

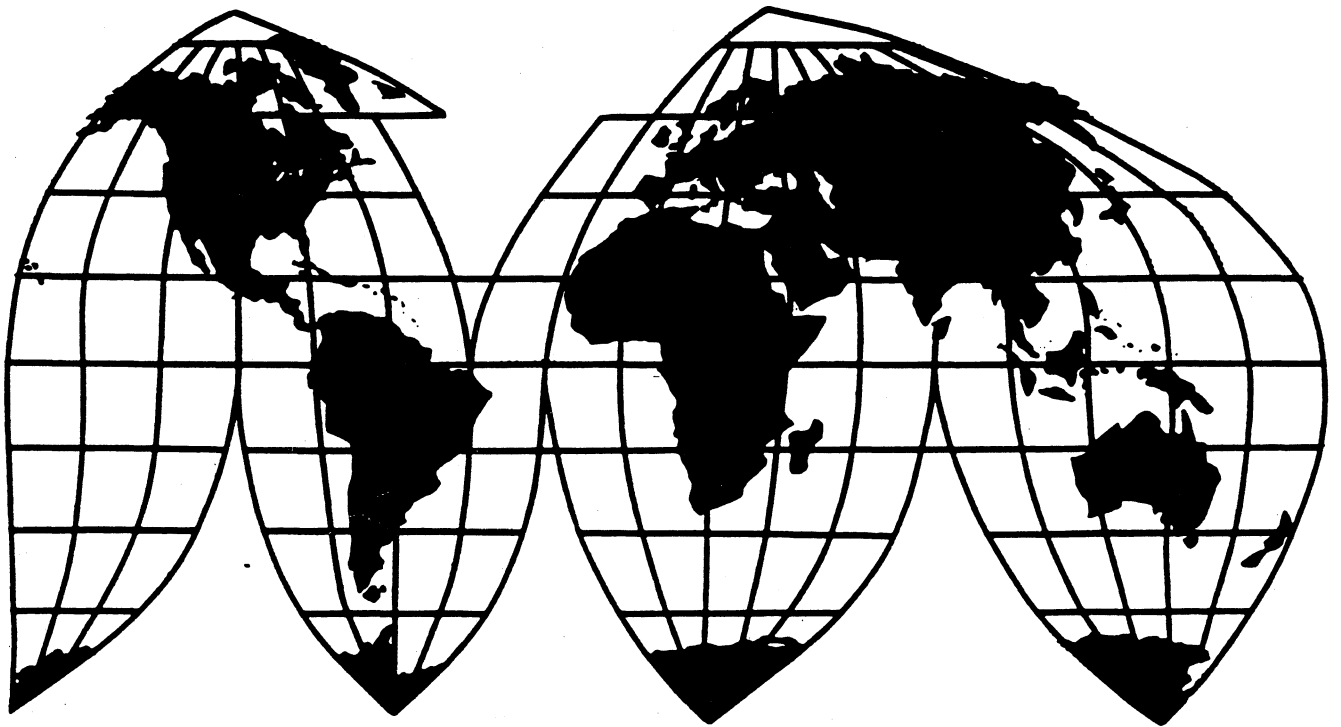
# **Certain Pasta from Italy and Turkey**

Investigations Nos. 701-TA-365-366 (Preliminary)  
and 731-TA-734-735 (Preliminary)

Publication 2905

July 1995

**U.S. International Trade Commission**



# **U.S. International Trade Commission**

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# **U.S. International Trade Commission**

Washington, DC 20436

## **Certain Pasta from Italy and Turkey**



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**July 1995**





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Note.--Information that would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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



**PART I**  
**DETERMINATIONS AND VIEWS OF THE COMMISSION**





# UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 701-TA-365-366 (Preliminary)  
and 731-TA-734-735 (Preliminary)

## CERTAIN PASTA FROM ITALY AND TURKEY

### Determinations

On the basis of the record<sup>1</sup> developed in the subject investigations, the Commission determines, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a) and 19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Italy and Turkey of certain pasta (except oriental-style noodles),<sup>2</sup> provided for in subheading 1902.19.20 of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized by the Governments of Italy and Turkey and that are alleged to be sold in the United States at less than fair value (LTFV).<sup>3</sup> The Commission also unanimously determined that imports of oriental-style noodles from Italy and Turkey are negligible.

### Background

On May 12, 1995, a petition was filed with the Commission and the Department of Commerce by counsel for Borden, Inc., Columbus, OH; Hershey Foods Corp, Hershey, PA; and Gooch Foods, Inc. (Archer Daniels Midland Co.), Lincoln, NE, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of certain pasta from Italy or Turkey and by reason of LTFV imports from Italy and Turkey. Accordingly, effective May 12, 1995, the Commission instituted countervailing duty and antidumping investigations No. 701-TA-365-366 (Preliminary) and 731-TA-734-735 (Preliminary). The petition in these investigations was filed subsequent to the effective date of the Uruguay Round Agreements Act ("URAA"). These investigations, thus, are subject to the substantive and procedural rules of the law as modified by the URAA. See P.L. 103-465, approved Dec. 8, 1994, 108 Stat. 4809, at § 291.

Notice of the institution of the Commission's investigations and of a 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, DC, and by

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

<sup>2</sup> For purposes of these investigations, certain pasta consists of dry non-egg pasta in packages of five pounds (or 2.27 kilograms) or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastases, vitamins, coloring and flavorings, and up to two percent egg white. The pasta covered by these investigations is typically sold in the retail market in fiberboard or cardboard cartons or polyethylene or polypropylene bags, of varying dimensions. Excluded from the scope of these investigations are refrigerated, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of dry non-egg pasta containing up to two percent egg white.

<sup>3</sup> Chairman Peter S. Watson and Vice Chairman Janet A. Nuzum made affirmative determinations on the basis of the threat of material injury.

publishing the notice in the Federal Register of May 19, 1995 (60 F.R. 26899). The conference was held in Washington, DC, on June 2, 1995, and all persons who requested the opportunity were permitted to appear in person or by counsel.

## VIEWS OF THE COMMISSION

Based on the record in these preliminary investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain pasta (other than oriental-style noodles) that are allegedly subsidized by the governments of Italy and Turkey and that are allegedly sold in the United States at less than fair value ("LTFV").<sup>1 2 3</sup> We further determine that there is no reasonable indication that imports of oriental-style noodles from Italy and Turkey are not negligible, and the investigations with respect to such imports are terminated.

### I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard in preliminary antidumping and countervailing duty investigations requires the Commission to determine, based upon the best information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury by reason of the allegedly LTFV and subsidized imports.<sup>4</sup> In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury; and (2) no likelihood exists that any contrary evidence will arise in a final investigation."<sup>5</sup>

### II. DOMESTIC LIKE PRODUCT AND INDUSTRY

#### A. In General

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, the Commission first defines the "domestic like product" and the "industry."<sup>6</sup> Section 771(4)(A) of the Act defines the relevant industry as the "producers as a whole of a domestic like product, or those producers whose collective output of the domestic like product constitutes a major proportion of the total domestic production of that product."<sup>7</sup> In turn, the Act defines "domestic like product" as: "[a] product that is like, or in the absence of like, most similar in characteristics and uses with the article subject to investigation."<sup>8</sup>

Our decision regarding the appropriate domestic like product(s) is a factual determination, and we apply the statutory standard of "like" or "most similar in

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<sup>1</sup> Whether there is a reasonable indication that the establishment of an industry in the United States is materially retarded is not an issue in these investigations.

<sup>2</sup> These investigations are subject to the Uruguay Round Agreements Act ("URAA") amendments to the Tariff Act of 1930 ("the Act"). P.L. 103-465, approved Dec. 8, 1994, 108 Stat. 4809, amending section 701 *et seq.* of the Trade Act of 1930, 19 U.S.C. § 1671 *et seq.*

<sup>3</sup> Chairman Watson finds that the domestic industry is not materially injured, but is only threatened with material injury by reason of the subject imports, oriental-style noodles excluded.

<sup>4</sup> 19 U.S.C. § 1673b(a); *see also American Lamb Co. v. United States*, 785 F.2d 994 (Fed. Cir. 1986); *Calabrian Corp. v. USITC*, 794 F. Supp. 377, 381 (Ct. Int'l Trade 1992).

<sup>5</sup> *American Lamb Co. v. United States*, 785 F.2d at 1001; *see also Torrington Co. v. United States*, 790 F. Supp. 1161, 1165 (Ct. Int'l Trade 1992), *aff'd*, 991 F.2d 809 (Fed. Cir. 1993).

<sup>6</sup> The URAA changes the terminology in the domestic industry provision by referring to "producers" instead of "domestic producers" and by changing the term "like product" to "domestic like product". 19 U.S.C. § 1677(4)(A).

<sup>7</sup> 19 U.S.C. § 1677(4)(A).

<sup>8</sup> 19 U.S.C. § 1677(10).

characteristics and uses" on a case-by-case basis.<sup>9</sup> No single factor is dispositive, and the Commission may consider other factors it deems relevant based upon the facts of a particular investigation.<sup>10</sup> The Commission looks for "clear dividing lines among possible like products" and disregards minor variations.<sup>11</sup>

The imported articles subject to these investigations are certain dry non-egg pasta products in packages of five pounds or less from Italy and Turkey.<sup>12</sup> Commerce specifically excluded from the scope of investigation refrigerated, frozen, or canned pastas, and egg pasta, with the exception of non-egg dry pasta containing up to two percent egg white.<sup>13</sup> Pasta is a food product usually made from durum wheat and water, formed by extrusion into many different shapes, such as spaghetti, macaroni, and noodles.<sup>14</sup>

## **B. Analysis of Domestic Like Product Issues**

These investigations present several domestic like product issues: (1) whether the domestic like product should include dry non-egg pasta in packages greater than 5 pounds (usually sold to the food service and industrial markets<sup>15</sup>); (2) whether the domestic like product should include egg pasta; (3) whether enriched and non-enriched pasta should be considered separate domestic like products; and (4) whether oriental-style noodles constitute a separate domestic like product.<sup>16 17</sup> For the reasons discussed below, we find two domestic

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<sup>9</sup> See Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes and production employees; (5) customer or producer perceptions; and, where appropriate, (6) price. Aramide Mattschappi, V.O.F. v. United States, slip op. 95-113 at 4 (Ct. Int'l Trade, June 19, 1995); Calabrian Corp. v. United States, 794 F. Supp. 377, 382 n.4 (Ct. Int'l Trade 1992).

<sup>10</sup> See S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

<sup>11</sup> Torrington, 747 F. Supp. at 748-49.

<sup>12</sup> In its notice of initiation, the Department of Commerce ("Commerce") stated that the scope of investigation consists of --

certain non-egg dry pasta in packages of five pounds (or 2.27 kilograms) or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastases, vitamins, coloring and flavorings, and up to two percent egg white. The pasta covered by this scope is typically sold in the retail market, in fiberboard or cardboard cartons or polyethylene or polypropylene bags, of varying dimensions.

Notice of Initiation of Antidumping Duty Investigation; Pasta from Italy and Turkey, 60 Fed. Reg. 30268 (June 8, 1995); Notice of Initiation of Countervailing Duty Investigation; Pasta from Italy and Turkey, 60 Fed. Reg. 30280-30281 (June 8, 1995).

<sup>13</sup> 60 Fed. Reg. at 30268, 30280.

<sup>14</sup> Confidential Report (CR) at I-10, Public Report (PR) at II-7.

<sup>15</sup> The retail market includes food stores, wholesale clubs and mass merchandisers; food service use includes restaurants, institutional users and government purchasers; industrial use encompasses pasta incorporated into downstream products. CR at I-11, n.24, PR at II-8, n.24.

<sup>16</sup> Refrigerated and frozen pasta are not included in the scope of investigation and no party argues that they be included in the domestic like product. Based on the significant differences between dry pasta and refrigerated and frozen pasta, we do not include refrigerated and frozen pasta in the domestic like product.

<sup>17</sup> Petitioners argue that the Commission should find one domestic like product comprised of dry non-egg pasta sold to the retail market, and that the Commission should exclude dry non-egg pasta sold to the food service and industrial markets from the domestic like product definition. Most

(continued...)

like products consisting of (1) dry pasta other than oriental-style noodles and (2) oriental-style noodles.<sup>18</sup>

### 1. Inclusion of Pasta Sold in Packages Greater than Five Pounds

Only dry non-egg pasta sold in packages of five pounds or less is within the scope of investigation. Accordingly, the Commission must decide whether to define the domestic like product to include dry non-egg pasta sold in packages greater than five pounds, which are sold predominantly to the food service and industrial markets, or whether there is a sufficiently clear dividing line to limit the domestic like product to dry non-egg pasta sold to the retail market. The record shows that most dry non-egg pasta sold domestically in packages of five pounds or less is sold to the retail market.<sup>19</sup>

All dry non-egg pasta (except oriental-style noodles) has similar characteristics in that it is made from the same basic ingredients, consisting of 100 percent durum wheat and water, and it may contain optional ingredients for coloring or flavoring, or it may be enriched or fortified.<sup>20</sup> Dry non-egg pasta sold to the food service and industrial markets may, but need not, vary in minor respects from pasta sold to the retail market by the addition of optional ingredients (such as gluten and emulsifiers), and by enhanced wall thickness.<sup>21</sup> There are similar variations in physical characteristics among dry non-egg pasta products sold within the retail market as well.<sup>22</sup>

Although dry non-egg pasta sold to the retail market can be packaged differently<sup>23</sup>

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<sup>17</sup> (...continued)

respondents argue for a single domestic like product that comprises all non-egg dry pasta, including that sold to the retail, food service and industrial markets. One respondent argues that enriched and non-enriched dry non-egg pasta should be two distinct domestic like products.

<sup>18</sup> Vice Chairman Nuzum and Commissioner Bragg find two domestic like products consisting of (1) dry non-egg pasta other than oriental-style noodles and (2) oriental-style noodles. They join the majority views with respect to the domestic like product, with the exception of the discussion regarding dry egg pasta. See their separate views regarding the domestic like product.

<sup>19</sup> There is a some overlap between the sales to the various segments with respect to package size. A small percentage of dry non-egg pasta in packages greater than five pounds is sold in supermarkets in the bulk section. In addition, some food service customers buy dry non-egg pasta in packages of less than five pounds. CR at I-7, n.15, PR at II-5, n.15; Petitioners' Postconference Brief at 2, 16 and Exhibit 1 (responses to Commission questions). One \*\*\* metropolitan area indicated that \*\*\* percent of its sales to the food service market were in one-pound packages. Staff interview with \*\*\* (June 16, 1995).

<sup>20</sup> CR at I-11, PR at II-8.

<sup>21</sup> CR at I-12, PR at II-8.

<sup>22</sup> For example, dry non-egg pasta is sold to the retail market in a variety of sizes, shapes and thicknesses. CR at I-10, n.22, PR at II-7, n.22. In addition, many retail stores sell flavored pastas, such as spinach and tomato. CR at I-76, PR at II-47. Further, dry non-egg pasta sold to the retail market varies with respect to the quality of the primary ingredient, 100 durum wheat, whereas there is usually no variation with respect to the quality of wheat used for the retail market versus the food service/industrial markets. Conference Transcript (TR) at 132 (Morris).

<sup>23</sup> Petitioners argue that these differences in packaging are important. Petitioners' Postconference Brief at 12-13. Petitioners argue that the Commission has recognized that differences in packaging provide a basis for finding separate domestic like products, citing inter alia Red Raspberries from Canada, Inv. No. 731-TA-196, USITC Pub. 1565 (Preliminary)(August 1984); and Frozen Concentrated Orange Juice from Brazil, Inv. No. 731-TA-326, USITC Pub. 1970 (Final)(April 1987) (FCOJ). While the Commission has examined different packaging as a domestic like product factor, it has never fashioned its domestic like product definition around packaging distinctions alone. In Red Raspberries, for example, the Commission limited the like product to bulk packed red raspberries because other berries had different flavor, appearance, and added sugar. Similarly, in FCOJ, the

(continued...)

from dry non-egg pasta sold to the food service and industrial markets,<sup>24</sup> we do not find that such packaging differences outweigh the similarities among the actual pasta products that are sold to the different market sectors. We also find that there is not a clear dividing line between dry non-egg pasta sold to the retail market and dry non-egg pasta sold to other market sectors. Notably, there is some dry non-egg pasta sold to the food service market in packages of less than five pounds, and some pasta sold in bulk to the retail market.<sup>25</sup>

Moreover, there are differences in packaging among the products sold to the retail market.<sup>26</sup>

Regardless of the means of preparation,<sup>27</sup> the end use of all dry non-egg pasta is the same. All dry non-egg pasta can be "used" in a variety of different food preparations.<sup>28</sup> There is no information on the preliminary record that suggests that such particular end uses of pasta differ between the retail, food service and industrial markets.

The record shows that dry non-egg pasta for retail, food service and industrial sale are to a certain degree interchangeable. While retail customers do not as a rule purchase pasta in packages greater than five pounds,<sup>29</sup> a number of food service customers purchase pasta in packages of less than five pounds. Notwithstanding the packaging, the actual product which is sold to the retail, food service and industrial markets is interchangeable. Further, while industrial customers (and to a lesser extent food service customers) who have exact specifications may not be able to use pasta destined for retail stores,<sup>30</sup> some producers reported that both food service and industrial pasta are substitutable with dry non-egg pasta for retail sale.<sup>31</sup>

The record shows at least some similarity in the channels of distribution among retail, food service and industrial dry non-egg pasta. Sales of dry non-egg pasta to the retail and food service markets are both made through distributors or directly to end users,<sup>32</sup> although sales to food service and retail customers generally are not made through the same distributors.<sup>33</sup> Sales to the industrial market usually are made directly from the manufacturer to the end user.<sup>34</sup>

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<sup>23</sup> (...continued)

Commission limited the like product to FCOJ for manufacturing because of many differences between that product, retail FCOJ and single strength orange juice, including different production processes, perishability and the fact that it was sold in bulk. FCOJ at 6-7. Conversely, in Generic Cephalexin Capsules from Canada, Inv. No. 731-TA-423, USITC Pub. 2211 (Final)(August 1989), the Commission included cephalexin in both bulk and tablet form in the like product, as well as in capsules and oral suspension powder.

<sup>24</sup> CR at I-6, n.12, PR at II-5, n.12.

<sup>25</sup> See note 19 above.

<sup>26</sup> TR at 21 (Skinner). In addition to size, the design of retail packaging differs depending on the brand. Petitioners' Postconference Brief at Exhibit 5, page 22.

<sup>27</sup> Petitioners' Postconference Brief at 14, 15.

<sup>28</sup> It may be used in all parts of the meal, from salad to dessert, and it may be hot or cold, sauced or not sauced, stuffed or unstuffed. CR at I-10-I-11, PR at II-7.

<sup>29</sup> TR at 86 (Castlegarde).

<sup>30</sup> CR at I-12, PR at II-8. Not all customers in the food service and industrial markets necessarily have exact specifications, however. CR at I-11, n.26, PR at II-8, n.26.

<sup>31</sup> CR at I-13, n.31, PR at II-9, n.31. The questionnaire responses show some differences of opinion between \*\*\* on the issue of the substitutability of retail pasta for food service and industrial pasta.

<sup>32</sup> Table 6, CR at I-39, PR at II-23-II-24.

<sup>33</sup> Table 6, CR at I-39, PR at II-23-II-24.

<sup>34</sup> Petitioners' Postconference Brief at 16. No product for industrial sale was reported as shipped through distributors. Table 6, note 2, CR at I-39, PR at II-24.

With the exception of the packaging equipment, dry non-egg pasta for all three markets can be produced on the same production lines with the same production equipment.<sup>35</sup> Many domestic producers of dry non-egg pasta produce for all three markets,<sup>36</sup> and most production facilities produce dry non-egg pasta for more than one market, often on the same production line.<sup>37</sup> The record thus shows, and petitioners acknowledge,<sup>38</sup> that food service and industrial pasta is produced using the same basic production processes, facilities and employees as pasta for the retail market.<sup>39</sup>

While there are some minor differences between dry non-egg pasta sold to the retail market and dry non-egg pasta sold to the food service and industrial markets, there are also many significant similarities between them. Dry non-egg pasta sold to each of these markets is produced using the same primary ingredients and often on the same production equipment. Indeed the dry non-egg pasta sold to each market can be the identical product with the sole difference being the packaging. Furthermore, comparable variations exist among products sold within the retail market. We find that the minor differences between dry non-egg pasta sold to the retail, food service and industrial markets do not amount to clear dividing lines. We thus find all dry non-egg pasta to be part of the same domestic like product (with the exception of oriental-style noodles, discussed below) regardless of package size or the market to which it is sold.

## 2. Dry Egg Pasta<sup>40</sup>

Dry egg pasta is not included in the scope of investigation; however, we find that there are substantial similarities to warrant including dry egg pasta in the same domestic like product as dry non-egg pasta for purposes of these preliminary investigations.<sup>41</sup> Dry egg pasta is manufactured using the same basic equipment and techniques as dry non-egg pasta, with the exception of specific production equipment used to incorporate the egg in the dough prior to extrusion.<sup>42</sup> Dry egg pasta can be, and is in some cases, manufactured on the same production line as dry non-egg pasta.<sup>43</sup> The majority of domestic producers that produces

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<sup>35</sup> Table 1, CR at I-20, PR at II-12. While specific dies are often used for certain types of pasta sold to a food service or industrial customer, different dies are likewise used for different products produced for the retail market. See Agnesi S.p.A., et al Postconference Brief (Joint Italian Postconference Brief) at 9; see also Vitelli Postconference Brief at 7. Furthermore, while petitioners argue that food service and industrial customers have more stringent product requirements, domestic producers have the same quality control process for dry non-egg pasta sold to the retail market as for the food service and industrial markets. TR at 88 (Skinner).

<sup>36</sup> Table 1, CR at I-20-I-21, PR at II-12.

<sup>37</sup> Table 1, CR at I-20-I-21, PR at II-12.

<sup>38</sup> Petitioners' Postconference Brief at 17.

<sup>39</sup> Unit values indicate that prices in the retail market are generally higher than prices to the food service and industrial markets. CR at I-22, PR at II-13. Nonetheless, the preliminary record shows variations in prices within the retail market that are as significant as the variations between the retail market and the food service and industrial markets. Tables 25-27, CR at I-90-I-91, PR at II-55-II-56.

<sup>40</sup> Vice Chairman Nuzum and Commissioner Bragg do not join the discussion of dry egg pasta. See their separate views regarding the domestic like product. They note, however, that the inclusion or exclusion of dry egg pasta producers in the domestic industry does not substantially affect the data or trends examined in their analysis of the condition of the domestic industry.

<sup>41</sup> Petitioners argue that dry egg pasta should be excluded from the domestic like product. Respondents generally do not address this issue.

<sup>42</sup> CR at I-19, n.51, PR at II-12, n.51.

<sup>43</sup> The production changeover from egg pasta to non-egg pasta requires thorough cleaning of the equipment because of the egg intolerance by some consumers. As the risk of egg contamination only works one way, however, the changeover from non-egg pasta to egg pasta is relatively simple. CR at I-19, PR at II-12, and Staff Field Trip Notes, May 23, 1995.

non-egg pasta also produces dry egg pasta.<sup>44</sup> Like dry non-egg pasta, dry egg pasta is sold to the retail, food service and industrial markets.<sup>45</sup> Dry egg and non-egg pasta are sold in the same sections of retail stores.<sup>46</sup>

Dry egg and dry non-egg pasta have the same physical characteristics except for the presence of egg yolk.<sup>47</sup> Dry egg pasta is not always substitutable for dry non-egg pasta because of the risk of allergic reaction to egg.<sup>48 49</sup> We find that these distinctions are minor and are not sufficient to render dry egg pasta a separate domestic like product. Dry egg and dry non-egg pasta are made from the same basic ingredients, have similar characteristics and uses, are made on the same production lines by the same producers, and are substitutable in uses where the flavor distinction is not important. Therefore we include dry egg pasta in the domestic like product.<sup>50</sup>

### 3. Enriched and Non-Enriched Dry Non-Egg Pasta

The scope of investigation includes both enriched and non-enriched pasta. One respondent, JCM, Ltd. argues that there is a clear dividing line between enriched and non-enriched pasta with respect to physical characteristics, and that unenriched pasta is therefore a distinct domestic like product.<sup>51</sup> We disagree. The sole difference in physical characteristics of enriched and unenriched pasta is that enriched pasta includes certain additional ingredients, such as vitamins. JCM has provided no evidence suggesting that there is a clear dividing line between enriched and unenriched pasta with respect to the interchangeability, channels of distribution, common manufacturing facilities and production processes, customer and producer perceptions or price. We do not find that the presence of enriching ingredients alone constitutes a sufficiently clear dividing line. Accordingly, we find that enriched and unenriched dry pasta are not separate domestic like products.

### 4. Oriental-Style Noodles

Because the scope of investigation includes all dry non-egg pasta sold in packages of five pounds or less, oriental-style noodles are included in the scope.<sup>52</sup> Oriental-style noodles are physically different from dry pasta in that they are usually produced from ingredients other than durum wheat.<sup>53</sup> They have a different taste and texture, and are used in different recipes for which dry pasta is not appropriate.<sup>54</sup> Oriental-style noodles are produced at

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<sup>44</sup> Table 1, CR at I-20-I-21, PR at II-12.

<sup>45</sup> Table 1, CR at I-22, PR at II-12.

<sup>46</sup> CR at I-13, PR at II-8.

<sup>47</sup> Dry non-egg pasta may contain up to 2.0 percent egg white, but no egg yolk. CR at I-12, n.29, PR at II-8, n.29. Other than egg, the additives used in egg and non-egg products are the same. *Id.* One product with characteristics which place it between egg and non-egg noodles is yolkless egg noodles, some of which contain more than two percent egg white but no egg yolk. CR at I-13, n.30, PR at II-8, n.30.

<sup>48</sup> CR at I-13, PR at II-8. The addition of egg gives the pasta a distinct taste, which can make it more appropriate for certain recipes. CR at I-12-I-13, PR at II-8.

<sup>49</sup> Dry egg pasta is generally more expensive than dry non-egg pasta. CR at I-22, PR at II-13.

<sup>50</sup> As in the case of dry non-egg pasta, we do not find clear dividing lines between dry egg pasta for retail sale and dry egg pasta for food service or industrial sale, and therefore we include all dry egg pasta in the domestic like product, regardless of package size or the market to which it is sold.

<sup>51</sup> JCM Postconference Brief at 2.

<sup>52</sup> Petitioners argue that oriental-style noodles are a separate domestic like product from dry non-egg pasta. Petitioners' Postconference Brief at 3.

<sup>53</sup> CR at I-13, PR at II-9.

<sup>54</sup> CR at I-13, PR at II-9.



different facilities by different producers than dry pasta,<sup>55</sup> and are produced differently than dry pasta in that they are cut, rather than extruded.<sup>56</sup> Based on these differences, we find oriental-style noodles to be a separate domestic like product.

### C. Industries

We determine that there are two domestic industries in these investigations. The first consists of domestic producers of dry non-egg and egg pasta other than oriental-style noodles (hereinafter referred to as the "dry pasta" industry).<sup>57</sup> The second industry consists of domestic producers of oriental-style noodles.

Oriental-style noodles were not imported from Italy or Turkey during the period reviewed. Under the statute, if imports from subject countries corresponding to a domestic like product are less than a specified percentage of all such merchandise imported into the United States during the most recent 12 months preceding filing of the petition for which data are available, the Commission is to find such imports negligible.<sup>58</sup> By operation of law, a finding of negligibility serves to terminate the investigation(s) with respect to such imports without an injury determination.<sup>59</sup>

The record shows that no oriental-style noodles were imported from Italy or Turkey during the last 12 months for which data are available prior to the filing of the petition.<sup>60</sup> Nor does any evidence suggest the potential that imports from either of those countries will imminently exceed the applicable statutory negligibility thresholds.<sup>61</sup> Accordingly, we find that the statutory standard is met and find that imports of oriental-style noodles from Italy and Turkey are negligible.<sup>62</sup> Therefore, the investigations with respect to oriental-style noodles from Italy and Turkey are terminated.

In making its determination, the Commission is directed to consider the effect of the subject imports on the industry, defined as "the producers as a whole of a domestic like product. . ."<sup>63</sup> The sole dry pasta industry issue in these preliminary investigations concerns whether any of the producers of the domestic like product should be excluded from the industry as a related party.<sup>64</sup> If the Commission determines that a domestic producer meets the definition of a related party, the Commission may exclude such a producer from the

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<sup>55</sup> CR at I-19, PR at II-12.

<sup>56</sup> CR at I-19, n.50, PR at II-12, n.50.

<sup>57</sup> Vice Chairman Nuzum and Commissioner Bragg find a domestic industry comprised of the producers of dry non-egg pasta, and do not include producers of egg pasta. See their separate views regarding the domestic like product.

<sup>58</sup> 19 U.S.C. § 1677(24).

<sup>59</sup> 19 U.S.C. §§ 1671b and 1673b.

<sup>60</sup> INV-S-092 at 1 (June 23, 1995).

<sup>61</sup> 19 U.S.C. § 1677(24)(iv).

<sup>62</sup> Specifically, Commissioner Newquist finds that there is clear and convincing evidence that the imports of oriental-style pasta from Italy and Turkey are negligible, and that there is no likelihood that contrary evidence will be collected in any final investigations.

<sup>63</sup> 19 U.S.C. § 1677(4)(A). In doing so, the Commission includes all domestic production, including tolling operations and captively consumed product, within the domestic industry. See United States Steel Group, et al. v. United States, Slip Op. 94-201 at 16 (Ct. Int'l Trade December 30, 1994).

<sup>64</sup> The term "related parties" is defined in 19 U.S.C. § 1677(4)(B).

industry if "appropriate circumstances" exist.<sup>65</sup> Exclusion of a related party is within the Commission's discretion based upon the facts presented in each case.<sup>66</sup>

Domestic producers \*\*\* are related parties because they imported subject merchandise during the period of investigation.<sup>67</sup> Appropriate circumstances are not present, however, to warrant their exclusion from the domestic industry. The ratio of 1994 subject imports of dry non-egg pasta to 1994 U.S. production of dry pasta for both \*\*\* was minuscule.<sup>68</sup> \*\*\* imports were sold under its \*\*\* label and the firm has now discontinued such imports; \*\*\* imported because of supply shortages in 1994.<sup>70</sup> The small ratio of imports to domestic production for both firms, as well as the surrounding circumstances, suggest that \*\*\* primary interests lie in domestic production rather than in importation. Further, \*\*\* financial data are not markedly different from other domestic producers such that their inclusion would significantly skew the domestic industry data.<sup>71</sup> We therefore do not find that appropriate circumstances exist to exclude these related party producers.

### III. CONDITION OF THE DOMESTIC INDUSTRY<sup>72</sup>

In assessing whether there is a reasonable indication that the domestic dry pasta industry is materially injured or threatened with material injury by reason of allegedly LTFV and subsidized imports, we consider all relevant economic factors that bear on the state of the

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<sup>65</sup> 19 U.S.C. § 1677(4)(B). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include:

- (1) the percentage of domestic production attributable to the importing producer;
- (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market, and
- (3) the position of the related producer vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry.

See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161 (Ct. Int'l Trade 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interest of the related producer lies in domestic production or importation. See, e.g., Sebacic Acid from the People's Republic of China, Inv. No. 731-TA-653 (Final), USITC Pub. 2793 at I-7-8 (July 1994).

<sup>66</sup> See Torrington Co. v. United States, 790 F. Supp. at 1168.

<sup>67</sup> CR at I-37, PR at II-22. Another domestic producer, Borden, imported dry non-egg pasta from Italy in bulk form, which is outside the scope of investigation. Because Borden did not import subject merchandise and is otherwise not "related" within the meaning of the statute, it is not a "related party" within the statutory definition.

<sup>68</sup> The ratio for \*\*\* was approximately \*\*\* percent; the ratio for \*\*\* was approximately \*\*\* percent. Table 5, CR at I-31, and I-37, PR at II-19 and II-22.

<sup>69</sup> Vice Chairman Nuzum and Commissioner Bragg note that the same is true of the ratio of 1994 subject imports to 1994 domestic production of dry non-egg pasta. The ratio of subject imports to domestic production of dry non-egg pasta was approximately \*\*\* and \*\*\*. Table 5, CR at I-31, and I-37, PR at II-19, and II-22.

<sup>70</sup> CR at I-38, PR at II-22.

<sup>71</sup> See generally, Table D-9, CR at D-11, PR at D-8.

<sup>72</sup> Although Vice Chairman Nuzum and Commissioner Bragg define the domestic like product to exclude dry egg pasta, they still join in this discussion regarding the condition of the domestic industry in light of the fact that the trends and analysis are, for the most part, the same. In joining this discussion they rely on the data contained in Summary Table A-3 in Appendix A of the Staff Report.

industry in the United States.<sup>73</sup> These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."<sup>74</sup>

We note certain conditions of competition pertinent to our analysis of the domestic dry pasta industry. First, the majority of the subject imports are sold in the retail market,<sup>75</sup> where their volume has increased significantly over the period of investigation.<sup>76</sup> Second, brand names play an important role in sales of dry pasta in the retail market because purchasing decisions are influenced by brand familiarity and brand use experience.<sup>77</sup> The same domestic pasta produced by a single firm may be marketed under several different regional brand names.<sup>78</sup>

Third, preliminary data suggest that approximately \*\*\* percent of domestic production of dry pasta is internally transferred for the production of downstream articles. For purposes of these preliminary investigations, we have determined that the criteria for applicability of the captive production provision are not satisfied.<sup>79</sup>

We find that the domestic dry pasta industry internally consumes significant production of the domestic like product in the production of one or more downstream articles, and also sells significant production of the domestic like product in the merchant market.<sup>80</sup> The first prerequisite, that whether the domestic like product that is internally

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<sup>73</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>74</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>75</sup> Italian respondents argue that high quality Italian imports have both created and satisfied demand in the premium market segment. Joint Italian Postconference Brief at 34-35; Postconference Brief of AFI Pasta Group at 24. In any final investigations, we will explore this issue more extensively.

<sup>76</sup> Table 23, CR at I-69, PR at II-44.

<sup>77</sup> CR at I-77, PR at II-49. Petitioners argue that "consumers have developed a set of acceptable brands that they are willing to purchase as an alternative to their preferred brand, especially when offered at attractive prices." TR at 19 (Skinner). In any final investigations, the Commission will explore this issue further, in particular the extent to which consumers switch brands on the basis of price. Petitioners also argue that food service and industrial customers tend to be less price sensitive than retail market customers. TR at 24-28 (Skinner). The Commission will likewise explore this issue further in any final investigations.

<sup>78</sup> CR at I-77, PR at II-49.

<sup>79</sup> 19 U.S.C. § 1677(7)(C)(iv) sets forth when the Commission shall "focus primarily on the merchant market for the domestic like product" in examining market share and the domestic industry's financial condition. As a threshold matter, domestic producers must internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the like product in the merchant market. Additionally, the Commission must find that:

(I) the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product,

(II) the domestic like product is the predominant material input in the production of that downstream article, and

(III) the production of the domestic like product sold in the merchant market is not generally used in the production of that downstream article . . .

19 U.S.C. § 1671(7)(C)(iv).

<sup>80</sup> The preliminary record shows that approximately \*\*\* percent of domestic production of dry pasta is transferred for production of various prepared food products containing pasta. CR at I-34; PR (continued...)

transferred does not enter the merchant market for that domestic like product, does not appear to be satisfied here.<sup>81</sup> The majority of the dry pasta that is internally transferred for the production of downstream articles also apparently is sold into the merchant market for dry pasta.<sup>82 83</sup> The second prerequisite, that the domestic like product is the predominant input into the downstream article, appears to be satisfied. Viewing the domestic industry as a whole, dry pasta constitutes the predominant input in the majority of the industry's downstream production of prepared pasta products.<sup>84</sup> The third statutory prerequisite requires that "production of the domestic like product sold in the merchant market is not generally used in the production of that downstream article." This requirement, like the first, does not appear to be satisfied in these investigations because the further processed downstream articles apparently consist of prepared pasta dishes,<sup>85</sup> and the dry pasta sold in the merchant market also is ultimately processed into prepared pasta dishes.<sup>86</sup> As the preliminary record suggests that the first and third prerequisites are not satisfied, we decline to apply the captive production provision for purposes of these preliminary determinations. In any final investigations, we invite additional comments from the parties regarding the applicability of the captive production provision in the circumstances presented here.

Apparent domestic consumption increased from 2.443 to 2.606 billion pounds between 1992 and 1994, and was 645.9 million pounds in interim 1994 compared with 669.6 million pounds in interim 1995.<sup>87 88</sup> The value of apparent U.S. consumption followed the

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<sup>80</sup> (...continued)

at II-21. Captive production is likely higher, however, as there was significant under-reporting by industrial producers. CR at I-24, n.56, PR at II-14, n.56. Approximately \*\*\* percent of domestic production is sold to the merchant market. These percentages appear to be significant in this case.

<sup>81</sup> Commissioner Newquist notes that the third captive production provision prerequisite, discussed below, is not satisfied; accordingly, the provision does not apply in these preliminary investigations. He does not reach the question of the appropriate interpretation of the first prerequisite.

<sup>82</sup> \*\*\* of captive production, states that its downstream products compete for sales in the dry pasta merchant market. In a follow-up conversation, however, \*\*\*. CR at I-35, Table 5 CR at I-31 PR at II-21, Table 5 PR at II-19. We find, for purposes of these preliminary investigations that \*\*\* are "processing", within the meaning of the first statutory prerequisite in the captive production provision. We further find for purposes of these preliminary investigations that the above-described competition between \*\*\* downstream products and the domestic like product shows that the downstream products "enter the merchant market for the domestic like product". We invite comments on these issues, and will examine the degree of competition between dry pasta and downstream products more extensively in any final investigations.

<sup>83</sup> Commissioner Bragg notes that the interpretation of this statutory factor reflected in the preceding footnote differs from the Commission's prior interpretation of this factor in Polyvinyl Alcohol from the People's Republic of China, Japan and Taiwan Inv. Nos. 731-TA-726-729 (Preliminary) USITC Pub. 2883 (April 1995). In that case, the majority read this factor to apply because no single U.S. producer sold the domestic like product, polyvinyl alcohol, in the merchant market for the same end-uses in which the same producer internally consumed it. In this case, the majority examines, not whether dry pasta used in the production of downstream articles also enters the merchant market, but rather whether downstream products produced from the dry pasta compete in the merchant market for dry pasta. Commissioner Bragg invites interested parties' comments in any final investigations as to the appropriate interpretation of this factor.

<sup>84</sup> CR at I-35, Table 5 at I-31, PR at II-21-II-22, Table 5 at II-19. It is unclear from the preliminary record what method all of the domestic producers used in determining whether pasta was the "predominant material input", e.g., by volume, weight or value. We will explore this further in any final investigations, and invite comments on the appropriate method for measuring the "predominant material input" in this industry.

<sup>85</sup> We will solicit more detailed information on the various downstream products in any final investigations.

<sup>86</sup> CR at I-35, PR at II-21.

<sup>87</sup> Table A-4, CR at A-14, PR at A-11.

same pattern, increasing from \$1.282 billion in 1992 to \$1.402 billion in 1994, and was \$349.9 million in interim 1994 compared to \$376.3 million in interim 1995.<sup>89</sup> The U.S. industry's domestic shipments fluctuated, increasing from 2.106 billion pounds to 2.149 billion pounds in 1993 and then declining to 2.103 billion pounds in 1994, for an overall decrease over the period. Domestic shipments were 533.6 million pounds in interim 1994 compared to 544.9 million pounds in interim 1995.<sup>90</sup> The value of shipments increased consistently throughout the period of investigation, from \$1.127 billion in 1992 to \$1.180 billion in 1994, and was \$301.1 million in interim 1994 compared to \$322.3 million in interim 1995. The domestic industry's share of total apparent consumption declined during each year of the period of investigation. The domestic producers' share of apparent consumption decreased from 86.2 percent in 1992 to 80.7 percent in 1994, and was 82.6 percent in interim 1994 compared to 81.4 percent in interim 1995.<sup>91</sup>

U.S. producers' dry pasta production capacity increased from 2.629 billion pounds in 1992 to 2.761 billion pounds in 1993 and to 2.829 billion pounds in 1994; capacity was 694.0 million pounds in interim 1994 compared to 722.5 million pounds in interim 1995.<sup>92</sup> Production increased from 2.082 billion pounds in 1992 to 2.145 billion pounds in 1994, and was 574.6 million pounds in interim 1994 compared to 549.1 million pounds interim 1995.<sup>93</sup> As capacity increased at a greater rate than production, capacity utilization declined from 76.4 percent in 1992 to 72.9 percent in 1994, and was 80.2 percent in interim 1994 compared to 73.3 percent in interim 1995.<sup>94</sup> Domestic producer inventories fluctuated, decreasing from 201.5 million pounds in 1992 to 158.8 million pounds in 1993, before increasing to 179.0 million pounds in 1994, and were 191.6 million pounds in interim 1994 compared to 177.2 million pounds in interim 1995.<sup>95</sup>

The number of production and related workers increased from 3,305 in 1992 to 3,335 in 1994, but was fewer in interim 1994 as compared to interim 1995; the hours worked declined from 7.677 million hours to 6.992 million hours between 1992 and 1994, and were also fewer in interim 1994 as compared to interim 1995.<sup>96 97</sup> Total compensation increased from \$112.8 million in 1992 to \$115.5 million in 1994, and was lower in interim 1994 compared to interim 1995.<sup>98</sup> Productivity improved from 1992 to 1994 by 12.1 percent, and was 2.7 percent lower in interim 1995 than in interim 1994.<sup>99</sup>

Increases in domestic industry unit sales values<sup>100</sup> resulted in higher net sales revenue in 1994 than in 1992. Net domestic industry sales value increased from \$1.017 billion in 1992 to \$1.048 billion in 1994, and was \$270.9 million in interim 1994 compared to \$282.0

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<sup>88</sup> (...continued)

<sup>88</sup> We place less emphasis in our analysis on the comparisons between interim 1994 and 1995 because they relate to data for only one quarter.

<sup>89</sup> Table A-4, CR at A-14-A-15, PR at A-11-A-12.

<sup>90</sup> Id.

<sup>91</sup> Id.

<sup>92</sup> Id.

<sup>93</sup> Id.

<sup>94</sup> Id.

<sup>95</sup> Id.

<sup>96</sup> Id.

<sup>97</sup> Vice Chairman Nuzum and Commissioner Bragg note that the number of production and related workers in the dry non-egg pasta industry increased from 2,931 to 2,952 from 1992 to 1993, but declined from 1993 to 1994 to 2,930. Table A-3, CR at A-11, PR at A-8.

<sup>98</sup> Table A-4, CR at A-15, PR at A-12.

<sup>99</sup> Id.

