Italy and France are exhibiting a collective "hammering effect" on domestic wine prices such that consideration of their combined effect is necessary or appropriate. Furthermore, even had we cumulated these imports, it would not have changed the result of our analysis.

49/ 19 U.S.C. § 1677(7).

is the focus of our investigation. 50/

In addition, it appears that a large part of the growth in Italian import share is attributable to the popularity of the Lambrusco-type wine which accounts for approximately 62 percent of the imports from Italy under investigation. 51/ This popularity is due partly to the nature of the product itself, and partly to substantial advertising efforts. The fact that some domestic producers have recently attempted to develop competitive products indicates that these wines may indeed have a special appeal to the consumer. 52/

Furthermore, even if we were to assume that all imports of ordinary table wine from Italy compete closely with domestic wine, data on delivered prices 53/ indicate that the leading brands of imports from Italy

---

50/ Wines from Italy first gained a significant share of U.S. wine shipments in the mid-1970s, when domestic consumption was increasing substantially.

51/ *Impact* (Feb. 15, 1984) at 5.

52/ *See* Gallo advertisement *reprinted in Brown-Forman* brief, Ex. 4.

53/ Domestic producers commonly quote prices on an f.o.b. basis from their winery, thus allowing the customers to bear inland freight charges. These charges are often substantial. *See* Report at A-31. Thus comparison on a delivered basis is more appropriate.

Price comparisons between domestic and imported wines were seriously limited by the lack of a response on the part of U.S. producers. Of the 33 U.S. wineries that received questionnaires, only one major winery and three small wineries furnished transaction price data. Prices provided by two of the small wineries could not be compared with import prices, since their data were only available on an f.o.b. basis, and thus did not include shipping charges to customers, which are generally large in this industry. Furthermore, even if these two firms had provided delivered price information, they account for such a small percentage of domestic sales that their prices could hardly be considered to be representative of the domestic industry. In the case of importers, one major importer of Italian wine and one major importer of French wine were unable to furnish delivered prices to major customers, since they only quote prices on an f.o.b. basis from the foreign port of shipment, and were not able to estimate the ocean and inland freight charges that are incurred by their customers. However, several major importers of Italian wine and one importer of French wines were able to provide delivered prices that satisfied the requirements of the questionnaire.

are priced higher than the leading domestic brands. 54/ 55/

For example, a comparison of the 1982 and 1983 delivered prices of a leading domestic wine and three leading Italian imports in the $4-8 per gallon range 56/ indicates that the prices of the Italian wines under investigation were significantly higher than the price of a leading domestic brand. 57/ Margins of overselling ranged from less than one dollar to over three dollars per gallon, or from less than 10 percent to over 75 percent. 58/

In addition, information in the record on wholesale and retail prices in various states indicates that the prices of the leading Italian imports are

---

54/ Given the poor response of domestic producers to the Commission's questionnaire, and the fact that all but two that did respond did not provide data in the form requested, the useable information obtained from questionnaire responses represents a very small sample of domestic prices. In addition, petitioners provided only fragmentary information on prices in certain states, much of which did not support their allegations. In the limited amount of time available (even petitioners did not submit their questionnaire responses until more than one week after the deadline and even then one did not provide price data at all and the others did not provide delivered prices), the Commission attempted to obtain pricing information from other sources. This determination is based upon rather fragmented price data. However, it is the best information available.

Although the Commission conducts its own investigation, it must, as a practical matter rely on voluntary and timely compliance in order to develop information in less than 45 days. This is especially true when the information is in the control of those who stand to gain from that determination. We further note that burden of proof is on the petitioner. S. Rep. No. 249, 96th Cong., 2d Sess. (1979) at 66. In these investigations, the petitioners did not meet this burden. Although they provided some limited pricing data, even this information failed to support their allegations.

55/ Chairman Eckes notes that his determination is based upon the information on the record as stated on the first page of this opinion.

56/ Although several U.S. producers reported that they sell wine valued at less than $4 per gallon, none provided price information that was suitable for comparisons with the prices of the Italian wines in this category. Report at A-34.

57/ Report, Table 17.

58/ *Id*.

priced higher than most major domestic brands. 59/ In fact, the information contained in petitioners' post conference brief demonstrates that the price of Riunite and Cella, which together account for about half of all imports of Italian wine, are priced higher in Massachusetts than all but one of the major domestic brands including Gallo, Inglenook, Italian Swiss Colony, Almaden, and Taylor. 60/ Riunite and Cella are also priced higher in New York than Gallo, Almaden or Italian Swiss Colony. 61/

Another issue raised in these investigations is whether imports from Italy have suppressed the prices of domestic wines. Available data indicate that prices of domestic non-premium table wines have declined during 1982 and 1983. 62/ Trends in prices of wines imported from Italy are less clear, but there is evidence that prices of some major brands declined in mid 1983. 63/ However the domestic prices began to decline prior to the prices of the imports. Thus, based upon the evidence in this record, it appears that it was the low prices of certain leading domestic wines that first exerted downward pressure on market prices. 64/

In addition, there is evidence in the record indicating that leading domestic producers cut prices in an attempt to maintain or increase market

---

59/ New York wholesale prices, reprinted in Banfi statement, Ex. B; Sept. 1983, Utah retail prices reprinted in Banfi brief, ex. 8; Feb. 1984. Pennsylvania retail prices in C. Workman, "Retail Prices of Selected Domestic and Imported wines in Utah and Pennsylvania"; selected retail prices in Aug. 1983 and Jan. 1984 in Iowa and New Hampshire cited in Banfi brief at 25. Riunite alone accounted for approximately 40 percent of total table wine imports from Italy. Gomberg Report, supra, n. 26 at 5.

60/ Petitioners' post-conference brief, Ex. 8. Conversely, the Italian imports that undersold leading domestic brands each account for an extremely small share of total imports from Italy, much less of domestic consumption. Derived from data re 1982 depletions in American Wine Market Review and Forecast, 1983 ed., reprinted in Banfi Statement, Ex. A (Table 6-B).

61/ Petitioners' post-conference brief, Ex. 9.

62/ Report at A-32-33.

63/ Id.

64/ See note 59, supra.

share. 65/ Gallo and Taylor, in particular, have been singled out by trade publications as being particularly aggressive in the pricing area. 66/ Evidence of changes in market share appear to support this analysis. Between 1981 and 1983, Gallo's share of total California shipments of all table wine increased from 36.6 percent to 39.9 percent, and Taylor's share increased from 4.7 percent to 6.1 percent. 67/ With the exception of a very modest growth in market share by the two smallest of the top ten, all of the other top ten producers lost market share during this period. 68/ Thus, we do not find a reasonable indication that imports from Italy have caused any significant price suppression.

Furthermore, the Commission could not confirm any examples of specific sales lost by reason of imports from Italy. 69/ For these reasons, we do not find a reasonable indication that the financial difficulties experienced by some producers in the domestic industry are by reason of imports from Italy.

65/ See Report at A-32-33 and pricing information cited in n. 59. Although it is conceivable that the volume alone of an imported product could exert downward pressure on the price of a domestic product, there is much evidence that the vast majority of imported wine from Italy occupies a somewhat separate market niche. Furthermore, the volume of imports from Italy have remained flat, if not declined slightly, during the 1981-83 period that the petitioners identify as that in which the imports have caused injury. We also note that domestic shipments for domestic consumption were increasing slightly at this time.

66/ IMPACT (December 1, 1983) at 2; reprinted in Banfi Statement, Ex. J; "From the Editor" in The Wine Spectator (July 1-15, 1983) at 6.

67/ Id. at 4.

68/ Id.

69/ None of the domestic producers completed this portion of the Commission's questionnaire. Only one small producer made a general assertion of sales lost, in part, to imports in general. Tr. at 23. The Commission contacted the purchaser, but could not confirm whether sales were lost by reason of the prices of any of the specific imports under investigation. Furthermore, even assuming this could be considered a lost sale, the market share of this one producer is so small that it can hardly be considered representative of the entire industry.

Imports from France

The ratio of all table wine imports from France to domestic shipments of ordinary table wine is very small. In the 1981-83 period, the ratio was less than 5 percent. 70/ Thus, we do not find that the volume of imports from France have increased significantly during the 1981-83 period.

Furthermore, available data on delivered prices of imports from France indicate that these imports were substantially higher than a comparable leading domestic brand during each quarter of 1982 and 1983, with margins ranging from almost one dollar per gallon to almost four dollars per gallon, or from less than 10 percent to over 75 percent. 71/ In addition, data on retail prices indicate that Partager, a leading brand of ordinary table wine from France, was priced higher per case than Gallo or Paul Masson, which account for over 40 percent of domestic sales. Three other imports, Chantefleur, Pere Patriarch, and Canteval were priced higher than leading brands of non-premium wines offered by Gallo, Paul Masson, or Taylor California, which account for over 50 percent of domestic sales. 72/

We also do not find any reasonable indication that imports from France have caused price suppression. Given the very small volumes of imports from France, it is highly unlikely that such a volume alone could exert any

---

70/ Report, Table 14. Based upon questionnaire responses regarding ordinary table wine imports, imports from France have increased during the period under investigation, but the ratio of imports to domestic consumption, even in 1983, is minuscule. Report, table 15. However, since the questionnaire data does not represent all imports from France, we have used the official figures for all French table wine imports. Of course, these figures are overstated because they include "controlled" table wine as well. However, the trends for all table wine imports and ordinary table wine imports are the same.

71/ Report, Table 17.

72/ Petitioners' Post-conference brief, Ex. 9 and 11.

significant downward price pressure on domestic prices. In addition, the price data on imports from France do not exhibit any downward trends. 72/ Moreover, as in the case of wines from Italy, the Commission could not confirm that any specific sales of domestic wines were lost to imports from France. 73/ Thus, we do not find a reasonable indication that any difficulties experienced by the domestic industry are by reason of imports from France.

In addition, we determine that there is no reasonable indication of threat of material injury by reason of the subject imports from either France or Italy. Although these countries may be experiencing over-production problems, the volume of imports from either Italy or France has not risen significantly. Thus, it appears that any such problems have not resulted in significantly increased shipments to the United States. Furthermore, the data on pricing, which indicate that most of these imports are priced higher than domestically-produced wines, indicate that importers face certain market constraints in attempting to increase sales in the United States. Furthermore, industry analysts believe that domestic demand for table wine will continue to increase through the end of the decade. 74/ Thus, we do not find that imports from either France or Italy pose a threat of material injury. 75/

72/ Report at A-32.

73/ See n. 70 and 71, supra.

74/ See n. 30, supra.

75/ Findings of a reasonable indication of threat of material injury must be based on a showing that the likelihood of harm is real and imminent, and not based on mere supposition, speculation, or conjecture. S. Rep. 249, 96th Cong., 1st Sess., 88-89 (1979); S. Rep. 1298, 93rd Cong., 2d Sess., 180 (1974); Alberta Gas Chemicals Inc. v. United States, 515 F. Supp. 780, 790 (USCIT 1981).

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On January 27, 1984, the U.S. International Trade Commission and the U.S. Department of Commerce (Commerce) received two petitions from counsel on behalf of the American Grape Growers Alliance for Fair Trade (the Alliance), which represents grape growers, grower organizations, wine producers, and grower cooperatives. The first petition alleges that subsidies are being paid with respect to the production or exportation of ordinary table wine, imported from France and Italy, provided for in item 167.30 of the Tariff Schedules of the United States (TSUS). The second petition alleges that ordinary table wine from France and Italy, provided for in item 167.30 of the TSUS, is being sold in the United States at less than fair value (LTFV). The Commission therefore instituted preliminary countervailing duty and antidumping investigations under sections 703(a) of the Tariff Act of 1930 (19 U.S.C.1671b(a)), and 733(a) of the Tariff Act of 1930 (19 U.S.C.1673b(a)), respectively, 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 such imports. The statute directs that the Commission make its determination within 45 days of its receipt of the petitions, or in this case, by March 12, 1984.

Notice of the institution of the Commission's investigations 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 by publishing the notice in the Federal Register on February 6, 1984 (49 F.R. 4440). 1/ The public conference was held in Washington, D.C., on February 17, 1984. 2/ The briefings and votes in these investigations were held on March 6, 1984.

Allegations of Unfair Imports

Nature and extent of alleged subsidies

The countervailing duty petition alleges that producers or exporters in France and Italy receive the following benefits which constitute subsidies.

European Community (EC) subsidies.--The five subsidy programs provided by the European Agricultural Guidance and Guarantee Fund of the EC are (1) distillation subsidies, (2) intervention subsidies, (3) export refunds, (4) grants to grower cooperatives, and (5) grants for investments. Briefly, the distillation program authorizes producers of wine to sell their lowest quality, surplus bulk wines and byproducts at artificially high prices to distillers for conversion to alcohol. The intervention program compensates producers of table wine for placing surplus wines in storage, and the export refund program provides subsidies to exports to permit EC wine to sell at

1/ A copy of the Commission's notice of institution is presented in app. A. Copies of Commerce's institution notices are also presented in app. A.
2/ A list of witnesses appearing at the conference is presented in app. B.

competitive prices in foreign markets. Additionally, grants are provided to grower cooperatives for the replanting or conversion of vineyards to other uses, and for the abandonment of vineyards in locations which are ill suited for wine production. Finally, the EC provides grants for investments in buildings and equipment and for marketing purposes.

