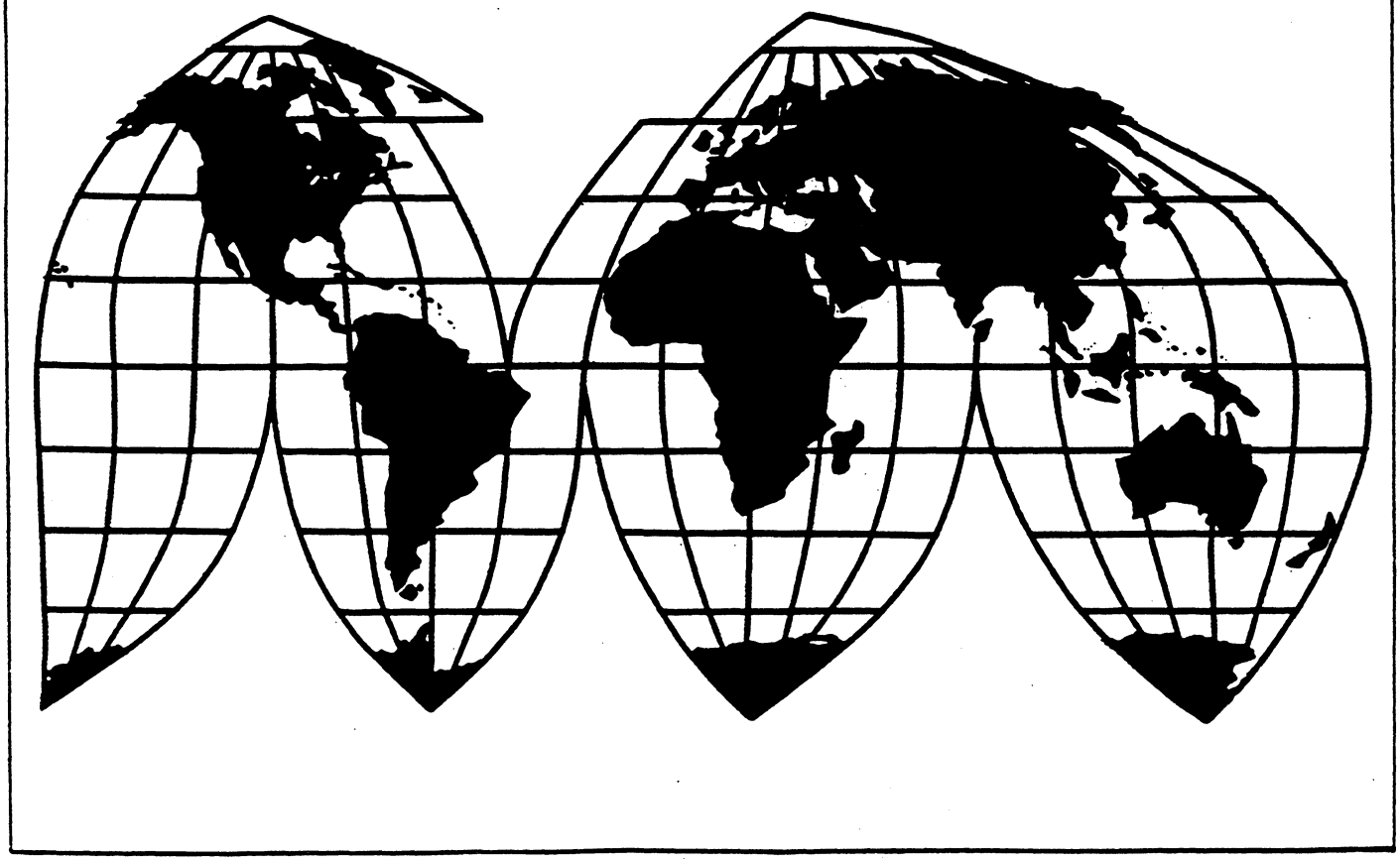
Certain Pasta From Italy and Turkey

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

Publication 2977 **July 1996**

U.S. International Trade Commission



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CONTENTS

CONTENTS

CONTENTS

CONTENTS

CONTENTS

CONTENTS

Page

FIGURES--*Continued*

TABLES

CONTENTS

Page

TABLES--Continued

CONTENTS

Page

TABLES--Continued

CONTENTS

Page

TABLES--Continued

CONTENTS

Page

TABLES--Continued

CONTENTS

Page

TABLES--Continued

NOTE

Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

DETERMINATIONS AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

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

CERTAIN PASTA FROM ITALY AND TURKEY

Determinations

On the basis of the record[1] developed in the subject investigations, the Commission determines,[2] pursuant to section 705(b) of the Tariff Act of 1930 (the Act),[3] that an industry in the United States is materially injured by reason of imports from Italy and Turkey of certain pasta[4] that have been found by the Department of Commerce to be subsidized by the Governments of Italy and Turkey.

On the basis of the record developed in the subject investigations, the Commission also determines,[5] pursuant to section 735(b) of the Act,[6] that an industry in the United States is materially injured by reason of imports from Italy and Turkey of certain pasta that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

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[1] The record is defined in section 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

[2] Commissioner Watson dissenting.

[3] 19 USC § 1671d(b).

[4] The imported product subject to these investigations, "certain pasta," as defined by the U.S. Department of Commerce ("Commerce"), consists of dry non-egg pasta in packages of 5 pounds (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 is typically sold in the retail market, in fiberboard or cardboard cartons or polyethylene or polypropylene bags of varying dimensions. Certain pasta is described by Commerce as being classified in subheading 1902.19.20 of the Harmonized Tariff Schedule of the United States (HTS). 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 2 percent egg white. Also excluded from the scope of the investigations concerning Italy are imports of dry organic pasta that are accompanied by the appropriate certificate issued by the Associazione Marchigiana Agricultura Biologica (AMAB).

[5] Commissioner Watson dissenting.

[6] 19 USC § 1673d(b).

Background

The Commission instituted these investigations effective October 17, 1995, and January 17, 1996, following preliminary determinations by the Department of Commerce that imports of certain pasta from Italy and Turkey were being subsidized within the meaning of section 703(b) of the Act,[7] and were being sold at LTFV within the meaning of section 733(b) of the Act.[8]

Notice of the institution of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notices in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notices in the *Federal Register* of November 28, 1995, and February 7, 1996.[9] The hearing was held in Washington, DC, on June 5, 1996, and all persons who requested the opportunity were permitted to appear in person or by counsel.

[7] 19 USC. § 1671b(b).

[8] 19 USC § 1673b(b).

[9] 60 FR 58638 and 61 FR 4681.

VIEWS OF THE COMMISSION

Based on the record in these final investigations, we find that an industry in the United States is materially injured by reason of imports of certain pasta from Italy and Turkey that have been found by the Department of Commerce ("Commerce") to be subsidized and sold in the United States at less than fair value ("LTFV").[1] [2]

I. DOMESTIC LIKE PRODUCT AND DOMESTIC INDUSTRY

A. In General

In determining whether 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." Section 771(4)(A) of the Act defines the relevant industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of that product."[3] In turn, the Act defines "domestic like product" as: "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ."[4]

Our decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and we apply the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[5] No single factor is dispositive, and the Commission may consider other factors it deems relevant based upon the facts of a particular investigation.[6] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[7] Although the Commission

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[1] The question of whether the establishment of an industry in the United States is materially retarded by reason of LTFV and subsidized imports is not an issue in these investigations. 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.

[2] Commissioner Watson finds that the domestic industry is not materially injured or threatened with material injury by reason of subject imports. However, he joins the majority's discussion of the domestic like product and domestic industry, as well as its treatment of the conditions of the industry (except where noted) in Sections I and II. See Separate and Dissenting Views of Commissioner Watson.

[3] 19 U.S.C. § 1677(4)(A).

[4] 19 U.S.C. § 1677(10).

[5] See, e.g., Nippon Steel Corp. v. United States, 19 CIT__, Slip Op. 95-55 at 11 (Apr. 3, 1995). 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. Timken Co. v. United States, Slip Op. 96-8 at 9 (Ct. Int'l Trade, Jan. 3, 1996).

[6] E.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

[7] Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. (continued...)

must accept the determination of Commerce as to the scope of the imported merchandise found to be sold at LTFV and subsidized, the Commission determines what domestic product is like the imported articles Commerce has identified.[8]

In its final determinations, Commerce defined the imported product subject to investigation as:

> *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. Also excluded are imports of organic pasta from Italy that are accompanied by the appropriate certificate issued by the Associazione Marchigiana Agricultura Biologica (AMAB).*[9]

In the preliminary determinations the Commission majority found two separate domestic like products: (1) dry pasta other than oriental-style noodles and (2) oriental noodles.[10] The Commission's investigation of the oriental noodle domestic industry was terminated.[11] The Commission rejected petitioners' argument that the domestic like product be limited to dry non-egg pasta in packages of 5 lbs. or less (which would effectively exclude dry pasta for sale to the food service and industrial markets) and importer JCM Ltd.'s (JCM) argument that enriched and unenriched dry pasta constitute separate domestic like products. In addition, the Commission excluded refrigerated or frozen pasta from the domestic like product.[12]

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[7] (...continued)
Cir. 1991).

[8] Hosiden Corp. v. Advanced Display Manufacturers, __F.3d__, No. 94-1380, slip op. at 11-13 (Fed. Cir. May 31, 1996) (Commission may find single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F.Supp at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

[9] Final Determinations of Sales at Less Than Fair Value: Certain Pasta from Italy and Turkey, 61 Fed. Reg. 30288 (June 14, 1996).

[10] Certain Pasta from Italy and Turkey, Inv. Nos. 701-TA-365-366 and 731-TA- 734-735 (Preliminary) USITC Pub. 2905 at I-7 (July 1995). Vice Chairman Nuzum and Commissioner Bragg found two domestic like products consisting of (1) dry non-egg pasta other than oriental-style noodles and (2) oriental- style noodles. Id.

[11] Id. at I-11.

[12] Id. at I-6.

B. Analysis of Domestic Like Product Issues

There are several domestic like product issues in these final investigations.[13] The first is whether the domestic like product should be defined to exclude dry pasta for sale to the industrial market. The second issue is whether the domestic like product should be defined to exclude dry egg pasta. The third issue is whether enriched and non-enriched dry pasta constitute separate domestic like products.[14] For the reasons set forth below, we determine that there is one domestic like product in these investigations consisting of all dry pasta.[15] All dry pasta shares the same basic physical characteristics and uses, and is manufactured with the same basic production equipment and processes. While the products at issue have some distinctive features, analogous variations are present throughout the continuum of dry pasta products[16] and thus do not create clear dividing lines between any of the dry pasta products discussed herein.[17]

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[13] Petitioners argue that there should be a single domestic like product consisting of dry non-egg pasta, excluding dry pasta sold for industrial use. Italian and Turkish respondents generally argue that there should be a single domestic like product consisting of dry pasta. Two importers, JCM and Liguori Pastificio Dal 1820, S.p.A. (Liguori), argue that the Commission should find two separate like products, enriched and non-enriched dry pasta.

[14] DeCecco argues that premium pasta is a separate like product from domestic non-premium pasta, although it does not provide information regarding differences between domestic premium pasta and domestic non-premium pasta to support this claim. (Rather, it discusses differences between Italian premium pasta and domestic standard pasta, which we have considered in the context of cumulation and material injury by reason of subject imports.) F.lli De Cecco di Filippo Fara San Martino S.p.A. (DeCecco) Prehearing Brief at 7-30. We find that the record does not support the existence of a clear dividing line between domestic premium and non-premium pasta. A number of domestic producers categorized some of their brands as "premium." Producers had inconsistent reasons for categorizing brands as premium. Some producers specified the use of higher grade or organic durum wheat; others reported the use of additional ingredients, upscale packaging, higher price or greater quality control; and other producers stated that there is no objective definition of "premium" pasta. See generally Producer Questionnaire Responses to question 37. See also CR at V-5, PR at V-4. Petitioners note that a given brand may be marketed as premium in one market but not in another market. Hearing Transcript at 151 (Rosenthal). The fact that "premium" can be defined differently undermines DeCecco's claim that premium dry pasta constitutes a distinct domestic like product. In light of the continuum of dry pasta products, see infra, we do not view the varying distinctions noted above as warranting treatment of "premium" dry pasta, however defined, as a separate like product.

[15] Commissioner Bragg finds that the domestic like product in these investigations consists of dry non-egg pasta. She joins the majority views with respect to the domestic like product, with the exception of the discussion regarding dry egg pasta. See her separate views regarding the exclusion of dry egg pasta from the domestic like product. She notes, 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 her analysis of the condition of the domestic industry.

[16] Dry pasta is formed into hundreds of shapes and sizes, can contain a variety of additives, and has a variety of uses as a food product. Confidential Staff Report (CR) at I-11-I-12, Public Staff Report (PR) at I-10.

[17] Commissioner Newquist notes that, in his view, many of these like product "issues" are largely arbitrary and non-dispositive, particularly in view of the fact that these issues are "broader" than Commerce's scope of investigation. Specifically, Commissioner Newquist is concerned that both parties and the Commission have been forced to expend significant resources to address questions that are merely "red herrings." While he supports the right of the parties to prosecute their interests as they see fit, as well as his colleagues' discretion to consider whatever information they deem appropriate, he questions whether the investigatory process benefits from largely irrelevant manipulation of the relatively simple exercise required by the statute.

1. Pasta for Industrial Use

Dry pasta is produced for three general markets in the United States, the retail market (which includes food stores, wholesale clubs and mass merchandisers), the food service market (which includes restaurants, institutional users and government purchasers) and the industrial market (which consists of producers who incorporate dry pasta into downstream products). Dry pasta for industrial use usually is produced for internal consumption and rarely is sold in the merchant market. Industrial producers of downstream pasta products report that some, but not the majority, of dry pasta for industrial use contains additional emulsifiers, strengthening ingredients and greater wall thicknesses than other dry pasta.[18] Thus, a significant percentage of dry pasta for industrial use does not have physical characteristics which are distinct from other dry pasta.[19] The packaging of dry pasta for industrial use is different than the packaging of dry pasta for food service and retail use. However, there are analogous variations between retail and food service packaging, and to some extent in packaging of products sold to the retail market.[20] Dry pasta for industrial use is made to customer specifications; however, dry pasta for food service use is also made to similar specifications.[21] The ultimate use of the dry pasta sold in all three markets is the same, in that it is used in prepared pasta dishes for consumption.[22]

The data show that interchangeability between dry pasta for industrial use and dry pasta for food service and retail use exists, although it is limited.[23] Interchangeability is also limited among different types of dry pasta for industrial use, however.[24] Channels of distribution are different for dry pasta for industrial use and dry pasta for food service and retail use since almost all dry pasta for industrial use is captively consumed.[25]

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[18] CR at I-15, n.29, PR at I-13, n.29. Additionally, dry pasta for industrial use is more likely to include various flours (in addition to semolina) than dry pasta for food service and retail use. CR at I-15, PR at I-13.

[19] Moreover, some dry pasta for food service use shares these physical characteristics. Public Preliminary Staff Report at II-8 ("pasta produced for *** may have enhanced wall thickness and extra ingredients . . . ").

[20] Petitioners report that packaging for the industrial market usually consists of 40 to 60 pound cases or pallet-sized totes holding from 300 to 700 pounds; packaging for the food service market consists of 10 - 20 pound corrugated cases; packaging for retail use range from 7 ounces to 5 pounds, in cartons or bags, although a small amount of dry pasta for the retail market is sold in bulk. Public Preliminary Staff Report at II-5, n.12 and n.15.

[21] In one petitioner's estimation, *** percent of its sales of pasta to the food service market consists of products made to purchaser specifications, and *** of dry pasta for industrial use is produced to purchaser specifications. Confidential Preliminary Staff Report at I-11, n.26, Public Preliminary Staff Report at II-8, n.26.

[22] CR at I-14, PR at I-12.

[23] CR at I-18, n. 43, PR at I-15, n.43. See also CR at III-12, PR at III-9 (Some producers report that dry pasta sold in the retail market can be the same as that used to produce prepared pasta products, although the shapes can differ; other producers cite differences in specifications).

[24] See CR at I-15, PR at I-13 ("producers cannot use dry industrial pasta made to one customer's specifications to supply another customer.")

[25] Compare CR at III-15, PR at III-10, Table III-4, and CR at III-4, PR at III-3, Table III-2. The small amount that is sold in the merchant market is sold directly to industrial customers, whereas dry pasta for food service and retail use is sold either through distributors or directly to retail stores. CR at I-21-I-22, PR at I-17.

The same basic production process and equipment are used to produce dry pasta for all three markets.[26] While the packaging equipment for dry pasta for industrial use differs from that employed to package dry pasta for the food service and retail markets, analogous differences exist between the equipment used to package dry pasta for retail and food service use because of the differences in packaging sizes.[27]

The record in these final investigations does not contain data regarding customer perceptions of dry pasta for industrial use. Producer perceptions (as discussed above in the context of interchangeability) are mixed.[28] Unit values of dry pasta for retail use ($0.55) are higher than those for the food service market ($0.40), which in turn are slightly higher than unit values for the industrial market.[29]

We find that the distinctions between dry pasta for industrial use and dry pasta for retail and food service use are minor. Most of the characteristics of dry pasta for industrial use --- additives and greater wall thicknesses,[30] larger package size, customer specifications, sale to the ultimate consumer as a prepared pasta dish -- are also shared, although to a lesser degree, by pasta for food service use. On balance, the similarities in physical characteristics and uses and production processes and equipment between dry pasta for industrial use and dry pasta for food service and retail use outweigh the differences indicated by limited interchangeability[31] and different channels of distribution. We therefore include dry pasta for industrial use in the domestic like product.

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[26] CR at I-26, PR at I-20. A significant percentage (over 36 percent) of dry pasta for industrial use is produced by dry pasta producers that also produce dry pasta for food service and/or retail use. Id.

[27] Public Preliminary Staff Report at II-5, n.12. See also CR at I-26, n.69, PR at I-20, n. 69. Moreover, the production process for all dry pasta involves strict quality controls. Preliminary Conference Transcript at 88 (Skinner).

[28] Petitioners argue that one distinguishing characteristic of dry pasta for industrial use is that it is processed into a downstream article that is then sold on the retail market. This asserted distinction is blurred by the fact that dry pasta for food service use is also produced into a downstream product prior to sale to a consumer (albeit in the service sector, rather than through retail stores). The distinction is also obscured by comparable differences in handling between dry pasta for food service and retail use: dry pasta for food service use is prepared into a downstream product which is then sold to a customer for consumption, whereas dry pasta for retail use is sold to a customer for consumption prior to preparation into a downstream product.

[29] CR at I-28-I-29, PR at I-22. Further, the record shows variations in prices within the retail market that are as significant as the variations between the retail and food service markets and the industrial market. See generally, CR at V-17-V-20, PR at V-12-V-16, Tables V-2-V-5. When asked whether the price of dry pasta for industrial use is different than that of dry pasta for food service use, producer responses were mixed, but the majority stated that the price of dry pasta for industrial use was different or more competitive than the price of dry pasta for food service and retail use. CR at I-29, PR at I-22. One *** indicated that prices to the industrial market were slightly lower than prices to the food service market. Id.

[30] Moreover, a significant portion of dry pasta for industrial use does not have such characteristics.

[31] The absence of complete interchangeability does not require the finding of separate domestic like products. See Nippon Steel Corp. v. United States, 19 CIT __, Slip Op. 95-57 (Apr. 3, 1995).

2. Dry Egg Pasta[32]

Dry egg and dry non-egg pasta differ physically because dry egg pasta contains more than 2 percent egg-white, as well as egg yolk.[33] However, other forms of dry pasta also contain additives, e.g., squid ink, artichoke flour and tomato, that change the appearance and taste of the product. Further, the distinction between dry egg pasta and dry non-egg pasta is blurred by the presence of "yolkless" egg pasta, which contains more than 2 percent egg white, but no egg yolks.[34] While there are differences in packaging materials for egg and non-egg pasta, more significant differences in packaging exist among dry pasta products generally, with respect to both size and material.[35] Interchangeability is somewhat limited for the small segment of the population that is precluded from eating egg products due to allergies.[36] Customers prefer to use dry egg pasta for certain recipes, and both producers and customers perceive dry non-egg pasta and dry egg pasta to have limited or no substitutability for this reason.[37] Dry egg and dry non-egg pasta are both used in a variety of prepared pasta dishes, however, and customers have preferences or specific requirements with respect to all variations of dry pasta.[38] The record shows that dry egg pasta and dry non-egg pasta share the same principal channels of distribution[39] and markets, and are sold adjacent to dry non-egg pasta in retail stores.[40]

In questionnaire responses, 13 of 17 producers indicated that they produced dry non-egg and dry egg pasta on the same equipment, 10 indicated that they used the same workers, and none indicated that they used different workers.[41] The switch from production of egg to non-egg pasta appears to require up to eight hours of downtime to clean the equipment and make other line modifications,[42] and the production of egg pasta requires additional equipment.[43] However, both dry egg and non-egg pasta

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[32] Commissioner Bragg does not join this discussion. See her separate views regarding the exclusion of dry egg pasta from the domestic like product.

[33] Dry egg and dry non-egg pasta are also different in that dry egg pasta is produced from durum wheat that has been finely ground, whereas dry non-egg pasta is usually produced from durum wheat that is coarsely ground. CR at I-12, PR at I-11.

[34] CR at I-13, PR at I-12.

[35] See note 20, supra.

[36] CR at I-14, PR at I-12.

[37] CR at I-18, PR at I-15.

[38] For example, there is arguably a complete lack of interchangeability between some shapes of dry pasta: elbows cannot be used for lasagna and conversely, lasagna noodles cannot be used for macaroni and cheese.

[39] CR at I-21, PR at I-17.

[40] In their questionnaire responses, 37 of 40 purchasers stated that dry egg and dry non-egg pasta were sold in the same markets, and 3 purchasers stated that they did not know. Id.

[41] CR at I-25, PR at I-20. One producer that did not use the same equipment to produce dry egg and dry non-egg pasta stated that it could do so. No producer indicated that it was not possible to use the same equipment.

[42] Five producers reported minimal to no modifications, and five producers reported thorough cleaning procedures. CR at I-25-I-26, PR at I-20. Moreover, it is not clear from the record that the reverse switch, from non-egg to egg pasta, requires the same process.

[43] Petitioners note that this equipment, which entails capital costs of *** includes a blender, surge tank,

(continued...)

undergo the same basic production process of mixing the dough, extrusion, drying, cooling, and packaging, on the same production line. With respect to price, unit values are $0.60 for dry egg pasta and $0.46 for dry non-egg pasta.[44] Similar price variations also exist among dry non-egg pasta products, however.[45]

Given that dry egg and dry non-egg pasta have similar characteristics and uses, are sold through the same channels of distribution, to the same markets, and are generally made on the same production lines by the same producers, we include dry egg pasta in the domestic like product.[46]

3. Unenriched Dry Pasta

Enriched dry pasta contains several chemicals that are not found in unenriched dry pasta, and the FDA provides separate standards for these two products in its regulations.[47] Dry unenriched pasta otherwise has the same physical characteristics and uses as dry enriched pasta.[48]

Enriched pasta should not be used by sufferers of hemochromatosis, and it is not preferred by some health conscious Americans.[49] This limitation on the interchangeability of enriched and unenriched pasta applies only to a small segment of the population that cannot, or in the case of some health conscious consumers, choose not to, eat enriched pasta for health reasons.[50] Channels of distribution overlap.[51] There are no significant differences in production processes between dry enriched and unenriched pasta, because the semolina is normally enriched by the producer of the semolina before it is shipped to the pasta producer.[52] Data regarding customer and producer perceptions are mixed, showing

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[43] (...continued)
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. CR at I-25, n.65, PR at I-19, n.65. The total cost of a dry pasta production facility can be ***, the cost of *** Staff Trip Notes, May 23, 1995.

[44] CR at I-28, PR at I-22. Questionnaire responses were mixed, with 24 of 35 responding purchasers reporting that dry egg pasta was higher in price, whereas 11 stated that dry non-egg pasta was the same price or higher. CR at I-28, PR at I-22.

[45] Compare product 3 with product 1, CR at V-23 and V-25, PR at V-19 and V-21, Tables V-6 and V-8.

[46] Commissioner Nuzum notes, however, that she took into account the limited interchangeability of dry egg and dry non-egg pasta in assessing the impact of the subject imports on the domestic industry. See her Additional Views.

[47] JCM Prehearing Brief at 3-5.

[48] CR at I-17, PR at I-14.

[49] JCM Prehearing Brief at 6-10.

[50] Petitioners' Posthearing Brief, Tab 2, p.4.

[51] Dry enriched and unenriched pasta are both sold through wholesale distributors. Further, like dry enriched pasta, some unenriched pasta is captively consumed in the production of downstream products. The majority of producers and purchasers reported that enriched and unenriched dry pasta are sold in the same markets. The majority of importers reported that they are not. CR at I-23, PR at I-18.

[52] CR at I-28, PR at I-21. Thus, while enrichments are added, this step is generally performed prior to the (continued...)

that some customers buy unenriched pasta "precisely because it is not enriched,"[53] but conversely that many consumers may not even be aware that it is unenriched.[54] With respect to price, average unit values for dry unenriched pasta were higher, at $0.70 per pound, than average unit values of dry enriched pasta at $0.48 per pound,[55] but more significant price differences exist among enriched dry pasta products.[56]

We find that the overall similarity in physical characteristics and uses, production processes and equipment, and some overlap in channels of distribution, warrant including enriched and unenriched dry pasta in the same domestic like product. These similarities outweigh the small differences in physical characteristics and consumer perceptions.[57]

C. Domestic Industry

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 [w]hole of a domestic like product . . ."[58] The sole domestic industry issue in these final investigations concerns whether any of the producers of the domestic like product should be excluded from the industry as a related party.[59] If the Commission determines that a domestic producer meets the definition of a related party, the Commission may exclude such producer from the domestic industry if "appropriate circumstances" exist.[60] Exclusion of a related

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[52] (...continued)
actual production of the pasta.

[53] CR at I-20, PR at I-16.

[54] Id.

[55] CR at I-29, PR at I-22.

[56] See, generally, CR at V-17-V-20, PR at V-13-V-16, Tables V-2-V-5.

[57] We also find that organic and non-organic dry pasta are part of the same domestic like product. While dry organic pasta differs from dry non-organic pasta with respect to the type of wheat used in its manufacture, the interchangeability of non-organic dry pasta for organic dry pasta is somewhat limited, and prices differ, these differences are outweighed by overall similarities in physical characteristics and uses, common production processes and equipment, and overlap in channels of distribution. See CR at I-16, I-19, I-22, I-27, and I-29; PR at I-14, I-16, I-17, I-21, and I-22.

[58] 19 U.S.C. § 1677(4)(A).

[59] The term "related parties" is defined in 19 U.S.C. § 1677(4)(B).

[60] 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

(continued...)

party is within the Commission's discretion based upon the facts presented in each case.[61]

*** is a related party because it imported subject imports during the period of investigation.[62] *** is a related party by virtue of ***, which exported subject merchandise during the period of investigation.[63] Appropriate circumstances are not present, however, to warrant exclusion of either producer from the domestic industry. *** only imported small quantities of subject imports relative to its domestic production in 1993 and 1994, and did not import subject merchandise at all in 1995.[64] The small ratio of imports to domestic production, as well as the cessation of the imports after 1994, show that *** interests lie in domestic production rather than in importation. Further, *** financial data are not markedly different from those of other domestic producers such that *** inclusion would significantly skew the domestic industry data.[65]

*** is *** domestic producer of dry pasta. Subject imports from *** are very small compared to *** domestic shipments. In 1995, such subject imports represented *** percent of *** domestic shipments, and this small ratio of imports to domestic shipments shows that *** interests lie in domestic production rather than importation. We thus do not find that appropriate circumstances exist to exclude this producer from the domestic industry. Consequently, we determine that there is one domestic industry in these investigations consisting of all domestic producers of dry pasta.[66]

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[60] (...continued)
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-I-8 (July 1994).

[61] See Torrington v. United States, 790 F. Supp. at 1168.

[62] CR at IV-1, PR at IV-1.

[63] *** which is not covered in the scope of investigation. Id.

[64] The ratio of *** 1993 imports of dry non-egg pasta from Turkey to its total 1993 U.S. production of dry pasta was approximately *** percent; the ratio for 1994 was approximately *** percent. See CR at IV-1 n.5, PR at IV-1 n.5 and *** Producer Questionnaire.

[65] CR at L-6-L-7, PR at L-4, Tables L-5 and L-6.

[66] Commissioner Bragg finds that the relevant domestic industry is comprised of the producers of dry non-egg pasta, and does not include producers of dry egg pasta. See her separate views regarding the domestic like product.

II. CONDITION OF THE DOMESTIC INDUSTRY[67]

In assessing whether the domestic industry is materially injured or threatened with material injury by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States. 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.[68] 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."[69]

We note several conditions of competition pertinent to our analysis of the domestic dry pasta industry. First, we must decide whether to apply the statutory captive production provision in these investigations. Approximately *** percent of domestic production of dry pasta is internally transferred for the production of downstream articles, while over *** percent is sold in the merchant market. Based on this information, 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. Thus the threshold criteria are present. However, we determine that the additional statutory conditions for the applicability of the captive production provision are not satisfied in these investigations.[70] [71] With

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[67] Although Commissioner Bragg defines the domestic like product to exclude dry egg pasta, she still joins 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. (Differences in trends for dry non-egg pasta producers are noted where applicable.) In joining this discussion she relies on the data contained in Summary Table C-2 in Appendix C of the Staff Report.

[68] 19 U.S.C. § 1677(7)(C)(iii).

[69] Id.

[70] 19 U.S.C. § 1677(7)(C)(iv) sets forth the factors to be considered by the Commission in determining whether the captive production provision is applicable. If the threshold criteria are present, i.e., domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market, then the Commission shall determine whether:

> (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). If the Commission finds that these criteria are satisfied, it must "focus primarily on the merchant market for the domestic like product" in examining market share and the domestic industry's financial condition.

[71] Commissioner Bragg notes that she does not necessarily concur with her colleagues' analysis of the

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respect to the first enumerated factor, in these final investigations, almost all (10 of 11) producers (representing almost all of the volume of captive consumption of dry pasta) reported that the dry pasta internally transferred for the production of downstream products does not compete with dry pasta sold on the merchant market.[72] Consequently, the first factor is satisfied, as the downstream products made from captively consumed dry pasta do not enter the merchant market for dry pasta.[73] [74] We next address the second criterion, whether the dry pasta is the predominant material input in the downstream product. Producers responsible for the majority of dry pasta that is captively consumed reported that pasta is not the predominant material input for their downstream products.[75] Therefore, the second criterion is not satisfied, and the prerequisites for application of the captive production provision are not met. We therefore do not apply the captive production provision in these investigations.[76]

Another condition of competition in this industry is that demand for dry pasta has increased steadily throughout the period of investigation.[77] Further, the dry pasta market is served by a variety of

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[71] (...continued)
statutory factors for applicability of the captive production provision. In particular, she questions the analysis of factor (I) as requiring an examination of whether the downstream product competes with sales in the merchant market for the domestic like product. See Polyvinyl Alcohol from China, Japan and Taiwan, Inv. Nos. 731-TA-726, 727, and 729, USITC Pub. 2960 at 12, n.76 (Final) (May, 1996) (observations of Commissioner Bragg). In these investigations, however, she is inclined to agree that factor (II) is not satisfied. In any event, she notes that had she focused on the merchant market, she would have reached the same result in these investigations.

[72] CR at III-12, PR at III-8.

[73] Accord, Polyvinyl Alcohol, USITC Pub. 2960 at 12 (first criterion satisfied because "all three producers indicated that their downstream products do not compete for sales in the PVA merchant market").

[74] Commissioner Newquist agrees that the downstream article (e.g., boxed macaroni and cheese) does not enter the merchant market for the like product (i.e., dry pasta). He notes, however, that by its terms, this criterion refers not to whether the downstream articles do not enter the merchant market but whether the like product processed into the downstream article does not enter the merchant market. In other words, as written, the provision ostensibly seeks to establish that the internally transferred volume of the like product is not in two places at once. In his view, to the extent this is what Congress intended, then the factor is certain to be "satisfied" in most instances.

[75] In response to the question of whether dry pasta is, overall, the predominant or primary input in the downstream product, *** domestic producers accounting collectively for a majority of the volume of captive consumption of dry pasta, ***, reported "no." *** reported that dry pasta is equal to or less than the other input(s). CR at III-12. Three other producers (including two petitioning firms), collectively representing *** percent of the volume of captive consumption of dry pasta, reported that, overall, pasta was the predominant or primary input in their downstream articles. Id. Information provided by producers regarding the comparative material cost and weight of the dry pasta input was varied. As a percentage of raw material cost, producers reported that dry pasta comprised 4 to 88 percent of the downstream product, with pasta representing less than 50 percent of the materials cost for the majority of downstream products, on the basis of production volume. On the basis of weight, responses were extremely varied, and producers reported that dry pasta comprised 8 to 95 percent of the downstream products. CR at III-12-III-13, PR at III-9. We find that this evidence as a whole shows that dry pasta is not the predominant material input.

[76] As the second criterion for application of the captive production provision is not met, we need not reach the question of the third criterion.

[77] CR at C-5, PR at C-5, Table C-2.

different pasta brands with different physical characteristics, product quality, and prices.[78] While consumers have brand preferences, brand loyalty is limited, and switching between brands occurs due to factors such as perceived quality, price and packaging. Brand loyalty thus does not prevent other brands from making sales to the same customers.[79] [80]

The U.S. market for dry pasta is not highly segmented on the basis of quality differences. Rather, there is a continuum of products with respect to price and quality.[81] The record shows that, within this continuum, there is no direct correlation between prices and quality (actual or perceived), in part because sales promotions are frequently used by both domestic producers and importers of subject products, even for allegedly higher quality pasta.[82] The majority of responding purchasers reported that the use of promotions is very important in purchasing decisions both for the domestic product and subject imports.[83] [84] The record thus shows that price is an important factor in purchasing decisions for

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[78] Commissioner Newquist notes that, in his view, quality distinctions among pastas are largely artificial. He suggests that, as discussed below, "perceived quality" may perhaps be a more appropriate phrase.

[79] CR at II-13, PR at II-10. Indeed the self-described goal of one Italian importer *** See CR at VII-5, n.11, PR at VII-2, n.11.

[80] Commissioner Watson observes that, according to a study prepared for ***, the "ideal pasta" was determined to have *** CR at I-30, PR at I-23. Respondents in that survey indicated that *** CR at I-30-31, PR at I-23. In its questionnaire response, *** CR at II-11, PR at II-10 (emphases in original).

[81] Commissioner Watson notes that, whereas the U.S. market for dry pasta does not appear to be "highly" segmented on the basis of "quality differences," he finds evidence of market segmentation on the basis of perceived quality and relative price. See Separate and Dissenting Views of Commissioner Watson.

[82] CR at V-12, PR at V-9. Further, both the major U.S. producers and the major importers have large promotion expenses. CR at VI-6-VI-7, PR at VI-6. See also Section 8 of ***

[83] CR at E-3, PR at E-3. Consistent with this evidence, for a number of purchasers, these promotions caused perceived quality distinctions between brands to collapse. CR at V-6, CR at V-5.