<sup>100</sup> Per-unit sales value rose from \$.59 to \$.62 from 1992 to 1994 and was \$.62 in interim 1994 compared to \$.65 in interim 1995. Table A-4, CR at A-15, PR at A-12.

million in interim 1995.<sup>101 102</sup> Despite these increases in sales value, the operating income and gross profits of the domestic industry deteriorated considerably. Operating income decreased from \$137.4 million to \$28.8 million from 1992 to 1994, and was \$10.14 million in interim 1994 compared to \$2.148 million in interim 1995; per-pound operating income decreased from \$.08 in 1992 to \$.02 in 1994.<sup>103</sup>

Cost of goods sold rose from \$582.0 million 1992 to \$690.1 million in 1994, and was higher in interim 1994 compared to interim 1995.<sup>104</sup> Selling, general and administrative (SG&A) expenses also rose from \$297.2 million in 1992 to \$329.1 million in 1994, and were higher in interim 1994 as compared to interim 1995.<sup>105 106</sup> Thus, significant increases in the cost of goods sold and SG&A expenses contributed to substantial declines in both operating income and gross profits in 1994.<sup>107</sup>

Capital expenditures by the domestic industry declined from 1992 to 1994, and were slightly higher in interim 1995 as compared to interim 1994.<sup>108</sup> Research and development spending by the domestic industry for the retail market also declined from 1992 to 1994, and was slightly higher in interim 1994 compared to 1995.<sup>109 110</sup>

#### IV. CUMULATION

Section 771(7)(G)(i) provides the general rule for cumulation in determining material injury by reason of subject imports.<sup>111</sup> This provision requires the Commission to cumulate imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the United States market.

In assessing whether imports compete with each other and with the domestic like product,<sup>112</sup> the Commission generally has considered four factors, including:

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<sup>101</sup> Id.

<sup>102</sup> Vice Chairman Nuzum and Commissioner Bragg note that for the dry non-egg pasta industry the increase in the value of net sales was consistent throughout the period examined. The value of net sales in the dry non-egg pasta industry increased from \$870 million in 1992, to \$903 million in 1993, and to \$905 million in 1994. In interim 1995 the value of net sales was \$241 million as compared to \$228 million in interim 1994. Table A-3, CR at A-11, PR at A-7.

<sup>103</sup> Table A-4, CR at A-15, PR at A-12.

<sup>104</sup> Id. Unit cost of goods sold increased from \$0.34 in 1992 to \$0.41 in 1994 and was \$0.40 in interim 1994 compared to \$0.41 in interim 1995. Id.

<sup>105</sup> Id. Unit SG&A increased from \$0.17 in 1992 to \$0.19 in 1994, and was \$0.20 in interim 1994 compared to \$0.23 in interim 1995. Id.

<sup>106</sup> Vice Chairman Nuzum and Commissioner Bragg note that SG&A for the dry non-egg pasta industry increased steadily throughout the period examined. SG&A increased from \$257 million in 1992, to \$288 million in 1993, and to \$297 million in 1994. In interim 1995 SG&A was \$89 million as compared to \$77 million in interim 1994. Table A-3, CR at A-11, PR at A-7.

<sup>107</sup> The record suggests that a major reason for the increase in cost of goods sold was the rising price of durum wheat. CR at I-51-I-53, PR at II-33-II-34. The Commission will explore further the causes for the increases in cost of goods sold and SG&A in any final investigations.

<sup>108</sup> Table A-4, CR at A-15, PR at A-12. Capital expenditures declined from \*\*\* to \*\*\* between 1992 and 1994.

<sup>109</sup> Table 18, CR at I-58, PR at II-35.

<sup>110</sup> Based on the foregoing, Commissioner Rohr and Commissioner Newquist determine that there is a reasonable indication that the domestic dry pasta industry is experiencing material injury.

<sup>111</sup> 19 U.S.C. § 1677(7)(G).

<sup>112</sup> The Statement of Administrative Action (SAA) to the URAA expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." SAA, H.R. Rep. 316, 103d Cong., 2d Sess., vol. 1, at (continued...)

- (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
- (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and
- (4) whether the imports are simultaneously present in the market.<sup>113</sup>

While no single factor is determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the imports compete with each other and with the domestic like product.<sup>114</sup> Only a "reasonable overlap" of competition is required.<sup>115</sup> Thus, even if a certain volume of subject imports from a country is of a type or specification not produced by the domestic industry, imports from that country will be cumulated if the remaining imports collectively do compete with the domestic like product and with other imports.<sup>116</sup>

Petitioners argue that subject imports from Italy and Turkey should be cumulated. They contend that subject imports from both countries are reasonably fungible with each other and with the domestic like product.<sup>117</sup> Petitioners state that, even assuming quality is an important consideration in consumer decisions, the questionnaire responses indicate that allegedly low quality Turkish imports compete with U.S. and Italian made pasta.<sup>118</sup> Respondents argue that subject imports from Italy and Turkey do not compete with one another and should not be cumulated because Italian imports are concentrated in the premium segment of the market, while Turkish imports are concentrated in the lower end.<sup>119 120</sup>

The record indicates that subject imports from both countries were simultaneously present in the U.S. market<sup>121</sup> and sold in the same geographic markets.<sup>122</sup> The preliminary

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<sup>112</sup> (...continued)

848 (citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade), aff'd 859 F.2d 915 (Fed. Cir. 1988)).

<sup>113</sup> See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), aff'd, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

<sup>114</sup> See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

<sup>115</sup> See Wieland Werke, AG, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); United States Steel Group v. United States, Slip Op. 94-201 (Ct. Int'l Trade Dec. 30, 1994).

<sup>116</sup> See Sandvik AB v. United States, 721 F. Supp. 1322, 1332-33 (Ct. Int'l Trade 1989), aff'd, 904 F.2d 46 (Fed. Cir. 1990).

<sup>117</sup> Petitioners' Postconference Brief at 28.

<sup>118</sup> Id.

<sup>119</sup> Joint Italian Postconference Brief at 18; Delverde Postconference Brief at 20.

<sup>120</sup> Commissioner Newquist notes that once a domestic like product determination is made, that determination establishes some inherent level of fungibility within that domestic like product and the subject imports. Only in exceptional circumstances could he anticipate finding products to be "like," and then turn around and find that, for purposes of cumulation, there is no reasonable overlap of competition based upon some roving standard of fungibility. For Commissioner Newquist, competition is primarily a function of whether subject imports and the domestic like product compete in the same geographic market at the same time. He finds such competition in these investigation.

<sup>121</sup> Tables 25-27, CR at I-95-I-96, PR at II-55-II-56.

record also shows that there are common channels of distribution, inasmuch as both the subject imports and the domestic like product are sold either through distributors or directly to retail chains.<sup>123</sup> The record also shows that, to some extent, the domestic like product and Italian and Turkish imports are sold in the same supermarkets.<sup>124</sup>

There is considerable conflicting evidence regarding the degree of fungibility of subject imports with each other and the domestic product.<sup>125</sup> We note that in several investigations the Commission has found the competition requirement satisfied notwithstanding differences in quality among the imports and the domestic like product.<sup>126</sup>

The record also shows that Italian, Turkish and domestic dry pasta compete in the non-premium market. Some Italian importers reported that their products competed with Turkish imports.<sup>127</sup> Furthermore, the record suggests that a significant portion of the Italian imports are non-premium. Italian respondents estimate that the premium market represents three to five percent of the overall market.<sup>128</sup> Italian imports, however, held a 10.8 percent share of overall domestic consumption by volume in 1994.<sup>129</sup> Thus, even assuming that the premium market represents five percent of domestic consumption and that the Italian imports supply the entire premium market, using respondents' characterization of the size of the premium market, a majority of Italian imports appears to be non-premium.<sup>130</sup>

For the foregoing reasons, we find a reasonable overlap of competition among subject imports from Italy and Turkey and between those subject imports and the domestic like product. Accordingly, we cumulate such imports for purposes of determining whether there is a reasonable indication of material injury by reason of the subject imports. In any final investigations, however, the Commission will seek additional information on the degree of fungibility of the subject imports from Italy and Turkey with each other and the domestic like product.<sup>131</sup>

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<sup>122</sup> (...continued)

<sup>122</sup> CR at I-37, I-33, PR at II-22, II-20.

<sup>123</sup> Table 6, CR at I-39, PR at II-23. There are two distributor channels, warehouse and specialty distributors. While Italian respondents argue that Italian imports are predominantly sold through specialty distributors, petitioners provided evidence showing that the domestic like product and subject imports are sold through both warehouse and specialty distributors. Petitioners' Postconference Brief at Exhibit 6. We will examine this issue further in any final investigations.

<sup>124</sup> See Conference Exhibit 1; see also producer questionnaire response of \*\*\*, at Attachment to Section V.D. Italian respondents argue however, that a significant portion of Italian imports are sold through specialty and ethnic stores where there is little domestic competition. Joint Italian Response to Staff Questions at 6, 11. The Commission will seek to quantify the degree to which the imports and domestic product compete in the same retail sales locations in any final investigations.

<sup>125</sup> CR at I-86, PR at II-53. In addressing the comparability between imports of dry non-egg pasta from Italy and Turkey, about one-half of responding importers reported that the two were used in similar applications, although 27 out of 31 reported that there were quality differences between Italian and Turkish pasta. CR at I-87, PR at II-53.

<sup>126</sup> See e.g., Circular Welded Non-Alloy Steel Pipe from Romania and South Africa, Inv. No. 731-TA-732-733 (Preliminary), USITC Pub. 2899 (June 1995); Certain Steel Wire Rod from Brazil and Japan, Inv. Nos. 731-TA-646, 648 (Final), USITC Pub. 2761 at 14-16.

<sup>127</sup> CR at I-71, PR at II-43.

<sup>128</sup> CR at I-71, PR at II-45.

<sup>129</sup> Table A-4, CR at A-14, PR at A-11.

<sup>130</sup> Even accepting respondents' characterization of Italian imports as premium product and Turkish imports as lower quality, the preliminary record does not clearly show a lack of price competition between these imports. In any final investigations, we will explore to what extent the frequent use of promotions causes the distinctions (for purposes of pricing) between the premium, mainstream and lower quality products to collapse.

<sup>131</sup> Chairman Watson does not join the remainder of the opinion.



## V. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV AND SUBSIDIZED IMPORTS<sup>132</sup>

In preliminary antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.<sup>133</sup> In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.<sup>134 135 136</sup> Although the Commission may consider causes of injury to the industry other than the allegedly LTFV and subsidized imports, it is not to weigh causes.<sup>137 138 139</sup>

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<sup>132</sup> Vice Chairman Nuzum and Commissioner Bragg join this discussion, which reflects equally their findings concerning a reasonable indication of material injury to a domestic industry producing dry non-egg pasta.

<sup>133</sup> 19 U.S.C. § 1673b(a). The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant." 19 U.S.C. § 1677(7)(A).

<sup>134</sup> 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination," but shall "identify each [such] factor . . . and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

<sup>135</sup> As part of its consideration of the impact of imports, the statute as amended by the URAA specifies that the Commission is to consider "the magnitude of the margin of dumping." 19 U.S.C. § 1677(7)(C)(iii)(V). The SAA indicates that the amendment "does not alter the requirement in current law that none of the factors which the Commission considers is necessarily dispositive in the Commission's material injury analysis." SAA at 850.

New section 771(35)(C), 19 U.S.C. § 1677(35)(C) defines the "margin of dumping" to be used by the Commission in a preliminary determination as the margin or margins published by Commerce in its notice of initiation. The dumping margins identified by the Commerce Department in its notice initiating these investigations range from 21.85 percent to 71.49 percent for Italy, and are 63.29 percent for Turkey. 60 Fed. Reg. 30269 (June 8, 1995).

<sup>136</sup> As discussed above, in these investigations, we have determined that the captive production provision set forth in 19 U.S.C. § 1677(7)(C)(iv) is not applicable, and, therefore, have focused on both the merchant market and captive production in analyzing the market share and financial performance of the domestic industry.

<sup>137</sup> See, e.g., Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988). Alternative causes may include the following:

[T]he volume and prices of imports sold at fair value, contraction in demand or changes in patterns of consumption, trade, restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry.

S. Rep. No. 249, 96th Cong., 1st Sess. 74 (1979). Similar language is contained in the House Report. H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979).

<sup>138</sup> Commissioner Rohr and Commissioner Newquist further note that the Commission need not determine that imports are "the principal, a substantial, or a significant cause of material injury." S. Rep. No. 249, at 57, 74. Rather, a finding that imports are a cause of material injury is sufficient. See e.g., Metallwerken Nederland B.V. v. United States, 728 F. Supp. 730, 741 (CIT 1989); Citrosuco Paulista, 704 F. Supp. at 1101.

<sup>139</sup> Commissioner Crawford notes that the statute requires that the Commission determine whether a domestic industry is "materially injured by reason of" the allegedly subsidized and LTFV imports. She finds that the clear meaning of the statute is to require a determination of whether the domestic industry is materially injured by reason of allegedly subsidized and LTFV imports, not by reason of the allegedly subsidized and LTFV imports among other things. Many, if not most, domestic industries are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently are causing material injury to the domestic industry. It is assumed in

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For the reasons discussed below, we find that there is a reasonable indication that the domestic dry pasta industry is materially injured by reason of allegedly LTFV and subsidized imports from Italy and Turkey.<sup>140</sup>

The quantity of cumulated subject imports increased from 221.7 million pounds to 341.0 million pounds between 1992 and 1994, and was higher in interim 1995 at a level of 88.68 million pounds compared to 78.05 million pounds in interim 1994.<sup>141</sup> The share of all U.S. dry pasta shipments held by subject imports was 13.1 percent in 1994, up from 9.1 percent in 1992; the subject import market share was 12.1 percent in interim 1994 compared to 13.2 percent in interim 1995.<sup>142</sup> This increase in market share came at the expense of the domestic producers' market share, which decreased from 86.2 percent in 1992 to 80.7 percent in 1994.<sup>143</sup> For purposes of these preliminary investigations, we find that the volume and the increase in volume of subject imports, as well as the level of and increase in their market share, are significant.

The data in these preliminary investigations show that the subject imports had an adverse effect on prices for the domestic like product.<sup>144</sup> As previously stated, the volume of

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<sup>139</sup> (...continued)

the legislative history that the "ITC will consider information which indicates that harm is caused by factors other than less-than-fair-value imports." S. Rep. No. 249, at 75. However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. *Id.* at 74; H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979). The Commission is not to determine if the allegedly subsidized and LTFV imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 249, at 74. Rather, it is to determine whether any injury "by reason of" the allegedly subsidized and LTFV imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. "When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry." S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis added).

<sup>140</sup> As previously noted, Vice Chairman Nuzum and Commissioner Bragg make this determination with respect to the domestic industry producing dry non-egg pasta. See their separate views.

<sup>141</sup> Table 23, CR at I-70, PR at II-45.

<sup>142</sup> Table A-4, CR at A-14, PR at A-11. Vice Chairman Nuzum and Commissioner Bragg note that the share of U.S. dry non-egg pasta shipments held by imports was 14.2 percent in 1994, up from 10.0 percent in 1992, and was greater in interim 1995 at 14.5 percent than in interim 1994 at 13.3 percent. Table A-3, CR at A-10, PR at A-7.

<sup>143</sup> Table A-4, CR at A-14, PR at A-11. Vice Chairman Nuzum and Commissioner Bragg note that the domestic producers' share of U.S. dry non-egg pasta shipments fell from 85.7 percent in 1992 to 80.1 percent in 1992, and was 82.0 percent in interim 1994 compared to 80.6 percent in interim 1995. Table A-3, CR at A-10, PR at A-7.

<sup>144</sup> Commissioner Crawford finds that subject imports are not having significant effects on prices for domestic pasta. To evaluate the effects of the dumping on domestic prices, Commissioner Crawford compares domestic prices that existed when the imports were dumped with what domestic prices would have been if the imports had been fairly traded. In most cases, if the subject imports had not been traded unfairly, their prices in the U.S. market would have increased. In these investigations, the estimated dumping margins are 63.29 percent for Turkey and 21.85 to 71.49 percent for Italy. In addition, Commerce is investigating a number of alleged subsidies, including alleged export subsidies. Thus, prices for the subject imports likely would have risen by a significant amount if they had been priced fairly, and they would have become more expensive relative to the domestic product and nonsubject imports. In such a case, demand would have shifted away from subject imports and towards the relatively less-expensive products. In these investigations, nonsubject imports hold only a small share of the domestic market, accounting for a 6.2 percent share by quantity in 1994, while the domestic industry dominates the market with a market share of 80.7 percent in 1994. Given the small presence of nonsubject imports and the dominance of the domestic industry, most of the demand for subject imports would have shifted to domestic pasta had subject imports been

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subject imports was significant. Indeed, the rate of increase in subject import volumes was far greater than the rate of increase in domestic consumption.<sup>145</sup> Moreover, for purposes of these preliminary investigations, we find that the subject imports and domestic like product are good substitutes.<sup>146 147</sup> The increasing subject import volumes consequently placed pressure on the domestic industry to hold price levels, or, at a minimum, to restrict price increases so as to maintain sales volumes and market share. The record in fact indicates that the domestic industry was not able to raise its prices sufficiently to cover the increase in its costs.<sup>148</sup>

The record also indicates that subject imports undersold the domestic like product in many instances. Subject imports generally undersold the domestic like product in sales of brand name products,<sup>149</sup> which constitute the bulk of subject import and domestic sales.<sup>150</sup> The Italian products were priced below the domestic products in 35 of 39 instances involving brand name products, and the Turkish products were priced below the domestic products in all 39 instances.<sup>151</sup> Margins of underselling ranged as high as 44.1 percent for Italian imports and 68.6 percent for Turkish imports.<sup>152 153</sup> We find that both the frequency and magnitude of the underselling by the subject imports are significant.

Further, there is evidence of the price effects of the subject imports in the pricing data, which corroborates to some extent petitioners' allegation that importers of subject merchandise have been undercutting the traditional "three-tiered" pricing structure.<sup>154</sup>

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<sup>144</sup> (...continued)

priced fairly. Even though demand for domestic pasta would have increased, the domestic industry would not have been able to increase its prices. There are at least 18 domestic producers, and the industry has more than sufficient available capacity to supply the demand satisfied by subject imports. Thus, competition among domestic producers and available capacity would have imposed discipline on the domestic prices. Therefore, the domestic industry would not have been able to increase its prices if subject imports had been fairly traded. As discussed above, the record contains evidence that the domestic industry may be experiencing a cost/price squeeze. However, market conditions preclude a conclusion that the domestic industry could have raised its prices sufficiently to cover its costs if subject imports had been fairly traded. For these reasons, subject imports are not having significant effects on prices for domestic pasta.

<sup>145</sup> Table A-4, CR at A-14, PR at A-11.

<sup>146</sup> Petitioners argue that the subject imports and domestic dry pasta are highly substitutable, and that the market segments comprising premium, mainstream and lower quality products overlap. Respondents contend that the substitutability between the subject imports and the domestic like product is low due to non-price factors such as quality, brand name and brand image. As discussed above in our consideration of cumulation, the subject imports and the domestic like product are both sold in the non-premium market segment. They are also sold for the same end use. We will examine the issue of substitutability closely in any final investigations.

<sup>147</sup> In any final investigations, Commissioner Newquist will consider the issue of substitutability generally only in the context of the domestic like product definition. It is his view that if a product is "like," then it follows that it is a "good substitute."

<sup>148</sup> See Table A-4, CR at A-15, PR at A-12.

<sup>149</sup> CR at I-89, PR at II-54.

<sup>150</sup> CR at I-79, PR at II-49.

<sup>151</sup> CR at I-94, PR at II-58.

<sup>152</sup> Tables 31 and 32, CR at I-99, PR at II-59.

<sup>153</sup> There was also underselling with respect to private label dry pasta, although the underselling by Italian imports was not as extensive as for brand name dry pasta. The Italian products were priced below the domestic products in 7 of 16 instances; the Turkish products were priced below the domestic products in all of 17 instances. The margin of underselling ranged between 5.5 and 28.1 percent for Italian imports and 22.8 and 52.8 percent for Turkish imports. CR at I-100, PR at II-59.

<sup>154</sup> The first tier with the lowest prices consists of popular forms such as spaghetti and elbows. In this tier retailers seek to have regular pricing specials. The second tier, consisting of products such as penne or rigatoni, have higher prices and fewer promotions. The third tier consists of more

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Petitioners argue that the importers use "line pricing", where prices per pound are the same across all pasta forms.<sup>155</sup> The Commission collected pricing data for sales of three different retail pasta products which are representative examples of the domestic "three-tiered" pricing structure alleged by petitioners. The price variations between the three tiers for the subject imports were less than the variations in domestic prices; this is particularly true for the Turkish import prices.<sup>156</sup> Furthermore, the margins of underselling were more significant for the second and third tier products than the first tier products.<sup>157</sup>

Based on both the domestic industry's inability to recover its increased costs and the evidence of underselling by the subject imports, we conclude for purposes of these preliminary investigations that such imports have suppressed domestic prices of dry pasta to a significant degree.

The evidence regarding decreases in the domestic industry's per unit revenues and declining financial performance indicate that the subject imports have had an adverse impact on the domestic industry.<sup>158</sup> The evidence suggests that underselling by the subject imports suppressed domestic prices, thereby precluding domestic producers from recovering their increased costs for raw materials and SG&A.<sup>159</sup> Because of the increasing volumes of allegedly LTFV and subsidized imports, domestic producers were unable to benefit from the increases in apparent domestic consumption. As a result, their financial performance has declined.<sup>160</sup> On the basis of the domestic industry's declining shipments, diminishing market

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<sup>154</sup> (...continued)

specialized products such as lasagna. These products have the highest prices traditionally and are rarely promoted. TR at 39 (Morris); Petition at 96.

<sup>155</sup> Petition at 96.

<sup>156</sup> CR at I-92-I-93, I-97-I-98, PR at II-56-II-58.

<sup>157</sup> CR at I-94, n.152, PR at II-58, n.151; Tables 31 and 32, CR at I-99, PR at II-59.

<sup>158</sup> Commissioner Crawford concurs that subject imports are having a significant impact on the domestic industry. In her analysis of material injury by reason of dumped imports, Commissioner Crawford evaluates the impact on the domestic industry by comparing the state of the industry when the imports were dumped with what the state of the industry would have been had the imports been fairly traded. In assessing the impact of the subject imports on the domestic industry, she considers, among other relevant factors, output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors as required by 19 U.S.C. § 1677(C)(iii). These factors together either encompass or reflect the volume and price effects of the dumped imports, and so she gauges the impact of the dumping through those effects. In this regard, the impact on the domestic industry's prices, sales and overall revenues is critical, because the impact on the other industry indicators (e.g., employment, wages, etc.) is derived from this impact. As she noted earlier, Commissioner Crawford finds that the domestic industry would not have been able to increase its prices had subject imports been priced fairly. Thus, any impact on the domestic industry would have been on its output and sales. Had subject imports been priced fairly, most of the demand for subject imports would have shifted to domestic pasta. Thus, the domestic industry would have captured most of the 13.1 percent of the market supplied by subject imports in 1994. Consequently, the domestic industry would have increased its output and sales, and thus its revenues, significantly. For these reasons, Commissioner Crawford finds that there is a reasonable indication that the domestic industry would have been materially better off if the subject imports had been priced fairly. Therefore, Commissioner Crawford determines that there is a reasonable indication that the domestic industry is materially injured by reason of the subject imports.

<sup>159</sup> The record suggests that access to shelf space is an important factor in the sale of dry pasta, and firms pay large "slotting fees" to supermarkets in order to gain access to shelves. CR at I-79-I-80, PR at II-50. Petitioners argue that they have lost sales because lower-priced imports have gained shelf space, thereby displacing domestic brands. Staff Field Trip Notes (May 23, 1995); TR at 38 (Morris). We will examine the factors influencing the loss and acquisition of shelf space further in any final investigations.

<sup>160</sup> As noted above, operating income declined from 1992 to 1994 on an actual basis and on a per-unit basis.

share, and deteriorating profitability, we find a reasonable indication of material injury by reason of the subject imports.<sup>161</sup>

## CONCLUSION

For the foregoing reasons, we determine there is a reasonable indication that the domestic dry pasta industry is materially injured by reason of allegedly LTFV and subsidized imports from Italy and Turkey.<sup>162</sup>

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<sup>161</sup> Vice Chairman Nuzum concurs with her colleagues in finding a reasonable indication of present material injury by the subject imports. She notes, however, that certain of the indicators of domestic performance are very positive, and the case for present material injury by the subject imports is not an overwhelmingly strong one. Her decision to make a preliminary affirmative determination was buttressed, however, by the even stronger evidence supporting a preliminary affirmative determination on the basis of threat of material injury. In particular, the evidence on trends in foreign production, foreign production capacity, foreign unused capacity, exports to the United States as a percent of total shipments, and related indicators support an affirmative preliminary determination based on threat. She intends to explore fully the grounds for a final determination based on threat, as well as present material injury.

<sup>162</sup> Based on the foregoing analysis, Vice Chairman Nuzum and Commissioner Bragg determine that there is a reasonable indication that the domestic industry producing dry non-egg pasta is materially injured by reason of allegedly LTFV and subsidized imports from Italy and Turkey.



## SEPARATE VIEWS OF CHAIRMAN PETER S. WATSON

### Present Material Injury by Reason of Subject Imports

In determining whether a domestic industry is materially injured<sup>1</sup> by reason of imports alleged to be subsidized or sold at less than fair value (LTFV), the Commission is to consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the like product.<sup>2</sup> Additionally, the Commission may consider “such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports,”<sup>3</sup> but only in the context of U.S. business operations. Furthermore, in reaching a decision on material injury, the Commission may not weigh causes.<sup>4</sup> For the reasons discussed below, I determine, based on the record in these preliminary investigations, that there is no reasonable indication that an industry in the United States is suffering material injury by reason of imports of certain pasta from Italy and Turkey alleged to have been subsidized and sold at LTFV.

#### A. Volume of the Subject Imports

Over the period of investigation (POI), the U.S. consumption quantity of dry pasta increased 6.7 percent, from 2.44 million pounds in 1992 to 2.61 million pounds in 1994, while the U.S. producers’ share of the domestic market decreased from a 86.2-percent market share in 1992 to a 80.7-percent market share in 1994.<sup>5</sup> Concurrently, the market share of subject imports increased from a 9.1-percent market share in 1992 to a 13.1-percent market share in 1994, while the market share of nonsubject imports increased from a 4.7-percent market share in 1992 to a 6.2-percent market share in 1994.<sup>6</sup>

Although the U.S. producers’ market share declined by about five percentage points over the POI, the rise in apparent consumption mitigated this decline. Moreover, U.S. producers still command over 80 percent of a growing market, compared to a market share of just over 13 percent for subject imports. In light of the facts on the record in these preliminary investigations, I find the volume of subject imports to be insignificant.

#### B. Price Effects of the Subject Imports

The record reflects significant underselling of the U.S. product by subject imports.<sup>7</sup> For example, the average amount of underselling was around 23.2 percent for three brand name Italian dry non-egg pasta products.<sup>8</sup> With respect to brand name Turkish dry non-egg pasta products, the average margin of underselling was 53.9 percent.<sup>9</sup> The average margins of underselling for imports of private label Italian and Turkish dry non-egg pasta products

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<sup>1</sup> “The term ‘material injury’ means harm which is not inconsequential, immaterial, or unimportant.” 19 U.S.C. §1677(7)(A).

<sup>2</sup> 19 U.S.C. §1677(7)(B)(i)(I-III).

<sup>3</sup> 19 U.S.C. §1677(7)(B)(ii).

<sup>4</sup> See, e.g., *Citrosuco Paulista S.A. v. United States*, 704 F.Supp. 1075, 1101 (Ct. Int’l Trade 1988); *Maine Potato Council v. United States*, 613 F.Supp. 1237, 1243-44 (Ct. Int’l Trade 1985).

<sup>5</sup> Table A-4, CR at A-14, PR at A-11.

<sup>6</sup> *Ibid.*

<sup>7</sup> Tables 31 & 32, CR at I-99, PR at II-59.

<sup>8</sup> CR at I-94, fn. 152, PR at II-58, fn. 151.

<sup>9</sup> CR at I-100, fn. 153, PR at II-58, fn. 152.

were 20.6 percent and 30.8 percent, respectively.<sup>10</sup> Yet despite this underselling, there is little evidence of any adverse price effects. The record indicates that the domestic producers were able to raise prices significantly over the POI. U.S. producers' prices for all three products for which data were collected increased noticeably over the POI.<sup>11</sup> Although subject imports consistently undersold the domestic like product, the record indicates that perceived quality differences among sources likely account for such differences, especially with respect to subject imports from Turkey.<sup>12</sup> Consequently, I place less reliance on underselling data in these investigations. Therefore, I find that subject imports have not had any significant adverse price effects.

### **C. Impact of the Subject Imports on the Domestic Industry**

The record indicates little evidence that subject imports have had an adverse impact on the domestic dry pasta industry over the POI. U.S. producers' net sales quantities and values remained relatively constant over the POI, declining by 1.9 percent and increasing by 3.1 percent, respectively. In addition, unit sales values increased overall from \$0.59 in 1992 to \$0.62 in 1994. However, U.S. producers' unit profit margins declined as unit COGS and unit SG&A expenses increased significantly over the POI.<sup>13</sup> Furthermore, it appears that the decline in overall financial performance of the domestic industry may be attributed primarily to \*\*\* performance and the sudden increase in input costs. Therefore, I find the decline in U.S. producers' financial performance to be primarily attributable to the increases in costs, rather than the presence of subject imports.<sup>14</sup>

### **Threat of Material Injury by Reason of Subject Imports**

In determining whether a domestic industry is threatened with material injury by reason of imports alleged to be subsidized or sold at less than fair value (LTFV), the Commission is to consider nine factors in addition to other relevant economic factors.<sup>15</sup> For the reasons discussed below, I determine, based on the record in these preliminary investigations, that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of certain pasta from Italy and Turkey alleged to have been subsidized and sold at LTFV.

The subsidies alleged in the petition with respect to Italy appear to be longstanding, with one, the EU pasta export substitution program, being the most important as it directly addresses the subject of these investigations.<sup>16</sup> The subsidies alleged in the petition with respect to Turkey are similarly numerous, though one has been discontinued, and another appears not to apply to exports.<sup>17</sup> However, since petitioners did not specifically allege the

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<sup>10</sup> CR at I-100, fns. 154 & 155, PR at II-59, fns. 153 & 154.

<sup>11</sup> In addition, unit values for the domestic like product rose from \$0.54 in 1992 to \$0.57 in 1994; at the same time, unit values for the subject imports remained relatively steady, varying from \$0.40 in 1992 to \$0.38 in 1993 to \$0.41 in 1994. (Table A-4, CR at A-14, PR at A-11.).

<sup>12</sup> CR at I-15, I-77-78, I-85-88; PR at II-10, II-49, II-52-54.

<sup>13</sup> Unit COGS increased from \$0.34 in 1992 to \$0.41 in 1994. Unit SG&A expenses increased from \$0.17 in 1992 to \$0.19 in 1994. (Table A-4, CR at A-15, PR at A-12.) Evidence indicates that increases in the cost of durum wheat semolina in 1994 and 1995, the principal input in dry pasta, may have contributed to the significant increase in production costs. (CR at I-51, PR at II-33).

<sup>14</sup> CR at I-55, PR at II-34.

<sup>15</sup> 19 U.S.C. §1677(7)(F)(I)(I-IX). Factor VII applies only to raw or processed agricultural products, and is thus inapplicable to the like product subject to these investigations.

<sup>16</sup> CR at I-4-5, PR at II-4.

<sup>17</sup> CR at I-5, fn. 8; PR at II-4, fn. 8.



nature of these subsidies in both countries, Commerce was unable to calculate a margin for either.<sup>18</sup>

Turkey's capacity and production (dry, non-egg pasta) increased over the POI by 22 percent and nine percent, respectively. However, capacity utilization declined to a 75.8-percent utilization rate. Exports to the U.S. increased approximately 100 percent from 36.3 million pounds in 1992 to 72.6 million pounds in 1994.<sup>19</sup> Italy's capacity and production (dry, non-egg pasta) remained relatively constant over the POI, increasing slightly from 2.32 million pounds in 1992 to 2.48 million pounds in 1994, and decreasing slightly from 2.13 million pounds in 1992 to 2.12 million pounds in 1994, respectively. Thus, the capacity utilization rate declined slightly, from a 91.9-percent rate in 1992 to a 85.5-percent rate in 1994. In addition, exports to the U.S. increased, from 113 million pounds in 1992 to 148 million pounds in 1994.<sup>20</sup> Therefore, the likelihood of substantially increased imports of the subject merchandise into the U.S. is significant.

In terms of market share, as discussed above, subject imports increased their presence from a 9.1-percent share to a 13.1-percent share. In terms of volume, subject imports increased from 221.67 million pounds in 1992 to 340.97 million pounds in 1994, an increase of 54 percent.<sup>21</sup>

Although subject imports entered at prices generally below comparable U.S. prices, domestic prices were not significantly adversely affected during the POI, as noted above. However, continued increases in lower-priced subject imports are likely to have a significantly depressing or suppressing effect on domestic prices.

While end-of-period inventories in Turkey and Italy remained relatively constant, U.S. importers' end-of-period inventories increased significantly, from 17.2 million pounds in 1992 to 32.7 million pounds in 1994.<sup>22</sup>

There seems to be little potential for product-shifting in both countries subject to these investigations. The Commission has defined the like product to include all dry pasta, whether or not it contains egg; so, there is no distinction between "non-egg" pasta factories and "egg" pasta factories. Presumably, as these are the only facilities capable of producing pasta for human consumption, this expansion of Commerce's scope precludes product-shifting because other manufacturing facilities not currently producing some form of pasta could not be devoted to the production of dry pasta.

Continued expansion of the subject imports' presence in the domestic market will likely have potential negative effects on the existing development and production efforts of the domestic industry. As overall pasta consumption increases in the U.S., allegedly dumped or subsidized imports that consistently undersell the domestic like product may eventually erode U.S. consumers' brand loyalty with lower prices.<sup>23</sup>

Other demonstrable adverse trends arise from the marketing of pasta. Given that retailers increasingly demand slotting fees in conjunction with sales performance guarantees, costs would appear to be trending upward for all domestic producers and importers.<sup>24</sup> Yet, those importers of subject imports who can avoid these fees by selling via direct store delivery companies or some other channel of distribution will reduce SG&A costs relative to domestic producers of the like product, and thereby avoid costs that U.S. producers must

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<sup>18</sup> CR at B-8-12; PR at B-8-12.

<sup>19</sup> Table 21, CR at I-65; PR at II-40.

<sup>20</sup> Table 20, CR at I-61; PR at II-37.

<sup>21</sup> Table A-4, CR at A-14; PR at A-11.

<sup>22</sup> Table 19, CR at I-60, PR at II-36.

<sup>23</sup> CR at I-78, PR at II-49.

<sup>24</sup> CR at I-79-81, PR at II-49-50.

bear. A further demonstrable adverse trend emerges from importers' method of line pricing, i.e., offering all pastas at the same price. Since importers offer fewer shapes and sizes of pasta, they can afford to offer all their products for the same price to retailers, whereas domestic producers of the like product offer a wider variety of shapes and sizes of pasta in different price tiers, and thus cannot sell top-tier and bottom-tier pasta for the same price without suffering losses.<sup>25</sup> These trends in slotting fees and line pricing could assist subject imports' penetration into the domestic market by avoiding costs to importers and allowing importers to undersell significantly the domestic like product.

In light of the foregoing, I conclude that, although there is no reasonable indication that the domestic dry pasta industry is currently experiencing material injury, there is a reasonable indication that it is threatened with material injury by reason of subject imports from Italy and Turkey.

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<sup>25</sup> CR at I-83, PR at II-51.

**SEPARATE VIEWS OF VICE CHAIRMAN JANET A. NUZUM AND  
COMMISSIONER LYNN M. BRAGG REGARDING THE  
EXCLUSION OF DRY EGG PASTA FROM THE DOMESTIC LIKE PRODUCT**

We find two domestic like products in these investigations consisting of (1) dry non-egg pasta other than oriental-style noodles and (2) oriental-style noodles. We join the majority's views finding oriental-style pasta to be a separate domestic like product. We also join in the majority's analysis regarding the inclusion of all dry non-egg pasta in a single like product, regardless of the size of package, the market in which it is sold, and whether enriched or non-enriched. We differ from the majority, however, in that we do not find it appropriate to include dry egg pasta in the domestic like product comprised of dry non-egg pasta.

The record shows that dry egg pasta is substantially different from dry non-egg pasta, in terms of physical characteristics and uses, interchangeability, manufacturing processes, customer and producer perceptions, and price. In terms of physical characteristics, egg pasta differs from non-egg dry pasta primarily in the presence of the ingredient that is used to distinguish them, i.e., egg.<sup>1</sup> The presence of egg, and particularly egg yolk, in egg pasta is significant, not only because it is differentiated in the market by this factor, but because it leads to different uses, production methods, producer and customer perceptions, and prices.

There is only limited interchangeability between egg and non-egg dry pasta. Egg pasta cannot be used as a substitute for non-egg pasta in many applications due to some customers' intolerance to egg.<sup>2</sup> Moreover, due to differences in taste<sup>3</sup> and price<sup>4</sup>, egg pasta generally is not substituted for non-egg pasta even in applications where egg intolerance is not a factor. Thus, dry egg pasta is no more interchangeable with dry non-egg pasta than refrigerated or frozen pasta, and probably is less so due to the presence of egg.

In terms of production processes, dry non-egg and egg pasta can be manufactured by the same producers in the same facilities, using the same or similar production equipment and inputs. Several producers, however, produce only one product or the other. Moreover, of those producers that produce both egg and non-egg dry pasta, many have separate production lines for each.<sup>5</sup> Even for producers that use the same equipment and machinery to produce both egg and non-egg dry pasta, the production line for egg noodles must be segregated from the production lines manufacturing non-egg pasta because of egg intolerance among some consumers. Thus, the line must be changed over from production of one product to the other, and conversion of the line back to a non-egg pasta product requires thorough cleaning so as to preclude any contamination by an egg product.<sup>6</sup> Moreover, the production of egg

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<sup>1</sup> Dry egg pasta contains at least 5.5 percent egg or egg yolk, whereas dry non-egg pasta normally contains no egg (although certain dry non-egg pasta products, such as macaroni, may under CFR identity standards contain up to 2.0 percent egg white). CR at I-12 and n. 29, PR at II-8 and n. 29. Additional differences in physical characteristics include the use of durum flour, rather than semolina, in the production of dry egg pasta, and the use of cellophane bags, rather than boxes, for the packaging of dry egg pasta. CR at I-12, I-19, PR at II-8, II-12.

<sup>2</sup> CR at I-13, I-19, PR at II-8, II-12.

<sup>3</sup> As noted in the staff report, the addition of egg gives the pasta a distinct taste and consistency that is reportedly more appropriate for certain recipes. CR at I-12-13, PR at II-8.

<sup>4</sup> Prices for dry egg pasta are significantly higher than for dry non-egg pasta: the unit values of domestically-produced egg pasta are one-half higher, at 83 cents per pound, than the unit values for dry non-egg pasta, at 54 cents per pound. CR at I-22, PR at II-13.

<sup>5</sup> Table 1, CR at I-20-21, PR at II-12.

<sup>6</sup> CR at I-19, PR at II-12. One domestic producer notes that the cleaning step required to change over results in 8 hours or more of downtime. Table 1, n. 6, CR at I-21, PR at II-12.

pasta requires specific equipment that can add significant cost.<sup>7</sup> One domestic producer indicated that egg products also are usually produced at a lower speed.<sup>8</sup> Other differences in production processes include the fact that dry egg pasta uses durum flour instead of semolina, and in the case of egg pasta an egg product is blended into the dough prior to extrusion.<sup>9</sup>

Channels of distribution for dry egg and non-egg pasta are the same.<sup>10</sup> Customer and producer perceptions of the two products differ, however, due to the differences in taste and price noted above. Due to the significant differences between dry egg and non-egg pasta in terms of physical characteristics and uses, production methods, customer and producer perceptions, and price, and the limited interchangeability of the two products, we decline for purposes of this preliminary determination to expand the domestic like product consisting of dry non-egg pasta to include dry egg pasta. We invite further comments from parties on this issue in any final investigations.

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<sup>7</sup> Petitioners contend that such production equipment can cost anywhere from \$\*\*\* to \$\*\*\*. CR at I-19, n. 51, PR at II-12, n. 51.

<sup>8</sup> CR at I-21, PR at II-12.

<sup>9</sup> CR at I-19, PR at II-12.

<sup>10</sup> Dry egg pasta is normally sold adjacent to dry non-egg pasta in retail stores. CR at I-13, PR at II-8.

**PART II**

**INFORMATION OBTAINED IN THE INVESTIGATIONS**



## INTRODUCTION

These investigations result from a petition filed by counsel for Borden, Inc., Columbus, OH; Hershey Foods Corp, Hershey, PA; and Gooch Foods, Inc. (Archer Daniels Midland Co.), Lincoln, NE, on May 12, 1995, alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports from Italy and Turkey of certain pasta<sup>1</sup> that are alleged to be subsidized by the Governments of Italy and Turkey and that are alleged to be sold in the United States at less than fair value (LTFV).<sup>2</sup> Information relating to the background of the investigations is provided below.<sup>3</sup>

<i>Date</i>	<i>Action</i>
May 12, 1995 . . . . .	Petition filed with Commerce and the Commission; institution of Commission investigations (60 F.R. 26899, May 19, 1995)
June 2, 1995 . . . . .	Commission's conference <sup>4</sup>
June 8, 1995 . . . . .	Commerce's notice of initiation (60 F.R. 30268, June 8, 1995)
June 26, 1995 . . . . .	Date of the Commission's vote
June 26, 1995 . . . . .	Commission's determinations sent to Commerce

### Previous Investigations

Prior to the current investigations, there have not been any Commission investigations concerning pasta. However, the National Pasta Association (NPA)<sup>5</sup> filed a petition in 1981 pursuant to section 301 of the Trade Act of 1974, as amended, challenging the European Community (EC)'s export restitution payments on pasta as a prohibited subsidy under Article XVI of the General Agreement on Trade and Tariffs (GATT). In 1983, a GATT panel ruled in favor of the United States. However, the EC blocked adoption of the panel report and, in 1987, the United States and the EC reached an agreement to settle the section 301 proceeding. The agreement reduced, but did not eliminate, the amount of export restitution available on pasta exported to the United States. It also reduced the volume of pasta eligible for export restitution. The agreement is still in effect and restitution payments to Italian pasta exporters are currently being made by the European Union (EU).<sup>6</sup>

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<sup>1</sup> For purposes of these investigations, certain pasta consists of dry non-egg pasta in packages of 5 pounds (or 2.27 kilograms) or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastases, vitamins, coloring and flavorings, and up to 2 percent egg white. The pasta covered by these investigations is typically sold in the retail market in fiberboard or cardboard cartons or polyethylene or polypropylene bags, of varying dimensions. Excluded from the scope of these investigations are refrigerated, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of dry non-egg pasta containing up to 2 percent egg white. Certain pasta is currently provided for under subheading 1902.19.20 of the Harmonized Tariff System (HTS). The product is imported free of duty into the United States under the Column 1 general (most-favored-nation) tariff rate, which is applicable to goods from both Italy and Turkey.

<sup>2</sup> A summary of the data collected in the investigations is presented in app. A.

<sup>3</sup> *Federal Register* notices cited in the tabulation are presented in app. B.

<sup>4</sup> A list of witnesses appearing at the conference is presented in app. C.

<sup>5</sup> Each of the petitioners is currently a member of the National Pasta Association (NPA).