According to the petition, a conservative estimate of the total value of the subsidies received by French and Italian producers of ordinary table wine from the EC is 28 cents per gallon.

French subsidies.--The Government of France provides subsidies to its ordinary table wine industry through three programs: preferential financing for capital investments such as the establishment of new vineyards, the improvement of vineyards, and the purchase of equipment and facilities by cooperatives; short and long-term low-interest financing for working capital; and insurance benefits to protect French exports, which are provided through Compagnie Francaise d'Assurance pour le Commerce Enterieur (COFACE).

Italian subsidies.--The Government of Italy provides subsidies in the form of (1) preferential financing, (2) subsidies to cover administrative costs incurred by wine cooperatives in certain regions, (3) preferential interest rates, (4) preferential interest rates for financing export receivables, and (5) financing for the cost of operations. Additionally, the regional governments of Sicily and Emilia-Romagna provide approximately 17 subsidies to grape growers and wine producers in those regions. The petition also alleges that increased wine production in Latium, Tuscany, and Apulia suggests that similar regional subsidy programs exist in those regions.

The petition states that subsidies available from the French, Italian, and various regional governments equal, if not exceed, the total value of the subsidies received from the EC. However, the petitioners cannot identify the precise amount of benefits received from these sources.

Nature and extent of alleged sales at LTFV

The antidumping petition alleges that ordinary table wine from France and Italy is being sold in the United States at LTFV.

France.--The petition alleges that home-market sales are being made at less than the cost of production in France. In determining the dumping margins, the U.S. price was based on 1982 Bureau of Census statistics with deductions for inland freight, wharfage, and insurance, and foreign-market value was based on the U.S. producers' costs for the merchandise adjusted for differences in France. Using this method, the petition shows a dumping margin of 53 percent.

Italy.--The petition alleges that home-market sales in Italy are being made at less than the cost of production. The petition shows a dumping margin calculation in which the U.S. price was determined using 1982 Bureau of Census statistics with deductions for export certificate costs and inland freight. Foreign-market value was based on the U.S. producers' costs for the merchandise adjusted for differences in Italy. Using this method, the petition shows a dumping margin of 80 percent.

The Product

Description and uses

The imported product covered by these investigations is ordinary table wine, which is classified by the EC as Vins de Table (Council Regulation 817/70). 1/ Wine classified by the EC as Vins de Qualite Produits dans Une Region Determine (wines of quality produced in delimited areas, (VQPRD)) is excluded from the scope of these investigations. Such wine is monitored by the appropriate authorities in each country to insure that it is produced in conformity with various quality standards. 2/ Generally, Vins de Table and VQPRD are referred to as noncontrolled and controlled wines, respectively.

The above classifications are not recognized in the United States. Instead, wine produced and/or sold in the United States must comply with the standards of identity and with the labeling and packaging regulations of the Bureau of Alcohol, Tobacco, and Firearms (BATF) of the U.S. Department of the Treasury. These regulations (27 CFR 4.21) set forth a general standard of identity for grape wine as "wine produced by the normal alcoholic fermentation of the juice of sound, ripe grapes (including restored or unrestored pure condensed grape must), with or without the addition, after fermentation, of pure condensed grape must, and with or without added grape brandy or alcohol, but without other addition or abstraction except as may occur in cellar treatment." "Cellar treatment" as defined by statute (26 U.S.C. 5382) refers to practices and procedures used to make an acceptable wine. These practices include certain additions of sugar and water as amelioration before, during, or after fermentation.

Table wine is defined by the BATF as still grape wine having an alcoholic content not in excess of 14 percent by volume. Such wine may also be designated as "light wine," "red table wine," "light white wine," "sweet table wine," and so forth as the case may be. Table wine, which represents approximately 75 percent of all wine produced in the United States, 3/ is used to complement meals and in cooking, entertaining, and religious ceremonies.

1/ Such wine imported from France may be referred to as vins de pays (country wine), vins de table (table wine), or vin ordinaire (ordinary wine).
2/ VQPRD wines from France are labeled with "Vins a Appellation d' Origine Controlee" (AOC) or "Vins Delimites de Qualite Superieure" (VDQS); such wines from Italy are labeled with "Denominazione di origine controllata" (DOC).
3/ Other types of wine produced in the United States are dessert wine, champagne, and other special natural wines.

Although some domestic table wines are sold under generic names such as red, white, or rose, most are sold under semigeneric names such as Burgundy, Rhine, Riesling, Claret, Chablis, Sauterne, or Chianti--nomenclature adopted from types of European wines which the U.S. wines resemble in color and general taste. In accordance with the labeling regulations of the BATF (27 CFR 4.24), designations of semigeneric types must bear the name of the true place of origin in addition to the type of wine, e.g., "California Burgundy," "New York Chablis," "California Sauterne," "California Claret", "New York Riesling," or "California Chianti." The grapes used in the domestic production of the semigeneric types of wine and the type of soil on which the grapes are grown have a definite bearing on flavor and are seldom those associated with the foreign wine prototypes.

The most expensive domestic brands are varietal table wines bearing the name of the type of grape used in their production. Examples include Pinot Noir, Chardonnay, Cabernet Sauvignon, Merlot, Savignon Blanc, Semillon, Sylvaner, Gerwurztraminer, Barera, Riesling, and Grignolino. 1/ All of these types of grapes are associated with the production of particular European wines. Varietal wines designated as Catawba, Concord, Delaware, Niagara, and Scuppernong are identified with native American grapes not associated with European wine prototypes. Since January 1, 1983, the name of a single grape variety may be used as the type designation only if 75 percent or more of the wine is derived from grapes of that variety, and only if all such grapes were grown in the labeled appellation-of-origin area. 2/

Nonpremium table wine is the domestic product most similar to the imported ordinary table wine, and includes any and all of the following types of table wine: (a) nonvarietal wine, otherwise known as generic wine (examples include red, white, or rose); (b) semigeneric wine as defined in BATF regulations (27 CFR 4.24); and (c) nonpremium varietal wine (that is, varietal wine priced at $8.00 or less per gallon, in containers, f.o.b. winery). Nonpremium table wine (along with premium table wine) is provided for in items 167.30 and 167.32 3/ of the Tariff Schedules of the United States (TSUS).

Due to State regulations regarding the sale of alcoholic beverages, distribution of wine varies considerably throughout the United States. Wine in bottles is sold in most States by private retail stores, including food and drug stores, and by the glass or bottle in hotels and restaurants; however, a few States restrict sales to State-operated stores, and others limit sales to State-regulated (but privately owned) liquor stores.

1/ These wines are not subject to these investigations unless valued at $8.00 or less per gallon, in containers, f.o.b. winery.

2/ Prior to Jan. 1, 1983, the name of a single grape variety could be used if 51 percent of the wine was derived from grapes of that variety.

3/ Wine classified under TSUS item 167.32 is that wine imported in containers over 1 gallon. Such wine is not within the scope of these investigations.

Manufacturing process

Among the chief uses of grapes are (1) the manufacture of wines (2) drying into raisins and currants, and (3) consumption as fresh fruit. Two basic species of grape varieties are grown in the United States. *Vitis vinifera* (the family primarily grown in Europe) makes up nearly 100 percent of California production; most grapes grown in other States are native American varieties, chiefly the *Vitis labrusca* species.

In California (which annually accounts for about 90 percent of U.S. grape production), more than 150 varieties of *Vitis vinifera* are grown commercially. These varieties are distinguished by the trade into three groups or classes--wine grapes, raisin grapes, and table grapes. 1/

In planting wine grapes, varieties are chosen with reference to the kind of wine to be made, i.e., for desired color, sweetness, acidity, and flavor. Red wines require grapes with some color in the skin; dry wines require grapes of varying degrees of acidity and moderate sugar content; and sweet wines require grapes of high sugar content and low acidity. Wine grapes may be subdivided into the categories of black and white--that is, those for red wines and those for white wines, respectively.

Raisin grapes have characteristics which include suitablity for drying, pleasing flavor, high sugar content, meatiness, and lack of seeds. It is essential that raisin grapes ripen early in order to permit drying before the fall rains begin. The principal commercial types are the Thompson Seedless and Muscats. Table grapes of the vinifera type are distinguished from the other classes by their pleasing flavor, attractive appearance, and good shipping qualities. Principal commercial types include Tokay, White Malaga, Emperor, and Ribier.

Although, as stated, vinifera grapes are grown for special uses and are designated as such (wine, raisin, and table), many are used for more than one purpose. Raisin grapes are the type most adaptable to other uses and may serve as table grapes or may be crushed for making wine. For example, large quantities of Thompson Seedless, the chief variety for drying into raisins, are crushed for wine 2/ or used as table grapes. Although both raisin and table grapes are often diverted to the manufacture of wine and brandy, wine grapes, as such, are almost always used commercially for wine production only.

1/ Although all types of grapes may be used for making wine, certain varieties of the vinifera are better than others and are grown expressly for that purpose. Thus, in California, the trade excludes from the class of wine varieties those grown primarily for raisins or for the table.

2/ The California Crop & Livestock Reporting Service reports that the Thompson Seedless variety is the largest single variety (of all types of grapes) crushed in California (except in 1983) and accounted for the following shares of total grapes crushed in California during 1980-83: 24 percent, 18 percent, 22 percent, and 12 percent, respectively.

The eastern and southern types of American grapes are not readily classifiable according to use. However, none are suitable for drying into raisins. The Concord, the most popular and abundant of all eastern grapes, is suitable for table use and wine, and is also the best variety for grape juice.

Grapes ripen in late summer and early autumn. The harvest or vintage is accomplished by either mechanical harvesters or manual labor. Immediately after harvest, the fresh grapes are delivered to the winery where they are examined, tested, weighed, and crushed. In the crushing operation, a mechanical crusher removes the stems, breaks the skins and frees the juice. The crushed grapes and their juice, called "must," are pumped into large fermenting vats within the winery. In fermentation, the natural grape sugar is transformed by action of wine yeast into equal parts of carbon dioxide gas and wine alcohol. Complete fermentation, which converts the grape sugar and makes the wine dry, takes from a few days to a few weeks. 1/ White wine is made from the fermentation of the juice alone, drawn off from the grapes immediately after crushing. Pink or Rose wines are made by allowing the juice to ferment with the grape skins for a short time. Red wines have a stronger flavor and astringency than whites, because substances, principally tannin, are imparted to the fermenting juice by grape skins, seeds, and sometimes grape stems.

After fermentation, the juice is drawn off or pressed from the solids and the new wine is immediately placed in storage cooperage (containers) to begin aging. Aging generally begins in large, upright tanks, usually made of concrete, stainless steel, or redwood, and wine is drawn off periodically from the sediment (which collects in the bottom) into clean cooperage. As wines mature, many producers complete the aging in smaller, wood containers, generally made of oak or redwood. Most wines are blended with other wines for a combination of characteristics viewed as desirable by the producer. Blending can take place during the crush, immediately after fermentation, or after the wines mature. Before bottling, the wine is cleaned by filters and the use of centrifuges which remove sediment. To improve quality, most wineries keep their bottled wines in storage from a few months to several years before shipment. In general, red wines are bottle-aged longer than whites, and dryer and more expensive wines receive longer bottle-aging than sweeter, less expensive wines.

Wine may leave the winery in bottles, barrels, railroad tank cars, or tank trucks. Much wine is shipped from one winery to another for blending and aging, and trade sources indicate a small amount is also shipped in bulk to consuming centers, where it is bottled by wholesalers.

1/ Complete fermentation of ripe California grapes usually results in a table wine of 10 to 14 percent alcohol content by volume.

U.S. tariff treatment

U.S. imports of ordinary table wine are classified under item 167.30 of the Tariff Schedules of the United States (TSUS), which covers still wines produced from grapes and containing not over 14 percent of alcohol by volume, in containers each holding not over 1 gallon. Imports from France and Italy and all other countries receiving the column 1 rate of duty 1/ are dutiable at 37.5 cents per gallon (6.8 percent ad valorem equivalent in 1983). This rate of duty, which is not scheduled for reduction, reflects a concession under the General Agreement on Tariffs and Trade (GATT) and has been in effect since June 6, 1951.

Imports under TSUS item 167.30 are also subject to Federal Excise Tax (26 U.S.C. 5051) at the rate of 17 cents per wine gallon on still wines containing not more than 14 percent of alcohol by volume.

U.S. Market and Channels of Distribution

Apparent U.S. consumption

Official data on U.S. consumption of domestically produced nonpremium table wine and imported ordinary table wine from France and Italy are not available. The best data which are available are those for a broader category, table wine. The products subject to these investigations are estimated to account for approximately 90 percent of the domestic table wine data 2/ and at least 60 percent of import table wine data (by quantity).

Apparent U.S. consumption of table wine increased steadily from 385 million gallons in 1981 to 407 million gallons in 1983, or by 6 percent (table 1). Taxable withdrawals 3/ from bonded wine cellars 4/ increased from 287 million to 296 million gallons over the period, and imports rose from 98 million to 110 million gallons.