[84] Commissioner Watson declines to treat inferences from these questionnaire responses as necessarily applicable to the industry as a whole. He notes that the 43 purchaser questionnaires received in these investigations, on which certain conclusions in this discussion of conditions of competition are based, represent only 5.1 percent of shipments of domestically produced dry pasta, and 4.9 and 3.7 percent of shipments of subject imports of Italian and Turkish dry pasta, respectively, in 1995. Staff believe these amounts to be understated, as several purchasers were unable to provide total purchase amounts. CR at II-10, PR at II-9.

What is most important, however, is that these purchaser questionnaires come from an industry quite different from those commonly encountered in investigations of commodity chemicals or other manufacturing inputs. Here, unlike in those industries, end-users do not communicate exacting, objectively verifiable specifications (e.g., independently proofed standards, chemical purity or composition) to distributors which distributors could, in turn, relay to the Commission in questionnaire responses -- aside from physical characteristics of pasta intended for use in the industrial market. CR at I-14-15; PR at I-13. Especially in the retail grocery market, which accounts for between 59 and 61 percent of the total U.S. producers' shipments (CR at II-14, PR at II-), 75 percent of shipments of imported Italian product, and 95 percent of shipments of imported Turkish product (CR at II-1, PR at II-1), perceived -- *not* actual -- quality differences along with relative price influence purchasing decisions by end-users. CR at II-11, PR at II-9.

In the absence of such critical information from end-users being communicated directly to those completing questionnaires, and given the dearth of representative questionnaire data, Commissioner Watson views any conclusions drawn about the entire industry from these questionnaire responses with caution. See Separate and

(continued...)

both the domestic product and the subject imports.[85] While product quality is also important in purchasing decisions,[86] and Italian imports generally appear to possess an image of perceived high quality and "authenticity,"[87] [88] perceived higher quality does not consistently translate into higher pricing levels.[89] The record thus shows that, overall, competition between subject imports and the domestic product exists on the basis of price, although brand image and perceived quality differences also influence purchasing decisions to some extent.[90]

Apparent domestic consumption increased steadily from 2.834 billion pounds in 1993 to 3.112 billion pounds in 1995.[91] The value of apparent U.S. consumption followed the same pattern, increasing consistently from $1.294 billion in 1993 to $1.475 billion in 1995.[92] The U.S. industry's domestic shipments increased steadily from 2.464 billion pounds in 1993 to 2.599 billion pounds in 1995.[93] The value of domestic industry shipments fluctuated, but increased overall over the period of investigation. The value of the U.S. industry's shipments increased from $1.136 billion in 1993 to $1.246 billion in 1994, and then decreased slightly to $1.245 billion in 1995.[94] [95] The domestic industry's share of total apparent consumption declined during each year of the period of investigation, from 87.0 percent in 1993 to 83.5 percent in 1995.[96]

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[84] (...continued)
Dissenting Views of Commissioner Watson.

[85] Additionally, lowest price was rated as somewhat to very important by 18 of 25 purchasers with respect to Italian imports, 23 of 25 of the purchasers with respect to the domestic product, and 5 of 7 purchasers with respect to Turkish imports. CR at E-3, PR at E-3.

[86] CR at E-3, PR at E-3.

[87] Italian pasta is perceived to be more "authentic" because of Italian producers' historic familiarity with appropriate production techniques and ingredients. CR at I-31, PR at I-23.

[88] See CR at II-16, PR at II-13. See discussion infra, Section III, regarding the fungibility of Italian imports and the domestic product.

[89] See discussion infra in Section IV.B regarding pricing levels. However, the perceived lower quality of Turkish imports vis-a-vis domestic pasta does appear to explain, in part, lower pricing levels of Turkish imports. See id.

[90] Commissioner Watson disagrees with this characterization of the record, since price is only one of a number of factors that influence purchasing decisions -- not the principal determinant. CR at II-11-13, PR at II-11. See Separate and Dissenting Views of Commissioner Watson.

[91] CR at IV-14, PR at IV-11, Table IV-7.

[92] Id.

[93] CR at III-8, PR at III-6, Table III-3.

[94] Id.

[95] Commissioner Bragg notes that the value of domestic shipments of dry non-egg pasta increased throughout the period of investigation. See Summary Table C-2, CR at C-6, PR at C-6.

[96] CR at IV-18, PR at IV-15, Table IV-9.

U.S. producers' dry pasta production capacity fluctuated, but increased overall over the period of investigation. U.S. producers' average capacity increased from 3.492 billion pounds in 1993 to 3.703 billion pounds in 1994, and then decreased to 3.669 billion pounds in 1995.[97] Production followed a similar pattern, increasing from 2.441 billion pounds in 1993 to 2.617 billion pounds in 1994, and then decreasing to 2.589 billion pounds in 1995, a level higher than in 1993. As production increased at a greater rate than capacity over the period of investigation, capacity utilization increased overall by an extremely small margin from 69.9 percent in 1993 to 70.6 percent in 1995 after declining slightly from 70.7 percent in 1994.[98] [99] Domestic producer inventories fluctuated, but were higher overall at the end of the period. Domestic inventories were 204.9 million pounds in 1993, then rose to 243.2 million pounds in 1994, before falling to 226.1 million pounds in 1995.[100] Inventories as a percentage of total shipments rose from 8.2 percent in 1993 to 9.4 percent in 1994, and then decreased to 8.7 percent in 1995.[101] The number of production and related workers also fluctuated, rising from 4,418 in 1993 to 4,694 in 1994, and then falling to 4,516 in 1995 to a level above the 1993 level; hours worked decreased steadily throughout the period, from 9.826 million hours in 1993 to 9.142 million hours in 1995.[102] Total wages paid nonetheless increased steadily from $114.0 million in 1993 to $118.8 million in 1995, and productivity improved consistently from 248.5 pounds per hour in 1993 to 283.2 pounds per hour in 1995.[103]

Net domestic industry sales values fluctuated, but were higher overall at the end of the period of investigation compared to the beginning. Net domestic industry sales increased from *** billion in 1993 to *** billion in 1994, and then decreased to *** billion in 1995.[104] Unit sales values followed the same pattern, increasing from *** in 1993 to *** in 1994 and then decreasing to *** in 1995.[105] Despite the overall increase in sales value, the operating income and gross profits of the domestic industry deteriorated. Operating income decreased consistently from *** million in 1993 to a loss of *** million in 1995.[106] Per unit operating income decreased consistently from *** per pound in 1993 to a loss of *** per pound in 1995.[107] [108] Gross profits also decreased steadily from *** million in 1993

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[97] CR at III-8, PR at III-6, Table III-3.

[98] Id.

[99] Commissioner Bragg notes that both production and capacity utilization for dry non-egg pasta increased throughout the period of investigation. See Summary Table C-2, CR at C-6, PR at C-6.

[100] CR at III-8, PR at III-6, Table III-3.

[101] Id.

[102] Id.

[103] Id.

[104] CR at VI-4, PR at VI-4, Table VI-2.

[105] CR at VI-5, PR at VI-5, Table VI-3.

[106] CR at VI-4, PR at VI-4, Table VI-2.

[107] CR at VI-5, PR at VI-5, Table VI-3.

[108] Commissioner Bragg notes that the operating losses suffered by the dry non-egg pasta industry in 1995 were *** those suffered by the industry producing all dry pasta, both overall and on a per-unit basis. See Summary Table C-2, CR at C-6, PR at C-6.

to *** million in 1995.[109]

Cost of goods sold rose steadily from *** million in 1993 to *** million in 1995.[110] The increase in cost of goods sold was due in large part to increases in the cost of semolina, the principal raw material used in dry pasta production.[111] Selling, general and administrative (SG&A) expenses also rose steadily from *** million in 1993 to *** million in 1995.[112] Thus, increases in the cost of goods sold and SG&A expenses contributed to the substantial declines in both gross profits and operating income over the period of investigation.

Capital expenditures by the domestic industry fluctuated, and were higher at the end of the period of investigation than at the beginning. Capital expenditures were $57.13 million in 1993, decreased to $46.57 million in 1994, then rose to $60.42 million in 1995.[113] Research and development spending rose from $1.84 million in 1993 to $2.73 million in 1995.[114] [115] [116]

III. CUMULATION[117]

Section 771(7)(G)(i) provides the general rule for cumulation for determining material injury by reason of subject imports. 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.[118]

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[109] CR at VI-4, PR at VI-4, Table VI-2.

[110] Id. Unit cost of goods sold rose *** percent over the period of investigation, from *** per pound in 1993 to *** per pound in 1995. Id.

[111] See CR at VI-5, PR at VI-5, Table VI-3.

[112] CR at VI-5, PR at VI-5, Table VI-3. Unit SG&A rose *** percent over the period of investigation, from *** per pound in 1993 to *** per pound in 1995. Id.

[113] CR at VI-16, PR at V-19, Table VI-8.

[114] Id.

[115] Based on the foregoing, Chairman Rohr and Commissioner Newquist determine that the domestic dry pasta industry is experiencing material injury.

[116] Commissioner Watson does not join the remainder of the opinion.

[117] Commissioner Newquist notes that, in his view, once a like product determination is made, that determination establishes an inherent level of fungibility within that like product. Only in exceptional circumstances could Commissioner Newquist find products to be "like" and then turn around and find that, for purposes of cumulation, there is no "reasonable overlap of competition" based on some roving standard of substitutability. See Additional and Dissenting Views of Chairman Newquist in Flat-Rolled Carbon Steel Products, USITC Pub. No. 2664 (August 1993). He thus joins the following discussion to the extent it is consistent with this analytical framework, particularly the evaluation of "common geographic markets and simultaneous presence in the market."

[118] 19 U.S.C. § 1677(7)(G)(i).

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

> (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.[119]

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.[120] Only a "reasonable overlap" of competition is required.[121] Thus, even if a certain volume of subject imports from a country are 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)."[122]

A. Fungibility

Domestic products and Italian imports have the same end use. The record contains evidence that Italian imports, more than domestic products, are perceived as premium products[123] and are somewhat less likely to be purchased on the basis of lowest price, although price is generally an important factor in purchasing decisions of even the Italian product.[124] Data on actual differences in quality between Italian and U.S. product are mixed, however. The majority of Italian importers

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[119] 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).

[120] See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[121] See id, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); United States Steel Group v. United States, 873 F. Supp. 673, 685 (Ct. Int'l Trade 1994). The SAA 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 at 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)).

[122] See Torrington Co. v. United States, 790 F. Supp. 1161 (Ct. Int'l Trade 1992).

[123] The perception of Italian imports as higher quality is important in the view of importers and purchasers. CR at II-16, PR at II-12-13. See also, CR at V-5, PR at V-4 (almost all of the brands characterized by purchasers as "premium" are Italian).

[124] See CR at E-3, PR at E-3.

indicated that the quality of domestic products and Italian imports was rarely or never comparable.[125] The majority of producers and purchasers, however, found dry pasta from Italy to be comparable in quality with dry pasta produced in the United States.[126] Common end uses and the mixed data on quality as well as the data on price[127] suggest that the domestic products and Italian imports are substantially fungible.

Domestic products and Turkish imports also have the same end use. Purchasers differed as to whether the two products are viewed as similar by consumers.[128] Importer data show some degree of fungibility, with 11 of 30 importers reporting that the two are "sometimes" similar, and 8 reporting that they are either usually or always viewed as similar.[129] Producers generally reported that there were no significant differences in quality between the domestic products and Turkish imports.[130] In response to a question whether purchasers believe that there are actual quality differences that distinguish Turkish imports from domestic pasta, 9 reported yes and 15 reported no.[131] There are reported differences in quality between the U.S. products and Turkish imports that limit this fungibility somewhat.[132] However, based on producer, importer and purchaser responses to questions regarding the comparability of U.S. and Turkish product, we find that they are sufficiently fungible to satisfy this factor.

Italian and Turkish imports have the same end use, and there are several retail purchasers that buy both Italian and Turkish pasta.[133] The data show some differences in the perceptions of quality and brand image between subject imports from Italy and Turkey. All of the purchasers reported that dry pasta from Italy was superior in quality and product consistency to dry pasta from Turkey,[134] and the majority rated Italy as superior with respect to brand loyalty, country image and brand image.[135] In

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[125] CR at II-16, PR at II-12.

[126] All producers stated that the domestic product and subject imports were viewed as similar at least some of the time, and a majority stated that the quality is usually similar. CR at II-15, PR at II-12. 21 of 30 responding purchasers stated that the quality was comparable. CR at II-16, PR at II-13. Most purchasers reported that their customers believed that there are actual physical differences between the Italian imports and the U.S. product, however. Id.

[127] The pricing data show that Italian imports are not consistently higher priced than domestic product. See generally CR at V-23-V-25, CR at V-19-V-21, Tables V-6, V-7, and V-8. Unit values confirm that there is no consistent difference in price. CR at C-3, PR at C-3, Table C-1 and C-2.

[128] CR at II-18, PR at II-14.

[129] CR at II-17, PR at II-14.

[130] Id.

[131] Id.

[132] These differences appear to be reflected at least in part in the markedly lower prices of Turkish imports. See CR at V-17-V-19, PR at V-13-V-15, Tables V-2, V-3 and V-4. In 1995, unit values of Turkish imports were $0.24 compared to $0.48 for domestic products. CR at C-3, C-4, PR at C-3, C-4, Table C-1.

[133] CR at II-18-II-19, PR at II-14.

[134] CR at E-6, PR at E-6.

[135] CR at II-19, E-6, PR at II-15, E-6. A majority of importers of dry pasta, 25 of 44, reported that dry pasta

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contrast, however, when asked whether they believed that there are actual physical quality differences that distinguish Turkish and Italian pasta, purchasers were divided.[136] Moreover, one company sells Italian and Turkish imports under the same brand name.[137] We find that overall, Italian and Turkish imports are fungible, albeit to a limited degree.

B. Common Channels of Distribution

The record shows an overlap in channels of distribution between the imported and domestic products. An overlap in distribution channels exists in the retail grocery chain channel and the wholesale distributor channels in the retail market. In those channels, 35.5 percent of U.S. shipments were to retail grocery chains and 18.2 percent were shipped to wholesale distributors.[138] Similarly, 23.0 percent of Italian imports and 43.7 percent of Turkish imports were distributed to retail grocery chains in 1995, and 17.3 percent of Italian imports and 36.7 percent of Turkish imports were distributed in 1995 to wholesale distributors.[139] Overall, 53.7 percent of U.S. shipments, 40.3 percent of Italian imports, and 80.4 percent of Turkish imports were sold in the same two channels of distribution. Moreover, U.S. shipments overlap with Italian imports in the food service market with food service distributors, where 9.4 percent of U.S. shipments and 21.5 percent of Italian imports were distributed in 1995.[140] There is also an overlap in channels of distribution between Turkish and Italian imports. Turkish and Italian imports have overlapping channels of distribution in the two retail categories discussed above, retail grocery chains and wholesale/warehouse distributors.[141]

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[135] (...continued)
from Italy and Turkey were never perceived by their customers as comparable, six other firms reported that they are rarely viewed as comparable, and eight firms reported that they are sometimes or always viewed as comparable. CR at II-19, PR at II-15. These differences appear to be reflected to some extent in the lower prices of Turkish imports. In 1995, unit values for Italian imports were $0.46 compared to $0.24 for Turkish imports. CR at C-4, PR at C-4, Table C-1.

[136] CR at II-19, PR at II-15. 10 of 22 purchasers reported that their customers do not believe that actual physical quality differences distinguish Italian and Turkish dry pasta. See Purchaser Questionnaire Responses to Question 57.

[137] CR at II-18, PR at II-15.

[138] CR at II-2, PR at II-2, Table II-1.

[139] CR at II-3-II-4, PR at II-3-II-4, Tables II-2 and II-3.

[140] CR at II-2, II-3, PR at II-2, II-3, Tables II-1, II-2. On the level of individual purchasers, there is also an overlap between U.S. product and both Italian and Turkish imports in the retail and food service markets. See generally Purchaser Questionnaire Responses.

[141] CR at II-3, II-4, PR at II-3, II-4, Tables II-2, II-3. Turkish and Italian imports are also sold to a number of the same purchasers within these channels of distribution. CR at II-18-II-19, PR at II-14.

C. Common Geographic Markets and Simultaneous Presence in the Market

Domestically-produced dry pasta is sold nationwide.[142] Italian and Turkish imports are sold predominantly in the Northeast and Western coastal states of the United States.[143] Subject imports of dry non-egg pasta from Turkey and Italy were imported into the United States during each quarter in the period examined.[144] Domestically-produced dry pasta was sold in the United States throughout the 1993-95 period.[145] Domestic product and Italian and Turkish imports thus are all present simultaneously in the U.S. market, with sufficient geographical overlap.

We find the existence of a reasonable overlap in competition between the domestic like product and the subject imports from Italy and Turkey. Dry pasta from Italy, dry pasta from Turkey, and domestically-produced dry pasta have been sold simultaneously in the same geographic areas. The record shows that the subject imports from Italy and the domestic product are substantially fungible, and are sold in many of the same retail stores, and through a number of the same food service channels. We therefore find that Italian imports compete with the domestic product. While real or perceived quality differences and differences in price limit the substitutability of Turkish imports and domestic dry pasta somewhat, the facts that the majority of purchasers view the actual physical quality characteristics as similar and that they are sold in overlapping channels of distribution shows that Turkish imports compete with the domestic like product. We also find that Italian and Turkish imports compete with each other. They are sold simultaneously and in the same geographical regions. While differences in prices and actual or perceived quality exist between the subject imports from Italy and the subject imports from Turkey, both are used for the same applications.[146] Italian and Turkish imports compete in many retail grocery chains/specialty stores where consumers choose between Turkish and Italian imports for any given meal.

For the foregoing reasons, we find a reasonable overlap of competition, both between the domestic like product and the subject imports and among the subject imports. Therefore, we cumulate subject imports for purposes of our determination of material injury by reason of LTFV and subsidized imports.

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[142] CR at III-7, PR at III-2.

[143] CR at V-4, PR at V-3, Table V-1.

[144] See generally Importers Questionnaires.

[145] See, e.g., CR at V-17, PR at V-13, Table V-2.

[146] We note that in several investigations, the Commission has found the competition requirement satisfied notwithstanding differences in quality. See, e.g., Circular Welded Non-Alloy Steel Pipe from Romania and South Africa, Inv. No. 731-TA-732-733 (Final), Slip Op. at 18 (July, 1996); Certain Steel Wire Rod from Brazil and Japan, Inv. Nos. 731-TA-646, 648 (Final), USITC Pub. 2761 at 14-16 (March, 1994). In a recent decision not to cumulate on account of quality differences between the subject imports, those quality differences were associated with distinct end uses, which is not the case in these investigations. See Grain-Oriented Silicon Electrical Steel from Italy and Japan, Inv. Nos. 701-TA-355 and 731-TA-660 (Final), USITC Pub. 2778 at 13-14 (May 1994)(Commissioner Newquist dissenting).

IV. MATERIAL INJURY BY REASON OF LTFV AND SUBSIDIZED IMPORTS[147]

In antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the subject imports.[148] In making this determination, the Commission must consider the volume of subject 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.[149] Although the Commission may consider causes of injury to the industry other than the LTFV and subsidized imports,[150] it is not to weigh causes.[151] [152] [153]

For the reasons discussed below, we find that the domestic dry pasta industry is materially

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[147] Commissioner Bragg joins this discussion, which reflects equally her findings concerning material injury to the domestic industry producing dry non-egg pasta.

[148] 19 U.S.C. § 1673d(b). The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant." 19 U.S.C. § 1677(7)(A).

[149] 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).

[150] 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).

[151] See, e.g., Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988).

[152] Chairman 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., Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741 (Ct. Int'l Trade 1989); Citrosuco Paulista, 704 F. Supp. at 1101.

[153] Commissioner Crawford notes that the statute requires that the Commission determine whether a domestic industry is "materially injured by reason of" the LTFV and subsidized 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 LTFV and subsidized imports, not by reason of the LTFV and subsidized 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 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, 96th Cong., 1st Sess. 75 (1979). 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 LTFV and subsidized imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 96-249 at 74 (1979). Rather, it is to determine whether any injury "by reason of" the LTFV and subsidized 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).

injured by reason of the LTFV and subsidized imports from Italy and Turkey.[154]

A. Volume of LTFV and Subsidized Imports

The quantity of cumulated subject imports increased steadily from 262.8 million pounds to 379.5 million pounds between 1993 and 1995.[155] The share of all U.S. consumption held by subject imports steadily increased from 9.3 percent in 1993 to 12.2 percent in 1995.[156] This increase in market share came at the expense of the domestic industry, whose market share declined during each year of the period of investigation, from 87.0 percent in 1993 to 83.5 percent in 1995.[157] Moreover, the rate of increase in subject import volumes far exceeded the rate of increase in domestic consumption.[158] In contrast, domestic shipments increased marginally during the period of investigation, as domestic producers were unable to capture new market share, or even maintain existing market share, despite increasing demand.[159] 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 in this investigation.

B. Price Effects of the Subject Imports

As a threshold matter, as discussed above, there is no clear correlation between high prices and high quality (actual or perceived), although all Italian imports appear to possess an image of perceived high quality and authenticity. Despite perceptions of quality differences between the subject imports and the domestic product, we find that subject imports and the domestic products are substitutable to a significant degree, in large part because of their common end use. Both Italian and Turkish subject imports compete with the domestic products on the basis of price. While brand image and perceived quality are important in purchasing decisions, price is also important to most purchasers of pasta from both subject countries as well as the domestic product.[160]

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[154] As previously noted, Commissioner Bragg makes this determination with respect to the domestic industry producing dry non-egg pasta. She relies on the data in Summary Table C-2 where it differs from the data discussed herein.

[155] CR at IV-10, PR at IV-7, Table IV-5.

[156] CR at IV-18, PR at IV-15, Table IV-9. Commissioner Bragg notes that the share of U.S. dry non-egg pasta consumption held by subject imports increased from 10.3 percent in 1993 to 13.4 percent in 1995. CR at C-5, PR at C-5, Table C-2.

[157] CR at IV-18, PR at IV-15, Table IV-9. Commissioner Bragg notes that the domestic producers' share of U.S. dry non-egg pasta consumption fell from 85.5 percent in 1993 to 81.9 percent in 1995. CR at C-5, PR at C-5, Table C-2.

[158] CR at C-3, PR at C-3, Table C-1. Commissioner Bragg notes that trends for dry non-egg pasta were similar. See CR at C-5, PR at C-5, Table C-2.

[159] While domestic consumption increased by 9.8 percent over the period of investigation, domestic producers' U.S. shipments increased by 5.5 percent and net sales declined by *** percent. CR at C-3-C-4, PR at C-3-4, Table C-1. Commissioner Bragg notes that trends for dry non-egg pasta were similar. See CR at C-5-C-6, PR at C-5-C-6, Table C-2.

[160] CR at E-3, PR at E-3.

We also note that domestic producers traditionally have employed a "three-tiered" pricing structure.[161] 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 lower-volume products such as penne and rigatoni, is characterized by higher prices and fewer promotions. The third tier consists of more specialized products such as lasagna. These products have the highest prices traditionally, and are rarely promoted. In contrast, subject imports are more often sold on a "line-pricing" basis, with essentially the same prices per pound for the different cuts of pasta.[162]

While domestic prices rose somewhat throughout the period of investigation, costs increased at a greater rate.[163] The increasing subject import volumes, which took market share from domestic producers, placed pressure on the domestic industry to restrict price increases so as to maintain sales volumes and market share. The record thus indicates that the domestic industry was not able to raise its prices sufficiently to cover the increase in its raw materials and SG&A costs,[164] due, to a significant degree, to the subject imports.[165]

We discount, to some extent, the price comparison data because prices may not be completely comparable due to differences in channels of distribution and sales quantities.[166] We note, however, that the pricing comparisons are nonetheless illustrative of the relationship among the overall pricing levels of the domestic product, Italian imports and Turkish imports, and are consistent with the average unit values of the domestic product, Italian imports and Turkish imports.

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[161] CR at V-9, PR at V-7.

[162] CR at V-10, PR at V-7. The price variations among the three tiers for the subject imports were less than the variations in domestic prices among the three tiers; this is particularly true for the Turkish import prices. See CR at V-21, PR at V-17, Figure V-3 and CR at V-26, PR at V-22, Figure V-4.

[163] Compare CR at V-16, PR at V-12 (domestic price increases for sales to grocery stores ranged from 3.8 to 17.1 percent over the period of investigation) and CR at V-22, PR at V-18 (domestic price increases for sales to direct store distributors *** percent for products 1 and 2, and 3, respectively, over the period of investigation) and CR at C-4, PR at C-4, Table C-1 (domestic producer unit values increased by 3.9 percent over the period of investigation) with CR at C-4, PR at C-4, Table C-1 (increases of *** percent and *** percent of the per unit cost of goods sold and per unit SG&A, respectively, over the period of investigation). Commissioner Bragg notes that unit value and cost trends were similar for dry non-egg pasta producers. See CR at C-6, PR at C-6, Table C-2.

[164] Contrary to respondents' contention, the record shows that the declining profitability was not purely a result of *** increase in SG&A expenses. Domestic industry profitability declined as a whole (and for the vast majority of producers) because of the inability of domestic producers to raise prices commensurate with the increase in semolina costs. CR at VI-4, PR at VI-4, Table VI-2, CR at VI-7, PR at VI-5. Moreover, ***, the ***, had similar SG&A rates. CR at VI-7, PR at VI-5.

[165] While Commissioner Crawford concurs that the domestic industry was not able to increase its prices sufficiently to cover its increased costs, she does not find, as noted below, that this inability to increase prices is due to subject imports.

[166] CR at V-15, PR at V-11.

Our findings are also based on the pricing pattern of Italian imports, which are generally sold at price levels comparable to the U.S. product,[167] despite a perception that Italian pasta is of higher quality and authenticity. We would normally expect products perceived to be of higher quality to sell at a fairly consistent premium.[168] [169]

The record indicates instead significant underselling by subject imports. On a cumulated basis, subject imports undersold the domestic product in 99 of 122 instances, with margins ranging from 0.2 percent to 39.5 percent.[170] The Italian products were priced below the domestic products in 60 of 83

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[167] See generally CR at V-23-V-25, Tables V-6, V-7, and V-8. Unit values confirm that there is no consistent difference in price. CR at C-3, C-5, PR at C-3, C-5 Tables C-1 and C-2. The purchaser price data shows Italian prices to be higher in many instances. CR at V-31, PR at V-25. The purchaser price data represents less than a half a percent of U.S. shipments of domestic pasta and U.S. shipments of Italian pasta, respectively, however. CR at V-32-V-34, PR at V-25-V-26, Tables V-11-V-13. We find that as a whole, the record shows that domestic and Italian prices are generally comparable.

[168] While Italian respondents have not quantified such a price premium, they repeatedly assert that the Italian imports are sold at higher prices corresponding to higher quality, and that consumers expect to pay extra for such quality. See, e.g., Prehearing Brief of a Group of Italian Respondents at A-22; Delverde Prehearing Brief at 34-36; Hearing Transcript at 275 (Klett). As noted, however, the record indicates that Italian products are not consistently sold at higher prices.

[169] Commissioner Crawford does not join the remainder of this discussion. In this market, Commissioner Crawford finds that subject imports are not having significant effects on prices for domestic pasta. To evaluate the effects of the dumping and subsidization on domestic prices, Commissioner Crawford compares domestic prices that existed when the imports were dumped and subsidized 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 dumping margins range from de minimis to 46.67 percent for subject imports from Italy and exceed 60 percent for subject imports from Turkey. In addition, the subsidy margins range from 0 percent to 11.23 percent for subject imports from Italy and from 3.87 percent to 15.82 percent for subject imports from Turkey. At these margins, subject imports would have been priced significantly higher had they been fairly traded. As discussed above, subject imports and domestic pasta are substitutable for each other, and, overall, compete on the basis of price. Therefore, demand would have shifted away from subject imports had they been fairly priced. The cumulated market share of subject imports was 12.2 percent by quantity in 1995. Even though it is not exceptionally large, this market share is significant, and thus the shift in demand away from subject imports would have been substantial. Since nonsubject imports are not a significant presence in the U.S. market, most of the demand for subject imports would have shifted to domestic pasta had subject imports been fairly traded, and thus the increase in demand for domestic pasta would have been significant. Therefore, had subject imports been priced fairly, the domestic industry would have had the opportunity to increase its prices in response to this significant shift in demand. However, any attempt by the domestic industry to increase its prices in response to the shift in demand would have been unsuccessful. Domestic suppliers compete actively among themselves in the U.S. market. The domestic industry has substantial available production capacity (which greatly exceeds the demand for subject imports) and some inventories with which domestic suppliers would have competed among themselves for sales, had demand shifted away from subject imports. In these circumstances, any effort by a domestic supplier to raise its prices would have been beaten back by its competitors. Therefore, significant effects on domestic prices cannot be attributed to the unfair pricing of subject imports. Consequently, Commissioner Crawford finds that subject imports are not having significant effects on prices for domestic pasta.

[170] Purchaser price data also indicates that cumulated subject imports undersold domestic product in 36 of 47 instances, with margins ranging from 1.6 to 92 percent. CR at V-31, PR at V-25.

instances, and Turkish products were priced below the domestic products in all 39 instances.[171] Margins of underselling ranged as high as 35 percent for Italian imports, with average margins of underselling of 15.0 percent for the retail market and 14.8 percent for the direct store delivery ("DSD") market. Margins of underselling ranged as high as 65.4 percent for Turkish imports for the retail market, with an average margin of underselling of 50.1 percent.[172] [173] The frequency of underselling by the Italian imports is significant in view of the perceived quality and authenticity associated with the Italian imports. Furthermore, underselling by Turkish imports is pervasive and the margins of underselling are substantial, although we find that in part this is due to the perception of Turkish product as somewhat lower quality than domestic products.[174]

Moreover, the pricing data to some extent corroborate petitioners' argument that importers of subject merchandise have been undercutting the traditional "three-tiered" pricing structure employed by domestic producers. The evidence shows that the importers use "line pricing", where prices per pound are the same across all pasta forms.[175] The Commission collected pricing data for sales of three different retail pasta products which are representative examples of the domestic "three-tiered" pricing structure. While the prices for products from the second and third tiers (products 2 and 3) have increased along with all domestic prices, margins of underselling by subject imports are more significant for those products than for the first tier products (product 1).[176] The subject imports have therefore contributed significantly to price suppression in the second and third tier products, which have traditionally been higher-priced, lower volume products, and which were not as frequently discounted as first tier, high volume products.

We therefore conclude that subject imports have suppressed domestic prices of dry pasta to a significant degree.

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[171] CR at V-27, PR at V-22.

[172] CR at V-27, PR at V-22. There were no pricing comparisons of Turkish product for the DSD market.

[173] Purchaser price data indicates that Italian imports undersold domestic product in 5 of 16 instances (with margins of underselling from 1.6 to 28.9 percent), and Turkish imports were priced below the domestic product in all of the 31 instances, with margins ranging from 43.9 percent to 91.2 percent. CR at V-31, PR at V-25.

[174] Commissioner Nuzum notes that the LTFV margins for Turkey exceed the average margins by which the subject imports undersold the domestic product. The LTFV margins for Italy are comparable to, and as to two companies exceed, the average underselling margins. This suggests that the magnitude of dumping facilitated underselling of the domestic product by subject imports and contributed to the ability of the subject imports to increase sales and revenues at the expense of U.S. producers.

[175] CR at V-10, PR at V-7.

[176] See CR at V-21, PR at V-17, Figure V-3 and CR at V-26, PR at V-22, Figure V-4.

C. Impact of the Subject Imports on the Domestic Industry[177] [178] [179] [180]

The adverse impact on the domestic industry of the volume and prices of subject imports is reflected in significant decreases in the industry's profitability over the period of investigation, resulting in operating losses at the end of the period.[181] [182] The evidence indicates that increasing volumes of

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[177] 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 180, H.R. Doc. No. 316, Vol. 1, 103rd Cong., 2nd Sess. (1994) at 850. The weighted-average dumping margins identified by Commerce in its final investigations range from 0.67 to 46.67 percent for Italy and are 56.87 and 63.29 for Turkey. 61 Fed. Reg. 30288 (June 14, 1996).

[178] Commissioner Newquist notes that, in his analytical framework, "evaluat[ion] of the magnitude of the margin of dumping" is not generally helpful in answering the questions posed by the statute: whether the domestic industry is materially injured; and, if so, whether such injury is by reason of the subject imports.

[179] Commissioner Crawford concurs in her colleagues' finding that subject imports are having a significant impact on the domestic industry. In her analysis of material injury by reason of dumped and subsidized imports, Commissioner Crawford evaluates the impact on the domestic industry by comparing the state of the industry when the imports were dumped and subsidized with what the state of the industry would have been had the imports been fairly traded. For a full description of her analytical framework, see Additional Views of Commissioner Carol T. Crawford in Polyvinyl Alcohol from China, Japan, and Thailand, Invs. Nos. 731-TA-726, 727, 729 (Final), USITC Pub. 2960 at 25-26 (May 1996). 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(7)(C)(iii). These factors together either encompass or reflect the volume and price effects of the dumped and subsidized imports, and so she gauges the impact of the dumping and subsidization 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 noted above, the domestic industry would not have been able to increase its prices significantly if subject imports had been sold at fairly traded prices. Therefore, any impact of the dumped and subsidized imports on the domestic industry would have been on the domestic industry's output and sales. Had subject imports not been dumped and subsidized, competition from the insignificant volume of nonsubject imports would not have prevented the domestic industry from capturing most of the demand supplied by subject imports, and, as noted above, the increase in demand for domestic pasta would have been significant. The domestic industry would have increased its production and sales to satisfy this significant increase in demand. Accordingly, the domestic industry's output and sales, and therefore its revenues, would have increased significantly had subject imports not been dumped and subsidized. Consequently, the domestic industry would have been materially better off if the subject imports had been fairly traded. Therefore, Commissioner Crawford determines that the domestic industry producing dry pasta is materially injured by reason of dumped and subsidized imports of pasta from Italy and Turkey.

[180] Commissioner Bragg does not consider the margin of dumping in these investigations to be of particular significance in evaluating the effects of subject imports on U.S. producers of dry non-egg pasta. See Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996).

[181] Operating income fell by *** percent over the period of investigation. CR at C-4, PR at C-4, Table C-1.

[182] Commissioner Bragg notes that operating income for dry non-egg pasta producers fell by *** percent, over the period of investigation, than did operating income for all dry pasta producers. Summary Table C-2, CR at C-6,

(continued...)

subject imports suppressed domestic prices to a significant degree, thereby precluding domestic producers from recovering their increased costs for raw materials and SG&A. Moreover, because of the increasing volumes of subject imports, domestic producers were unable to benefit from the increases in apparent domestic consumption, and their market share in fact declined. As a result, their financial performance has also declined. Further, as noted above, notwithstanding some quality differences, the domestic product and subject imports compete on the basis of price across the continuum of pasta products and brands,[183] and there is no distinct premium market segment served by subject imports in which domestic products do not compete. On the basis of the foregoing, we find material injury by reason of the subject imports.

CONCLUSION

For the foregoing reasons, we determine that the domestic dry pasta industry is materially injured by reason of LTFV and subsidized imports from Italy and Turkey.

[182] (...continued)
PR at C-6.