<sup>6</sup> Petition, p. 6.

## **The Nature and Extent of Subsidies and Sales at LTFV**

### **Subsidized Sales**

Commerce is including in its investigations the following programs alleged in the petition to have provided subsidies to manufacturers of certain pasta in Italy:

Law 675/77 Capital Grants; Law 675/77 VAT Reductions; Laws 227/77, 394/81, and 304/90 Preferential Export Financing and Export Promotion; Law 64/86 Industrial Investment Development Assistance; ILOR & IRPEG Tax Exemptions; Law 345/92 Social Security Exemptions; Law 1329/65 Interest Contributions Under the Sabatini Law; Law 181 Urban Redevelopment Packages; Pasta Export Restitution Program; European Regional Development Fund Aid; European Social Fund Aid; and Miscellaneous EU Subsidies.

The petition states that the Government of Italy has supported its pasta industry with a variety of subsidies during the last 20 years. Italy is also reportedly the beneficiary of several EU subsidies, the most important of which is the EU pasta export restitution program, which "is widely known to provide a significant competitive advantage to Italian pasta producers."<sup>7</sup>

In addition, Commerce is including the following programs alleged in the petition to have provided subsidies to producers of certain pasta in Turkey:

The Support and Price Stabilization Fund; Payments for Exports Shipped on Turkish Ships; Export Promotion Program; Pre-Shipment Export Loans; Export Credit Program; Tax Exemption for Export Earning/Advance Refunds of Tax Savings; Export Credit Through Foreign Trade Corporate Companies Rediscount Credit Facility; Normal Foreign Currency Export Loans; Performance Foreign Currency Export Loans; Export Credit Insurance; Regional Subsidy Programs; General Incentives Programs; and Exemption from Mass Housing Fund Levy.<sup>8</sup>

Counsel for the Turkish respondents states that the subsidy programs covered by Commerce's notice of initiation are based on allegations in the petition of subsidies that substantially pre-date GATT 1994 and the World Trade Organization. Turkey is a member of the WTO and a signatory of GATT 1994.<sup>9</sup>

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<sup>7</sup> Petition, p. 29.

<sup>8</sup> The Office of the Prime Ministry, Undersecretariat of Foreign Trade, Government of Turkey, has, through its U.S. Embassy, provided the Commission with a summary of the status of the alleged subsidies on Turkish exports. Letter to the Commission, annex 2, June 6, 1995. \*\*\*.

<sup>9</sup> Postconference brief submitted by Grunfeld, Desiderio, Lebowitz & Silverman, p. 24.



## Sales at LTFV

Based on comparisons of export price to normal value, the estimated dumping margins for certain pasta from Italy range from 21.85 percent to 71.49 percent. The estimated dumping margin for certain pasta from Turkey is 63.29 percent.<sup>10</sup>

### Adjustment to the Definition of the Subject Product Following Commerce's Initiation

Commerce's scope of its investigations, and thus the definition of the subject product, was presented at the beginning of this report. Commerce's scope definition modifies that contained in the petition in that it eliminates channel of trade as a scope criterion and relies on packaging; it defines the scope as dry non-egg pasta in packages of five pounds (or 2.27 kilograms) or less.<sup>11 12</sup> The petition, as originally filed on May 12, 1995, defined the scope as consisting of dry non-egg pasta for retail sale. Retail sale was further defined as pasta sold in retail channels in packages, typically of five pounds or less. Dry non-egg pasta sold to the food service and industrial markets was excluded.<sup>13 14</sup>

The questionnaires sent to industry participants in these preliminary investigations contained definitions that were based upon petitioner's original scope language. Therefore, the data gathered by these questionnaires do not, in theory, conform to the scope defined by Commerce to the extent that the five-pound dividing line does not, in fact, provide a clear demarcation among the retail, food service, and industrial markets. Responses to the Commission's producers' questionnaires demonstrated that the five-pound line, with minor exceptions, does so divide the markets for the domestic industry. Virtually all dry non-egg pasta produced in the United States and sold to the retail market was reported to be in packages of five pounds or less.<sup>15 16</sup> However, a quantity of the

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<sup>10</sup> (60 F.R. 30268, June 8, 1995). In addition, Commerce finds reasonable grounds to believe that sales of the foreign product may have been made at prices below the cost of production and is initiating a cost investigation with respect to Turkey.

<sup>11</sup> Commerce notes in its initiation notices that it revised petitioner's proposed scope to ensure that the final scope would be clear and administrable by Customs. (60 F.R. 30281, June 8, 1995.)

<sup>12</sup> Most subject pasta is packaged in folding cartons or in bags in sizes that generally range between 7 ounces and 3 pounds depending on the type of pasta. A small percentage of that product for retail sale, primarily sales to wholesale clubs, are in 5-pound packages. (Petitioners' postconference brief, p. 2, citing testimony by Hershey (conference transcript (TR), p. 21).) Common package types for food service use include 10- and 20-pound corrugated cases. Industrial-use pasta is packed in much larger volumes, usually in 40- to 60-pound cases or pallet-sized totes holding from 300 to 700 pounds. (Petitioners' postconference brief, pp. 12-13.)

<sup>13</sup> Petition, p. 10.

<sup>14</sup> In a subsequent deficiency letter, petitioners continued to define the scope as dry non-egg pasta for retail sale, but revised the definition of retail sale to apply a "bright line test" of 5 pounds or less. In other words, retail sales were defined to be that pasta in packages of 5 pounds or less. Letter to the Commission and Commerce, exhibit 1, May 26, 1995.

<sup>15</sup> An exception (not reflected in data presented within this report) includes sales in bulk form to grocery stores. In 1994, \*\*\* and \*\*\* sold approximately \*\*\* pounds of dry pasta in bulk form. \*\*\*. (Petitioners' postconference brief, Responses to Commission Staff Questions, pp. 1-2.) Also, \*\*\* reported sales of certain pasta for food service use that was in 2.5-pound packages and \*\*\* indicated that it sold a very small amount of 5-pound packages to that sector.

<sup>16</sup> There also may be some leakage of domestic product packaged for retail use that is eventually consumed within food service establishments.

subject dry non-egg pasta imported in packages of five pounds or less is sold to the food service market. Staff was able to adjust the responses provided to the Commission's questionnaires to obtain information that measures the current definition of "certain pasta."

Petitioners state that packing is not a minor operation, and in fact can add as much as 30 percent to the capital expenditure for retail production. Moreover, because of larger pack sizes, food service product generally can be packed in two eight-hour shifts (assuming a 24-hour production run), whereas a retail pack will require three packing shifts. The value added to the final retail product by the packaging is approximately 30 percent more than the value for a comparable final food service product.<sup>17</sup>

## THE PRODUCT

*"In the course of civilization's long and erratic march, no other discovery has done more than, or possible as much as, pasta has to promote man's happiness."<sup>18</sup>*

The term "pasta" generally refers to Italian-style food products such as spaghetti, macaroni, and noodles. Most pasta is sold in dry form. However, pasta can also be sold in refrigerated (fresh) form or as oriental-style noodles (including ramen noodles).<sup>19</sup> Most frozen and canned pasta is also a downstream product, sold in combination with other ingredients and foods. In addition, some downstream dry pasta is packaged with sauce packets (for example, cheese) or with various soup flavor packets.

Only certain pasta is subject to these investigations. Specifically, the imported pasta from Italy and Turkey that is subject to these investigations, as defined by Commerce, consists of--

Certain non-egg dry pasta in packages of five pounds (or 2.27 kilograms) or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastases, vitamins, coloring and flavorings, and up to two percent egg white. The pasta covered by this scope is typically sold in the retail market in fiberboard or cardboard cartons or polyethylene or polypropylene bags, of varying dimensions.

Excluded from the scope of these investigations are refrigerated, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of non-egg dry pasta containing up to two percent egg white.

The imported product subject to investigation, as defined above, is referred to in the remainder of this report as "certain pasta." This section of the report presents information on both imported and domestically-produced certain pasta, as well as information related to the Commission's "domestic like product" determination.<sup>20</sup> Types of non-subject pasta for which information is

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<sup>17</sup> Petitioner's postconference brief, Responses to Commission Staff Questions, pp. 2-3.

<sup>18</sup> Marcella Hazan, *The Classic Italian Cook Book*, New York, Alfred A. Knopf, 1980, p. 90.

<sup>19</sup> Ramen contains powdered soup seasonings and/or freeze-dried ingredients and is intended to be consumed primarily as a soup product. \*\*\*.

<sup>20</sup> The Commission's decision regarding the appropriate domestic product that is "like" the subject imported product is based on a number of factors including (1) physical characteristics and uses; (2) interchangeability; (continued...)

presented herein in order to help shed light on the question of like product are (1) dry non-egg pasta sold in packages of over five pounds; (2) dry egg pasta; (3) refrigerated (or "fresh") pasta; (4) frozen pasta; and (5) oriental noodles. Also briefly discussed are the similarities or differences of dry non-egg pasta sold in the retail, food service, and industrial markets.

### General Background on Pasta and Its Uses

As noted above, pasta is a food product such as spaghetti, macaroni, and noodles, usually made from 100 percent durum wheat and water.<sup>21</sup> Pasta is formed by extrusion into literally hundreds of shapes and sizes,<sup>22</sup> and generally ranges from off-white to yellowish in color. Pasta has been used as a food for many centuries.<sup>23</sup>

The uses of pasta as a food are many and varied. Pasta may be used in all parts of meals, from the salad through the dessert. It may be eaten hot or cold, stuffed or unstuffed, and with or without sauces; the combinations are as varied as the consumers who enjoy pasta. It is an important dietary component for many people of European, especially Italian, and East Asian descent, and its consumption in the United States is widespread and increasing. Worldwide consumption of pasta occurs because of its simple formulation, relative ease of processing and preparation, versatility, long shelf life, nutritive value, and low cost relative to other foods.

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<sup>20</sup> (...continued)

(3) channels of distribution; (4) customer and producer perceptions; (5) common manufacturing facilities and production employees; and, where appropriate, (6) price.

<sup>21</sup> Most pasta is Italian-style pasta that consists virtually entirely of a mixture of semolina (coarsely ground durum wheat) and water. Pasta can also be made from farina (coarsely ground nondurum hard wheat), from other types of wheat, from rice, from corn meal or corn flour, and even from powdered mung beans. (*Pasta Food Service Manual*, NPA, p. 6.) Durum wheat has a low starch content, and a high protein content. Semolina is the preferred form of durum wheat, except for pasta noodles, for which finer durum flour is preferred because of smaller particle size.

<sup>22</sup> Pasta is made in many different shapes, sizes, colors, and flavors, and is sometimes categorized in terms of extruded solid goods, such as spaghetti; extruded hollow goods, such as macaroni; and rolled and cut goods, such as noodles. Another method of categorizing pasta is into long goods (e.g., spaghetti and linguini); short goods (e.g., elbows and twists); noodles; and specialty items (for example, lasagna and jumbo shells). In 1990, according to the *Pasta Journal*, Jan.-Feb. 1993, as cited by the Northern Crops Institute in its "Short Course" on pasta, co-sponsored by the NPA, long goods accounted for 41.1 percent of the retail market, short goods accounted for 31.0 percent, noodles accounted for 15.4 percent, and specialty items accounted for 12.6 percent. Part 39 of chapter 21 of *Code of Federal Regulations (CFR)* provides standards of identity for the labelling of macaroni, spaghetti, vermicelli, and various noodle products. For example, macaroni is tube-shaped and more than 0.11 inch but not more than 0.27 inch in diameter; spaghetti is tube or cord shaped (but not tubular) and more than 0.06 inch but not more than 0.11 inch in diameter; vermicelli is cord shaped (not tubular) and not more than 0.06 inch in diameter.

<sup>23</sup> Although the origin of pasta is not known, noodles are known to have existed in China about 5000 B.C. (J.W. Dick and R.R. Matsuo, "Durum Wheat and Pasta Products," in *Wheat Chemistry and Technology*, vol. II, Y. Pomeranz, ed., American Association of Cereal Chemists, St. Paul, MN, 1988, p. 532, citing Ohtsuka, 1974.) Pasta products using durum wheat are known to have existed in southern Italy in the 12th century A.D. Pasta was made popular in the European diet by the Italians. In the United States, Thomas Jefferson was a major early promoter of pasta, and is said to have had a pasta-making machine shipped to him in 1789 after sampling pasta in his travels abroad. *Pasta Food Service Manual*, NPA, p. 5.

## Description of the Various Types of Pasta

Dry non-egg pasta is pasta that has been dried in the production process and that contains up to two percent egg white. It may be enriched or fortified and/or contain a number of optional ingredients for color and flavoring. Divisions within the category of dry non-egg pasta may be made according to the market into which the product is sold (retail, food service, or industrial)<sup>24</sup> or by the size of the package. As stated earlier, the five-pound dividing line does provide a fairly clear delineation between domestic dry non-egg pasta sold for retail use and that not so sold.

Some industry sources report that dry non-egg pasta sold in packages of five pounds or less is quite similar or even identical to that sold in packages over five pounds. However, other firms indicate that dry non-egg pasta produced for the food service or industrial markets differs from subject pasta.<sup>25 26</sup> Pasta produced for these markets may have enhanced wall thickness and extra ingredients to add product strength.<sup>27</sup> Pasta produced for industrial use may contain added ingredients such as wheat gluten, monosodium glutamate, and emulsifiers not found in pasta for the retail market.<sup>28</sup> Petitioners report that processors of canned and other such pasta in the industrial market need a product designed to their specifications and that will withstand the rigors of cooking and cooling.

Dry egg pasta differs from dry non-egg pasta principally because it contains at least 5.5 percent egg or egg yolk; it is mixed with ground durum wheat (flour) in the production process, usually prior to the addition of water.<sup>29 30</sup> The addition of egg gives the pasta a distinct taste and consistency that is reportedly more appropriate for certain recipes. Moreover, allergic reactions can result from the consumption of egg pasta. However, it is normally sold adjacent to dry non-egg pasta in retail stores.

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<sup>24</sup> The retail sector includes food stores (both food store chains and specialty stores), wholesale clubs, drug stores, and mass merchandisers; food service use includes restaurants, cafeterias, institutional users such as hospitals and schools, and government purchasers; industrial use measures pasta incorporated into downstream products where further value is added before sale.

<sup>25</sup> Of the responses to the question in the Commission's producers' questionnaires "Are there any physical differences between dry non-egg pasta that is sold for retail sale and that not so sold?", eight producers answered "Yes" and eight answered "No." Eight importers answered "Yes" and 35 answered "No."

<sup>26</sup> \*\*\* of pasta sold to the food service market is made to special specifications due to customer requirements, while \*\*\* of industrial-use pasta is manufactured to specifications unique to each industrial customer." (Petitioners' postconference brief, p. 11.)

<sup>27</sup> Petitioners' postconference brief, p. 11.

<sup>28</sup> Petitioners' postconference brief, p. 12, and conference TR, pp. 27 and 28.

<sup>29</sup> As mentioned earlier, the CFR provides a standard of identity for macaroni (which is non-egg pasta) and noodles (which are egg pasta). Except for egg or egg yolk, the list of permissible additives for noodle products is quite similar to the list for macaroni products. Specifically, to be labelled as macaroni, the articles must meet the standards which specify that macaroni products ". . . are prepared by drying formed units of dough made from semolina, durum flour, farina, flour, or any combination of two or more of these, with water . . ." Noodle products ". . . are prepared by drying formed units of dough made from semolina, durum flour, farina, flour, or any combination of two or more of these, with liquid eggs, frozen eggs, dried eggs, egg yolks, frozen yolks, dried yolks, or any combination of two or more of these with or without water . . ." The CFR further states that a macaroni product may contain egg white, not to exceed 2.0 percent of the weight of the finished product, and other specified additives.

<sup>30</sup> Yolkless egg noodles, some of which contain more than 2 percent egg white (but no egg yolk), are a seemingly "middle" product between dry non-egg pasta and dry egg pasta.

Refrigerated and frozen pasta are stored in a manner unlike the subject product. Refrigerated and frozen pasta are also sold in different sections of retail grocery stores from each other and from dry non-egg pasta. Dry non-egg pasta is sturdier, more easily transported, and has a much longer "shelf life" than refrigerated pasta, and cooking times are different.

Oriental noodles are produced from ingredients other than durum wheat. Such noodles tend to be cut from strips of dough made from either a soft wheat, corn, or rice flour. As a consequence, they also have a unique taste and texture that make them particularly appropriate for oriental-style recipes, and not appropriate for many of the recipes requiring dry non-egg Italian-style pasta.

### **Interchangeability of the Various Types of Pasta**

The Commission requested in its questionnaires that suppliers address the issue of interchangeability among the various types of pasta. With regard to the interchangeability and consumer perceptions of dry non-egg pasta in the retail, food service, and industrial markets, there is some conflicting evidence on the record.<sup>31</sup> In general, there tends to be more interchangeability between subject product and pasta for the food service market than between subject product and pasta produced for industrial use. In answer to the Commission's request to "Discuss the degree of substitutability between dry non-egg pasta for retail use and other types of pasta (for example, fresh, frozen, or refrigerated pasta)?," \*\*\* and one other firm indicated that there was little substitutability, and three other firms stated that they can be substituted.<sup>32</sup>

### **Comparison of Domestic and Imported Dry Non-Egg Pasta**

Domestic dry non-egg pasta is similar in characteristics and uses to dry non-egg pasta imported from Italy and Turkey.<sup>33</sup> All imported pasta is vitamin-enriched, as is domestically produced pasta. Although not all U.S. states require that pasta be vitamin-enriched, suppliers

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<sup>31</sup> Of the responses to the request to "Discuss the degree of substitutability between dry non-egg pasta for retail use (generally sold in packs of 5 lbs. or less) and dry non-egg pasta for food service use?," \*\*\* and one other producer indicated that the products are not substitutable whereas 5 other producers indicated that the products are the same or substitutable. Five importers indicated that the products are not substitutable and 24 indicated that they are substitutable.

Of the responses to the Commission's request to "Discuss the degree of substitutability between dry non-egg pasta for retail use (generally sold in packs of 5 lbs. or less) and dry non-egg pasta for industrial use?," \*\*\* and one other firm indicated that there is no substitutability, and two producers indicated that the products are substitutable. Five importers indicated that the products are not substitutable and 10 indicated that they are substitutable.

<sup>32</sup> In response to the specific question "Does dry non-egg pasta for retail sale compete for sales with any other types of pasta?," six producers checked "Yes, at least in part" and eight producers answered "Rarely or never." Nineteen importers checked "Yes, at least in part," and 21 indicated "Rarely or never."

<sup>33</sup> A study comparing durum wheat grown in Turkey and in the United States found some differences in characteristics between Turkish and domestically produced spaghetti in terms of color, cooking time, and cooking firmness. The study concluded in part that "Spaghetti from the Turkish semolina was lighter yellow in color and had a lower firmness score . . . [G]iven the variable quality of Turkish durum wheat, the good quality pasta made from this wheat is probably related in part to modern processing technology." (M.H. Boyacioglu, V.L. Youngs, K. Khan, and B.L. D'Appolonia, "A Comparison of Durum Wheat Grown in Turkey and in the United States," *Pasta Journal*, NPA, Sept./Oct. 1991, as presented in the postconference brief of Grunfeld, Desiderio, Lebowitz & Silverman on behalf of Vitelli-Elvea Co., Inc., Fentex International Corp., and Turkish respondents, exhibit 1.)

routinely enrich their pasta.<sup>34</sup> The U.S. Food and Drug Administration (FDA) specifies the ingredients necessary for pasta to be labeled as "enriched."<sup>35</sup>

### **Alleged Quality Differences**

The issue of quality surfaced at the Commission's conference in these investigations, with the respondents from Italy contending that Italian pasta is of superior quality and tends to occupy the highest market tier<sup>36</sup> and the respondents from Turkey arguing that their pasta occupies a lower market tier and is not sold in competition with pasta from Italy.<sup>37</sup>

With regard to the quality differences, if any, among domestic, Italian, and Turkish dry pasta, it is generally perceived that Italian pasta tends to be of the highest quality,<sup>38</sup> in part because of Italy's stringent requirements for pasta making, its familiarity with the production techniques and ingredients that result in quality pasta, and the competitive nature of the Italian market for pasta.<sup>39</sup>

The petitioners contend that consumers are relatively unaware of pasta quality.<sup>40</sup> They present the \*\*\* provided by \*\*\* (exhibits 3 and 5) and three published taste test rankings of pasta. These studies suggest that while consumers have definite perceptions of pasta quality, even sophisticated consumers in the United States, when tested, do not detect a significant difference in quality among various major brands of pasta, Italian and domestic.

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<sup>34</sup> Attorneys for JCM, Ltd. contend that "While the vast majority of both imports and domestic production are of enriched product, unenriched product is both produced and sold in the U.S." (Postconference brief of Riggle and Craven on behalf of JCM, Ltd., p. 2.)

<sup>35</sup> Petitioners' response to Commerce's deficiency letter of May 19, 1995, p. 11. Petitioners' response was filed with the Commission on May 26, 1995.

<sup>36</sup> E.g., "Italian pasta is different from and superior to pasta manufactured anywhere else throughout the world. Italian pasta is strictly regulated by specific law and regulations governing the manufacture of pasta." (Postconference brief of McKenna & Cuneo on behalf of Delverde, SrL and Delverde USA, Inc., p. 2.) Also, "Italian pasta is renowned for having the highest quality in the world." (Postconference brief of Rogers & Wells on behalf of Italian exporters, p. 34.)

Rogers & Wells stated that "[A]pproximately 70 percent of the volume of Italian imports is sold at premium levels. The remainder is believed to be sold at moderate price levels. We know of no Italian product sold at the very lowest price levels." (Rogers & Wells' Answers to the Commission Staff's Questions, p. 6.)

<sup>37</sup> Mr. Roy Taormina, vice president of sales, Vitelli-Elvea, testified at the Commission's conference that "I have been in the food business for over 25 years now and I can tell you with all certainty that Turkish and Italian pasta do not compete with each other . . . We're perceived as a commodity product, not -- and totally different from the Italian product which is conceived to be -- perceived to be a premium product." Conference TR, pp. 242, 243.

<sup>38</sup> Postconference brief of Rogers & Wells, p. 34.

<sup>39</sup> In response to the Commission's inquiry "Are the dry non-egg pasta for retail use from U.S. sources and that imported from Italy and/or Turkey used interchangeably?", 10 producers answered "Yes" for Italy and none answered "No," and the same 10 producers answered "Yes" for Turkey and none answered "No."

In response to the question "Are the dry non-egg pastas imported from Italy used in the same applications as those imported from Turkey?", 10 producers answered "Yes" and none answered "No."

In response to the question "Are there differences in quality between the dry non-egg pasta imported from Italy and those imported from Turkey?", 5 producers answered "No" and the petitioners, in general, indicated that \*\*\*.

<sup>40</sup> Petitioners' postconference brief, p. 27.

## Discussion of Factors Determining Quality

In general, the principal factors affecting the quality of pasta are the color (it is normally off-white to yellowish); clarity and uniformity of appearance, with a surface texture free from excessive specks or cracks, with little or no breakage due to transportation and handling; uncooked texture; cooked texture; flavor; predictable cooking times; and the ability to maintain shape and firmness of bite during cooking.<sup>41</sup> The criteria of quality used in a recent test of various types of pasta was as follows: "[A] clean, nutty, wheat flavor; good bite; no starchiness; springiness; slight chewiness; and a pleasant, fresh aftertaste."<sup>42</sup>

The production of a quality pasta is the end result of the cooperation of many types of agents in different markets: plant breeders, cereal chemists, wheat producers, millers, pasta producers, grain markets, and the pasta market. Two major factors in dry pasta production are the type of wheat utilized and wheat protein content (a determinant of wheat "hardness"). These are vital quality considerations common to all pasta.

Premium pasta requires top quality and grades of durum wheat since, unlike other grain products, pasta reveals input imperfections and production process shortcomings.<sup>43</sup> The type and quality of wheat is often reflected by the presence in the pasta of specks, discoloration, poor appearance, and taste or feel when eaten.

## The Manufacture of Pasta

Major manufacturing inputs for pasta are semolina or durum flour,<sup>44</sup> water, energy for powering machinery and drying the product, and labor. At the pasta-manufacturing location, the ground durum wheat<sup>45</sup> is mixed with water to a 30-percent-moisture level. For egg noodles, egg is mixed with the ground durum wheat usually prior to the addition of water.<sup>46</sup> A specific pasta product is then produced by extruding the 30-percent moisture mixture through a number of dies in a

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<sup>41</sup> A study by the Food Marketing Institute, cited by the Northern Crops Institute, Fargo, ND, in its "Short Course" on pasta co-sponsored by the NPA, indicated that in 1993, 94 percent of consumers rated taste to be "very important" in food selection, 75 percent rated nutrition, 74 percent rated price, 45 percent rated storability, 37 percent rated ease of preparation, and 36 percent rated nutrition.

<sup>42</sup> Editorial by Christopher Kimball entitled "All Hail Ronzoni?" from *Cook's Illustrated*, Nov.-Dec. 1994, as provided in petitioners' postconference brief, exhibit 5.

<sup>43</sup> Protein content is generally recognized as an important quality factor in all wheats. Durum wheat is preferred for pasta products because it has a higher gluten content and greater density. Protein quality and quantity are important for good pasta-cooking quality. Durum wheat protein is important in the way it influences the functional quality of pasta. Semolinas with protein levels of 11.5-13.0 percent process into pasta with little difficulty and can be expected to yield satisfactory results. Excessively low protein levels in the semolina are likely to produce pasta with relatively poor mechanical strength in the dried product and less than optimum quality with respect to cooking stability and cooked firmness (the *al dente* firmness). "The key to good dried pasta is flour with strong gluten characteristics," explains Jim Jacobs, technical director of the Northern Crops Institute and North Dakota State University. ("American Spaghetti Tops Tasting," by Joni Miller, *Cook's Illustrated*, May/June, p. 21, as provided in petitioners' postconference brief, exhibit 5.) In the article, Mr. Jacobs explains the necessity to have high-quality gluten to produce high-quality pasta.

<sup>44</sup> Semolina is coarsely ground durum wheat; durum flour is finely ground durum wheat.

<sup>45</sup> The ground durum wheat is often enriched at the wheat mill.

<sup>46</sup> Pasta production information is derived partially from a visit by USITC staff to the Winchester, VA, Hershey Pasta production facility, May 23, 1995. The facility visited used \*\*\*.

die block.<sup>47</sup> After extrusion, the product may proceed through three drying steps: the product is shaken to prevent adhesion of the newly extruded pasta; a preliminary drying stage dries the exterior of the pasta product; and a final drying stage dries the product throughout.<sup>48</sup> When drying is completed the extruded pasta is reduced from 30-percent moisture to about 12-percent moisture. The drying stages are followed by a cooling stage. The product is then packaged. Much of the world's pasta is produced on the same or similar machinery.

U.S. producers of pasta, plant locations, and the types of dry pasta produced in each plant (egg pasta and non-egg pasta for retail, food service, and industrial markets) are presented in table 1. The table indicates that dry egg pasta as well as dry non-egg pasta for each of the three markets are often produced in the same plants. None of the producers listed in table 1 reported any production of refrigerated pasta.<sup>49</sup> \*\*\* uses the product in its ramen soup.<sup>50</sup> Dry egg pasta can utilize the same equipment and inputs (except that it uses durum flour instead of semolina) as dry non-egg pasta, and the only difference between the two is the blending of an egg product into the dough prior to extrusion.<sup>51</sup> Because of the existence of egg intolerance among some consumers, the production line for egg noodles must be segregated from the production lines manufacturing non-egg pasta. Conversion of the line back to a non-egg pasta product requires thorough cleaning so as to preclude contamination with an egg product. Dry egg pasta is usually packaged in a cellophane package, whereas non-egg pasta is usually boxed.

Table 1  
Dry pasta: U.S. producers, plant locations, and types of dry pasta produced

\* \* \* \* \*

Source: Compiled from responses to questionnaires of the U.S. International Trade Commission.

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<sup>47</sup> The use of a bronze die in extrusion produces a grayer product with a coarser consistency than would be achieved using teflon inserts.

<sup>48</sup> There are several approaches to drying pasta which vary according to the temperature used and time required. Hershey suggests that \*\*\*. (Staff visit to Hershey's Winchester, VA, plant.) \*\*\*, Borden attributes the premium quality of its Classico brand to using "time-honored preparation methods," which include slow drying. *Milling & Baking News*, Oct. 25, 1994.

<sup>49</sup> Refrigerated pasta often contains additional ingredients such as cheese and garlic and may contain egg or meat. (Any product containing meat requires a different set of food preparation, handling, and distribution permits than those required for dry non-egg pasta.) According to C. Mickey Skinner, president of the Hershey Pasta Group, refrigerated/frozen pasta utilize different production lines, different grades/types of wheat, often incorporate stuffings and/or sauces, and are prepared for final consumption differently. Refrigerated pasta is dried to a higher moisture level and is vacuum-packed. A preservative gas is added at the final packaging stage prior to refrigeration. Petitioners' postconference brief, p. 8. Except for Nestl 's Contadina line, most refrigerated pasta is produced locally.

<sup>50</sup> \*\*\* does not consider ramen to be a pasta product and cites a FDA finding that ramen noodles are not articles which fall under the FDA standard of identify for "noodles." Chinese-type noodles tend to use lye water in processing, while Japanese- and Korean-type noodles are processed with salt water. Oriental noodles tend to be cut from stripes of dough, rather than extruded.

<sup>51</sup> However, petitioner contends that "[P]roduction equipment specific to egg pasta includes a blender, surge tank, vacuum blower, egg storage tank, egg transfer system, special condition storage room, refrigerated handling room, as well as scales and a computer system to monitor the egg mix. This equipment can cost anywhere from \$\*\*\* to \$\*\*\*." (Petitioners' postconference brief, p. 9.)



All pasta, with the exception of oriental noodles, competes in the market for the same production inputs, especially durum wheat. With the exception of packaging line incompatibilities and drying time differences, the production lines for pasta are virtually the same everywhere, although some lines may be more automated than others. The same basic manufacturing techniques are used to produce pasta in the United States and Italy<sup>52</sup> and presumably Turkey.<sup>53</sup>

### Price

In its questionnaires to producers, the Commission requested prices for three specific kinds of dry non-egg pasta sold to the retail market. Although it did not obtain prices for other types of pasta, it did obtain unit value data cited here as a rough proxy for prices.

The unit values of domestically-produced dry egg pasta (83 cents per pound) are one-half higher than the unit values for dry non-egg pasta (54 cents per pound). The unit values for dry non-egg pasta for the retail market (65 cents per pound) are significantly higher than the unit values for dry non-egg pasta for the food service market (46 cents per pound) or the industrial market (28 cents per pound).<sup>54</sup> <sup>55</sup> Prices for refrigerated and frozen pasta tend to be higher than for dry non-egg pasta, presumably because of the extra value-added and handling and storage costs of those pastas and the presence of additional ingredients.

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<sup>52</sup> "In both Italy and the United States, dried pasta are now produced in factories using very similar manufacturing techniques." (Joni Miller, "American Spaghetti Tops Tasting," *Cook's Illustrated*, May-June 1994, p. 21, as presented in petitioners' postconference brief, exhibit 5.)

<sup>53</sup> "Most of the pasta factories in Turkey are advanced technologically and they generally use Italian and Swiss technology. Therefore, given the variable quality of Turkish durum wheat, the good-quality pasta made from this wheat is probably related in part to modern processing technology." (M.H. Boyacioglu, V.L. Youngs, K. Khan, and B.L. D'Appolonia, "A Comparison of Durum Wheat Grown in Turkey and in the United States," *Pasta Journal*, NPA, Sept.-Oct. 1991, p. 24, as presented in the postconference brief of Grunfeld, Desiderio, Lebowitz & Silverman, exhibit 1.)

<sup>54</sup> Pricing in the food service and industrial markets is on a contract basis, and the promotional pricing structure frequently used in the retail market segment is relatively uncommon in food service or industrial market sales. Petitioners' postconference brief, p. 19.

<sup>55</sup> In answer to the inquiry "Are prices (per pound) of dry non-egg pasta for retail use generally higher, lower, or about the same as those of dry non-egg pasta for food service use?", 7 producers indicated "higher" and 1 producer indicated that they are the same. Nineteen importers indicated "higher," 16 indicated "same," and none indicated "lower."

In answer to the inquiry "Are prices (per pound) of dry non-egg pasta for retail use generally higher, lower, or about the same as those of dry non-egg pasta for industrial use?", 10 producers indicated "higher" and no producers indicated "lower." Nineteen importers indicated "higher," 6 indicated "same," and 1 indicated "lower."

## THE U.S. MARKET

### Collection of Data

The data for the following section on the U.S. market (and for the other sections of this report) are based principally on the responses of industry participants to Commission questionnaires and on official Commerce statistics measuring imports into the United States. Producers' questionnaires were sent to those firms in the retail market segment that were identified in tables 1A and 1E of the petition as producing more than a minimal amount. As will be discussed later in this report, some of these firms also produce dry non-egg pasta that is sold into the food service and industrial market segments. Additional questionnaires were sent to producers identified in the 1995 *Pasta Industry Directory*, published by the NPA, as serving the food service industry; staff also contacted the majority of the members of the NPA by telephone and sent questionnaires to those firms that reported producing more than a "small" amount of dry non-egg pasta for sale to food services. Additional questionnaires covering industrial production were mailed to those manufacturers listed in the *Standard Industrial Classification* (SIC) for "Food and Kindred Products" believed to utilize pasta in downstream products. Finally, producers' questionnaires were sent to firms with annual sales over \$15.0 million listed in the SIC for "Macaroni and Spaghetti," that had not been otherwise selected into the above groups.<sup>56</sup> Importers' questionnaires were mailed to those firms which, in aggregate, accounted for approximately 80 percent of the value of U.S. imports from Italy in 1994; all known importers of product from Turkey received questionnaires.<sup>57</sup>

### Apparent U.S. Consumption

Table 2 presents data on apparent U.S. consumption of various categories of pasta, including refrigerated pasta, frozen pasta, and that consumed in downstream products. In table 3, data for dry pasta, by market segment and, where appropriate, package size, is displayed. The pattern of increasing consumption shown for dry pasta in tables 2 and 3 is primarily driven by the perception that pasta is a healthy food that is high in complex carbohydrates and low in fat and sodium. Also, it can be prepared quickly and easily. Economic conditions are considered to be of much lesser relevance in determining pasta sales.<sup>58</sup>

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<sup>56</sup> A total of 32 firms received producers' questionnaires. Of the 12 firms targeted due to their participation in the retail market segment, all but one producer returned at least a partial response to the Commission's questionnaire. \*\*\*, which accounted for an estimated \*\*\* percent of U.S. producers' sales and minimal domestic production, did not respond. (See tables 1A and 1E of the petition.) Eight additional firms received questionnaires by virtue of their participation in the food service segment; only 3 of the 8 returned questionnaires. Nonrespondents consisted of \*\*\*. Seven additional industrial manufacturers were also sent questionnaires; all but 3 firms (\*\*\*) responded. In addition, there may be other industrial manufacturers which did not receive questionnaires. Finally, of a last group of 6 producers which were identified as producing such products as egg pasta, oriental noodles, or specialty pasta, all but 1 manufacturer (\*\*\*) responded. However, \*\*\*, did not provide data.

<sup>57</sup> A total of 71 importers' questionnaires (not including those which accompanied the producers' questionnaire) were mailed by the Commission. Forty-eight questionnaires, accounting for 70.0 percent of the value of total 1994 imports from Italy and 96.5 percent of the value of total 1994 imports from Turkey, were returned. Staff utilized official Commerce statistics, (adjusted using importers' questionnaires and foreign producers' questionnaires to exclude non-subject product in packages over 5 pounds) to analyze import trends and market penetration.

<sup>58</sup> *U.S. Pasta Market (Past Performance, Current Trends and Opportunities for Growth)*, Business Trends Analysis, 1991, p. 117.

Table 2

Pasta: U.S. consumption for retail and industrial uses, 1992-94

*(1,000 pounds, dry weight)*

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Item	1992	1993	1994
Dry pasta for retail sale . . . . .	1,251,670	1,307,992	(1)
Refrigerated pasta for retail sale . . . . .	22,091	20,906	(1)
Frozen pasta for retail sale . . . . .	44,271	47,813	(1)
Pasta sold in downstream products: <sup>2</sup>			
Shelf-stable prepared pasta dishes . . . . .	544,082	524,990	(1)
Soup, soup starters, bouillon, broth . . . . .	436,850	454,376	(1)
Dry macaroni and cheese mixes . . . . .	346,056	344,211	(1)
Shelf-stable microwave dinners . . . . .	57,937	48,564	(1)
Dry salad/side dish mixes . . . . .	47,615	70,696	(1)
Dry dinner mixes . . . . .	50,247	48,512	(1)
Chow mein noodles . . . . .	12,441	11,676	(1)
Other . . . . .	<u>67,313</u>	<u>74,233</u>	(1)
Total (industrial use) . . . . .	<u>1,562,542</u>	<u>1,577,261</u>	(1)
Total (all categories) . . . . .	2,880,574	2,953,972	(1)

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<sup>1</sup> Not available.<sup>2</sup> Data presented is the estimated weight of the pasta incorporated into the downstream product.

Source: National Pasta Association (NPA), *Pasta Journal*, vol. 77, No. 1, Jan.-Feb. 1995, p. 13. Data based on Information Resources, Inc. data which were adjusted according to mutually-agreed-upon factors between IRI and the NPA. It includes product sold in food store outlets and some wholesale clubs, but excludes data for mass merchandisers and outlets with less than \$2 million in annual sales.

Table 3

Dry pasta: Apparent U.S. consumption, by products, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	1992	1993	1994	Jan.-Mar.--	
				1994	1995
Quantity (1,000 pounds)					
Certain pasta for retail sale . . . . .	1,530,810	1,582,124	1,675,647	406,937	422,816
Certain pasta for food service use . . .	17,272	16,966	19,873	4,294	5,025
Certain pasta <sup>1</sup> . . . . .	1,548,082	1,599,090	1,695,520	411,231	427,841
Dry non-egg pasta in packages over 5 pounds for retail sale . . . . .	***	***	***	***	***
Certain pasta plus dry non-egg pasta in packages over 5 pounds for retail sale . . . . .	***	***	***	***	***
Non-subject dry non-egg pasta for food service use <sup>2</sup> . . . . .	***	***	***	***	***
Certain pasta plus dry non-egg pasta in packages over 5 pounds for both retail sale and food service use . . . .	1,759,132	1,839,098	1,936,106	464,092	487,379
Dry non-egg pasta for industrial use . .	457,914	471,649	457,372	120,794	125,379
Dry non-egg pasta . . . . .	2,217,046	2,310,747	2,393,478	584,886	612,758
Dry egg pasta . . . . .	225,822	226,056	212,994	61,061	56,796
Dry pasta . . . . .	2,442,868	2,536,803	2,606,473	645,947	669,553
Value (1,000 dollars)					
Certain pasta for retail sale . . . . .	904,602	937,180	988,596	242,010	266,132
Certain pasta for food service use . . .	9,017	8,875	10,788	2,227	2,980
Certain pasta <sup>1</sup> . . . . .	913,619	946,055	999,384	244,237	269,112
Dry non-egg pasta in packages over 5 pounds for retail sale . . . . .	***	***	***	***	***
Certain pasta plus dry non-egg pasta in packages over 5 pounds for retail sale . . . . .	***	***	***	***	***
Non-subject dry non-egg pasta for food service use <sup>2</sup> . . . . .	***	***	***	***	***
Certain pasta plus dry non-egg pasta in packages over 5 pounds for both retail sale and food service use . . . .	1,000,489	1,048,129	1,107,045	267,214	295,232
Dry non-egg pasta for industrial use . .	110,778	120,691	124,827	33,093	33,347
Dry non-egg pasta . . . . .	1,111,267	1,168,820	1,231,872	300,307	328,579
Dry egg pasta . . . . .	171,160	172,990	170,491	49,579	47,763
Dry pasta . . . . .	1,282,426	1,341,810	1,402,363	349,886	376,342

Notes presented on next page.

Continuation of table 3.

<sup>1</sup> Included within "certain pasta" is dry non-egg pasta for food service use if packaged in packs of 5 pounds or less. (There is no dry non-egg pasta used for industrial purposes that is packaged in such a manner that it meets the definition of "certain pasta.")

<sup>2</sup> Excludes that amount of product used for food service that is packaged in packs of 5 pounds or less.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce adjusted by staff. Official statistics were adjusted to exclude product imported in packages over 5 pounds. Adjustments were primarily calculated from responses to Commission importers' questionnaire; foreign producers' questionnaires were utilized in those instances where data on a foreign producer's U.S. exports were not otherwise available.

A comparison of data in table 2 for dry pasta for retail sale and data in table 3 for certain pasta for retail sale permits an assessment of data coverage for Commission's questionnaires. Data gathered by the Commission for dry pasta for retail sale in 1993 exceed that compiled by the NPA by almost 300 million pounds.<sup>59</sup> In contrast, the data presented on dry non-egg pasta for industrial use in table 3 are significantly less than the amount presented in table 2. These discrepancies are partially due to the presence of egg pasta in the NPA data (Commission data does not distinguish among channels of distribution for egg data); also, respondents to Commission questionnaires indicated that not all of the pasta used in downstream products is incorporated into the product in a "dry" form. However, the most important factor explaining the discrepancy in the two measures of the industrial market is believed to be the exclusion of data for a number of captive producers by the Commission's data set.

With reference to food service use, a comparison of both NPA data and that compiled by FIND/SVP suggests that up to 1.029 billion pounds of pasta may have been utilized by that market sector in 1993--an estimate which is clearly much higher than the data for dry non-egg pasta for food service use compiled in table 3. Part of that discrepancy is due, of course, to the sale of dry egg and non-dry pasta in food services. Also, there is clearly some nonresponse to Commission questionnaires for the category, albeit by firms that are believed to be small. Some, probably minimal, part of the apparent overreporting of dry non-egg pasta for retail sale in table 3 and the apparent underreporting of dry non-egg pasta for food service use may be due, in part, to product sold (or recorded) for retail sale that is eventually consumed by food services.<sup>60 61</sup>

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<sup>59</sup> FIND/SVP, Inc., a proprietary market research firm, estimated that 1.848 billion pounds of pasta were sold into the retail segment in 1993. That amount presumably includes pasta other than dry non-egg pasta. Data provided by letter of June 8, 1995 from Peter Carolyn, President, La Pace Imports, Inc.

<sup>60</sup> For example, imports from sources in East Asia, which may be disproportionately consumed by food services, are included in the category "certain pasta for retail sale" in table 3. Also, some amount of product distributed by suppliers to wholesale club stores and specialty outlets, a group underrepresented in table 2, is eventually purchased by restaurants.

<sup>61</sup> Economists for the petitioners state that databases compiled by outside marketing firms should be used with caution; \*\*\*. Petitioners, based upon their own internal surveys and industry knowledge, believe the food service industry to comprise approximately \*\*\* percent of the aggregate retail/food service market. Staff conversation with Michael Kerwin, Georgetown Economic Services, June 15, 1995.