1/ The rates of duty in col. 1 are most-favored nation rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA.

2/ This estimate is based on data provided by the petitioner, and on data received in response to the Commission's questionnaire. The other 10 percent of this category consists of premium table wine.

3/ Taxable withdrawals are withdrawals of domestically produced wine from bonded premises, at which time Internal Revenue taxes are paid.

4/ Bonded wine cellars are premises established for the production, blending, cellar treatment, storage, bottling, packaging, or repackaging of untax-paid wine, pursuant to BATF regulations.

Table 1.--Table wine: Taxable withdrawals, 1/ imports, 2/ and apparent consumption, 1981-83

(In thousands of gallons)

Year	Taxable withdrawals	Imports	Apparent consumption
1981	287,183	98,208	385,391
1982	291,391	104,732	396,123
1983	3/ 296,086	110,840	3/ 406,926

1/ Includes taxable withdrawals of both bulk and bottled still wine containing not over 14 percent alcohol by volume (table wine).
2/ Table wine in containers not over 1 gallon.
3/ Estimated.

Source: Compiled from official statistics of the Bureau of Alcohol, Tobacco, and Firearms, and official statistics of the U.S. Department of Commerce.

U.S. producers

Grape growers.--The major portion of U.S. grape growers are located in the States of California, Washington, and New York. In 1983, approximately 10,000 of the 16,000 grape growers in the United States were located in California, and in recent years, these growers have annually accounted for about 90 percent of total U.S. grape production. Historically, about 60 percent of California grape production has been crushed for wine (however, this figure dropped to 47 percent in 1983), with most of remaining production being utilized for raisins and fresh table grapes. The U.S. Department of Agriculture (USDA) reports that during 1981-83, California grapes supplied 96, 97, and 94 percent, respectively, of all grapes processed for wine in the United States.

Although some growers produce a particular grape (such as a wine varietal) for a specific use, others produce several different types of grapes for various uses (wine, raisins, or table stock). In addition, there are certain varieties (especially Thompson Seedless) that may be diverted to different uses (wine, raisins, or table stock), depending on demand or price considerations.

In 1983, total grape-bearing acreage in California was estimated to be 649,600 acres, representing a level 10 percent above the 593,865 bearing acres reported in 1979 (table 2). The total acreage in 1983 was primarily accounted for by wine grapes (47 percent) and raisin grapes (42 percent), with table varieties accounting for a much lower share (11 percent).

Table 2.--California grapes: Bearing acreage, by classes, 1979-83

(In acres)

Year	Wine	Table	Raisin	Total
1979	292,503	61,839	239,523	593,865
1980	290,686	62,506	243,438	596,630
1981	278,935	63,481	249,665	592,081
1982 1/	291,413	67,783	260,780	619,976
1983 2/	305,000	71,600	273,000	649,600

1/ Preliminary.
2/ Estimated by the California Crop & Livestock Reporting Service and the U.S. Department of Agriculture.

Source: Economic Research Department, Wine Institute; California Crop & Livestock Reporting Service, Crop Reporting Board; and U.S. Department of Agriculture.

Growers may choose to sell their fruit through a cooperative, through a "participation plan," or in the cash market. 1/ Approximately 30 percent of grapes crushed in California are estimated to be owned by wineries or by growers that are members of a processing cooperative.

Growers that are members of a cooperative deliver their grapes to the cooperative-owned processing plant, where they are processed and marketed as the finished product. 2/ The members generally receive an initial payment immediately after harvest and then progress payments based upon net returns from the marketed wine (or raisins). Returns to the grower are also based upon such factors as sugar content and the demand for a specific type of grape.

Under a "participation plan," a grower agrees to deliver his grapes to a cooperative or corporate processor. The grower's return is determined by an agreed-upon formula based on the selling price of the wine.

Cash market sales may be made directly to a processor, and purchase methods vary by processor. Certain wineries use long-term contracts with price negotiated on an annual basis. At least one major winery (Gallo, which trade sources indicate purchases 35 to 40 percent of all California grapes crushed for wine) uses no written contract with growers, but indicates through a field representative before harvest whether it will purchase a grower's production, and consequently determines a price after harvest, which is generally paid within 30 days.

1/ It is believed that at least 60 percent of total sales of grapes for crushing are on a cash basis.
2/ Cooperatives include wineries (such as Guild or Allied Grape Growers) and raisin producers (such as Sun Diamond).

At the present time, the average established vineyard (for all types of California grapes) is 65 acres in size and costs $6,000 to $25,000 per acre to purchase, depending upon the type and quality of grape that can be produced in the vineyard. Additionally, it takes approximately 3 years for a new vine to produce fruit and 6 to 7 years for it to reach maturity. Although some growers are absentee owners that contract with a firm to provide care and maintenance service for their vineyards, this number is estimated to be relatively small. 1/

Wine producers.--The domestic wine industry is dominated by E. & J. Gallo Winery, which accounts for over one-third of total U.S wine production. The 10 largest producers are estimated to together account for about 70 percent of U.S. production. During 1978-82, the number of bonded wine cellars, as reported by the BATF, increased steadily from 769 to 1,084, as shown in the following tabulaton:

Year	Bonded wine cellars
1978	769
1979	824
1980	920
1981	1,021
1982	1,084
1983 1/	1,100

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

The majority of the bonded wine cellars (55 percent in 1982) are located in California. Other States which have sizable numbers of bonded wine cellars include New York (7 percent), Ohio (4 percent), Oregon (4 percent), and Pennsylvania (3 percent). In recent years, California has annually accounted for about 90 percent of U.S. wine production, with New York accounting for an additional 8 percent. 2/

The structure of wineries varies, and includes privately held firms, publicly held firms, cooperatives, and limited partnerships with growers as partners. In addition, some wineries are part of large alcoholic beverage or other conglomerates for which wine is only a small part of total operations.

The crushing of grapes into wine is seasonal. The crushing begins in late summer and proceeds through the harvest season (fall). However, other factors involved in the production of wine, such as filtering, blending, racking, aging, and bottling, take place throughout the year.

1/ Witnesses for the petitioner stated that absentee ownership of wine and table grape vineyards is less than 10 percent, and that of raisin vineyards less than 0.5 percent. Transcript of the conference, p. 79.

2/ Production is defined as that quantity of standard wine removed from fermenters plus increases after fermentation by amelioration, sweetening, and addition of wine spirits, less withdrawals of wine for distillation. Data supplied by Economic Research Department, Wine Institute.

U.S. importers

Less than 20 importers together account for the majority of imported wines under investigation, and one importer, Villa Banfi, U.S.A. (which imports the lines of Riunite and Villa Banfi) is estimated to account for over * * * percent. The largest U.S. importers of table wine from France and Italy and their brands or lines for 1983 as shown below:

Importer	Brand or line	Estimated 1983 share of total imported table wine-1983 1/ (percent)
Villa Banfi	Riunite, Villa Banfi, Bell 'Agio	23,1,1
Jose Garneau Co. (Brown-Forman)	Cella, Bolla	6,4
"21" Brands (Mc Kesson)	Folonari	4
Star Industries	Canei	4
F. Bonanno	Zonin	2
Renfield	Giacobazzi	2
Seagram Wine Co. (Seagram)	Partager	1

1/ Estimated by the staff of the U.S. International Trade Commission from data published by Impact, M. Shanken Communications, Inc.

Some of the largest importers are privately owned, and others are part of larger beverage-oriented conglomerates. The largest importers are located on the east coast and generally do not bottle or blend this product after it has been entered into the United States; it is generally bottled in containers ready for retail sale in the country of production.

Foreign producers

The EC, where wine is produced in five of the member states (Italy, France, West Germany, Greece, and Luxembourg), accounts for about 50 percent of total world production. Italy and France are the major producers, with each accounting for approximately 20 percent of total world production. The output of each of these countries is more than four times U.S. production. Information supplied by the USDA indicates that a total of 1.7 million farms cultivate wine grapes in Italy and France, and each has an average of 3 acres devoted to wine grapes. The average yield is approximately 3 metric tons per acre.

France.--Information supplied by the Foreign Agricultural Service (FAS) of the USDA indicates that about two-thirds of French production originates in three regions in southern France: Languedric-Rousillon, Provence-Cote D'Azur, and the Midi-Pyrenees. About 60 percent of French production (excluding wine distilled into cognac) of wine is estimated to be ordinary table wine (table 3). 1/ FAS officials report that cooperatives are playing an increasingly important role in French wine production, largely as a result of the EC's policy of encouraging their formation and development. About 50 percent of total French production of wine now comes from cooperatives, with a much higher percentage applicable to the production of ordinary table wine. French production of ordinary table wine during 1978/79 to 1982/83 was irregular, increasing to a peak of 1.4 billion gallons in 1979/80 and then declining irregularly to an estimated 1.2 billion gallons in 1982/83. The majority of table wine produced in France in 1982/83 was red or rose.

Italy.--The major producing areas in Italy are Emilia-Romagna, Puglia, Veneto, and Sicily. Combined, these areas are responsible for over one-half of Italian wine output. Emilia-Romagna is the source of the so-called "Lambrusco" wines. 2/ In 1982/83, about 84 percent of Italy's wine production consisted of ordinary table wine. FAS officials report that in Emilia-Romagna and southern Italy, table wines account for 94 percent or more of total output. Cooperatives are also reported to be playing an increasingly important role in Italian wine production and 40 percent of Italian production is estimated to come from cooperatives (again, this percentage is believed to be much higher for ordinary table wine). Italian production of ordinary table wine increased from 1.7 billion gallons in 1978/79 to 1.9 billion gallons in 1980/81, and then declined to an estimated 1.6 billion gallons in 1982/83.

Other countries.--Other major wine producing countries include Spain, the Soviet Union, Argentina, and the United States, as shown in the following tabulation according to the Food & Agriculture Organization of the United Nations:

Country	Wine production in 1982/83 (millions of gallons)
France	2,093
Italy	1,915
Spain	1,031
Soviet Union	898
Argentina	740
United States	515
West Germany	399
Others	2,049
Total	9,640

1/ It is a common practice in France and Italy to refer to wine which is not controlled (designated as VQPRD in France and DOC in Italy) as ordinary table wine.

2/ The major lambrusco wine brand imported into the United States is "Riunite," which is described as light, sweet, fruity and bubbly and can be served chilled (transcript of the Conference, pp. 171 and 178).

It is estimated from data supplied by the Italian Wine Promotion Center that lambrusco-type wines accounted for at least 65 percent (by volume) of U.S. table wine imports from Italy in 1982.

Table 3.--Wine: Production by certain European Community countries, by types, 1/ crop years 1978-82

(In thousands of gallons)

Member states	1978/79	1979/80	1980/81	1981/82 2/	1982/83 2/
	Table wine				
West Germany	7,952	4,676	3,804	3,725	79,677
France	939,398	1,365,441	1,240,219	1,003,699	1,225,795
Italy	1,662,564	1,922,042	1,926,955	1,595,938	1,575,834
Luxembourg	845	581	53	53	1,981
Greece	140,147	130,188	131,667	132,090	103,030
Other	132	132	159	159	264
Total	2,751,038	3,423,060	3,302,858	2,735,663	2,986,581
	Quality wine 3/				
West Germany	199,218	224,157	124,772	193,882	319,235
France	394,870	496,104	391,488	368,267	544,211
Italy	239,241	261,010	237,339	188,334	224,553
Luxembourg	1,057	1,057	1,268	2,510	5,284
Greece	7,265	7,344	6,420	7,925	10,567
Total	841,651	989,671	761,288	760,918	1,103,850
	Other wine 4/				
West Germany	-	-	-	-	-
France	209,310	360,342	206,932	142,076	306,449
Italy	-	44,963	53,496	57,063	80,575
Greece	660	977	4,438	5,284	5,283
Total	209,970	406,282	264,867	204,422	392,307

1/ Officials at the USDA have indicated that the category "table wine" is approximately equivalent to "non-controlled" wine, and the category "quality wine" is approximately equivalent to "controlled" wine.

2/ Provisional.

3/ Produced in a specific region (psr).

4/ Believed to primarily consist of vermouth.

Source: Commission of the European Communities, Commission Report to the Council, COM (83) 412 Final.

Note.--Data may not add to totals due to rounding.

The Question of Alleged Material Injury

U.S. grape growers

<u>U.S. production</u>.--U.S. production of grapes increased from 4.5 million tons in 1981 to a record-high 6.6 million tons in 1982, before declining to 4.9 million tons in 1983 (table 4).

Table 4.--Grapes: U.S. production, 1/ by States, 1981-83

(1,000 tons)

State	1981	1982	1983
California	3,993	6,138	4,370
Washington	159	163	215
New York	150	157	185
Michigan	53	59	60
Pennsylvania	61	47	57
All other	42	37	44
Total	4,458	6,616	4,931

1/ Includes unharvested production plus harvested but not sold grapes, totaling 600 tons in 1981 and 780,200 tons in 1982.

Source: U.S. Department of Agriculture Fruit Outlook and Situation, Nov. 1983.

California accounted for 91 percent of total U.S. production during 1981-83. Production in that State increased by 54 percent from 1981 to 1982 as a result of the record crop in 1983, and despite the subsequent decline in 1983, California exhibited a 9-percent increase over the period. Production by the next three largest producing States, Washington, New York, and Michigan, increased steadily during 1981-83.