[183] Further, in the experience of the majority of producers and a number of purchasers, the demand for premium pasta is related to the demand for standard or lower end pasta, particularly where the former is promoted. CR at V-6, PR at V-4. Independent marketing data are consistent with such experiences. Id.

ADDITIONAL VIEWS OF COMMISSIONER JANET A. NUZUM

I join the majority of my colleagues in making affirmative determinations in these four concurrent investigations. These additional views provide further insight into how I took certain factors into account in reaching my affirmative determinations.

Unlike the majority of my colleagues, in the preliminary phase of these investigations I excluded egg-containing pasta from the domestic like product. I have reconsidered this like product issue based on the fuller record in these final investigations and now include all dry pasta (including egg pasta) in the definition of the domestic like product. The record fails, in my view, to establish a clear dividing line sufficient to exclude egg pasta. There is a wide variety of different types of pasta,[1] all of which are different in some respects and similar in others. In the case of egg and non-egg pasta, both are produced using largely the same equipment, employees, production processes, and production technology.[2] Some producers reported using dedicated production lines for egg pasta; however, some producers also use dedicated production lines for different shapes of non-egg pasta. While egg pasta may be differentiated on the basis of raw materials, organic and unenriched pasta also may be differentiated on this basis.[3] Finally, the existence of yolkless "egg noodles" and egg-containing linguine further blurs the line between egg and non-egg pasta.[4]

Egg and non-egg pasta do face, however, different demand factors. A very small percentage of the overall U.S. population may avoid egg pasta for health reasons.[5] Egg noodles are generally used for different types of dishes than other pastas.[6] While these distinctions limit the interchangeability of egg and non-egg pasta, I find them insufficient to warrant excluding dry egg pasta from the domestic like product. Nevertheless, the limited substitutability of egg pasta with non-egg pasta, and the fact that the unfair imports are comprised of only non-egg pasta, suggest that any adverse effects of the unfair imports are likely to be concentrated in the non-egg segments of the domestic market. I therefore examined closely the data on the non-egg segment of the domestic industry, as well as the data on the overall domestic industry. Indeed, this additional level of analysis revealed more starkly the injurious effects of the subject imports.

U.S. consumption of both all dry pasta and non-egg dry pasta increased during 1993-95, while the subject imports increased at a substantially greater rate.[7] The subject imports thus increased their share of the market for all dry pasta, but increased their share of the market for non-egg pasta to a slightly

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[1] See, e.g., CR at I-11, n. 18; PR at I-9, n. 18.

[2] CR at I-25 - I-26; PR at I-19-I-20. I note that some downtime is required for cleaning of equipment when shifting of production between egg pasta and non-egg pasta. Id.

[3] See CR at I-16 - I-17; PR at I-14.

[4] See CR at I-13, PR at I-11-I-12.

[5] See CR at I-14 n. 26, PR at I-12 n. 26.

[6] CR at I-13 and n. 25, PR at I-12 and n. 25.

[7] Table C-2; CR at C-5, PR at C-5.

greater degree.[8] The subject imports also accounted for a slightly larger share of U.S. consumption of just dry non-egg pasta as compared with their share of U.S. consumption of all dry pasta.[9]

With regard to the negative effect on U.S. prices for the domestic like product, data for non-egg dry pasta show price suppression even more starkly than do the data for all dry pasta.[10] The value of net sales of non-egg pasta increased on a per-pound basis from 1993 to 1994; meanwhile, the per-pound cost of semolina, other raw materials, and SG&A each increased, resulting in a decline in operating income from *** per pound to *** per pound. In 1995, operating income dropped further, to *** per pound, as raw material costs continued to increase, while the unit value of net sales actually declined.

Most of the increase in demand for dry pasta during 1993-95 was concentrated in the non-egg segment of the market. As a result, domestic production, capacity utilization, shipments, and employment for dry non-egg pasta all increased during 1993-95 at a slightly greater rate than was seen for all dry pasta.[11] The value of U.S. producers' shipments on non-egg dry pasta, however, did not rise at the same rate as did the quantity of such shipments 1994 to 1995. The unit value of non-egg pasta shipments in fact fell 1.8 percent during this period. Overall during 1993-95, the unit value of non-egg dry pasta shipments showed a small increase, but that increase was slightly less than the increase in the unit value of all dry pasta shipments.[12]

The overall negative effects of subject imports are most evident in the financial data. Compared with a ***-percent increase in the value of all dry pasta sales during fiscal years 1993-95, the value of non-egg pasta sales increased *** percent during the same period.[13] Costs of goods sold for non-egg pasta increased at a *** rate (*** percent) than did costs of goods sold for all dry pasta (*** percent). Gross profits for non-egg pasta thus decreased by *** percent compared with *** percent for all dry pasta. Operating income continued to show a *** decline in the non-egg pasta sector (down *** percent) compared with all dry pasta (down *** percent). In 1995, production of non-egg pasta thus generated an operating loss of ***, or *** percent of net sales, whereas production of all dry pasta showed a loss of ***, or *** percent of net sales.

These data demonstrate that most of the growth in domestic pasta consumption occurred in the non-egg segment of the market. Yet, it is precisely this segment of the market that bore the brunt of the adverse impact from subject imports. The most direct negative effects of unfair pricing by imports from Italy and Turkey are evident in the inability of U.S. producers to cover their costs of producing and selling the non-egg pasta which competes most directly with those imports. The magnitude of subsidies and dumping involved here contributed to the imports' ability to significantly undersell comparable domestic products -- despite the fact that certain importers from Italy promote their pasta as a "premium"

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[8] Id.

[9] Compare id. with Table C-1; CR at C-1, PR at C-1.

[10] These data are presented in Table L-3; CR at L-5, PR at L-3.

[11] These data are summarized in Table C-2; CR at C-6, PR at C-6.

[12] Compare id. with Table C-1; CR at C-4; PR at C-4.

[13] The financial data for non-egg dry pasta discussed in this section are presented in Table L-1; CR at L-3, PR at L-3. The comparable data for all dry pasta are presented in Table VI-2; CR at VI-4, PR at VI-4.

product. This occurred while U.S. apparent consumption for pasta was increasing, which should have enabled U.S. producers to pass on rising costs through higher prices. In conclusion, the head-to-head competition of the subject imports suppressed prices for the domestic product, and adversely impacted operations and financial results for the domestic industry producing dry pasta.

SEPARATE VIEWS OF COMMISSIONER LYNN M. BRAGG REGARDING THE EXCLUSION OF DRY EGG PASTA FROM THE DOMESTIC LIKE PRODUCT

In these final investigations, I find that the domestic like product consists of dry non-egg pasta. I join in the majority's analysis regarding the inclusion of all dry non-egg pasta in a single like product, regardless of the market in which it is sold, and whether enriched or non-enriched. I differ from the majority, however, in that I 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.[1] 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. The record indicates that consumers differentiate between the two, and rarely use egg pasta as a substitute for non-egg pasta due to a variety of factors, including differences in taste[2] and price[3], personal preference, the type of recipe they intend to prepare, and for some, health reasons (the presence of cholesterol in egg pasta or egg intolerance).[4] The vast majority of producers, importers and purchasers responding to the Commission's inquiry regarding the substitutability of egg and non-egg pasta indicated that substitutability is minimal or nonexistent.[5] Thus, dry egg pasta is no more interchangeable with dry non-egg pasta than refrigerated or frozen pasta (which the Commission found it proper to exclude from the domestic like product in its preliminary determination), and probably is less so due to the distinct features conferred by 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

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[1] Dry egg pasta normally contains at least 5.5 percent egg or egg yolk, whereas dry non-egg pasta normally contains no egg (although dry non-egg pasta products may contain up to 2 percent egg white). CR at I-13, PR at I-12. Egg pasta has different Food and Drug Administration (FDA) standards of identity than non-egg pasta. Id. 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-13-14, PR at I-11-I-12.

[2] As noted in the staff report, the addition of egg gives the pasta a certain richness and taste that is considered to be more appropriate for certain recipes. CR at I-13, PR at I-12.

[3] Prices for dry egg pasta are significantly higher than for dry non-egg pasta: the unit value of U.S. producers' shipments of domestically-produced dry egg pasta in 1995 was 60 cents per pound, compared to a unit value for dry non-egg pasta of 46 cents per pound. CR at I-28, PR at I-22.

[4] CR at I-18, PR at I-15.

[5] Id.

producers, however, produce only one product or the other.[6] Of those producers that produce both egg and non-egg dry pasta, many either have separate production lines for each,[7] or otherwise segregate the production of egg noodles from the manufacture of non-egg pasta to avoid egg contamination of the non-egg product.[8] Moreover, the production of egg pasta requires specific equipment that can add significant cost.[9] One domestic producer indicated that egg products also are usually produced at a lower speed.[10] 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.[11]

Channels of distribution for dry egg and non-egg pasta are very similar.[12] Customer and producer perceptions of the two products differ, however, due to the differences in taste, price and other factors 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, I decline to expand the domestic like product consisting of dry non-egg pasta to include dry egg pasta.

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[6] See Table III-1, CR at III-3, PR at III-3.

[7] CR at I-25, PR at I-18-I-19.

[8] For example, several producers reported that thorough cleaning and other quality control procedures are used when shifting production between egg and non-egg pasta, to ensure that there is no egg contamination of the non-egg product. CR at I-25-26, PR at I-19-I-20. One domestic producer notes that the cleaning step required to change over results in 8 hours or more of downtime. CR at I-26, n. 68, PR at I-20.

[9] Petitioner contends that such production equipment can cost anywhere from ***. CR at I-25, n. 65, PR at I-19. Another domestic producer cites capital costs in the range of *** for an egg blending system. CR at I-26, n. 68, PR at I-20.

[10] CR at I-26, n. 68, PR at I-20.

[11] CR at I-25, PR at I-18-I-19. Moreover, dry egg pasta can be produced by processes other than extrusion, such as sheeting, reduction rolling and cutting, whereas dry non-egg pasta is produced by extrusion. CR at I-25, n. 66, PR at I-20.

[12] CR at I-21, PR at I-17.

SEPARATE AND DISSENTING VIEWS OF COMMISSIONER PETER S. WATSON

Based on the record in this investigation, I find that an industry in the United States is neither materially injured nor threatened with material injury by reason of imports of dry pasta from Italy and Turkey that have been found by the Department of Commerce to be subsidized and sold in the United States at less than fair value ("LTFV"). I join sections I and II (where indicated) of the majority's views, however.

3. CUMULATION

a. In General

Section 771(7)(G)(i) provides the general rule for cumulation for determining material injury[1], which 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.[2] The statute contains four exceptions to cumulation, none of which apply in these investigations.[3]

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

> (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.[4]

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[1] The URAA relocated the provisions concerning cumulation to new sections 771(7)(G) and 771(7)(H), 19 U.S.C. § 1677(7)(G) and (H). New section 771(7)(G) concerns cumulation for determining material injury; new section 771(7)(H) concerns cumulation for threat.

[2] The statute as amended by the URAA requires cross-cumulation of dumped and subsidized imports where, as here, the antidumping and countervailing duty investigations are simultaneously filed. The only parties to address this issue do not dispute that cross-cumulation is mandatory. See Agnesi S.p.A., et al. Posthearing Brief at 6.

[3] These concern imports from Israel, Caribbean Basin countries, countries as to which investigations have been terminated, and countries as to which Commerce has made preliminary negative determinations. 19 U.S.C. § 1677(7)(G)(ii).

[4] See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (Final), (continued...)

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.[5] Only a "reasonable overlap" of competition is required.[6] Thus, even if a certain volume of subject imports from a country are 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)".[7]

In these investigations, I do not find that there is a reasonable overlap of competition, largely because I do not find sufficient evidence in the record that imports of Italian and Turkish like product are fungible, either with each other or the domestic like product. In these investigations, given the conditions of competition in the domestic market for the like product, I place relatively more weight on this lack of fungibility in deciding not to cumulate.

b. Fungibility

Although there appears to be ample evidence that "actual" quality differences are difficult for end-users to detect,[8] this fact is interesting but immaterial when discussing fungibility, as these end-users often make purchasing decisions based more on perceived quality -- *not* actual quality.[9] Further, I do not believe that the importance of customer perceptions can be disregarded in an industry where end-users purchase the like product for personal consumption and the retail and food-service segments accounted for 77 percent of total consumption by volume of dry pasta between 1993 and 1995.[10]

As I mentioned in my footnote 84 in Section II., above, the industry under scrutiny in these investigations is one driven largely by the often wildly subjective perceptions of consumers, not by the exacting, objective technical requirements manufacturers impose on suppliers of commodity inputs or raw materials. I find that the purchasers in this investigation do not have direct, detailed knowledge of consumers' specific motivations of end-users that would be invaluable to this cumulation analysis. Consumers of dry pasta in supermarkets do no leave trails of explicit specifications sent to competing distributors, unlike the buyers of commodity chemicals or manufacturing raw materials. The valuable feedback purchaser questionnaires frequently provide the Commission in those types of investigations are noticeably absent here. In the industry subject to these investigations, purchasers do not benefit from this

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(...continued)
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).

[5] See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[6] See Wieland Werke, AG, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); United States Steel Group v. United States, 873 F. Supp. 673, 685 (Ct. Int'l Trade 1994).

[7] See Torrington Co. v. United States, 790 F. Supp. 1161 (Ct. Int'l Trade 1992).

[8] In one taste-test comparison in 1994, Hershey's Ronzoni product was rated the best of all domestic and Italian brands sampled, while a less formal 1996 *Washington Post* taste test found all but one domestic brand to be comparable to the Italian brands sampled. CR at I-32, fn.90 and II-11, fn. 13, PR at I-25, fn.90 and II-10, fn.13.

[9] CR at II-11, PR at II-9-10.

[10] CR at II-10, PR at II-9.

direct customer feedback, and it follows that the record suffers accordingly with regard to what motivates end-users of pasta to choose among the various products available. That fact, viewed in conjunction with the rather limited coverage of purchasers' questionnaire responses in these investigations,[11] prevents my making broad inferences about the industry as a whole based solely on these questionnaire responses.

In considering fungibility of Italian imports with the domestic like product, I find it instructive that almost all of the brands characterized by purchasers as "premium" (of the 4 domestic and 4 Italian brands mentioned) are Italian,[12] and are considered less likely to be purchased on the basis of price.[13] 30 of 47 importers noted that the quality of domestic product and Italian imports was rarely or never comparable,[14] while the majority of responding purchasers reported that their customers believed there to be actual physical differences between Italian imports and the U.S. product.[15]

In addition, I find petitioners' argument that all subject imports compete because country-of-origin is not important to purchasing decisions and perceived quality differences do not limit competition[16] to be unconvincing -- especially considering that ***.[17] It appears reasonable that no better "Italian connection" could exist beyond an Italian name on an Italian product plainly marked as such.

Prices, however, show no consistent differentiation between Italian imports and the domestic like product.[18] I find that, since the Italian product enjoys the cachet of "authenticity" in the minds of consumers, and since Italian imports are less likely to be purchased on the basis of price — only one of a number of factors affecting purchasing decisions — I do not find the absence of significant pricing differences to be probative in this instance.[19]

There appears to be even less fungibility between Turkish imports and the domestic like product. Only 8 of 30 importers reported that Turkish imports and the domestic like product are usually or always viewed as similar,[20] while 14 of 27 purchasers reported that the two products are rarely or never viewed as similar by consumers.[21] Of course, Turkish imports do not enjoy the "authenticity" of Italian imports

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[11] Id.

[12] CR at V-5, PR at V-4.

[13] CR at E-3, PR at E-3.

[14] CR at II-16, PR at II-12.

[15] CR at II-16, PR at II-13.

[16] Petitioners' Prehearing Brief at 51-53.

[17] CR at II-11, PR at II-10.

[18] CR at V-23-25, PR at V-19-21, Tables V-6, V-7, V-8.

[19] I find that the record supports a conclusion that constant price incentives for "high-end" pasta in the retail market segment undermine what might otherwise be a direct relationship between price and perceived quality of imported Italian pasta much the same as that observed for imported Turkish pasta. See generally Sections IV and V below.

[20] CR at II-17, PR at II-14.

[21] CR at II-18, PR at II-14.

in the minds of consumers.[22] Pricing information appears to demonstrate a direct relationship between price and perceived quality with respect to Turkish imports.[23]

In considering fungibility of Turkish imports with Italian imports, the record supports a finding of very limited fungibility. All of the purchasers responded that dry pasta from Italy was superior in product consistency and quality to dry pasta from Turkey;[24] furthermore, almost all rated Italy as superior with respect to brand loyalty (7 of 8), country image (7 of 8), and brand image (6 of 8).[25] A majority of importers (25 of 44) reported that dry pasta from Italy was never perceived by their customers as similar, and six other firms reported that they are rarely viewed as similar.[26] Moreover, Turkish exporters do not own the brands of pasta sold in the United States: ***.[27] Differences in pricing are unequivocal in showing no overlap.[28]

There is little affirmative evidence that consumers switch between Italian and Turkish brands.[29] The large disparities in prices of Italian and Turkish imports, coupled with the near consensus among purchasers and importers that the quality of the Italian and Turkish imports is measurably different, suggest that the two sets of imports serve different consumer markets and that there would be little switching by consumers between Italian and Turkish imports. The record thus suggests that there is very limited fungibility between Italian and Turkish imports, despite their common applications.

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[22] Id..

[23] CR at V-17-19, PR at V-13-15, Tables V-2, V-3, V-4. In 1995, unit values of Turkish imports were $0.24 while domestic products were $0.48.

[24] CR at E-6, PR at E-6.

[25] Id., also CR at II-19, PR at II-15.

[26] CR at II-19, PR at II-15.

[27] CR at IV-2, fn. 8, PR at IV-2, fn.8.

[28] CR at V-20,26, Figures V-2 and V-3, PR at V-17,22. In 1995, unit values for Italian imports were $0.46 while Turkish imports were $0.24. CR at B-3, Table B-1, PR at C-3, Table C-1.

[29] Petitioners presented a survey at the hearing showing that some consumers bought both Barilla (Italian brand) and Luigi Vitelli (Turkish brand) during the same period. Tr. at 54-58 (Nitzberg). However, this study did not specify why they did so. CR at II-24, PR at II-18-19. Purchaser questionnaires generally show that the demand for premium brands seldom influences low-end-of-market brands. Only 3 of 39 purchasers reported that premium sales take away from low end sales; two stated that this occurred but only when the premium products are heavily promoted (the third stated that all brands compete). One purchaser reported that in the food service market "low end pasta *** will take away more from domestic product than other imports." No purchaser discussed, as requested, the relationship between low-end and other non-premium or "standard" brands. See Purchaser Questionnaires Responses to Question 19.

c. Common Channels of Distribution

The record shows an overlap in channels of distribution between U.S. producers and Italian, on the one hand, and Turkish imports on the other. An overlap in distribution channels exists in the retail grocery chain channel and the wholesale distributor channels in the retail market. In those channels, 35.5 percent of U.S. shipments were to retail grocery chains and 18.2 percent were shipped to wholesale distributors.[30] Similarly, 23.0 percent of Italian imports and 43.7 percent of Turkish imports were distributed to retail grocery chains in 1995, and 17.3 percent of Italian imports and 36.7 percent of Turkish imports were distributed in 1995 to wholesale distributors.[31] Moreover, U.S. shipments overlap with Italian imports in the food service market with food service distributors, where 9.4 percent of U.S. shipments and 21.5 percent of Italian imports were distributed in 1995.[32] There is only a slight overlap in food service market channels of distribution for U.S. shipments and Turkish imports in distributions to institutional users.[33]

On the level of individual purchasers, there is also an overlap between U.S. product and both Italian and Turkish imports in the retail and food service markets, although the overlap is less between U.S. product and Turkish imports for retail grocery chains or specialty stores, than between U.S. product and Italian imports. Of the 7 responding purchasers identified as wholesale/warehouse distributors, 3 carried both U.S. product and Italian imports, and 3 carried both U.S. product and Turkish imports. Of the 22 responding purchasers identified as retail grocery chains or speciality stores, all carried U.S. product, 17 carried Italian imports and 8 carried Turkish imports.[34]

The overlap in channels of distribution between Turkish and Italian imports is smaller. Turkish and Italian imports appear to have overlapping channels of distribution in the two retail categories discussed above, retail grocery chains and wholesale/warehouse distributors.[35] At the individual purchaser level, however, there is some overlap with retail grocery chains but very little overlap for wholesale/warehouse distributors. Of the 22 responding purchasers that were identified as retail chain stores, 8 carried both Turkish and Italian imports during the period examined.[36] Of the 7 responding purchasers identified as wholesale/warehouse distributors, only 1 carried both Turkish and Italian imports during the period examined. When examining the actual responding purchasers therefore, the only principal common channel of distribution appears to be the retail grocery chains and specialty

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[30] CR at II-2, Table II-1.

[31] CR at II-3-II-4, Tables II-2 and II-3.

[32] CR at II-2, II-3, Tables II-1, II-2.

[33] CR at II-2, II-4, Tables II-1, II-3.

[34] CR at II-18-19, PR at II-14-15.

[35] There is virtually no overlap in channels of distribution for the food service market between Italian and Turkish imports, however. CR at II-3, II-4, Tables II-2, II-3. Overlap exists in other channels but is always less than one percent. Id. Further, neither of the two responding food service distributors that handle Italian imports also handles Turkish imports.

[36] CR at II-18-19, PR at II-14-15.

stores; and of the 23.0 percent of Italian imports and 43.7 percent of Turkish imports which are distributed in this channel, slightly more than one third are sold to the same responding purchasers.[37]

d. Common Geographic Markets and Simultaneous Presence Therein

Domestically-produced dry pasta is sold nationwide.[38] Italian and Turkish imports are distributed predominantly in the Northeast, and with respect to Italian imports, Western coastal states.[39] The record is unclear as to whether Turkish imports are also distributed predominantly in the Western coastal states. Subject imports of dry non-egg pasta from Turkey and Italy were imported into the United States during each quarter in the period examined.[40] Domestically-produced dry pasta was sold in the United States throughout the 1993-95 period.[41] Domestic product and Italian and Turkish imports are thus all present simultaneously in overlapping geographical markets.

e. Conclusion

In light of the foregoing, I decline to cumulate Italian and Turkish imports for the purpose of my analysis in these investigations.[42]

4. NO MATERIAL INJURY BY REASON OF SUBSIDIZED OR LTFV IMPORTS OF PASTA FROM ITALY AND TURKEY

a. In General

In making a determination in final antidumping duty investigations, the Commission is to determine whether an industry in the United States is materially injured "by reason of" the imports under investigation.[43] The statute defines "material injury" as "harm which is not inconsequential, immaterial or unimportant."[44] 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.[45]

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[37] In addition, none of the importers of subject merchandise imported both Turkish and Italian subject dry pasta.

[38] CR at III-7, PR at III-5.

[39] CR at V-4, Table V-1, PR at V-3, Table V-1.

[40] See generally Importers Questionnaires.

[41] See, e.g., CR at V-17, Table V-2.

[42] I note, however, that even had there been sufficient evidence of fungibility to compel me to cumulate imports of Italian and Turkish imports for the purpose of my present injury analysis in these investigations, *ceteris paribus* it would not have altered the substance of my present injury determinations.

[43] 19 U.S.C. § 1673d(b).

[44] Section 771(7)(A), 19 U.S.C. § 1677(7)(A).

[45] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the

(continued...)

In determining whether there is "material injury . . . by reason of" subject imports, the Commission may not weigh causes.[46] What is critical is that each Commissioner must not weigh causes, but must carefully examine volume, price, impact, and other relevant economic factors and provide reasoning for his or her analysis that is clear and detailed. Commissioners' opinions may differ as to the effect subject imports may have on these factors and the weight accorded to the economic factors in making their determinations.[47]

As these final investigations are subject to the URAA amendments, the Commission must satisfy the new statutory provisions governing explanation of the reasons for the determination in countervailing and antidumping duty opinions. 19 U.S.C. § 1677f(i)(3)(B) provides that "the Commission shall include in a final determination of injury an explanation of the basis for its determination that addresses relevant arguments that are made by interested parties who are parties to the investigation or review (as the case may be) concerning volume, price effects, and impact on the industry of imports of the subject merchandise."

(...continued)
determination" but shall "explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[46] 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). "Current law does not . . . contemplate that the effects from the subsidized (or LTFV) imports be weighed against the effects associated with other factors (e.g. the 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) which may be contributing to overall injury to an industry." S. Rep. No. 249, 96th Cong., 1st Sess. 57 (1979); see also H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979).

[47] See 19 U.S.C. § 1677(7)(B); H.R. Rep. No. 40, Part I, 100th Cong., 1st Sess. 128 (1987) ("The Commission shall explain its analysis of each factor considered under clause (i) and identify each factor considered under clause (ii) and explain in full its relevance to the determination"); S. Rep. No. 249 at 88 ("In determining whether an industry is materially injured . . . , the ITC will consider . . . the factors set forth in section 771(7)(C) and (D) together with any other factors it deems relevant. The significance of the various factors affecting the industry will depend upon the facts of each particular case").

b. Conditions of Competition

As I have mentioned twice (once in section II. and again in section III., above) the nature of the domestic pasta industry and the dearth of purchaser questionnaire coverage in these investigations[48] prevent my making broad inferences from these questionnaire responses as necessarily applicable to the industry as a whole -- especially with respect to end-user behavior. I do not suggest, however, that this predicament leaves the record bare of evidence upon which to base an analysis of the conditions of competition in the industry. I found ample alternative information in the record by which I could assess the somewhat anecdotal conclusions about end-user purchasing decisions found in the purchaser questionnaires.[49]

I do not dispute petitioners' assertions that actual quality differences between imported and domestic pasta, to the extent they exist, are difficult for most consumers to detect, but instead focus on the perceived quality differences that appear to motivate end-user purchases.[50] As I have stressed, ample record evidence exists to refute petitioners' assertion[51] that price is a more important consideration than quality in consumer purchasing decisions. Rather, consumers form preferred purchase groups at some combination of price and perceived quality, such that they purchase among a set of acceptable brands based on price -- *not* among all brands available in the marketplace.[52] Consumers will sample new brands and, if quality and taste prove acceptable, that brand will be added to their set of preferred brands.[53]

This purchasing behavior would appear to explain the pervasiveness of pricing incentives at the "high end" of the market (where Italian imports are concentrated) and the lack of such incentives at the "lower end" of the market (where Turkish imports are concentrated). Whereas U.S. producers reported that final prices average between 2 and 50 percent below initial prices for retail sales, importers of Italian pasta reported that final prices tend to be between 4 and 40 percent lower than initial prices, and importers of Turkish pasta reported that final prices averaged between 2 and 15 percent lower than initial prices.[54] After all, it is reasonable that manufacturers would seek to secure brand loyalty in the "high end" of the market where purchasers would be more willing to pay a premium for pasta of higher

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[48] CR at II-10, 14-15, PR at II-9, 11-12.

[49] ***.

[50] See generally my discussion of fungibility in Section III., above, especially fn.8; see also CR at II-11, PR at II-9-10.

[51] Petitioners' Prehearing Brief at 65-68.

[52] CR at II-12, PR at II-9-10.

[53] Id.

[54] CR at V-11, PR at V-8-9. 88.9 percent of responding purchasers reported that U.S. producers used discounts, rebates, allowances, and/or promotions always or often, 64.7 percent of purchasers reported that Italian importers used these tools as frequently, and 55.0 percent of purchasers reported that Turkish importers used these tools as frequently. CR at V-12, PR at V-9. However, the actual discounts from initial prices indicate that importers of Italian product use smaller incentives and/or use them less frequently than domestic producers, while importers of Turkish product use smaller incentives and/or use them less frequently than both domestic producers and Italian importers.

perceived quality, just as it is reasonable that Italian importers would seek to capitalize on the perceptions of their product as being of higher quality.

I find it a significant condition of competition that the product subject to these investigations is a product destined for eventual consumption in prepared pasta dishes; as such, it is prone to the necessarily subjective, personal decisions of individual purchasers. As with any other consumer product, consumers will continue to purchase the product as long as they perceive the price to be reasonable for the value received -- and that "value" is often entirely personal and unverifiable by quantitative means. Consumers with relatively more disposable or discretionary income would be more willing to indulge in "premium" products (e.g., premium ice creams costing $4 a pint, celebrity-endorsed athletic shoes costing more than $100), while consumers on tighter budgets would be more willing to purchase items with more sensitivity to price (e.g., packaged macaroni and cheese).[55] Consumers' discretionary income is a function of their age, whether they are married, whether they have children and how many, their education, etc.[56] One can reasonably conclude that "solid value" would tend to appeal to price-conscious consumers, while "panache" or perceived higher quality at a higher price-point would appeal to more affluent or "avant garde" consumers. As a corollary to this line of reasoning, retailers who stand to reap larger profits from carrying "premium" products will be eager to do so — much more eager than they would be to stock dramatically less expensive products that consumers might tend to view as inferior and from which the retailers would be guaranteed smaller per-unit profits.

I see nothing in the record to suggest that these tenets of consumer behavior apply to any number of consumer products but not to dry pasta. Consolidation of the industry since the mid-1970s appears to have concentrated competition considerably.[57] Pasta manufacturers now find themselves competing vigorously for market shares in the separate segments[58] and attempting to outmaneuver each other in marketing strategies;[59] yet, on some level, they all benefit from increasing pasta consumption.[60] Regardless, marketing of pasta is still regional, largely due to consumer loyalty, and people are said "to buy the pasta their mothers did."[61]

For manufacturers, then, the principal challenge appears to be preserving customer loyalty to their own brand while winning over consumers of other brands or capturing more consumers in a growing market: marketers must trumpet what makes their product unique or special to attract interest in

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[55] ***.

[56] ***.

[57] CR at III-2, PR at III-1.

[58] There appear to be three broad categories of competition in the pasta market, consisting of branded/domestic advertised brands; unbranded/generic/private label domestic products; and imports. *** See generally CR at V-5-7, PR at V-4-5.

[59] Sales promotions (e.g., coupon programs), billback allowances, and advertising apparently increased substantially during 1993-95. For large producers that depend on volume rather than niche or regional ethnic markets, marketing programs are critical to create demand for their products. CR at VI-7-8, PR at VI-5-6.

[60] ***.

[61] CR at III-7, PR at III-2.

a crowded market.[62] In the face of the considerable brand equity domestic producers enjoy among more value-conscious consumers, it appears quite difficult to increase prices for "mid-level" domestic products without sacrificing market share. U.S. producers' equity lies with value conscious consumers, and in a crowded market wherein actual quality differences vary only slightly, any price increases in "mid-level" product would motivate value-conscious consumers to purchase "premium" products. The "authenticity" and romantic imagery surrounding imported Italian product set it apart from domestic products, and could permit Italian product to sell at higher price-points than domestic producers.[63] Italian product already generates considerable and growing interest among "avant garde" consumers, whom value-conscious consumers might join in the face of higher prices for "mid-level" product. In essence, then, the "mid-range" brand equity is a mixed blessing because it results in a stable consumer base but limits the price increases manufacturers might wish to impose.

I think it important to comment that, if the price for all pasta were to increase considerably, then consumers (especially those identified as more value-conscious) might forego purchasing all pasta in favor of some other product (e.g., rice) to fill out a menu.[64] Accordingly, there are effective limits to the prices retailers may charge for pasta as a whole as well as within the different tiers.

I find the record does not support petitioners' assertion[65] that there are no discrete market segments; yet, in light of the foregoing, I need not make any decision as to whether discrete market segmentation is more evident than a broad continuum.[66] As I mentioned in Section III., above, the presence of significant and recurring price incentives at the "high end" of the market muddies the price data at the upper end, but the Turkish imports at the "lower end" appear to demonstrate a more direct relationship between price and perceived quality with less significant and less frequent price incentives.[67] Further, discounts and promotions affect prices directly, often by deductions from invoices.[68]

c. Volume

The volume and market share of subject imports from Italy increased somewhat over the period of investigation, from 214 million pounds in 1993 to 322 million pounds in 1995,[69] or from 7.6 percent of apparent consumption in 1993 to 10.4 percent of apparent consumption in 1995.[70] The volume and market share of subject imports from Turkey rose minimally over the period of investigation, from 48.8

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[62] ***, CR at VI-7-8, PR at VI-5-6.

[63] Id.

[64] See generally ***.

[65] Petitioners' Prehearing Brief at 67.

[66] I note, however, that a finding one way or the other (i.e., a segmented market or a continuum) would not affect the substance of my determinations in these investigations.

[67] CR at I-30, fn.79, PR at I-23, fn.79.

[68] CR at V-11, PR at V-8.

[69] CR at IV-16, PR at IV-13, Figure IV-3.

[70] CR at IV-17-18, PR at IV-14 , Table IV-9.

million pounds in 1993 to 57 million pounds in 1995,[71] from 1.7 percent of apparent consumption in 1993 to 1.8 percent of apparent consumption in 1995.[72] The market share of non-subject imports increased even more, from 3.8 percent of apparent consumption in 1993 to 4.3 percent in 1995.[73] U.S. producers' market share declined somewhat over the period of investigation, from 87.0 percent of apparent consumption to 83.5 percent of apparent consumption.[74]

The market share of U.S. consumption by value increased only slightly with respect to subject imports from Italy over the period of investigation, from 6.8 percent in 1993 to 10 percent in 1995.[75] Subject imports from Turkey failed to increase their share of U.S. consumption value over the period of investigation, at 0.9 percent in both 1993 and 1995.[76] Producers' U.S. shipments accounted for 87.8 percent of the value of U.S. consumption in 1993, and decreased somewhat to 84.4 percent in 1995.[77]

Based on the foregoing, I do not find that the volume and market shares of subject imports from Italy or Turkey increased significantly over the period of investigation, especially in light of the increase in the quantity of U.S. apparent consumption of 9.8 percent from 1993 to 1995 to a total of 3.11 billion pounds.[78] The market value of apparent consumption increased 14.0 percent from 1993 to 1995, ending at $1.47 billion in 1995.[79]

d. Price

As I have noted above, I find that perceived quality and price drive end-users' purchasing decisions. Further, I have noted that subject imports from Italy and Turkey are neither fungible with each other, or with the domestic like product. I note that all of the 13 producers responding to Commission questionnaires reported estimated increases in the price of durum wheat -- the primary raw material of dry pasta — of between 18 and 50 percent, where the price per bushel did increase from around $4 a bushel for hard amber durum wheat in 1993 to over $7 a bushel by the end of 1995.[80] Most reported subsequent increases in the price of dry pasta, but claimed that these increases still could not cover the cost increases in durum wheat.[81]

However, I also note that, in light of the high concentration in the industry producing the domestic product, domestic producers are faced with unique dilemmas. As I also mentioned, a surfeit of

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[71] CR at IV-16, PR at IV-13, Figure IV-3.

[72] CR at IV-17-18, PR at IV-14, Table IV-9.

[73] Id.

[74] Id.

[75] Id.

[76] Id.

[77] Id.

[78] CR at IV-9, PR at IV-6.

[79] Id.

[80] CR at V-1, PR at V-1, Figure V-1.