Almost all (in 1994, 98.8 percent) of that product meeting the definition of certain pasta (namely, in packages of 5 pounds or less) is consumed by the retail market (table 3). On the other hand, a \*\*\* amount (\*\*\*) of that product consumed within the retail market did not meet the definition of certain pasta.

As shown in table 4, the consumption of certain pasta increased steadily from 1.548 billion pounds in 1992 to 1.696 billion pounds in 1994, or by 9.5 percent. Interim consumption increased an additional 4.0 percent, from 411 million pounds to 428 million pounds.

## **U.S. Producers**

### **Overview of the Industry**

The U.S. pasta industry was started commercially by Antoine Zerega, founder of A. Zerega's Sons, Inc., in Brooklyn, NY, in 1848. Pasta is produced by firms both for sale on the open market and for use by some manufacturers in their downstream products (or captive production). The product traditionally has been manufactured and marketed regionally in the United States. However, beginning in the mid-1970s, major manufacturers began purchasing regional producers, creating an industry which, today, is highly concentrated. The three largest firms, Borden, CPC/Best Foods, and Hershey, now produce by far the largest portion of the noncaptive pasta manufactured in the United States. It has been suggested that the consolidation of the industry is connected to the fight for shelf space in the retail outlets.<sup>62</sup> It is also believed to be advantageous to the industry in that it lowers raw material costs by permitting the purchase of the key raw material, durum wheat, in bulk.<sup>63</sup> The renovation of old plants and construction of new plants with large-volume extrusion equipment, high-temperature/shorter-time drying capabilities, and high-speed packing equipment and computers has accompanied the concentration of the industry. Table 5 lists the quantity of dry non-egg pasta for retail sale, food service use, and industrial use produced in 1994, by firm. Also listed is the quantity of dry egg pasta produced and the position of each firm on the petition.

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<sup>62</sup> JPB study, p. 14.

<sup>63</sup> *U.S. Pasta Market (Past Performance, Current Trends and Opportunities for Growth)*, Business Trends Analysis, 1991, p. 14 and p. 222. Most U.S. producers are not vertically integrated and contract for the milling of the input durum wheat.

Table 4

Certain pasta: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	1992	1993	1994	Jan.-Mar.--	
				1994	1995
	Quantity (1,000 pounds)				
Producers' U.S. shipments . . . . .	1,236,025	1,238,265	1,238,017	307,537	312,815
U.S. imports from--					
Italy . . . . .	190,451	210,753	281,037	64,580	70,483
Turkey . . . . .	31,221	46,482	59,928	13,470	18,201
Subtotal . . . . .	221,672	257,235	340,966	78,050	88,684
Canada . . . . .	21,637	30,009	30,861	8,596	6,236
Selected Latin American sources <sup>1</sup> . . .	9,590	11,200	22,487	4,097	4,432
Far Eastern sources <sup>2</sup> . . . . .	51,323	56,042	54,913	11,224	12,994
Other sources . . . . .	7,834	6,340	8,277	1,727	2,680
Total . . . . .	312,057	360,825	457,503	103,694	115,026
Apparent consumption . . . . .	1,548,082	1,599,090	1,695,520	411,231	427,841
	Value (1,000 dollars)				
Producers' U.S. shipments . . . . .	771,755	790,753	799,757	199,912	219,410
U.S. imports from--					
Italy . . . . .	81,670	87,523	124,233	27,632	31,308
Turkey . . . . .	7,814	11,303	14,957	3,284	4,400
Subtotal . . . . .	89,484	98,826	139,190	30,916	35,708
Canada . . . . .	9,583	12,530	13,924	3,820	2,653
Selected Latin American sources <sup>1</sup> . . .	3,549	4,248	7,791	1,463	1,546
Far Eastern sources <sup>2</sup> . . . . .	34,643	36,193	33,850	7,200	8,076
Other sources . . . . .	4,604	3,505	4,872	926	1,719
Total . . . . .	141,864	155,302	199,627	44,325	49,702
Apparent consumption . . . . .	913,619	946,055	999,384	244,237	269,112

<sup>1</sup> Consists of Chile, Mexico, and Venezuela.

<sup>2</sup> Consists of China, Hong Kong, Japan, South Korea, Singapore, Taiwan, Thailand, and Vietnam.

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

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce adjusted by staff. Official statistics were adjusted to exclude product imported in packages over 5 pounds. Adjustments were primarily calculated from responses to Commission importers' questionnaire; foreign producers' questionnaires were utilized in those instances where data on a foreign producers' U.S. exports were not otherwise available.

Table 5

Dry pasta: U.S. producers, position on the petition, and U.S. production in 1994

\* \* \* \* \*

Source: Compiled from responses to questionnaires of the U.S. International Trade Commission.

As discussed above, the industry is concentrated with respect to the production and certain pasta and three firms, Borden, CPC/Best Foods, and Hershey, account for \*\*\* percent of total 1994 production. Borden is a worldwide producer of foods, nonfood consumer products, and packaging and industrial products. The firm is reportedly among the largest pasta producers in the world and the only domestic manufacturer to attempt to market a U.S. brand on a national basis (the Creamette brand).<sup>64</sup> CPC also operates globally, producing foods and refining corn. Hershey became the first major food company to distribute pasta when it purchased San Giorgio in 1966. The three firms are also large producers of dry non-egg pasta for food service use and manufacture much of the noncaptive production of industrial pasta.

### Regional Distribution by U.S. Producers

The market for pasta is regional, largely due to consumer loyalty: "People still buy the pasta their mothers did."<sup>65</sup> Although the larger domestic producers sell their product nationwide, they almost always do so under a number of regional brand names.<sup>66</sup> The product is distributed both under brand names associated with specific producers and under a series of private labels. Most U.S. manufacturers produce for private labels and, in addition, produce for sale to other manufacturers, packing the product under their customers' labels. This practice is termed "co-packing" and typically is used by firms to fill in their product lines with shapes that an individual firm does not have the capability of producing. However, \*\*\*, the firm that reported \*\*\* of purchases of certain pasta (\*\* pounds in 1994), reported that its purchases were due to "insufficient capacity."

### Captive Consumption

As stated above, some dry non-egg pasta is transferred within the producing firm, primarily for consumption in downstream products. (By definition, such pasta is labeled, and is discussed in the report, as pasta for "industrial use.") The tabulation below presents data for the various categories of shipments of dry non-egg pasta (*in 1,000 pounds*):

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<sup>64</sup> Respondents allege that Borden's attempt failed, resulting in decreased market share and profitability for the firm. Postconference brief by Rogers & Wells, pp. 25-27.

<sup>65</sup> Max Buseti, *Food Industry Newsletter*, cited in *Wall Street Journal*, Nov. 16, 1993, attached as exhibit 4 to the Rogers & Wells postconference brief.

<sup>66</sup> ADM/Gooch Foods sells \*\*\* in the Midwest under the Martha Gooch, La Rosa, Budget, and Russo brand names. AIPC sells Pasta LaBella, Monticino, American Italian Pasta, and Pasta American Italian nationally. Borden sells on a nationwide basis under a series of regional brand names, including Anthony, Bravo, Gioia, Globe A-1, Luxury, Merlinos, Prince, R&F, Red Cross, Ronco, Silver Award, Vimco, Tip Italiano, Albadora, Palermo, and Piscitello. It distributes Creamette in \*\*. CPC/Best sells Muellers in the Northeast, Southeast, and Midwest. Hershey sells nationally under the following regional brand names: San Giorgio, Light 'N Fluffy, Skinner, Ronzoni, P&R, American Beauty, and Ideal. O.B. Macaroni sells O.B. brand in Texas, and the Q & Q brand in the Southwest. Philadelphia Macaroni Co. sells Conte Luna in the mid-Atlantic States.



<u>Item</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Dry non-egg pasta for:			
Retail sale:			
Domestic shipments . . . . .	***	***	***
Company transfers:			
Captive production . . . . .	***	***	***
Other transfers . . . . .	***	***	***
Total U.S. shipments . . . . .	1,236,025	1,238,265	1,238,017
Food service use:			
Domestic shipments . . . . .	205,950	233,967	221,997
Company transfers:			
Captive production . . . . .	0	0	0
Other transfers . . . . .	0	0	0
Total U.S. shipments . . . . .	205,950	233,967	221,997
Industrial use:			
Domestic shipments . . . . .	154,777	184,706	163,810
Company transfers:			
Captive production <sup>1</sup> . . . . .	303,137	286,943	293,562
Other transfers . . . . .	0	0	0
Total U.S. shipments . . . . .	457,914	471,649	457,372
Total:			
Domestic shipments . . . . .	***	***	***
Company transfers:			
Captive production . . . . .	***	***	***
Other transfers . . . . .	***	***	***
Total U.S. shipments . . . . .	1,899,889	1,943,881	1,917,386

<sup>1</sup> There is a considerable amount of underreporting in this category.

Producers of dry non-egg pasta for industrial use consist both of firms that produce pasta for open-market sales to manufacturers of downstream products and vertically-integrated downstream producers that only manufacture pasta internally. \*\*\* produce only for captive consumption; the remainder of the producers shown in table 5 manufacture for the open market. Three firms manufacture for both segments: \*\*\*. Each utilizes pasta to produce macaroni and cheese dinners. Dry non-egg pasta reportedly comprised the predominant material input in the downstream products manufactured by \*\*\*, but not in those manufactured by \*\*\*. \*\*\* and \*\*\* state that the weight, but not the value, of the input pasta is the predominant material in the downstream macaroni and cheese product.<sup>67</sup> None of the firms, with the exception of \*\*\*, reported that the manufactured downstream product competes for sales in the merchant market with dry non-egg pasta.<sup>68</sup> In response to a question in the producers' questionnaire, \*\*\* stated that some of its customers of dry non-egg pasta

<sup>67</sup> The specific question asked by the Commission was: "Does the downstream product(s) for which your firm captively consumed dry non-egg pasta (whether or not for retail sale) compete for sales in the merchant market with dry non-egg pasta (whether or not for retail sale)?" \*\*\* manufactures a variety of canned pasta, as does \*\*\*. \*\*\* produces macaroni and cheese.

<sup>68</sup> \*\*\* further states that: "Boxed dinners compete a little bit with plain pasta, but not very much." However, if plain pasta is viewed as a component of the final dish, it may be said to compete with a boxed dinner if the purchaser is willing to add sauce and labor. Staff conversation with \*\*\*.

also produce macaroni and cheese.<sup>69</sup> \*\*\* and \*\*\* responded in the negative to that question and, as indicated above, none of the other firms that produce downstream products sell dry non-egg pasta on the open market.

## **U.S. Importers**

### **Description of Importing Firms**

Certain pasta from Italy is imported by a large number of importers which are generally, but not always, independently owned.<sup>70</sup> Some of the foreign manufacturers distribute exclusively through one importer (for example, \*\*\* through \*\*\*); others ship certain pasta through a number of importing firms. Further, some of the certain pasta imported from Italy is distributed in the United States under the manufacturers' brand names; in other instances the product is marketed under a brand name created by the importer/distributor.<sup>71</sup> Certain pasta from Turkey was imported by 10 firms during the period reviewed. With the exception of Vitelli-Elvea, a Turkish importer that made what it labeled an unsuccessful attempt to also sell product imported from Italy, no firm reported importing from both Italy and Turkey during the period reviewed.<sup>72</sup>

### **Regional Distribution by Importers**

Witnesses testified at the Commission's conference that there is a regional distribution pattern for imported Italian and Turkish pasta that reflects, in part, Italian-Americans wanting to buy Italian items.<sup>73</sup> In 1994, 66.3 percent of the quantity of dry non-egg pasta imported from Italy entered into New York, 9.5 percent into Los Angeles, 7.1 percent into Chicago, 3.8 percent into San Francisco, 2.9 percent into Charleston, 2.8 percent into Houston-Galveston, 2.4 percent into Tampa, and 2.1 percent into Miami. The remainder was entered into 21 additional customs districts throughout the United States. The great majority (86.5 percent) of the dry non-egg pasta imported from Turkey entered into the New York market in 1994. The remainder was imported into 11 additional customs districts, located almost entirely in coastal areas of the United States.

### **Imports by U.S. Producers**

Imports of dry non-egg pasta from subject sources (specifically, Italy and Turkey) were reported by \*\*\* domestic suppliers: \*\*\*. Data on the quantity of such imports, by firm, are presented in the following tabulation (*in 1,000 pounds*):

\*   \*   \*   \*   \*   \*   \*

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<sup>69</sup> The specific query was "Is any portion of your sales of dry non-egg pasta (whether or not for retail sale) used by your customers to produce the same downstream product(s) that your firm produces?"

<sup>70</sup> For example, \*\*\*. (Prior to \*\*\*, De Cecco pasta was distributed by Borden.)

<sup>71</sup> Reportedly, some of that product is purchased as excess production from a number of manufacturers in Italy, then packaged either in Italy or in the United States.

<sup>72</sup> Conference TR, p. 244, and responses to importers' questionnaires.

<sup>73</sup> Conference TR, pp. 210-212.

\*\*\*. Borden started importing its premium Classico brand in \*\*\* from its affiliate, Albadoro, S.p.A.<sup>74</sup> The firm testified that it chose to produce Classico dry non-egg pasta in Italy rather than in the United States principally because of the availability of bronze dies at its Italian facility.<sup>75</sup> However, because the Borden product is imported in bulk form, it is technically not classified as "certain" pasta and thus is not subject to the imposition of possible antidumping or countervailing duties.<sup>76</sup> \*\*\*. Other than a small amount reported by \*\*\*, there are no known imports or purchases of imports by U.S. producers from non-subject sources.

### Channels of Distribution

Table 6 presents data on the distribution of pasta, by sector. As shown, dry non-egg pasta may be sold directly to retail outlets or food service establishments (such sales are labeled end-user sales). Alternatively, sales may be made through distributors, of which there are two major categories in the retail segment: warehouse distributors and specialty distributors or DSDs (direct store delivery).

Table 6  
Dry non-egg pasta: U.S. shipments,<sup>1</sup> by channels of distribution, 1994

Source	(1,000 pounds)			
	Product reported sold for retail use to--		Product reported sold for food service use to--	
	Distributors <sup>2</sup>	End users <sup>3</sup>	Distributors <sup>2</sup>	End users <sup>3</sup>
U.S. producers' shipments	420,026	799,779	201,790	***
U.S. importers' shipments of product produced in--				
Italy . . . . .	131,102 <sup>4</sup>	23,716 <sup>4</sup>	20,186 <sup>4</sup>	1,272 <sup>4</sup>
Turkey . . . . .	12,601	50,449	***	***

<sup>1</sup> \*\*\* U.S. shipments of dry non-egg pasta for either retail sale or food service use are to firms that are unrelated to the U.S. producer or the importer.

<sup>2</sup> Different distribution networks generally serve the retail and food service segments.

<sup>3</sup> End users are defined as retail outlets or food service providers.

<sup>4</sup> Several importers of certain pasta from Italy reported that they sell product into both the retail and food service segments and could not provide separate data. Their responses were generally reported in the retail use segment, which results in an overstatement of sales within that category and an understatement of sales of certain pasta from Italy to food services.

Notes presented on next page.

<sup>74</sup> Respondents allege that "Borden closed its Buffalo facility and instead chose to produce its Classico brand in Italy in order to achieve a perceived quality standard that it was not able to attain in the United States." Postconference brief submitted by Rogers & Wells, p. 27.

<sup>75</sup> Conference TR, p. 82.

<sup>76</sup> Counsel for Borden testified that the product is not packaged in Italy because the manufacturing facility does not have the needed packaging equipment. The firm plans to add the equipment. Conference TR, pp. 273-274.

Continuation of table 6.

Note 1.--The retail sector includes food stores (both food store chains and specialty stores), wholesale clubs, drug stores, and mass merchandisers; food service use includes restaurants, cafeterias, institutional users such as hospitals and schools, and government purchasers; industrial use measures pasta incorporated into downstream products where further value is added before sale. The retail sector, in turn, may be further divided by type of outlet. According to \*\*\*, food stores comprise \*\*\* percent of total sales within that sector, wholesale clubs comprise \*\*\* percent, drug stores comprise \*\*\* percent, and mass merchandisers comprise \*\*\* percent. (Petitioners' letter to the Commission and Commerce, exhibit 6, May 26, 1995.)

Note 2.--All of the dry non-egg pasta shipped within the U.S. market for industrial use was manufactured by U.S. producers. There are no known imports of dry non-egg pasta from either Italy or Turkey that are consumed in the production of downstream products. Of the 458 million pounds of dry non-egg pasta produced for industrial use in 1994, 294 million pounds (or 64.2 percent) were captively consumed and 164 million pounds (or 35.8 percent) were shipped to unrelated end users. No such product was reported as shipped through distributors. As discussed earlier in this report, there is significant underreporting of product produced for industrial use. The majority of that underreporting is believed to be for firms that produce for captive consumption.

Note 3.--The data presented in this table for U.S. producers' shipments by channels of distribution do not exactly match those presented earlier in this report primarily due to the inability of smaller producers to respond to all sections of the Commission's producers' questionnaire.

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

Pasta sold through warehouse distributors, which may be owned by an individual grocery store chain, is incorporated into the chain's inventory and is typically channeled to each store within the chain. In contrast, specialty distributors are allocated space in certain stores and may not service the entire chain. Another distinction between the two distribution networks is the markup arrangement and what is known as slotting fees (payments for placing products in retail stores). Pasta distributed through warehouse distributors is marked up by the store at 20 percent to 35 percent over wholesale. Specialty distributors mark up the product they purchase by 22 percent to 28 percent before selling it to the retail chains, which add another 20 percent to 30 percent to the cost of the final product. However, specialty distributors typically are not faced with more than minimal slotting fees.

Historically, slotting fees, which apply to end-user sales as well as to, generally, the warehouse distribution network, were fees collected from new suppliers to offset the cost of adding a new item and to compensate the retailer for lost profits during the period of an item's introduction.<sup>77</sup> The amount required for slotting, which may include free goods, has increased dramatically in recent

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<sup>77</sup> Within a 12- to 18-month period, the item is expected to generate sufficient profits to the retailer based upon shelf movement to justify remaining in place.

years and, rather than being merely a reimbursement of costs incurred, now forms a source of revenue for the chains.<sup>78</sup> Also, items must now be re-slotted at set intervals.<sup>79</sup>

Petitioners confirm that costs associated with both slotting fees and advertising programs have risen since 1992 and contend that both domestic producers and importers have been affected by the increases.<sup>80</sup> Respondents state that expenditures for slotting allowances are far more significant for domestic producers than those associated with imported Italian product<sup>81</sup> and contend that "Italian producers have largely been spectators in this war."<sup>82</sup> They report that almost all of the certain pasta imported from Italy is sold through specialty distributors which, in the past, have typically not been subjected to the practice.<sup>83</sup> Additionally, a portion of the certain pasta imported from Italy is sold through food service distributors, a network believed to differ in composition from distributors serving retail outlets. (In contrast to the imports from Italy, the bulk of the certain pasta from Turkey is sold directly to end users (table 6)).

It is the ability to obtain access to the fixed amount of available retail shelf space that determines whether or not a supplier can sell product in that market. Arranging for placement is a key service offered by specialty distributors, albeit at a higher markup. The costs associated with the use of differing distribution systems are believed to result in different prices, even for the same product.<sup>84</sup> Further, the payment of reportedly significant slotting fees can constitute a significant business expense for suppliers.<sup>85</sup> Slotting fees and various advertising and promotional programs are discussed in greater detail in the section of this report entitled "Marketing Characteristics."

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<sup>78</sup> The traditional grocery store chains reportedly are facing strong competition at 2 ends of the price spectrum--from wholesale club stores for low-end items and from specialty stores for high-end items. Wholesale club stores, which do not charge slotting fees or require advertising packages, are considered to be "the last source of clean buying." Staff conversation with \*\*\*, May 30, 1995.

<sup>79</sup> Petitioner's postconference brief, Response to Commission Staff Questions, p. 5; staff conversation with \*\*\*, May 30, 1995; Letter to the Commission, Greg Olster, President of North American Enterprises, Inc., (an import/export management company which establishes distribution networks for foreign manufacturers in the United States), June 5, 1995. Mr. Olster further states that "The cost of slotting has now reached the point that small companies cannot obtain meaningful shelf placement and, where placement is secured, it is not possible to sell enough pasta to recoup slotting money much less earn profits. The result of these practices is a situation where domestic suppliers control seventy to ninety percent of (warehouse program) shelf space in the majority of U.S. grocery retailers."

<sup>80</sup> Petitioners' postconference brief, Answers to Staff Questions, p. 6.

<sup>81</sup> Rogers & Wells, Answers to Commission Staff Questions, p. 8.

<sup>82</sup> Postconference brief of Rogers & Wells, p. 24.

<sup>83</sup> Postconference brief of Rogers & Wells, citing testimony (Conference TR, pp. 148-149) that most imported pasta cannot be sold directly through a retail chain warehouse program because of the low volume of sales, p. 28. Petitioners disagree and attach as exhibit 6 to their postconference brief an internal memorandum prepared by \*\*\* that lists a number of certain pasta brands imported from both Italy and Turkey that are distributed through warehouses.

<sup>84</sup> Rogers & Wells, Answers to Commission Staff Questions, p. 7.

<sup>85</sup> Several importers commented in response to the Commission's questionnaires that they believe any injury to the domestic industry is a result of the high, and increasing, slotting fees that must be paid.

## CONSIDERATION OF THE QUESTION OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the "alleged" margin of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury." Information for the other factors specified is presented in this section for the subject product, certain pasta. Additional information for industries which are defined to include non-subject pasta, specifically dry non-egg pasta for food service use, dry non-egg pasta for industrial use, and/or egg pasta are presented in the summary tables in appendix A.

### U.S. Capacity, Capacity Utilization, and Production

Data on U.S. manufacturers' capacity to produce certain pasta and their utilization of that capacity is presented in table 7. Capacity as shown slightly exceeds total apparent U.S. consumption of the subject product (table 3). The 1992-93 increase is \*\*\*.<sup>86 87</sup> The reported 1993-94 and interim 1994-95 increases in capacity are, in part, a result of \*\*\*. Hershey reported \*\*\* in its capacity to produce throughout the period as a new factory (the Winchester, VA, facility) and new acquisitions (the Ideal Macaroni Co. in 1993) \*\*\*. Reported capacity by Borden \*\*\*. \*\*\* in \*\*\* Borden closed its Buffalo, NY, facility; the closure resulted in a decrease in its capacity to produce of \*\*\* percent.<sup>88</sup>

Table 7

Certain pasta: U.S. capacity, production, and capacity utilization, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	1992	1993	1994	Jan.-Mar.--	
				1994	1995
Average-of-period capacity (1,000 pounds) . . . . .	1,606,151	1,680,569	1,718,852	416,334	442,631
Production (1,000 pounds) . . . . .	1,233,796	1,228,232	1,268,954	331,428	321,352
Capacity utilization (percent) . . . . .	74.9	71.3	72.1	78.3	71.5

Notes presented on next page.

<sup>86</sup> \*\*\*.

<sup>87</sup> \*\*\*.

<sup>88</sup> The firm states that the closure was a direct result of \*\*\*. (In 1994, Borden reported a capacity utilization rate of \*\*\* percent for all dry non-egg pasta products.) As stated earlier, respondents allege that "Borden closed its Buffalo facility and instead chose to produce its Classico brand in Italy in order to achieve a perceived quality standard that it was not able to attain in the United States." (Postconference brief submitted by Rogers & Wells, p. 27.) Counsel for Borden testified at the Commission's conference that Borden acquired its Italian facility prior to 1992 (and well before it began the importation of its Classico product). \*\*\*.

Continuation of table 7.

Note 1.--Capacity utilization is calculated using data where both comparable capacity and production information were supplied.

Note 2.--\*\*\* were not able to provide data on their capacity to produce. Commission staff estimated production for \*\*\*, using shipment data reported by the firm. \*\*\* stated that its production quantities generally tracked shipments "closely."

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

The overall downward trends in capacity utilization shown in table 7 are largely a result of \*\*\* (table 8). As shown in table 8, total production by the petitioning group declined from 1992 to 1994 and during the interim periods. The quantity of certain pasta produced by non-petitioning firms, especially that reported by \*\*\*, increased steadily from 1992 onward. \*\*\* attributed its rise in production to "increased market demand."

Table 8

Certain pasta: U.S. production, by firms, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

\* \* \* \* \*

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

Future increases in the capacity to produce dry non-egg pasta, although not necessarily for the retail segment, are anticipated. AIPC is building a large pasta-producing plant in Columbia, SC; completion is expected in the autumn of 1995. Also, A. Zerega's Sons is in the process of constructing a plant in Lee's Summit, MO.<sup>89</sup>

### U.S. Shipments and Inventories

Tables 9 and 10 present data on U.S. shipments and inventories, respectively. There are minimal company transfers of certain pasta and only small amounts of the product are exported. The ratio of inventories to a denominator of either production or U.S. shipments reported by \*\*\* declined from 1992 onward; in contrast, inventory ratios for \*\*\* increased steadily. Those reported by \*\*\* fluctuated throughout the period reviewed.

---

<sup>89</sup> Northern Crops Institute and NPA "Short Course" on pasta. \*\*\*. Firms cite increased demand for industrial pasta. AIPC reports that "We have built a strong industrial business ... We see that as a strong growth opportunity to find new ways for people to get pasta in their diet, both in entrees and side dishes." ADM/Gooch Foods states that "From the retail side, we haven't seen too many earth-shattering developments lately. Our fastest growth is on the industrial side." *Milling & Baking News*, Oct. 25, 1994, citing statements made by Tim Webster, president and chief executive officer, AIPC, and Bob Ryan, vice-president, director of marketing, ADM/Gooch Foods.

Table 9

Certain pasta: Shipments by U.S. producers, by types, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	1992	1993	1994	Jan.-Mar.-- 1994	1995
Quantity (1,000 pounds)					
Company transfers . . . . .	***	***	***	***	***
Domestic shipments . . . . .	***	***	***	***	***
Subtotal . . . . .	1,236,025	1,238,265	1,238,017	307,537	312,815
Exports . . . . .	***	***	***	***	***
Total . . . . .	***	***	***	***	***
Value (1,000 dollars)					
Company transfers . . . . .	***	***	***	***	***
Domestic shipments . . . . .	***	***	***	***	***
Subtotal . . . . .	771,755	790,753	799,757	199,912	219,410
Exports . . . . .	***	***	***	***	***
Total . . . . .	***	***	***	***	***
Unit value (per pound)					
Company transfers . . . . .	\$***	\$***	\$***	\$***	\$***
Domestic shipments . . . . .	***	***	***	***	***
Average . . . . .	.63	.64	.65	.65	.70
Exports . . . . .	***	***	***	***	***
Average . . . . .	***	***	***	***	***

Note.--Unit values are calculated using data where both comparable quantity and value information were supplied.

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

Table 10

Certain pasta: End-of-period inventories of U.S. producers, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	1992	1993	1994	Jan.-Mar.--	
				1994	1995
Inventories ( <i>1,000 pounds</i> ) . . . . .	142,529	114,074	127,403	131,373	130,864
Ratio of inventories to--					
Production ( <i>percent</i> ) . . . . .	12.4	10.0	11.1	10.7	11.5
U.S. shipments ( <i>percent</i> ) . . . . .	12.4	9.9	11.4	11.6	11.9
Total shipments ( <i>percent</i> ) . . . . .	12.2	9.8	11.2	11.4	11.7

Notes presented on next page.



Continuation of table 10.

Note 1.--Ratios are calculated using data where both comparable numerator and denominator information were supplied. Part-year inventory ratios are annualized.

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

### Employment

Aggregate data on employment are presented in table 11. Hourly wages and hourly total compensation reported by \*\*\* exceeded those paid by either \*\*\* and were reflected in higher production costs for \*\*\*. Productivity reported by the three large manufacturers is presented in the following tabulation (*in pounds per hour*):

Firm	1992	1993	1994	Jan.-Mar.--	
				1994	1995
Borden . . . . .	***	***	***	***	***
CPC/Best . . . . .	***	***	***	***	***
Hershey . . . . .	***	***	***	***	***
Total . . . . .	226.5	232.4	260.1	262.4	262.2

Table 11

Average number of U.S. production and related workers producing certain pasta, hours worked,<sup>1</sup> wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs,<sup>2</sup> 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995<sup>3</sup>

Item	1992	1993	1994	Jan.-Mar.--	
				1994	1995
Production and related workers (PRWs)	2,275	2,245	2,239	2,236	2,211
Hours worked by PRWs ( <i>1,000 hours</i> )	5,302	5,145	4,750	1,244	1,205
Wages paid to PRWs ( <i>1,000 dollars</i> ) . .	60,839	59,695	59,147	15,045	15,795
Total compensation paid to					
PRWs ( <i>1,000 dollars</i> ) . . . . .	78,612	78,834	79,768	20,181	20,887
Hourly wages paid to PRWs . . . . .	\$11.47	\$11.60	\$12.45	\$12.09	\$13.11
Hourly total compensation paid to PRWs	\$14.83	\$15.32	\$16.79	\$16.22	\$17.33
Productivity ( <i>pounds per hour</i> ) . . . . .	226.5	232.4	260.1	262.4	262.3
Unit labor costs ( <i>per pound</i> ) . . . . .	\$0.07	\$0.07	\$0.06	\$0.06	\$0.07

<sup>1</sup> Includes hours worked plus hours of paid leave time.

<sup>2</sup> On the basis of total compensation paid.

<sup>3</sup> Firms providing employment data accounted for 95.6 percent of reported total U.S. production in 1994, as reported in table 8.

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

## **Financial Experience of U.S. Producers**

Financial information was provided by six major U.S. producers on their dry non-egg pasta operations in addition to their overall operations. These data, representing 94 percent of 1994 production of certain dry non-egg pasta for the retail market, are presented in this section.

### **Overall Establishment Operations**

Income-and-loss data on the U.S. producers' overall establishment operations are presented in table 12. In addition to the products under investigation, the U.S. producers indicated in their questionnaire responses that they also produce dry egg pasta in their overall establishment operations. Net sales of dry non-egg pasta for the retail market were 55.3 percent of overall net sales in 1994.

### **Operations on Dry Non-Egg Pasta for the Retail Market**

Income-and-loss data for the U.S. producers' operations on dry non-egg pasta for the retail market are presented in table 13. Income-and-loss data on a per-pound basis are presented in table 14 and selected financial data, by firm, are presented in table 15. Income-and-loss data for dry non-egg pasta for food service, for industrial use, and for all uses (retail, food service, and industrial markets) are presented in appendix D. A summary table for total dry non-egg and egg pasta combined is also presented in appendix D (table D-10).

The reported operating profits and losses for dry non-egg pasta for the retail market indicated operating profits during 1992-94 and interim 1994, but operating losses were indicated for interim 1995. Reported operating profits and losses for dry non-egg pasta for the food service market indicated aggregate operating profits during 1992-94 and interim 1994, but operating losses were reported for interim 1995 (table D-1). Reported operating profits and losses for dry non-egg pasta for the industrial market indicated aggregate operating profits in all periods (table D-4). All dry non-egg pasta aggregate results were similar to the retail segment's since retail is the major portion of these operations (table D-7).

Table 12

Income-and-loss experience of U.S. producers<sup>1</sup> on the overall operations of their establishments wherein dry non-egg pasta is produced, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	1992	1993	1994	Jan.-Mar.-- 1994	1995
<i>Value (1,000 dollars)</i>					
Net sales . . . . .	1,354,469	1,326,239	1,399,989	362,321	370,156
Cost of goods sold . . . . .	713,458	730,221	819,008	203,004	216,704
Gross profit . . . . .	641,011	596,018	580,981	159,317	153,452
Selling, general, and administrative expenses . . . . .	472,986	467,954	502,835	131,529	138,775
Operating income or (loss) . . . . .	168,025	128,064	78,146	27,788	14,677
Interest expense . . . . .	38,278	43,352	49,853	11,356	12,876
Other expense . . . . .	53,210	40,928	32,212	13,225	9,949
Other income items . . . . .	14,590	8,727	10,737	79	3,950
Net income or (loss) before income taxes . . . . .	91,127	52,511	6,818	3,286	(4,198)
Depreciation and amortization . . . . .	51,623	50,386	53,547	13,292	13,667
Cash flow <sup>2</sup> . . . . .	142,750	102,897	60,365	16,578	9,469
<i>Ratio to net sales (percent)</i>					
Cost of goods sold . . . . .	52.7	55.1	58.5	56.0	58.5
Gross profit . . . . .	47.3	44.9	41.5	44.0	41.5
Selling, general, and administrative expenses . . . . .	34.9	35.3	35.9	36.3	37.5
Operating income or (loss) . . . . .	12.4	9.7	5.6	7.7	4.0
Net income or (loss) before income taxes . . . . .	6.7	4.0	0.5	0.9	(1.1)
<i>Number of firms reporting</i>					
Operating losses . . . . .	1	0	1	1	2
Net losses . . . . .	2	2	2	4	4
Data . . . . .	6	6	6	6	6

<sup>1</sup> \*\*\*.

<sup>2</sup> Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table 13

Income-and-loss experience of U.S. producers<sup>1</sup> on their operations producing dry non-egg pasta for the retail market, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	1992	1993	1994	Jan.-Mar.-- 1994	1995
<i>Quantity (pounds)</i>					
Net sales . . . . .	1,210,906	1,206,127	1,191,276	301,195	302,699
<i>Value (1,000 dollars)</i>					
Net sales . . . . .	758,529	773,442	774,200	196,161	208,182
Cost of goods sold . . . . .	423,795	439,197	494,429	122,496	129,472
Gross profit or (loss) . . . . .	334,734	334,245	279,771	73,665	78,710
Selling, general, and administrative expenses . . . . .	238,553	263,489	276,176	72,085	83,275
Operating income or (loss) . . . . .	96,181	70,756	3,595	1,580	(4,565)
Interest expense . . . . .	12,936	17,821	21,316	4,107	4,903
Other expense . . . . .	11,894	12,753	8,586	2,533	2,042
Other income items . . . . .	0	5,742	369	0	0
Net income or (loss) before income taxes . . . . .	71,351	45,924	(25,938)	(5,060)	(11,510)
Depreciation and amortization . . . . .	32,683	30,696	31,373	6,987	7,142
Cash flow <sup>2</sup> . . . . .	104,034	76,620	5,435	1,927	(4,368)
<i>Ratio to net sales (percent)</i>					
Cost of goods sold . . . . .	55.9	56.8	63.9	62.4	62.2
Gross profit or (loss) . . . . .	44.1	43.2	36.1	37.6	37.8
Selling, general, and administrative expenses . . . . .	31.4	34.1	35.7	36.7	40.0
Operating income or (loss) . . . . .	12.7	9.1	0.5	0.8	(2.2)
Net income or (loss) before income taxes . . . . .	9.4	5.9	(3.4)	(2.6)	(5.5)
<i>Number of firms reporting</i>					
Operating losses . . . . .	1	0	2	2	2
Net losses . . . . .	1	1	3	4	4
Data . . . . .	6	6	6	6	6

<sup>1</sup> \*\*\*.

<sup>2</sup> Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table 14

Income-and-loss experience (*on a per-pound basis*) of U.S. producers<sup>1</sup> on their operations producing dry non-egg pasta for the retail market, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	Value ( <i>per pound</i> )			Jan.-Mar.--	
	1992	1993	1994	1994	1995
Net sales . . . . .	\$0.63	\$0.64	\$0.65	\$0.65	\$0.69
Cost of goods sold:					
Raw materials . . . . .	.18	.19	.22	.22	.23
Direct labor . . . . .	.02	.02	.02	.02	.02
Factory overhead . . . . .	.15	.16	.18	.17	.18
Total . . . . .	.35	.36	.42	.41	.43
Gross profit or (loss) . . . . .	.28	.28	.23	.24	.26
Selling, general, and administrative expenses . . . . .	.20	.22	.23	.24	.28
Operating income or (loss) . . . . .	.08	.06	( <sup>2</sup> )	.01	(.02)

<sup>1</sup> \*\*\*.

<sup>2</sup> Less than \$0.005.

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

Table 15

Income-and-loss experience of U.S. producers on their operations producing dry non-egg pasta for the retail market, by firms, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

\* \* \* \* \*

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

Severely hampering profitability in 1994 and 1995 were the increased costs for the basic raw material, durum wheat semolina, and factory overhead. Substantial tariffs were placed on imported Canadian product in the latter part of 1994 when the allowable 11 million bushels of durum wheat was exceeded. According to Mr. Skinner, President of Hershey Pasta Group, the allowable amount has already been reached in 1995.<sup>90</sup> The cost for his company was a \*\*\*-percent increase, or from \$\*\*\* per hundredweight to \$\*\*\* per hundredweight, or approximately \$\*\*\* per pound in 1994.<sup>91</sup> Mr. Skinner indicated that the reason for importing the Canadian product was the poor harvests experienced by the U.S. farmers of durum wheat; thus, demand could not be satisfied with the U.S. product alone. Also, a rail strike caused shortages. The cost of the preferred grade of wheat, No. 1 amber durum, during crop years 1991/92 to 1994/95 increased by 66 percent, rising from \$3.61 per bushel to \$5.99 per bushel. The monthly prices are presented in the following tabulation (*price per bushel*):

<sup>90</sup> Conference TR, p. 85.

<sup>91</sup> Staff conversation with \*\*\*, June 1, 1995.

<u>Crop years</u>	<u>June</u>	<u>Sept.</u>	<u>Dec.</u>	<u>Mar.</u>	<u>Monthly average</u>
Minneapolis Price, No. 1 Hard Amber Durum: <sup>1</sup>					
1991/92 . . . . .	\$3.19	\$2.96	\$3.66	\$3.99	\$3.61
1992/93 . . . . .	3.96	3.86	3.91	3.99	3.88
1993/94 . . . . .	3.84	5.06	6.57	7.06	5.76
1994/95 . . . . .	5.76	6.16	5.99	( <sup>2</sup> )	5.99

<sup>1</sup> *Grain and Feed Market News, USDA-AMS*, as published in *Wheat Yearbook/WHS-1995/February 1995*.

<sup>2</sup> Not available.

Source: Official statistics of the U.S. Department of Agriculture.

Although Hershey was \*\*\* by the durum semolina cost increase, \*\*\*. Nevertheless, \*\*\*. \*\*\*.<sup>92</sup> A further clarification of the G&A allocation indicated that \*\*\*.<sup>93</sup>

Although aggregate net sales actually increased from 1992 to 1994, the combination of increased costs and decreased net sales by primarily \*\*\* from 1993 to 1994 caused the reported profitability of the dry non-egg pasta for the retail market to drop from an operating margin of 9.1 percent in 1993 to 0.5 percent in 1994, or a swing of \$67.2 million from an operating profit of \$70.8 million to \$3.6 million in one year. \*\*\*'s share of the aggregate \$67.2 million one-year swing was \$\*\*\*, or \*\*\* percent of the net change. If it had not been for \*\*\*, there would have been an aggregate operating profit of \$\*\*\* instead of an operating profit of \$\*\*\*.

### Investment in Productive Facilities

The value of property, plant, and equipment and total assets for the reporting U.S. producers, and the return on total assets for these producers are presented in table 16.

Table 16

Value of assets and return on assets of U.S. producers' establishments wherein dry non-egg pasta for the retail market is produced, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

\* \* \* \* \*

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

### Capital Expenditures

The capital expenditures reported by the major U.S. producers are presented in table 17.

<sup>92</sup> Telefaxes, June 5, 1995 and June 6, 1995.

<sup>93</sup> Staff conversation with \*\*\*, June 16, 1995.

Table 17

Capital expenditures by U.S. producers of dry non-egg pasta for the retail market, by products, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995<sup>1</sup>

<i>(1,000 dollars)</i>					
Item	1992	1993	1994	Jan.-Mar.--	
				1994	1995
All products . . . . .	92,870	62,220	47,181	7,291	8,844
Dry non-egg pasta for the retail market . . . . .	***	***	***	***	***

<sup>1</sup> \*\*\* indicated that they were unable to break out the capital expenditures for dry non-egg pasta for the retail market.

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

### Research and Development Expenses

The U.S. producers' research and development expenses are presented in table 18.

Table 18

Research and development expenses of U.S. producers<sup>1</sup> of dry non-egg pasta for the retail market, by products, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

<i>(1,000 dollars)</i>					
Item	1992	1993	1994	Jan.-Mar.--	
				1994	1995
All products . . . . .	4,720	4,971	4,708	462	499
Dry non-egg pasta for the retail market . . . . .	***	***	***	***	***

<sup>1</sup> \*\*\* didn't report their expenditures, if any.

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

### Capital and Investment

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of certain pasta from Italy and Turkey on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown in appendix E.

## CONSIDERATION OF THE QUESTION OF THREAT OF MATERIAL INJURY TO AN INDUSTRY IN THE UNITED STATES

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Merchandise and the Alleged Material Injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in the section entitled "Consideration of the Question of Material Injury to an Industry in the United States." Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

### U.S. Importers' Inventories

Information on inventories of subject imports held by U.S. importers is presented in table 19. As shown, the quantity of inventories held and the ratio of such inventories to imports and U.S. shipments of those firms that maintain inventories increased throughout the period reviewed.

Table 19  
Certain pasta: End-of-period inventories of U.S. importers, by products and by sources, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	1992	1993	1994	Jan.-Mar.-- 1994	1995
<i>Quantity (1,000 pounds)</i>					
Italy . . . . .	13,045	13,808	23,860	14,010	20,225
Turkey . . . . .	4,241	7,449	8,842	4,038	7,290
Subtotal . . . . .	17,286	21,257	32,702	18,048	27,515
<i>Ratio to imports (percent)</i>					
Italy . . . . .	10.1	9.9	12.8	8.8	12.3
Turkey . . . . .	13.0	15.0	13.6	8.8	12.2
Average . . . . .	10.7	11.2	13.0	8.8	12.3
<i>Ratio to U.S. shipments of imports (percent)</i>					
Italy . . . . .	10.4	10.0	13.5	9.2	12.2
Turkey . . . . .	14.2	16.2	14.0	7.2	12.2
Average . . . . .	11.1	11.6	13.6	8.6	12.2

Note.-- Ratios are calculated using data where both comparable numerator and denominator information were supplied. Part-year inventory ratios are annualized.

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



## Ability of Foreign Producers to Generate Exports and the Availability of Export Markets other than the United States

The data in the following sections of the report are based primarily on responses to Commission requests for information submitted to foreign manufacturers through their U.S. counsels. Staff also provided the names and addresses of all foreign manufacturers listed in the petition to the U.S. embassies in Italy and Turkey.

### The Industry in Italy

Data on the manufacture of pasta, which was labeled an "ancient Italian product" by one of the Italian respondents, are presented in table 20. Data for the following manufacturers are included in the table:

Antonio Amato & C. Molini e Pastifici S.p.A., Arrighi S.p.A. Industrie Alimentari, Barilla Alimentare S.p.A., Consorzio Sviluppo Agrario Soc. Coop. S.r.l., Corticella Industria Molini e Pastifici S.p.A., F.lli De Cecco di Filippo Fara S. Martino S.p.A., Delverde S.r.l., De Matteis Agroalimentare, F. Divella S.p.A., Fabianelli S.p.A., Pastificio Felicetti S.a.s. di Felicetti Giuliano e Valentino & C., Pastificio Lucio Garofalo S.p.A., La Molisana Industrie Alimentari S.p.A., Pastificio Lensi S.p.A., Nestlè Italiana S.p.A., Petrini S.p.A., N. Puglisi & F. Industria Paste Alimentari S.p.A., Molino e Pastificio Rummo S.p.A.