<u>Utilization</u>.--California's utilization of grapes rose from 4.0 million tons in 1981 to 5.4 million tons in 1982, before declining to 4.7 million tons in 1983 (table 5). For all grape types, the quantities crushed and canned decreased from 1981 to 1983, and the quantities used as fresh fruit and dried increased over the period.

Table 5.--Grapes: California utilization, by types, 1981-83

(In thousands of tons)

Item	1981	1982	1983 1/
Wine:			
Fresh	69.0	66.0	90.0
Canned	-	-	-
Dried	-	-	-
Crushed	1,725.0	2,086.0	1,780.0
Total	1,794.0	2,152.0	1,870.0
Raisin:			
Fresh	204.0	303.0	254.0
Canned	42.0	35.0	35.0
Dried	1,024.0	1,530.0	1,738.0
Crushed	509.0	774.0	323.0
Total	1,779.0	2,642.0	2,350.0
Table:			
Fresh	230.0	311.2	285.5
Canned	-	-	-
Dried	8.0	17.5	9.5
Crushed	182.0	265.3	180.0
Total	420.0	592.0	475.0
All grapes:			
Fresh	503.0	680.8	629.5
Canned	42.0	35.0	35.0
Dried	1,032.0	1,547.5	1,747.5
Crushed	2,416.0	3,123.3	2,283.0
Total	3,993.0	5,386.0	4,695.0

1/ Preliminary.

Source: Compiled from official statistics of the Wine Institute, and the California Crop & Livestock Reporting Service.

During 1981-83, the quantity of California raisin-type grapes utilized as dried grapes increased significantly, both in volume and as a share of total dried grapes. 1/ In 1981, about 58 percent of raisin-type grapes were utilized as dried grapes, compared with 74 percent in 1983. The petitioner states that the significant increase in utilization as dried grapes was due to the decreased demand for raisin-type grapes by wineries for crushing. 2/

Wine producers

In connection with these investigations, questionnaires were sent to 33 of the largest producers of wine in the United States. Responses have been received from 14 firms which together accounted for an estimated 71 percent of U.S. nonpremium table wine shipments in 1983. Since very few of these responses were complete, most trade data in this report are based on official statistics published by the USDA, the California Crop & Livestock Reporting Service, the Wine Institute, and other sources. These official data are supplemented by questionnaire responses where possible.

U.S. production.--The best available data regarding U.S. production are data published by the BATF relating to the bottling of all still wines. Approximately 80 percent of total bottlings of still wine are made up of bottlings of table wine, and nonpremium table wine accounts for 90 percent of table wine. Bottlings for 1981 through 1983 are shown in the following tabulation:

Year	Bottled still wines 1/ (1,000 gallons)
1981	370,712
1982	366,735
1983 2/	372,611

1/ Such bottlings include table wine, still wines containing over 14 percent of alcohol, and vermouth and other special natural wines.
2/ Estimated by the staff of the U.S. International Trade Commission.

1/ It should be noted that raisins are covered by a marketing order issued by the Secretary of Agriculture, which legally obligates all raisin handlers to abide by the order's terms. Before harvest, a "free" or "salable" percentage is determined from the size of the crop and other market conditions. Every handler is required to apply the stated percentage to his total handlings to determine the quantity of raisins which may be marketed without restriction. Sales in excess of the "free" or "salable" allocation must be made in "noncompetitive" markets (exports, livestock feed, etc.). The restricted portion of the crop is held in a reserve pool, out of which sales can be made on the primary market if demand strengthens or if supplies fall short of initial expectations. The order also specifies the desirable level of carry-over reserves, which for the 1983 marketing year was 40,000 sweatbox tons.

2/ Countervailing duty petition, p. 44.

As shown, bottlings irregularly increased from 1981 to 1983. The increase from 1982 to 1983 is believed to be, in part, the result of the large crush in 1982 and record-high inventories.

Capacity.--Published data on capacity in the wine industry relates to total storage capacity of California wineries. It includes all tanks, barrels, fermenters, and casks which are usable for the storage of crushed products such as wine and wine concentrates. 1/ Total storage capacity on December 31 increased by 12 percent from 1980 to 1982, as shown in the tabulation below:

Year	Total storage capacity 1/ (1,000 gallons)
1978	810,757
1980	899,598
1982	1,006,977

1/ These data were obtained from the Wine Institute. California capacity is estimated to account for about 90 percent of total U.S. storage capacity.

Capacity utilization.--Data on utilization of storage capacity are not available.

Domestic shipments.--The best official data available relating to U.S. shipments of the wine covered by these investigations are taxable withdrawals of table wine, as reported by the BATF. 2/ Such withdrawals are considered by the trade to be a good indication of domestic shipments, since wine is generally stored in bonded premises until acquired by a purchaser in order to delay payment of applicable Internal Revenue taxes.

As shown in the following tabulation, taxable withdrawals increased gradually, from 287 million gallons in 1981 to an estimated 296 million gallons in 1983:

Year	Taxable withdrawals of table wine (1,000 gallons)
1981	287,183
1982	291,391
1983	1/ 296,086

1/ Estimated.

1/ Total storage capacity is generally not in use at any one point in time.
2/ As stated earlier, non-premium table wine accounts for approximately 90 percent of all table wine.

Fourteen firms provided data on their shipments of nonpremium table wine in response to the Commission's questionnaire. These firms together accounted for approximately 71 percent of U.S. nonpremium table wine shipments in 1983. As shown in the following tabulation, nonpremium table wine shipments by these firms remained fairly constant throughout the period, at about * * * million gallons:

Year	Shipments of nonpremium table wine 1/ (1,000 gallons)
1981	***
1982	***
1983	***

1/ Includes exports, whch totaled * * * million gallons, * * * million gallons, and * * * million gallons in 1981, 1982, and 1983, respectively.

U.S. exports.--Exports of table wine declined irregularly from 7.4 million gallons, valued at $25.3 million, in 1981 to 6.4 million gallons, valued at $26.5 million in 1983 (table 6). Canada, the primary export market during this period, accounted for 52 percent of the quantity and 28 percent of the value of total exports in 1983. The majority of exports to Canada are believed to be in bulk form, as reflected by the average unit values reported for such exports.

U.S. inventories.--Inventories of table wine held at bonded wineries and wine cellars 1/ have risen irregularly in recent years, as shown in the following tabulation compiled from data provided by the Wine Institute:

	Inventories 1/ (1,000 gallons)
As of Nov. 30--	
1980	545,851
1981	553,443
1982	650,992
1983	604,774

1/ Excludes substandard wine produced as distilling material.

The inventory level achieved in 1982 is the largest in history and reflects, in part, the effects of the record harvest and crush in that year.

1/ These data include inventories of both bulk and bottled wine.

Table 6.--Table wine: U.S. exports, by principal markets, 1981-83

Market	1981	1982	1983
	Quantity (1,000 gallons)		
Canada	4,793	4,112	3,314
United Kingdom	437	1,148	1,146
Japan	166	218	382
Bahamas	143	213	203
Belgium	65	212	201
All other	1,802	1,824	1,152
Total	7,406	7,727	6,398
	Value (1,000 dollars)		
Canada	10,321	9,643	7,529
United Kingdom	2,808	7,164	6,737
Japan	1,039	1,542	2,302
Bahamas	611	1,049	957
Belgium	541	1,101	1,399
All other	9,933	10,863	7,553
Total	25,253	31,362	26,477
	Unit value (per gallon)		
Canada	$2.15	$2.35	$2.27
United Kingdom	6.43	6.24	5.88
Japan	6.26	7.07	6.03
Bahamas	4.27	4.92	4.71
Belgium	8.32	5.19	6.96
All other	5.51	5.96	6.56
Average	3.41	4.06	4.14

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

Employment.--Eight firms, which accounted for an estimated 20 percent of U.S. shipments of non-premium table wine in 1983, provided data on employment of workers producing table wine. 1/ As shown in the following tabulation, the number of workers employed by these firms declined by about 4 percent between 1981 and 1983:

Period	Number of employees	Hours worked (1,000 hours)	Wages paid (1,000 dollars
1981---------------	924	2,254	17,695
1982---------------	931	2,514	20,104
1983---------------	892	2,405	18,645

During the same period, hours worked by these employees increased by 9 percent, while wages paid increased by 5 percent.

Eleven firms responded to the question asking if their workers were represented by unions. Of these, 5 firms had no union employees, while workers at the other firms were represented by the Distillery, Wine, & Allied Workers, AFL-CIO.

Financial experience of U.S. producers--overall establishment operations.--Nine producers provided the Commission with usable income-and-loss data on the overall operations of their establishments within which nonpremium table wine was produced (table 7). Gallo, the largest producer, did not provide data on overall operations. The nine reporting firms together represent * * * percent of total estimated shipments of nonpremium table wine in 1983. Net sales for the reporting establishments totaled $395.9 million in 1983, down from $429.9 million in 1982. For all nine producers, net sales fell between 1982 and 1983. In 1983, aggregate data for the nine firms showed an operating loss of 2.3 percent (four of the firms showed operating profits) compared with an aggregate operating profit of 3.0 percent in 1982 and 6.2 percent in 1981. Three firms showed operating losses as in 1981 and 1982; this number increased to five firms in 1983.

Analysis of overall operations, by firm sizes (based on net sales), does not indicate any group that is immune to the trends of the 3 years. The five firms with annual net sales ranging from $10 million to $70 million had higher ratios of operating profit to net sales on average in 1981 and 1982 than did the two larger and two smaller firms. These five firms also had smaller operating losses in 1983 (at 1.5 percent), compared with a 1983 loss of 2.5 percent for large firms and a loss of 5.2 percent for small firms. Among the large firms, * * *.

1/ Data was not requested on employment of non-premium table wine workers, as such data could not be meaningfully separated from data concerning table wine workers.

Table 7.--Profit-and-loss experience of 9 U.S. producers on the overall operations of the establishments within which nonpremium table wine is made, by producers' accounting years 1981-83

* * * * * * *

<u>Operations producing nonpremium table wine</u>.--The analysis of nonpremium table wine operations includes a response from Gallo, * * *.

* * * * * * *

Table 8.--Profit-and-loss experience of 10 U.S. producers on their operations producing nonpremium table wine, by producers, accounting years 1981-83

* * * * * * *

<u>Comparison of selected U.S. producers</u>.--Questionnaires used in this preliminary investigation did not request a breakdown of the component costs of goods sold and operating expenses. Thus, the limited nature of the responses precludes a detailed analysis of the financial performance of the individual producers. A brief analysis of the performance of * * * and * * *, firms having annual sales in the * * * million to * * * million range, and a balance sheet comparison of a cooperative winery, * * *, are discussed below.

Financial analysis of the larger producers is complicated further, because several of the producers are owned by parent corporations that import wine and/or own other domestic producers. Financial changes in these firms are often a reflection of parent corporation policy, and their financial data may not be directly comparable with data for independent producers. * * *. 1/

* * * * * * *

1/ Letter from * * * dated Feb. 24, 1984.

Table 9.--Profit-and-loss experience of * * *, and that reported for like firms by Robert Morris Associates, accounting year 1983

*   *   *   *   *   *   *

The Question of a Reasonable Indication of Threat of Material Injury

The EC reports annually on its wine industry. The 1983 report (COM (83) 412 final) indicated that since 1976, and especially since 1980, there has been a general decline in producing vineyard area in most of the wine-producing member states, especially France and Italy. The reduction in production potential is linked to various Commission regulations (beginning in 1976) relating to aid for voluntary conversion of vineyards to other uses. The report indicates that production of wine in the EC fluctuates considerably from one wine year to another as well as between regions, making it very difficult to arrive at reliable production forecasts. However, the report (by extrapolating trends) makes two predictions regarding table wine production for the period up to 1989:

> A stabilization of wine production in the Community at a level roughly equal to the present average of 110 million hectoliters as a combined result of the various structural measures taken in 1976 and after, supplemented in 1980 under the 1980-86 action program and by the new instruments for managing the market introduced in 1982.
>
> A slight increase in production because the aid recently introduced for concentrated and rectified concentrated grape must used in wine enrichment may produce some increase in yield; production would then reach 117 million hectoliters over the next few years.

In contrast to production, the report indicates EC wine consumption in all forms has been falling by 0.75 percent a year since 1971/72. This decline in direct human consumption is attributable mainly to the decline in the two main wine-producing member states, France and Italy. In France, consumption (which averaged 97 litres per person in 1976-80) is reported as having been down to 92 litres in 1980/81 and 84 litres in 1981/82.

The report concludes by stating;

"This report on foreseeable trends in the planting and replanting of vineyards in the Community and the balance of production and consumption in the wine sector has confirmed a number of recent developments in Community wine-growing and described possible future market patterns in the light of the new instruments for managing the market which were adoped in 1982.

The total area under vines in the Community is steadily falling except in Germany, where a slight increase is reported, and Luxembourg, where there is no movement either way. This decline since 1976 (more recently in Greece) must be accounted a success of the Community's structural policy. The two sets of measures introduced in 1976 and 1978-80 are beginning to take full effect.