[81] Id.

domestic product has saturated the "mid-level" market at comparable price and perceived quality.[82] In some cases, the same pasta produced by a given firm can be marketed under several different brand names, sometimes in the same market.[83] Hershey stated during the hearing in these investigations that it seeks to secure more SKUs for its products by introducing different shapes as a novelty to generate demand, assure maximum exposure, and (presumably) sales.[84] Similarly, Borden admitted placing some top-tier products in SKUs *** to preserve a presence at the high end while trying to compensate with the two lower tiers in its pricing.[85] In light of the nature of demand for pasta I examined above, these experiences belie petitioners' argument[86] that imported Italian product is denying SKUs to domestic producers and thus limiting opportunities for retail sales. In fact, Italian imports often displaced other Italian imports for SKUs.[87]

It would appear that domestic producers are hard-pressed to appeal to end-user purchasers of "premium" product in light of the appeal of the Italian imports' authentic "Italian connection." I do not interpret these practices to be evidence of price suppression or depression by virtue of subject imports from Italy or Turkey; rather, I find this to be a result of consumer purchases of dry pasta based on perceived quality, regardless of actual quality, and price. Despite domestic producers' attempts to establish an "Italian connection," end-users persist in purchasing Italian imports based on perception of higher quality, and Turkish imports for their value, rather than solely on the basis of price.[88]

In these investigations, price comparisons of Italian imports and the domestic like product are of only limited value and must be made with caution, as the vast majority of the quantity reported by U.S. producers was for sales to retail grocery stores, most of the quantity for which pricing data for Italian imports was reported was for sales to DSDs.[89] All reported sales of Turkish imports were to retail grocery stores, so comparisons between domestic and Turkish pasta are possible.[90]

Price comparisons between domestic and Italian imports were possible in a total of 47 instances in the retail grocery market and 36 instances in the DSD market. In the retail grocery market, the Italian product was priced below the domestic product in 32 of 47 instances, with margins ranging from 2.2 to 35 percent, and an average margin of underselling of 17.7 percent.[91] In the other 15 instances, the Italian product was priced above the domestic product, with margins ranging from 0.1 to 29.6 percent for an

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[82] CR at II-19, I-31, fns.82 and 83, PR at I-24, fns.82 and 83.

[83] For example, *** manufactures ***. Two of these, ***. CR at V-3, PR at V- . ***. Therefore, it is likely that the same product will compete with itself, albeit under a different label, in some markets. Id. at fn.4.

[84] Hearing Transcript at 84.

[85] Id. at 114.

[86] Petitioners' Prehearing Brief at 56.

[87] CR at V-38-40, PR at V-28-29.

[88] CR at II-19, I-31, fns.82 and 83, PR at I-24, fns. 82 and 83.

[89] CR at V-22, PR at V- 18

[90] Id.

[91] CR at V-27, PR at V-22, Tables V-9, V-10.

average margin of overselling of 15.4 percent.[92] In the DSD market, the Italian product undersold the domestic product in 28 instances, with margins ranging from 0.2 percent to 39.5 percent, for an average margin of underselling of 16.1 percent.[93] In the remaining 8 instances, the Italian product was priced above the domestic, with margins ranging from 0.4 to 15.5 percent, yielding an average margin of overselling of 9.0 percent.[94]

Yet, given the regular use of discounts and incentives examined above, I find price comparisons to be of little value here and thus do not consider them very probative of real competition on the basis of price.[95]

e. Impact

The dumping margins identified by Commerce in its final determinations are 56.87 percent and 63.29 percent for Turkey and range from 0.67 percent (de minimis) to 46.67 percent (with most margins in the 10-20 percent range) for Italy.[96]

I find that the incremental increases in volume and market share of imported Italian product, and the minimal increases in volume and market share of imported Turkish product over the period of investigation do not materially injure the domestic industry producing dry pasta, for a number of reasons. As noted above, apparent U.S. consumption both by volume and value increased over the period of investigation, and I find the record reflects a lack of direct competition between the Italian imports and domestic product, and between Turkish imports and the domestic product. Also, consolidation of the domestic industry producing dry pasta may have resulted in a surfeit of "mid-range" domestic dry pastas.[97]

The quantity of domestic dry pasta sold remained relatively constant from 1993 to 1995, varying less than *** percent from the highest level (1993) to the lowest level (1995).[98] Interestingly, sales revenues actually increased by *** percent between 1993 and 1994.[99] It appears that the universal cost increase for durum wheat semolina contributed to a decline in profitability over the period of investigation, as did ***.[100]

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[92] Id.

[93] Id.

[94] Id.

[95] Furthermore, the shift of ***. CR at V-27, fn.42, PR at V-22, fn.42.

[96] See CR at I-7, PR at I-2, Table I-3.

[97] See generally CR at III-1, PR at III-1, ***.

[98] CR at VI-3, PR at VI-3.

[99] Id.

[100] Id. In fact, excluding ***. Id., CR at VI-9-11, PR at VI-6-7, Table VI-5.

Extrapolating from my comments in section III.B., above, as domestic producers compete more fiercely for mid-range SKUs and attempt to capture more of the top-tier of the market -- where Italian origin appears to command significant prestige -- SG&A expenses would be expected to increase. The data bear this out.[101] ***, which together accounted for *** percent of the total reported U.S. dry pasta net sales in 1995, appear to have devoted considerable resources to their contest for market supremacy with *** as well as all other producers.[102]

Given these market dynamics, I attribute whatever injury the domestic injury may be experiencing as attributable to increased raw material and SG&A expenses,[103] the latter a result of domestic producers' attempts to stimulate demand for undifferentiated "mid-range" product. Imported Italian product does not compete directly with domestic dry pasta solely on the basis of price. Other subjective criteria motivate purchasers of Italian imports, while purchasers of "low-end" Turkish imports appear willing to overlook its lower perceived quality in favor of the value it offers in that market tier. Overall, conditions of competition in the market for all dry pasta limit price increases producers can implement. Accordingly, I can identify no causal link between the presence of subject imports and the injury claimed by the domestic industry.

f. Conclusion

In light of all of the foregoing, I do not find that an industry in the United States is materially injured by reason of imports of certain pasta from Italy and Turkey that have been found to be subsidized or sold in the United States at LTFV.

5. NO THREAT OF MATERIAL INJURY BY REASON OF SUBSIDIZED OR LTFV IMPORTS OF PASTA FROM ITALY AND TURKEY

6.

a. In General

Section 771(7)(F) of the Act directs the Commission to consider whether the U.S. industry is threatened with material injury by reason of the subject merchandise "on the basis of evidence that the threat of material injury is real and that actual injury is imminent."[104] While an analysis of the statutory threat factors necessarily involves projection of future events, "[s]uch a determination may not be made on the basis of mere conjecture or supposition."[105] Further, the CIT has upheld the Commission's consideration of the present condition of the industry in assessing the issue of threat, stating that such consideration "is supported by the language of the statute and the legislative history. Such consideration,

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[101] See generally CR at VI-3, 7-8, PR at VI-3, 5-6. ***. Id.

[102] Id.

[103] See also CR at VI-14, PR at VI-8.

[104] 19 U.S.C. §§ 1673b(a) and 1677(7)(F)(ii). In R-M Industries, Inc. v. United States, the CIT questioned the practice of reaching an reaching an affirmative threat determination without first addressing whether the domestic industry is presently injured by reason of the subject imports. See 848 F. Supp. at 212.

[105] 19 U.S.C. § 1677(7)(F)(ii); see, e.g., S. Rep. No. 249 at 88-89; see also Metallverken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990).

however, only establishes the background against which the Commission considers the likely effect of future imports, based on consideration of the factors set forth in the statute."[106] The Federal Circuit's Suramerica decision, moreover, would appear to require consideration of the present condition of the industry as among "relevant economic factors" to a threat determination.[107]

In these investigations, the Commission must consider, in addition to other relevant economic factors, the following statutory factors[108] in its threat analysis:

> (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,
>
> (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,
>
> (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,
>
> (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices and are likely to increase demand for further imports,

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[106] Calabrian, 794 F. Supp. 377, 387-388 (Ct. Int'l Trade 1992), citing H.R. Rep. No. 1156, 98th Cong., 2d Sess. 174 (1984) (Congress acknowledged that "a determination of threat will require a careful assessment of identifiable current trends and competitive conditions in the market place."); see also The Timken Co. v. United States, 20 CIT __, Slip Op. 96-8 at 9 (Jan. 3, 1996) (in assessing immediate future harm resulting from domestic price suppression or depression by subject imports, the Commission is permitted to rely on its findings on material injury that subject imports had no "present effect on prices").

[107] Suramerica de Aleaciones Laminadas, C.A. v. United States, 44 F.3d 978 (Fed. Cir. 1994). The Federal Circuit held that 19 U.S.C. § 1677(7)(F)(I) requires the Commission to consider "all relevant factors" that might tend to make the existence of a threat of material injury more probable or less probable, including domestic industry support for the petition and the views of other interested parties such as consumers. 44 F.3d at 984. The court stated that the Commission "may use its sound discretion in determining the weight to afford these and all other factors, but . . . cannot ignore them." Id. at 984. The Commission cannot limit its analysis to the enumerated statutory criteria when there is other pertinent information in the record. Id. In these investigations, domestic producers representing over 90 percent of U.S. dry pasta production have expressed support for the petition. Table III-1, CR at III-5, PR at III-3.

[108] The URAA amended these factors to track more closely the language concerning threat of material injury in the Antidumping and Subsidies Agreements, although "[n]o substantive change in Commission threat analysis is required." SAA at 855. The factors focus, expressly in each instance, on whether an economic indicator suggests the likelihood of increased imports of the subject merchandise. This is generally consistent with prior Commission practice.

(V) inventories of the subject merchandise,

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time)[109].

Further direction is provided by the amendment to Section 771(7)(F)(ii), which adds that the Commission consider the threat factors "as a whole" in making its determination "whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur" unless an order issues.[110] In addition, the Commission must consider whether dumping findings or antidumping remedies in markets of foreign countries against the same class of merchandise suggest a threat of material injury to the domestic industry.[111] Finally, if the Commission determines that a domestic industry is threatened with material injury, it must determine whether the Commission would have found present material injury but for the suspension of liquidation.[112]

b. Analysis

At the outset, I note that I did not cumulate imports from Italy and Turkey for the purpose of my threat analysis, for the same reasons I did not cumulate for my present injury analysis.[113]

According to responses to Commission questionnaires, capacity utilization in Italy increased slightly from 89.9 percent in 1993 to 92.3 percent in 1995, with minor projected increases to 93.2 percent by 1997.[114] Production quantities are projected to decrease from 2.7 billion pounds in 1995 to 2.6 billion

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[109] 19 U.S.C. § 1677(7)(F)(I). One statutory threat factor has no relevance to these investigations. Factor VII is inapplicable because these investigations do not involve an agricultural product.

[110] 19 U.S.C. § 1677(7)(F)(ii). While the language referring to imports being imminent (instead of "actual injury" being imminent and the threat being "real") is a change from the prior provision, the SAA indicates the "new language is fully consistent with the Commission's practice," the existing statutory language, "and judicial precedent interpreting the statute." SAA at 854.

[111] 19 U.S.C. § 1677(7)(F)(iii)(I).

[112] 19 U.S.C. § 1673d(b)(4)(B).

[113] I note, however, that even had there been sufficient evidence of fungibility to compel me to cumulate imports of Italian and Turkish imports for the purpose of my threat analysis in these investigations, *ceteris paribus* it would not have altered the substance of my threat determinations. See Section III., above.

[114] Table VII-2.

pounds in 1997.[115] At present, approximately one-fourth of Italy's exports are shipped to the United States, projected to increase to one-third during 1996-97.[116] However, production capacity in Italy is projected to decrease by 3.4 percent from 1995 levels.[117] According to responses to Commission questionnaires, capacity utilization in Turkey decreased from *** percent in 1993 to percent in 1995, with a projected increase to *** percent by 1997.[118] Production quantities are projected to increase from *** million pounds in 1995 to *** million pounds by 1997.[119] Shipments to the United States account for *** of total shipments, ***.[120]

With respect to Italian production capacity, the simple fact of their authentic "Italian connection" lends them an intrinsic appeal over domestic product — both in the U.S. and abroad. The marketing advantage these products enjoy in the domestic market for dry pasta would seem to apply in other markets for Italian pasta, and sets them apart from domestic product in the minds of consumers who perceive them as being of higher quality. It follows that demand for Italian exports in alternative markets would grow just as it has in the U.S. market, not because of price, but because of perceived quality — an aspect in which Italian product sets itself apart from all others. The claims of Italian producers[121] that demand for their product is growing in other markets therefore appear credible.

With respect to Turkish production capacity, the claims of at least one Turkish producer[122] appear similarly credible regarding increasing demand in alternate export markets. In light of the appeal Turkish product enjoys based on its strong value, consumers in the former Soviet Union would indeed appear to represent a large untapped market. Furthermore, as mentioned above, some importers ***.[123] Most importantly, projected volume of imports through 1997 is minuscule.

Inventories of Italian product increased over the period of investigation, from 14 million pounds in 1993 to 38 million pounds in 1995, while inventories of imports from Turkey increased from 7.3 million pounds in 1993 to 7.5 million pounds in 1995.[124] These amounts correspond to an increase in ratio to imports from 8.9 percentage points in 1993 to 15.8 percent in 1995 with respect to Italian imports, and a decrease in same from 15.0 percentage points in 1993 to 13.1 percentage points in 1995

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[115] Id.

[116] CR at VII-2, PR at VII-1-2.

[117] CR at VII-6, PR at VII-5.

[118] Table VII-4.

[119] Id.

[120] CR at VII-7, PR at VII-5.

[121] Joint Italian Respondent Prehearing Brief at 22.

[122] Maktas Prehearing Brief at 31.

[123] CR at IV-2, fn.8, PR at IV-2, fn.8.

[124] Table VII-5.

with respect to Turkish imports.[125] Overall, 40 importers held inventory of Italian product at the end of 1995, and only 4 U.S. importers held inventories of Turkish product at that time.[126]

Despite this increase, U.S. inventories of Italian pasta still represent only about 1 percent of apparent U.S. consumption. U.S. inventories of Turkish product, in turn, amount to less than one-half percent of apparent U.S. consumption. Such amounts are hardly significant, and in my view pose no credible threat to the domestic industry.

I can identify no actual or potential negative effects on the existing development and production efforts of the domestic industry in light of steady and considerable increases in research and development expenditures by the domestic industry.[127]

Based on my examination of pricing issues in Section IV above, I do not find that imports of Italian or Turkish like product are likely to have a price suppressing or depressing effect, in the absence of evidence that relative prices will change in the immediate future. I also do not find any evidence in the record that suggests a potential for product shifting in either country subject to these investigations. Finally, I cannot identify any other demonstrable adverse trends in the record that are likely to result in material injury to the domestic industry by virtue of subject imports.

c. Conclusion

In light of all of the foregoing, I do not find that an industry in the United States is threatened with material injury by reason of imports of certain pasta from Italy and Turkey that have been found to be subsidized or sold in the United States at LTFV.

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[125] Id.

[126] CR at VII-10, PR at VII-7.

[127] R&D expenses for all dry pasta increased from $1.8 million in 1993 to $2.7 million in 1995, while capital expenditures rose overall from $57.1 million in 1993 to $60.4 million in 1995. Table VI-8.

PART I ~ INTRODUCTION

BACKGROUND

These investigations result from a petition filed by 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 subsidized and less-than-fair-value (LTFV) imports of certain pasta[1] ("subject pasta" or "subject imports") from Italy and Turkey. Information relating to the background of these investigations is presented in table I-1.[2]

ORGANIZATION OF THIS REPORT AND SUMMARY OF DATA PRESENTED

This report is divided into seven parts, plus appendices. Part I contains information on the background of these investigations, the organization of the report, the nature and extent of subsidies and sales at LTFV, general information on market participants, and, most importantly, information on the products covered in these investigations. Part II discusses conditions of competition in the U.S. market. Part III discusses U.S. producers and the condition of the U.S. industry, and presents data on basic indicators such as production, shipments, inventories, and employment, but not financial operations or pricing. Part IV discusses U.S. importers, U.S. imports, apparent U.S. consumption, and market shares. Part V discusses pricing and related data and Part VI discusses the financial experience of U.S. producers. Part VII discusses considerations relating to any threat of material injury to the U.S. industry.

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[1] The imported product subject to these investigations, "certain pasta," as defined by the U.S. Department of Commerce ("Commerce"), consists of dry non-egg pasta in packages of 5 pounds (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 is typically sold in the retail market, in fiberboard or cardboard cartons or polyethylene or polypropylene bags of varying dimensions. (The petition, as originally filed, defined the imported product as dry non-egg pasta for retail sale.) Certain pasta is described by Commerce as being classified under subheading 1902.19.20 of the Harmonized Tariff Schedule of the United States (HTS). 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 2 percent egg white. Also excluded from the scope of the investigations concerning Italy are imports of dry organic pasta that are accompanied by the appropriate certificate issued by the Associazione Marchigiana Agricultura Biologica (AMAB). Commerce determined that AMAB is legally authorized to certify foodstuffs as organic for the Government of Italy (GOI). If certification procedures similar to those implemented by the GOI are established for the Government of Turkey for exports of dry organic pasta to the United States, Commerce has stated that it would consider an exclusion for dry organic pasta from Turkey at that time.

[2] The Commission's *Federal Register* notice of institution of these final investigations is presented in app. A.

Table I-1
Certain pasta: Information relating to the background of the investigations

Date	Action	*Federal Register*	
		Citation	Date
1995--			
May 12	Petition filed with Commerce and the Commission; institution of Commission's preliminary investigations	60 FR 26899	May 19
June 8	Commerce's notice of initiation	60 FR 30268	June 8
June 26	Commission's preliminary determinations	60 FR 35563	July 10
Oct. 17	Commerce's preliminary CVD determination (Italy)	60 FR 53739	Oct. 17
Oct. 17	Commerce's preliminary CVD determination (Turkey)	60 FR 53747	Oct. 17
Oct. 17	Commission's institution of final CVD investigations	60 FR 58638	Nov. 28
1996--			
Jan. 17	Commission's institution of final LTFV investigations	61 FR 4681	Feb. 7
Jan. 17	Commerce's preliminary LTFV determination (Italy)	61 FR 1344	Jan. 19
Jan. 17	Commerce's preliminary LTFV determination (Turkey)	61 FR 1351	Jan. 19
Feb. 20	Commerce's amended preliminary LTFV determination (Turkey)	61 FR 6348	Feb. 20
Feb. 28	Commerce's amended preliminary LTFV determination (Italy)	61 FR 7472	Feb. 28
June 14	Commerce's final CVD and LTFV determinations	61 FR 30288	June 14
June 5	Commission's hearing[1]	N/A	N/A
July 9	Commission's vote	N/A	N/A
July 17	Commission's determinations and views to Commerce	61 FR 38473	July 24

[1] A list of witnesses appearing at the Commission's hearing appears in app. B.

Data on the condition of the U.S. industry appearing in Parts III, V, and VI are for the industry producing all dry pasta other than oriental-style noodles ("dry pasta"), which is the industry producing the "domestic like product" found by the Commission in its preliminary investigations.[3] Summaries of trade and financial data collected in these investigations on dry pasta and on certain other potential domestic like products are presented in appendix C; the data presented are for the period 1993-95. Except as noted, U.S. producers' data on dry pasta in this report are based on questionnaire responses of 26 producers that accounted for over 90 percent of U.S. production of dry pasta in 1995. Questionnaire responses were also received from 50 importers of subject pasta from Italy or Turkey, accounting for approximately two-thirds of U.S. imports of dry pasta from Italy and for virtually all U.S. imports of dry pasta from Turkey in 1995; import data presented in the report are based on both official Commerce import and questionnaire data, and are believed to account for all subject imports.[4]

PREVIOUS INVESTIGATIONS

Prior to the current investigations there have not been any Commission investigations concerning pasta. However, the National Pasta Association ("NPA") filed a petition in 1981 pursuant to section 301 of the Trade Act of 1974, as amended, challenging the European Community 's ("EC") export restitution payments on pasta as a prohibited subsidy under Article XVI of the General Agreement on Tariffs and Trade ("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.[5]

[3] The pasta discussed in this report consists of dry "Italian-style" pasta only. There is little or no discussion of refrigerated (fresh) pasta, frozen pasta, and "non-Italian" types of pasta such as oriental noodles (e.g., *ramen* noodles), all of which were excluded from the domestic like product in the preliminary investigations (*Certain Pasta from Italy and Turkey,* USITC Pub. 2905, July 1995, p. I-6, n. 16 and pp. 10-11.

[4] Based on responses to Commission questionnaires, the great majority of the dry pasta imported from both Italy and Turkey consists of subject pasta, i.e., dry non-egg pasta in packages of 5 pounds or less. Official Commerce import statistics do not differentiate dry pasta by package size, e.g., packages of 5 pounds or less and packages greater than 5 pounds. Official Commerce import statistics were adjusted to exclude imports in bulk (i.e., in packages of over 5 pounds).

[5] Petition, p. 6.

THE NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV

Subsidies

Italy

On June 14, 1996, Commerce determined that countervailable subsidies are being provided to manufacturers, producers, or exporters of pasta in Italy. The following 10 programs were determined to be countervailable, of which 3 (Export Marketing Grants under Law 304/90, Export Restitution Payments, and Remission of Taxes on Export Credit Insurance under Article 33 of Law 227/77) were export-related countervailable programs:

- Local Income Tax ("ILOR") Exemptions
- Industrial Development Grants under Law 64/86
- Industrial Development Loans under Law 64/86
- Export Marketing Grants under Law 304/90[6]
- Social Security Reductions and Exemptions
- European Regional Development Fund
- European Social Fund
- Export Restitution Payments[7]
- Lump-sum Interest Payment under the Sabatini Law for Companies in Southern Italy
- Remission of Taxes on Export Credit Insurance under Article 33 of Law 227/77[8]

In addition, 1 program was determined to be not countervailable and 10 programs were determined to be not used. Final countervailable subsidy rates are presented in table I-2.

[6] Countervailable subsidies under these grants were determined by Commerce to be 0.18 percent *ad valorem* for Delverde/Tamma and 0.00 percent *ad valorem* for De Cecco/Pescara.

[7] Countervailable subsidies under this program were determined by Commerce to be 0.42 percent *ad valorem* for Agritalia, 2.25 percent *ad valorem* for Arrighi/Italpasta, 0.02 percent *ad valorem* for De Cecco/Pescara, 0.94 percent *ad valorem* for Delverde/Tamma, and 2.94 percent *ad valorem* for Riscossa.

[8] Countervailable subsidies under this program were determined by Commerce to be 0.05 percent *ad valorem* for La Molisana and 0.00 percent *ad valorem* for De Cecco/Pescara.

Table I-2
Certain pasta: Commerce's final countervailing duty rates for Italy and Turkey

Company	Ad valorem rate *(percent)*
Italy--	
Agritalia, S.r.L.	2.55
Arrighi S.p.A. Industrie Alimentari	2.44
Barilla G. e R. F.lli S.p.A.	0.65[1]
De Matteis Agroalimentare S.p.A.	2.47
Delverde, S.r.L.	5.55
F.lli De Cecco di Filippo Fara San Martino S.p.A.	3.37
Gruppo Agricoltura Sana S.r.L.	0.00
Industria Alimentare Colavita, S.p.A.	2.18
Isola del Grano S.r.L.	11.23
Italpast S.p.A.	11.23
Italpasta S.r.L.	2.44
La Molisana Alimentari S.p.A.	4.17
Labor S.r.L.	11.23
Molino e Pastificio De Cecco S.p.A. Pescara	3.37
Pastificio Guido Ferrara	1.21
Pastificio Campano, S.p.A.	2.59
Pastificio Riscossa F.llli Mastromauro S.r.L.	6.91
Tamma Industrie Alimentari di Capitanata	5.55
All others	3.78
Turkey--	
Filiz	3.87
Maktas	13.12[2]
Oba	15.82
All others	9.70[3]

[1] De minimis.
[2] Cash deposit rate of 12.61 percent ad valorem.
[3] Cash deposit rate of 9.38 percent ad valorem.

Source: U.S. Department of Commerce (61 FR 30288 and 61 FR 30366, June 14, 1996).

Turkey

On June 14, 1996, Commerce determined that countervailable subsidies are being provided to manufacturers, producers, or exporters of pasta in Turkey. The following five programs were determined to be countervailable, of which four (Pre-shipment Export Loans, Pasta Export Grants, Payments for Exports on Turkish Ships/State Aid for Exports Program, and Tax Exemption Based on Export Earnings) were export-related countervailable programs:

- Pre-shipment Export Loans[9]
- Pasta Export Grants[10]
- Free Wheat Program
- Payments for Exports on Turkish Ships/State Aid for Exports Program[11]
- Incentive Premium on Domestically Obtained Goods
- Resource Utilization Support Fund (GIP)
- Tax Exemption Based on Export Earnings[12]

Certain benefits were determined not to be countervailable, two programs were determined to be terminated, nine programs were determined to be not used, and four programs were determined not to exist. Final countervailable subsidy rates are presented in table I-2.

Sales at LTFV

Italy

On June 14, 1996, Commerce determined that certain pasta from Italy is being sold in the United States at LTFV. Commerce's final LTFV margins are presented in table I-3. The period of investigation was May 1, 1994, through April 30, 1995.

Turkey

On June 14, 1996, Commerce determined that certain pasta from Turkey is being sold in the United Sates at LTFV. Commerce's final LTFV margins are presented in table I-3. The period of investigation was May 1, 1994, through April 30, 1995.

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[9] Countervailable subsidies under this program were determined by Commerce to be 8.82 percent *ad valorem* for Maktas.

[10] Countervailable subsidies under this program were determined by Commerce to be 1.17 percent *ad valorem* for Filiz and 3.79 percent *ad valorem* for Maktas.

[11] Countervailable subsidies under this program were determined by Commerce to be 0.45 percent *ad valorem* for Filiz.

[12] Countervailable subsidies under this program were determined by Commerce to be 0.50 percent *ad valorem* for Maktas.

Table I-3
Certain pasta: Commerce's final LTFV margins for imports from Italy and Turkey

Exporter/manufacturer	Weighted-average margin percentage	Bonding/deposit percentage
Italy--		
Arrighi	20.24	17.99
De Cecco	46.67[1]	46.67[1]
Delverde	2.80	1.68
De Matteis	0.67[2]	0.00
La Molisana	14.78	14.73
Liguori	12.41	12.41
Pagani	12.90	12.90
All others	11.21	10.38
Turkey--		
Filiz	63.29	63.29
Maktas	56.87	44.26
All others	56.87	47.49

[1] Facts available basis.
[2] De minimis.

Source: U.S. Department of Commerce (61 FR 30309 30326 and 61 FR , June 14, 1996).

TARIFF RATES

Certain pasta (the subject pasta) is provided for in HTS chapter 19, subheading 1902.19.20. The most-favored-nation (MFN) tariff rate, applicable to imports from both Italy and Turkey, is free.

MARKET PARTICIPANTS

The 5 major U.S. producers of dry pasta in 1995 were Borden, Inc.; Hershey Foods Corp., Hershey Pasta Group ("Hershey"); ***; ***; and ***. These 5 producers accounted for approximately 70 percent of U.S. production of dry pasta in 1995. The 5 major U.S. importers of subject pasta from Italy in 1995 were ***; these firms accounted for approximately one-third of U.S. imports of subject pasta from Italy in 1995. The only known U.S. importers of subject pasta from Turkey in 1995 were ***; these firms accounted for virtually all U.S. imports of subject pasta from Turkey in 1995. The major U.S. purchasers of dry pasta consist of retail grocery stores and chains, but substantial amounts of dry pasta are also sold for food service use (e.g., restaurants, schools, and institutional use) or are sold or consumed captively for industrial use, i.e., for incorporation into prepared foods. More detailed information on U.S. producers, importers, and purchasers is presented in Parts III and VI, IV, and V of this report, respectively.

THE PRODUCT

Introduction

This section of the report presents the definition of the imported product that is the subject of these investigations; information on the "domestic like product" as defined by the Commission in its preliminary determinations; and a discussion of the various factors examined by the Commission in making its domestic like product determination and how specific types of dry pasta compare with respect to those factors.[13] Also presented, at the end of the section, are the general similarities and/or differences between the subject imported products and domestic like products, although such similarities and/or differences are discussed in much more detail in Part II of the report.

[13] The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions; (5) common manufacturing facilities and production employees; and, where appropriate, (6) price.

The Imported Products

Commerce defined the imported Italian and Turkish products subject to these investigations to be--

certain 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 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 2 percent egg white.[14] *Certain pasta is currently classifiable under subheading 1902.19.20 of the Harmonized Tariff Schedule of the United States (HTS).*

The Domestic Like Product

Although the subject imports consist only of dry non-egg pasta in packages of 5 pounds or less, in their preliminary determinations 4 Commissioners found the "domestic like product" to consist of all dry pasta (i.e., dry pasta regardless of package size and end use,[15] including dry egg pasta), other than oriental noodles. Two commissioners found the domestic like product to consist of dry non-egg pasta other than oriental-style noodles.[16] Accordingly, in these final investigations the Commission staff collected data on

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[14] Also excluded from the scope of the investigations concerning Italy are imports of organic pasta that are accompanied by the appropriate certificate issued by the Associazione Marchigiana Agricultura Biologica (AMAB). Commerce determined that AMAB is legally authorized to certify foodstuffs as organic for the Government of Italy (GOI), and stated in its notices of final determinations that if certification procedures similar to those implemented by the GOI are established for the Government of Turkey for exports of organic pasta to the United States, it would consider an exclusion for organic pasta from Turkey at that time. ***. None of the other U.S. importers of dry organic pasta from Italy is known to have dry organic pasta certified by AMAB; the dry organic pasta is certified by other certification organizations in Italy and therefore is not excluded from the scope of the investigations. ***. (Telephone conversation, June 21, 1996.)

In a Nov. 9, 1995, letter to Commerce, petitioners had stated that " . . . {P}etitioners agree to modify the scope of these investigations to exclude certified organic pasta of Italian origin that is accompanied by an Organic Transaction Certificate issued pursuant to the European Economic Community ("EEC") Regulation No. 2092/91." However, since regulation No. 2092/91 does not provide for certification of products intended for export to third countries, Commerce was not able to exclude dry organic pasta from the scope on the basis of the certification procedure called for under that regulation.

[15] Included is all dry pasta, regardless of the market (retail, food service, or industrial) in which it is sold. Dry pasta for the industrial market consists of dry pasta used in the preparation of downstream products such as soup and macaroni and cheese.

[16] All Commissioners also found oriental-style noodles to be a domestic like product, but terminated the investigations with respect to oriental-style noodles because imports of such noodles from Italy and Turkey were negligible, and the Commission found that there was no evidence suggesting the potential that imports of such noodles from either of those countries would imminently exceed the applicable statutory negligibility thresholds. The Commission also found that dry enriched and dry unenriched pasta were not separate domestic like products. *Certain Pasta from Italy and Turkey,* USITC Pub. 2905, July 1995, pp. I-10, I-11, I-29, and I-30. In these final investigations, petitioners contend that the domestic like product should be dry non-egg pasta excluding pasta for

(continued...)

all dry pasta and on dry non-egg pasta as well as on 3 possible other domestic like products: dry non-egg pasta in packages of 5 pounds or less (the subject product); dry organic pasta; and dry unenriched pasta.

Physical Characteristics and Uses

Pasta is a food product such as macaroni (including spaghetti, rigatoni, and other forms) and noodles, and which may contain egg or other additives.[17] Pasta is formed by extrusion into perhaps hundreds of shapes and sizes,[18] and generally ranges from off-white to yellowish in color. Pasta has been used as a food for many centuries.[19]

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, with or without sauces, or as a component of other foods, such as soups or macaroni and cheese; the combinations are as varied as the consumers who enjoy pasta. It is an important dietary component for many people, 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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[16] (...continued)
industrial use (petitioners' prehearing brief, p. 3), and attorneys for respondent JCM, Ltd., contend that enriched and unenriched pasta are separate domestic like products (posthearing brief of Riggle and Craven, p. 1).

[17] Part 39 of Chapter 21 of the *Code of Federal Regulations* ("CFR") provides standards 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 labeled 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.

[18] 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, and rolled and cut goods. Another method of categorizing pasta is into long goods (e.g., spaghetti and linguine); short goods (e.g., elbows and twists); noodles; and specialty items (for example, lasagna and jumbo shells). The CFR provides standards of identity for the labeling of macaroni (including spaghetti and vermicelli), and various noodle products. For example, spaghetti is tube-shaped or cord-shaped (but not tubular) and more than 0.06 inch but not more than 0.11 inch in diameter.

[19] 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). The legend that Marco Polo introduced pasta to Italy is not true. (Jack Denton Scott, *The Complete Book of Pasta,* Bantam Books, Inc., New York, 1968, p. 2.) Pasta products using durum wheat are known to have existed in southern Italy in the mid-12th century A.D., well before Marco Polo. By the early 16th century, pasta was a staple of the Italian diet. Pasta was reportedly introduced to the United States by Thomas Jefferson in 1786. (Jack Denton Scott, *op. cit.,* p. 4.) The first commercial producer of pasta in the United States was A. Zerega & Sons, Inc., Brooklyn, NY, founded by Antoine Zerega in 1848; A. Zerega & Sons still produces pasta, and responded to the Commission's questionnaire in these investigations. *Pasta Food Service Manual*, NPA, p. 5, and ***.

Dry pasta is pasta that has been dried into a brittle form that is ready for cooking or for incorporation into downstream products such as canned soup or boxed macaroni and cheese. Excluded from the definition of dry pasta used herein is all pasta that is not dry (fresh, moist, or frozen pasta), as well as oriental-style noodles and couscous.

Dry pasta usually consists principally of a mixture of durum wheat semolina or flour and water.[20] Durum wheat semolina is the preferred raw material used in the manufacture of dry non-egg pasta, and most dry non-egg pasta sold in the United States is believed to be produced using 100-percent durum wheat semolina; however, for egg noodles, finer durum flour is preferred because of its smaller particle size.[21] The quality of the semolina/flour is important for the quality of the dry pasta in which it is used.[22]

Dry Non-egg Pasta and Dry Egg Pasta

For the purposes of these investigations, dry non-egg pasta is dry pasta that contains no egg yolk but which may contain up to two percent egg white.[23] It may be enriched or fortified and/or contain a number of optional ingredients for coloring or flavoring. It is used as a food product by individuals who purchase it at the retail level such as in grocery stores, consume it in restaurants and other food service

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[20] Semolina is coarsely milled durum wheat; durum flour is finely milled durum wheat.

[21] Lower-quality dry pasta can be made from farina (coarsely milled nondurum hard wheat). Some pastas have blends of durum wheat semolina with durum flour or farina.

[22] Although durum wheat semolina is the preferred raw material input for dry non-egg pasta because of its high gluten content and low starch content, different semolinas vary in their gluten (as well as their ash) content, which may affect the quality of the dry pasta. "The key to good dried pasta is flour with strong gluten characteristics. When dried pasta is thrown into boiling water, the starch in the flour starts to swell. If there is not enough gluten or if the gluten is very weak, it cannot contain the swelling starch. The starch leaches into the cooking water or onto the surface of the pasta, which makes the cooked noodles taste gummy and starchy." (Jim Jacobs, technical director of the Northern Crops Institute at North Dakota State University, as quoted in "American Spaghetti Tops Tasting," *Cooks Illustrated,* May/June 1994, p. 21.) Mr. Jacobs explained further that if pasta contains enough high-quality gluten, the gluten expands and encases the swelling starch molecules in the center of the noodle; the result is firm pasta that does not taste starchy. In addition, strong gluten increases the rigidity of the protein structure in the flour; stronger proteins mean firmer cooked noodles. (Ibid, p. 21.) Moreover, in general "{H}igher protein and stronger gluten protein in semolina produces pasta with better overall cooking quality and tolerance to extended cooking than do lower protein, weaker gluten products." (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.) Also, "The grade of durum wheat used for production of pasta is important to the quality of the pasta. That is why the pasta industry refers to numbers one and two hard amber durum ("HAD") as "milling quality" wheat. High quality pasta is not produced using number three or less HAD. (Petitioners' posthearing brief, Responses to Commission and Commission Staff Questions, section 5, p. 1.)