Table 20

Dry non-egg pasta: Italy's capacity, production, inventories, capacity utilization, and shipments, 1992-94, Jan.-Mar. 1994, Jan.-Mar. 1995, and projected 1995-96<sup>1</sup>

Item	1992	1993	1994	Jan.-Mar.- 1994	1995	Projected-- 1995	1996
<i>Quantity (1,000 pounds)</i>							
Capacity . . . . .	2,317,743	2,409,753	2,477,404	662,569	666,910	2,500,488	2,577,560
Production . . . . .	2,129,361	2,115,033	2,118,404	562,267	561,089	2,223,892	2,325,937
End-of-period inventories . . . . .	134,356	129,067	136,729	134,795	143,363	136,282	136,011
Shipments:							
Home market . . . . .	1,630,342	1,568,185	1,476,290	374,244	349,570	1,509,166	1,569,961
Exports to--							
The United States . . . . .	112,614	125,266	147,988	34,142	38,194	160,870	173,578
All other markets . . . . .	461,163	497,361	521,688	138,717	154,325	575,587	643,690
Total exports . . . . .	573,777	622,627	669,676	172,859	192,519	736,457	817,268
Total shipments . . . . .	2,204,119	2,190,812	2,145,966	547,103	542,089	2,245,623	2,387,229
<i>Ratios and shares (percent)</i>							
Capacity utilization . . . . .	91.9	87.8	85.5	84.9	84.1	88.9	90.2
Inventories to production . . . . .	6.3	6.1	6.5	6.2	6.6	6.1	5.8
Inventories to all shipments . . . . .	6.1	5.9	6.4	6.4	6.8	6.1	5.7
Share of total quantity of shipments:							
Home market . . . . .	74.0	71.6	68.8	68.4	64.5	67.2	65.8
Exports to--							
The United States . . . . .	5.1	5.7	6.9	6.2	7.0	7.2	7.3
All other markets . . . . .	20.9	22.7	24.3	25.4	28.5	25.6	27.0

<sup>1</sup> The data presented in the table are aggregate data for the following firms only: Antonio Amato & C. Molini e Pastifici S.p.A., Arrighi S.p.A. Industrie Alimentari, Barilla Alimentare S.p.A., Consorzio Sviluppo Agrario Soc. Coop. S.r.l., Corticella Industria Molini e Pastifici S.p.A., F.lli De Cecco di Filippo Fara S. Martino S.p.A., Delverde S.r.l., De Matteis Agroalimentare, F. Divella S.p.A., Fabianelli S.p.A., Pastificio Felicetti S.a.s. di Felicetti Giuliano e Valentino & C., Pastificio Lucio Garofalo S.p.A., La Molisana Industrie Alimentari S.p.A., Pastificio Lensi S.p.A., Nestlè Italiana S.p.A., Petrini S.p.A., N. Puglisi & F. Industria Paste Alimentari S.p.A., Molino e Pastificio Rummo S.p.A.

Notes presented on the next page.

Continuation of table 20.

Note 1.—Total shipments exceeds production for certain periods due to double-counting resulting from purchases of product by manufacturing firms.

Note 2.—Inventory ratios are calculated using data where both comparable numerator and denominator information were supplied.

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

The exports to the United States reported by the above firms (148.0 million pounds in 1994) account for slightly over one-half of total imports of dry non-egg pasta into the United States from Italy in 1994.<sup>94</sup>

Pasta manufacturers are located throughout Italy.<sup>95</sup> However, the larger manufacturers are concentrated in the northern portion of the country. Only a few large firms (La Molisana, Divella, Granoro, and Amato) manufacture in the south; approximately 50 percent of that market is held by small local firms. According to the fiscal year 1993 management report of La Molisana, the Italian market has been somewhat unstable, with larger Italian producers attempting to expand their share of the southern market by using a policy of "low prices" to acquire and force out smaller local firms.<sup>96</sup> Most of the Italian firms primarily manufacture pasta. \*\*\* and \*\*\* are noted exceptions.<sup>97</sup> Production by Barilla, which is reportedly the largest manufacturer of pasta in Italy, accounts for over \*\*\* percent of total reported production in table 20.<sup>98</sup> The petition discusses planned future capital investment by Barilla.<sup>99</sup> \*\*\*.<sup>100</sup>

As shown in table 20, the capacity to produce has increased gradually throughout the period reviewed and is projected to continue rising, albeit by a small amount, during 1995 and 1996.

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<sup>94</sup> The U.S. Embassy in Rome indicated that it would attempt to collect information from the remaining manufacturers. However, it has not been able to provide that data to date. U.S. Dept. of State telegram No. R 091609Z, June 1995, prepared by the U.S. Embassy, Rome.

<sup>95</sup> Pasta is taken so seriously in Italy that in the Chamber of Commerce in Bologna, Italy, the ideal width and thickness of a piece of *tagliatelle* is embodied in a solid-gold noodle sealed in a glass case. (*Pasta Food Service Manual*, NPA, p. 1.)

<sup>96</sup> Translation included in petition, exhibit 9.

<sup>97</sup> With the exception of \*\*\*, Italian manufacturers are not affiliated with producers in other countries. Postconference brief by Rogers & Wells, p. 18, n. 68.

<sup>98</sup> The firm was established in 1877 by the Barilla family. At this time, Barilla is a holding company, and pasta is produced by a subsidiary, Barilla Alimentare.

<sup>99</sup> Petition, p. 100.

<sup>100</sup> Petitioners testified that Barilla has just entered the U.S. market with a "Barilla" brand. Conference TR, p. 80. \*\*\* amounts have been distributed by \*\*\* under the Barilla brand name during the period reviewed. Responses to importers' questionnaires (\*\*\*) At this time, Barilla is distributed through specialty food shops and Italian specialty stores.

## The Industry in Turkey

Turkey is reportedly the third largest producer of pasta in the world, behind Italy and the United States. In contrast to most U.S. firms, producers in Turkey are integrated and mill the semolina used for pasta production.<sup>101</sup> They produce only pasta.<sup>102</sup>

According to market research obtained by the petitioner, the pasta industry in Turkey consists of 15 producers whose production capacity equalled 1.2 billion pounds in 1994. Production by the entire Turkish industry stood at 970 million pounds, resulting in capacity utilization of 73 percent.<sup>103</sup> Staff obtained data from the five producers that represent the largest share of the pasta manufacturing industry in Turkey, namely, Filiz Gıda Sanayii ve Ticaret A.Ş., Maktaş Makarnacılık ve Ticaret T.A.Ş., Nuh Ticaret ve Sanayi A.Ş., Oba Makarnacılık Sanayii ve Ticaret, and Ulukartal Makarnacılık Ticaret Sanayi A.Ş. (table 21). Reports by the U.S. Embassy in Ankara indicate that the above-listed firms account for over 90 percent of exports of the product to the United States.<sup>104 105</sup>

Capacity to produce all dry non-egg pasta in Turkey increased from 1992 to 1994; however, utilization of that capacity declined as home market shipments decreased. The Turkish home market is the major destination of the dry non-egg pasta produced within Turkey; the United States is, however, the most important export market. As capacity increased and home market shipments decreased from 1992 to 1994, total exports rose by 76.6 million pounds, or by 123.0 percent. The anticipated increase in capacity shown in table 21 for projected 1995 and 1996 is primarily due to  
\*\*\*.

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<sup>101</sup> Counsel for the Turkish respondents contends that the integrated nature of the industry in Turkey, coupled with lower costs for durum wheat and labor, leads to a competitive advantage for manufacturers within Turkey. The cost of production for Turkish manufacturers does not include the expense added by using outside millers; U.S. wheat, subsidized by the Export Enhancement Program, is available in Turkey. Postconference brief by Grunfeld, Desiderio, Lebowitz & Silverman, pp. 20-22.

<sup>102</sup> Postconference brief submitted by Grunfeld, Desiderio, Lebowitz & Silverman, p. 27.

<sup>103</sup> Petition, pp. 100-101.

<sup>104</sup> U.S. Dept. of State telegram No. R 261141Z, May 1995, prepared by the U.S. Embassy, Ankara.

<sup>105</sup> In fact, the data on exports to the United States presented in table 21 slightly exceed the quantity and value of imports of Turkish pasta reported both in response to Commission importers' questionnaires and to Customs.

Table 21

Dry non-egg pasta: Turkey's capacity, production, inventories, capacity utilization, and shipments, 1992-94, Jan.-Mar. 1994, Jan.-Mar. 1995, and projected 1995-96<sup>1</sup>

Item	1992	1993	1994	Jan.-Mar.--		Projected--	
				1994	1995	1995	1996
	Quantity (1,000 pounds)						
Certain pasta: <sup>2</sup>							
Shipments:							
Home market . . . . .	338,852	338,893	340,335	122,037	84,563	369,562	419,613
Exports to--							
The United States . . . . .	35,657	50,725	67,204	16,883	18,480	60,109	54,108
All other markets . . . . .	22,673	38,233	64,531	11,120	20,635	78,666	88,637
Total exports . . . . .	58,330	88,958	131,735	28,003	39,115	138,775	142,745
Total shipments . . . . .	397,182	427,851	472,070	150,040	123,678	508,337	562,358
All dry non-egg pasta:							
Capacity . . . . .	566,183	595,262	693,012	200,918	175,928	705,962	766,314
Production . . . . .	482,944	491,915	525,628	163,516	145,514	569,555	624,281
End-of-period inventories . . . . .	10,810	8,846	11,698	6,948	10,812	6,418	8,683
Shipments:							
Home market . . . . .	420,651	414,880	391,963	136,945	101,596	415,762	466,697
Exports to--							
The United States . . . . .	36,381	51,999	72,639	17,200	20,116	67,712	61,090
All other markets . . . . .	25,916	39,934	66,270	11,644	21,081	83,887	91,209
Total exports . . . . .	62,297	91,933	138,909	28,844	41,197	151,599	152,299
Total shipments . . . . .	482,948	506,813	530,872	165,789	142,793	567,361	618,996
	Ratios and shares (percent)						
Certain pasta: <sup>2</sup>							
Share of total quantity of shipments:							
Home market . . . . .	85.3	79.2	72.1	81.3	68.4	72.7	74.6
Exports to--							
The United States . . . . .	9.0	11.9	14.2	11.3	14.9	11.8	9.6
All other markets . . . . .	5.7	8.9	13.7	7.4	16.7	15.5	15.8
All dry non-egg pasta:							
Capacity utilization . . . . .	85.3	82.6	75.8	81.4	82.7	80.7	81.5
Inventories to production . . . . .	2.2	1.8	2.2	1.3	2.5	1.9	2.2
Inventories to all shipments . . . . .	2.2	1.7	2.2	1.3	2.5	1.9	2.2
Share of total quantity of shipments:							
Home market . . . . .	87.1	81.9	73.8	82.6	71.1	73.3	75.4
Exports to--							
The United States . . . . .	7.5	10.3	13.7	10.4	14.1	11.9	9.9
All other markets . . . . .	5.4	7.9	12.5	7.0	14.8	14.8	14.7

Notes continued on next page.

Continuation of notes for table 21.

<sup>1</sup> The data in the table are aggregate data for: Filiz Gida Sanayii ve Ticaret A.Ş., Maktas Makarnacilik ve Ticaret T.A.Ş., Nuh Ticaret ve Sanayi A.Ş., Oba Makarnacilik Sanayii ve Ticaret, and Ulukartal Makarnacilik Ticaret Sanayi A.Ş.

<sup>2</sup> Data labelled as shipments of "dry non-egg pasta for retail sale." Turkish exports to the United States of dry non-egg pasta for retail sale are comparable to shipment data of product in packages of 5 pounds or less, or "certain pasta."

Note 1.--Total shipments exceed production for certain periods due to double-counting resulting from purchases of product by manufacturing firms.

Note 2.--Inventory ratios are calculated using data where both comparable numerator and denominator information were supplied.

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

## CONSIDERATION OF THE CAUSAL RELATIONSHIP BETWEEN IMPORTS OF THE SUBJECT MERCHANDISE AND THE ALLEGED MATERIAL INJURY

### U.S. Imports

#### Imports from Subject Countries

Data on U.S. imports of certain pasta are presented in table 22.

Table 22

Certain pasta: U.S. imports, by products and by sources, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

	Jan.-Mar.--				
Item	1992	1993	1994	1994	1995
	Quantity (1,000 pounds)				
Italy . . . . .	190,451	210,753	281,037	64,580	70,483
Turkey . . . . .	31,221	46,482	59,928	13,470	18,201
Subtotal . . . . .	221,672	257,235	340,966	78,050	88,684
Canada . . . . .	21,637	30,009	30,861	8,596	6,236
Selected Latin American sources . . . .	9,590	11,200	22,487	4,097	4,432
Far Eastern sources . . . . .	51,323	56,042	54,913	11,224	12,994
Other sources . . . . .	7,834	6,340	8,277	1,727	2,680
Total . . . . .	312,057	360,825	457,503	103,694	115,026

Continued.

Table 22--Continued

Certain pasta: U.S. imports, by products and by sources, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	1992	1993	1994	Jan.-Mar.--	
				1994	1995
Value (1,000 dollars)					
Italy . . . . .	81,670	87,523	124,233	27,632	31,308
Turkey . . . . .	7,814	11,303	14,957	3,284	4,400
Subtotal . . . . .	89,484	98,826	139,190	30,916	35,708
Canada . . . . .	9,583	12,530	13,924	3,820	2,653
Selected Latin American sources . . . .	3,549	4,248	7,791	1,463	1,546
Far Eastern sources . . . . .	34,643	36,193	33,850	7,200	8,076
Other sources . . . . .	4,604	3,505	4,872	926	1,719
Total . . . . .	141,864	155,302	199,627	44,325	49,702
Unit value (per pound)					
Italy . . . . .	\$0.43	\$0.42	\$0.44	\$0.43	\$0.44
Turkey . . . . .	.25	.24	.25	.24	.24
Average . . . . .	.40	.38	.41	.40	.40
Canada . . . . .	.44	.42	.45	.44	.43
Selected Latin American sources . . . .	.37	.38	.35	.36	.35
Far Eastern sources . . . . .	.68	.65	.62	.64	.62
Other sources . . . . .	.59	.55	.59	.54	.64
Average . . . . .	.45	.43	.44	.43	.43
Share of total quantity (percent)					
Italy . . . . .	61.0	58.4	61.4	62.3	61.3
Turkey . . . . .	10.0	12.9	13.1	13.0	15.8
Subtotal . . . . .	71.0	71.3	74.5	75.3	77.1
Canada . . . . .	6.9	8.3	6.7	8.3	5.4
Selected Latin American sources . . . .	3.1	3.1	4.9	4.0	3.9
Far Eastern sources . . . . .	16.4	15.5	12.0	10.8	11.3
Other sources . . . . .	2.5	1.8	1.8	1.7	2.3
Total . . . . .	100.0	100.0	100.0	100.0	100.0
Share of total value (percent)					
Italy . . . . .	57.6	56.4	62.2	62.3	63.0
Turkey . . . . .	5.5	7.3	7.5	7.4	8.9
Subtotal . . . . .	63.1	63.6	69.7	69.7	71.8
Canada . . . . .	6.8	8.1	7.0	8.6	5.3
Selected Latin American sources . . . .	2.5	2.7	3.9	3.3	3.1
Far Eastern sources . . . . .	24.4	23.3	17.0	16.2	16.2
Other sources . . . . .	3.2	2.3	2.4	2.1	3.5
Total . . . . .	100.0	100.0	100.0	100.0	100.0

Notes continued on next page.

Continuation of table 22.

Note.--Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce adjusted by staff. Official statistics were adjusted to exclude product which was imported in packages over 5 pounds. Adjustments were primarily calculated from responses to Commission importers' questionnaire; foreign producers' questionnaires were utilized in those instances where data on a foreign producer's U.S. exports were not otherwise available.

Table 23 provides added detail on the amount of dry non-egg pasta imported in bulk form (\*\*\*) import in bulk and package the product in the United States). Also presented in table 23 are the quantity and value of pasta shipped for food service use in packages over 5 pounds (i.e., pasta in packages of 5 pounds or less is included in "certain" pasta).

As shown in table 22, imports from Italy increased by 90.6 million pounds, or by 47.6 percent, from 1992 to 1994. Likewise, imports from Turkey almost doubled during the years reviewed, rising 28.7 million pounds from 1992 to 1994. The rise in imports was not attributable to actions undertaken only by specific importers: the majority of importers from both Italy and Turkey reported increased shipments into the United States from 1992 to 1994. \*\*\*. These importers include, for Italy: \*\*\*. \*\*\* states that its increased imports replaced Turkish pasta for two private labels, \*\*\* reports new broker representation and better market demand, \*\*\* attributes its increased imports to its efforts to improve distribution,<sup>106</sup> and \*\*\* reports new distribution networks and the importation of additional types of pasta. Other reported reasons for increased imports from Italy by other suppliers included: use of promotional free goods (\*\*\*), strong advertising and slotting campaign (\*\*\*), addition of other brands (\*\*\* and \*\*\*), increased restaurant purchases from club stores of product in small packages and increased advertising expenditures/consumer awareness (\*\*\*). \*\*\* stated that "If I knew the reason I would not need to work any longer." Decreases in imports from Italy reported by specific firms during the period were, at least in part, attributed to: Turkish competition (\*\*\* and \*\*\*) and competition with domestic firms' pricing and payment of slotting fees (\*\*\*). \*\*\* cited an excess of pasta on the market as leading its sales decreases in the interim period.

With respect to Turkey, the \*\*\* (\*\*\*) and (\*\*\*) accounted for \*\*\* imports.<sup>107</sup> Two \*\*\* importers, \*\*\* and \*\*\*, indicated they were able to increase sales by, respectively, "acquiring more customers" and using "good marketing strategies."

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<sup>106</sup> \*\*\* imports De Cecco pasta and is \*\*\*. Prior to \*\*\*, De Cecco was distributed by Borden.

<sup>107</sup> \*\*\* entered the U.S. market in 1992.

Table 23

Dry pasta: U.S. imports, by products and by sources, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

	<u>Jan.-Mar.--</u>				
<u>Item</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1994</u>	<u>1995</u>
	<u>Quantity (1,000 pounds)</u>				
Certain pasta:					
Italy . . . . .	190,451	210,753	281,037	64,580	70,483
Turkey . . . . .	31,221	46,482	59,928	13,470	18,201
Subtotal . . . . .	221,672	257,235	340,966	78,050	88,684
Canada . . . . .	21,637	30,009	30,861	8,596	6,236
Selected Latin American sources . . .	9,590	11,200	22,487	4,097	4,432
Far Eastern sources . . . . .	51,323	56,042	54,913	11,224	12,994
Other sources . . . . .	7,834	6,340	8,277	1,727	2,680
Total . . . . .	312,057	360,825	457,503	103,694	115,026
Dry non-egg pasta in packages over 5 pounds for retail sale:					
Italy . . . . .	***	***	***	***	***
Turkey . . . . .	***	***	***	***	***
Other sources . . . . .	***	***	***	***	***
Total . . . . .	***	***	***	***	***
Dry non-egg pasta in packages over 5 pounds for food service use:					
Italy . . . . .	***	***	***	***	***
Turkey . . . . .	***	***	***	***	***
Other sources . . . . .	***	***	***	***	***
Total . . . . .	***	***	***	***	***
All dry non-egg pasta:					
Italy (subject) . . . . .	190,451	210,753	281,037	64,580	70,483
Turkey (subject) . . . . .	31,221	46,482	59,928	13,470	18,201
Subtotal . . . . .	221,672	257,235	340,966	78,050	88,684
Italy (non-subject) . . . . .	3,336	4,674	12,601	765	1,697
Turkey (non-subject) . . . . .	1,764	1,367	5,988	662	2,142
Canada . . . . .	21,637	30,009	30,861	8,596	6,236
Selected Latin American sources . . .	9,590	11,200	22,487	4,097	4,432
Far Eastern sources . . . . .	51,323	56,042	54,913	11,224	12,994
Other sources . . . . .	7,834	6,340	8,277	1,727	2,680
Total . . . . .	317,157	366,866	476,092	105,121	118,865
Dry egg pasta:					
Italy . . . . .	8,367	8,876	10,993	3,258	1,444
Turkey . . . . .	21	57	712	0	625
Canada . . . . .	944	1,357	1,704	351	466
Selected Latin American sources . . .	4,660	6,878	8,102	2,470	2,041
Far Eastern sources . . . . .	3,850	2,278	3,044	812	445
Other sources . . . . .	2,321	1,982	2,404	337	727
Total . . . . .	20,162	21,428	26,959	7,230	5,750

Table continued.



Table 23--Continued

Dry pasta: U.S. imports, by products and by sources, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

	Jan.-Mar.--				
Item	1992	1993	1994	1994	1995
	Quantity (1,000 pounds)				
All dry pasta:					
Italy (subject) . . . . .	190,451	210,753	281,037	64,580	70,483
Turkey (subject) . . . . .	31,221	46,482	59,928	13,470	18,201
Subtotal . . . . .	221,672	257,235	340,966	78,050	88,684
Italy (non-subject) . . . . .	11,703	13,550	23,594	4,023	3,141
Turkey (non-subject) . . . . .	1,785	1,424	6,700	662	2,767
Canada . . . . .	22,581	31,365	32,566	8,948	6,703
Selected Latin American sources . . .	14,251	18,078	30,588	6,567	6,473
Far Eastern sources . . . . .	55,172	58,320	57,957	12,036	13,439
Other sources . . . . .	10,155	8,321	10,682	2,065	3,407
Total . . . . .	337,319	388,294	503,052	112,351	124,614

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce adjusted by staff. Official statistics were adjusted to exclude from subject imports of "certain pasta" product which was imported in packages over 5 pounds. Adjustments were primarily calculated from responses to Commission importers' questionnaire; foreign producers' questionnaires were utilized in those instances where data on a foreign producers' U.S. exports were not otherwise available.

### *Subject product sold to the premium market*

Certain pasta includes product at various price points which is sold to a variety of retail outlets and (primarily for imported product) to some food service establishments. The retail segment includes product commonly referred to as premium pasta; premium pasta may be sold in health food or gourmet shops as well as in the grocery store chains. The size of the premium market is estimated to be approximately three to five percent of the overall pasta market.<sup>108 109 110</sup>

Respondents estimate that approximately 70 percent of Italian imports are sold into the premium and ethnic segments of the market and state that "growth in this segment has been robust throughout the period of investigation, accounting for a significant portion of the overall growth in Italian imports."<sup>111</sup> Petitioners disagree, testifying that premium brands only account for a "very

<sup>108</sup> Rogers & Wells postconference brief, p. 36, and Rogers & Wells Answers to Commission Staff Questions, p. 2.

<sup>109</sup> Petitioner's attachment as exhibit 11 to their postconference brief, \*\*\*. \*\*\*.

<sup>110</sup> Staff notes that difficulties may arise in any discussion or measure of the premium market to the extent that there are not clear dividing lines among brands of pasta. Petitioners testified that "the brands tend to position themselves on a continuum based on price and perceived quality associated with brand name. There are premium brands such as De Cecco and Classico; mainstream brands such as Creamette, San Giorgio, Prince and Mueller; and there are the lower priced brands such as Luigi Vitelli, Rienzi, Sidari, Pomi and Portello." Conference TR, p. 32.

<sup>111</sup> Rogers & Wells postconference brief, p. 36, and Rogers & Wells Answers to Commission Staff Questions, p. 2.

small portion" of the imports.<sup>112</sup> The following tabulation presents data on exports to the United States by three firms commonly referred to as manufacturers of the premium product (*in 1,000 pounds*):

Item	1992	1993	1994	Jan.-Mar.--	
				1994	1995
De Cecco . . . . .	***	***	***	***	***
Delverde . . . . .	***	***	***	***	***
Rummo . . . . .	***	***	***	***	***
Total . . . . .	***	***	***	***	***

Note.--The importers named in the above section as having accounted for the bulk of the imports (i.e., \*\*\*) reported purchasing from a number of foreign manufacturers. Of the manufacturers named, staff recognized only one, \*\*\*, as having been named a "premium" supplier. (However, any identification of "premium" suppliers is far from complete.) A number of importers reported purchasing from \*\*\*.

Exports to the United States reported by the above three firms account for slightly over \*\*\* percent of total exports to the United States reported in table 20. However, as discussed earlier, the foreign manufacturers participating in the Commission's investigations only account, in turn, for approximately one-half of total exports to the United States from Italy; staff comments that nonparticipating manufacturers may on the whole produce a "less" premium product than those firms whose data are reflected above. (Or, more accurately, it may be marketed in the United States by distributors under non-premium brand names.) Subject pasta imported from Turkey does not compete in the premium market.

#### ***Subject product sold to food services***

Responses to Commission questionnaires show that a minimum of 10 percent of the subject product from Italy is sold for food service use: respondents estimate that the vast majority (90 percent) of that amount is captured by the "white tablecloth" restaurants.<sup>113</sup> No Turkish dry non-egg pasta is believed to be sold to such restaurants.<sup>114</sup> Subject product from Turkey, as well as certainly the bulk of, if not virtually all, the domestically-produced dry non-egg pasta for food service use are believed to be consumed within casual and family-style restaurants or in institutional settings. The "white tablecloth" segment represents only about 2.3 percent of total food service sales.<sup>115</sup>

#### **Imports from Other Countries**

Significant sources of non-subject imports include product manufactured in Canada (table 22). Also, what are believed to be oriental noodles are imported from the Far East and a special shape of pasta, curled vermicelli, is imported from Latin America for use by the Hispanic community in soups and casseroles.

<sup>112</sup> Conference TR, p. 35. Petitioners add that imports of premium brands take sales away from domestically produced pasta when the premium brands are placed on special. Conference TR, p. 35.

<sup>113</sup> Only a minimal amount of Italian-produced pasta is sold into the other segments. Rogers & Wells Answers to Commission Staff Questions, p. 3.

<sup>114</sup> Rogers & Wells Answers to Staff Questions, p. 4.

<sup>115</sup> 1995 *Restaurants and Institutions* article attached as exhibit 4 to the petitioner's postconference brief.

## Market Penetration of Imports

Data on the market penetration of imports are presented in table 24. The share of the quantity and value of U.S. consumption of certain pasta held by U.S. producers fell steadily throughout the period reviewed as the shares held by imports of the product from Italy and Turkey rose. Non-subject imports were not a significant factor affecting the consumption trends.

## Prices

### Marketing Characteristics

The demand for pasta depends in part upon such factors as population levels and demographics. For example, studies indicate that pasta demand is affected by the increasing number of women in the labor force, as working women desire convenient, wholesome, and easy-to-prepare meals.<sup>116</sup> Both producers and importers generally agree that the overall demand for pasta has increased since 1992. Suppliers of pasta stated that the increase in pasta demand can be attributed to the growing awareness that pasta is a versatile, healthy, convenient, and economical product. While many firms reported that there have not been any significant changes in the pasta products offered in the U.S. market, a few firms reported that there has been an increase in the amount of specialty pastas available. For example, many stores now sell whole wheat pastas and flavored pastas, such as spinach or tomato.

Demand for products can also be affected by the availability of substitute products. In this case, there are several products that are possible substitutes for the product under investigation (which is dry non-egg pasta in packages of five pounds or less). First, there is the existence of dry non-egg pasta in packages of greater than five pounds. Pasta sold in packages weighing more than five pounds is generally used in the food service and/or industrial markets. While the products are sometimes physically the same or very similar,<sup>117</sup> there are differences in the packaging that serve to limit the degree of substitutability with the smaller sized packages (i.e., those less than five pounds). Refrigerated (fresh) and frozen pastas are also potential substitute products for dry non-egg pasta. Questionnaire responses indicate that there is some degree of substitutability but some firms believe that it is limited due to fairly significant price differentials. Finally, other products such as rice, chicken, beef, etc., can be viewed as substitutes for pasta; however, consumers reportedly do not readily shift from dry non-egg pasta to other (non-pasta) products.<sup>118</sup>

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<sup>116</sup> "The U.S. Pasta Market", *Pasta Journal*, Sept.-Oct. 1994, pp. 15-16.

<sup>117</sup> Petitioners argue that the specifications for dry non-egg pasta sold for food service and industrial use differ in that they include specifications for thicker walls and the addition of certain strengthening ingredients (petitioners postconference brief, p. 11, and conference TR, pp. 88-89).

<sup>118</sup> Conference TR, p. 108.

Table 24

Certain pasta: Apparent U.S. consumption and market penetration, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

	<u>Jan.-Mar.--</u>				
Item	1992	1993	1994	1994	1995
	<hr/> Quantity (1,000 pounds) <hr/>				
Apparent consumption . . . . .	1,548,082	1,599,090	1,695,520	411,231	427,841
	<hr/> Value (1,000 dollars) <hr/>				
Apparent consumption . . . . .	913,619	946,055	999,384	244,237	269,112
	<hr/> Share of the quantity of U.S. consumption (percent) <hr/>				
Producers' U.S. shipments . . . . .	79.8	77.4	73.0	74.8	73.1
U.S. imports from--					
Italy . . . . .	12.3	13.2	16.6	15.7	16.5
Turkey . . . . .	2.0	2.9	3.5	3.3	4.3
Subtotal . . . . .	14.3	16.1	20.1	19.0	20.7
Canada . . . . .	1.4	1.9	1.8	2.1	1.5
Selected Latin American sources . . .	.6	.7	1.3	1.0	1.0
Far Eastern sources . . . . .	3.3	3.5	3.2	2.7	3.0
Other sources . . . . .	.5	.4	.5	.4	.6
Total . . . . .	20.2	22.6	27.0	25.2	26.9
	<hr/> Share of the value of U.S. consumption (percent) <hr/>				
Producers' U.S. shipments . . . . .	84.5	83.6	80.0	81.9	81.5
U.S. imports from--					
Italy . . . . .	8.9	9.3	12.4	11.3	11.6
Turkey . . . . .	.9	1.2	1.5	1.3	1.6
Subtotal . . . . .	9.8	10.4	13.9	12.7	13.3
Canada . . . . .	1.0	1.3	1.4	1.6	1.0
Selected Latin American sources . . .	.4	.4	.8	.6	.6
Far Eastern sources . . . . .	3.8	3.8	3.4	2.9	3.0
Other sources . . . . .	.5	.4	.5	.4	.6
Total . . . . .	15.5	16.4	20.0	18.1	18.5

Note.--Because of rounding, figures may not add to the totals shown; shares are computed from the unrounded figures.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce adjusted by staff. Official statistics were adjusted to exclude product imported in packages over 5 pounds. Adjustments were primarily calculated from responses to Commission importers' questionnaire; foreign producers' questionnaires were utilized in those instances where data on a foreign producer's U.S. exports were not otherwise available.

As discussed earlier in this report, demand for pasta can vary by geographical location, with a large portion of consumption occurring in the Northeast, particularly in the New York metropolitan area.<sup>119 120</sup> Just as demand for pasta varies by geographical location, so too do brand names of pasta. While many suppliers sell dry non-egg pasta throughout the United States, brand names of pasta tend to be regional in nature. In many cases, the same pasta produced by a given firm can be marketed under several different brand names. For example, \*\*\* manufactures \*\*\*. Two of these brands \*\*\*.

Brand names play an important role in the sales of dry non-egg pasta to retail customers. Purchasing habits of consumers appear to be heavily influenced by brand name familiarity and brand use experience. Petitioners reported that consumers generally have an acceptable group of brands from which they will purchase a product. Within that group of familiar brands, consumers tend to make decisions based on relative prices. While not all products within an acceptable group are necessarily viewed as equal, price differences can cause consumers to shift fairly easily from one brand to another as long as both brands are within the set of preferred brands. Petitioner argues that consumers will try a new brand if the price is attractive enough. If the consumer tries the product and finds that it is acceptable, it will then be added to the preferred group of brands from which the consumer will purchase.<sup>121</sup> Furthermore, brand names convey a certain degree of quality and/or prestige. Many importers noted in their questionnaire responses that while actual quality differences may or may not exist, it is often the case that consumers perceive certain brands (e.g., Italian) to be of a higher quality. In fact, \*\*\*. \*\*\*.<sup>122</sup>

In addition to the many brand name pastas in the marketplace, pasta suppliers also sell their products as private label brands. Questionnaire responses indicate that sales of private label brands (by U.S. pasta producers and importers) are lower than those of branded products. Estimated percentages of brand name sales accounted for between 50 and 100 percent for U.S. producers; importers reported that between 0 and 100 percent of their sales were brand name products, with about one-half reporting that all sales were branded products. Petitioners argue that the subject imports compete with the domestic private label pasta in two manners. On the one hand, imports from Turkey and Italy compete with domestic producers for the sales to the retailer for the business of providing the pasta for private labeling. On the other hand, petitioners argue that the sales of brand name products from Italy and Turkey are directly competing with the private label brands. According to the petitioners, as imports from Italy and Turkey have declined in price and gained greater distribution, they have displaced private label products, as consumers prefer to buy a brand name product for less than a private label store brand.

Product placement and shelf space is also an important factor in the sales of dry non-egg pastas.<sup>123</sup> For some products that they carry, grocery stores will charge the manufacturer (or perhaps

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<sup>119</sup> One study reported that "there are very distinct regional preferences for pasta" ("The U.S. Pasta Market," *Pasta Journal*, Sept.-Oct. 1994, p. 16).

<sup>120</sup> Petitioners reported that the majority of pasta that is imported from Italy and Turkey enters the United States through New York. Much of it is consumed in that area, but much is also shipped to other parts of the United States (conference TR, p. 29).

<sup>121</sup> Petitioners argue that this behavior explains the increase in the market share of the allegedly unfair imports, as consumers were enticed to try these products due to their low price. Once consumers found the quality adequate, they then added these brands to the list of those that they were willing to buy (conference TR, p. 99).

<sup>122</sup> Petitioners' postconference brief, exhibit 3, p. 25.

<sup>123</sup> \*\*\*. (Staff plant tour, Hershey Pasta Group, Winchester, VA, May 23, 1995.)

distributor) a slotting fee. One firm reported that slotting fees became institutionalized as retail chain stores recognized that slotting fees could provide a substantial revenue stream.<sup>124</sup> These fees, which can be as high as \$100,000 or more, are paid to the grocery store in order to guarantee that the product receives a certain amount of shelf space.<sup>125</sup> The slotting fees can either be paid as a lump sum amount or as an allowance off of the product.<sup>126</sup> One importer of Italian pasta, \*\*\*, reported that the grocery store can require that you pay a slotting fee and that you meet certain performance goals (that is, sell a certain number of cases in a given time period). If the goals are not met within the specified time period (e.g., a few months), the store can stop selling that particular product and still keep the money that has been collected for slotting fees.<sup>127</sup> In addition, slotting fees are not only used for new items, some stores now require re-slotting of numerous items at 4- to 12-month intervals. Some importers have reported that it is difficult to compete with the large U.S. companies because the smaller importing firms do not have the financial resources to pay the high slotting fees. Some small companies have been able to get their product into the chain stores and avoid the slotting fees by selling through direct store delivery (DSD) companies;<sup>128</sup> however, it is reported that many grocery chains are now also attempting to secure slotting fees from the DSD section of the store.

All of the responding producers and several of the responding importers (i.e., 17 of 41) reported that they publish price lists for their sales of dry non-egg pasta to the retail market. These list prices, however, do not reflect actual transaction prices but are used as a starting point for negotiations. Suppliers of dry non-egg pasta to the retail market frequently use a variety of discounts and promotional programs when selling their product. Both U.S. producers and importers reported offering discounts based on the dollar value of dry non-egg pasta sales. The bases for these discounts vary from supplier to supplier, with some firms basing the discounts on the total quantity or dollar value of the sales of a specific type of pasta. Some suppliers, however, reported that discounts are given based on the total sales of all dry non-egg pasta (regardless of the shape) and some even reported that discounts are based on total sales of all products.

U.S. producers and importers also reported using a variety of promotional tools to sell their pasta; these include cooperative advertising allowances, sales guarantees, rebates, free freight, and

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<sup>124</sup> North American Enterprises, Inc., an import/export management company that is engaged in establishing distribution of food and related items for foreign manufacturers in the United States, reported that slotting fees originated when large companies began making payments along with their new items to offset the startup costs of adding new items. These costs include the allocation of warehouse space, resetting of store shelves, and the paperwork for new product ordering and pricing (North American Enterprises, Inc. letter to the Commission, received June 6, 1995).

<sup>125</sup> North American Enterprises also reported that slotting demands have escalated over the years from \$50 to \$100 per item to current demands of up to \$25,000 per item. Furthermore, this firm reported that two grocery chains decided to increase revenues in the first quarter of 1993 by forcing competitors to re-slot for their shelf space. According to North American Enterprises, the slotting fees got as high as \$3 million for a 3-year placement contract.

<sup>126</sup> For example, a supplier may give \$1 off of every case for the first 20,000 cases of product sold.

<sup>127</sup> As noted earlier, several importers reported that they believe that any injury that the domestic dry non-egg pasta industry may be suffering is a result of the high, and increasing, fees that they must pay to the grocery stores for slotting fees.

<sup>128</sup> DSD companies use their own trucks and crews to service shelves in the chain where they are allocated space.

billback allowances.<sup>129</sup> These promotional activities are coordinated between suppliers and retail accounts, with terms often including commitments by retailers to offer reduced prices and run advertisements in return for funds from the supplier (in the form of a billback allowances or direct payments).<sup>130</sup> Most suppliers, both of domestic and imported pasta, stated that these promotional programs affect a significant portion of their sales of dry non-egg pasta and are generally used for all types of pasta. \*\*\* reported that its promotions and discounts for its most commonly sold products (such as spaghetti) are used more frequently and are for greater dollar amounts.<sup>131</sup> Payment terms in the dry non-egg pasta industry are generally similar for different firms, with most offering a 2-percent discount if payment is made within 10 days.

Pricing for dry non-egg pasta tends to be done in two manners: tier pricing and line pricing. Petitioners report that domestic dry non-egg pasta producers have traditionally maintained three pricing "tiers" in the various product forms.<sup>132</sup> The first tier includes the most popular and fast-moving product forms, such as spaghetti. Products in this tier have traditionally been the ones on which retailers have preferred to have regular pricing specials to the consumer. Second-tier items (such as rigatoni) have traditionally been promoted to the consumer less frequently than first-tier items, and, thus, generally have higher price levels. Third-tier products have been more specialized product forms (such as large shells), which generally have higher production and packing costs. As a result of these higher costs, the products in tier three tend to be the highest priced of the dry non-egg pasta products.

Many importers, on the other hand, generally reported using line pricing for their sales of dry non-egg pasta. Line pricing refers to the act of charging one price for all pastas, regardless of product shape. Petitioners claim that line pricing has had a negative impact on sales, particularly for the tier two and three items; these products tend to be priced higher than the tier-one products for the domestic suppliers but are priced the same for importers practicing line pricing. As a result, according to petitioners, importers tend to sell the specialized products for much less than the domestic firms.<sup>133</sup> One importer, Luigi Vitelli, reported at the conference that tier pricing is not an option for the firm because of the more limited number of shapes of pasta product. Whereas domestic producers may have 40 or 50 shapes, Luigi Vitelli may import about 10 shapes from Turkey. The low number of product shapes is not enough to create different tiers.<sup>134</sup>

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<sup>129</sup> Billback allowances refer to deductions from the invoiced amount for meeting certain performance levels. For example, a grocery store may receive an allowance of \$5 (per case) off the invoice if it puts the product on display.

<sup>130</sup> Petitioners reported that retailers normally run promotions on only one brand name per product category at any given time (petitioners' postconference brief, pp. 37-38).

<sup>131</sup> Typical in-store promotions for dry non-egg pasta include "2 pounds for a dollar" or "buy 2 get one free." Petitioner argues that the imported products (particularly imports from Turkey) have been sold for as low as 4 pounds for a dollar.

<sup>132</sup> All but one of the responding U.S. producers reported that they use tier pricing for their sales of dry non-egg pasta; the remaining firm reported that it uses line pricing for its sales of the subject product.

<sup>133</sup> Questionnaire price data do indicate that the margins of underselling tend to be higher for products 2 and 3, which are considered to be tier 2 and 3 products for the U.S. producers.

<sup>134</sup> Moreover, Luigi Vitelli argues that there is no reason for using tier pricing because all pasta has the same ingredients and the same basic costs (conference TR, pp. 244-245).

Most sales of dry non-egg pasta to retailers are made on a spot basis and are made both directly to the grocery store and to distributors who resell to these stores.<sup>135</sup> Available data indicate that the majority of U.S. producers' shipments are made directly to the grocery stores, while importers tend to sell more frequently to distributors; importers, do, however, sell to chain stores, specialty food stores, and other retail outlets.<sup>136</sup> Most of the sales of dry non-egg pasta to the retail market are made in one-pound packages. Producers reported that between 40 and 93 percent of their sales are made in one-pound boxes or bags; other package sizes for sales to the retail market include 12 ounces, and two, three, and five pounds. Importers also reported that most of their sales to the retail market are in one-pound packages. Although most of the pasta sold in packages of five pounds or less goes to retail accounts, there is some overlap with sales to the food service industry.<sup>137</sup>

Prices for various types of dry non-egg pasta are quoted either on a per-pound or a per-case basis. Dry non-egg pasta is usually sold to the retail market on a delivered basis with the supplier paying the freight. Producers and importers reported that transportation costs are not usually considered to be an important factor, accounting for between about 4 to 10 percent of the cost of the product. Geographic market areas served by U.S. producers and importers varied somewhat, with some suppliers reporting that they serve all of the continental United States and others reporting selling in certain regional areas. Leadtimes for delivery tend to be similar for domestic and imported pasta; domestic producers reported leadtimes ranging from 3 to 10 days while most importers reported shipping product within one week. While most suppliers reported that they do not provide just-in-time delivery, \*\*\* reported that it is usually able to ship a customer's order within 24 hours of receipt, if required.<sup>138</sup>

### Product Comparisons

Producers and importers were requested to discuss any differences between domestic and imported dry non-egg pasta that would explain price differences and purchasing patterns. Both product and marketing considerations were considered in responding. Comments by these firms are discussed below.

There is some disagreement over the issue of whether or not the domestic product and the subject imported products are similar and compete in the marketplace. In general, domestic producers and importers provide similar types/shapes of pasta; some importers did, however, report that U.S. producers offer many more shapes of dry non-egg pasta than importers. Italian

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<sup>135</sup> Sales of dry non-egg pasta for food service use are mainly made through distributors. In some cases, small restaurants may purchase pasta from wholesale outlets, such as Sam's Club or Price Club.

In the case of dry non-egg pasta for industrial use, sales are most commonly made directly to the end user and are made on a contract basis, because customers tend to have specific requirements for the pasta.

<sup>136</sup> Respondents argue that pricing comparisons are not meaningful in these investigations because sales of domestic dry non-egg pasta are made directly to the grocery store and sales of imported product are made through distributors (conference TR, p. 140). Staff acknowledges that importers tend to sell to distributors more frequently; however, there are still some sales made directly to grocery stores. Pricing data reported by importers are shown separately for those sales made directly to retail stores and those made to distributors.