Although market trends have been influenced by the pattern of the weather, the effect of which on productivity should not be underestimated, the continuing surpluses are mainly due to a combination of two factors.

There has been a virtually irreversible drop in the consumption of wine in the two leading producer and consumer countries of the Community (France, Italy) which has not been offset by the slight increase in consumption in other Member States (particularly the non-producers).

There has been a long-term tendency for production to rise, mainly because of increased yields, and this has outweighed the contraction in vineyard area overall.

The likelihood that these trends would continue and the prospect of the accession of Spain induced the Community in March 1982 to adopt a group of new intervention measures with the aim of balancing or at least coming closer to balancing the market in table wines. However, these new arrangements for regulating and stabilizing the market are principally based on distillation, and the Community may be running the potentially expensive risk of moving the surplus to the alcohol market; by granting blanket aid to grape musts and concentrated grape musts for use in wine enrichment, it may also be courting the danger of increasing yields and hence encouraging the trend to higher production.

The only possible way of meeting these difficulties at the moment is speedier implementation by the Member States concerned of the 1979-85 action programme, especially with regard to reducing their production potentials. The fact remains that the central instrument among the new arrangements adopted in 1982, i.e. obligatory distillation of table wine in proportion to the real output of holdings, the type of wine concerned and its alcoholic strength, has not been applied in the first wine year under the new system; it is important to test it in practice as soon as circumstances permit in order to make a fully-informed assessment of the effectiveness of the reform."

Wine supply balances for France and Italy show that production trends in Italy are declinning, and those in France are increasing (table 10).

Table 10.--Wine supply balances for Italy and France, crop years 1980-82

Item	Italy			France		
	1980/81	1981/82 1/	1982/83 2/	1980/81	1981/82 1/	1982/83 2/
Production million gallons--:	2,219.1	1,841.3	1,881.0	1,838.7	1,513.8	2,076.5
Net imports 3/-do----:	-488.7	-560.1	-496.7	2.6	2.6	-7.9
Stock changes--do----:	15.9	-266.8	-76.6	-10.6	-116.2	298.5
Community distillation----do----:	372.5	258.9	140.0	229.8	79.3	211.3
Internal use 4/ do----:	1,342.0	1,289.2	1,320.9	1,624.7	1,519.0	1,497.9
Processing-----do----:	15.9	18.5	18.5	293.2	235.1	2129.3
which is non-Community distillation do----:	7.9	10.6	5.3	285.3	229.8	211.3
Total losses---do----:	7.9	7.9	7.9	15.9	13.2	23.8
Direct human consumption--do----:	1,318.3	1,262.8	1,294.5	1,315.6	1,270.7	1,254.9
Consumption per person----gallons--:	23.1	22.1	22.6	24.4	23.5	23.1
Self-sufficiency percent--:	165.2	142.7	142.4	113.2	99.6	138.6

1/ Preliminary.
2/ Forecast.
3/ A plus sign is equivalent to an import surplus; a minus sign is equivalent to an export surplus. Must, wine, vermouth; vermouth and flavored wines reduced by 75 percent of actual quantity.
4/ Excludes wine distilled under European Community measures .

Source: Commission report to the Council, COM (83) 412 final, July 4, 1983.

Data relating to table wine inventory levels on September 1 for France and Italy are available only for 1980-82 (table 11). Both French and Italian table wine inventories increased slightly from 1980 to 1981 and then declined significantly in 1982, reflecting the high production levels of 1979/80 and 1980/81 and the lower level of 1981/82. During 1980-82, the ratios of inventories to production of table wine for France were 45, 51, and 56 percent,
respectively, and those for Italy were 35, 36, and 28 percent respectively.

Table 11.--Wine: Inventories for France and Italy as of Sept. 1 of 1980-82 1/

(In millions of gallons)

Country	1980	1981	1982
		Table wine	
France	610	631	561
Italy	677	693	441
		Quality wine 1/	
France	569	538	490
Italy	158	158	142
		All wines	
France	1,183	1,172	1,054
Italy	837	852	584

1/ Data for 1983 were not available.
2/ Produced in a specific region (psr).

Source: Commission of the European Communities, Commission Report to the Council, COM (83) 412 final.

The Question of the Causal Relationship Between Alleged Material Injury and Imports from France and Italy

U.S. imports

Imports of table wine from both France and Italy increased steadily during 1981-1983 (table 12). 1/ Imports from Italy rose from 60 million gallons in 1981 to 63 million gallons in 1983, or by 6 percent, and imports from France increased from 15 million to 22 million gallons, or by 48 percent, over the same period.

According to the petitioner, most imports of ordinary table wine from Italy are valued under $4 per gallon, while imports of ordinary table wine from France sell in a broader price range. 2/ Data on imports valued under $4 per gallon are presented in table 13. In this category, imports from Italy increased from 45 million gallons in 1981 to 47 million gallons in 1983, and imports from France rose from 2 million to 5 million gallons during the same period. The unit values of imports from Italy and France fell by 7 and 0.6 percent, respectively, over this period.

Questionnaires were sent to 12 importers of ordinary table wine from France and Italy that are believed to together account for about 90 percent of such imports from those countries. Responses from eight firms which import from Italy are presented in the following tabulation:

Year	Imports from Italy: Quantity (1,000 gallons)	Imports from Italy: Value (1,000 dollars)
1981	***	***
1982	***	***
1983	***	***

1/ These import data include both controlled and noncontrolled (i.e., premium and nonpremium) wine.
2/ Countervailing duty petition, p. 29.

Table 12.--Table wine: U.S. imports for consumption of table wine, by sources, 1981-83

Source	1981	1982	1983
	Quantity (1,000 gallons)		
Italy	59,860	63,023	63,428
France	15,049	18,042	22,243
West Germany	13,034	13,198	15,030
Portugal	5,305	4,979	4,418
Spain	1,463	1,499	1,330
All other	3,497	3,991	4,392
Total	98,208	104,732	110,841
	Value (1,000 dollars)		
Italy	229,771	238,827	243,400
France	172,851	188,510	211,027
West Germany	97,266	98,529	103,219
Portugal	30,639	28,479	23,288
Spain	8,977	9,181	8,234
All other	20,138	22,042	24,130
Total	559,642	585,568	613,298
	Unit value (per gallon)		
Italy	$3.84	$3.79	$3.84
France	11.49	10.45	9.49
West Germany	7.46	7.47	6.87
Portugal	5.78	5.72	5.27
Spain	6.14	6.13	6.19
All other	5.76	5.52	5.49
Total	5.70	5.59	5.53

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

Table 13.--Table wine: U.S. imports for consumption of table wine valued not over $4 per gallon, by sources, 1981-83

Source	1981	1982	1983
	Quantity (1,000 gallons)		
Italy	45,269	46,852	47,113
France	1,966	2,935	4,866
West Germany	361	470	2,352
Portugal	328	807	2,090
Yugoslavia	277	517	701
All other	1,349	1,709	1,804
Total	49,550	53,291	58,926
	Value (1,000 dollars)		
Italy	138,120	133,437	133,458
France	6,168	9,131	15,181
West Germany	1,129	1,058	7,213
Portugal	1,052	2,598	7,131
Yugoslavia	839	1,596	1,960
All other	4,136	5,356	5,441
Total	151,444	153,176	170,385
	Unit value (per gallon)		
Italy	$3.05	$2.85	$2.83
France	3.14	3.11	3.12
West Germany	3.13	2.25	3.07
Portugal	3.21	3.22	3.41
Yugoslavia	3.03	3.09	2.80
All other	3.07	3.13	3.02
Total	3.06	2.87	2.89

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

As shown, imports decreased by * * * percent over the period, while the value of these imports dropped by * * * percent.

Responses to the Commission's questionnaire from five importers of ordinary table wine from France are shown below:

Year	Imports from France: Quantity (1,000 gallons)	Imports from France: Value (1,000 dollars)
1981	***	***
1982	***	***
1983	***	***

The quantity and value of imports increased by * * * and * * * percent respectively, over the period.

Market penetration

A precise measure of market penetration by imports of ordinary table wine from France and Italy is not possible due to the lack of complete data on domestic shipments caused by the limited response by domestic producers to the Commission's questionnaire. Therefore, although the market penetration data presented in this section are the best available, actual levels may be different than those shown below.

Imports of table wine from France and Italy, as a share of apparent U.S. consumption of table wine, increased slightly from 1981 to 1983 (table 14). Specifically, imports of table wine from Italy increased from 15.5 percent of apparent consumption in 1981 to 15.6 percent of apparent consumption in 1983, and imports of table wine from France increased from 3.9 to 5.5 percent of apparent consumption of table wine over the period.

Table 14.--Table wine: U.S. imports from France and Italy, and apparent U.S. consumption, 1981-83

Year	Imports from-- France	Imports from-- Italy	Apparent consumption	Ratio of imports from-- France to apparent consumption	Ratio of imports from-- Italy to apparent consumption	Ratio of imports from-- France and Italy to apparent consumption
	1,000 gallons			Percent		
1981-----	15,049	59,860	385,391	3.9	15.5	19.4
1982-----	18,042	63,023	396,123	4.6	15.9	20.5
1983-----	22,243	63,428	406,926	5.5	15.6	21.1

Source: Compiled from official data of the U.S. Department of Commerce and from official data of the BATF.

When imports of ordinary table wine, as compiled from responses to the Commission's questionnaires, are compared with apparent consumption, imports from Italy exhibit a slight declining trend, from * * * to * * * percent, and imports from France increased slightly, from * * * to * * * percent (table 15).

Table 15.--U.S. imports from France and Italy of nonpremium table wine as reported from questionniare data and apparent U.S. consumption of table wine, 1981-83

Year	Imports from-- France	Imports from-- Italy	Apparent consumption	Ratio of imports from-- France to apparent consumption	Ratio of imports from-- Italy to apparent consumption	Ratio of imports from-- France and Italy to apparent consumption
	1,000 gallons			Percent		
1981-----	***	***	385,391	***	***	***
1982-----	***	***	396,123	***	***	***
1983-----	***	***	406,926	***	***	***

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

Data on imports of ordinary table wine from France and Italy and domestic shipments of nonpremium table wine are shown below (table 16). The domestic shipment data represent about 70 percent of U.S. shipments in 1983,

Table 16.--Nonpremium table wine: U.S. imports from France and Italy and domestic shipments, 1981-83

Year	Imports from-- France	Imports from-- Italy	Domestic shipments	Ratio of imports from-- France to domestic shipments	Ratio of imports from-- Italy to domestic shipments	Ratio of imports from-- France and Italy to domestic shipments
	1,000 gallons			Percent		
1981	***	***	***	***	***	***
1982	***	***	***	***	***	***
1983	***	***	***	***	***	***

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

and the import data are believed to account for over 60 percent of total imports of ordinary table wine from France and Italy. As shown, imports from Italy as a share of domestic shipments declined slightly, and those from France exhibited a slight increase.

Prices

Available information suggests that domestic producers and importers both price their products on an f.o.b. basis. Import prices of table wine are commonly quoted f.o.b. from the foreign port of shipment. In this type of transaction, the customer is required to bear all ocean and inland shipping charges that are incurred in bringing the wine to its destination in the United States. Domestic producers commonly quote prices on an f.o.b. basis from their winery, thus allowing the customer to bear inland freight charges, which are often substantial. The cost of shipping a container of wine from California to a location in the East often exceeds 10 percent of its f.o.b. price.

Quarterly price data were requested from producers and importers on sales to leading customers of nonpremium red, white, and rose table wine in the $4 to $8-value category and the under-$4-value category for January 1982-December 1983. 1/ Although only two producers and four importers provided data in the form that was specified on the questionnaire, several other producers and importers provided limited amounts of price information.

1/ Producers and importers were asked to determine value brackets on the basis of the f.o.b. price of the wine at its point of shipment in the United States.

Despite the poor questionnaire response, it was possible to develop some information from the data that were obtained. Available data indicate that prices of domestic nonpremium table wines declined during 1982 and 1983. Trends in prices of imported wines from Italy and France are less clear, although there is evidence that prices of some major brands declined during 1983. Although the value of price comparisons is limited by the small amount of data that were obtained, evidence indicates that delivered prices of the leading brands of Italian and French wines were consistently higher than those of some important domestic brands during 1982 and 1983.

Trends in prices.--The price reported by * * *, a major domestic producer, on sales of its * * * wine, the company's leading product in the $4- to $8-value category, are presented in table 17. The data show that the price increased from * * * in January-March 1982 to * * * in April-June and then fell sharply to * * * in July-September. During the following months, it declined irregularly, reaching a low of * * * in April-June 1983. The price then increased slightly to * * * in July-September, and stayed at that level for the remainder of the year.

Transaction prices reported by one additional domestic producer and list prices reported by another producer offer further evidence that prices of nonpremium table wine have declined during the past 2 years. In all instances, these producers reported prices on a per case rather than on a per gallon basis. One producer, * * *, reported a transaction price of * * * per case of 12 750-milliters bottles for red, white, and rose wine valued at less than $4.00 per gallon for all quarters during January 1982-June 1983. * * * price declined to * * * in July-September 1983 and then recovered slightly to * * * in the October-December. Another producer, * * *, reported that the f.o.b. list price of its leading red and rose wines priced at less than $4 per gallon was reduced from * * * per case of 12 750-milliliters bottles during January-September 1982 to * * * in January-March 1983, and then lowered to * * * in April-June, where it remained for the rest of 1983. * * * reported a nearly identical trend in the list prices of its white wines, which were consistently priced close to the levels of its red and rose wines.