In response to the question "How important are the physical characteristics of the semolina of the dry pasta that you purchase (e.g., ash content, gluten quantity and quality, color quality) in determining the net price of the pasta?", for domestically produced dry pasta 6 purchasers answered "Very," 9 answered "Somewhat," 11 answered "Only slightly," and 11 answered "Not at all;" for Italian dry pasta, 8 purchasers answered "Very," 10 answered "Somewhat," 8 answered "Only slightly," and 8 answered "Not at all;" and for Turkish dry pasta, 3 purchasers answered "Very," 5 answered "Somewhat," 4 answered "Only slightly," and 4 answered "Not at all."

[23] A coating of egg white on pasta allows it to absorb more water without becoming too soft. "Spaghetti," *Consumer Reports,* Aug. 1988, p. 488.

establishments, and consume it in conjunction with other ingredients in prepared foods. Approximately 90 percent of the dry pasta produced in the United States in 1995 consisted of dry non-egg pasta.

For purposes of these investigations, dry egg pasta is dry pasta that contains egg yolk or contains more than two percent egg white. Dry egg pasta normally contains at least 5.5 percent egg or egg yolk; it is mixed with durum wheat flour in the production process, usually prior to the addition of water. (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). Egg pasta has different Food and Drug Administration (FDA) standards of identity than non-egg pasta.[24] The addition of egg gives the pasta a certain richness and taste that is considered to be more appropriate for certain recipes.[25] As with dry non-egg pasta, dry egg pasta may be enriched or fortified and/or contain a number of optional ingredients for coloring or flavoring, and it can be found in retail, food service, and industrial markets. In retail stores, dry egg pasta is normally sold adjacent to dry non-egg pasta. The contention that some individuals may be subject to allergic reactions if they consume egg pasta is tenuous at best; although a small minority of the population is indeed allergic to egg,[26] there reportedly has never been a documented case of egg allergy or egg intolerance from eating egg pasta.[27] Dry egg pasta produced for the retail market in the United States is usually packaged in a cellophane package, whereas dry non-egg pasta produced in the United States is usually packaged in a box. Approximately 10 percent of the dry pasta consumed in the United States in 1995 consisted of dry egg pasta.

Dry Pasta for Retail or Food Service Use and Dry Pasta for Industrial Use

Dry pasta, whether egg or non-egg, for industrial use consists of dry pasta that is produced for internal use (captive consumption) in the production of a downstream product such as macaroni and cheese or canned soup, and dry pasta that is produced and sold commercially for use in the production of such downstream products. Dry pasta for industrial use by definition has different immediate uses from dry pasta for retail and food service use in the sense that it is used in the production of a downstream product, whereas dry pasta for retail and food service use is for direct consumption by consumers; ultimately, of course, all pasta is for consumption as prepared pasta dishes by consumers. Dry pasta for industrial use can also have some different physical characteristics from dry pasta for retail and food service use. Dry pasta for industrial use may be less likely to consist of 100 percent durum wheat semolina.[28] Moreover,

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[24] Petitioners' prehearing brief, p. 13.

[25] According to Borden, "{N}on-egg pasta is associated by consumers with tomato-based sauces, and, typically, Italian-oriented recipes. Egg pasta (generally noodles) are typically prepared with butter, margarine, or other non-Italian-oriented recipes, such as Beef Stroganoff. Thus the two types of products are used in different recipes on different occasions." (From Borden's questionnaire response as cited in petitioners' public prehearing brief, pp. 14, 15.)

[26] Less than one-half of one percent of the U.S. population is allergic to eggs. (Posthearing brief of Rogers & Wells, Answers to Commissioners' and Staff Questions, p. 42.)

[27] ***,***, representing the American Egg Board. (Staff telephone conversation on June 18, 1996.)

[28] Questionnaire responses received in the preliminary investigations from *** and ***, two major firms involved in the industrial use of dry pasta, both mention the use of durum wheat flour.

dry pasta for industrial use can contain additional emulsifiers and strengthening ingredients,[29] and sometimes has a greater wall thickness,[30] than other dry pasta, except perhaps for some food service pasta. Dry pasta for industrial use is produced to customers' specifications based on product size, raw materials, and additives; such specifications are proprietary to the customer, hence producers cannot use dry industrial pasta made to one customer's specifications to supply another customer.[31] Recipes tend to differ for different industrial customers, therefore it may be necessary to have different flours.[32] Also, except for elbow-shaped pasta, most dry pasta is sold to industrial firms in shapes that are different from those traditionally associated with retail and food service pasta.[33] However, dry industrial pasta used for macaroni and cheese mixes is, for certain producers, the same dry pasta sold to the merchant market.[34] Dry pasta for industrial use is packaged and sold in bulk form whereas dry pasta for retail and food service use is almost always sold in packages of 5 pounds or less.[35]

In response to the question "Are the differences between dry pasta for industrial use and dry pasta for food service use greater than the differences between dry pasta for retail and dry pasta for food service use?", *** responded "The differences between Industrial and Food Service are greater because of wall thickness and additives;" *** responded "Yes, due to downstream handling or processing of product;" *** responded "No;" *** responded "Yes" (for a number of reasons, including that specifications are unique for industrial customers, whereas *** can freely change the specifications for its food service and retail pasta); and *** responded "Yes" for similar reasons. In response to the question "Are the differences between dry pasta for industrial use and dry pasta for retail use greater than the differences between dry pasta for industrial and dry pasta for food service use?", *** responded "The differences between Industrial and Retail are greater because of wall thickness, additives and packaging;" *** responded "Yes" (due to downstream handling or processing of product); *** response is summarized as "Yes;" ***'s response was "Yes," indicating that the differences are more prononunced and that product strength is a significant concern for industrial pasta, to a lesser extent for food service pasta, and is not an issue for pasta sold to the retail market; and *** did not respond to the question. In response to the question "Are the same sales forces used for food service and industrial-use dry pasta?", 4 producers (***) responded

[29] Petitioners' prehearing brief, p. 5. However, *** indicated that not all dry pasta for industrial use contains additional emulsifiers and strengthening ingredients; *** indicated that approximately 20 percent of dry pasta for industrial use contains such ingredients.

[30] In response to the question "Does all industrial-use dry pasta have "greater wall thickness" (as compared to pasta for food service use), *** answered "Yes," *** answered "Some, not all (50 percent)," *** answered "No, 30 percent (estimated)," and *** answered "No" and added that heavy-walled pasta represents a much more significant portion of its industrial sales (about *** percent) and only a small percentage of its overall food service sales.

[31] Petitioners' posthearing brief, Responses to Commission and Commission Staff Questions, section 11, p. 2. Also, a food service distributor, ***, reported that "In industrial market (for reprocessing) higher standards. Some processors may want product that contains egg whites to withstand retort operation. Also thickness of pasta required in industrial markets. Specification does not vary by supplier but by end users demand."

[32] Staff notes of ***.

[33] Petitioners' prehearing brief, p. 6.

[34] Petitioners' prehearing brief, p. 24, n. 68.

[35] Ibid, p. 6. However, common package types for food service use include 10- and 20-pound corrugated cases. Dry pasta for industrial use 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.)

"No" and 1 producer (***) responded "Sometimes."

Dry Organic Pasta and Dry Non-organic Pasta

Dry organic pasta is dry pasta made from organically-grown wheat; all other dry pasta is by definition dry non-organic pasta. Dry organic pasta is processed in accordance with existing specific organic-certification regulations;[36] in general, the wheat is produced in an environmentally responsible manner free of chemicals such as synthetic fertilizers, pesticides, herbicides, or fungicides.[37] Dry organic pasta is a niche product; based on responses to Commission questionnaires, only a very small portion (about *** percent) of the dry pasta produced in the United States in 1995 consisted of dry organic pasta.

Dry Unenriched Pasta and Dry Enriched Pasta

Based on responses to Commission questionnaires, only a very small portion (about *** percent) of the dry pasta produced in the United States in 1995 consisted of dry unenriched pasta. Conversely, virtually all dry pasta consumed in the United States is vitamin-enriched. Dry enriched pasta contains niacin or niacinamide, iron, thiamin, and riboflavin in addition to the durum wheat semolina. The U.S. Food and Drug Administration (FDA) specifies the ingredients necessary for pasta to be labeled as "enriched." Although many U.S. states do not require that pasta be vitamin-enriched, suppliers routinely enrich their pasta.[38] Usually, the semolina itself undergoes enrichment prior to the actual production of the pasta; nutritionally, all dry enriched pastas are essentially the same. Other than the vitamin enrichments, dry enriched pasta and dry unenriched pasta in general have the same physical characteristics and can be used in the same recipes. However, *** produces dry unenriched pasta that is *** "artichoke pasta" containing both durum wheat semolina and artichoke; it also produces dry unenriched pasta using corn flour and rice flour. Thus, its dry unenriched pasta is somewhat different from most, if not all, other dry unenriched pasta sold in the United States.[39]

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[36] There are presently no U.S. Department of Agriculture ("USDA") or Food and Drug Administration regulations controlling the use of the word "organic" in food, although efforts to establish national standards are in progress by the National Organic Standards Board of the USDA. Some states (California, Maryland, Texas, and Washington) have regulations regarding the use of the word "organic," but such regulations differ from one another in matters such as production, labelling, and the use of the word "organic" with or without the use of the word "certified." (Staff telephone conversations with *** of the USDA and *** of the National Pasta Association, May 17, 1996.)

[37] Letter from Mr. Robert E. Breen of Spruce Foods, an importer of dry organic pasta from Italy, Aug. 29, 1995.

[38] California and New York require enrichment of pasta. (Staff telephone conversation with *** of the National Pasta Association, May 17, 1996). Attorneys for JCM, Ltd., an importer of dry pasta from Italy, 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.)

[39] Staff telephone conversation with ***, June 25, 1996.

Customer and Producer Perceptions and Interchangeability

Dry Non-egg Pasta and Dry Egg Pasta

Consumers normally differentiate between dry non-egg pasta and dry egg pasta in their purchasing decisions based on personal preference, the type of recipe they intend to prepare, and, for some, health reasons (the presence of cholesterol in dry egg pasta and the very slight possibility that allergic reactions may occur when egg pasta is consumed). The Commission asked producers, importers, and purchasers of dry pasta to indicate the degree of substitutability between dry non-egg pasta and dry egg pasta. Of the 11 producers that answered the question, 7 indicated that substitutability is limited or nonexistent,[40] 2 indicated that there is substitutability,[41] 1 indicated that it is a matter of personal preference, and 1 provided an answer that was noncommittal.[42] Of the 32 importers that answered the question, 24 indicated that the products are not substitutable, 5 indicated that there is limited substitutability, and 3 indicated that they are substitutable. Of the 25 purchasers that answered the question, the great majority indicated that substitutability is limited or nonexistent. In general, the combined responses of producers, importers, and purchasers seem to indicate that substitutability of dry non-egg pasta and dry egg pasta is minimal.

Dry Pasta for Retail or Food Service Use and Dry Pasta for Industrial Use

Dry pasta for industrial use has a different set of immediate consumers than dry pasta for retail and food service use. It is produced for use in the production of a downstream product either captively by the pasta producer or by another firm. Consumers of dry pasta for retail and food service use purchase the pasta not with the expectation of further commercial manufacturing but with the expectation of preparing it directly for consumption as a food in a household, restaurant, or institution. Ultimately, of course, all dry pasta is consumed as a prepared food.[43]

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[40] In general, the 7 producers stated that the products are used in different applications and recipes, and that consumer usage patterns, allergic reactions to egg, and health factors (cholesterol) preclude virtually all substitutability between dry egg pasta and dry non-egg pasta.

[41] *** stated that dry non-egg pasta and dry egg pasta have a high degree of substitutability in their market.

[42] Of the 5 largest U.S. producers of dry pasta and of dry non-egg pasta in 1995, *** indicated that the products have little substitutability, *** indicated that there is substitutability although the products are typically used in very different types of recipes, and *** did not answer the question.

[43] Based on information obtained in the preliminary investigations, *** and 2 other domestic producers indicated that there is no substitutability between dry non-egg pasta for retail use and dry non-egg pasta for industrial use, and 2 domestic producers indicated that the products are substitutable. Five importers indicated that the products are not substitutable and 10 indicated that they are substitutable. *** and 1 other domestic producer indicated that dry non-egg pasta for retail use and dry non-egg pasta for food service use are not substitutable whereas 5 other producers indicated that the products are substitutable. Five importers indicated that the products are not substitutable and 24 indicated that they are substitutable.

Dry Organic Pasta and Dry Non-organic Pasta

Dry organic pasta and dry non-organic pasta are usually purchased by different sets of consumers. Whereas consumers of dry non-organic pasta make their purchasing decisions based on considerations such as price, quality, attractiveness of packaging, specific recipes, and health-related reasons, consumers of dry organic pasta purchase the product also because of a desire to purchase a natural, environmentally-friendly product.[44] Consumers of dry organic pasta generally purchase it either in retail food stores that specialize in natural or organic foods or in relatively upscale retail food stores that cater to consumers desiring specialty products. Although the Commission's questionnaires did not ask specific questions regarding the interchangeability or substitutability of dry organic pasta and dry non-organic pasta, dry organic pasta can certainly be substituted for non-organic dry pasta, but the extent to which consumers that purchase dry organic pasta are willing to substitute dry non-organic pasta for it is not known. There is no evidence that dry organic pasta and dry non-organic pasta are used in different recipes.

Dry Unenriched Pasta and Dry Enriched Pasta

Dry unenriched pasta is sold for use in the same recipes as dry enriched pasta,[45] and is normally essentially identical in appearance to dry enriched pasta. Whereas some consumers of dry unenriched pasta may purchase it precisely because it is not enriched,[46] [47] other consumers may not even be aware that it is unenriched.[48] As a matter of law, unenriched pasta reportedly cannot be sold in several major U.S. pasta markets, including California, New York, and Texas, the three most populous U.S. states.[49] A representative of ***.[50] A representative of ***.[51]

The Commission asked producers, importers, and purchasers of dry pasta to discuss the degree of substitutability between enriched and unenriched dry pasta. Of the 12 producers that answered the question, 4 generally indicated that the products are substitutable in states where unenriched pasta is allowed to be sold, but are not substitutable in states where unenriched pasta is not allowed to be sold; 2

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[44] Staff telephone conversations with ***. Both firms are major U.S. producers of dry organic pasta. The quality of dry organic pasta is not necessarily superior or inferior to the quality of dry non-organic pasta. But *** said that dry organic pasta is "really different from other pasta."

[45] Petitioners' posthearing brief, Responses to Commission and Commission Staff Questions, section 2, p. 4.

[46] There is a real medical need for unenriched pasta to be offered on the U.S. market. (***), in a June 14, 1996, staff telephone conversation with John Pierre-Benoist. Individuals with a medical condition known as hemochromatosis, in which the body absorbs iron to excess, should avoid supplementary iron whenever possible, including enriched bread and {enriched} pasta. (Prehearing brief of Riggle & Craven, p. 7.) Approximately one-half of one percent of the U.S. population has hemochromatosis.

[47] One purchaser, ***, of both dry enriched and dry unenriched pasta indicated in its questionnaire response that the two products have a different customer base.

[48] ***.

[49] The three states account for over 25 percent of the U.S. population. (Posthearing brief of Riggle and Craven, p. 9.)

[50] Staff telephone conversation with ***.

[51] Staff telephone conversation with ***.

firms indicated that the products are substitutable or that there is a high degree of substitutability; 1 firm stated that the products were not substitutable in its marketing area; 1 firm stated that there is no market for unenriched pasta; and 4 firms provided vague or inconclusive answers.[52] Only about 14 importers provided useable answers regarding substitutability, and they were somewhat evenly divided as to whether dry enriched pasta and dry unenriched pasta are substitutable, regardless of whether they themselves were (or were not) importers of dry unenriched pasta. Among purchasers, 5 indicated that the products are substitutable and 6 indicated that they are not; other purchasers provided vague or inconclusive answers.

Channels of Distribution

Dry Non-egg Pasta and Dry Egg Pasta

The channels of distribution for dry non-egg pasta produced in the United States and for dry egg pasta produced in the United States are very similar. The principal channels of distribution for both domestically produced dry non-egg pasta and dry egg pasta in 1995 were retail grocery stores, wholesale distributors, food service distributors, and the industrial market. The Commission's questionnaire requested purchasers to indicate whether dry non-egg pasta is sold in the same markets as dry egg pasta. Of the 40 purchasers that responded to the question, 37 said "Yes" and 3 did not know.

Dry Pasta for Retail or Food Service Use and Dry Pasta for Industrial Use

Dry pasta, whether egg or non-egg, for retail and food service use is generally sold either directly to retail grocery stores (for retail use), to restaurants or other institutions such as schools, hospitals, and prisons (for food service use), or to distributors that then resell to grocery stores for retail use or to restaurants and institutions, whereas dry pasta, whether egg or non-egg, for industrial use is captively consumed or is sold directly to industrial customers for incorporation into downstream products. No product for industrial sale was reported as shipped through distributors.[53]

Dry Organic Pasta and Dry Non-organic Pasta

The major distribution channels for dry non-organic pasta are large retail grocery stores and chains, wholesale distributors, food service distributors, and various industrial uses. Dry organic pasta appears to be principally distributed through wholesale distributors.[54]

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[52] ***, a producer of dry unenriched pasta, stated that "There exists a high degree of substitutability in our market."

[53] *Certain Pasta from Italy and Turkey,* USITC Pub. 2905, July 1995, p. I-8, n. 34.

[54] An importer of dry organic pasta reported that it is distributed through regional natural foods distributors that service retailers that specialize in selling natural and organic foods exclusively. (Aug. 29, 1995 letter of Robert E. Breen, *op. cit.).* However, at least some dry organic pasta is known to be sold in other retail stores.

Dry Unenriched Pasta and Dry Enriched Pasta

Dry unenriched pasta can only be sold in those states that do not require that pasta be enriched. In states where it is permitted to be sold, the channels of distribution for dry unenriched pasta may differ somewhat from those for dry enriched pasta. A representative of ***.[55] About *** percent of *** U.S. shipments of dry enriched pasta were sold commercially. ***.[56]

The Commission requested producers, importers, and purchasers to indicate whether dry unenriched pasta and dry enriched pasta are sold in the same markets. Of 8 U.S. producers that provided answers to the question, 6 said "Yes" and 2 said "No;" the "No" answers were on the basis that there is very little unenriched pasta sold in the United States.[57] Of 32 importers that answered the question, 18 said "No" and 14 said "Yes." Of 20 purchasers that answered the question, 16 said "Yes" and 4 said "No." Purchasers were also asked whether they purchase dry pasta that is enriched, unenriched, or both; 30 purchasers responded that they purchase dry enriched pasta only, 4 responded that they purchase dry unenriched pasta only, and 5 purchasers responded that they purchase both.

Common Manufacturing Facilities and Production Employees

The Manufacture of Pasta

Major manufacturing inputs for dry pasta are durum wheat semolina or durum flour, water, energy for powering machinery and drying the product, and labor. Although most dry pasta is a mixture of durum wheat semolina and water, the proper manufacture of quality dry pasta on a commercial scale requires a great deal of technical expertise, attention, and the proper equipment.[58] At the pasta-manufacturing location, the semolina and/or flour[59] is mixed with water to form a smooth dough with a desired moisture level. (For egg noodles, egg is mixed in, usually prior to the addition of water.)[60] The dough is then extruded (mechanically forced through bronze or Teflon dies[61]) to form the shape of a specific pasta

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[55] Staff telephone conversation with ***.

[56] Staff telephone conversation with ***.

[57] According to the questionnaire response of ***, dry enriched and dry unenriched pasta are sold in the same markets. However, ***.

[58] "{P}roducing pasta is not simply a process of mixing and drying two ingredients. The required monitoring and maintenance of proper conditions and chemical reactions is just as complex as those required to manufacture steel and plastic. Meeting these goals requires a combination of the proper equipment and the proper techniques." Posthearing brief of Rogers & Wells, Answers to Commissioners' and Staff Questions, sec. 1, p. 5. "{I}t is not enough to use simply durum wheat, semolina and water to obtain a good pasta. Not at all. It is essential, but still not enough. It takes technology, skill, management for wheat blend milling, to cooling and storage of the end product." (Claudio Catuzzi, Production Manager, La Molisana, hearing transcript, p. 198.)

[59] Enrichment of the semolina or flour is normally performed at the wheat mill.

[60] Pasta production information is derived partially from a visit by Commission staff to the Winchester, VA, Hershey Pasta production facility, May 23, 1995. The facility visited used ***.

[61] The use of a bronze die produces a pasta with a coarser surface than that formed by using a Teflon-coated

(continued...)

product, such as spaghetti or rigatoni. After extrusion, the product is dried in drying ovens, again to a desired moisture level. The drying stages are followed by a cooling stage. Pasta producers carefully control their production processes. After production, the dry pasta is then packaged.

Production lines for dry pasta are much the same throughout the world, although some lines may be more automated than others and there are differences in drying times for the pasta among producers.[62] Much of the world's pasta is produced on the same or similar machinery since there are reportedly only three major manufacturers of industrial pasta machinery: Braibanti and Pavan (both Italian) and Buhler (Switzerland).[63] [64]

In response to a question to U.S. producers on whether they produce any other products on the same machinery and equipment used in the production of dry pasta or using the same workers as those producing dry pasta, 17 producers responded "No," one responded "Yes" (egg and flavored) but apparently misunderstood the question, and one responded "tortellini and ravioli."

Dry Non-egg Pasta and Dry Egg Pasta

Dry egg pasta can utilize the same equipment and inputs (except that it uses durum flour instead of semolina) as dry non-egg pasta.[65] In the production of dry egg pasta, an egg product is blended into the

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[61] (...continued)
die. Great care is needed when bronze dies are used in order to not damage the pasta's gluten net. (Posthearing brief of Rogers & Wells, Answers to Commissioners' and Staff Questions, p. 4.) A study by *** entitled *** (as presented in the petitioners' postconference brief, exhibit 3, p. 7) stated that ***.

[62] "The length of drying time is key to a good-quality product. If too much moisture remains in the pasta it may soil; if too little moisture is retained the pasta becomes brittle and breaks easily." ("American Spaghetti Tops Tasting," *Cooks Illustrated,* May/June 1994, p. 21.) "Great care is required to ensure that a sufficient amount of moisture is removed without damaging the pasta's gluten net, or prematurely causing the pasta's starches to gelatinize. If either of these occur, the pasta will be sticky and limp after cooking. These problems are avoided by precisely controlling the drying temperature and humidity during the different stages of the drying process." (Posthearing brief of Rogers & Wells, Answers to Commissioners' and Staff Questions, p. 29.)

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 high quality of its imported Classico brand dry pasta to "time-honored preparation methods," which include slow drying. *Milling and Baking News,* Oct. 25, 1994. *** (***, as presented in the posthearing brief of O'Melveny & Myers LLP, app. 14, p. 1.) In addition, a letter dated June 7, 1996, from *** stated that "It is our opinion and experience that ultra high temperature drying equipment produces a higher quality product."

[63] C. Mickey Skinner, president of Hershey Pasta/Grocery Group, from "Pasta: Is It All Created Equal?," *Washington Post,* May 8, 1996, p. E8.

[64] ***.

[65] 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 ***." (Petitioners' postconference brief, p. 9.)

dough prior to extrusion.[66] In its questionnaire, the Commission asked producers of both dry non-egg pasta and dry egg pasta whether the two products are produced on the same machinery and equipment and with the same production workers. Producers using the same equipment were asked to describe any modifications, time allocations, or costs associated with the shared production. Of the 17 producers answering the question, 13 (including ***) indicated that they produced dry non-egg and dry egg pasta on the same equipment. Ten of these also mentioned that they use the same workers to produce both products; no producer indicated that it uses different workers. *** stated that it uses *** machines to produce dry egg pasta, *** to produce both dry non-egg and dry egg pasta, and *** to produce dry non-egg pasta only. *** stated that it produces dry egg pasta and dry non-egg pasta on different equipment.[67] *** said that they can produce both products on the same equipment, but implied that they don't "as a practical matter." *** mentioned that it uses egg ingredient feed systems in its dry egg pasta production, but not in its dry non-egg pasta production; it uses the same workers to produce both products. As for line modifications, time allocations, and costs, 5 producers mentioned thorough cleaning and/or other quality control procedures in order to ensure that there is no egg contamination of the non-egg product.[68] Two producers stated that they make no modifications in the equipment, 3 mentioned minimal modifications, and 2 did not answer the question.

Dry Pasta for Retail or Food Service Use and Dry Pasta for Industrial Use

Most U.S. dry pasta for industrial use is produced by firms such as Campbell's, Kraft, Lipton, and AHFP that ***; in 1995, 63.8 percent of dry pasta for industrial use was produced by such firms. Therefore, most dry pasta for industrial use is produced by different producers than dry pasta for retail or food service use, although it is produced on the same type of equipment and machinery.[69] The production process for dry industrial pasta can require that the pasta be made to customer specifications,[70] for example

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[66] Dry egg pasta can be produced by extrusion, but also can be produced by a process of sheeting, reduction rolling, and cutting. Dry non-egg pasta is produced by extrusion.

[67] In the preliminary investigations it mentioned that some drying and packaging equipment is shared.

[68] ***. In a June 18, 1996, telephone conversation, ***, ***, stated that such cleaning results from a labeling compliance situation, not from a health issue, because there has never been a documented case of egg allergy or intolerance from eating egg pasta.

[69] *** indicated that their dry pasta for industrial use is produced on the same machinery and equipment with the same production workers as their dry pasta for retail or food service use, although *** indicated that the packaging equipment for their dry pasta for industrial use is different and that "industrial products require the least sophisticated equipment while retail products require the most." *** has *** lines for the production of dry industrial pasta only, *** lines for the production of food service and/or retail dry pasta, and *** lines for the production of dry pasta for industrial use and dry pasta for retail or food service use; approximately *** percent of *** dry industrial pasta is produced on dedicated lines. *** also indicated that the vast majority of its production workers producing dry pasta for industrial use are exclusive to the industrial packaging process. *** had *** dedicated to dry industrial pasta and *** lines used to produce industrial, food service, and retail pasta; the same mixing, extruding, and drying equipment is used in the *** lines, but the packaging equipment is different, although in many instances different dies are used to produce the dry pasta for industrial use.

[70] Answers to staff questions by ***. When asked whether there were differences or similarities of production equipment, production process, and production costs between dry pasta for industrial use and dry pasta for food

(continued...)

by the addition of emulsifiers or strengthening ingredients. Moreover, product requirements of industrial customers necessitate that producers undertake significantly more process testing (e.g., strength testing and microbiology testing for salmonella) than for dry non-industrial pasta.[71] The packaging for dry pasta for industrial use is different (e.g., larger-sized containers) from the packaging of dry pasta for retail and food service use.[72]

Dry Organic Pasta and Dry Non-organic Pasta

The basic process of manufacturing dry organic pasta and dry non-organic pasta is essentially the same. They also can be produced on the same equipment with the same workers.[73] However, when they are produced on the same equipment, significant efforts are made to clean the equipment when converting from the production of dry non-organic pasta to that of dry organic pasta so as to not contaminate the dry organic pasta. Moreover, producers of dry organic pasta must take extra measures to ensure the purity of the organic product. For example, two U.S. producers of dry organic pasta (***) reported that they cannot conduct any chemical treatments in their plants such as fumigation when it may affect the organic pasta.

Dry Unenriched Pasta and Dry Enriched Pasta

In order to produce dry enriched pasta, producers must either purchase semolina or flour that has already been enriched or they must have the necessary machinery to weigh and mix in the required enrichments.[74] In these investigations, information on the production of dry unenriched pasta was received from 3 U.S. producers, ***. *** also produce dry enriched pasta. However, ***.[75] ***.[76] ***. ***.

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[70] (...continued)
service use (apart from the packaging process and equipment), *** stated that they were mostly the same except for different dies and that dry pasta for industrial use differs from dry pasta for food service use because of differences in wall thickness and additives; *** stated that there are no differences unless called for by industrial specifications; and *** stated that there are no differences in equipment or process but that dry pasta for industrial use is more costly to produce if the customer requests additional strengthening materials. *** stated that there are no differences in the mixing, extruding, and drying process, but there are differences in the packaging equipment and processes as well as cost differences based on the shape of the pasta.

[71] Petitioners' postconference brief, p. 4.

[72] Answers to staff questions by ***.

[73] Staff telephone conversations with ***, May 13, 1996. However, *** did not report any production of dry non-organic pasta, so its dry organic pasta does not share its production line(s).

[74] Prehearing brief of Riggle and Craven, p. 12.

[75] Staff telephone conversation with ***.

[76] Staff telephone conversation with ***.

Price

Dry Non-egg Pasta and Dry Egg Pasta

In 1995, the unit value (in this instance, a proxy for price) of U.S. producers' shipments of domestically produced dry non-egg pasta was $0.46 per pound, whereas the unit value of U.S. producers' shipments of domestically produced dry egg pasta was $0.60 per pound.[77] The Commission's questionnaire asked purchasers whether prices of dry non-egg pasta were generally higher, lower, or about the same as prices of dry non-egg pasta. Of the 35 responding purchasers, 24 reported that dry non-egg pasta was lower in price, 6 purchasers reported that dry non-egg pasta was higher in price, and 5 purchasers reported that the price of dry non-egg pasta and the price of dry egg pasta are the same.

Dry Pasta for Retail or Food Service Use and Dry Pasta for Industrial Use

In 1995, the unit value of U.S. producers' shipments of domestically produced dry pasta for retail use was $0.55 per pound and for food service use was $0.40 per pound, whereas the unit value of U.S. producers' shipments of domestically produced dry pasta for industrial use was $0.37 per pound. In response to the question "Are there consistent price differences between dry pasta for industrial use and dry pasta for food service use?", *** responded "Yes," *** responded "Industrial is more competitive;" *** responded "No;" *** responded that prices for its dry industrial pasta are on a customer-specific basis whereas prices for their dry food service pasta are off price lists; and *** responded "Yes," indicating that their prices of dry pasta for industrial use are *** than their prices of dry pasta for food service use.

Dry Organic Pasta and Dry Non-organic Pasta

In 1995, the unit value of U.S. producers' shipments of dry organic pasta was $0.85 per pound, whereas the unit value of U.S. producers' shipments of dry non-organic pasta was $0.48 per pound.

Dry Unenriched Pasta and Dry Enriched Pasta

In 1995, the unit value of U.S. producers' shipments of dry unenriched pasta was $0.76 per pound, whereas the unit value of U.S. producers' shipments of dry enriched pasta was $0.48 per pound.

[77] Petitioners noted that "{E}gg pasta (noodles) is not considered to be part of the tier pricing system, but rather could be considered a tier to itself with its own unique pricing patterns, generally above almost all forms of non-egg pasta." (Petitioners' posthearing brief, Responses to Commission and Commission Staff Questions, section 3, p. 1, n. 15.) (The issue of tier pricing is discussed in Part V of this report.)

Domestically Produced and Imported Products

There is a good deal of contention in these investigations concerning the extent to which domestically produced dry pasta and the subject imported dry pasta are basically the same product or are different, and the extent to which the subject Italian and Turkish dry pasta are basically the same product or are different. In general, petitioners contend that all dry pasta produced from 100-percent durum wheat semolina and water is essentially the same and that consumers purchase dry pasta principally because of price and not other factors, whereas respondents contend that (at least with regard to pasta from Italy) quality of the pasta is important to consumers and drives their purchasing patterns. Accordingly, some of the basic similarities and differences in dry pastas are discussed here, but a more detailed discussion of the quality and substitutability of domestically produced and imported dry pasta is presented in Part II of this report.

Although there may be some differences in the quality of different brands of pasta, most dry pasta sold in the United States is of acceptable quality to most consumers. The issue of quality surfaced at the Commission's conference in the preliminary investigations, with respondents from Italy contending that Italian pasta is of superior quality and tends to occupy the highest market tier,[78] respondents from Turkey arguing that their pasta occupies a lower market tier and is not sold in competition with pasta from Italy,[79] and petitioners generally contending that most dry pasta sold in the United States is of roughly similar quality and that price is more important in consumers' purchasing decisions than 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, and with little or no breakage due to transportation and handling; uncooked texture; cooked texture, e.g., no stickiness or clumpiness; acceptable flavor; predictable cooking times; and the ability to maintain shape and firmness of bite during cooking. The criteria of quality used in a recent test of various types of pasta were as follows: "{A} clean, nutty, wheat flavor; good bite; no starchiness; springiness; slight chewiness; and a pleasant, fresh aftertaste."[80] In a study prepared for ***, the "ideal pasta" was determined to have ***.[81]

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[78] 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 in the preliminary investigations, p. 6.)

[79] 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 transcript, pp. 242, 243.

[80] Editorial by Christopher Kimball entitled "All Hail Ronzoni?" from *Cook's Illustrated*, Nov.-Dec. 1994, as provided in petitioners' postconference brief, exhibit 5.

[81] ***.

With regard to any quality differences among domestic, Italian, and Turkish dry pasta, there are purchasers and consumers that perceive Italian pasta to be authentic and of the highest quality.[82] [83] Indeed, Italy has stringent requirements for pasta making,[84] [85] is familiar with the production techniques and ingredients[86] that result in quality pasta, and has a competitive home market for pasta. A number of brands of subject pasta from Italy (as well as several domestic brands) were cited as premium pastas in questionnaire responses. Subject dry pasta from Turkey is generally perceived to be lower in quality than subject Italian pasta and domestically produced pasta.[87] [88] With regard to domestically produced dry pasta,

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[82] For example, one major retail grocery store chain reported that it has seen a growing market for imported pasta from Italy and it developed an Italian private-label pasta for that market. It stated that "We believe these items are perceived by customers to be superior in quality to domestic brands perhaps because of the authenticity, cooking characteristics, flavor, etc." (Public letter from Safeway Inc. to the Commission, May 24, 1996.)

[83] ***. Also, ***.

[84] "The basic Italian regulatory regime governing the production of pasta manufacture is Legge 580 of 1968 ("Law 580") . . . Law 580 regulates virtually every aspect of the manufacturing and the packaging of Italian pasta . . . The most salient provision of Law 580 is the requirement that only 100 percent durum wheat semolina can be used to manufacture Italian pasta. In addition, . . . technical aspects of pasta production . . . are specifically addressed . . . Law 580 also expressly regulates the type of ingredients that may be added to the pasta. Moreover, Law 580 applies to all types of pasta, whether fresh or dry, egg or non-egg, spinach, or with other ingredients. All Italian pasta must be produced in strict conformity with this stringent Italian law." (Prehearing brief of McKenna & Cuneo, pp. 3, 4.)