<sup>137</sup> One importer, \*\*\*, reported that it has found that in the last few years the lines between retail use and food service are becoming blurred. \*\*\* stated that this is especially true with the explosion of warehouse chains such as Price/Costco, which pursue retail and food service sales simultaneously.

Italian respondents also reported that they believe that some smaller restaurant chains may purchase domestic pasta in less-than-5-pound packages.

<sup>138</sup> \*\*\*.



respondents argue that the product they import and sell in the U.S. market is a premium product that commands a higher price.<sup>139</sup> Respondents estimate that 70 percent of all imported Italian pasta sales are to the premium market segment; however, respondents also estimate that the premium market accounts for only approximately 3 to 5 percent of the overall U.S. pasta market.<sup>140</sup>

Disagreements also exist in the perceptions of the quality of the subject imports vis-a-vis that of the domestic product.<sup>141</sup> All of the six responding U.S. producers reported that dry non-egg pasta from U.S. suppliers is used interchangeably with that imported from Italy and/or Turkey. Furthermore, these six U.S. firms also reported that the quality of the subject imports is comparable to that of the domestic producers.<sup>142</sup> Importers of the subject product, however, had a different view. Most of the responding importers (that is, 21 of 32 for Italy and 18 of 24 for Turkey) reported that the imported pasta is not used interchangeably with the domestic pasta. Moreover, the vast majority of importers of Italian pasta (that is, 28 of 32) reported that quality differences were a significant factor in their firm's sales of dry non-egg pasta. These firms reported that the dry non-egg pasta produced in Italy is superior to that produced in the United States. Many of these firms stated that the quality of the durum wheat and semolina used by the Italian producers is a higher grade than that used by domestic pasta producers;<sup>143</sup> as a result, Italian pasta is arguably of a much higher quality. Italian pasta is said to have a better taste, texture, and color; additionally, because of the quality of the durum wheat used by Italian producers, Italian pasta is said to hold up better in the cooking process. One importer reported that Italian pasta manufacturers use freshly milled semolina (that is, that which has been milled within 48 hours), whereas U.S. producers often use semolina that has been milled as long as 10 days before being used.<sup>144</sup> Several other importers reported that the slower drying techniques used by Italian pasta producers tend to give the product a better taste. Finally, with regard to imports of pasta from Turkey, only eight importers provided comments on the relative quality (vis-a-vis the domestic product); four of these firms reported that quality differences did exist and the other four reported none. Those firms that found differences between the domestic and Turkish pasta reported that Turkey suffers from an image problem and is known as a lower quality item.<sup>145</sup>

With regard to the comparability between imports of dry non-egg pasta imported from Italy and that imported from Turkey, about one-half of responding importers reported that the two were used in similar applications. However, 27 of 31 responding importers reported that there were

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<sup>139</sup> Petitioners agree that some brands (De Cecco and Classico) of Italian pasta are in fact higher quality pasta sold as premium products (conference TR, p. 32).

<sup>140</sup> Respondents do, however, report that the premium market is growing and that it has in fact increased by 15 to 20 percent over the period of investigation (submission by Rogers and Wells, June 9, 1995, p. 2).

<sup>141</sup> Petitioners have argued that quality is not all that important to consumers and that any problems with the product are often considered to be an error made by the cook, not a result of poor-quality pasta.

<sup>142</sup> Petitioners provided copies of the results of a blind taste test performed on pasta that indicated that "standard American brands are actually better than many pricey Italian imports." Participants were asked to judge the pasta based on factors such as color, texture, and taste; Ronzoni pasta (made by Hershey) was rated as the best of the brands tested ("American Spaghetti Tops Tasting," *Cook's Illustrated*, May-June 1994, p. 21).

<sup>143</sup> One importer reported that it is mandated by law in Italy that pasta producers use 100-percent durum wheat semolina (questionnaire response of \*\*\*).

<sup>144</sup> According to this importer, \*\*\*, the acidity content of semolina will affect the taste of the product as more time passes.

<sup>145</sup> One importer, however, did report that he believed that the quality of the Turkish pasta was superior to that of the domestic product.

quality differences between the dry non-egg pasta imported from Italy and that imported from Turkey. These firms reported that the quality of the Italian product is superior to that of the Turkish pasta. Several firms noted that the Italian products are often sold as premium products at high prices, while the Turkish pasta is viewed as inferior and often sold at very low prices.

Producers and importers were also asked whether or not non-price differences were an important factor in their sales of dry non-egg pastas. Again, while U.S. producers reported that non-price factors were not important, the majority of importers reported that they were. Of the 32 responding importers, 28 reported that certain non-price factors serve to differentiate the domestic and imported products. In addition to the above-mentioned quality differences, the most common response was that the imported products carry a "mystique" or image that they are superior because they are imported. Many firms noted that Italy is viewed as being the homeland for pasta, and as a result, many consumers view Italian pasta as being superior. On the other hand, some importers of Turkish pasta reported that the perception of its product in the marketplace is one of inferiority.<sup>146</sup> A few firms also stated that U.S. producers of dry non-egg pasta enjoy the benefits of more extensive marketing programs.

### **Price Trends**

The Commission requested price and quantity data from U.S. producers and importers for their sales of dry non-egg pasta sold to the retail market during the period January 1992-March 1995. Producers and importers were requested to submit separate pricing data for their sales of brand name products and for private label products. Product specifications for which pricing data were requested are as follows:

**Product 1:** Dry non-egg spaghetti in 1-pound packages

**Product 2:** Dry non-egg rigatoni in 1-pound packages

**Product 3:** Dry non-egg angel hair pasta in 1-pound packages

These products represent products commonly sold by both U.S. producers and importers to the retail market.<sup>147</sup> Reported pricing data accounted for approximately 12.2 percent of U.S. producers' shipments in 1994, and for 21.7 and 36.8 percent of shipments of imports from Italy and Turkey, respectively, in that year.<sup>148</sup>

### **Sales of Brand Name Products**

Weighted-average delivered prices for domestic dry non-egg pasta followed somewhat similar trends for all three of the products for which pricing data were requested (tables 25-27 and figure 1).

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<sup>146</sup> One importer of Turkish pasta reported that its product is preferred by some consumers because it is produced in a Moslem country.

<sup>147</sup> According to petitioners' pricing tiers, these products represent a sampling from each of the 3 tiers.

<sup>148</sup> As stated earlier, the majority of dry non-egg pasta imported from Italy is sold to distributors. The reported percentage of coverage for Italian imports concerns sales to both retailers and distributors. Reported pricing data for sales of Italian pasta to retailers accounted for approximately 3.6 percent of total imports in 1994.

Table 25

Dry non-egg pasta: Weighted-average delivered prices and total quantities of domestic and imported brand name spaghetti sold to the retail market,<sup>1</sup> by countries and by quarters, Jan. 1992-Mar. 1995

Period	United States		Italy (retailers)		Italy (distributors)		Turkey	
	Price	Total quantity	Price	Total quantity	Price	Total quantity	Price	Total quantity
	Per lb	1,000 lbs	Per lb	1,000 lbs	Per lb	1,000 lbs	Per lb	1,000 lbs
1992:								
Jan.-Mar. . . . .	\$0.51	26,025	\$0.50	435	( <sup>2</sup> )	( <sup>2</sup> )	\$0.29	1,060
Apr.-June . . . . .	.54	21,522	.48	499	\$0.70	4,640	.31	1,191
July-Sept. . . . .	.47	21,606	.46	576	.75	2,180	.28	1,842
Oct.-Dec. . . . .	.57	26,491	.45	630	.71	5,006	.30	1,463
1993:								
Jan.-Mar. . . . .	.56	25,000	.48	555	.68	3,177	.28	1,644
Apr.-June . . . . .	.58	17,862	.48	524	.70	3,675	.28	1,848
July-Sept. . . . .	.49	22,348	.51	613	.76	1,480	.30	2,302
Oct.-Dec. . . . .	.60	25,151	.57	925	.80	4,980	.29	2,253
1994:								
Jan.-Mar. . . . .	.53	25,522	.58	945	.80	4,080	.30	2,289
Apr.-June . . . . .	.57	20,188	.54	656	.77	5,666	.29	2,453
July-Sept. . . . .	.57	22,241	.58	1,109	.72	5,497	.29	2,545
Oct.-Dec. . . . .	.52	25,384	.64	772	.75	4,244	.31	1,978
1995:								
Jan.-Mar. . . . .	.62	24,037	.60	929	.80	7,579	.28	2,234

<sup>1</sup> As stated earlier, many importers of Italian pasta sell their product through distributors. Prices are reported separately for sales of Italian pasta to retailers and distributors.

<sup>2</sup> Data not reported.

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

Table 26

Dry non-egg pasta: Weighted-average delivered prices and total quantities of domestic and imported brand name rigatoni sold to the retail market,<sup>1</sup> by countries and by quarters, Jan. 1992-Mar. 1995

Period	United States		Italy (retailers)		Italy (distributors)		Turkey	
	Price	Total quantity	Price	Total quantity	Price	Total quantity	Price	Total quantity
	Per lb	1,000 lbs	Per lb	1,000 lbs	Per lb	1,000 lbs	Per lb	1,000 lbs
1992:								
Jan.-Mar. . . . .	\$0.65	4,158	\$0.49	386	( <sup>2</sup> )	( <sup>2</sup> )	\$0.31	534
Apr.-June . . . . .	.67	3,469	.50	503	\$***	***	.30	487
July-Sept. . . . .	.72	3,837	.47	518	***	***	.30	745
Oct.-Dec. . . . .	.66	4,499	.47	631	***	***	.30	595
1993:								
Jan.-Mar. . . . .	.55	3,561	.50	455	***	***	.32	706
Apr.-June . . . . .	.60	2,262	.49	436	.70	3,444	.32	827
July-Sept. . . . .	.57	3,192	.57	642	.79	790	.31	1,007
Oct.-Dec. . . . .	.62	3,944	.59	677	.80	4,974	.28	1,114
1994:								
Jan.-Mar. . . . .	.77	4,124	.53	678	.80	3,931	.29	1,245
Apr.-June . . . . .	.85	2,397	.55	644	.77	5,453	.30	1,173
July-Sept. . . . .	.69	3,245	.64	960	.72	2,934	.28	1,280
Oct.-Dec. . . . .	.73	3,046	.58	775	.76	2,699	.29	1,206
1995:								
Jan.-Mar. . . . .	.80	4,490	.62	922	.80	7,263	.36	543

<sup>1</sup> As stated earlier, many importers of Italian pasta sell their product through distributors. Prices are reported separately for sales of Italian pasta to retailers and distributors.

<sup>2</sup> Data not reported.

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

Table 27

Dry non-egg pasta: Weighted-average delivered prices and total quantities of domestic and imported brand name **angel hair pasta** sold to the retail market,<sup>1</sup> by countries and by quarters, Jan. 1992-Mar. 1995

Period	United States		Italy (retailers)		Italy (distributors)		Turkey	
	Price	Total quantity	Price	Total quantity	Price	Total quantity	Price	Total quantity
	Per lb	1,000 lbs	Per lb	1,000 lbs	Per lb	1,000 lbs	Per lb	1,000 lbs
1992:								
Jan.-Mar . . . .	\$0.64	2,114	\$0.46	395	( <sup>2</sup> )	( <sup>2</sup> )	\$0.30	86
Apr.-June . . .	.70	1,992	.44	467	***	***	.30	75
July-Sept. . . .	.75	2,788	.45	442	***	***	.32	385
Oct.-Dec. . . . .	.75	3,027	.42	630	***	***	.30	251
1993:								
Jan.-Mar. . . . .	.75	1,995	.47	455	***	***	.32	446
Apr.-June . . .	.75	4,109	.45	516	.70	3,444	.30	643
July-Sept. . . .	.68	4,697	.47	455	.79	790	.30	1,024
Oct.-Dec. . . . .	.78	5,134	.45	464	.80	4,974	.28	1,130
1994:								
Jan.-Mar . . . .	.84	4,772	.51	723	.80	3,931	.29	1,365
Apr.-June . . .	.82	4,830	.52	615	.77	5,453	.31	1,226
July-Sept. . . .	.96	4,911	.57	912	.72	2,934	.30	1,616
Oct.-Dec. . . . .	.95	4,987	.64	670	.76	2,699	.31	1,469
1995:								
Jan.-Mar . . . .	.83	5,566	.63	658	.80	7,263	.31	1,468

<sup>1</sup> As stated earlier, many importers of Italian pasta sell their product through distributors. Prices are reported separately for sales of Italian pasta to retailers and distributors.

<sup>2</sup> Data not reported.

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

Figure 1

Weighted-average delivered prices for brand name dry non-egg pasta sold to the retail market, by quarters, Jan. 1992-Mar. 1995

\* \* \* \* \*

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

Prices for domestic products 1-3 increased irregularly from January-March 1992 to the same quarter of 1995, rising 21.6, 23.1, and 30.0 percent, respectively, in that time. Similarly, prices for these products imported from Italy also rose irregularly from the first quarter of 1992 to the same quarter of 1995, increasing 20.0, 26.5, and 37.0 percent in that time. Prices for sales of the subject pasta imported from Italy and sold to distributors were very similar for all three product types; these prices increased irregularly from the second quarter of 1992 to the first quarter of 1995, rising \*\*\* percent in that time.<sup>149</sup> Prices for dry non-egg pastas imported from Turkey also fluctuated during the period for which data were collected but the range of weighted-average prices was much narrower. Turkish prices increased for two of the three products for which pricing data were requested; prices for products 2 and 3 increased 16.1 and 3.3 percent from the first quarter of 1992 to the same quarter of 1995. Prices for product 1 declined irregularly during that time, falling 3.4 percent.

**Sales of Private Label Products**

Prices for sales of private label dry non-egg pasta to the retail market were generally below prices for brand name products. Domestic prices for \*\*\* increased during the period for which data were requested, rising \*\*\* and \*\*\* percent; prices for \*\*\* declined irregularly by \*\*\* percent (tables 28-30 and figure 2). Prices for private label dry non-egg pasta imported from Italy were only reported by \*\*\* firms and were not reported for the entire period. Prices for each of the three products did, however, \*\*\* throughout the period, \*\*\* percent during the period for which data were requested. Prices for dry non-egg pasta imported from Turkey sold to private label customers were only reported by one firm. The prices were \*\*\* from the first quarter of 1994 to the same quarter of 1995.

Table 28  
Dry non-egg pasta: Weighted-average delivered prices and total quantities of domestic and imported private label **spaghetti** sold to the retail market, by countries and by quarters, Jan. 1992-Mar. 1995

\* \* \* \* \*

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

Table 29  
Dry non-egg pasta: Weighted-average delivered prices and total quantities of domestic and imported private label **rigatoni** sold to the retail market, by countries and by quarters, Jan. 1992-Mar. 1995

\* \* \* \* \*

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

<sup>149</sup> Prices for sales to distributors were above those for sales to retailers. Several of the firms that reported prices for sales to distributors are those that claim to sell to the premium market. Because these prices represent sales at a different level of distribution, it is difficult to compare them to the prices for sales to retail customers.

Table 30

Dry non-egg pasta: Weighted-average delivered prices and total quantities of domestic and imported private label **angel hair pasta** sold to the retail market, by countries and by quarters, Jan. 1992-Mar. 1995

\* \* \* \* \*

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

Figure 2

Weighted-average delivered prices for private label dry non-egg pasta sold to the retail market, by quarters, Jan. 1992-Mar. 1995

\* \* \* \* \*

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

### Price Comparisons

Tables 31 and 32 show margins of underselling and overselling for dry non-egg pasta (both brand name and private label) sold to the retail market.<sup>150</sup> In the case of brand name products, the Italian products were priced below the domestic products in 35 of the 39 instances where comparisons were possible; margins ranged from 0.6 to 44.1 percent.<sup>151</sup> In the remaining 4 instances, the Italian product was priced above the domestic product, with margins ranging from 0.4 to 22.5 percent. In all of the 39 instances where comparisons were possible between the domestic and Turkish products, the Turkish product was priced below the domestic product; margins ranged from 38.4 to 68.6 percent.<sup>152</sup>

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<sup>150</sup> Margins shown in the tables represent comparisons between U.S. producers' and importers' sales prices to retailers. No comparisons are made between U.S. producers' prices to retailers and Italian importers prices to distributors, as these prices represent sales at different levels of trade.

<sup>151</sup> The average amount of underselling was 23.2 percent. The underselling was greatest for sales of angel hair pasta. Margins were lowest for sales of spaghetti, the product that accounted for the most volume for both producers and importers.

<sup>152</sup> The average margin of underselling was 53.9 percent.

Table 31

Dry non-egg pasta: Margins of under/(overselling) of **brand name** dry non-egg pasta sold to the retail market, by products and by quarters, Jan. 1992-Mar. 1995

Period	<i>(In percent)</i>					
	Product 1 (Spaghetti)		Product 2 (Rigatoni)		Product 3 (Angel Hair)	
	Italy	Turkey	Italy	Turkey	Italy	Turkey
1992:						
Jan.-Mar . . . . .	3.1	43.6	23.8	51.8	27.8	52.2
Apr.-June . . . . .	10.2	42.6	24.8	55.8	37.3	56.8
July-Sept. . . . .	2.3	39.9	34.2	58.9	39.8	57.8
Oct.-Dec. . . . .	20.6	47.1	28.0	55.0	44.1	59.9
1993:						
Jan.-Mar. . . . .	13.5	50.1	7.8	40.8	36.9	57.8
Apr.-June . . . . .	15.9	50.8	19.5	46.6	40.3	59.3
July-Sept. . . . .	(3.3)	38.4	0.6	46.3	31.1	56.4
Oct.-Dec. . . . .	4.5	50.8	4.5	54.2	41.6	63.4
1994:						
Jan.-Mar . . . . .	(10.3)	44.2	31.3	62.7	38.4	65.1
Apr.-June . . . . .	4.2	48.5	35.7	64.6	36.2	62.6
July-Sept. . . . .	(0.4)	50.0	7.5	59.4	40.3	68.6
Oct.-Dec. . . . .	(22.5)	40.0	20.7	59.8	32.7	67.4
1995:						
Jan.-Mar . . . . .	4.3	54.3	22.2	54.7	23.4	62.8

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

Table 32

Dry non-egg pasta: Margins of under/(overselling) of **private label** dry non-egg pasta sold to the retail market, by products and by quarters, Jan. 1992-Mar. 1995

\* \* \* \* \*

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

In the case of private label sales, the Italian product was priced below the domestic product in 7 of the 16 instances where comparisons were possible; margins ranged from 5.5 to 28.1 percent, with the average at 13.7 percent. In the remaining 9 instances, the Italian product was priced between 7.7 and 41.7 percent above the domestic product.<sup>153</sup> Imports of private label dry non-egg pasta from Turkey were priced below the domestic product in all 17 of the instances where comparisons were possible, with margins ranging from 22.8 to 52.8 percent.<sup>154</sup>

<sup>153</sup> The average margin of overselling was 20.6 percent.

<sup>154</sup> The average margin of underselling was 30.8 percent.

## Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that the nominal rates of the Italian lira and the Turkish lira depreciated by 24.5 and 75.0 percent, respectively, relative to the U.S. dollar during 1992-94 (figure 3). Adjusted for movements in producer price indexes in the United States and Italy, the real value of the Italian currency depreciated 18.5 percent (relative to the U.S. dollar) from January 1992 to September 1993, the most recent period for which producer price index data were available. The real value of the Turkish lira appreciated 20.9 percent (vis-a-vis the U.S. dollar) from the first quarter of 1992 to the last quarter of 1994.

## Lost Sales and Lost Revenues

Only one firm provided actual instances of lost sales. \*\*\* reported that it lost approximately \$\*\*\* on \*\*\* sales of dry non-egg pasta (\*\*\*) involving about \*\*\* pounds of product due to competition from imports from Italy and Turkey in 1993. Five of the eight responding producers reported that they have reduced prices, rolled back announced price increases, offered other customer incentives, and lost sales due to competition from imports from Italy and Turkey. These firms, however, were unable to document these instances of lost sales and lost revenues. Petitioners argue that in order to evaluate lost sales, one needs to examine the loss of stock keeping units (SKUs) at retail chain customers. Petitioners report that the acceptance by a retailer of a new Italian or Turkish product line, or the expansion of shelf space of a currently carried import brand, results in a reduction of the shelf space afforded to the domestic producer for its product.<sup>155</sup>

\* \* \* \* \*

\*<sup>156</sup>

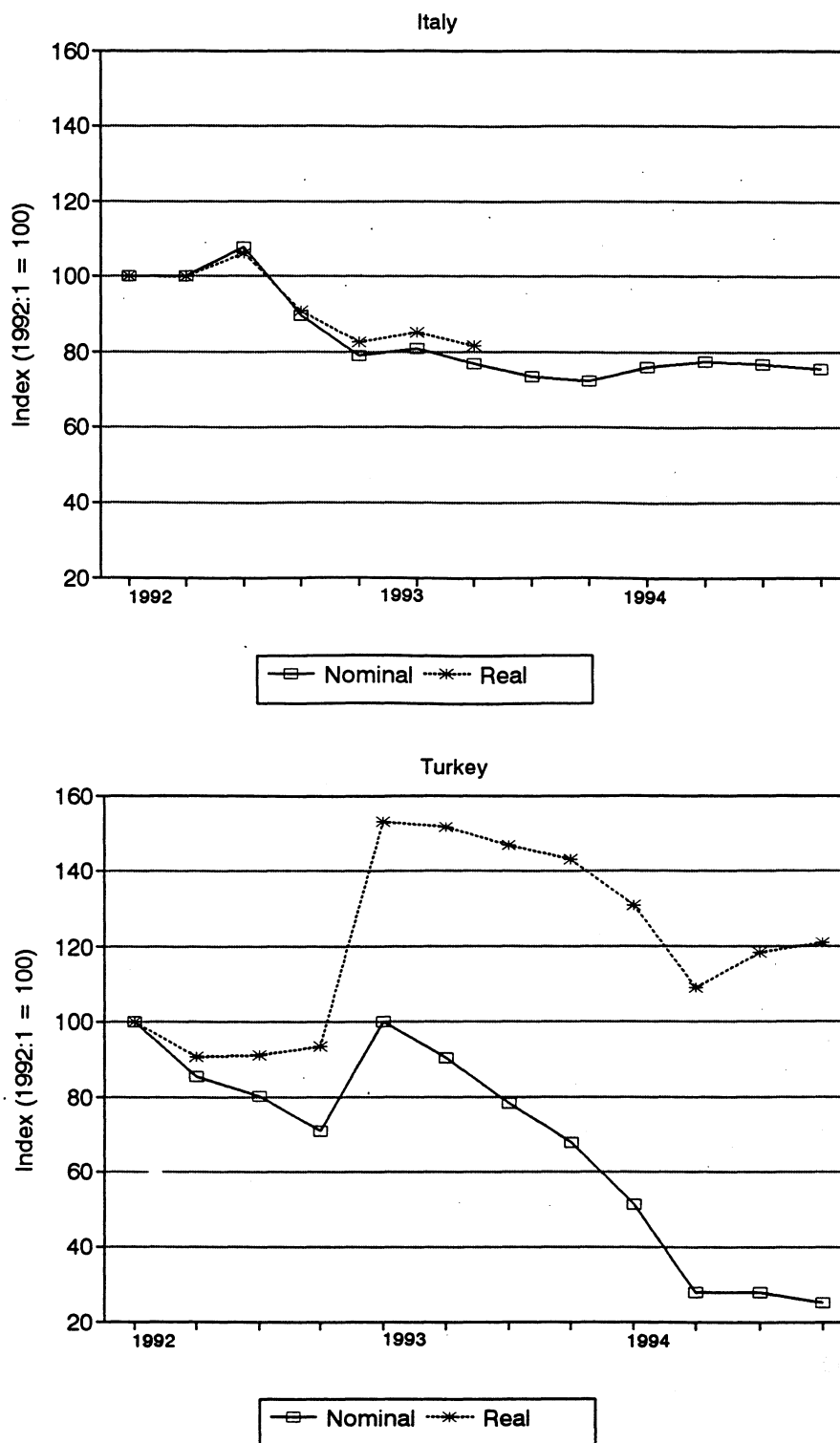
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<sup>155</sup> Petition, p. 93.

<sup>156</sup> \*\*\*.



**Figure 3**  
 Nominal and real exchange rates of the Italian lira and the Turkish lira (relative to the U.S. dollar),  
 by quarters, Jan. 1992-Dec. 1994



Source: International Monetary Fund, International Financial Statistics, Apr. 1995.



## **APPENDIX A**

### **SUMMARY DATA**

Table A-1 presents data on **dry non-egg pasta in packages of 5 pounds or less.**

Table A-2 presents data on **all dry non-egg pasta for retail sale and food service use (regardless of packaging).**

Table A-3 presents data on **all dry non-egg pasta for retail sale, food service use, and industrial use (regardless of packaging).**

Table A-4 presents data on **all dry non-egg and egg pasta (regardless of market segment and packaging).**



Table A-1

Certain pasta: Summary data concerning the U.S. market, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

(Quantity = 1,000 pounds; value = 1,000 dollars; unit values and unit labor costs are per pound; period changes = percent, except where noted)

Item	Reported data			Jan.-Mar.--		Period changes			
	1992	1993	1994	1994	1995	1992-94	1992-93	1993-94	Jan.-Mar. 1994-95
U.S. consumption quantity:									
Amount	1,548,082	1,599,090	1,695,520	411,231	427,841	+9.5	+3.3	+6.0	+4.0
Producers' share <sup>1</sup>	79.8	77.4	73.0	74.8	73.1	-6.8	-2.4	-4.4	-1.7
Importers' share: <sup>1</sup>									
Italy	12.3	13.2	16.6	15.7	16.5	+4.3	+0.9	+3.4	+0.8
Turkey	2.0	2.9	3.5	3.3	4.3	+1.5	+0.9	+0.6	+1.0
Subtotal	14.3	16.1	20.1	19.0	20.7	+5.8	+1.8	+4.0	+1.7
Canada	1.4	1.9	1.8	2.1	1.5	+0.4	+0.5	-0.1	-0.6
Selected Latin American sources	.6	.7	1.3	1.0	1.0	+0.7	+0.1	+0.6	(2)
Far Eastern sources	3.3	3.5	3.2	2.7	3.0	-0.1	+0.2	-0.3	+0.3
Other sources	.5	.4	.5	.4	.6	(3)	-0.1	+0.1	+0.2
Total	20.2	22.6	27.0	25.2	26.9	+6.8	+2.4	+4.4	+1.7
U.S. consumption value:									
Amount	913,619	946,055	999,384	244,237	269,112	+9.4	+3.6	+5.6	+10.2
Producers' share <sup>1</sup>	84.5	83.6	80.0	81.9	81.5	-4.4	-0.9	-3.6	-0.3
Importers' share: <sup>1</sup>									
Italy	8.9	9.3	12.4	11.3	11.6	+3.5	+0.3	+3.2	+0.3
Turkey	.9	1.2	1.5	1.3	1.6	+0.6	+0.3	+0.3	+0.3
Subtotal	9.8	10.4	13.9	12.7	13.3	+4.1	+0.7	+3.5	+0.6
Canada	1.0	1.3	1.4	1.6	1.0	+0.3	+0.3	+0.1	-0.6
Selected Latin American sources	.4	.4	.8	.6	.6	+0.4	+0.1	+0.3	(3)
Far Eastern sources	3.8	3.8	3.4	2.9	3.0	-0.4	(2)	-0.4	+0.1
Other sources	.5	.4	.5	.4	.6	(3)	-0.1	+0.1	+0.3
Total	15.5	16.4	20.0	18.1	18.5	+4.4	+0.9	+3.6	+0.3
U.S. imports <sup>4</sup> from--									
Italy:									
Imports quantity	190,451	210,753	281,037	64,580	70,483	+47.6	+10.7	+33.3	+9.1
Imports value	81,670	87,523	124,233	27,632	31,308	+52.1	+7.2	+41.9	+13.3
Unit value	\$0.43	\$0.42	\$0.44	\$0.43	\$0.44	+3.1	-3.2	+6.4	+3.8
Ending inventory quantity	13,045	13,808	23,860	14,010	20,225	+82.9	+5.8	+72.8	+44.4
Turkey:									
Imports quantity	31,221	46,482	59,928	13,470	18,201	+91.9	+48.9	+28.9	+35.1
Imports value	7,814	11,303	14,957	3,284	4,400	+91.4	+44.7	+32.3	+34.0
Unit value	\$0.25	\$0.24	\$0.25	\$0.24	\$0.24	-0.3	-2.8	+2.6	-0.9
Ending inventory quantity	4,241	7,449	8,842	4,038	7,290	+108.5	+75.6	+18.7	+80.5
Subject sources:									
Imports quantity	221,672	257,235	340,966	78,050	88,684	+53.8	+16.0	+32.6	+13.6
Imports value	89,484	98,826	139,190	30,916	35,708	+55.5	+10.4	+40.8	+15.5
Unit value	\$0.40	\$0.38	\$0.41	\$0.40	\$0.40	+1.1	-4.8	+6.3	+1.6
Ending inventory quantity	17,286	21,257	32,702	18,048	27,515	+89.2	+23.0	+53.8	+52.5
Canada:									
Imports quantity	21,637	30,009	30,861	8,596	6,236	+42.6	+38.7	+2.8	-27.5
Imports value	9,583	12,530	13,924	3,820	2,653	+45.3	+30.8	+11.1	-30.5
Unit value	\$0.44	\$0.42	\$0.45	\$0.44	\$0.43	+1.9	-5.7	+8.1	-4.3
Ending inventory quantity	-	-	-	-	-	-	-	-	-
Selected Latin American sources:									
Imports quantity	9,590	11,200	22,487	4,097	4,432	+134.5	+16.8	+100.8	+8.2
Imports value	3,549	4,248	7,791	1,463	1,546	+119.5	+19.7	+83.4	+5.7
Unit value	\$0.37	\$0.38	\$0.35	\$0.36	\$0.35	-6.4	+2.5	-8.6	-2.3
Ending inventory quantity	-	-	-	-	-	-	-	-	-
Far Eastern sources:									
Imports quantity	51,323	56,042	54,913	11,224	12,994	+7.0	+9.2	-2.0	+15.8
Imports value	34,643	36,193	33,850	7,200	8,076	-2.3	+4.5	-6.5	+12.2
Unit value	\$0.68	\$0.65	\$0.62	\$0.64	\$0.62	-8.7	-4.3	-4.6	-3.1
Ending inventory quantity	-	-	-	-	-	-	-	-	-
Other sources:									
Imports quantity	7,834	6,340	8,277	1,727	2,680	+5.7	-19.1	+30.6	+55.2
Imports value	4,604	3,505	4,872	926	1,719	+5.8	-23.9	+39.0	+85.6
Unit value	\$0.59	\$0.55	\$0.59	\$0.54	\$0.64	+0.2	-5.9	+6.5	+19.6
Ending inventory quantity	-	-	-	-	-	-	-	-	-

Continued.

Table A-1--Continued

Certain pasta: Summary data concerning the U.S. market, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

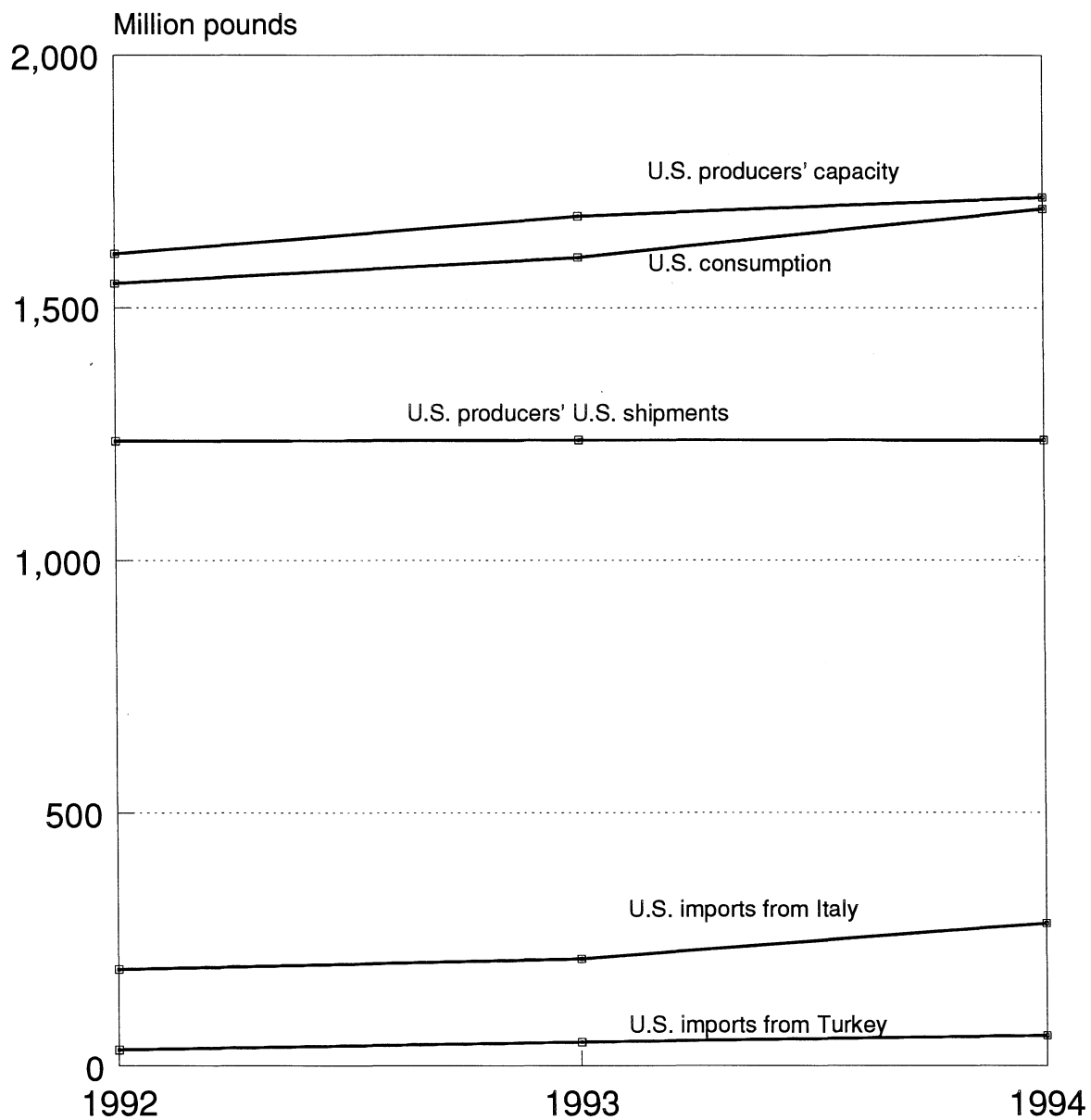
(Quantity=1,000 pounds; value=1,000 dollars; unit values and unit labor costs are per pound; period changes=percent, except where noted)									
Item	Reported data					Period changes			
	1992	1993	1994	Jan.-Mar.-- 1994	1995	1992-94	1992-93	1993-94	Jan.-Mar. 1994-95
U.S. imports from--									
All sources:									
Imports quantity . . . . .	312,057	360,825	457,503	103,694	115,026	+46.6	+15.6	+26.8	+10.9
Imports value . . . . .	141,864	155,302	199,627	44,325	49,702	+40.7	+9.5	+28.5	+12.1
Unit value . . . . .	\$0.45	\$0.43	\$0.44	\$0.43	\$0.43	-4.0	-5.3	+1.4	+1.1
U.S. producers'--									
Average capacity quantity . . . . .	1,606,151	1,680,569	1,718,852	416,334	442,631	+7.0	+4.6	+2.3	+6.3
Production quantity . . . . .	1,233,796	1,228,232	1,268,954	331,428	321,352	+2.8	-0.5	+3.3	-3.0
Capacity utilization <sup>1</sup> . . . . .	74.9	71.3	72.1	78.3	71.5	-2.8	-3.6	+0.8	-6.8
U.S. shipments:									
Quantity . . . . .	1,236,025	1,238,265	1,238,017	307,537	312,815	+0.2	+0.2	(5)	+1.7
Value . . . . .	771,755	790,753	799,757	199,912	219,410	+3.6	+2.5	+1.1	+9.8
Unit value . . . . .	\$0.63	\$0.64	\$0.65	\$0.65	\$0.70	+3.4	+2.3	+1.2	+7.9
Export shipments:									
Quantity . . . . .	***	***	***	***	***	***	***	***	***
Exports/shipments <sup>1</sup> . . . . .	***	***	***	***	***	***	***	***	***
Value . . . . .	***	***	***	***	***	***	***	***	***
Unit value . . . . .	\$***	\$***	\$***	\$***	\$***	***	***	***	***
Ending inventory quantity . . . . .	142,529	114,074	127,403	131,373	130,864	-10.6	-20.0	+11.7	-0.4
Inventory/shipments <sup>1</sup> . . . . .	12.2	9.8	11.2	11.4	11.7	-0.9	-2.4	+1.5	+0.3
Production workers . . . . .	2,275	2,245	2,239	2,236	2,211	-1.6	-1.3	-0.3	-1.1
Hours worked (1,000s) . . . . .	5,302	5,145	4,750	1,244	1,205	-10.4	-3.0	-7.7	-3.1
Wages paid (\$1,000) . . . . .	60,839	59,695	59,147	15,045	15,791	-2.8	-1.9	-0.9	+5.0
Total compensation (\$1,000) . . . . .	78,612	78,834	79,768	20,181	20,887	+1.5	+0.3	+1.2	+3.5
Hourly wages . . . . .	\$11.47	\$11.60	\$12.45	\$12.09	\$13.10	+8.5	+1.1	+7.3	+8.4
Hourly total compensation . . . . .	\$14.83	\$15.32	\$16.79	\$16.22	\$17.33	+13.3	+3.3	+9.6	+6.8
Productivity (pounds/hour) . . . . .	226.5	232.4	260.1	262.4	262.3	+14.8	+2.6	+11.9	-0.1
Unit labor costs . . . . .	\$0.07	\$0.07	\$0.06	\$0.06	\$0.07	-1.4	+0.7	-2.1	+6.9
Net sales--									
Quantity . . . . .	1,210,906	1,206,127	1,191,276	301,195	302,699	-1.6	-0.4	-1.2	+0.5
Value . . . . .	758,529	773,442	774,200	196,161	208,182	+2.1	+2.0	+0.1	+6.1
Unit sales value . . . . .	\$0.63	\$0.64	\$0.65	\$0.65	\$0.69	+3.7	+2.4	+1.3	+5.6
Cost of goods sold (COGS) . . . . .	423,795	439,197	494,429	122,496	129,472	+16.7	+3.6	+12.6	+5.7
Gross profit (loss) . . . . .	334,734	334,245	279,771	73,665	78,710	-16.4	-0.1	-16.3	+6.8
SG&A expenses . . . . .	238,553	263,489	276,176	72,085	83,275	+15.8	+10.5	+4.8	+15.5
Operating income or (loss) . . . . .	96,181	70,756	3,595	1,580	(4,565)	-96.3	-26.4	-94.9	-388.9
Capital expenditures . . . . .	***	***	***	***	***	***	***	***	***
Unit COGS . . . . .	\$0.35	\$0.36	\$0.42	\$0.41	\$0.43	+18.6	+4.0	+14.0	+5.2
Unit SG&A expenses . . . . .	\$0.20	\$0.22	\$0.23	\$0.24	\$0.28	+17.7	+10.9	+6.1	+14.9
Unit operating income or (loss) . . . . .	\$0.08	\$0.06	(6)	\$0.01	(\$0.02)	-96.2	-26.1	-94.9	-387.5
COGS/sales <sup>1</sup> . . . . .	55.9	56.8	63.9	62.4	62.2	+8.0	+0.9	+7.1	-0.3
Operating income or (loss)/ sales <sup>1</sup> . . . . .	12.7	9.1	0.5	0.8	(2.2)	-12.2	-3.5	-8.7	-3.0

<sup>1</sup> "Reported data" are in percent and "period changes" are in percentage points.<sup>2</sup> An increase of less than 0.05 percentage points.<sup>3</sup> A decrease of less than 0.05 percentage points.<sup>4</sup> Imports listed below for Italy and Turkey are from official Department of Commerce import statistics adjusted using responses to Commission questionnaires; imports from non-subject sources are from official import statistics.<sup>5</sup> A decrease of less than 0.05 percent.<sup>6</sup> Positive figure, but less than significant digits displayed.

Note.--Period changes are derived from the unrounded data. Period changes involving negative period data are positive if the amount of the negativity decreases and negative if the amount of the negativity increases. Because of rounding, figures may not add to the totals shown. Unit values derived from official statistics of the U.S. Department of Commerce are calculated from the unrounded figures. Unit values and other ratios are calculated using data where both comparable numerator and denominator information were supplied. Part-year inventory ratios are annualized.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce adjusted by staff. Official statistics were adjusted to exclude product which was imported in packages over 5 pounds. Adjustments were primarily calculated from responses to Commission importers' questionnaire; foreign producers' questionnaires were utilized in those instances where data on a foreign producer's U.S. exports were not otherwise available.

Figure A-1  
Certain pasta: Summary data concerning the U.S. market,  
1992-94



Source: Table A-1.

Table A-2

Certain pasta and dry non-egg pasta in packages over 5 pounds for both retail sale and food service use:  
Summary data concerning the U.S. market, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

\* \* \* \* \*

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce adjusted by staff. Official statistics were adjusted to exclude product which was imported in packages over 5 pounds. Adjustments were primarily calculated from responses to Commission importers' questionnaire; foreign producer's questionnaires were utilized in those instances where data on a foreign producers' U.S. exports were not otherwise available.

Figure A-2

Certain pasta and dry non-egg pasta in packages over 5 pounds for both retail sale and food service use:  
Summary data concerning the U.S. market, 1992-94

\* \* \* \* \*

Source: Table A-2.