Price trends for imports of wines from Italy and France are mixed. As shown in table 17, delivered prices of three leading brands of imports from Italy that are priced in the $4 to $8 category both declined during 1983. Prices of * * * remained at * * * per gallon from January 1982 through September 1983 and then declined to * * * during October-December. The price of * * * remained at * * * throughout 1982 and January-March 1983 and then declined to * * * in April-June. This price rose to * * * in July-September and then fell back to * * * in October-December. The price of * * *, a white table wine, also declined sharply during the last half of 1983. After remaining at a level of * * * per gallon from April-June 1982 through January-March 1983, it declined sharply to * * * in July-September and then fell further to * * * in October-December. However, as shown in table 18, average delivered prices of red Italian wines with an average f.o.b. price of less than $4 per gallon fluctuated with no apparent trend during this period, from a low of * * * per gallon in April-June 1982 to a high of * * * in April-June 1983. The price of * * *, an imported red table wine from France in the $4- to $8-value bracket, exhibited no evident trend in 1982 and 1983, ranging from * * * in October-December 1982 to * * * in July-September 1983.

Table 17.--Nonpremium table wine: Prices received by domestic producers and importers on sales to their leading customers of table wines valued from $4 to $8 per gallon on an f.o.b. basis, 1/ by quarters, 1982 and 1983

(Per gallon)

	Domestic		Imported from Italy			Imported from France
	* * *	* * *	* * *	* * *	* * *	* * *
1982:						
January-March-------	2/	***	***	***	2/	***
April-June----------	2/	***	***	***	***	***
July-September------	2/	***	***	***	***	***
October-December----	2/	***	***	***	***	***
1983:						
January-March-------	***	***	***	***	***	***
April-June----------	***	***	***	***	2/	***
July-September------	***	***	***	***	***	***
October-December----	***	***	***	***	***	***

1/ Prices are reported on a delivered basis.
2/ Not available.

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

Table 18.--Nonpremium table wine: Prices received by importers on sales to their leading customers of Italian wines valued at less than $4 per gallon on an f.o.b. basis, by quarters, 1982 and 1983 1/

(Per gallon)

Period	Red wine
1982:	
January-March	$5.04
April-June	4.64
July-September	4.64
October-December	5.13
1983:	
January-March	5.48
April-June	5.50
July-September	5.48
October-December	4.85

1/ Prices are reported on a delivered basis.

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

Comparisons of domestic and import prices.--The data in table 17 indicate that prices of the Italian wines and French wines were significantly higher than the price of * * * throughout 1982 and 1983. Margins, which ranged from less than $1 to over $3 per gallon, generally increased during this period because of the very sharp decline in the price of the domestic product. However, prices of all four of the imported products shown in table 17 were generally in the same price range as * * * the other domestic product, during 1983. 1/

Prices of the * * * red and white wines, which are not presented in the table, were higher than the prices of either of the two domestic table wines. Delivered prices of these wines, which were only available in January-March 1982 and July-September 1982, ranged from * * * per gallon to over * * *, representing amounts that were significantly higher than the prices reported for the * * * or the * * *.

Although several U.S. producers reported that they sell table wines that are valued at less than $4 per gallon, none of these producers provided price information in a form that was suitable for comparisons with the prices of the Italian wines that are shown in table 18. No prices were reported for French wines valued at less than $4 per gallon.

1/ * * * is not a major domestic brand. It is produced and marketed by * * *, a small U.S. producer located in * * *.

Additional price comparisons were developed from the response to the Commission's purchaser's questionnaire by * * *, a large wine distributor located in * * *. * * * purchases are weighted heavily toward Italian wines. During 1983, the firm bought * * * million gallons of Italian wine, compared with only * * * gallons of domestic wine, and only * * * gallons of French wine. During 1982 and 1983, its largest purchase of Italian wine consisted of * * *. * * * reported an average purchase price of * * * per gallon for this wine in both years. * * * and * * * accounted for its largest purchases of domestic wines. During 1982 and 1983, it purchased a variety of different types of wines from these domestic suppliers, including Burgundy, Cabernet Sauvignon, Grenache Rose, Vin Rose, Burgundy Noir, Chenin Blanc, and Zinfandel. * * * paid an average price of * * * per gallon for these domestic wines in 1982 and an average of * * * in 1983. Prices reported for * * *'s purchases of French wines, which consisted of Alexis Lichine Beaujolais, Cote Du Rhone, Nuits St. George, Pouilly Fuisse and Vouvray, averaged * * * during 1982 and 1983.

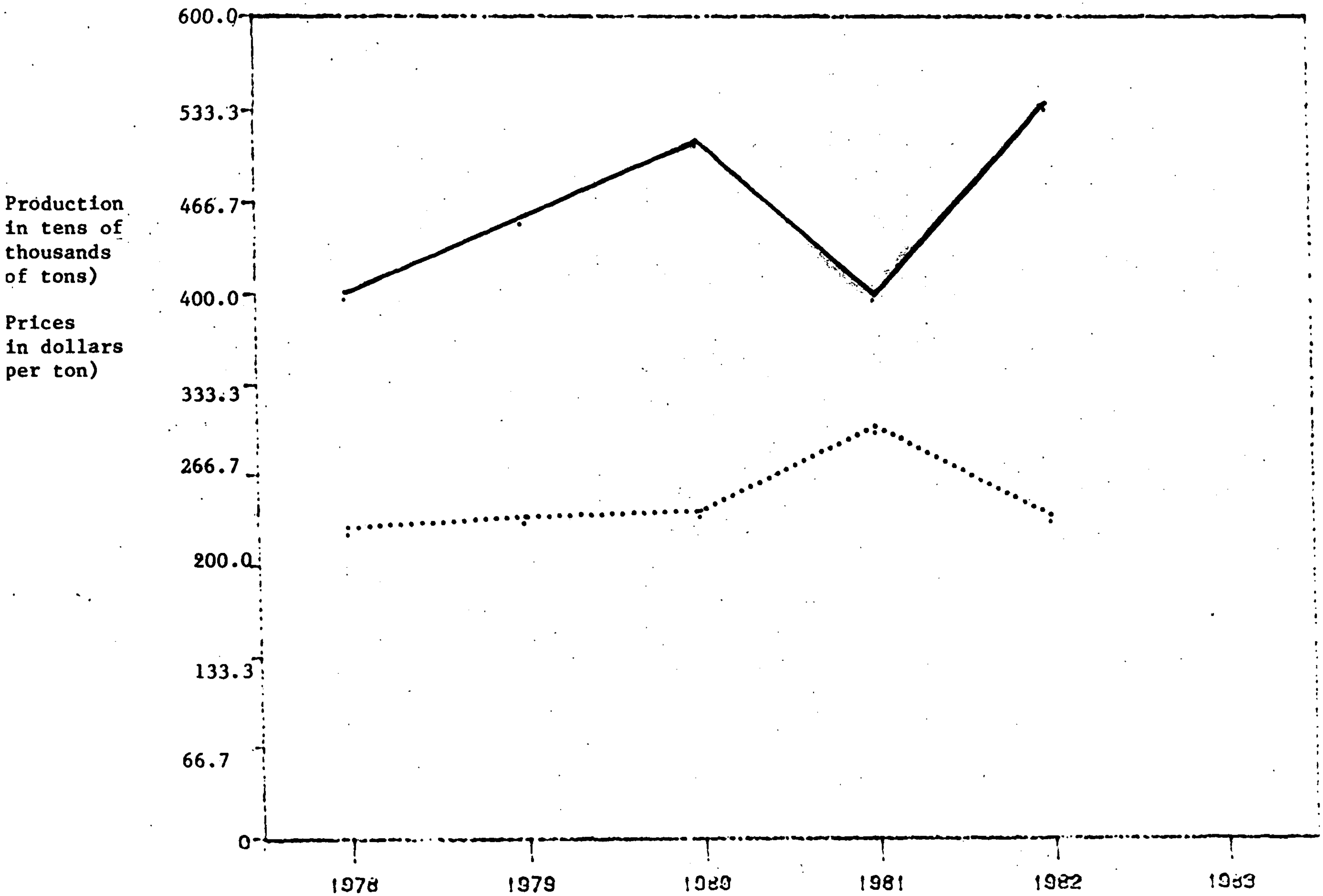
Grape prices.--Prices of grapes tend to be sensitive to large fluctuations in output as shown in figure 1, which depicts total output of California wine, table, and raisin grapes, and average cash prices received by growers for the years 1978-83. Between 1978 and 1980, the average price of all grapes increased from $228 per ton to $240 per ton as output expanded from 4.1 million to 5.1 million tons. However, in 1981, output plummeted to less than 4 million tons, and the price soared to $302, representing a 25-percent increase over its price in the previous year. In 1982, a record crop of 5.4 million tons exceeded the demand for grapes needed in wine production and other uses, and the price fell back to $236 per ton. Although output declined to 4.7 million tons in 1983, available information indicates that the price declined further in 1983 as a result of a reduction in demand in the wine and raisin markets. Prices in both markets reached record levels in 1981, and then declined sharply during each of the following two years.

These trends are evident from the data in table 19 which show prices received by growers for raisin grapes and wine grapes. Raisin-type grapes generally account for about one-half of total California grape production. The largest share of these grapes are used as raisins, but substantial quantities are also utilized in wine production. The cash price for these grapes in the raisin market rose from $253 per ton in 1979 to $329 in 1981 before declining to $220 in the record crop year 1982/83. There are indications that the price declined sharply again in 1983. However, accurate estimates of the 1983 price are not available 1/. Prices received by growers for raisin-type grapes that are used in wine production have consistently been far lower than prices of these grapes when they are used as raisins. Industry sources attribute this differential to the fact that growing raisin-type grapes for use as raisins entails a greater risk of loss from crop damage than growing these grapes for use in wine production. 2/

1/ Analysts with the California Crop & Livestock Reporting Service have informed the staff that the orginally-published price for 1983, $281 per ton, was incorrect and that preliminarily they estimate the 1983 price to be approximately * * * per ton. They attribute the decline in price to * * *.

2/ Grapes that are to be used as raisins must be left in the field to dry for several weeks, during which time one rain will ruin the crop.

Figure 1.--Production and prices of California grapes: Annual production and annual average prices of California grapes, 1978-82 1/



1/ Data for 1983 are unavailable.

———— Production
.... Average price

Table 19.--Prices of California grapes: Average prices received by growers for all grapes, and for grapes used in wine and raisin production, 1979-83

(Per ton)

Year	All grapes all uses	Wine grapes used in wine	Raisin grapes	
			Used in raisins	Used in wine
1979	$236	$215	$253	$151
1980	240	210	236	144
1981	302	268	329	199
1982	236	220	220	127
1983	1/	204	1/	103

1/ Not available.

Source: California Crop & Livestock Report Service.

The price of raisin grapes in the wine market generally moved in the same direction as prices in the raisin market between 1978 and 1982. It increased from $151 in 1979 to $199 in 1981, and then declined to $127 in 1982 as production increased, and then fell further to $103 in 1983, as a result of a sharp reduction in demand which stemmed from large wine inventories that had built up during 1982. 1/

Cash prices in the wine market of wine grapes, which are used almost exclusively for crushing, and which account for about half of all grapes produced in California, also declined in 1983. Wine grapes include the Pinot Noir, the Chardonnay, the Cabernet Sauvignon and other types that are used in producing varietal wines. After rising to $268 per ton in 1981, average prices of these grapes declined to $220 per ton in 1982 and then fell further to $204 per ton in 1983 as a result of the reduced demand arising from the excess inventories of wine held by wineries.

Trends in French and Italian exchange rates.--Indexes of the value of the French franc and of the Italian lire in terms of the U.S. dollar during 1982 and 1983 are presented in table 20. The data show that both currencies have depreciated significantly in relation to the dollar during this period. The franc depreciated in six out of seven quarters, falling by over 25 percent between January-March 1982 and October-December 1983. The lire also depreciated in six out seven quarters, declining by over 20 percent during this period.

1/ As shown in the tabulation on p. A-18, inventories of wine held in bonded wineries reached a level of 651 million gallons on Nov. 30, 1982. This represented an increase of nearly 20 percent from the 553 million gallons held in inventory on Nov. 30, 1981. From Nov. 30, 1982 to Nov. 30, 1983 these inventories declined moderately to 605 million gallons, a level that was still substantially higher than the inventories that were recorded on the corresponding dates of 1980 and 1981.

Table 20.--Indexes of the values of the French franc and the Italian lire in terms of U.S. dollars, by quarters, 1982 and 1983

(January-March 1982=100)

Period	French franc	Italian lire
1982:		
January-March	100.0	100.0
April-June	95.5	95.7
July-September	86.4	90.4
October-December	84.8	87.9
1983:		
January-March	87.0	90.2
April-June	80.3	85.4
July-September	75.3	80.2
October-December	73.4	77.6

Source: Compiled from official statistics of the International Monetury Fund.