Italian pasta labeled as organic must comply "with strict standards and regulations concerning cultivation, processing, storage and transport of organic foodstuffs. These regulations and standards are set forth and enforced by . . . {EEC reg. # 2092/91}. Under said regulations, thorough inspections of farms and processing plants are carried out by EEC approved certification committees." Letter from Robert E. Breen, *op cit.*

Law 580 prohibits the sales of enriched pasta in Italy. Enriched pasta can only be produced for export markets. The cost of enriching the pasta for the U.S. market adds about 4-5 percent to the cost of producing unenriched pasta. (Collier, Shannon . . . submission of May 26, 1995, on foreign market research, p. 4.)

[85] ***.

[86] A portion of pasta produced in Italy is reportedly produced with U.S. or Canadian wheat (about 10 to 15 percent according to Rogers & Wells' answers to staff questions, preliminary investigations, June 9, 1995, p. 7, and approximately 10 to 25 percent according to petitioners' posthearing brief, section 5, p. 2).

[87] A buyer of pasta for a *** reported that "On rare occasions, I have purchased and tried to merchandise Turkish pasta. It was low priced and of low quality and it never made any sense to be a regular part of our merchandising program. Customers who seek genuine Italian products are not interested in the cheaper Turkish product, regardless of how inexpensive it is. In the same way, customers who only care about low prices rather than quality, are attracted to domestic corporate/private label or Turkish product, not "authentic Italian" pasta at higher prices." (Letter from *** to the Commission, May 28, 1996).

[88] A study comparing durum wheat grown in Turkey and the United States stated that "A comparison of semolina quality factors again showed considerably lower values for percent protein in semolina milled from Turkish wheats . . . {W}et gluten values for these semolinas were also lower." However, the study also stated that "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 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.) However, the study 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

(continued...)

petitioners presented the *** provided by *** and three published taste test rankings of pasta (exhibits 3 and 5 of petitioners' postconference brief);[89] these studies, in which domestically produced dry pastas were highly rated, and other evidence[90] suggest that while consumers have definite *perceptions* of pasta quality, when tested they do not detect a significant difference in quality among various major brands of pasta.[91] Moreover, petitioners provided evidence at the Commission's hearing concerning brand switching between domestic and imported brands in the Northeast U.S. market.[92] Most people probably cannot distinguish between different cooked dry pastas, except perhaps for clearly high- and low-quality pastas. In general, dry pasta quality may be looked at as somewhat of a bell curve: most dry pasta, when cooked correctly, is relatively indistinguishable to most U.S. consumers, with the possible exception of some definitely poor quality dry pasta and of some truly superb dry pasta. However, for professional cooks, "gourmets," and some consumers, the purchase of good-quality dry pasta is especially important, and many such individuals perceive that Italian dry pasta has the quality that they are seeking; indeed, some imports of subject dry pasta from Italy command premium prices at the U.S. retail level.[93] [94] However, a recent consumer publication stated that "{With regard to} dried pastas, almost all brands were very good, with only subtle taste and texture differences. It's safe to buy on price."[95]

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[88] (...continued)
the Turkish semolina was lighter yellow in color and had a lower firmness score."

[89] "American Spaghetti Tops Tasting," by Joni Miller, *Cook's Illustrated,* May/June 1994, pp. 21-23; "Spaghetti," *Consumer Reports,* Aug. 1988, pp. 488-491; "Two pastas: spaghetti and linguine," *Consumer Reports,* June 1979, pp. 328-331.

[90] In ***, a study prepared for *** by *** found that tasters perceived little difference between ***. (***). Moreover, in a taste test conducted by staff of the *Washington Post* of 18 domestically produced and Italian dry pastas (mainly Italian), tasters found no significant differences in taste, firmness, or texture, except for one brand which was deemed to be inferior. ("Pasta: Is It All Created Equal?", by Stephanie Witt Sedgwick, *Washington Post,* Food Section, May 8, 1996, pp. E1, E8.)

[91] Among the conclusions of a study by *** entitled ***, was ***.

[92] Petitioners' hearing exhibit 1.

[93] Based on "Figures for Economic Testimony on Behalf of Italian Respondents," submitted at the Commission's conference by Law and Economics Consulting Group, Inc., June 2, 1995. The submission contains retail prices of dry pasta sold at grocery chains in the Washington, DC, metropolitan area.

[94] Moreover, for some people, such as those of Italian or Turkish descent or consumers who wish to "Buy American," national origin may be an important consideration in their purchasing decisions on dry pasta.

[95] "Mangia, mangia!," *Consumer Reports,* Mar. 1996, p. 24.

PART II ~ CONDITIONS OF COMPETITION IN THE U.S. MARKET

CHANNELS OF DISTRIBUTION

Dry pasta is sold commercially through four general channels of distribution: the retail market, the food service market, the industrial market, and to other U.S. producers for resale. The retail market includes sales to supermarkets and grocery chains, including ethnic and gourmet stores; wholesale distributors that service supermarket and grocery retailers; wholesale clubs such as Sam's and Price Club; mass merchandisers such as Wal-Mart and K-Mart; specialty distributors; and direct-store delivery distributors (DSDs). The food service market includes sales to food service distributors and institutional users such as schools, restaurants, and other food service providers. The industrial market consists of sales (and intracompany transfers) to manufacturers of downstream products such as macaroni and cheese, soups, and frozen dinners. The bulk of the industrial market is supplied by captive producers such as Campbell, Kraft, and Lipton, that manufacture *** for captive consumption.

Table II-1 presents U.S. shipments of domestically-produced dry pasta by channels of distribution.[1] Table II-2 presents U.S. importers' U.S. shipments of imports from Italy of dry non-egg pasta in packages of 5 pounds or less by channels of distribution. Table II-3 presents U.S. importers' U.S. shipments of imports from Turkey of dry non-egg pasta in packages of 5 pounds or less by channels of distribution.

For U.S.-produced dry pasta, approximately 62 percent of U.S. shipments are to the retail market, 26 percent to the industrial market, 10 percent to the food service market, and 2 percent to other U.S. producers.[2] For product imported from Italy, approximately 75 percent of U.S. shipments are to the retail market and 25 percent to the food service market. For product imported from Turkey, approximately 95 percent of U.S. shipments are to the retail market and 5 percent to the food service market.

[1] App. D presents additional channels of distribution data on U.S. producers' shipments of dry non-egg pasta in packages of 5 pounds or less and dry egg pasta.

[2] These shipments include specialty shapes and sizes not produced by a particular company and used to complement or fill-out a company's product line. They also may include shipments to producers of downstream products.

Table II-1
Dry pasta: U.S. producers' U.S. shipments, by channels of distribution, 1993-95

(Quantity in 1,000 pounds and shares in percent)

Channel of distribution	1993		1994		1995	
	Quantity	Share	Quantity	Share	Quantity	Share
Retail market--						
Retail grocery chains	842,524	36.7	860,710	36.0	875,914	35.5
Wholesale distributors	473,961	20.7	459,851	19.2	448,709	18.2
Wholesale clubs	53,628	2.3	62,432	2.6	75,769	3.1
Specialty distributors	1,410	0.1	1,710	0.1	2,400	0.1
Mass merchandisers	32,156	1.4	25,674	1.1	13,141	0.5
DSD distributors[1]	12,589	0.5	12,643	0.5	12,862	0.5
Other retail[2]	19,015	0.8	41,336	1.7	49,596	2.0
Food service market--						
Food service distributors	216,159	9.4	219,221	9.2	231,110	9.4
Institutional users	10,053	0.4	3,322	0.1	4,475	0.2
Restaurants	5,222	0.2	4,449	0.2	4,019	0.2
Other food service[2]	12,509	0.5	32,428	1.4	6,166	1.9
Industrial use--[3]						
Dry macaroni & cheese	302,429	13.2	330,152	13.9	338,626	13.8
Shelf-stable prepared	107,905	4.7	99,342	4.2	93,347	3.8
Soup (canned & dry)	***	***	***	***	***	***
Other industrial[2]	***	***	***	***	***	***
Other U.S. producers	34,707	1.5	45,392	1.9	42,910	1.7

[1] Direct store delivery (DSD) distributors. ***.
[2] Includes other and unknown.
[3] Includes internal transfers.

Note.--Total U.S. shipments in this table do not match U.S. shipments totals elsewhere in the report because some producers did not provide data on their channels of distribution.

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

Table II-2
Dry non-egg pasta in packages of 5 pounds or less: U.S. importers' U.S. shipments of imports from **Italy**, by channels of distribution, 1993-95

(Quantity in 1,000 pounds and shares in percent)

Channel of distribution	1993		1994		1995	
	Quantity	Share	Quantity	Share	Quantity	Share
Retail market--						
Retail grocery chains	29,459	20.1	44,153	21.8	51,848	23.0
Wholesale distributors	23,107	15.7	35,145	17.4	38,955	17.3
Wholesale clubs	9,008	6.1	10,479	5.2	15,864	7.0
Specialty distributors	3,936	2.7	6,920	3.4	9,185	4.1
Mass merchandisers	269	0.2	633	0.3	1,903	0.8
DSD distributors[1]	34,526	23.5	49,515	24.5	48,401	21.5
Other retail[2]	2,247	1.5	2,068	1.0	1,658	0.7
Food service market--						
Food service distributors	39,765	27.1	45,822	22.6	48,392	21.5
Institutional users	0	0.0	159	0.1	253	0.1
Restaurants	1,737	1.2	2,763	1.4	3,462	1.5
Other food service[2]	350	0.2	440	0.2	605	0.3
Industrial use--[3]						
Dry macaroni & cheese	0	0.0	0	0.0	0	0.0
Shelf-stable prepared	0	0.0	0	0.0	0	0.0
Soup (canned & dry)	0	0.0	0	0.0	0	0.0
Other industrial[2]	3	0.0	3	0.0	2	0.0
Other U.S. producers	0	0.0	0	0.0	0	0.0

[1] Direct store delivery (DSD) distributors.
[2] Includes other and unknown.
[3] Includes internal transfers.

Note.--Total U.S. shipments in this table do not match U.S. shipments totals elsewhere in the report because some U.S. importers did not provide data on their channels of distribution.

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

Table II-3
Dry non-egg pasta in packages of 5 pounds or less: U.S. importers' U.S. shipments of imports from **Turkey**, by channels of distribution, 1993-95

(Quantity in 1,000 pounds and shares in percent)

Channel of distribution	1993		1994		1995	
	Quantity	Share	Quantity	Share	Quantity	Share
Retail market--						
Retail grocery chains	***	51.8	***	50.9	***	43.7
Wholesale distributors	***	36.4	***	35.1	***	36.7
Wholesale clubs	***	0.0	***	0.0	***	0.0
Specialty distributors	***	0.0	***	0.0	***	0.0
Mass merchandisers	***	6.9	***	8.2	***	8.8
DSD distributors[1]	***	0.0	***	0.0	***	0.0
Other retail[2]	***	0.0	***	0.9	***	4.1
Food service market--						
Food service distributors	***	0.2	***	0.2	***	0.3
Institutional users	***	4.7	***	4.7	***	6.3
Restaurants	***	0.0	***	0.0	***	0.0
Other food service[2]	***	0.0	***	0.0	***	0.0
Industrial use--[3]						
Dry macaroni & cheese	***	0.0	***	0.0	***	0.0
Shelf-stable prepared	***	0.0	***	0.0	***	0.0
Soup (canned & dry)	***	0.0	***	0.0	***	0.0
Other industrial[2]	***	0.0	***	0.0	***	0.0
Other U.S. producers	***	0.0	***	0.0	***	0.0

[1] Direct store delivery (DSD) distributors.
[2] Includes other and unknown.
[3] Includes internal transfers.

Note.--Total U.S. shipments in this table do not match U.S. shipments totals elsewhere in the report because some U.S. importers did not provide data on their channels of distribution.

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

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic production

Based on available information, staff believes that U.S. dry pasta producers are likely to respond to changes in demand with relatively large changes in the quantity of shipments of U.S.-produced dry pasta to the U.S. market.[3] Factors contributing to the responsiveness of supply are unused levels of capacity utilization and the availability of inventories; however, the lack of export markets may constrain the ability of domestic producers to respond to changes in the prices of dry pasta.

Industry capacity

U.S. producers' capacity utilization showed little change but did rise slightly from 69.9 percent in 1993 to 70.6 percent in 1995. These data indicate that U.S. producers have a relatively high level of unused capacity with which they could increase production of dry pasta to respond to changes in prices in the U.S. market.

The ability of U.S. producers to respond to price changes in the U.S. dry pasta market by increasing or decreasing production is constrained somewhat by the lack of production alternatives. None of the responding U.S. producers reported producing products other than dry pasta on the equipment that is used to produce dry pasta. Because of this, U.S. producers lack the ability to shift production to or from other products in the event of a price change for dry pasta.

Inventory levels

As a percentage of total shipments, inventories increased irregularly during the period examined, rising from 8.3 percent in 1993 to 9.4 percent in 1994 and then falling to 8.7 percent in 1995. These numbers indicate that U.S. producers have some degree of flexibility in using inventories to increase supply of dry pasta to the U.S. market.

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[3] The discussion of the supply responsiveness of domestic dry pasta producers is based on data for all dry pasta, which conforms with the Commission's preliminary determination of the domestic like product and industry (see *Certain Pasta from Italy and Turkey*, ITC Pub. No. 2905, July 1995, pp. I-5-11).

Export markets

Available data indicate that exports have not been a viable alternative for U.S. producers of dry pasta during the period for which data were collected. Exports of dry pasta by U.S. producers accounted for only 0.8 percent of total shipments in 1993, 1.3 percent in 1994, and 0.2 percent of total shipments in 1995. These low numbers indicate that U.S. producers do not have the ability to divert shipments of dry pasta to or from the U.S. market in response to changes in the price of the product.[4]

Subject Imports

Data provided by foreign producer questionnaires suggest that dry pasta producers in Italy and Turkey have some unused capacity and significant alternate markets that would allow them to respond to changes in the price of dry pasta in the U.S. market.[5]

Italy

Based on the available data, staff believes that Italian producers of dry pasta could increase shipments to the United States in response to changes in U.S. market prices for dry pasta. The main factor contributing to this relatively high degree of supply responsiveness is the availability of significant alternative markets.

Industry capacity.--Data submitted by Italian producers indicate that capacity utilization rates increased irregularly from 1993 to 1995, rising from 89.9 percent to 92.3 percent in that time. These data indicate that Italian producers are operating at fairly high levels of capacity utilization; as a result, it may be difficult for Italian dry pasta producers to increase production in response to price changes in the U.S. dry pasta market.

Inventory levels.--Information obtained from Italian producers indicates that inventories have accounted for a relatively modest share of both production and shipments during the period for which data were requested. As a percent of total shipments, inventories accounted for between 6.6 and 7.3 percent during 1993 to 1995; ratios of inventories to production were similar and ranged from 6.8 to 7.5 percent. These data indicate that Italian producers have some degree of flexibility in using inventories as a response to changes in U.S. prices of dry pasta.

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[4] Moreover, available data indicate that unit values for exports of dry pasta were lower than unit values for domestic shipments of dry pasta; therefore, the incentive for U.S. producers to divert shipments from the U.S. market to other markets appears to be minimal.

[5] The discussion of the supply responsiveness of foreign producers is based on data for production, shipments, and inventories of the subject product, i.e., dry non-egg pasta sold in packages of five pounds or less. As such, any imports of dry non-egg pasta shipped in bulk (such as Classico brand pasta) are not included as they are not part of the scope of these investigations.

Alternative markets.--The Italian home market has been a significant outlet for Italian dry pasta throughout the period examined, accounting for between 66.7 and 72.4 percent of total shipments. Exports to markets other than the United States (principally Europe) also accounted for a significant portion of Italian producers' shipments; these exports accounted for between *** and *** percent of total shipments during 1993-95. The existence of a strong home market and export markets other than the United States indicates that Italian producers have the flexibility to divert shipments to or from the U.S. market in the event of changes in prices of dry pasta.[6]

Turkey

Based on the available information, staff believes that Turkish producers could increase shipments to the United States in response to changes in the U.S. market prices of dry pasta. Factors contributing to the relatively high degree of supply responsiveness include the availability of unused capacity and the existence of alternate markets.

Industry capacity.--Available data submitted by the two Turkish producers of dry pasta indicate that capacity utilization rates have *** during the period for which data were collected. Capacity utilization for Turkish dry pasta producers *** from *** percent in 1993 to *** percent in 1995. These data suggest that excess capacity exists with which Turkish producers could increase production in response to price changes in the U.S. market.

Inventory levels.--The degree of supply responsiveness of Turkish dry pasta producers is constrained somewhat by their inability to utilize inventories as a means to respond to price changes. Inventories of reporting Turkish producers accounted for a *** of both production and total shipments during 1993-95.

Alternative markets.--Data indicate that the home market has been a significant outlet for Turkish dry pasta production during 1993-95. Shipments to the Turkish home market accounted for between *** and *** percent of total shipments in that time. Similarly, exports to markets other than the United States also accounted for a *** portion of Turkish producers' total shipments. During 1993-95, exports to markets other than the United States accounted for between *** and *** percent of total shipments. While the existence of a strong home market and alternative markets indicate that Turkish producers have the ability to divert shipments to or from the U.S. market in response to price changes in the U.S. market, there are factors that may constrain this ability. As noted in the Turkish respondents' brief, pasta is always sold as a branded product, and an exporter cannot ship bags of unlabeled pasta to the United States, shifting destinations according to short-term pricing signals.[7] Moreover, the brand names under which Turkish dry pasta are sold in the United States are owned by the U.S. importers; since the relationship between the two major Turkish producers, Maktas and Filiz, and their respective importers has

[6] Respondents argue that "the proportion of Italian production sold to third country markets increased in every year of the POI. There is no record evidence that Italian producers have the flexibility to reverse this trend by shifting production to the U.S. market" (prehearing brief of McKenna and Cuneo, p. 45).

[7] Prehearing brief of Grunfeld, Desiderio, Lebowitz, and Silverman, pp. 32-33.

***, the ability of these two producers to ship to the U.S. market may be limited.[8]

U.S. Demand

Demand Characteristics

Overall demand for dry pasta in the United States increased between 1993 and 1995, with apparent consumption rising 9.8 percent (based on quantity) in that time. Producers, importers, and purchasers all generally agree that the demand for pasta has increased during the period examined. Reasons given for the increase in demand for dry pasta include health awareness, cost advantages compared to other food items, product convenience, and the popularity of Italian and Mediterranean cuisine. Based on available information regarding substitute products and percentage cost shares, it is likely that in the short run, the quantity of dry pasta demanded will change somewhat in response to changes in the price level of dry pasta.

Substitute Products

There are several products that are possible substitutes for dry pasta; however, the degree of substitution appears to be somewhat limited.[9] Refrigerated (fresh) and frozen pastas are potential substitute products for dry pasta. Questionnaire responses in the preliminary investigations indicated that there is some degree of substitutability but some firms believe that it is limited due to fairly significant price differentials.[10] Moreover, many of the fresh and/or frozen pastas available are filled pastas (such as tortellini or ravioli), which are not available in dry form. Other products such as rice, chicken, beef, etc., can also be viewed as potential substitutes for pasta. While the degree to which consumers may switch to substitute products is not known, questionnaire responses from purchasers provide some relevant information. Purchasers were asked whether the introduction of a new, low-priced brand would increase sales of the total pasta category or take sales from existing brands. Of the 23 firms providing useful responses, 12 reported that the new, low-priced brand will have some effect on increasing the total sales of pasta.[11] This indicates that the overall quantity of dry pasta sales may increase in response to lower prices.

[8] Prehearing brief of Grunfeld, Desiderio, Lebowitz & Silverman, p. 33.

[9] The degree of substitution between dry pasta and other products is likely to be less in the food service and industrial markets.

[10] A marketing study submitted by *** discusses ***.

[11] Six of these 12 firms reported that the new, low-priced brand will cause the pasta market to expand and the other six said the new brand would both cause the overall pasta market to expand and would take some sales from existing brands.

Cost Share

While the majority of dry pasta is sold as is to the retail and food service markets, a percentage of the dry pasta sold in the U.S. market is used in the production of other products. Available data indicate that the percentage of dry pasta used in the production of other products accounted for approximately 23 percent of total consumption of dry pasta in the United States between 1993 and 1995. Dry pasta was used in a variety of products, including soup, dry macaroni and cheese, and frozen dinners. Purchasers reported that the cost of the dry pasta accounted for between 1 and 32 percent of the total cost of the finished product.

SUBSTITUTABILITY ISSUES

U.S. Purchasers

The Commission received questionnaire responses from 43 purchasers of dry pasta. These purchasers can be grouped according to the following customer groups: retail chain stores (20), wholesale clubs (1), specialty distributors (7), retail specialty stores (1), warehouse/wholesale distributors (7), direct store distributors (DSDs) (1), food service distributors (2), end users in the industrial market (3), and an independent farmers market (1). Purchases of these firms accounted for 5.1 percent of shipments of domestically-produced dry pasta, and 4.9 and 3.7 percent of shipments of subject imports of Italian and Turkish dry pasta, respectively, in 1995. However, it should be noted that these numbers are understated because several purchasers were unable to provide total purchase amounts.

Factors Affecting Purchasing Decisions

Producers, importers, and purchasers were asked a variety of questions to determine what factors influence the purchasing decisions of customers buying dry pasta. Information obtained from these sources indicate that while price is an important consideration, there are other factors that play a significant role in the decisionmaking process for dry pasta. In fact, 38 of 40 responding purchasers reported that the lowest price offered for dry pasta will not always win a contract or sale. Factors such as quality, brand name/preference, and availability were listed as other factors considered when purchasing dry pasta.

Questionnaire responses from purchasers indicate that quality is an important factor in the purchasing of dry pasta. Purchasers of domestic, Italian, and Turkish dry pasta ranked this factor most frequently as the number one consideration in determining from whom to buy dry pasta.[12] Quality of pasta is said to be determined by several different factors, including appearance, shelf life, cooking characteristics, texture, color, flavor, reheating abilities (for the food service market), and taste. However,

[12] Purchasers were asked to report the top three factors considered in purchase decisions and were asked to do so separately for domestic and imported suppliers. While the total number of purchasers ranking the factors varied for each country (i.e., United States, Italy, and Turkey), the percentages were similar. With regard to quality, approximately 41 percent of respondents rated it number one for purchases of domestic product. Similarly, 40 and 36 percent of respondents rated it number one with regard to Italian and Turkish imports, respectively.

it is often the case that actual quality is not as important as perceived quality. For example, as noted in the results of a marketing study submitted by ***, ***. There is disagreement, however, on the issue of quality comparability between domestic and imported pastas. Petitioners report that all pasta is made from 100 percent durum wheat semolina and, thus, is basically the same. Petitioners cite several blind taste tests that conclude that there is little, if any, difference in the quality of different brands of dry pasta.[13]

Brand names also play an important role in the sales of dry pasta, particularly to retail customers. Purchasing habits of consumers appear to be influenced by brand name familiarity and brand use experience. Brand names are often thought to convey a certain degree of quality and/or prestige. Many importers noted in their questionnaire responses (in the preliminary investigations) that while actual quality differences may or may not exist, it is often the case that consumers perceive certain brands to be of a higher quality.[14] 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. Petitioners have stated 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.[15]

Purchasers were asked to discuss whether their customers generally limit themselves to purchasing the brand names of dry pasta that are known and acceptable to them, or if they are likely to purchase a new (to them) brand if the price and/or packaging is attractive enough. Responses from purchasers were split. Some purchasers indicated that there is a segment of the market that is brand loyal and is not likely to shift purchases in response to attractive pricing and/or packaging; however, purchasers reported that there is also a segment of the market that is more price sensitive and these consumers are more likely to shift purchases from one brand to another based on price and/or packaging.[16] Finally, purchasers were asked whether the introduction of a new, low-priced brand increased the overall demand for dry pasta or if it took away from existing brands. Eleven firms reported that a new, low-priced brand will take sales away from existing brands; however, three of these firms stated that the switch may only be temporary, particularly if the new brand does not have the same characteristics. Six purchasers reported that a new, low-priced brand of dry pasta will increase sales for the entire category and six others reported that the new brand will both take sales from existing brands and increase sales for the entire category.

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[13] "*American Spaghetti Tops Tasting,* Cook's Illustrated, May-June 1994, p. 21. Participants in this study were asked to judge the pasta based on factors such as color, texture, and taste; Ronzoni brand pasta (made by Hershey) was rated as the best of the brands tested. See also *Pasta: Is It All Created Equal?,* The Washington Post, May 8, 1996, p. E8. None of the brands of pasta in either taste test was Turkish.

[14] In fact, ***.

[15] Petitioners argue that this behavior explains the increase in the market share of the allegedly unfair imports, and that consumers were enticed to try these products due to their low price. Petitioners contend that once consumers found the quality adequate, they then added these brands to the list of those that they were willing to buy (conference transcript, p. 99).

[16] One of ***.

Purchasers were asked to rate 13 factors in terms of their importance in their decisions to purchase dry pasta from a particular source; information was provided for purchases of domestic, Italian, and Turkish pasta. The possible ratings were "very important," "somewhat important," and "not important."[17] With regard to purchases of domestic dry pasta, a majority of purchasers reported that availability, brand name, brand image, brand loyalty of consumers, delivery time, discounts, lead times, packaging, consistency, quality, and product range were very important in their purchasing decisions.[18] Similarly, a majority of purchasers reported that the same factors were very important with respect to Italian pasta. Responses concerning purchases of Turkish imports varied from those reported for U.S.-produced and Italian pasta. While factors such as availability, delivery time, lead time, and quality were rated as being very important by a majority of firms, most firms reported that brand name, image, and loyalty of consumers were only somewhat or not important. Moreover, price appears to play a more significant role in the purchasing of Turkish pasta as most of the responding purchasers reported that having the lowest price was very important.

Comparison of Domestic Products and Subject Imports[19]

There is a moderate-to-high degree of substitutability between U.S.-produced dry pasta and imported pasta. Factors that tend to enhance the substitution include similarities between the types of products offered (e.g., similar cuts of pasta) and the availability of the different types of pasta in similar market segments. While similarities exist with regard to the markets served by domestic and imported dry pasta, there are also some differences. The degree of substitution between domestic and imported dry pasta is lessened due to the lack of imported product sold to the industrial market. During the period for which data were collected, approximately 25-26 percent of the quantity of U.S. shipments of domestic dry pasta was to the industrial market. The industrial market uses only domestic pasta in the production of a variety of downstream products; therefore, for slightly more than one quarter of the total dry pasta market, direct competition between domestic dry pasta and the subject imported product from Italy and/or Turkey is reduced.[20]

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[17] See app. E for a summary of purchaser responses.

[18] Within this group of factors, availability, quality, consistency, and delivery time were listed by the largest number of firms as being "very important."

[19] The discussion of the degree of substitutability in this section focuses on the substitution between all domestic dry pasta (including both dry non-egg and dry egg pasta) and imported dry non-egg pasta in packages of 5 pounds or less from Italy and Turkey to conform with the Commission's preliminary determination of the domestic industry and the imported product subject to investigation, respectively. Petitioners have argued in these final investigations that the domestic like product should only include dry pasta sold in the retail segment and the food service segment (i.e., should exclude dry pasta for industrial use); if the domestic like product were to be so defined, the degree of substitution between domestic and imported dry pasta would be higher.

[20] To the extent that the captive production provision of the trade law applies and the Commission focuses primarily on the merchant market, the degree of substitution between domestic and imported products would tend to be higher.

Another factor that somewhat affects the degree of substitutability is the channels of distribution of the domestic and imported products. Available data indicate that while a large portion of both the domestic product and the subject imported products is sold in the retail market, within that market the two products generally travel through slightly different channels. The majority of the domestic product is sold directly to retail grocery chains; shipments to these customers accounted for between 59 and 61 percent of total U.S. producers' shipments within the retail market. On the other hand, shipments of Italian imports within the retail market are often made through distributors (in particular DSDs and wholesale distributors).[21] While this difference in distribution would tend to lower the degree of substitution between the domestic and imported products, the fact that the imported products generally end up competing in the same retail grocery stores as domestic dry pasta lessens the impact of the differing channels of distribution.[22]

Another factor that limits the degree of substitutability between the domestic and imported products is the differences in the products covered by these investigations. Based on the Commission's majority determination in the preliminary investigations, the domestic like product and industry is all dry pasta, including both dry egg and dry non-egg pasta, regardless of packaging and end use. The imports which are subject to these investigations do not include dry egg pasta. The percentage of domestic shipments of all dry pasta accounted for by dry egg pasta was slightly more than 10 percent during the period for which data were collected. According to questionnaire responses from producers, importers, and purchasers, the degree of substitution between dry egg and dry non-egg pasta is limited due to consumer preferences, health concerns about eggs, and price differentials. Therefore, the inclusion of dry egg pasta in the domestic like product and the exclusion of it in the subject imports lowers the degree of substitution.

United States Versus Italy

As discussed earlier, quality is viewed as an important factor in the dry pasta industry. Producers, importers, and purchasers were all asked to discuss the quality of the domestic product vis-a-vis the subject product imported from Italy. Responses on the issue of quality comparability differed, with producers generally reporting that there were not significant differences in quality and importers generally reporting that there were. Of the 13 producers that commented, 3 reported that the quality of the 2 products are always viewed as similar, 7 firms reported that the two are usually viewed as similar, and 3 reported that they are sometimes viewed as similar. The majority of importers, on the other hand, reported that differences exist between the domestic and Italian products. Of the 47 importers responding to the question of whether or not the two products are viewed as comparable by consumers, 10 reported "never," 20 reported "rarely," 9 reported "sometimes," 7 reported "usually," and 3 reported "always." Furthermore, 36 of the responding importers reported that non-price factors are a significant factor in

[21] About 39 percent of shipments of the subject product imported from Italy were made to DSDs and wholesale distributors. However, 23 percent of the subject product from Italy was sold directly to retail grocery chains.

[22] Of the 22 retail chain stores and retail specialty stores that responded to the Commission's questionnaire, 17 reported purchasing the domestic product and at least one of the subject imports.

their sales of the imported product; of these firms, a large portion cited quality differences as a differentiating factor.

Purchasers' information differed depending on the specific question asked. For example, 21 of 37 purchasers reported that they believe that there are actual physical differences between the domestic dry pasta and the dry pasta imported from Italy. Moreover, most purchasers (i.e., 28 of 34) also reported that their customers believe that there are actual physical differences. However, when asked to directly compare the U.S. product with the subject product from Italy, 21 of 30 responding purchasers reported that the quality of the products was comparable. When asked whether domestic and Italian dry pasta are usually perceived by consumers as comparable, 10 reported "usually," 18 reported "sometimes," 5 reported "rarely," and 2 reported "always."

While actual differences in quality levels of domestic and Italian dry pasta may serve to somewhat differentiate the two products, the perception of quality differences is more important. In the case of Italy, many importers and purchasers reported that the image of Italian pasta is one of a superior product which can serve to differentiate it from the domestic product. Again, there appears to be some contradictory information regarding the issue of brand and/or country image. In a marketing study submitted by ***, ***. Similarly, ***. ***. ***.[23] Yet, country of origin appears to be an important factor in that 9 firms reported that customers always or usually make purchasing decisions based on the country of origin; an additional 23 firms reported that customers sometimes purchase dry pasta based on the country of origin. However, when asked to directly compare dry pasta from the United States to that imported from Italy, more than half of the responding purchasers reported that brand image and country image of the two are comparable.

The degree of substitution between domestic and Italian dry pasta is enhanced by the fact that the types/shapes/sizes of dry pasta available from the two sources are generally similar.[24] Most purchasers reported that there are not any types/shapes/sizes of product that are available from a single source. Similarly, purchasers reported that the product lines offered by U.S. and Italian suppliers are comparable.

The degree of substitution between Italian and domestic dry pasta is constrained somewhat by differences in lead times of delivery. Whereas U.S. producers reported lead times between 1 and 14 days, with the average around 3 to 7 days, importers reported longer lead times. Importers reported lead times for delivery of between 1 and 60 days. A large number (i.e., at least 70 percent) of purchasers reported that domestic suppliers were superior with regard to both delivery time and order lead time.

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[23] ***.

[24] Counsel for respondents argue that there are at least two shapes (elbow macaroni and lasagna) that are significant shapes for U.S. producers with respect to sales volume that are minimal with respect to imports from Italy (prehearing brief of Rogers & Wells, app. 14, p. 4).

United States Versus Turkey

Available information indicates that some differences exist between the domestic and Turkish product that serve to moderate the degree of substitution between the two products. While the degree of substitution is enhanced by the fact that the types of pasta offered by U.S. producers and Turkish suppliers are generally similar and the products are generally available in the same retail stores, differences exist with regard to quality, image, and terms of sale.

In general, U.S. producers reported that there are no significant differences between the quality of the domestic and the Turkish products. Importers, on the other hand, cited differences in quality; almost one third of responding importers (i.e., 10 of 29) reported that dry pasta from Turkey is either rarely or never perceived by consumers as similar to domestic dry pasta. Eleven of these 30 responding firms stated that the two products are "sometimes" viewed as similar by consumers; the remaining 8 firms reported that the two products are "always" (3 firms reporting) or "usually" (5 firms) perceived by consumers to be similar. Purchasers also reported some differences between the domestic and the Turkish product, with 14 of 27 firms reporting that the two products are rarely or never viewed as similar by consumers; of the remaining responding firms, 6 stated the two products are usually viewed as similar and 7 stated that they are sometimes. In response to a question on whether purchasers believe that there are actual physical quality differences that distinguish domestically-produced dry pasta from Turkish dry pasta, 9 purchasers responded "yes" and 15 responded "no."

With regard to the issue of brand and/or country image, available information indicates that the image of Turkey as a supplier of pasta does not necessarily imply high quality product. Whereas many purchasers commented that product from Italy often signaled the concept of authenticity, they did not report this same perception with regard to imports from Turkey. When asked to directly compare the domestic product with imports from Turkey, a majority of firms rated the domestic product as superior with regard to availability, brand image, brand loyalty of customers, country image, delivery time, discounts/rebates/promotions, order lead time, packaging, product range, and reliability of supply. With regard to product quality, all eight of the responding firms reported that the domestic product was superior.

Comparisons of Subject Products from Italy and Turkey

As discussed earlier, differences in actual and perceived quality and brand and country image serve to lessen the degree of substitution between imports from Italy and Turkey. Available information from purchasers' questionnaires indicates that Italian pasta is often purchased because of its actual and/or perceived quality and authenticity. Further differentiating these products is the fact that they tend to serve different markets. Whereas Italian imports are sold in the retail segment (through DSDs or specialty distributors) and to restaurants, the Turkish product is sold mainly to grocery stores and discount mass merchandisers and generally not to restaurants.[25] Of the 22 retail chain and specialty stores that responded to the Commission's questionnaire, 8 reported purchasing both Italian and Turkish dry pasta during the

[25] Petitioners' argue that Italian and Turkish pasta do compete in the U.S. market based on the existence of the Venecia brand of pasta (petitioners' prehearing brief, p. 53). According to petitioners, both Italian and Turkish pasta are sold under the Venecia brand name. ***.

period for which data were collected. Italian pasta sold in the retail segment is frequently done so as a premium brand, priced above the Turkish product. Information indicates that while Italian pasta is often targeted at consumers who are willing to pay more for a higher quality product, the Turkish product is generally marketed to consumers who are more concerned with the price of the product.[26] Customer perceptions, as reported by importers, support the view that imports from Italy and Turkey differ. A majority of importers (25 of 44) reported that Italian and Turkish dry pasta are never perceived by their customers as being comparable. Responses from the remaining importers on the issue of comparability between Italian and Turkish imports were as follows: five firms reported that the two products are always viewed as comparable, three firms reported they usually are, five firms reported that they sometimes are, and six firms reported that they rarely are.