Table A-3

All dry non-egg pasta: Summary data concerning the U.S. market, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

(Quantity = 1,000 pounds; value = 1,000 dollars; unit values and unit labor costs are per pound; period changes = percent, except where noted)									
Item	Reported data				Period changes				
	1992	1993	1994	Jan.-Mar. 1994	1995	1992-94	1992-93	1993-94	Jan.-Mar. 1994-95
<b>U.S. consumption quantity:</b>									
Amount	2,217,046	2,310,747	2,393,478	584,886	612,758	+8.0	+4.2	+3.6	+4.8
Producers' share <sup>1</sup>	85.7	84.1	80.1	82.0	80.6	-5.6	-1.6	-4.0	-1.4
Importers' share: <sup>1</sup>									
Italy (subject)	8.6	9.1	11.7	11.0	11.5	+3.2	+0.5	+2.6	+0.5
Turkey (subject)	1.4	2.0	2.5	2.3	3.0	+1.1	+0.6	+0.5	+0.7
Subtotal	10.0	11.1	14.2	13.3	14.5	+4.2	+1.1	+3.1	+1.1
Italy (non-subject)	.2	.2	.5	.1	.3	+0.4	+0.1	+0.3	+0.1
Turkey (non-subject)	.1	.1	.3	.1	.3	+0.2	(2)	+0.2	+0.2
Canada	1.0	1.3	1.3	1.5	1.0	+0.3	+0.3	(2)	-0.5
Selected Latin American sources	.4	.5	.9	.7	.7	+0.5	+0.1	+0.5	(3)
Far Eastern sources	2.3	2.4	2.3	1.9	2.1	(2)	+0.1	-0.1	+0.2
Other sources	.4	.3	.3	.3	.4	(2)	-0.1	+0.1	+0.1
Total	14.3	15.9	19.9	18.0	19.4	+5.6	+1.6	+4.0	+1.4
<b>U.S. consumption value:</b>									
Amount	1,111,267	1,168,820	1,231,872	300,307	328,579	+10.9	+5.2	+5.4	+9.4
Producers' share <sup>1</sup>	87.1	86.5	83.2	85.1	84.5	-3.8	-0.6	-3.3	-0.6
Importers' share: <sup>1</sup>									
Italy (subject)	7.3	7.5	10.1	9.2	9.5	+2.7	+0.1	+2.6	+0.3
Turkey (subject)	.7	1.0	1.2	1.1	1.3	+0.5	+0.3	+0.2	+0.2
Subtotal	8.1	8.5	11.3	10.3	10.9	+3.2	+0.4	+2.8	+0.6
Italy (non-subject)	.1	.2	.5	.1	.2	+0.3	(3)	+0.3	+0.1
Turkey (non-subject)	(4)	(4)	.1	.1	.2	+0.1	(2)	+0.1	+0.1
Canada	.9	1.1	1.1	1.3	.8	+0.3	+0.2	+0.1	-0.5
Selected Latin American sources	.3	.4	.6	.5	.5	+0.3	(3)	+0.3	(2)
Far Eastern sources	3.1	3.1	2.7	2.4	2.5	-0.4	(2)	-0.3	+0.1
Other sources	.4	.3	.4	.3	.5	(2)	-0.1	+0.1	+0.2
Total	12.9	13.5	16.8	14.9	15.5	+3.8	+0.6	+3.3	+0.6
<b>U.S. imports<sup>2</sup> from--</b>									
<b>Italy (subject):</b>									
Imports quantity	190,451	210,753	281,037	64,580	70,483	+47.6	+10.7	+33.3	+9.1
Imports value	81,670	87,523	124,233	27,632	31,308	+52.1	+7.2	+41.9	+13.3
Unit value	\$0.43	\$0.42	\$0.44	\$0.43	\$0.44	+3.1	-3.2	+6.4	+3.8
Ending inventory quantity	13,045	13,808	23,860	14,010	20,225	+82.9	+5.8	+72.8	+44.4
<b>Turkey (subject):</b>									
Imports quantity	31,221	46,482	59,928	13,470	18,201	+91.9	+48.9	+28.9	+35.1
Imports value	7,814	11,303	14,957	3,284	4,400	+91.4	+44.7	+32.3	+34.0
Unit value	\$0.25	\$0.24	\$0.25	\$0.24	\$0.24	-0.3	-2.8	+2.6	-0.9
Ending inventory quantity	4,241	7,449	8,842	4,038	7,290	+108.5	+75.6	+18.7	+80.5
<b>Subject sources:</b>									
Imports quantity	221,672	257,235	340,966	78,050	88,684	+53.8	+16.0	+32.6	+13.6
Imports value	89,484	98,826	139,190	30,916	35,708	+55.5	+10.4	+40.8	+15.5
Unit value	\$0.40	\$0.38	\$0.41	\$0.40	\$0.40	+1.1	-4.8	+6.3	+1.6
Ending inventory quantity	17,286	21,257	32,702	18,048	27,515	+89.2	+23.0	+53.8	+52.5
<b>Italy (non-subject):</b>									
Imports quantity	3,336	4,674	12,601	765	1,697	+277.7	+40.1	+169.6	+121.8
Imports value	1,497	2,126	5,676	359	750	+279.2	+42.0	+167.0	+108.9
Unit value	\$0.45	\$0.45	\$0.45	\$0.47	\$0.44	+0.4	+1.4	-1.0	-5.8
Ending inventory quantity	66	64	2,984	62	1,628	(6)	-3.0	(6)	(6)
<b>Turkey (non-subject):</b>									
Imports quantity	1,764	1,367	5,988	662	2,142	+239.5	-22.5	+338.0	+223.6
Imports value	393	314	1,388	155	507	+253.2	-20.1	+342.0	+227.1
Unit value	\$0.22	\$0.23	\$0.23	\$0.23	\$0.24	+4.0	+3.1	+0.9	+1.1
Ending inventory quantity	38	50	423	30	163	(6)	+31.6	+746.0	+443.3
<b>Canada:</b>									
Imports quantity	21,637	30,009	30,861	8,596	6,236	+42.6	+38.7	+2.8	-27.5
Imports value	9,583	12,530	13,924	3,820	2,653	+45.3	+30.8	+11.1	-30.5
Unit value	\$0.44	\$0.42	\$0.45	\$0.44	\$0.43	+1.9	-5.7	+8.1	-4.3
Ending inventory quantity	-	-	-	-	-	-	-	-	-

Continued.

Table A-3--Continued

All dry non-egg pasta: Summary data concerning the U.S. market, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	Reported data					Period changes			
					Jan.-Mar.--				Jan.-Mar.
	1992	1993	1994	1994	1995	1992-94	1992-93	1993-94	1994-95
U.S. imports from--									
Selected Latin American sources:									
Imports quantity . . . . .	9,590	11,200	22,487	4,097	4,432	+134.5	+16.8	+100.8	+8.2
Imports value . . . . .	3,549	4,248	7,791	1,463	1,546	+119.5	+19.7	+83.4	+5.7
Unit value . . . . .	\$0.37	\$0.38	\$0.35	\$0.36	\$0.35	-6.4	+2.5	-8.6	-2.3
Ending inventory quantity . . . . .	-	-	-	-	-	-	-	-	-
Far Eastern sources:									
Imports quantity . . . . .	51,323	56,042	54,913	11,224	12,994	+7.0	+9.2	-2.0	+15.8
Imports value . . . . .	34,643	36,193	33,850	7,200	8,076	-2.3	+4.5	-6.5	+12.2
Unit value . . . . .	\$0.68	\$0.65	\$0.62	\$0.64	\$0.62	-8.7	-4.3	-4.6	-3.1
Ending inventory quantity . . . . .	-	-	-	-	-	-	-	-	-
Other sources:									
Imports quantity . . . . .	7,834	6,340	8,277	1,727	2,680	+5.7	-19.1	+30.6	+55.2
Imports value . . . . .	4,604	3,505	4,872	926	1,719	+5.8	-23.9	+39.0	+85.6
Unit value . . . . .	\$0.59	\$0.55	\$0.59	\$0.54	\$0.64	+0.2	-5.9	+6.5	+19.6
Ending inventory quantity . . . . .	-	-	-	-	-	-	-	-	-
All sources:									
Imports quantity . . . . .	317,157	366,866	476,092	105,121	118,865	+50.1	+15.7	+29.8	+13.1
Imports value . . . . .	143,754	157,742	206,691	44,839	50,959	+43.8	+9.7	+31.0	+13.6
Unit value . . . . .	\$0.45	\$0.43	\$0.43	\$0.43	\$0.43	-4.2	-5.1	+1.0	+0.5
U.S. producers <sup>2</sup> --									
Average capacity quantity . . . . .	2,343,515	2,476,816	2,545,588	622,940	651,609	+8.6	+5.7	+2.8	+4.6
Production quantity . . . . .	1,877,546	1,925,593	1,950,035	512,745	498,144	+3.9	+2.6	+1.3	-2.8
Capacity utilization <sup>1</sup> . . . . .	77.0	74.6	73.4	79.4	73.4	-3.6	-2.4	-1.3	-5.9
U.S. shipments:									
Quantity . . . . .	1,899,889	1,943,881	1,917,386	479,765	493,893	+0.9	+2.3	-1.4	+2.9
Value . . . . .	967,513	1,011,078	1,025,181	255,468	277,620	+6.0	+4.5	+1.4	+8.7
Unit value . . . . .	\$0.51	\$0.52	\$0.54	\$0.54	\$0.57	+5.2	+2.2	+2.9	+5.7
Export shipments:									
Quantity . . . . .	***	***	***	***	***	***	***	***	***
Exports/shipments <sup>1</sup> . . . . .	***	***	***	***	***	***	***	***	***
Value . . . . .	***	***	***	***	***	***	***	***	***
Unit value . . . . .	\$***	\$***	\$***	\$***	\$***	***	***	***	***
Ending inventory quantity . . . . .	177,926	141,372	156,170	166,708	154,876	-12.2	-20.5	+10.5	-7.1
Inventory/shipments <sup>1</sup> . . . . .	11.7	9.2	10.8	11.2	10.8	-0.9	-2.5	+1.6	-0.5
Production workers . . . . .	2,931	2,952	2,930	2,937	2,814	(7)	+0.7	-0.7	-4.2
Hours worked (1,000s) . . . . .	6,855	6,767	6,200	1,635	1,561	-9.6	-1.3	-8.4	-4.5
Wages paid (\$1,000) . . . . .	78,058	77,762	76,264	19,733	19,637	-2.3	-0.4	-1.9	-0.5
Total compensation (\$1,000) . . . . .	100,190	101,752	101,825	26,274	26,512	+1.6	+1.6	+0.1	+0.9
Hourly wages . . . . .	\$11.39	\$11.49	\$12.30	\$12.07	\$12.58	+8.0	+0.9	+7.0	+4.2
Hourly total compensation . . . . .	\$14.62	\$15.04	\$16.42	\$16.07	\$16.98	+12.4	+2.9	+9.2	+5.7
Productivity (pounds/hour) . . . . .	233.7	244.1	266.2	270.2	266.0	+13.9	+4.5	+9.0	-1.6
Unit labor costs . . . . .	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	-1.4	-1.5	+0.2	+7.3
Net sales--									
Quantity . . . . .	1,535,707	1,568,933	1,521,140	384,576	386,194	-0.9	+2.2	-3.0	+0.4
Value . . . . .	869,668	902,743	904,949	228,255	240,566	+4.1	+3.8	+0.2	+5.4
Unit sales value . . . . .	\$0.57	\$0.58	\$0.59	\$0.59	\$0.62	+5.1	+1.6	+3.4	+5.0
Cost of goods sold (COGS) . . . . .	505,821	539,983	601,270	147,927	156,351	+18.9	+6.8	+11.3	+5.7
Gross profit (loss) . . . . .	363,847	362,760	303,679	80,328	84,215	-16.5	-0.3	-16.3	+4.8
SG&A expenses . . . . .	256,954	288,312	296,867	77,267	89,103	+15.5	+12.2	+3.0	+15.3
Operating income or (loss) . . . . .	106,893	74,448	6,812	3,061	(4,888)	-93.6	-30.4	-90.8	(8)
Capital expenditures . . . . .	***	***	***	***	***	***	***	***	***
Unit COGS . . . . .	\$0.33	\$0.34	\$0.40	\$0.38	\$0.40	+20.0	+4.5	+14.8	+5.3
Unit SG&A expenses . . . . .	\$0.17	\$0.18	\$0.20	\$0.20	\$0.23	+16.6	+9.8	+6.2	+14.8
Unit operating income or (loss) . . . . .	\$0.07	\$0.05	(4)	\$0.01	(\$0.01)	-93.6	-31.8	-90.6	(8)
COGS/sales <sup>1</sup> . . . . .	58.2	59.8	66.4	64.8	65.0	+8.3	+1.7	+6.6	+0.2
Operating income or (loss)/ sales <sup>1</sup> . . . . .	12.3	8.2	0.8	1.3	(2.0)	-11.5	-4.0	-7.5	-3.4

Notes continued on next page.

Continuation of notes for table A-3.

<sup>1</sup> "Reported data" are in percent and "period changes" are in percentage points.

<sup>2</sup> A decrease of less than 0.05 percentage points.

<sup>3</sup> An increase of less than 0.05 percentage points.

<sup>4</sup> Positive figure, but less than significant digits displayed.

<sup>5</sup> Imports listed below for Italy and Turkey are from official Department of Commerce import statistics adjusted using responses to Commission questionnaires; imports from non-subject sources are from official import statistics.

<sup>6</sup> An increase of 1,000 percent or more.

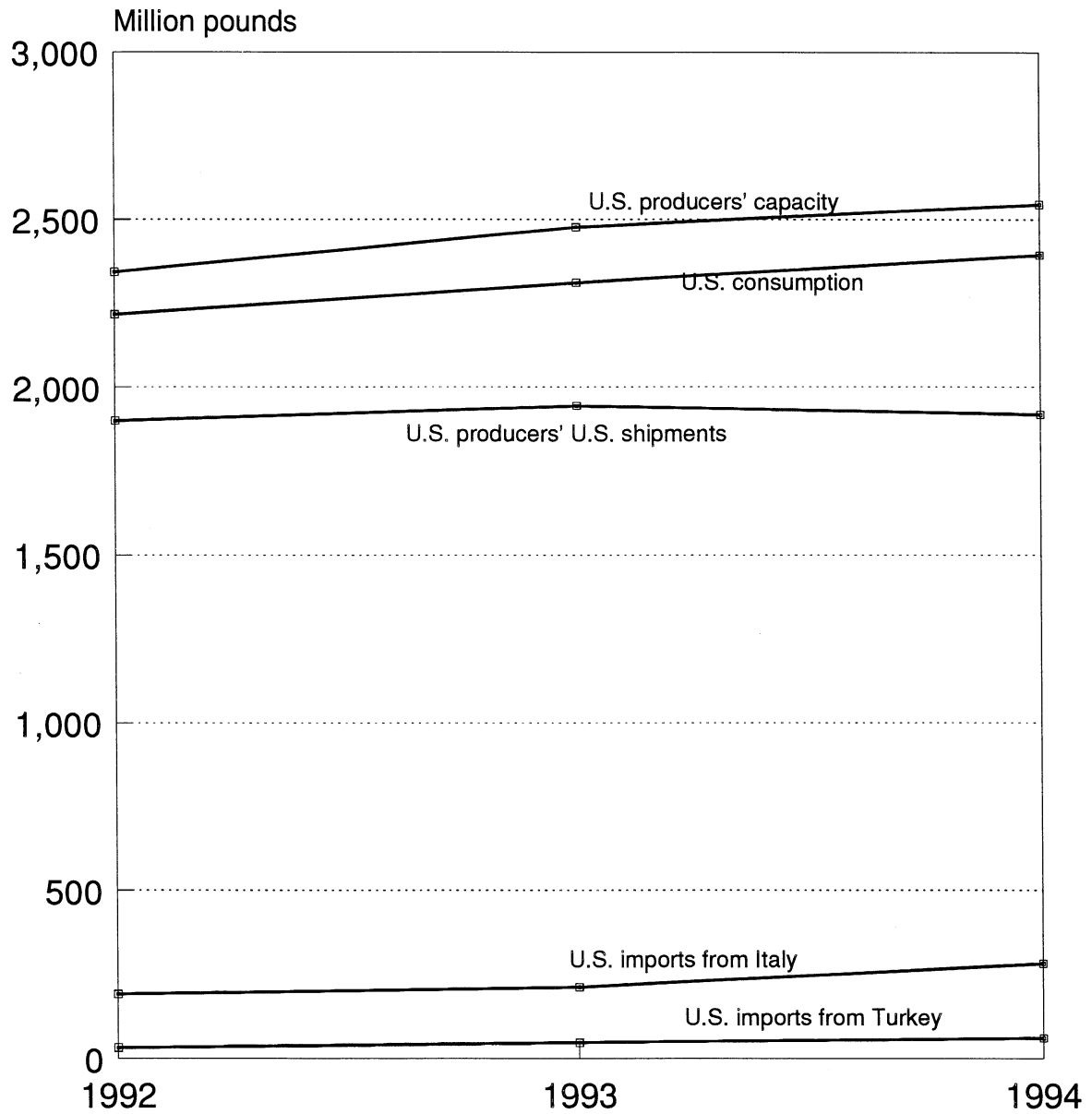
<sup>7</sup> A decrease of less than 0.05 percent.

<sup>8</sup> Not meaningful.

Note.—Period changes are derived from the unrounded data. Period changes involving negative period data are positive if the amount of the negativity decreases and negative if the amount of the negativity increases. Because of rounding, figures may not add to the totals shown. Unit values derived from official statistics of the U.S. Department of Commerce are calculated from the unrounded figures. Unit values and other ratios are calculated using data where both comparable numerator and denominator information were supplied. Part-year inventory ratios are annualized.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce adjusted by staff. Official statistics were adjusted to exclude product which was imported in packages over 5 pounds. Adjustments were primarily calculated from responses to Commission importers' questionnaire; foreign producers' questionnaires were utilized in those instances where data on a foreign producer's U.S. exports were not otherwise available.

Figure A-3  
All dry non-egg pasta: Summary data concerning the U.S.  
market, 1992-94



Source: Table A-3.

Table A-4

All dry pasta: Summary data concerning the U.S. market, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

(Quantity = 1,000 pounds; value = 1,000 dollars; unit values and unit labor costs are per pound; period changes = percent, except where noted)									
Item	Reported data					Period changes			
	1992	1993	1994	Jan.-Mar. 1994	1995	1992-94	1992-93	1993-94	Jan.-Mar. 1994-95
<b>U.S. consumption quantity:</b>									
Amount	2,442,868	2,536,803	2,606,473	645,947	669,553	+6.7	+3.8	+2.7	+3.7
Producers' share <sup>1</sup>	86.2	84.7	80.7	82.6	81.4	-5.5	-1.5	-4.0	-1.2
Importers' share: <sup>1</sup>									
Italy (subject)	7.8	8.3	10.8	10.0	10.5	+3.0	+0.5	+2.5	+0.5
Turkey (subject)	1.3	1.8	2.3	2.1	2.7	+1.0	+0.6	+0.5	+0.6
Subtotal	9.1	10.1	13.1	12.1	13.2	+4.0	+1.1	+2.9	+1.2
Italy (non-subject)	.5	.5	.9	.6	.5	+0.4	+0.1	+0.4	-0.2
Turkey (non-subject)	.1	.1	.3	.1	.4	+0.2	(2)	+0.2	+0.3
Canada	.9	1.2	1.2	1.4	1.0	+0.3	+0.3	(3)	-0.4
Selected Latin American sources	.6	.7	1.2	1.0	1.0	+0.6	+0.1	+0.5	(2)
Far Eastern sources	2.3	2.3	2.2	1.9	2.0	(2)	(3)	-0.1	+0.1
Other sources	.4	.3	.4	.3	.5	(2)	-0.1	+0.1	+0.2
Total	13.8	15.3	19.3	17.4	18.6	+5.5	+1.5	+4.0	+1.2
<b>U.S. consumption value:</b>									
Amount	1,282,426	1,341,810	1,402,363	349,886	376,342	+9.4	+4.6	+4.5	+7.6
Producers' share <sup>1</sup>	87.9	87.3	84.1	86.1	85.7	-3.8	-0.6	-3.2	-0.4
Importers' share: <sup>1</sup>									
Italy (subject)	6.4	6.5	8.9	7.9	8.3	+2.5	+0.2	+2.3	+0.4
Turkey (subject)	.6	.8	1.1	.9	1.2	+0.5	+0.2	+0.2	+0.2
Subtotal	7.0	7.4	9.9	8.8	9.5	+2.9	+0.4	+2.6	+0.7
Italy (non-subject)	.5	.5	.8	.6	.5	+0.4	+0.1	+0.3	-0.1
Turkey (non-subject)	(4)	(4)	.1	(4)	.2	+0.1	(2)	+0.1	+0.1
Canada	.8	1.0	1.1	1.2	.8	+0.3	+0.2	+0.1	-0.4
Selected Latin American sources	.4	.5	.9	.7	.6	+0.4	+0.1	+0.3	-0.1
Far Eastern sources	2.9	2.8	2.6	2.2	2.2	-0.3	-0.1	-0.2	(3)
Other sources	.5	.4	.5	.3	.6	(2)	-0.1	+0.1	+0.2
Total	12.1	12.7	15.9	13.9	14.3	+3.8	+0.6	+3.2	+0.4
<b>U.S. imports<sup>5</sup> from—</b>									
<b>Italy (subject):</b>									
Imports quantity	190,451	210,753	281,037	64,580	70,483	+47.6	+10.7	+33.3	+9.1
Imports value	81,670	87,523	124,233	27,632	31,308	+52.1	+7.2	+41.9	+13.3
Unit value	\$0.43	\$0.42	\$0.44	\$0.43	\$0.44	+3.1	-3.2	+6.4	+3.8
Ending inventory quantity	-	-	-	-	-	-	-	-	-
<b>Turkey (subject):</b>									
Imports quantity	31,221	46,482	59,928	13,470	18,201	+91.9	+48.9	+28.9	+35.1
Imports value	7,814	11,303	14,957	3,284	4,400	+91.4	+44.7	+32.3	+34.0
Unit value	\$0.25	\$0.24	\$0.25	\$0.24	\$0.24	-0.3	-2.8	+2.6	-0.9
Ending inventory quantity	-	-	-	-	-	-	-	-	-
<b>Subject sources:</b>									
Imports quantity	221,672	257,235	340,966	78,050	88,684	+53.8	+16.0	+32.6	+13.6
Imports value	89,484	98,826	139,190	30,916	35,708	+55.5	+10.4	+40.8	+15.5
Unit value	\$0.40	\$0.38	\$0.41	\$0.40	\$0.40	+1.1	-4.8	+6.3	+1.6
Ending inventory quantity	-	-	-	-	-	-	-	-	-
<b>Italy (non-subject):</b>									
Imports quantity	11,703	13,550	23,594	4,023	3,141	+101.6	+15.8	+74.1	-21.9
Imports value	5,832	6,942	11,656	2,092	1,734	+99.9	+19.0	+67.9	-17.1
Unit value	\$0.50	\$0.51	\$0.49	\$0.52	\$0.55	-0.9	+2.8	-3.6	+6.2
Ending inventory quantity	-	-	-	-	-	-	-	-	-
<b>Turkey (non-subject):</b>									
Imports quantity	1,785	1,424	6,700	662	2,767	+275.4	-20.2	+370.4	+318.0
Imports value	398	339	1,607	155	656	+303.7	-14.8	+373.8	+323.3
Unit value	\$0.22	\$0.24	\$0.24	\$0.23	\$0.24	+7.6	+6.8	+0.7	+1.3
Ending inventory quantity	-	-	-	-	-	-	-	-	-
<b>Canada:</b>									
Imports quantity	22,581	31,365	32,566	8,948	6,703	+44.2	+38.9	+3.8	-25.1
Imports value	10,353	13,590	15,304	4,104	3,053	+47.8	+31.3	+12.6	-25.6
Unit value	\$0.46	\$0.43	\$0.47	\$0.46	\$0.46	+2.5	-5.5	+8.5	-0.7
Ending inventory quantity	-	-	-	-	-	-	-	-	-

Continued.

Table A-4--Continued

All dry pasta: Summary data concerning the U.S. market, 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

(Quantity=1,000 pounds; value=1,000 dollars; unit values and unit labor costs are per pound; period changes=percent, except where noted)									
Item	Reported data					Period changes			
	1992	1993	1994	Jan.-Mar.-- 1994	1995	1992-94	1992-93	1993-94	Jan.-Mar. 1994-95
U.S. imports from--									
Selected Latin American sources:									
Imports quantity	14,251	18,078	30,588	6,567	6,473	+114.6	+26.9	+69.2	-1.4
Imports value	5,302	6,921	11,929	2,505	2,310	+125.0	+30.5	+72.4	-7.8
Unit value	\$0.37	\$0.38	\$0.39	\$0.38	\$0.36	+4.8	+2.9	+1.9	-6.4
Ending inventory quantity	-	-	-	-	-	-	-	-	-
Far Eastern sources:									
Imports quantity	55,172	58,320	57,957	12,036	13,439	+5.0	+5.7	-0.6	+11.7
Imports value	37,182	37,928	36,146	7,774	8,404	-2.8	+2.0	-4.7	+8.1
Unit value	\$0.67	\$0.65	\$0.62	\$0.65	\$0.63	-7.5	-3.5	-4.1	-3.2
Ending inventory quantity	-	-	-	-	-	-	-	-	-
Other sources:									
Imports quantity	10,155	8,321	10,682	2,065	3,407	+5.2	-18.1	+28.4	+65.0
Imports value	6,773	5,661	6,920	1,222	2,135	+2.2	-16.4	+22.2	+74.7
Unit value	\$0.67	\$0.68	\$0.65	\$0.59	\$0.63	-2.9	+2.0	-4.8	+5.9
Ending inventory quantity	-	-	-	-	-	-	-	-	-
All sources:									
Imports quantity	337,319	388,294	503,052	112,351	124,614	+49.1	+15.1	+29.6	+10.9
Imports value	155,323	170,206	222,752	48,768	54,000	+43.4	+9.6	+30.9	+10.7
Unit value	\$0.46	\$0.44	\$0.44	\$0.43	\$0.43	-3.8	-4.8	+1.0	-0.2
U.S. producers'--									
Average capacity quantity	2,628,943	2,761,380	2,828,629	693,969	722,471	+7.6	+5.0	+2.4	+4.1
Production quantity	2,082,497	2,126,387	2,144,682	574,584	549,081	+3.0	+2.1	+0.9	-4.4
Capacity utilization <sup>1</sup>	76.4	74.2	72.9	80.2	73.3	-3.5	-2.2	-1.3	-6.9
U.S. shipments:									
Quantity	2,105,549	2,148,509	2,103,421	533,596	544,939	-0.1	+2.0	-2.1	+2.1
Value	1,127,103	1,171,604	1,179,611	301,118	322,342	+4.7	+3.9	+0.7	+7.0
Unit value	\$0.54	\$0.55	\$0.57	\$0.57	\$0.60	+5.0	+1.9	+3.0	+5.0
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Exports/shipments <sup>1</sup>	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	\$***	\$***	\$***	\$***	\$***	***	***	***	***
Ending inventory quantity	201,479	158,767	179,044	191,571	177,157	-11.1	-21.2	+12.8	-7.5
Inventory/shipments <sup>1</sup>	11.7	9.1	10.9	11.2	10.8	-0.7	-2.6	+1.8	-0.5
Production workers	3,305	3,341	3,335	3,383	3,184	+0.9	+1.1	-0.2	-5.9
Hours worked (1,000s)	7,677	7,603	6,992	1,849	1,758	-8.9	-1.0	-8.0	-4.9
Wages paid (\$1,000)	87,323	87,257	85,971	22,295	22,036	-1.5	-0.1	-1.5	-1.2
Total compensation (\$1,000)	112,762	114,954	115,487	29,951	29,845	+2.4	+1.9	+0.5	-0.4
Hourly wages	\$11.37	\$11.48	\$12.30	\$12.06	\$12.53	+8.1	+0.9	+7.1	+4.0
Hourly total compensation	\$14.69	\$15.12	\$16.52	\$16.20	\$16.98	+12.5	+2.9	+9.2	+4.8
Productivity (pounds/hour)	235.3	243.7	263.9	272.4	265.2	+12.1	+3.5	+8.3	-2.7
Unit labor costs	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	+0.3	-0.6	+0.9	+7.6
Net sales--									
Quantity	1,730,029	1,761,868	1,696,887	435,448	433,828	-1.9	+1.8	-3.7	-0.4
Value	1,016,597	1,051,818	1,048,004	270,864	282,042	+3.1	+3.5	-0.4	+4.1
Unit sales value	\$0.59	\$0.60	\$0.62	\$0.62	\$0.65	+5.1	+1.6	+3.5	+4.5
Cost of goods sold (COGS)	582,037	620,010	690,081	172,027	178,456	+18.6	+6.5	+11.3	+3.7
Gross profit (loss)	434,560	431,808	357,923	98,837	103,586	-17.6	-0.6	-17.1	+4.8
SG&A expenses	297,178	330,702	329,102	88,697	101,438	+10.7	+11.3	-0.5	+14.4
Operating income or (loss)	137,382	101,106	28,821	10,140	2,148	-79.0	-26.4	-71.5	-78.8
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	\$0.34	\$0.35	\$0.41	\$0.40	\$0.41	+20.9	+4.6	+15.6	+4.1
Unit SG&A expenses	\$0.17	\$0.19	\$0.19	\$0.20	\$0.23	+12.9	+9.3	+3.3	+14.8
Unit operating income or (loss)	\$0.08	\$0.06	\$0.02	\$0.02	(4)	-78.6	-27.7	-70.4	-78.7
COGS/sales <sup>1</sup>	57.3	58.9	65.8	63.5	63.3	+8.6	+1.7	+6.9	-0.2
Operating income or (loss)/ sales <sup>1</sup>	13.5	9.6	2.8	3.7	0.8	-10.8	-3.9	-6.9	-3.0

Notes continued on next page.

Continuation of notes for table A-4.

<sup>1</sup> "Reported data" are in percent and "period changes" are in percentage points.

<sup>2</sup> A decrease of less than 0.05 percentage points.

<sup>3</sup> An increase of less than 0.05 percentage points.

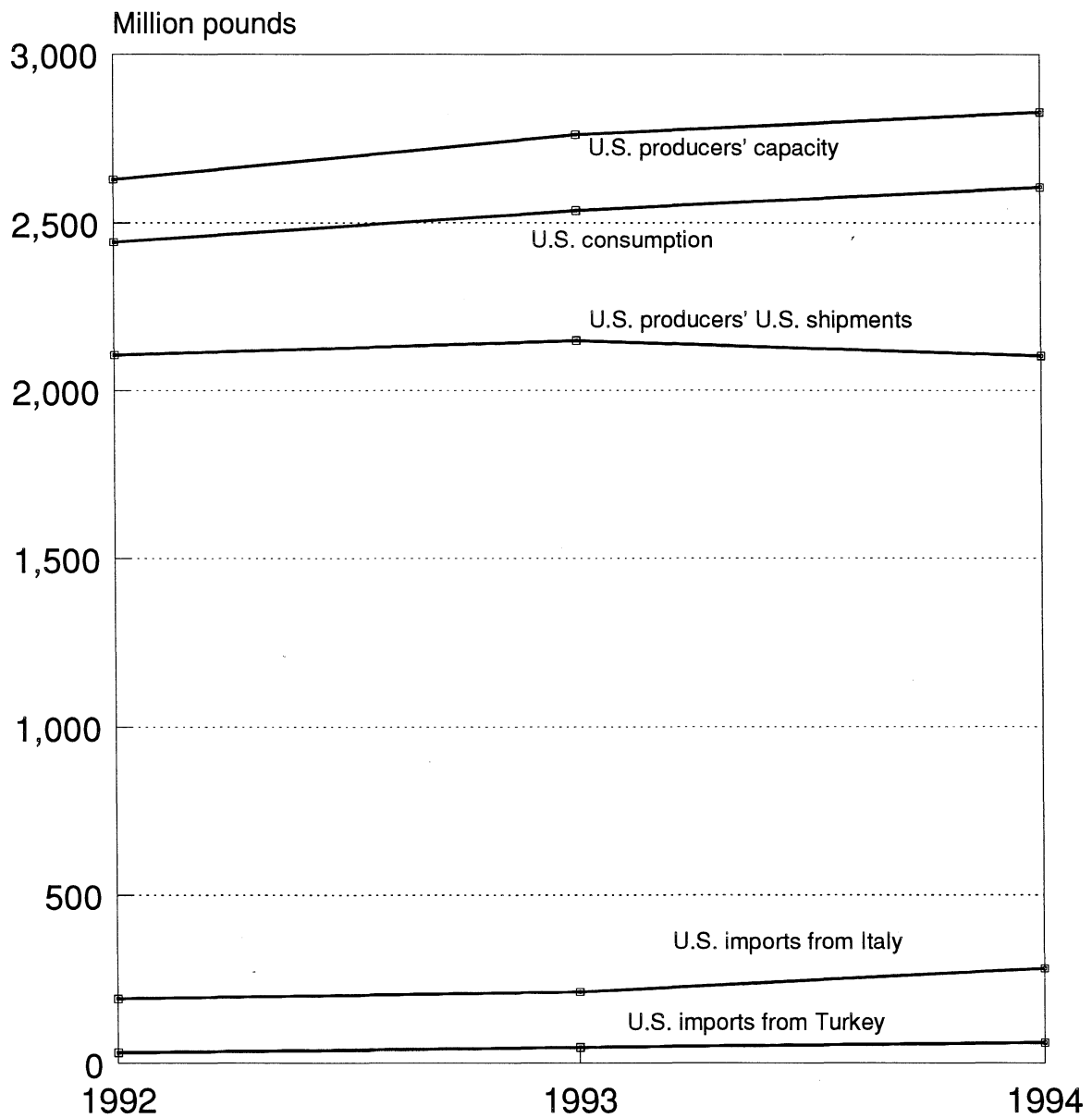
<sup>4</sup> Positive figure, but less than significant digits displayed.

<sup>5</sup> Imports listed below for Italy and Turkey are from official Department of Commerce import statistics adjusted using responses to Commission questionnaires; imports from non-subject sources are from official import statistics.

Note.—Period changes are derived from the unrounded data. Period changes involving negative period data are positive if the amount of the negativity decreases and negative if the amount of the negativity increases. Because of rounding, figures may not add to the totals shown. Unit values derived from official statistics of the U.S. Department of Commerce are calculated from the unrounded figures. Unit values and other ratios are calculated using data where both comparable numerator and denominator information were supplied. Part-year inventory ratios are annualized.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce adjusted by staff. Official statistics were adjusted to exclude product which was imported in packages over 5 pounds. Adjustments were primarily calculated from responses to Commission importers' questionnaire; foreign producers' questionnaires were utilized in those instances where data on a foreign producers' U.S. exports were not otherwise available.

Figure A-4  
All dry pasta: Summary data concerning the U.S. market,  
1992-94



Source: Table A-4.



**APPENDIX B**  
***FEDERAL REGISTER* NOTICES**



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**INTERNATIONAL TRADE  
COMMISSION**

[Investigations Nos. 701-TA-365-366  
(Preliminary) and 731-TA-734-735  
(Preliminary)]

**Certain Pasta From Italy and Turkey**

**AGENCY:** International Trade  
Commission.

**ACTION:** Institution and scheduling of preliminary countervailing duty and antidumping investigations.

**SUMMARY:** The Commission hereby gives notice of the institution of preliminary countervailing duty investigation Nos. 701-TA-365-366 (Preliminary) and preliminary antidumping investigation Nos. 731-TA-734-735 (Preliminary) under sections 703(a) and 733(a), respectively, of the Tariff Act of 1930, as amended by section 212(b) of the Uruguay Round Agreements Act (URAA), Pub. L. 103-465, 108 Stat. 4809 (1994) (19 U.S.C. 1671b(a) and 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 Italy or Turkey of certain pasta,<sup>1</sup> provided for in subheading 1902.19.20 of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized by the Governments of Italy and Turkey and are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to sections 702(c)(1)(B) and 732(c)(1)(B), the Commission must complete preliminary countervailing duty and antidumping investigations in 45 days, or in this case by June 26, 1995. The Commission's views are due at the Department of Commerce within 5 business days thereafter, or by July 3, 1995.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207), as amended.

**EFFECTIVE DATE:** May 12, 1995.

**FOR FURTHER INFORMATION CONTACT:** Debra Baker (202-205-3180), Office of Investigations, U.S. International Trade Commission, 500 E Street SW.,

Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. Information can also be obtained by calling the Office of Investigations' remote bulletin board system for personal computers at 202-205-1895 (N.8.1).

#### **SUPPLEMENTARY INFORMATION:**

##### **Background**

These investigations are being instituted in response to a petition filed on May 12, 1995, by counsel for Borden, Inc., Columbus, OH; Hershey Foods Corp., Hershey, PA; and Gooch Foods, Inc. (Archer Daniels Midland Co.), Lincoln, NE.

##### **Participation in the Investigations and Public Service List**

Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in §§ 201.11 and 207.10 of the Commission's rules, not later than seven (7) days after publication of this notice in the Federal Register. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

##### **Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List**

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these preliminary investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made not later than seven (7) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

##### **Conference**

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on June 2, 1995, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the

conference should contact Debra Baker (202-205-3180) not later than May 30, 1995, to arrange for their appearance. Parties in support of the imposition of countervailing and 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. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

##### **Written Submissions**

As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before June 7, 1995, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three (3) days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with §§ 01.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

**Authority:** These investigations are being conducted under authority of the Tariff Act of 1930, title VII, as amended by the URAA. This notice is published pursuant to § 207.12 of the Commission's rules.

Issued: May 16, 1995.

By order of the Commission.

Donna R. Koehnke,  
Secretary.

[FR Doc. 95-12361 Filed 5-18-95; 8:45 am]

BILLING CODE 7020-02-P

<sup>1</sup> Certain pasta consists of non-egg dry pasta for retail sale, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastases, vitamins, coloring and flavorings, and up to two percent egg white. For purposes of these investigations, retail sales are defined as pasta sold in retail channels, typically in packages of five pounds or less in fiberboard or cardboard cartons or polyethylene or polypropylene bags, of varying dimensions. Excluded from these investigations are non-egg dry pasta sold to the industrial and food service markets. Also excluded from the scope of these investigations are fresh, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of non-egg dry pasta containing up to two percent egg white.

the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA).

#### *The Petition*

On May 12, 1995, the Department of Commerce (the Department) received a petition filed in proper form by Borden, Inc., Hershey Foods Corp., and Gooch Foods, Inc. (the petitioners), three U.S. producers of certain pasta. Supplements to the petition were filed on May 26 and June 1, 1995.

In accordance with section 732(b) of the Act, the petitioners allege that imports of certain pasta from Italy and Turkey 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 Act, and that such imports are materially injuring, or threatening material injury to, a U.S. industry.

The petitioners state that they have standing to file the petition because they are interested parties, as defined under section 771(9)(C) of the Act.

#### *Determination of Industry Support for the Petition*

Section 732(c)(4)(A) of the Act requires the Department to determine, prior to the initiation of an investigation, the domestic industry supports an antidumping petition. A petition meets this requirement if (1) the domestic producers or workers who support the petition account for at least 25 percent of the total production of the domestic like product; and (2) the domestic producers or workers who support the petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

A review of the industry support data provided in the petition and other production information readily available to the Department indicates that the petitioners account for more than 25 percent of the total production of the domestic like product and for more than 50 percent of that produced by companies expressing support for, or opposition to, the petition. The Department received no expressions of opposition to the petition from any interested party. Accordingly, the Department determines that this petition is supported by the domestic industry.

#### *Scope of the Investigations*

The Department has inherent authority to redefine and clarify the scope of an investigation, as set forth in

a petition, whenever it determines that the petition language is overly broad, or insufficiently specific to allow proper investigation, or is in any other way defective. See *NTN Bearing Corp. v. United States*, 747 F. Supp. 726 (CIT 1990). We revised the petitioners' proposed scope to eliminate channel of trade as a scope criterion in order to ensure that it would be clear and administrable.

The scope of these investigations consists of certain non-egg dry pasta in packages of five pounds (or 2.27 kilograms) or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastases, vitamins, coloring and flavorings, and up to two percent egg white. The pasta covered by this scope is typically sold in the retail market, in fiberboard or cardboard cartons or polyethylene or polypropylene bags, of varying dimensions.

Excluded from the scope of these investigations are refrigerated, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of non-egg dry pasta containing up to two percent egg white.

The merchandise under investigation is currently classifiable under items 1902.19.20 of the *Harmonized Tariff Schedule of the United States (HTSUS)*. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

#### *Italy*

##### *Export Price and Normal Value*

The petitioners based export price on two sources. First, the petitioners based export price on the average unit values (AUVs) derived from the IM-146 monthly import statistics for HTSUS subheading 1902.19.20, published by the U.S. Department of Commerce, for the months of December 1994 and January and February 1995. These AUVs corresponded to the months the available home market price lists were in effect. The AUVs, which represent the f.o.b. Italy price of the subject pasta, were not adjusted for foreign inland freight. We find the AUVs a reasonable basis for export price because 1) the HTSUS subheading is inclusive of all sales of the subject merchandise, 2) there were limited imports of non-subject pasta under this subheading, and 3) a market research report submitted by the petitioners shows the AUVs to be consistent with the average export values of non-egg pasta from Italy to the U.S.

#### **International Trade Administration**

[A-475-818, A-489-805]

#### **Initiation of Antidumping Duty Investigations: Certain Pasta From Italy and Turkey**

AGENCY: Import Administration, International Trade Administration, Department of Commerce

EFFECTIVE DATE: June 8, 1995.

FOR FURTHER INFORMATION CONTACT: John Brinkmann at (202) 482-5288, or Greg Thompson at (202) 482-3003, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230.

#### **Initiation of Investigations**

##### *The Applicable Statute*

Unless otherwise indicated, all citations to the statute are references to

The second methodology used by the petitioners was based on U.S. retail prices obtained from 1) the domestic industry's weekly sales reports compiled by the petitioners' own sales representative for November and December of 1994, and 2) *InfoScan Markets*, which reports published weekly prices charged by U.S. retailers for pasta for the month of January 1995. The prices used were for brand name products of two Italian producers, and were adjusted downward for U.S. ocean freight and other movement charges.

The petitioners used Italian producer price lists to wholesale customers obtained from a market research report as the basis for normal value. For comparisons to the three U.S. retail prices, the petitioners selected a single "regular or regular cut" pasta price from the appropriate producer's price list. For comparisons to the U.S. AUVs, the petitioners selected a single price from a producers' price list. Because the prices were reported in Italian lire per kilogram (kg), the petitioners calculated the lire per pound (lb) equivalent for each product listed and then converted to U.S. dollars per pound using the average exchange rate for the two month period that is used to calculate the U.S. prices. The petitioners deducted a nine percent quantity discount and 7.5 percent "other discount" based on the Italian market research report. Finally, the petitioners made an adjustment to normal value for U.S. and Italian imputed credit expenses.

We find the petitioners' selection of home market prices not to be representative comparisons to the U.S. export price to which they are being compared. In the case of the AUVs, the petitioners have selected a single price of a specific pasta type to compare to an export price which is an average of all imports of the subject pasta from Italy. For purposes of this initiation, we have revised the normal value to a simple average of all of the subject pasta prices that are listed in the producer's price list used by the petitioners in their fair value comparisons. In the case of the export prices based on the three retail prices described as "regular or regular cuts," we have revised the normal value to be a simple average of the subject pasta prices that are listed in producer's price list used by the petitioners that are described in that price list as "regular" pasta.

Based on comparisons of export price to normal value, the estimated dumping margins for certain pasta from Italy range from 21.85 percent to 71.49 percent.

## Turkey

### Export Price and Normal Value

The petitioners based export price on the AUVs derived from the IM-146 monthly import statistics for HTSUS subheading 1902.19.20, published by the U.S. Department of Commerce for the months of January and February, 1995. Claiming that Turkey's economy is hyperinflationary, the petitioners used AUVs for the month when the comparison home market sales occurred as the basis for export price. Specifically, petitioners state that Turkey experienced an annual inflation rate of 70 percent during 1994, which rose to approximately 130 percent in early 1995. The AUVs were not adjusted for foreign inland freight. We find the AUVs a reasonable basis for export price for the same reasons stated above for Italy.

The petitioners based normal value on January and February 1995 prices between a Turkish producer and its wholesaler which were obtained by a market researcher. The gross home market prices were adjusted downward for the following costs: value added taxes, quantity discounts, special annual rebate, and average delivery costs. The petitioners converted the unit price quotes in Turkish lire to U.S. dollars using the exchange rates that were in effect on or about the time the home market sales occurred.