Lost sales

No allegations of lost sales were received from wine producers in response to the questionnaires. At the conference, the president of Souverain Winery stated that the winery terminated its contact with Julius Wilde & Sons, its sole marketing agent, because that firm was unable to meet Souverain's marketing objectives in light of the low retail price for consumers of imported wines. 1/

When contacted by the staff, * * *. 2/ Information regarding lost sales by growers to wine producers was presented in the countervailing duty petition (exhibit J).

Price suppression/depression

Although no allegations were received in a form which could be investigated, * * * reported that it had to increase the frequency of its discounts, and * * * stated that it has received requests from its wholesalers for lower prices to enable them to compete more effectively with imports.

1/ Transcript, p.23.
2/ Lost sale call of May 5, 1984.

APPENDIX A

COMMISSION'S NOTICE OF INSTITUTION AND HEARING

COMMERCE'S NOTICES OF INSTITUTION

[Investigations Nos. 701-TA-210 and 211 (Preliminary) and 731-TA-167 and 168 (Preliminary)]

Antidumping; Certain Table Wine From France and Italy

AGENCY: International Trade Commission.

ACTION: Institution of preliminary countervailing duty and antidumping investigations and scheduling of a conference to be held in connection with the investigations.

EFFECTIVE DATE: January 27, 1984.

SUMMARY: The United States International Trade Commission hereby gives notice of the institution of investigations Nos. 701-TA-210 and 701-TA-211 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) 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 from France and Italy, upon which bounties or grants are alleged to be paid, of still wine produced from grapes, containing not over 14 percent of alcohol by volume, provided for in item 167.30 of the Tariff Schedules of the United States (TSUS), other than wines categorized by the appropriate authorities in France or Italy as "Appelation d'Origine Controlée" or "Vins Délimites de Qualité Supérieure," or "Denominazione di Origine Controllata," respectively.

The Commission also gives notice of the institution of investigations Nos. 731-TA-167 and 731-TA-168 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) 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 from France and Italy, which are alleged to be sold in the

United States at less than fair value, of still wine produced from grapes, containing not over 14 percent of alcohol by volume, provided for in item 167.30 of the TSUS, other than wines categorized by the appropriate authorities in France or Italy as "Appelation d'Origine Controlée" or "Vins Délimites de Qualité Supérieure," or Denominazione di Origine Controllata," respectively.

FOR FURTHER INFORMATION CONTACT: Ms. Vera Libeau (202-523-0368) or Mr. David Coombs (202-523-1376), Office of Investigations, U.S. International Trade Commission, 701 E St. NW., Washington, D.C. 20436.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to a petition filed on January 27, 1984, by the American Grape Growers Alliance for Fair Trade, which represents growers, grower organizations, and cooperatives. The Commission must make its determinations in these investigations within 45 days after the date of the filing of the petition, or by March 12, 1984 (19 CFR 207.17).

Participation

Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided for in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11), not later than seven (7) days after the publication of this notice in the **Federal Register**. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the notice.

Service of Documents

The Secretary will compile a service list from the entries of appearance filed in these investigations. Any party submitting a document in connection with the investigations shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR 201.8), serve a copy of each such document on all other parties to the investigations. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b)).

In addition to the foregoing, each document filed with the Commission in the course of these investigations must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a certificate of service will not be accepted by the Secretary.

Written Submissions

Any person may submit to the Commission on or before February 21, 1984, a written statement of information pertinent to the subject matter of these investigations (19 CFR 207.15). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8).

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 (19 CFR 201.6). All 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 these investigations for 9:30 a.m. on February 17, 1984, 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 staff investigator, Mr. David Coombs (202-523-1376), not later than February 14, 1984, to arrange for their appearance. Parties in support of the imposition of countervailing and/or antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Public Inspection

A copy of the petition and all written submissions, except for confidential business data, will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, subparts A and B (19 CFR Part 207), and part 201, subparts A through E (19 CFR part 201). Further information concerning the conduct of the conference will be provided by Mr. Coombs.

This notice published is pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: February 1, 1984.

Kenneth R. Mason,

Secretary.

[FR Doc. 84-3152 Filed 2-3-84; 8:45 am]

BILLING CODE 7020-02-M

[C-475-403]

Certain Table Wine From Italy; Initiation of Countervailing Duty Investigation

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed with the United States Department of Commerce, we are initiating a countervailing duty investigation to determine whether producers or exporters in Italy of certain table wine, as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this merchandise are materially injuring, or are threatening to materially injure, a United States industry.

If this investigation proceeds normally, the ITC will make its preliminary determination on or before March 12, 1984, and we will make our preliminary determination on or before April 23, 1984.

EFFECTIVE DATE: February 23, 1984.

FOR FURTHER INFORMATION CONTACT: Gary Taverman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230, telephone: (202) 377-0161.

SUPPLEMENTARY INFORMATION:

Petition

On January 27, 1984, we received a petition in proper form filed jointly on behalf of the American Grape Growers Alliance for Fair Trade (the Alliance) and its members as individual co-petitioners. As the Alliance itself is not a manufacturer, producer or wholesaler of wine in the United States, and it is unclear whether a majority of the members of the Alliance are engaged in the manufacture, production, or wholesale of wine in the United States, for purposes of this initiation, we consider the petitioners to be those members of the Alliance that are producers or wholesalers of wine in the United States.

In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that producers or exporters in Italy of certain table wine receive, directly or indirectly, subsidies within the meaning of section 771 of the Tariff Act of 1930, as amended (the Act), and that imports of this merchandise are materially injuring, or threatening to materially injure, a United States industry.

Italy is a "country under the Agreement" within the meaning of section 701(b) of the Act. Title VII of the Act, therefore, applies to this investigation and an injury determination is required.

Initiation

Under section 702(c) of the Act, we must determine, within 20 days after the petition is filed, whether a petition sets forth the allegations necessary for the initiation of a countervailing duty investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on certain table wine and we have found that the petition meets these requirements.

Therefore, we are initiating a countervailing duty investigation to determine whether the producers or exporters in Italy of certain table wine as described in the "Scope of Investigation" section of this notice receive subsidies. If the investigation proceeds normally, the ITC will make its preliminary determination by March 12, 1984, and we will make our preliminary determination by April 23, 1984.

Scope of Investigation

The merchandise covered by this investigation is certain table wine, defined as still wine produced from grapes containing not over 14 percent alcohol by volume, and in containers each holding not over 1 gallon. This does not include wine categorized by the appropriate Italian authorities as "Denominazione di Origine Controllata." The merchandise covered by this investigation is currently provided for under item numbers 167.3005, 167.3015, 167.3025, 167.3030, 167.3045, and 167.3060 of the *Tariff Schedules of the United States Annotated* (TSUSA).

Allegations of Subsidies

The petition alleges that producers or exporters in Italy of certain table wine receive the following benefits that constitute subsidies:

A. Subsidies received through the European Agricultural Guidance and Guarantee Fund of the European Communities (EC):

1. Distillation subsidies for surplus wine and by-products;
2. Intervention subsidies for placing wine in storage;
3. Export refunds which permit wine produced in the EC to be sold at competitive prices in foreign markets;
4. Grants to grower cooperatives for the replanting or conversion of vineyards to other uses and for; abandonment of vineyards in locations ill-suited to wine production; and
5. Grants for investments in buildings and equipment and for marketing purposes.

B. Subsidies from the Government of Italy:

1. Preferential financing;
2. Subsidies to cover administrative costs incurred by wine cooperatives in certain regions;
3. Preferential interest rates;
4. Financing for cost of operations; and
5. Preferential interest rates for financing export receivables.

C. Subsidies from the Regional Governments of Sicily and Emilia-Romagna:

1. Financial grants for grapes delivered to cooperatives;
2. Financial grants to encourage grape collection at wine cooperatives;
3. Financial grants to increase the availability of low interest rate loans for wine making and bottling;
4. Financial grants for wine marketing;
5. Aids and interest subsidies to wine cooperatives for bottling plants;
6. Refinancing connected with sterilization of land, greenhouse construction, and modernization of agricultural installations;
7. Aid for the planting of vines;
8. Supplementary interest rate subsidies for farms;
9. Grants to partially cover the cost of projects approved but not funded by the European Agricultural Guidance and Guarantee Fund;
10. Aid for a syndicate aimed at obtaining the best return for table grapes and other aids to cooperatives;
11. Aids for wine/grape growers to cover administrative costs;
12. Aids to encourage industrial use of grapes;
13. Reimbursement of 50 percent of the costs of selling "Italia" grapes in non-EC countries;
14. Investment aids for processing and marketing;
15. Matching funds to build bottling plants;
16. Grants for modernization of processing and marketing structures; and
17. Capital grants and interest rate reductions.

D. Regional Subsidies in Latium, Tuscany, and Apulia: Petitioners also allege that increased wine production in the regions of Latium, Tuscany, and Apulia suggest there are similar subsidies there.

E. Cassa per il Mezzogiorno Program: We will also include in this investigation the above regional development program, previously determined to confer subsidies in the Administrative Review in the Countervailing Duty Order on Float Glass from Italy (48 FR 25255) and the Final Affirmative Countervailing Duty Determination on Certain Steel Products from Italy (47 FR 39356). Subsidies conferred through this program include grants, preferential loans, state and local income tax reductions and exemptions, and social security tax reductions.

Allegations of Subsidies Insufficient To Warrant Investigation

1. Export refunds received through the European Agricultural Guidance and Guarantee Fund for the European Communities;
2. Preferential interest rates for financing export receivables received from the government of Italy; and
3. Subsidies to Latium, Tuscany and Apulia, as described above.

Information from the petitioners states that the export refunds are not available on wine sold to the United States. Since we assess countervailing duties on merchandise entering the United States, we must measure subsidies on the same basis. Thus, as set forth in the countervailing duty investigation of Canned Tuna from the Philippines (48 FR 50133), when faced with an export subsidy, we measure the amount of the export subsidy conferred on the merchandise entering the United States, whenever possible, and divide this by U.S. exports to obtain an *ad valorem* subsidy rate. Likewise, we do not believe a subsidy is conferred upon exports to the U.S. when only exports to other countries benefit from an export subsidy program. Moreover, when an export subsidy is only conferred on countries other than the U.S., the recipient has no incentive to increase its exports to the U.S.

With regard to the alleged preferential rates of interest for financing export receivables, this allegation consists solely of an unsubstantiated allegation contained in a countervailing duty petition before the government of Canada and does not constitute a sufficient allegation of subsidy to warrant an investigation.

In addition, there is no evidence in the petition to reinforce the allegation that there are other unspecified subsidies to other regions in Italy. Absent some particular information regarding this allegation, we will not include this allegation in the initiation.

Notification to the ITC

Section 702(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by the ITC

The ITC will determine by March 12, 1984, whether there is a reasonable indication that imports of certain table wine from Italy are materially injuring, or are threatening to materially injure, a United States industry. If its determination is negative, this investigation will terminate; otherwise it will proceed according to the statutory procedures.

Dated: January 16, 1984.

John L. Evans,

Acting Deputy Assistant Secretary for Import Administration.

[FR Doc. 84-4763 Filed 2-22-84; 8:45 am]

BILLING CODE 3510-DS-M

[C-427-402]

Certain Table Wine From France; Initiation of Countervailing Duty Investigation

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: notice.

SUMMARY: On the basis of a petition filed with the United States Department of Commerce, we are initiating a countervailing duty investigation to determine whether producers or exporters in France of certain table wine, as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this merchandise are materially injuring, or are threatening to materially injure, a United States Industry. Petitioners allege that "critical circumstances" exist; however, petitioners provided insufficient information to support this allegation. Therefore, we will not undertake to determine whether "critical circumstances" exist. If this investigation proceeds normally, the ITC will make its preliminary determination on or before March 12, 1984, and we will make our preliminary determination on or before April 23, 1984.

EFFECTIVE DATE: February 23, 1984.

FOR FURTHER INFORMATION CONTACT: John J. Kenkel, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230, telephone: (202) 377-3464.

SUPPLEMENTARY INFORMATION:

Petition

On January 27, 1984, we received a petition in proper form filed jointly on behalf of the American Grape Grower Alliance for Fair Trade (the Alliance) and its members as individual co-petitioners. As the Alliance itself is not a manufacturer, producer, or wholesaler of wine in the United States, and it is unclear whether a majority of the members of the Alliance are engaged in the manufacture, production, or wholesale of wine in the United States, for purposes of this initiation we consider the petitioners to be those members of the Alliance that are producers or wholesalers of wine in the United States.

In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that producers or exporters in France of certain table wine receive, directly or indirectly, subsidies within the meaning of section 771 of the Tariff Act of 1930, as amended (the act), and that imports of this merchandise are materially injuring, or threatening to materially injure, a United States industry.

France is a "country under the Agreement" within the meaning of section 701(b) of the Act. Title VII of the Act, therefore, applies to this investigation and an injury determination is required.

Initiation

Under section 702(c) of the Act, we must determine, within 20 days after the petition is filed, whether a petition sets forth the allegations necessary for the initiation of countervailing duty investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on certain table wine, and we have found that the petition meets these requirements.