Information from purchasers also generally supports the idea that differences exist between the subject imports from Italy and those from Turkey. When asked to directly compare dry pasta from Italy with dry pasta from Turkey, a majority of purchasers reported that the Italian product was superior with regard to brand image, brand loyalty of customers, country image, packaging, product consistency, and product quality. In response to a question on whether purchasers believe that there are actual physical quality differences that distinguish Italian from Turkish dry pasta, 13 purchasers responded "yes" and 13 responded "no." Furthermore, when discussing the importance of certain factors in purchasing decisions, most firms reported that low price was an important factor in their buying of the imported product from Turkey. However, most purchasers reported that low price was only somewhat or not at all important in their buying of the Italian product. Finally, in response to a question on whether dry pasta from Italy and Turkey are perceived by consumers to be comparable, 1 purchaser responded "always," 4 responded "usually," 7 responded "sometimes," 8 responded "rarely," and 6 responded "never."

Comparisons of Domestic Products and Subject Imports to Non-Subject Imports

Imports from non-subject countries comprised a relatively small portion of the overall U.S. market for dry pasta during the period for which data were reported. Sources of non-subject dry pasta include Canada, Mexico, and Japan.[27] Most importers reported that non-price differences between non-subject imports and either domestic and/or subject imports were not a significant factor in their sales of non-subject imports.

[26] Conference transcript, pp. 242-243.

[27] Because subject imports only include dry non-egg pasta in packages of 5 pounds or less, imports from Italy by Borden of bulk dry pasta that is packaged in the United States and sold under the Classico brand are not included in the scope; thus, they are considered to be non-subject imports.

ELASTICITY ESTIMATES

This section discusses the elasticity estimates that are used in the COMPAS analysis found in appendix F. Parties have had the opportunity to comment on these estimates and comments are addressed in this section.

U.S. Supply Elasticity[28]

The domestic supply elasticity for dry pasta measures the sensitivity of quantity supplied by U.S. producers to changes in the U.S. market price of dry pasta. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced dry pasta. Analysis of these factors earlier indicates that the U.S. industry is likely to be able to increase or decrease shipments to the U.S. market; an estimate in the range of 5 to 10 is suggested. Counsel for Italian respondents was the only party to comment on staff's estimate of the U.S. supply elasticity; respondents agreed with staff's estimate.

U.S. Demand Elasticity

The U.S. demand elasticity for dry pasta measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of dry pasta. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of the dry pasta in the production of any downstream products. In the relatively small segment of the market where dry pasta is a component product, it generally accounts for a small to moderate amount of the cost of the end products in which it is used. While some substitute products do exist, there are limitations to the extent that they will be substituted for dry pasta. Based on the available information, the U.S. demand elasticity for dry pasta is likely to be in the range of 0.75 to 1.5.

Counsel for Italian respondents state that the aggregate elasticity of demand should be in the range of 1.0 to 1.75. Respondents argue that advertising and promotional efforts of pasta manufacturers stimulate demand for overall consumption of pasta. Staff notes that advertising and promotional effects are mainly used in the retail segment of the market. While retail sales are a large portion of total pasta sales, there are significant sales to the food service and industrial markets, which do not have the same high levels of advertising and promotional efforts as the retail market. Since the U.S. demand elasticity relates to the aggregate U.S. pasta market, the effects of advertising and promotional efforts on the overall demand elasticity are somewhat lessened.

[28] A supply function is not defined in the case of a non-competitive market.

Substitution Elasticities

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.[29] Product differentiation, in turn, depends upon such factors as quality (e.g., taste, appearance, etc.) and conditions of sale (availability, sales terms/discounts/promotions, etc.). Based on available information, the elasticity of substitution between U.S.-produced dry pasta and subject imported dry pasta is likely to be in the range of 2 to 4 for Italy and for Turkey.

Petitioners argue that the elasticity of substitution between domestic and imported dry pasta is higher than that estimated by staff. Petitioners contend that "the Commission should give limited weight" to the statement that the overall degree of substitution between domestic and imported dry pasta is limited due to the lack of sales of imported products in the industrial market.[30] Petitioners acknowledge that there is no competition from imports in the captive (i.e., industrial) market.[31] Staff notes that the fact that for slightly more than one-quarter of the total dry pasta market there were no sales of imported dry pasta (i.e., in the industrial market) does lessen the degree of substitution for the overall dry pasta market. In the industrial market segment, purchasing behavior (i.e., the lack of purchases of imported product) indicates that firms are not likely to shift purchases to imports.[32] Since this segment accounts for about one-quarter of the total dry pasta market, the degree of substitution in that segment will affect the overall degree of substitution. Staff notes that petitioners have argued that the domestic like product should exclude dry pasta sold to the industrial market; as stated earlier, under that scenario, the degree of substitution between domestic and imported dry pasta would be higher (i.e., at or slightly above the upper bound of the suggested range).

Petitioners also state that "the prehearing report grossly mischaracterizes the degree of substitutability between imported and domestic pasta."[33] Petitioners contend that there is substantial evidence on the record that shows that there are not significant quality differences between the domestic and imported products and that all pasta is basically the same. Staff acknowledges that taste tests have shown that any quality differences that may exist are subtle and staff has accounted for this in the characterization of the elasticity of substitution as being moderate. Staff also notes, however, that it is not necessarily only actual quality differences that are important in assessing the degree of substitution;

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[29] The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and U.S. like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

[30] Petitioners' prehearing brief, pp. 42-43.

[31] Petitioners' prehearing brief, p. 20.

[32] Moreover, purchases in the industrial segment tend to be done on a contract basis, so even if firms were likely to shift purchases, the ability to do so may be constrained by the existence of contracts.

[33] Petitioners also state that "to the extent that actual or perceived quality differences exist, these differences are insufficient to defeat a finding of competition (petitioners' prehearing brief, p. 44, n. 116). Staff notes that it is not stating that there is no competition between imported and domestic dry pasta. Rather, staff notes that the elasticity of substitution reflects how easily purchasers switch from the U.S. product to the subject products (and vice versa). Thus, while an overlap of competition between products is one factor examined in the determination of the degree of substitutability, other factors, such as nonprice factors and conditions of sale, are also relevant for estimating the elasticity of substitution.

perceived quality is also important. As stated earlier, brand names play an important role in the sale of dry pasta, so much so that the industry is comprised of a number of regional brands rather than national brands. Moreover, the concept that consumers' perceptions can serve to differentiate brands of pasta is exhibited by the fact that a certain brand of dry pasta is sometimes priced as a premium product in one market (i.e., priced higher) and priced as a mainstream product (i.e., more moderately priced) in others.[34] Since it is both the same product and the same packaging, the fact that consumers perceive the product differently allows the supplier to charge a different price. Staff also notes that some grocery stores (e.g., Safeway) sell both a domestic and imported private label dry pasta in the same stores. In the case of Safeway, the two private label products are sold for different prices and ***.[35] This behavior indicates that some customers perceive pasta from different countries as being different.

While staff acknowledges that there is disagreement over the quality of the subject imported dry pasta vis-a-vis the domestic product, staff notes that the elasticity of substitution depends on the degree of product differentiation in the market. In a market where there is little or no differentiation, one would not expect to see money spent on advertising the product because advertising would serve no purpose as there would be no product differences to accentuate. In the case of dry pasta, advertising is an often used promotional tool.[36] Therefore, the existence of the use of advertising to sell dry pasta products is an indication that product differentiation exists in the dry pasta market.

Petitioners also contend that price is the major factor in the purchasing of dry pasta, and note the fact that regressions performed by Borden indicate that price and market share are inversely related.[37] Staff notes that the estimate by staff is not inconsistent with the data submitted by petitioners. An examination of the fitted trend line between price and market share indicates that market share does decline with increases in relative prices; however, staff notes that the changes in market share are moderate for a given change in relative prices. For example, based on the graph, ***. Therefore, while staff acknowledges that price is a factor in the purchasing of dry pasta, staff also notes that other factors are relevant; thus, an estimate for the elasticity of substitution of between 2 and 4 is reasonable.

Petitioners also presented information concerning consumers' purchasing habits that indicate an overlap of purchases between domestic and imported products. Petitioners present data that show the percentage of households that purchased a domestic brand (i.e., Creamette) and an imported brand (i.e., Barilla). Petitioners argue that since some consumers have purchased both brands during a given time period, this supports a high degree of substitution. Staff agrees that while the study does show that consumers do purchase both imported and domestic brands of pasta, it does not provide information on the reasons why these consumers purchased each specific brand. Consumers may have had different reasons for purchasing different brands of pasta, e.g., availability at the time of purchase, desire for an imported

[34] Hearing transcript, p. 151.

[35] Staff interview with ***.

[36] See petitioners' prehearing brief, exhibit 10. See also *"Where Barilla Is, There Is No Supermarket"*, Cor, Oct. 17, 1996, p. 3 (article states that there will be a "strong investment in advertising").

[37] *Study and Analysis of Retail Sales Data, 52 Weeks Ending 6/26/94*, Petitioners' postconference brief, exhibit 13 and petitioners' hearing exhibit 2.

product, item on sale, etc. Therefore, while this study does show an overlap of usage it does not specifically indicate that consumers shifted from domestic to imported (or vice versa) on the basis of price.

Italian respondents contend that staff's estimate of the elasticity of substitution is too high. Respondents argue that staff's elasticity of substitution estimate should be revised downward to reflect the fact that purchasers reported fairly high price differentials that would be necessary to cause a purchaser to shift from buying the imported product to buying the domestic product.[38] Staff acknowledges that this information does indicate that the degree of substitution between the domestic and imported product is not high. However, staff also notes that purchaser questionnaires contain a significant amount of information that addresses the degree of substitution and the estimate provided considers all of the information on the record. Staff believes that the estimate of 2-4 is reasonable based on all of the available information.

[38] Respondents cite the recent polyvinyl alcohol (PVA) investigation as a reason for modifying the elasticity of substitution in this case. Respondents argue that information concerning relative price levels that would cause a shift from imports to domestic product in the PVA case were lower than those reported in this case (posthearing brief of Rogers & Wells, p. 26). Staff notes that elasticity estimates are provided for each specific case and are estimated based on the information available for that specific case. Therefore, comparisons between estimates made in other cases may be misleading unless all of the information in each case is compared.

PART III ~ CONDITION OF THE U.S. INDUSTRY

The Commission analyzes a number of factors in making injury determinations.[1] Information on the final subsidy and LTFV margins was presented earlier in this report. Information on the volume and pricing of imports of the subject merchandise is presented in Part IV entitled "U.S. Imports, Apparent Consumption, and Market Shares" and Part V entitled "Pricing and Related Data," respectively. Information on the other factors specified is presented in this section and/or Part VI entitled "Financial Condition of the U.S. Industry" and (except as noted) is based on the questionnaire responses of 26 firms that accounted for approximately 95 percent of U.S. production of dry non-egg and dry egg pasta during 1995. Information on dry organic pasta is based on the responses of seven producers.[2] Information on dry unenriched pasta is based on responses of three U.S. producers.[3]

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. Dry pasta is produced by firms both for sale on the open market (commercial sales) and for use by some manufacturers in their downstream products (captive production or intracompany transfers). The product traditionally has been manufactured and marketed regionally in the United States.

Beginning in the mid-1970s, major manufacturers began purchasing regional producers, creating an industry which, today, is quite concentrated. Consolidation has allowed the industry to lower its raw material costs by permitting the purchase of the key raw material, durum wheat, in bulk.[4] 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.

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[1] *See* 19 USC §§ 1677(7)(B) and 1677(7)(C).

[2] These companies are Costa Macaroni, DeBoles Nutritional Foods (DeBoles), Eden Organic Pasta Co. (Eden Organic), Fortune Macaroni, Mrs. Leeper's, Pasta USA, and Royal Angelus.

[3] These companies are ***.

[4] *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.

In 1995, the five largest commercial producers of dry pasta, ***, accounted for 83 percent of commercial sales.[5] Likewise, the six largest captive producers, ***, accounted for 94 percent of captive consumption in 1995.[6]

Based on 1995 data, the largest producers of dry non-egg pasta, ***, accounted for 71.1 percent of dry non-egg pasta production.[7] The largest producers of dry egg pasta, ***, accounted for 70.3 percent of dry egg pasta production.[8] Dry non-egg pasta accounted for 89.5 percent of U.S. production in 1995 while dry egg pasta accounted for 10.5 percent.

A list of U.S. producers showing the position each firm has taken with respect to the petition and the types of pasta produced by each firm is presented in table III-1. Data on U.S. producers' production, shipments, and market shares, by company, are presented in table III-2. Figure III-1 presents U.S. producers' commercial shipments by company in 1995. Figure III-2 presents U.S. producers' intracompany transfers by company in 1995. Figure III-3 presents U.S. producers' U.S. shipments by products and by types.

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."[9] Although the larger domestic producers sell their product nationwide, they almost always do so under a number of regional brand names.[10] 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.

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[5] ***.

[6] ***.

[7] In 1995, a total of 25 companies reported production of dry non-egg pasta.

[8] In 1995, a total of 18 companies reported production of dry egg pasta. Only one company, ***, produced exclusively egg pasta.

[9] Max Busetti, *Food Industry Newsletter*, cited in *Wall Street Journal*, Nov. 16, 1993, attached as exhibit 4 to Rogers & Wells' postconference brief.

[10] ADM Gooch Foods (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, Merlino's, 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.

Table III-1
Dry pasta: U.S. producers, position on the petition, number of plants, and share of each company's U.S. shipments by types of pasta produced, 1995

* * * * * * *

Table III-2
Dry pasta: U.S. production, commercial shipments, and intracompany transfers, by companies, 1995

* * * * * * *

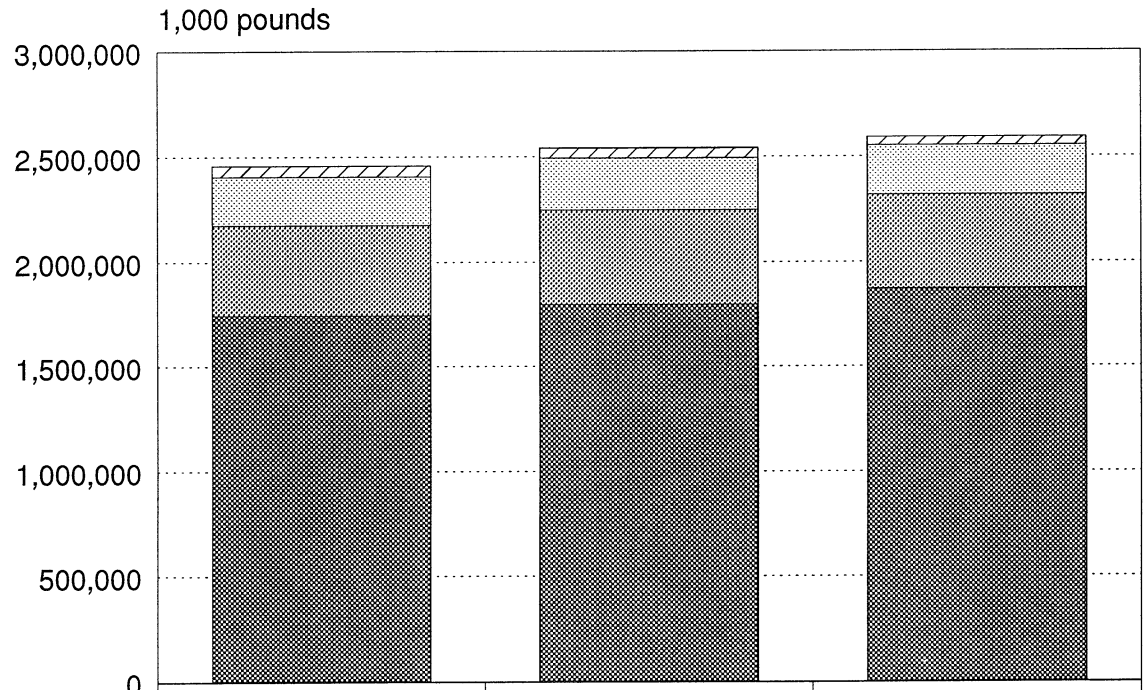
Figure III-1
Dry pasta: U.S. producers' commercial shipments, by company, 1995

* * * * * * *

Figure III-2
Dry pasta: U.S. producers' intracompany transfers, by company, 1995

* * * * * * *

Figure III-3
Dry pasta: U.S. producers' U.S. shipments, by products and by types, 1993-95



	1993	1994	1995
Intracompany egg	52,394	45,518	40,576
Commercial egg	228,623	247,734	233,859
Intracompany non-egg	433,081	453,627	446,363
Commercial non-egg	1,743,712	1,794,888	1,871,196

Source: Data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

U.S. producers' capacity, production, and capacity utilization data for dry pasta are presented in table III-3 and figure III-4.[11] U.S. production capacity increased 5.1 percent during the period 1993-95. Production increased 6.0 percent during this same period. Capacity utilization increased from 69.9 percent to 70.6 percent from 1993-95. U.S. producers' reported capacity exceeded apparent U.S. consumption of dry pasta in each of the three years 1993-95.

Companies were asked to report changes in production capacity during the period 1993-95. Three companies, ***, reported increasing capacity through plant expansions during this period.[12] Two companies, ***, reported increasing capacity through plant acquisitions.[13] Two companies, ***, reported decreasing capacity through reductions in operations or plant closures.[14] [15] Two companies, Dakota Growers and Ital Florida Foods, commenced operations in 1993.

[11] App. C presents production, capacity, and capacity utilization data by product types.

[12] ***. In May 1993, Hershey opened a new factory in Winchester, VA, ***. However, at the Commission's hearing, C. Mickey Skinner, president of the Hershey Pasta Group, stated that Hershey had planned to currently have nine production lines at its Winchester plant, but now only has six. (Hearing transcript, p. 87.)

[13] ***.

[14] ***.

[15] ***.

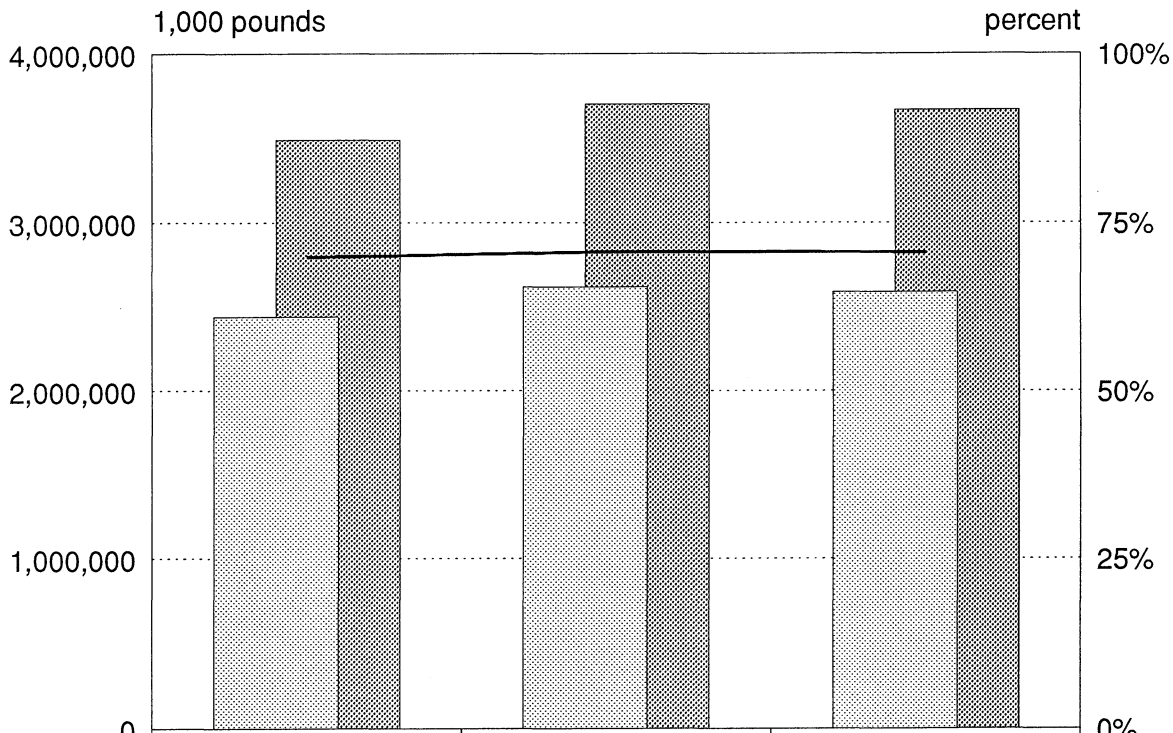
Table III-3
Dry pasta: U.S. capacity, production, shipments, inventories, and employment data, 1993-95

(Quantity in 1,000 pounds and value in 1,000 dollars)

Item	1993	1994	1995
Average-of-period capacity *(quantity)*	3,492,033	3,703,316	3,668,937
Production *(quantity)*	2,441,469	2,616,714	2,589,015
Capacity utilization *(percent)*	69.9	70.7	70.6
U.S. shipments:			
Quantity	2,464,378	2,548,470	2,599,212
Value	1,136,110	1,246,002	1,244,671
Unit value	$0.46	$0.49	$0.48
Exports:			
Quantity	20,295	32,754	4,525
Value	4,686	10,376	1,994
Unit value	$0.23	$0.32	$0.44
Total shipments:			
Quantity	2,484,673	2,581,224	2,603,736
Value	1,140,796	1,256,378	1,246,665
Unit value	$0.46	$0.49	$0.48
End-of-period inventories *(quantity)*	204,913	243,197	226,142
Inventories to total shipments *(percent)*	8.2	9.4	8.7
Average number of PRWs	4,418	4,694	4,516
Hours worked by PRWs *(1,000 hours)*	9,826	9,500	9,142
Wages paid to PRWs *(value)*	114,040	115,423	118,849
Hourly wages paid to PRWs	$11.61	$12.15	$13.00
Productivity *(pounds per hour)*	248.5	275.4	283.2
Unit labor costs *(per pound)*	$0.047	$0.044	$0.046

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

Figure III-4
Dry pasta: U.S. capacity, production, and capacity utilization, 1993-95



	1993	1994	1995
Production	2,441,469	2,616,714	2,589,015
Capacity	3,492,033	3,703,316	3,668,937
Capacity utilization	69.9%	70.7%	70.6%

Source: Data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. PRODUCERS' SHIPMENTS

U.S. producers' shipment data are presented in table III-3.[16] Commercial shipments increased 6.8 percent during the period 1993-95.[17] Intracompany transfers increased 0.2 percent during the same period.[18] Export shipments dropped significantly during the period while accounting for only a small fraction of overall shipments. Data on U.S. producers' shipments by products are presented in appendix G.[19]

Internal Transfers (Captive Use) of Dry Pasta

A number of the domestic producers of dry pasta use some or all of their dry pasta internally for the production of downstream products.[20] In response to the question "Does your firm internally transfer any portion of its production of dry pasta for use in the production of a downstream product?", 11 U.S. producers answered "Yes" and 10 answered "No." The 11 producers answering "Yes" produced approximately 1.9 billion pounds of dry pasta in 1995, of which approximately 395 million pounds (or about 21 percent) were internally transferred. Four firms (***), accounting for approximately *** percent of reported total internal transfers of dry pasta, consumed 100 percent of their dry pasta as internal transfers for the production of downstream products; other firms internally transferred from less than one percent (***) to *** percent (***). The producer that reported the largest amount of internal transfers was ***, which accounted for *** percent of total reported internal transfers in 1995. Of the 11 producers that reported internal transfers of dry pasta, 8 (including ***) mentioned macaroni and cheese as well as (for some firms) other products as the downstream products in which the dry pasta was used. Other prepared foods listed were spaghetti dinners; egg noodle dinners; pasta salads; various boxed dinners with flavoring packets; canned soup and frozen soup; canned pasta in sauce; dry soups, rice and vermicelli side dishes; noodles/pasta and sauce side dishes; and various canned pastas in sauce, e.g., child-oriented pasta shapes in sauce with and without meatballs.

When asked whether the downstream product(s) for which firms internally transferred or captively consumed dry pasta compete for sales in the merchant market with dry pasta, 10 of the 11 firms answered "No;" reasons given for the "No" answers were generally that the downstream products include additional ingredients; are used differently by consumers than dry pasta; are value-added, already prepared products; are side dishes, not complete meals; are convenience meals that require minimal preparation compared with dry pasta; or are used for different meal occasions than dry pasta.[21]

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[16] App. G presents shipment data by product types.

[17] Commercial shipments of dry pasta were 1.97 billion pounds in 1993, 2.04 billion pounds in 1994, and 2.11 billion pounds in 1995.

[18] Intracompany transfers of dry pasta were 485 million pounds in 1993, 498 million pounds in 1994, and 486 million pounds in 1995.

[19] Dry non-egg pasta accounted for 89 percent of U.S. producers' shipments during the period 1993-95, compared with 97 percent of U.S. imports from Italy and 99 percent of U.S. imports from Turkey.

[20] None of the 64 reporting importers of dry pasta indicated any internal use of imported dry pasta for the production of downstream products.

[21] One firm, ***, answered "Yes," stating "It's a value-added dry pasta product - competes with dry pasta

(continued...)

When firms were subsequently asked whether they would characterize dry pasta as the "predominant" or "primary" input in their downstream product, in comparison with the other inputs, ***[22] ***. When asked what percentage of their raw material costs of producing the downstream product(s) is accounted for by dry pasta, the answers ranged from 4 percent (***) to 88 percent (*** for a specific product), with four of the five largest internal users responding ***.[23] When asked what percentage (based on volume (weight)) of the downstream products they produce is comprised of pasta, ***.[24] When firms that both internally consume dry pasta and sell it to unrelated customers were asked if the dry pasta that they internally consume differs from the dry pasta they sold to unrelated customers, 4 firms (representing *** percent of intracompany transfers of dry pasta in 1995) answered "No" and 3 (representing *** percent of intracompany transfers of dry pasta in 1995) answered "Yes."[25] [26]

When asked whether dry pasta from other suppliers can be used or substituted in the firms' captive consumption operations, 8 firms (representing 73 percent of intracompany transfers of dry pasta in 1995) answered "Yes" and 3 answered "No." (Some of the firms (***) that answered "Yes" indicated that in practice they wouldn't or generally don't do so.) When asked whether dry pasta from other suppliers has been used or qualified for use in their downstream product operations, 6 firms answered "No" and 5 answered "Yes." When asked "Is any portion of your merchant market sales of dry pasta used by your customers to produce the same downstream product(s) that your firm produced from captively-produced dry pasta?", 8 firms answered "No," 2 answered "Not applicable," and 1 (***) answered "Yes." When firms that both internally consume dry pasta and sell it to unrelated customers were asked whether the pasta sold to unrelated customers has the same use as dry pasta consumed internally, ***.[27] ***.[28] [29]

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[21] (...continued)
without cheese sauce mix - people could choose to make sauce from scratch."

[22] Telephone conversation with ***, June 18, 1996. In the preliminary investigations, *** had indicated that dry non-egg pasta was the predominant material input in the downstream product(s) for which it is captively consumed.

[23] *** did not respond to the question.

[24] When asked what the approximate sale value was of firms' downstream products containing internally transferred or captively-consumed dry pasta in 1995, answers ranged from ***.

[25] Of the 3 firms that answered "Yes," *** stated that the pasta it internally transfers is unique to the downstream product and is not sold to any unrelated customer (***); *** stated: "The dry pasta we sell to unrelated customers covers a wide variety of products (long goods, short goods, specialties, noodles) while the pasta we transfer is ***; and *** stated "Most of the pasta shapes made for inclusion in our downstream products are not sold alone as retail pasta."

[26] Three of the five largest internal consumers of dry pasta (***) couldn't answer the question because they use 100 percent of the dry pasta they produce internally for the production of downstream products and do not sell dry pasta in the merchant market.

[27] In a June 25, 1996, telephone conversation, ***.

[28] *** indicated that the question did not apply to them.

[29] *** producer of dry unenriched pasta, ***.

Shipments To Other U.S. Producers

U.S. producers reported shipping dry pasta to other producers throughout the period 1993-95. Table III-4 presents U.S. producers' purchases from other U.S. producers during 1993-95. Shipments to other producers accounted for 2.6 percent of U.S. shipments in 1993, 2.8 percent in 1994, and 3.0 percent in 1995. According to questionnaire responses, 13 companies purchased dry pasta from other U.S. producers during this period. The reasons cited by these companies for such purchases were capacity limitations, lack of internal production capabilities, production shortfalls, low-volume specialty items, lack of production expertise, and increased flexibility.

Table III-4
Dry pasta: U.S. producers' purchases, other than direct imports, by companies, 1993-95[1]

* * * * * * *

U.S. PRODUCERS' INVENTORIES

U.S. producers' inventory data on dry pasta are presented in table III-3.[30] End-of-period inventories increased 10.4 percent during the period 1993-95. Inventories represented 8.3 percent of total shipments in 1993, 9.5 percent in 1994, and 8.7 percent in 1995.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

U.S. producers' employment data on dry pasta are presented in table III-3.[31] The average number of production and related workers (PRWs) increased 2.2 percent during the period 1993-95. The number of hours worked decreased 7.0 percent during the same period, productivity (pounds per hour) increased 14.0 percent, and wages paid increased 4.3 percent. The average hourly wage for PRWs was $11.61 in 1993, $12.15 in 1994, and $13.00 in 1995. Unit labor costs in the industry accounted for 10 percent or less of shipment unit values.

[30] App. C presents inventory data by product types.

[31] App. C presents employment data by product types.

PART IV ~ U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission sent questionnaires to over 100 U.S. importers of dry pasta.[1] [2] Eighty-five firms responded to the Commission's request for information, accounting for approximately two-thirds of U.S. imports from Italy in 1995 and virtually all imports from Turkey.[3] One U.S. producer, Borden, imported non-subject pasta from Italy during the period 1993-95,[4] and one U.S. producer, ***, imported subject pasta from Turkey during the same period.[5]

Fifty importers provided the Commission with import and shipment data for the period 1993-95. Forty-five companies imported dry pasta from Italy and five imported dry pasta from Turkey.[6] No importer imported from both Italy and Turkey.

Table IV-1 lists U.S. importers of certain pasta from Italy, the major brands imported by each firm, and the quantity of U.S. imports, by company, in 1993-95.[7] Table IV-2 lists the same information for imports from Turkey. Most importers carry product produced by only one or two foreign producers and carry only a very limited number of brands.

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[1] The U.S. importer list was compiled from information provided by the U.S. Customs Service, the National Pasta Association membership list, and responses to questionnaires in the preliminary investigations. The names of additional companies were added as provided to the Commission by counsel for respondents.

[2] Twenty-three firms responded that they did not import any pasta during the period 1993-95. Approximately 12 firms did not respond to the Commission's request for information.

[3] Responding U.S. importers' imports of all dry pasta from Italy are approximately one-third lower than official statistics. Responding U.S. importers' imports of all dry pasta from Turkey approximate the quantities in official statistics.

[4] Beginning in 1994, Borden began importing dry non-egg pasta in bulk (***) from its Italian subsidiary *** for its Classico brand. Borden imported *** pounds in 1994 (representing *** percent of U.S. imports from Italy) and *** pounds in 1995 (representing *** percent of U.S. imports from Italy). These imports are not subject because they are imported in packages greater than 5 pounds. ***.

[5] *** imported *** pounds of dry non-egg pasta in packages of 5 pounds or less from Turkey in 1993 (representing *** percent of U.S. imports from Turkey) and *** pounds in 1994 (representing *** percent of U.S. imports from Turkey). ***. These imports were sold under the *** brand name.

[6] Twenty-one additional firms indicated that they imported dry pasta from Italy during this period but provided the Commission with no usable import data.

[7] App. H presents quantity, value, and unit value data on U.S. importers' imports of subject pasta from Italy for the period 1993-95.

Table IV-1
Subject pasta: U.S. importers, major brands imported, and quantity of imports from Italy, 1993-95

* * * * * * *

Table IV-2
Subject pasta: U.S. importers, major brands imported, and quantity of imports from Turkey, 1993-95

* * * * * * *

Unlike importers of Italian pasta, the major importers of Turkish pasta own the brand name under which they sell their product. Italian importers do not own the brand name but rather sell brand name products owned by their manufacturers. For example, the Luigi Vitelli brand name is owned by the importer, Vitelli-Elvea; the Portella brand name is owned by Fentex; and the Venecia brand name is owned by Gourmet Awards Food. This gives such importers the flexibility to adjust the sourcing of their product without having to disrupt their sales under an established brand name.[8]

On Feb. 15, 1995, Hershey filed a complaint in United States District Court against Vitelli-Elvea and Fentex, two importers of pasta from Turkey, alleging that the packages of Luigi Vitelli and Portella brand pastas were falesly labeled as "made with 100% durum semolina." Hershey claimed that such imports were not, in fact, 100 percent durum semolina. On Dec. 12, 1995, both Vitelli-Elvea and Fentex entered into a mutual release and settlement agreement with Hershey, whereby the two importers agreed ***.[9]

[8] ***.

[9] Prehearing brief of Rogers & Wells and O'Melveny & Myers, exhibit C-9.

Table IV-3 shows U.S. importers' U.S. shipments and export shipments[10] of imports from Italy for the period 1993-95. Table IV-4 shows U.S. importers' U.S. shipments and export shipments[11] of imports from Turkey for this same period.

Dry Organic Pasta

Five importers, ***, imported dry organic pasta from Italy during 1993-95.[12] *** imported dry organic pasta from Turkey during the same period.[13]

Dry Unenriched Pasta

Eight importers, ***, imported dry unenriched pasta from Italy during 1993-95.[14] *** imported dry unenriched pasta from Turkey during this same period.[15]

[10] One U.S. importer, ***.

[11] Two U.S. importers, ***.

[12] ***.

[13] ***.

[14] ***.

[15] ***.

Table IV-3
Subject pasta: U.S. importers' U.S. shipments and export shipments of U.S. imports from **Italy**, 1993-95

(Quantity in 1,000 pounds and value in 1,000 dollars)

Item	1993	1994	1995
	(Quantity)		
U.S. shipments:			
Commercial shipments	153,245	205,490	232,058
Intracompany transfers	57	249	116
Subtotal	153,302	205,739	232,174
Export shipments	90	136	0
	(Value)		
U.S. shipments:			
Commercial shipments	87,063	113,731	138,815
Intracompany transfers	35	124	26
Subtotal	87,098	113,855	138,841
Export shipments	34	54	0
	(Unit value)		
U.S. shipments:			
Commercial shipments	$0.57	$0.55	$0.60
Intracompany transfers	$0.61	$0.50	$0.22
Average	$0.57	$0.55	$0.60
Export shipments	.38	.40	([1])

[1] Not applicable.