In accordance with Section 773(b)(2) of Act, the petitioners alleged that sales of certain pasta in the home market were made at prices below the cost of production (COP). The components of COP, as enumerated in Section 773(b)(3) of the Act, are the cost of manufacture (COM), packing and selling, general, and administrative (SG&A) expenses. SG&A includes the company's net financing expense.

The petitioners calculated COM based on their own production experience for January and February 1995, adjusted for known differences between costs incurred to produce certain pasta in the United States and production costs incurred for the merchandise in Turkey. For SG&A expenses, the petitioners used their own 1994 audited annual financial statements because they could not obtain financial statements for a Turkish pasta or food processing company. The Department normally uses cost information specific to the home market. However, the petitioners documented that they attempted to obtain financial statements through various sources but were unable to gather financial data on the Turkish pasta or food processing industry.

The allegation that the Turkish producers are selling the foreign like product in their home market at prices below its COP is based upon a comparison of the adjusted home market prices with the calculated COP. Based on this reasonably available information, we find reasonable grounds to believe or suspect that sales of the foreign like product may have been made at prices below COP in accordance with section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating a cost investigation with respect to Turkey.

The petitioners calculated a constructed value (CV) using the same COM, packing and SG&A figures used to compute the Turkish home market costs for pasta. The petitioners also added to CV an amount for profit. To calculate profit, the petitioners relied on 1993 audited financial statements reported by a major Italian producer. Although the petitioners demonstrated significant efforts in attempting to obtain Turkish specific financial data for the pasta and food processing industries, we do not consider the profit of an Italian pasta producer an acceptable alternative. For purposes of this initiation, we have rejected the estimated margin based on CV, and have instead relied solely on the comparison of export price to the home market price above COP.

Based on this comparison of export price to normal value, the estimated dumping margin for certain pasta from Turkey is 63.29 percent.

### Fair Value Comparisons

Based on the data provided by the petitioners, there is reason to believe that imports of certain pasta from Italy and Turkey are being, or likely to be, sold at less than fair value. If it becomes necessary at a later date to consider the petition as a source of facts available, we may review the calculations.

### Initiation of Investigations

We have examined the petition on certain pasta from Italy and Turkey and have found that it meets the requirements of section 732 of the Act, including the requirements concerning allegations of material injury or threat of material injury to the domestic producers of a domestic like product by reason of the complained-of imports, allegedly sold at less than fair value. Therefore, we are initiating antidumping duty investigations to determine whether imports of certain pasta from Italy and Turkey are being, or are likely to be, sold in the United States at less than fair value. Unless extended, we will make our preliminary determinations by October 19, 1995.

***Distribution of Copies of the Petition***

In accordance with section 732(b)(3)(A) of the Act, copies of the public versions of the petition have been provided to the representatives of the governments of Italy and Turkey. We will attempt to provide copies of the public versions of the petition to all the exporters named in the petition.

***International Trade Commission (ITC) Notification***

We have notified the ITC of our initiations, as required by section 732(d) of the Act.

***Preliminary Determination by the ITC***

The ITC will determine by June 26, 1995, whether there is a reasonable indication that imports of certain pasta from Italy and Turkey are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination in either investigation will result in the respective investigation being terminated; otherwise, these investigations will proceed according to statutory and regulatory time limits.

Dated: June 1, 1995.

**Susan G. Esserman,**  
*Assistant Secretary for Import  
Administration.*

[FR Doc. 95-13982 Filed 6-7-95; 8:45 am]

BILLING CODE 3510-06-P

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[C-475-819, C-489-806]

**Notice of Initiation of Countervailing Duty Investigations: Certain Pasta ("Pasta") From Italy and Turkey**

**AGENCY:** Import Administration, International Trade Administration, Department of Commerce.

**EFFECTIVE DATE:** June 8, 1995.

**FOR FURTHER INFORMATION CONTACT:** Jennifer Yeske (Italy) and Elizabeth Graham (Turkey), Office of Countervailing Investigations, U.S. Department of Commerce, Room 3099, 14th Street and Constitution Avenue, N.W., Washington, DC 20230; telephone (202) 482-0189 and (202) 482-4105, respectively.

**Initiation of Investigations**

*The Applicable Statute*

Unless otherwise indicated, all citations to the statute are references to the provisions of the Tariff Act of 1930, as amended by the Uruguay Round Agreements Act effective January 1, 1995 (the Act).

*The Petition*

On May 12, 1995, the Department of Commerce (the Department) received a petition filed in proper form by Borden Inc., Hershey Foods Corp., and Gooch Foods, Inc. (the petitioners), three U.S. producers of pasta. Supplements to the

petition were filed on May 26, 1995, and May 31, 1995.

In accordance with section 701(a) of the Act, petitioners allege that manufacturers, producers, or exporters of the subject merchandise in Italy and Turkey receive countervailable subsidies.

The petitioners state that they have standing to file the petition because they are interested parties, as defined under section 771(9)(C) of the Act.

*Determination of Industry Support for the Petition*

Section 702(c) of the Act requires the Department to determine, prior to the initiation of an investigation, that a minimum percentage of the domestic industry supports a countervailing duty petition. A petition meets this requirement if (1) domestic producers or workers who support the petition account for at least 25 percent of the total production of the domestic like product; and (2) those domestic producers or workers who support the petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

A review of the production data provided in the petition and other information readily available to the Department indicates that the petitioners account for more than 25 percent of the total production of the domestic like product and for more than 50 percent of that produced by companies expressing support for, or opposition to, the petition. The Department received no expressions of opposition to the petition from any interested party. Accordingly, the Department determines that this petition is supported by the domestic industry.

*Injury Test*

Because Italy and Turkey are "Subsidies Agreement Countries" within the meaning of section 701(b) of the Act, Title VII of the Act applies to this investigation. Accordingly, the U.S. International Trade Commission ("ITC") must determine whether imports of the subject merchandise from Italy and Turkey materially injure, or threaten material injury to, a U.S. industry.

*Scope of the Investigation*

The Department has inherent authority to redefine and clarify the scope of an investigation, as set forth in a petition, whenever it determines that the petition language is overly broad, or insufficiently specific to allow proper



investigation, or in any other way defective. See *NTN Bearing Corp. v. United States*, 747 F. Supp. 726 (CIT 1990). We revised the petitioners' proposed scope to eliminate channel of trade as a scope criterion in order to ensure that it would be clear and administrable.

The scope of these investigations consists of certain non-egg dry pasta in packages of five pounds (or 2.27 kilograms) or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastases, vitamins, coloring and flavorings, and up to two percent egg white. The pasta covered by this scope is typically sold in the retail market in fiberboard or cardboard cartons or polyethylene or polypropylene bags, of varying dimensions.

Excluded from the scope of these investigations are refrigerated, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of non-egg dry pasta containing up to two percent egg white.

The merchandise under investigation is currently classifiable under subheading 1902.19.20 of the *Harmonized Tariff Schedule of the United States (HTS)*. Although the HTS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

#### *Allegation of Subsidies*

Section 702(b) of the Act requires the Department to initiate a countervailing duty proceeding whenever an interested party files a petition, on behalf of an industry, that (1) alleges the elements necessary for an imposition of a duty under section 701(a), and (2) is accompanied by information reasonably available to petitioners supporting the allegations.

#### *Initiation of Countervailing Duty Investigations*

The Department has examined the petition on pasta from Italy and Turkey and found that it complies with the requirements of section 702(b) of the Act. Therefore, in accordance with section 702(b) of the Act, we are initiating countervailing duty investigations to determine whether manufacturers, producers, or exporters of pasta from Italy and Turkey receive subsidies.

#### *A. Italy*

We are including in our investigation the following programs alleged in the petition to have provided subsidies to

producers of the subject merchandise in Italy:

1. *Law 675/77—Capital Grants*
2. *Law 675/77—VAT Reductions*
3. *Laws 227/77, 394/81, and 304/90—Preferential Export Financing and Export Promotion*
4. *Law 64/86—Industrial Investment Development Assistance*
5. *ILOR & IRPEG Tax Exemptions*
6. *Law 345/92—Social Security Exemptions*
7. *Law 1329/65—Interest Contributions Under the Sabatini Law*
8. *Law 181—Urban Redevelopment Packages*
9. *Pasta Export Restitution Program*
10. *European Regional Development Fund ("ERDF") Aid*
11. *European Social Fund ("ESF") Aid*
12. *Miscellaneous EU Subsidies*

We are not including in our investigation the following programs alleged to be benefitting producers of the subject merchandise in Italy:

1. *Law 675/77—Interest Contributions on Bank Loans, Interest Grants for Loans Financed by IRI Bond Issues, Ministry of Industry Mortgage Loans, and Personnel Retraining Grants*

Law 675 has been investigated and found countervailable in prior investigations, i.e., *Final Affirmative Countervailing Duty Determination: Certain Steel from Italy* (58 FR 37327, July 9, 1993 ("Certain Steel")) and *Final Affirmative Countervailing Duty Determination: Grain-Oriented Electrical Steel from Italy* (59 FR 18357, April 18, 1994) ("GOES"). However, the determination of countervailability in those cases was based on a finding that the automobile and steel industries were dominant users of Law 675 benefits. In *Certain Steel*, the Department verified that the steel and automobile industries together accounted for 66 percent of the total assistance provided under Law 675. The remaining portion of the benefits provided under this law were spread among nine other industries. Petitioners have noted that the agro-food industry is one of the other nine industries which received benefits. However, petitioners have not provided any basis to believe or suspect that the pasta industry, in particular, was a dominant user; nor have they provided any other basis to believe that benefits under this program are specific to the pasta industry. For these reasons, we are not including the above-named portions of Law 675 in our investigation.<sup>1</sup>

<sup>1</sup>Two types of benefits under this program, (i.e., Capital Grants and VAT Reductions) were found in *GOES* to be available only in the Mezzogiorno region of Italy, making them regionally specific.

#### *2. Law 796/76—Exchange Rate Guarantee Program*

Law 796 provides exchange rate guarantees on foreign currency loans obtained under ECSC Article 54 and/or the Council of European Resettlement ("CER") Fund. This program has been investigated in the past and has been found countervailable on the basis of dominant use by the steel industry (see, *Preliminary Affirmative Countervailing Duty Determination: Oil Country Tubular Goods From Italy*, (59 FR 61870)). In that case, the information provided by the GOI showed that the steel industry received 25 percent of the benefits under this program. Petitioners have alleged that because CER loans are available to agriculture, tourism, and handicraft, pasta producers may have received benefits under this program. However, petitioners have not provided any basis to believe or suspect that the pasta industry, in particular, was a dominant user; nor have they provided any other bases to believe that benefits under this program are specific to the pasta industry. Moreover, in accordance with section 355.43(b)(8) of our *Countervailing Duties: Notice of Proposed Rulemaking and Request for Public Comments*, 54 FR 23366 (May 31, 1989) (*Proposed Regulations*), a program cannot be found specific solely on the basis of being limited to agriculture. Therefore, we are not including this program in our investigation.

Although the Department has withdrawn the *Proposed Regulations*, references to the *Proposed Regulations* are provided for further explanation of the Department's CVD practice.

#### *3. Council of Europe Resettlement ("CER") Loans*

In their discussion of the Exchange Rate Guarantee program, petitioners request that the Department initiate an investigation of CER loans independent of the Exchange Rate Guarantee program to determine whether CER funds are provided at preferential rates or otherwise provide a benefit to recipient companies. However, petitioners have neither provided evidence that CER loans are provided at preferential rates nor provided evidence that these loans are specific to the pasta industry. For these reasons, we are not including CER loans in our investigation.

#### *4. Law 46/82—Research and Development Grants*

This program was found to be not countervailable in *GOES*, because benefits under the program are not

Therefore, we have included those benefits under Law 675 in our investigation, as indicated above.

limited to a specific enterprise or industry or group of enterprises or industries. Petitioners acknowledge this finding, but argue that there is no indication that the Department considered a 1985 amendment to Law 46/82. Specifically, Article 14 of the law was amended at that time to authorize government assistance for several additional agricultural and/or industrial purposes. Innovations in pasta production is one of the newly enumerated purposes. Petitioners also claim that under Article 14 pasta may have received a disproportionate share of the benefits.

Petitioners have not provided a sufficient basis to believe that the program has changed since the determination of non-countervailability in *GOES*. Because the period of investigation for *GOES* was 1992, the Department's specificity analysis did take into account any changes to Law 46/82 made in 1985. In addition, petitioners have not provided a sufficient basis to believe that pasta received a disproportionate share of the benefits under this program. Therefore, we are not including Law 46/82 grants in our investigation.

#### 5. Miscellaneous Italian Government Subsidies

Petitioners have reviewed the annual reports of four Italian pasta producers and noted numerous references to items such as "subsidies" which petitioners were unable to link to any alleged programs. Petitioners recognize that many of these items might be covered by programs which have been alleged; however, they request that we investigate them under a separate program of Miscellaneous Italian Government Subsidies.

The allegation does not provide a basis for investigating these as subsidy programs. However, to the extent that our investigation includes the four relevant producers as respondents, we will make appropriate inquiries about the items in question.

#### 6. European Investment Bank ("EIB") Loans

Petitioners allege that Italian pasta producers may have received countervailable loans from the EIB.

These loans have been investigated in past investigations and, most recently, were found not countervailable in the *Final Affirmative Countervailing Duty Determinations: Certain Steel Products From Belgium* (58 FR 37273, 37285, July 9, 1993). In that case the Department found at verification that the EIB provides loans to numerous sectors in all parts of the various EU countries.

However, petitioners have not addressed this finding. Petitioners have neither alleged that the circumstances have changed nor that pasta producers may have received a disproportionate share of the benefits provided by this program. For these reasons, we are not including EIB loans in our investigation.

#### 7. European Agriculture Fund ("EAGGF") Aid

The EAGGF is a Structural Fund initiative similar to the ERDF and the ESF. However, while the ERDF and ESF have been investigated previously, the EAGGF has not. Petitioners allege that because these funds are allocated specifically to agriculture, pasta producers may have received benefits.

However, petitioners have provided no information regarding the types of benefits available under this program. In addition, section 355.43(b)(8) of our Proposed Regulations, which reflects our past practice, states that a program cannot be found specific solely on the basis of being limited to agriculture. For these reasons, we are not including EAGGF aid in our investigation.

#### B. Turkey

We are including in our investigation the following programs alleged in the petition to have provided subsidies to producers of the subject merchandise in Turkey:

1. *The Support and Price Stabilization Fund*
2. *Payments for Exports Shipped on Turkish Ships*
3. *Export Promotion Program*
4. *Pre-Shipment Export Loans*
5. *Export Credit Program*
6. *Tax Exemption for Export Earnings/Advance Refunds of Tax Savings*
7. *Export Credit Through Foreign Trade Corporate Companies Rediscount Credit Facility*
8. *Normal Foreign Currency Export Loans*
9. *Performance Foreign Currency Export Loans*
10. *Export Credit Insurance*
11. *Regional Subsidy Programs*
  - a. *Investment Allowances*
  - b. *Mass Housing Fund Levy Exemptions*
  - c. *Customs Duty Exemption*
  - d. *Rebate of VAT on Domestic Goods*
  - e. *Postponement of VAT on Imported Goods*
  - f. *Additional Refunds of VAT*
  - g. *Other Tax Exemptions*
  - h. *Payment of Certain Obligations of Firms Undertaking Large Investments*
  - i. *Corporate Tax Deferral*
  - j. *Subsidized Turkish Lira Credit Facilities*

#### k. *Subsidized Credit for Proportion of Fixed Expenditures*

1. *Subsidized Credit in Foreign Currency*
- m. *Land Allocation*
12. *General Incentives Program*
  - a. *Exemptions from Customs Duties*
  - b. *Investment Allowances*
  - c. *Employee Tax Exemptions*
  - d. *Investment Financing Fund*
  - e. *Building Construction Licensing Charge Immunity*
  - f. *Tax, Duty and Charge Exemptions*
  - g. *Foreign-Exchange Allocation*
  - h. *Other Tax, Duty and Charge Exemptions*
  - i. *Interest Spread Return*
  - j. *Deferral of VAT on Machinery and Equipment*
  - k. *Incentive Premium on Domestically Obtained Goods*
  - l. *Incentive Credit for Investment Goods Manufacturers*
  - m. *Wharfage Exemption*
  - n. *Authorization to Seek Foreign Financing*
  - o. *Interest Rebates on Export Financing*
13. *Exemption from Mass Housing Fund Levy (Duty Exemptions)*

We are not including in our investigation the following programs alleged to be benefitting producers of the subject merchandise in Turkey:

1. *Direct Payments to Exporters of Wheat Products to Compensate for High Domestic Input Prices; Resource Utilization Support Fund; Preferential Export Financing*

Petitioners have asked the Department to investigate three programs which, based on all evidence, were terminated prior to 1994. Petitioners argue that the Government of Turkey ("GOT") has a practice of revoking and reinstituting programs, and as such, the Department should investigate whether these programs were available in 1994.

Petitioners' assertion that the GOT revokes and reinstitutes programs is based solely on the revision of the Export Tax Rebate and Supplemental Tax Rebate Programs described in *Final Affirmative Countervailing Duty Determination: Acetylsalicylic Acid (Aspirin) from Turkey* (52 FR 24404, July 1, 1987) ("Aspirin"). We do not believe this action provides a sufficient basis for us to conclude that the Turkish government has reinstated the programs at issue here. Therefore, we are not including these three programs in our investigation.

2. *Direct Payments to Exporters of Wheat Products Based on Tonnage Exported*

Petitioners allege that in December 1994, the GOT introduced a program to

encourage exports of wheat flour. This program provides exporters of wheat flour \$35 per ton, for up to 20 percent of the total value of the exports. Petitioners assert that because the program is available for one wheat product, wheat flour, it is likely to be provided also for other wheat-based products.

Petitioners based their allegation on information contained in the 1995 *Annual Report of Grain and Feed*, prepared by the American Embassy in Ankara. This publication provides no evidence that pasta producers are eligible for benefits under this program. Therefore, we are not including this program in our investigation.

### 3. Rebates of Various Taxes Upon Exportation

Petitioners allege that the GOT imposes a three percent customs duty on imported durum wheat, a raw material used in the production of pasta. Manufacturers are allowed to claim duty drawback from the Customs and Excise Authority for customs duties levied on raw materials which are used in the manufacture of exported goods and packaging materials. Petitioners allege that this drawback may be the same program that was found countervailable in both *Aspirin* and *Pipe and Tube*. Petitioners acknowledge that during the 1980's the GOT reduced the rebate rates in line with current economic policies. However, petitioners assert that there is a lack of correlation between the taxes actually paid and amounts rebated, and therefore, the Department should investigate this program.

Although petitioners' public summary of its market research describes this program as a duty drawback program, petitioners' other sources refer to an export tax rebate program. To the extent that this is an export tax rebate, we note that one of the publications petitioners used to support their allegation indicates that tax rebate rates for exports were reduced during the 1980's, and in 1989 the rates were reduced to zero. In fact, we determined the export tax rebate program to be terminated for exports of aspirin to the United States in *Aspirin*. Moreover, because the *Pipe and Tube* and *Aspirin* investigations involved tax rebates, not duty drawback, we have no reason to believe or suspect that these programs are related.

Finally, to the extent that this is a duty drawback program, we do not consider duty drawback on inputs consumed in production of the exported product to be countervailable subsidies unless excessive. We have no basis to believe or suspect that the duty drawback is excessive. For the foregoing

reasons, we are not including this program in our investigation.

### 4. Supplemental Tax Rebates

Petitioners allege that the GOT provides supplemental tax rebates to exporters that have annual exports of more than \$2 million, with the rate of rebate increasing as the value of a company's annual exports increases. These supplemental tax rebates are provided in addition to the export tax rebates described in 3. above.

This program was found countervailable in *Aspirin*. However, we also determined in *Aspirin* that the program had been terminated for exports of aspirin to the United States. Further, as indicated above, one of petitioners' sources indicates that tax rebate rates for exports were reduced to zero in 1989. Given these circumstances, and given that we treated the Supplemental Tax Rebate program as related to the Export Tax Rebate program (discussed immediately above), petitioners have not provided a sufficient basis to believe that the Supplemental Tax Rebate program remains in existence. On this basis, we are not including this program in our investigation.

### 5. Foreign Exchange Risk Insurance Scheme

Petitioners allege that in 1984 the GOT established the Foreign Exchange Risk Insurance Scheme to encourage domestic producers to obtain financing for the importation of capital goods. This scheme allegedly provided insurance against foreign exchange losses which was not otherwise available in the market.

Because the program is aimed at importation of capital equipment, it does not appear to be limited to exporters or any industry or group of industries in particular. Since petitioners have provided no information which indicates that this program provides benefits to a specific enterprise or industry or group of enterprises or industries, we are not including this program in our investigation.

### 6. Provision of Wheat to Beslen

Petitioners assert that the GOT, through the Soil Crops Corporation ("TMO"), became a joint venture partner in pasta producer Beslen Makarna Gida Sanayi ve Ticaret ("Beslen"). In return for providing the company with a quantity of its durum wheat, TMO was given a 45 percent equity stake in the company. Petitioners request that the Department investigate this arrangement to determine whether

the provision of durum wheat by TMO constitutes an equity infusion into an unequityworthy company. If the Department treats Beslen as equityworthy, petitioners request that the Department investigate whether the equity stake obtained by TMO was adequate remuneration for the quantity of wheat provided under the arrangement.

Petitioners have provided no basis for considering this transaction to involve a subsidy. Petitioners have simply asked the Department to investigate whether TMO made an equity infusion into an unequityworthy company, without providing any evidence that the government's investment was inconsistent with the usual investment practices of private investors, including the practice regarding the provision of risk capital in Turkey. Similarly, petitioners have asked the Department to investigate whether TMO paid adequate remuneration, without providing any evidence regarding this matter. Because petitioners have not provided sufficient evidence to support their allegations, we are not including the provision of wheat to Beslen in our investigation.

### 7. Aid From the European Union

Petitioners assert that Turkey is an associate member of the EU, and as such, is eligible for aid from the EU. Petitioners have provided the 1993 European Investment Bank Annual Report which lists amounts for loans and grant aid going to Turkey (as well as Syria, Egypt, Lebanon, and other Mediterranean countries).

We have established that Turkey is an associate member of the EU. However, associate members of the EU are not part of the customs union known as the EU. Benefits conferred upon Turkish products from entities outside Turkey do not constitute subsidies within the meaning of sections 701(a) and 771(3) of the Act (see also General Issues Appendix to *Final Affirmative Countervailing Duty Determination: Certain Steel Products from Austria* (58 FR 37217, 37233, July 9, 1993) ("General Issues Appendix")). On this basis, we are not including EU aid in our investigation.

### 8. Exemption From Mass Housing Fund Levy (Duty Drawback)

The GOT imposes a Mass Housing Fund levy on the importation of certain raw materials and finished or semifinished goods. For wheat, this levy amounted to \$100 per metric ton. Petitioners have analyzed this part of the program as a duty drawback scheme.

Duty drawback on inputs consumed in the production process of exported products is not a subsidy, unless excessive. (See Agreement on Subsidies and Countervailing Measures, Annex I, item i of the Illustrative List). Because petitioners have not alleged that the duty drawback is excessive, we are not including the Mass Housing Fund Duty Drawback in our investigation. As noted earlier, however, we are initiating an investigation of the Mass Housing Fund Levy program which provides duty exemptions for pasta producers when importing durum wheat, regardless of whether the pasta is sold domestically or exported.

**9. Employee Wage and Salary Tax Exemption (GIP/Regional Subsidies Programs)**

Employees working in facilities constructed in First or Second Priority areas or in priority industries are partially exempt from income tax on their wages and salaries.

Section 355.44(j) of our Proposed Regulations (see also *General Issues Appendix*) states that the provision by a government of financial assistance to workers confers a countervailable benefit to the extent that such assistance relieves a firm of an obligation which it would normally incur. Since there is no indication that this program provides benefits to the employer and not the employee, we are not including this program in our investigation.

**Creditworthiness**

Petitioners assert that the Department should investigate whether the pasta producers in Turkey are creditworthy. Petitioners claim there is a lack of financial information available about the producers but that their analysis shows that Turkish producers are selling below cost in their home market. The existence of dumping margins based on a comparison of U.S. prices with the producers' cost of production shows that they are also not covering their costs in their largest export market.

The Department does not consider the creditworthiness of a firm absent a specific allegation by the petitioner which is supported by information establishing a reasonable basis to believe or suspect that the firm is uncreditworthy. This information would normally cover three years prior to the year in which the company is alleged to be uncreditworthy. Because petitioners have not provided sufficient evidence of the Turkish pasta producers' uncreditworthiness, we are not including a creditworthiness analysis in our investigation at this time.

**Distribution of Copies of the Petition**

In accordance with section 702(b)(4)(A)(i) of the Act, copies of the public version of the petition have been provided to the representatives of Italy and Turkey. We will attempt to provide copies of the public version of the petition to all the exporters named in the petition.

**ITC Notification**

Pursuant to section 702(d) of the Act, we have notified the ITC of these initiations.

**Preliminary Determination by the ITC**

The ITC will determine by June 26, 1995, whether there is a reasonable indication that an industry in the United States is being materially injured, or is threatened with material injury, by reason of imports from Italy and Turkey of pasta. Any ITC determination which is negative will result in the investigations being terminated; otherwise, the investigations will proceed according to statutory and regulatory time limits.

This notice is published pursuant to 702(c)(2) of the Act.

Dated: June 1, 1995.

Susan G. Esmerman,  
Assistant Secretary for Import  
Administration.

[FR Doc. 95-13984 Filed 6-7-95; 8:45 am]

BILLING CODE 3510-06-P

**APPENDIX C**

**LIST OF WITNESSES APPEARING AT THE COMMISSION'S  
CONFERENCE**



**Investigations Nos. 701-TA-365-366 (Preliminary) and 731-TA-734-735 (Preliminary)**

**CERTAIN PASTA FROM ITALY AND TURKEY**

Those listed appeared at the United States International Trade Commission's conference held in connection with the subject investigations on June 2, 1995, in Hearing Room A, at the USITC Building, 500 E Street, SW, Washington, DC.

*In support of the imposition of countervailing and antidumping duties*

Collier, Shannon, Rill & Scott--Counsel  
Washington, DC  
on behalf of--

Borden, Inc.  
Hershey Foods Corp.  
Gooch Foods, Inc. (Archer Daniels Midland Co.)

George Morris, President of Borden North American Foods-Pasta  
Mickey Skinner, President of Hershey Pasta Group  
David Tacka, Vice President of Finance and Administration, Hershey  
Deborah Callahan, Financial Analysis and Planning Manager, Hershey  
Pasta Group  
Vito Castlegrande, Eastern Sales Director, Hershey  
Burt Snyder, Esq., Assistant General Counsel, Hershey

Paula Stern, President, Stern Group, Inc.  
Michael Kerwin, Economist, Georgetown Economic Services

Paul C. Rosenthal, Esq.--OF COUNSEL  
David C. Smith, Jr., Esq.--OF COUNSEL  
Lynn E. Duffy, Esq.--OF COUNSEL

*In opposition to the imposition of countervailing and antidumping duties*

Rogers & Wells  
Washington, DC  
on behalf of--

Agnesi S.p.A.  
Antonio Amato & C. Molini e Pastifici S.p.A.  
Arrighi S.p.A.  
Industrie Alimentari  
Barilla Alimentare S.p.A.  
Consorzio Sviluppo Agrario Soc. Coop. S.r.l.

Continued.

*In opposition to the imposition of countervailing and antidumping duties--Continued*

Rogers & Wells  
Washington, DC  
on behalf of--

Corticella Industria Molini e Pastifici S.p.A.  
F.lli De Cecco Di Filippo Fara S. Martino S.p.A.  
De Matteis Agroalimentare  
F. Divella S.p.A.  
Fabianelli S.p.A.  
Pastificio Felicetti S.a.s. di Felicetti Giuliano e Valentino & C.  
Pastificio Lucio Garofalo S.p.A.  
La Molisana Industrie Alimentari S.p.A.  
Pastificio Lensi S.p.A.  
Nestlè Italiana S.p.A.  
Petrini S.p.A.  
N. Puglisi & F. Industria Paste Alimentari S.p.A.  
Molino e Pastificio Rummo S.p.A.

Prodotti Mediterranei, Inc.

Gianluigi Zenti, Managing Director of North America for Barilla  
America Inc.  
Fionnuala McGarvey-Jones, Managing Director of Alma Food  
Imports, Inc.

Andrew Wechsler, Economist, Law and Economic Consulting Group,  
Inc.

William Silverman, Esq.--OF COUNSEL  
Douglas J. Heffner, Esq.--OF COUNSEL

Barnes, Richardson & Colburn  
Washington, DC  
on behalf of--

Pasta Products Committee of the Italy America Chamber of Commerce

Peter Carolan, Committee Chairman of the Pasta Products Committee  
of the Italy-America Chamber of Commerce and President of La Pace  
Imports, Inc.

James H. Lundquist, Esq.--OF COUNSEL  
Matthew T. McGrath, Esq.--OF COUNSEL

Continued.



*In opposition to the imposition of countervailing and antidumping duties--Continued*

Grunfeld, Desiderio, Lebowitz & Silverman LLP  
Washington, DC  
on behalf of--

Fentex International Corp.  
Filiz Gida Sanayii ve Ticaret A.Ş.  
Maktaş Makarnacilik ve Ticaret T.A.Ş.  
Nuh Ticaret ve Sanayi A.Ş.  
Oba Makarnacilik Sanayii ve Ticaret  
Ulukartal Makarnacilik Ticaret Sanayi A.Ş.  
Vitelli-Elvea Co., Inc.

Rosario Taormina, Vice President, Vitelli-Elvea Co., Inc.  
Harold Benjenk, President, Fentex International

David L. Simon, Esq.--OF COUNSEL

Harris & Ellsworth  
Washington, DC  
on behalf of--

Association of Food Industries Pasta Group

Herbert E. Harris II, Esq.--OF COUNSEL  
Jeffrey S. Levin, Esq.--OF COUNSEL



## APPENDIX D

### INCOME-AND-LOSS TABLES

Table D-1 presents income-and-loss data on **dry non-egg pasta for the food service market.**

Table D-2 presents income-and-loss data (*on a per-pound basis*) on **dry non-egg pasta for the food service market.**

Table D-3 presents net sales, operating income, and operating income as a percent of net sales, by firm, on **dry non-egg pasta for the food service market.**

Table D-4 presents income-and-loss data on **dry non-egg pasta for the industrial market.**

Table D-5 presents income-and-loss data (*on a per-pound basis*) on **dry non-egg pasta for the industrial market.**

Table D-6 presents net sales, operating income, and operating income as a percent of net sales, by firm, on **dry non-egg pasta for the industrial market.**

Table D-7 presents income-and-loss data on **dry non-egg pasta for all uses (retail, food service, and industrial markets)**

Table D-8 presents income-and-loss data (*on a per-pound basis*) on **dry non-egg pasta for all uses (retail, food service, and industrial markets)**

Table D-9 presents net sales, operating income, and operating income as a percent of net sales, by firm, on **dry non-egg pasta for all uses (retail, food service, and industrial markets)**

Table D-10 presents income-and-loss data on **dry non-egg and egg pasta combined.**



Table D-1

Income-and-loss experience of U.S. producers<sup>1</sup> on their operations producing dry non-egg pasta for the food service market, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

				Jan.-Mar.--	
Item	1992	1993	1994	1994	1995
	Quantity (pounds)				
Net sales . . . . .	190,783	215,621	202,088	49,001	50,507
	Value (1,000 dollars)				
Net sales . . . . .	77,296	88,957	88,936	20,971	21,906
Cost of goods sold . . . . .	53,102	64,099	68,577	15,965	17,757
Gross profit or (loss) . . . . .	24,194	24,858	20,359	5,006	4,149
Selling, general, and administrative expenses . . . . .	15,789	22,144	18,380	4,580	5,207
Operating income or (loss) . . . . .	8,405	2,714	1,979	426	(1,058)
Interest expense . . . . .	3,220	3,062	3,915	921	1,136
Other expense . . . . .	1,804	1,034	800	248	204
Net income or (loss) before income taxes . . . . .	3,381	(1,382)	(2,736)	(743)	(2,398)
Depreciation and amortization . . . . .	3,093	3,646	4,747	969	1,075
Cash flow <sup>2</sup> . . . . .	6,474	2,264	2,011	226	(1,323)
	Ratio to net sales (percent)				
Cost of goods sold . . . . .	68.7	72.1	77.1	76.1	81.1
Gross profit or (loss) . . . . .	31.3	27.9	22.9	23.9	18.9
Selling, general, and administrative expenses . . . . .	20.4	24.9	20.7	21.8	23.8
Operating income or (loss) . . . . .	10.9	3.1	2.2	2.0	(4.8)
Net income or (loss) before income taxes . . . . .	4.4	(1.6)	(3.1)	(3.5)	(10.9)
	Number of firms reporting				
Operating losses . . . . .	1	3	3	3	3
Net losses . . . . .	3	4	4	4	5
Data . . . . .	5	5	5	5	5

<sup>1</sup> \*\*\*.

<sup>2</sup> Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table D-2

Income-and-loss experience (*on a per-pound basis*) of U.S. producers<sup>1</sup> on their operations producing dry non-egg pasta for the food service market, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	Value ( <i>per pound</i> )			Jan.-Mar.--	
	1992	1993	1994	1994	1995
Net sales . . . . .	\$0.41	\$0.41	\$0.44	\$0.43	\$0.43
Cost of goods sold:					
Raw materials . . . . .	.19	.20	.21	.20	.22
Direct labor . . . . .	.02	.02	.02	.02	.02
Factory overhead . . . . .	.07	.08	.11	.10	.11
Total . . . . .	.28	.30	.34	.33	.35
Gross profit or (loss) . . . . .	.13	.12	.10	.10	.08
Selling, general, and administrative expenses . . . . .	.08	.10	.09	.09	.10
Operating income or (loss) . . . . .	.04	.01	.01	.01	(.02)

<sup>1</sup> \*\*\*.

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

Table D-3

Income-and-loss experience of U.S. producers on their operations producing dry non-egg pasta for the food service market, by firms, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

\* \* \* \* \*

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

Table D-4

Income-and-loss experience of U.S. producers<sup>1</sup> on their operations producing dry non-egg pasta for the industrial market, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	1992	1993	1994	Jan.-Mar.-- 1994	1995
<hr/>					
Quantity ( <i>pounds</i> )					
<hr/>					
Net sales . . . . .	134,018	147,185	127,776	34,380	32,988
<hr/>					
Value ( <i>1,000 dollars</i> )					
<hr/>					
Net sales . . . . .	33,843	40,344	41,813	11,123	10,478
Cost of goods sold . . . . .	28,924	36,687	38,263	9,466	9,122
Gross profit or (loss) . . . . .	4,919	3,657	3,550	1,657	1,356
Selling, general, and administrative expenses . . . . .	2,612	2,679	2,311	602	621
Operating income or (loss) . . . . .	2,307	978	1,239	1,055	735
Interest expense . . . . .	1,612	1,373	1,420	347	389
Other expense . . . . .	997	1,003	759	336	304
Net income or (loss) before income taxes . . . . .	(302)	(1,398)	(940)	372	42
Depreciation and amortization . . . . .	1,544	2,484	2,363	544	583
Cash flow <sup>2</sup> . . . . .	1,242	1,086	1,423	916	625
<hr/>					
Ratio to net sales ( <i>percent</i> )					
<hr/>					
Cost of goods sold . . . . .	85.5	90.9	91.5	85.1	87.1
Gross profit or (loss) . . . . .	14.5	9.1	8.5	14.9	12.9
Selling, general, and administrative expenses . . . . .	7.7	6.6	5.5	5.4	5.9
Operating income or (loss) . . . . .	6.8	2.4	3.0	9.5	7.0
Net income or (loss) before income taxes . . . . .	(.9)	(3.5)	(11.2)	3.3	.4
<hr/>					
Number of firms reporting					
<hr/>					
Operating losses . . . . .	1	0	1	0	0
Net losses . . . . .	2	3	2	2	2
Data . . . . .	4	4	4	4	4

<sup>1</sup> \*\*\*.

<sup>2</sup> Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table D-5

Income-and-loss experience (*on a per-pound basis*) of U.S. producers<sup>1</sup> on their operations producing dry non-egg pasta for the industrial market, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	Value ( <i>per pound</i> )				
	1992	1993	1994	Jan.-Mar.-- 1994	1995
Net sales . . . . .	\$0.25	\$0.27	\$0.33	\$0.32	\$0.32
Cost of goods sold:					
Raw materials . . . . .	.16	.16	.18	.17	.16
Direct labor . . . . .	.02	.02	.02	.02	.02
Factory overhead . . . . .	.04	.07	.10	.09	.09
Cost of goods sold . . . . .	.22	.25	.30	.28	.28
Gross profit or (loss) . . . . .	.04	.02	.03	.05	.04
Selling, general, and administrative expenses . . . . .	.02	.02	.02	.02	.02
Operating income or (loss) . . . . .	.02	.01	.01	.03	.02

<sup>1</sup> \*\*\*.

<sup>2</sup> A loss of less than \$0.005.

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

Table D-6

Income-and-loss experience of U.S. producers on their operations producing dry non-egg pasta for the industrial market, by firms, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

\* \* \* \* \*

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



Table D-7

Income-and-loss experience of U.S. producers<sup>1</sup> on their operations producing dry non-egg pasta for all uses (retail, food service and industrial markets), fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

Item	1992	1993	1994	Jan.-Mar.-- 1994	1995
<i>Quantity (pounds)</i>					
Net sales . . . . .	1,535,707	1,568,933	1,521,140	384,576	386,194
<i>Value (1,000 dollars)</i>					
Net sales . . . . .	869,668	902,743	904,949	228,255	240,566
Cost of goods sold . . . . .	505,821	539,983	601,269	147,927	156,351
Gross profit or (loss) . . . . .	363,847	362,760	303,680	80,328	84,215
Selling, general, and administrative expenses . . . . .	256,954	288,312	296,867	77,267	89,103
Operating income or (loss) . . . . .	106,893	74,448	6,813	3,061	(4,888)
Interest expense . . . . .	17,768	22,256	26,651	5,375	6,428
Other expense . . . . .	14,695	14,790	10,145	3,117	2,550
Other income items . . . . .	0	5,742	369	0	0
Net income or (loss) before income taxes . . . . .	74,430	43,144	(29,614)	(5,431)	(13,866)
Depreciation and amortization . . . . .	37,320	36,826	38,483	8,500	8,800
Cash flow <sup>2</sup> . . . . .	111,750	79,970	8,869	3,069	(5,066)
<i>Ratio to net sales (percent)</i>					
Cost of goods sold . . . . .	58.2	59.8	66.4	64.8	65.0
Gross profit or (loss) . . . . .	41.8	40.2	33.6	35.2	35.0
Selling, general, and administrative expenses . . . . .	29.5	31.9	32.8	33.9	37.0
Operating income or (loss) . . . . .	12.3	8.2	.8	1.3	(2.0)
Net income or (loss) before income taxes . . . . .	8.6	4.8	(3.3)	(2.4)	(5.8)
<i>Number of firms reporting</i>					
Operating losses . . . . .	1	0	2	2	2
Net losses . . . . .	2	1	3	4	4
Data . . . . .	6	6	6	6	6

<sup>1</sup> \*\*\*.

<sup>2</sup> Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table D-8

Income-and-loss experience (*on a per-pound basis*) of U.S. producers on their operations producing dry non-egg pasta for all uses (retail, food service and industrial markets), fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995<sup>1</sup>

Item	Value ( <i>per pound</i> )			Jan.-Mar.--	
	1992	1993	1994	1994	1995
Net sales . . . . .	\$0.57	\$0.58	\$0.59	\$0.59	\$0.62
Cost of goods sold:					
Raw materials . . . . .	.18	.19	.22	.21	.22
Direct labor . . . . .	.02	.02	.02	.02	.02
Factory overhead . . . . .	.13	.14	.16	.15	.16
Total . . . . .	.33	.34	.40	.38	.40
Gross profit or (loss) . . . . .	.24	.23	.20	.21	.22
Selling, general, and administrative expenses . . . . .	.17	.18	.20	.20	.23
Operating income or (loss) . . . . .	.07	.05	( <sup>2</sup> )	.01	(.01)

<sup>1</sup> \*\*\*.

<sup>2</sup> Less than \$0.005.

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

Table D-9

Income-and-loss experience of U.S. producers on their operations producing dry non-egg pasta for all uses (retail, food service, and industrial markets), by firms, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995

\* \* \* \* \*

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

Table D-10

Income-and-loss experience of U.S. producers on their operations producing dry pasta, fiscal years 1992-94, Jan.-Mar. 1994, and Jan.-Mar. 1995<sup>1</sup>

	<u>Jan.-Mar.--</u>				
Item	1992	1993	1994	1994	1995
	<hr/> <i>Quantity (1,000 pounds)</i> <hr/>				
Net sales . . . . .	1,730,029	1,761,868	1,696,887	435,448	433,828
	<hr/> <i>Value (1,000 dollars)</i> <hr/>				
Net sales . . . . .	1,016,597	1,051,818	1,048,004	270,864	282,042
Cost of goods sold . . . . .	582,037	620,010	690,081	172,027	178,456
Gross profit . . . . .	434,560	431,808	357,923	98,837	103,586
Selling, general, and administrative expenses . . . . .	297,178	330,702	329,102	88,697	101,438
Operating income . . . . .	137,382	101,106	28,821	10,140	2,148
	<hr/> <i>Ratio to net sales (percent)</i> <hr/>				
Cost of goods sold . . . . .	57.3	58.9	65.8	63.5	63.3
Gross profit . . . . .	42.7	41.1	34.2	36.5	36.7
Selling, general, and administrative expenses . . . . .	29.2	31.4	31.4	32.7	36.0
Operating income . . . . .	13.5	9.6	2.8	3.7	0.8
	<hr/> <i>Value (per pound)</i> <hr/>				
Net sales . . . . .	\$0.59	\$0.60	\$0.62	\$0.62	\$0.65
Cost of goods sold . . . . .	.34	.35	.41	.40	.41
Gross profit . . . . .	.25	.25	.21	.23	.24
Selling, general, and administrative expenses . . . . .	.17	.19	.19	.20	.23
Operating income . . . . .	.08	.06	.02	.02	( <sup>2</sup> )
	<hr/> <i>Number of firms reporting</i> <hr/>				
Operating losses . . . . .	1	0	1	1	2
Data . . . . .	7	7	7	7	7

<sup>1</sup> \*\*\*.

<sup>2</sup> Less than \$0.005.

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



## **APPENDIX E**

### **EFFECTS OF IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL**



Response of U.S. producers to the following questions:

1. Since January 1, 1991, has your firm experienced any actual negative effects on its growth, investment, ability to raise capital, or existing development and production efforts, including efforts to develop a derivative or more advanced version of the product, as a result of imports of dry non-egg pasta for retail sale from Italy or Turkey?

\* \* \* \* \*

2. Does your firm anticipate any negative impact of imports of dry non-egg pasta for retail sale from Italy or Turkey?

\* \* \* \* \*

3. Has the scale of capital investments undertaken been influenced by the presence of imports of dry non-egg pasta for retail sale from Italy or Turkey?

\* \* \* \* \*