Therefore, we are initiating a countervailing duty investigation to determine whether the producers or exporters in France of certain table wine as described in the "Scope of Investigation" section of this notice receive subsidies. If the investigation proceeds normally, the ITC will make its preliminary determination by March 12, 1984, and we will make our preliminary determination by April 23, 1984.

Scope of Investigation

The merchandise covered by this investigation is certain table wine, defined as still wine produced from grapes containing not over 14 percent alcohol by volume, and in containers each holding not over 1 gallon. This does not include wine categorized by the appropriate French authorities as "Appelation d'Origine Controlee" or "Vins Delimites de Qualite Superieure." The merchandise covered by this investigation is currently provided for under item numbers 167.3005, 167.3015, 167.3025, 167.3030, 167.3045, and 167.3060 of the *Tariff Schedules of the United States Annotated* (TSUSA).

Allegations of Subsidies

The petition alleges that producers or exporters in France of certain table wine receive the following benefits that constitute subsidies:

A. Subsidies received through the European Agricultural Guidance and Guarantee Fund of the European Communities (EC):

1. Distillation subsidies for surplus wine and by-products;
2. Intervention subsidies for placing wine in storage;
3. Export refunds which permit wine produced in the EC to be sold at competitive prices in foreign markets;
4. Grants to grower cooperatives for the replanting or conversion of vineyards to other uses and for abandonment of vineyards in locations ill-suited to wine production: and
5. Grants for investments in buildings and equipment and for marketing purposes.

B. Subsidies from the Government of France:

1. Preferential financing for new vineyards, the improvement of vineyards, and the purchase of equipment and other facilities by cooperatives;
2. Short- and Long-term low-interest financing for working capital; and
3. Various insurance benefits to protect French exports.

Allegations of Subsidies Insufficient to Warrant Investigation

Export refunds received through the European Agricultural Guidance and Guarantee Fund for the European Communities Information from the petitioners states that the export refunds are not available on wine sold to the United States. Since we assess countervailing duties on merchandise entering the United States, we must measure subsidies on the same basis. Thus, as set forth in the countervailing duty investigation of Canned Tuna from the Philippines (48 FR 50133), when faced with an export subsidy, we measure the amount of the export subsidy conferred on the merchandise entering the United States, whenever possible, and divide this by U.S. exports to obtain an *ad valorem* subsidy rate. Likewise, we do not believe a subsidy is conferred upon exports to the U.S. when only exports to other countries benefit from an export subsidy program. Moreover, when an export subsidy is only conferred on countries other than the U.S., the recipient has no incentive to increase its exports to the U.S.

Critical Circumstances

Petitioners also allege that critical circumstances exist with respect to wine imported from France. However, information supplied in the petition does not demonstrate massive imports of table wine over a relatively short period as required in section 703(e)(1)(B) of the Act. That information shows that for the period 1980–1982, shipments of table wine from France grew from 14.4 to 27.6 million liters, but that this represents an increase from 1.05 percent to 1.83 percent of total wine shipments in the U.S. during the same period. No information is presented for 1983 or any part thereof. Since this information does not support petitioners' allegation of critical circumstances, we will not investigate this allegation at this time.

Notification to the ITC

Section 702(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by the ITC

The ITC will determine by March 12, 1984, whether there is a reasonable indication that imports of certain table wines from France are materially injuring, or are threatening to materially injure, a United States industry. If its determination is negative, this investigation will terminate; otherwise it will proceed according to the statutory procedures.

Dated: January 16, 1984.

John L. Evans,

Acting Deputy Assistant Secretary for Import Administration.

[FR Doc. 84-4784 Filed 2-22-84; 8:45 am]

BILLING CODE 3510-DS-M

[A-427-401]

Certain Table Wine From France; Initiation of Antidumping Duty Investigation

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: On basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether certain table wine from France is being, or is likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product are materially injuring, or are threatening to materially injure, a United States industry. The allegation of sales at less than fair value includes an allegation that home market sales are being made at less than the cost of production in France. Also, critical circumstances have been alleged under section 733(e) of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act). If this investigation proceeds normally, the ITC will make its preliminary determination on or before March 12, 1984, and we will make ours on or before July 5, 1984.

EFFECTIVE DATE: February 23, 1984.

FOR FURTHER INFORMATION CONTACT: Terry Link, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 377-0189.

SUPPLEMENTARY INFORMATION:

The Petition

On January 27, 1984, we received a petition in proper form filed jointly on behalf of the American Grape Growers Alliance for Fair Trade ("Alliance") and its members as individual copetitioners. As the Alliance itself is not a manufacturer, producer or wholesaler of wine in the United States, and it is unclear whether a majority of the members of the Alliance are engaged in the manufacture, production or wholesale of wine in the United States, for purposes of this initiation, we consider the petitioners to be those members of the Alliance that are producers or wholesalers of wine in the United States.

In compliance with the filing requirements of section 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from France are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act), and that these imports are materially injuring, or are threatening to materially injure, a United States industry. Petitioners calculate United States price based on 1982 Bureau of Census statistics with deductions for inland freight, wharfage, and insurance. Since petitioners were unable to secure home market or third country prices for the merchandise subject to this investigation, foreign market value was based on the United States producer's costs for the merchandise adjusted, where appropriate, for differences in France. Using this comparison, petitioners show a dumping margin of 53 to 54 percent for France.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and whether it contains information reasonably available to the petitioners supporting the allegations. We have examined the petition on certain table wine, and we have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping investigations to determine whether certain table wine from France is being, or is likely to be, sold in the United States at less than fair value. Although the petitioners alleged that home market sales are being made at less than the cost of production of the subject merchandise in France, they provided no home market or third country prices on which to base their allegation. Petitioners also alleged that critical circumstances exist; however, they provided no information to support this allegation. Therefore, we will not undertake to determine whether there are sales at less than the cost of production, or whether critical circumstances exist, at this time. If our investigation proceeds normally, we will make our preliminary determination by July 5, 1984.

Scope of Investigation

The merchandise covered by this investigation is certain table wine, defined at still wine produced from grapes, containing not over 14 percent of alcohol by volume, and in containers each holding not over one gallon. This does not include wine categorized by the appropriate authorizes in France as "Appelation d'Origine Controllee" or "Vins Delimites de Qualite Superieure." Certain table wine is currently classified under item number 167.3005, 167.3015, 167.3025, 167.3030, 167.3045 and 167.3060 of the *Tariff Schedules of the United States Annotated* (TSUSA).

Notification to ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by March 12, 1984, whether there is a reasonable indication that imports of certain table wine from France are materially injuring, or are likely to materially injure, a United States industry. If its determinations is negative, the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Dated: February 16, 1984.

John L. Evans,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 84-4705 Filed 2-22-84; 8:45 am]

BILLING CODE 3510-DS-M

[A-475-402]

Certain Table Wine from Italy; Initiation of Antidumping Duty Investigation

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether certain table wine from Italy is being, or is likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product are materially injuring, or are threatening to materially injure, a United States industry. The allegation of sales at less than fair value includes an allegation that home market sales are being made at less than the cost of production in Italy. Also, critical circumstances have been alleged under section 733(e) of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act). If this investigation proceeds normally, the ITC will make its preliminary determination on or before March 12, 1984, and we will make ours on or before July 5, 1984.

EFFECTIVE DATE: February 23, 1984.

FOR FURTHER INFORMATION CONTACT: Terry Link, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 377-0189.

SUPPLEMENTARY INFORMATION:

The Petition

On January 27, 1984, we received a petition in proper form filed jointly on behalf of the American Grape Growers Alliance for Fair Trade ("Alliance") and its members as individual co-petitioners. As the Alliance itself is not a manufacturer, producer or wholesaler of wine in the United States, and it is unclear whether a majority of the members of the Alliance are engaged in the manufacture, production or wholesale of wine in the United States, for purposes of this initiation, we consider the petitioners to be those members of the Alliance that are producers or wholesalers of wine in the United States.

In compliance with the filing requirements of section 353.36 of the

Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from Italy are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act), and that these imports are materially injuring, or are threatening to materially injure, a United States industry. Petitioners calculate United States price based on 1982 Bureau of Census statistics with deductions for export certificate costs and inland freight. Since petitioners were unable to secure home market or third country prices for the merchandise subject to this investigation, foreign market value was based on the United States producer's costs for the merchandise adjusted, where appropriate, for differences in Italy. Using this comparison, petitioners show a dumping margin of 80 percent for Italy.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and whether it contains information reasonably available to the petitioners supporting the allegations. We have examined the petition on certain table wine, and we have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping investigation to determine whether certain table wine from Italy is being, or is likely to be, sold in the United States at less than fair value. Although the petitioners alleged that home market sales are being made at less than the cost of production of the subject merchandise in Italy, they provided no home market or third country prices on which to base their allegation. Petitioners also alleged that critical circumstances exist; however, they provided no information to support this allegation. Therefore, we will not undertake to determine whether there are sales at less than the cost of production, or whether critical circumstances exist, at this time. If our investigation proceeds normally, we will make our preliminary determination by July 5, 1984.

Scope of Investigation

The merchandise covered by this investigation is certain table wine, defined as still wine produced from grapes, containing not over 14 percent of alcohol by volume, and in containers each holding not over one gallon. This does not include wine categorized by the appropriate authorities in Italy as "Denominazione di Origine Controllata". Certain table wine is currently classified under item numbers 167.3005, 167.3015, 167.3025, 167.3030, 167.3045, and 167.3060 of the *Tariff Schedules of the United States Annotated* (TSUSA).

Notification to ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by March 12, 1984, whether there is a reasonable indication that imports of certain table wine from Italy are materially injuring, or are likely to materially injure, a United States industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Dated: February 16, 1984.

John L. Evans,

Acting Deputy Assistant Secretary for Import Administration.

[FR Doc. 84-4766 Filed 2-22-84; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

WITNESSES APPEARING AT THE CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 701-TA-210 and 211
and 731-TA-167 and 168 (Preliminary)

CERTAIN TABLE WINE FROM FRANCE AND ITALY

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigations on February 17, 1984, in the Hearing Room of the USITC Building, 701 E Street, N.W., Washington, D.C.

In support of the petition

Heron, Burchette, Ruckert & Rothwell—Counsel
Washington, D.C.
on behalf of

The American Grape Growers Alliance for Fair Trade

William Pauli, President,
North Coast Grape Growers Association and Souverain Winery;
Vice President, California Farm Bureau Federation

Roy Orton, President,
National Grape Cooperative Association and Welch Foods

Frank Light, President
Sun-Diamond Growers of California

Robert McInturf, President,
Allied Grape Growers and Italian Swiss Colony Wineries

Joseph A. Rollo, Senior Vice President, Marketing and Sales
Guild Winery and Distilleries

Robert Hartzell, President
California Association of Wine Grape Growers

Kalem Barsarian,
Raisin Grower

John Weidert, President,
American Grape Growers Alliance for Fair Trade

Jim Trezise, President,
New York Wine Council

Thomas A. Rothwell, Jr.)—OF COUNSEL
James M. Lyons)

Dr. Ronald Knutson, Professor,
Texas A&M and Economic Consultant

In opposition to the petition

Arnold & Porter—Counsel
Washington, D.C.
on behalf of

Brown-Forman Corp.

John Moremen, General Counsel

Dale E. Hathaway, Principal
Consultants International Group, Washington, D.C.

Patrick F. J. Macrory)—OF COUNSEL
Robert E. Herzstein)

Arnold & Porter—Counsel
Washington, D.C.
on behalf of

The Joseph Garneau Compamy

Steven Kauffman, President

Patrick F. J. Macrory)—OF COUNSEL

Plaia, Schaumberg & deKieffer—Counsel
Washington, D.C.
on behalf of

Joseph E. Seagrams & Sons, Inc.

John G. Reilly
ICF, Inc., Washington, D.C.

Herbert C. Shelley)
Tom M. Schaumberq)—OF COUNSEL
Joel D. Kaufman)

Covington & Burling—Counsel
Washington, D.C.
on behalf of

Banfi Products Corp.

Harry Mariani, President & Chief Executive Officer

Carmel Tintle, Vice President

Harvey M. Applebaum)
O. Thomas Johnson, Jr.)—OF COUNSEL
Timothy Harr)

Shaun S. Sullivan and
Mark R. Kravitz
Wiggin & Dana, New Haven, CT

Arter & Hadden—Counsel
Washington, D.C.
<u>on behalf of</u>

Renfield Corporation and Renfield Importers Ltd.

David B. Hopkins)—OF COUNSEL

Law Offices of Max N. Berry
Washington, D.C.
<u>on behalf of</u>

French Federation of Wine & Spirits Exporters

John Shiekman, Vice President, Parliament Import Company, Atlantic City, NJ

Max N. Berry)—OF COUNSEL
Marsha A. Echols)

Barnes, Richardson, & Colburn
Washington, D.C.
<u>on behalf of</u>

Schieffelin & Company

James H. Lundquist)—OF COUNSEL
Matthew J. Clark)

Schreiber & Macknight
New York, New York
<u>on behalf of</u>

Wellingon Importers, Ltd.

Michael T. Kelly)—OF COUNSEL