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

Table IV-4
Subject pasta: U.S. importers' U.S. shipments and export shipments of U.S. imports from **Turkey**, 1993-95

(Quantity in 1,000 pounds and value in 1,000 dollars)

Item	1993	1994	1995
	(Quantity)		
U.S. shipments:			
Commercial shipments	45,288	62,235	57,986
Intracompany transfers	0	0	0
Subtotal	45,288	62,235	57,986
Export shipments	317	543	216
	(Value)		
U.S. shipments:			
Commercial shipments	12,411	16,854	16,252
Intracompany transfers	0	0	0
Subtotal	12,411	16,854	16,252
Export shipments	96	157	60
	(Unit value)		
U.S. shipments:			
Commercial shipments	$0.27	$0.27	$0.28
Intracompany transfers	([1])	([1])	([1])
Average	$0.27	$0.27	$0.28
Export shipments	$0.30	$0.29	$0.28

[1] Not applicable.

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

U.S. IMPORTS

Table IV-5 and figure IV-1 present U.S. imports, by sources, for the period 1993-95. Based on quantity, subject imports from Italy increased 50.7 percent from 1993 to 1995,[16] [17] subject imports from Turkey increased 16.9 percent, and cumulated subject imports increased 44.4 percent. Non-subject imports increased 25.5 percent during this same period.

Table IV-6 and figure IV-2 present monthly official U.S. import data for the period January 1995-March 1996.[18] Suspension of liquidation and cash deposits or bonds for countervailing and antidumping duties on subject pasta from Italy and Turkey became effective on October 17, 1995 (for countervailing duties) and on January 19, 1996 (for antidumping duties).

APPARENT U.S. CONSUMPTION

Table IV-7 and figure IV-3 present data on U.S. apparent consumption for the period 1993-95. Table IV-8 and figure IV-4 present data on U.S. apparent consumption of the commercial (merchant) market only.

The quantity of U.S. consumption of dry pasta was 3.11 billion pounds in 1995. The market value of apparent consumption for dry pasta was $1.47 billion in 1995. The quantity of U.S. apparent consumption increased 9.8 percent from 1993 to 1995, while the value of U.S. apparent consumption increased 14.0 percent during the same period. For the commercial market only, U.S. apparent consumption increased 11.8 percent from 1993 to 1995, while the value of U.S. apparent consumption increased 14.8 percent during the same period. Based on quantity, the commercial market accounted for 82.9 percent of apparent U.S. consumption in 1993, 83.5 percent in 1994, and 84.4 percent in 1995.

[16] The data on subject imports from Italy include data on firms that had zero or de minimis final countervailing duty rates or final margins of sales at LTFV. However, U.S. imports from such firms were *** during 1993-95.

[17] Imports from Italy of importers with lower-than-average unit values and imports of importers with higher-than-average unit values both showed large increases between 1993 and 1995. *See* app. H.

[18] The official monthly data presented for Italy and Turkey are unadjusted data that may include small amounts of non-subject imports that are imported in packages greater than 5 pounds.

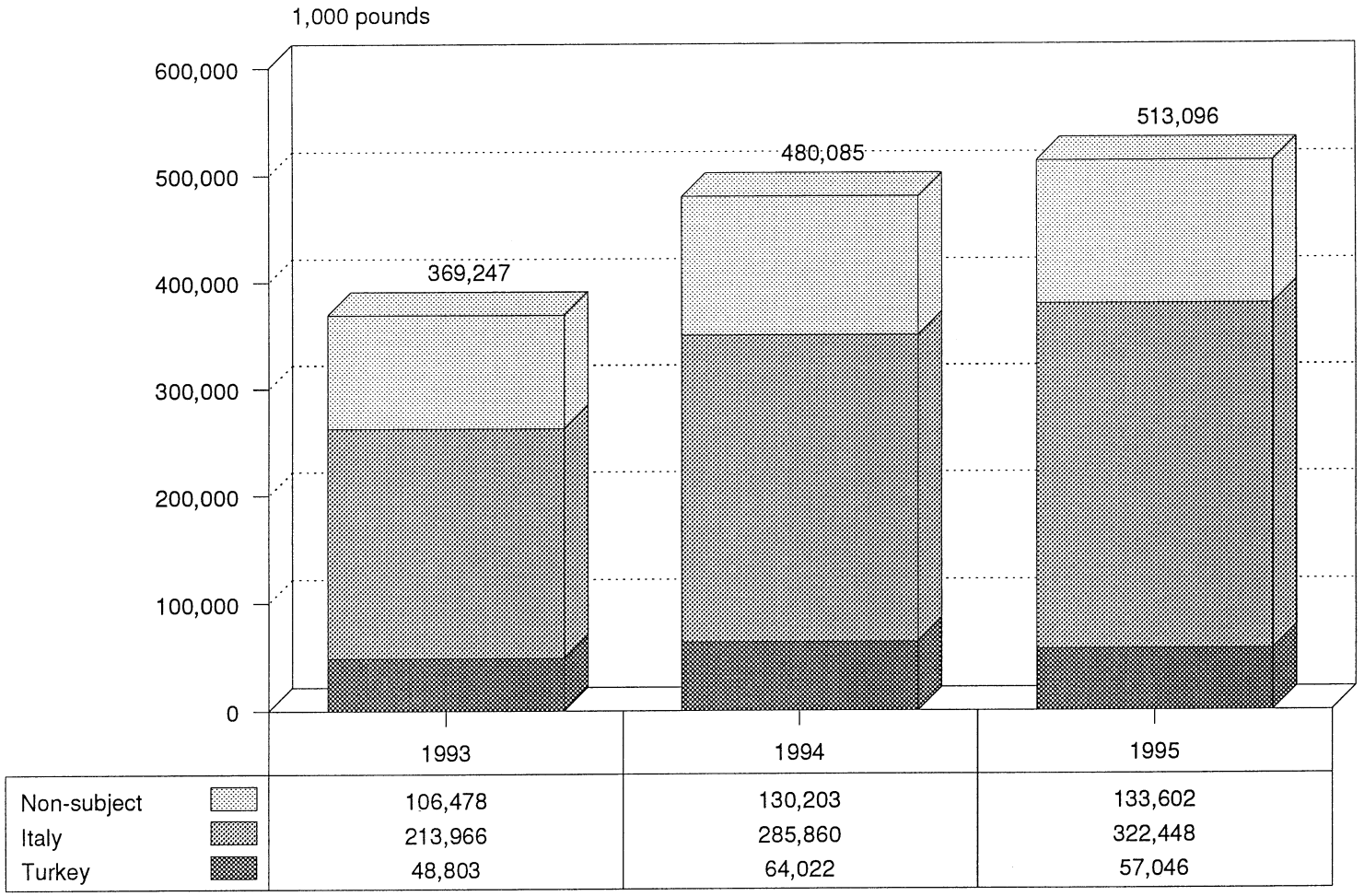
Table IV-5
Dry non-egg pasta: U.S. imports, by sources, 1993-95

Item	1993	1994	1995
	Quantity (1,000 pounds)		
Subject imports--			
Italy[1]	213,966	285,860	322,448
Turkey[2]	48,803	64,022	57,046
Subtotal	262,769	349,882	379,494
Non-subject imports--			
Italy[3]	1,500	7,832	4,983
Turkey[3]	1,369	5,812	7,529
Other sources[4]	103,609	116,559	121,090
Subtotal	106,478	130,203	133,602
Total imports	369,247	480,085	513,096
	Value (1,000 dollars)		
Subject imports--			
Italy[1]	88,237	125,502	147,580
Turkey[2]	11,490	15,541	13,935
Subtotal	99,727	141,043	161,515
Non-subject imports--			
Italy[3]	1,412	4,407	3,119
Turkey[3]	314	1,347	1,754
Other sources[4]	56,476	60,437	63,835
Subtotal	58,202	66,191	68,708
Total imports	157,929	207,234	230,223
	Unit value (per pound)		
Subject imports--			
Italy[1]	$0.41	$0.44	$0.46
Turkey[2]	$0.24	$0.25	$0.25
Subtotal average	$0.38	$0.40	$0.43
Non-subject imports--			
Italy[3]	$0.94	$0.56	$0.63
Turkey[3]	$0.23	$0.23	$0.23
Other sources[4]	$0.55	$0.52	$0.53
Subtotal average	$0.55	$0.51	$0.51
Total imports' average	$0.43	$0.43	$0.45

[1] Imports from Italy are derived from official U.S. import statistics and adjusted to remove imports in packages greater than 5 pounds. Imports in packages greater than 5 pounds were derived from responses to questionnaires of the Commission.
[2] Subject imports from Turkey are derived from questionnaires of the U.S. International Trade Commission.
[3] Includes imports of dry egg pasta and all dry pasta in packages greater than 5 pounds as derived from responses to questionnaires of the Commission.
[4] "Other sources" data contain imports of dry non-egg pasta in packages greater than 5 pounds and "oriental-style" noodles in addition to "certain pasta." Official statistics do not differentiate between different styles of pasta or package sizes.

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

Figure IV-1
Dry non-egg pasta: U.S. imports, by sources, 1993-95



Source: Table IV-5.

Table IV-6
Dry non-egg pasta: U.S. imports under HTS 1902.19.20, by months, Jan. 1995-Mar. 1996

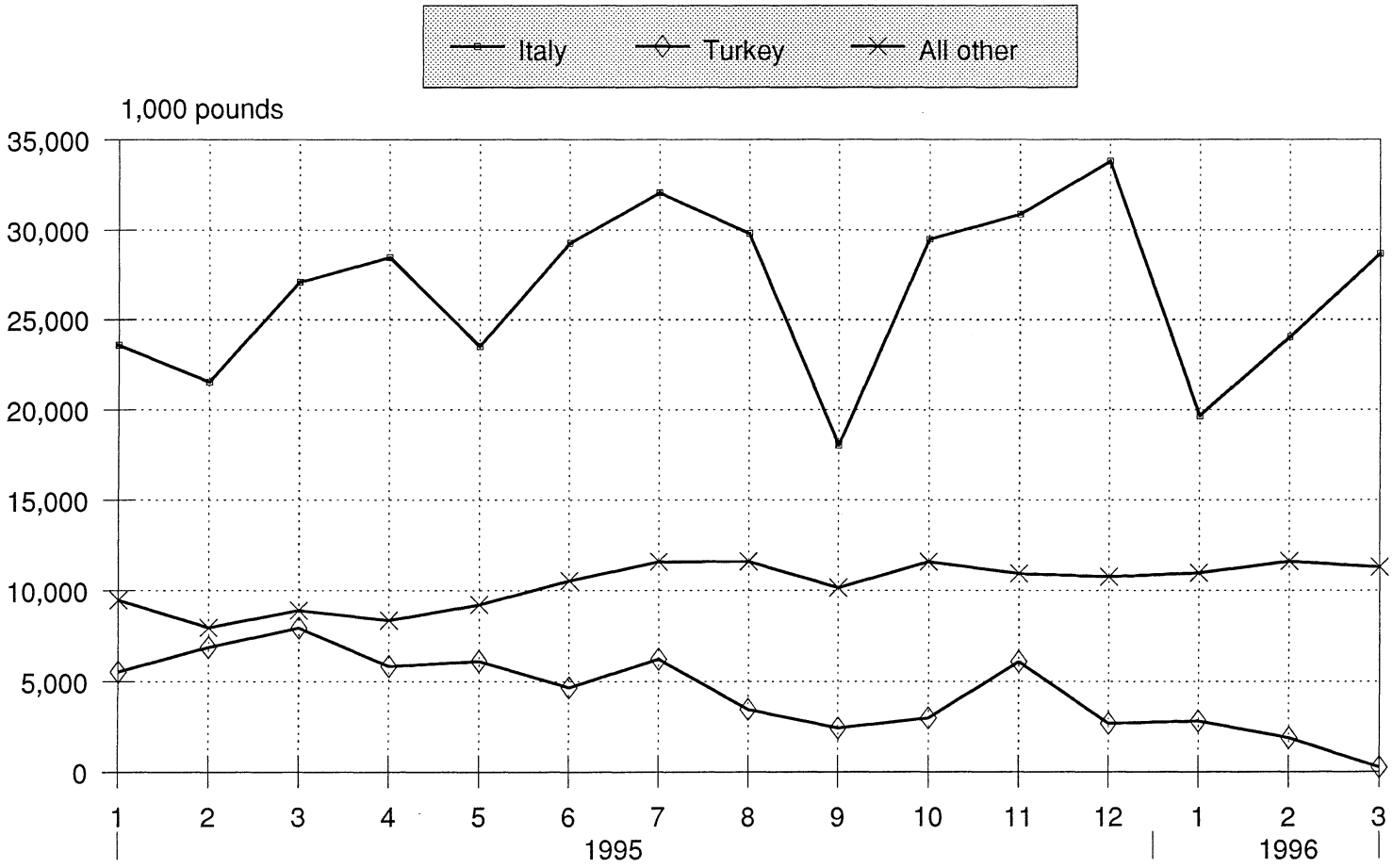
Quantity (1,000 pounds)

Time period	Italy[1]	Turkey[1]	All other sources[2]	Total
1995:				
January	23,572	5,528	9,475	38,575
February	21,536	6,876	7,964	36,376
March	27,085	7,942	8,907	43,935
April	28,470	5,833	8,357	42,660
May[3]	23,503	6,113	9,215	38,831
June	29,255	4,658	10,538	44,452
July	32,050	6,230	11,585	49,865
August	29,791	3,451	11,602	44,844
September	18,031	2,428	10,156	30,615
October[4]	29,475	2,981	11,585	44,041
November	30,861	6,092	10,937	47,891
December	33,802	2,684	10,768	47,255
Subtotal	327,431	60,819	121,090	509,340
1996:				
January[5]	19,671	2,817	10,976	33,464
February	24,033	1,888	11,607	37,529
March	28,669	256	11,289	40,214
Subtotal	72,373	4,961	33,872	111,206

[1] Official monthly data presented for Italy and Turkey are unadjusted data that may include small amounts of non-subject imports that are imported in packages greater than 5 pounds.
[2] "All other sources" data includes some imports of "oriental style" noodles.
[3] Petition filed on May 31, 1995.
[4] Commerce announced its preliminary CVD margins for Italy and Turkey on Oct. 17, 1995.
[5] Commerce announced it preliminary LTFV margins for Italy and Turkey on Jan. 19, 1996.

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

Figure IV-2
Dry non-egg pasta: U.S. imports under HTS 1902.19.20, by months, Jan. 1995-Mar. 1996



Source: Table IV-6.

Table IV-7
Dry pasta: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1993-95

Item	1993	1994	1995
	Quantity (1,000 pounds)		
Producers' U.S. shipments	2,464,378	2,548,470	2,599,212
Imports:			
Subject imports--			
Italy[1]	213,966	285,860	322,448
Turkey[2]	48,803	64,022	57,046
Subtotal	262,769	349,882	379,494
Non-subject imports--			
Italy[3]	1,500	7,832	4,983
Turkey[3]	1,369	5,812	7,529
Other sources[4]	103,609	116,559	121,090
Subtotal	106,478	130,203	133,602
Total imports	369,247	480,085	513,096
Apparent consumption	2,833,625	3,028,555	3,112,308
	Value (1,000 dollars)		
Producers' U.S. shipments	1,136,110	1,246,002	1,244,671
Imports:			
Subject imports--			
Italy[1]	88,237	125,502	147,580
Turkey[2]	11,490	15,541	13,935
Subtotal	99,727	141,043	161,515
Non-subject imports--			
Italy[3]	1,412	4,407	3,119
Turkey[3]	314	1,347	1,754
Other sources[4]	56,476	60,437	63,835
Subtotal	58,202	66,191	68,708
Total imports	157,929	207,234	230,223
Apparent consumption	1,294,039	1,453,236	1,474,894

[1] Imports from Italy are derived from official U.S. import statistics and adjusted to remove imports in packages greater than 5 pounds. Imports in packages greater than 5 pounds were derived from responses to questionnaires of the Commission.
[2] Subject imports from Turkey are derived from questionnaires of the U.S. International Trade Commission.
[3] Includes imports of dry egg pasta and all dry pasta in packages greater than 5 pounds as derived from responses to questionnaires of the Commission.
[4] "Other sources" data contain imports of dry non-egg pasta in packages greater than 5 pounds and "oriental-style" noodles in addition to "certain pasta." Official statistics do not differentiate between different styles of pasta or package sizes.

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

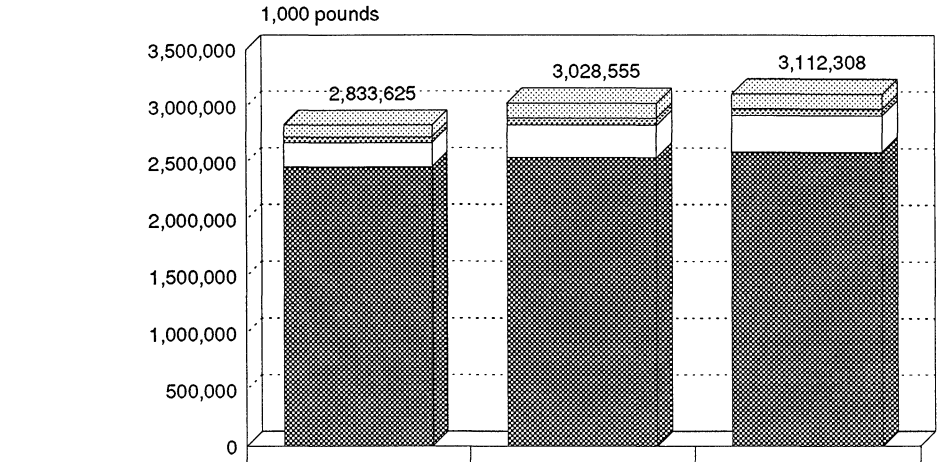
Table IV-8
Dry pasta (commercial shipments): U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1993-95

Item	1993	1994	1995
	Quantity (1,000 pounds)		
Producers' U.S. shipments	1,979,402	2,050,031	2,113,163
Imports:			
Subject imports--			
Italy[1]	213,966	285,860	322,448
Turkey[2]	48,803	64,022	57,046
Subtotal	262,769	349,882	379,494
Non-subject imports--			
Italy[3]	1,500	7,832	4,983
Turkey[3]	1,369	5,812	7,529
Other sources[4]	103,609	116,559	121,090
Subtotal	106,478	130,203	133,602
Total imports	369,247	480,085	513,096
Apparent consumption	2,348,649	2,530,116	2,626,259
	Value (1,000 dollars)		
Producers' U.S. shipments	971,993	1,066,178	1,067,046
Imports:			
Subject imports--			
Italy[1]	88,237	125,502	147,580
Turkey[2]	11,490	15,541	13,935
Subtotal	99,727	141,043	161,515
Non-subject imports--			
Italy[3]	1,412	4,407	3,119
Turkey[3]	314	1,347	1,754
Other sources[4]	56,476	60,437	63,835
Subtotal	58,202	66,191	68,708
Total imports	157,929	207,234	230,223
Apparent consumption	1,129,922	1,273,412	1,297,269

[1] Imports from Italy are derived from official U.S. import statistics and adjusted to remove imports in packages greater than 5 pounds. Imports in packages greater than 5 pounds were derived from responses to questionnaires of the Commission.
[2] Subject imports from Turkey are derived from questionnaires of the U.S. International Trade Commission.
[3] Includes imports of dry egg pasta and all dry pasta in packages greater than 5 pounds as derived from responses to questionnaires of the Commission.
[4] "Other sources" data contain imports of dry non-egg pasta in packages greater than 5 pounds and "oriental-style" noodles in addition to "certain pasta." Official statistics do not differentiate between different styles of pasta or package sizes.

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

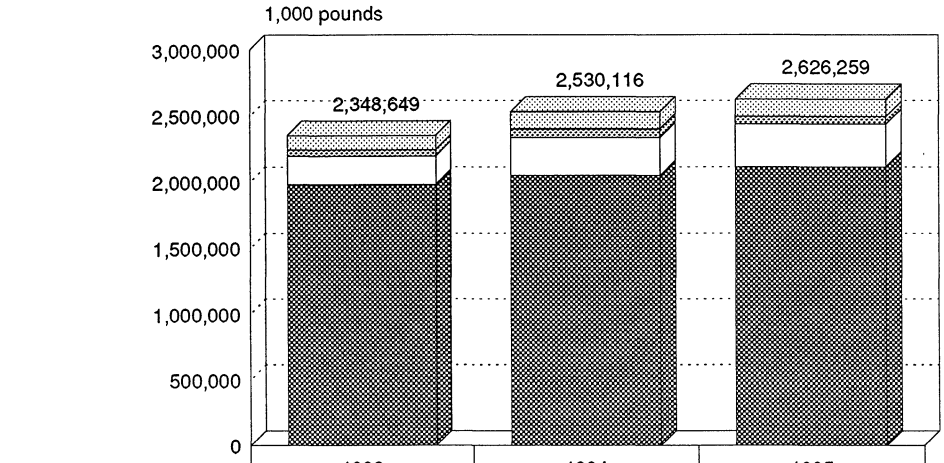
Figure IV-3
Dry pasta: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1993-95



	1993	1994	1995
Non-subject	106,478	130,203	133,602
Subject Turkey	48,803	64,022	57,046
Subject Italy	213,966	285,860	322,448
U.S. producers	2,464,378	2,548,470	2,599,212

Source: Table IV-7.

Figure IV-4
Dry pasta (commercial shipments): U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1993-95



	1993	1994	1995
Non-subject	106,478	130,203	133,602
Subject Turkey	48,803	64,022	57,046
Subject Italy	213,966	285,860	322,448
U.S. producers	1,979,402	2,050,031	2,113,163

Source: Table IV-8.

U.S. MARKET SHARES

Data on market shares are presented in table IV-9 and figure IV-5.[19] Data on market shares for the merchant (commercial) market only are presented in table IV-10 and figure IV-6.

From 1993 to 1995, U.S. producers' market share, based on quantity, decreased 3.5 percentage points, from 87.0 percent to 83.5 percent. The market share of subject imports from Italy increased 2.8 percentage points during this same period, from 7.6 to 10.4 percent. The market share of subject imports from Turkey increased 0.1 percentage points during this period from 1.7 to 1.8 percent. The market share of non-subject imports increased 0.5 percentage points, from 3.8 percent to 4.3 percent during the same period.

For the commercial market only, U.S. producers' market share, based on quantity, decreased 3.8 percentage points, from 84.3 percent to 80.5 percent. The market share of subject imports from Italy increased 3.2 percentage points during this same period, from 9.1 to 12.3 percent. The market share of subject imports from Turkey increased 0.1 percentage points during this period from 2.1 to 2.2 percent. The market share of non-subject imports increased 0.6 percentage points, from 4.5 percent to 5.1 percent during the same period.

[19] Data on market shares for dry non-egg pasta are presented in app. C.

Table IV-9
Dry pasta: Apparent U.S. consumption and market shares, 1993-95

Item	1993	1994	1995
	Quantity (1,000 pounds)		
Apparent consumption	2,833,625	3,028,555	3,112,308
	Value (1,000 dollars)		
Apparent consumption	1,294,039	1,453,236	1,474,894
	Share of the quantity of U.S. consumption (percent)		
Producers' U.S. shipments	87.0	84.1	83.5
Imports:			
Subject--			
Italy[1]	7.6	9.4	10.4
Turkey[2]	1.7	2.1	1.8
Subtotal	9.3	11.6	12.2
Non-subject--			
Italy[3]	0.1	0.3	0.2
Turkey[3]	0.0	0.2	0.2
Other sources[4]	3.7	3.8	3.9
Subtotal	3.8	4.3	4.3
Total imports	13.1	15.9	16.5
	Share of the value of U.S. consumption (percent)		
Producers' U.S. shipments	87.8	85.7	84.4
Imports:			
Subject--			
Italy[1]	6.8	8.6	10.0
Turkey[2]	0.9	1.1	0.9
Subtotal	7.7	9.7	11.0
Non-subject--			
Italy[3]	0.1	0.3	0.2
Turkey[3]	0.0	0.1	0.1
Other sources[4]	4.4	4.2	4.3
Subtotal	4.5	4.6	4.7
Total imports	12.2	14.3	15.7

[1] Imports from Italy are derived from official U.S. import statistics and adjusted to remove imports in packages greater than 5 pounds. Imports in packages greater than 5 pounds were derived from responses to questionnaires of the Commission.

[2] Subject imports from Turkey are derived from questionnaires of the U.S. International Trade Commission.

[3] Includes imports of dry egg pasta and all dry pasta in packages greater than 5 pounds as derived from responses to questionnaires of the Commission.

[4] "Other sources" data contain imports of dry non-egg pasta in packages greater than 5 pounds and "oriental-style" noodles in addition to "certain pasta." Official statistics do not differentiate between different styles of pasta or package sizes.

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

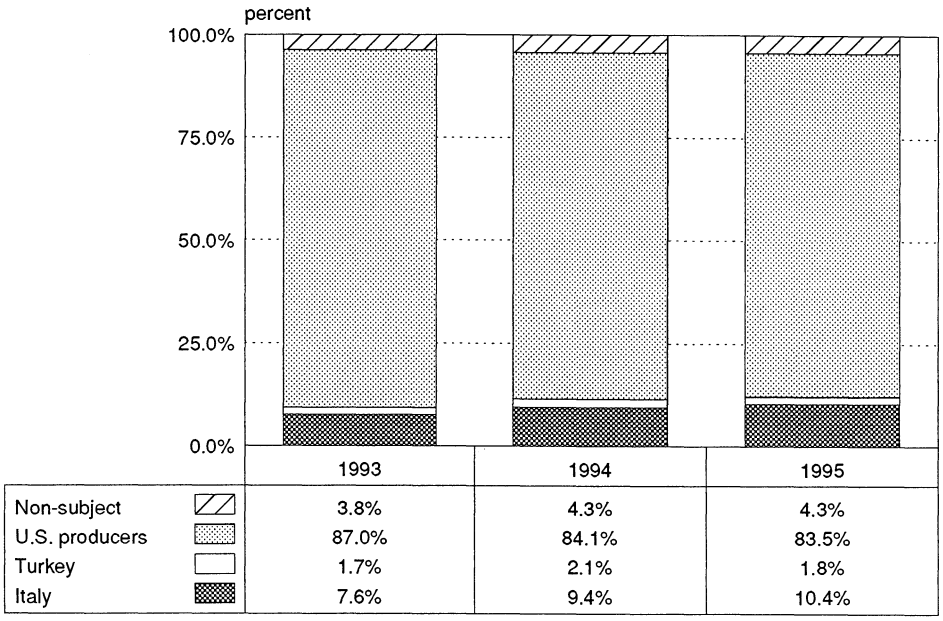
Table IV-10
Dry pasta (commercial shipments): Apparent U.S. consumption and market shares, 1993-95

Item	1993	1994	1995
	Quantity (1,000 pounds)		
Apparent consumption	2,348,649	2,530,116	2,626,259
	Value (1,000 dollars)		
Apparent consumption	1,129,922	1,273,412	1,297,269
	Share of the quantity of U.S. consumption (percent)		
Producers' U.S. shipments	84.3	81.0	80.5
Imports:			
Subject--			
Italy[1]	9.1	11.3	12.3
Turkey	2.1	2.5	2.2
Subtotal	11.2	13.8	14.4
Non-subject--			
Italy[2]	0.1	0.3	0.2
Turkey[2]	0.1	0.2	0.3
Other sources[3]	4.4	4.6	4.6
Subtotal	4.5	5.1	5.1
Total imports	15.7	18.9	19.5
	Share of the value of U.S. consumption (percent)		
Producers' U.S. shipments	86.0	83.7	82.3
Imports:			
Subject--			
Italy[1]	7.8	9.9	11.4
Turkey	1.0	1.2	1.1
Subtotal	8.8	11.1	12.5
Non-subject--			
Italy[2]	0.1	0.3	0.2
Turkey[2]	0.0	0.1	0.1
Other sources[3]	5.0	4.7	4.9
Subtotal	5.2	5.2	5.3
Total imports	14.0	16.3	17.8

[1] Imports from Italy are derived from official U.S. import statistics and adjusted to remove imports in packages greater than 5 pounds. Imports in packages greater than 5 pounds were derived from responses to questionnaires of the Commission.
[2] Subject imports from Turkey are derived from questionnaires of the U.S. International Trade Commission.
[3] Includes imports of dry egg pasta and all dry pasta in packages greater than 5 pounds as derived from responses to questionnaires of the Commission.
[4] "Other sources" data contain imports of dry non-egg pasta in packages greater than 5 pounds and "oriental-style" noodles in addition to "certain pasta." Official statistics do not differentiate between different styles of pasta or package sizes.

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

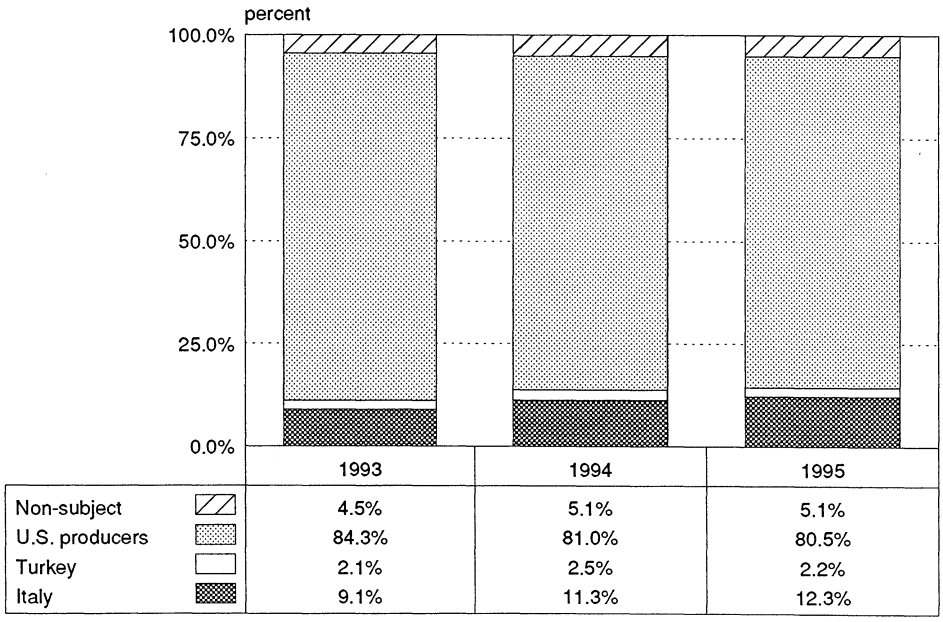
Figure IV-5
Dry pasta: U.S. market shares, 1993-95



	1993	1994	1995
Non-subject	3.8%	4.3%	4.3%
U.S. producers	87.0%	84.1%	83.5%
Turkey	1.7%	2.1%	1.8%
Italy	7.6%	9.4%	10.4%

Source: Table IV-9.

Figure IV-6
Dry pasta (commercial shipments): U.S. market shares, 1993-95



	1993	1994	1995
Non-subject	4.5%	5.1%	5.1%
U.S. producers	84.3%	81.0%	80.5%
Turkey	2.1%	2.5%	2.2%
Italy	9.1%	11.3%	12.3%

Source: Table IV-10.

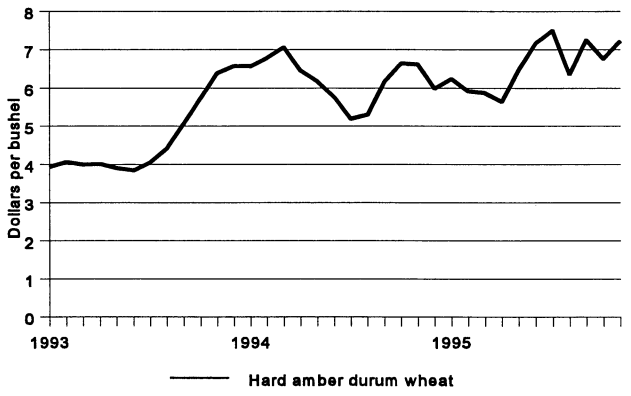
PART V ~ PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

The main raw material used in the production of dry pasta is durum wheat semolina. U.S. producers were asked to discuss any changes that occurred in the prices they paid for major raw materials used in the production of dry pasta. All of the 13 producers that responded to the question reported that the costs of the primary raw material (i.e., durum wheat) increased significantly during the period for which the Commission collected data. Producers estimated that durum wheat prices increased from between 18 to 50 percent since 1993. Most of the responding producers reported that these increases in the price of durum wheat have caused them to increase the price of dry pasta.[1] However, many of these firms reported that the price increases in pasta did not cover the cost increases in durum wheat. Available data on prices of durum wheat indicate that prices did increase significantly during the period January 1993-December 1995. As figure V-1 shows, prices of Minneapolis, No. 1 hard amber durum wheat increased 80.9 percent during the period examined.

Figure V-1
Prices for Minneapolis hard amber durum wheat, by months, Jan.1993-Dec. 1995



Source: *Wheat Yearbook*, U.S. Dept. of Agriculture, Economic Research Service, Feb. 1996, p. 59.

[1] ***.

Transportation Costs to the U.S. Market

Transportation costs for dry non-egg pasta from Italy and Turkey to the United States (excluding U.S. inland costs) are estimated to be 13.8 and 12.6 percent, respectively. This estimate is derived from official U.S. import data (under HTS number 1902.19.20) and represents the transportation and other charges on imports valued on a c.i.f. basis, as compared with the customs value.

U.S. Inland Transportation Costs

Transportation costs of dry pasta (for delivery within the United States) vary from firm to firm but in general are estimated to account for a moderate percentage of the total cost of the dry pasta. Producers, importers, and purchasers were asked to estimate the percentage of the total delivered cost of the dry pasta that is accounted for by U.S. inland transportation costs. U.S. producers reported that these costs accounted for between 3 and 20 percent, with the average around 10 percent. Importers of the Italian product reported that transportation costs accounted for between 1 and 20 percent, with the average around 9 percent. Similarly, importers of the Turkish product reported a range of 4.5 to 10 percent. Most of the responding firms reported that the supplier arranges for the transportation of the dry pasta.

Regional Factors

Demand for dry pasta can vary by geographical location, with a large portion of consumption occurring in the Northeast, particularly in the New York metropolitan area.[2] [3] Just as demand for pasta varies by geographical location, so do brand names and sometimes prices of dry pasta. While many suppliers sell dry pasta throughout the United States, brand names of pasta tend to be regional in nature. In some cases, the same pasta produced by a given firm can be marketed under several different brand names. For example, *** manufactures ***. Two of these brands, ***.[4]

[2] One study reported that "there are very distinct regional preferences for pasta" ("The U.S. Pasta Market," *Pasta Journal*, Sept.-Oct. 1994, p. 16).

[3] Petitioners reported that the majority of pasta that is imported from Italy and Turkey enters the United States via New York. While much of it is consumed in that area, much is also shipped to other parts of the United States (conference transcript, p. 29).

[4] ***.

U.S. producers and importers were requested to estimate the average per-pound price (net after all discounts) that they charged for sales of spaghetti in 1-pound packages in six specified U.S. cities in 1995. Table V-1 presents the range and the median price as reported by producers and importers.[5] As the table shows, the medians and the ranges of these average prices reported by U.S. producers indicate some price variations among the specified cities. Data reported by importers of Italian dry pasta indicate somewhat less variability in that the median average price is the same for four of the six specified cities. In the case of average prices for Turkish pasta, reported data indicate variations in both the ranges and the median values. Furthermore, of those firms reporting average prices for more than one city, the vast majority reported different prices for different cities.[6]

Table V-1
Dry non-egg pasta: Average price per pound for sales of domestic and imported spaghetti in one-pound packages, by selected cities, 1995

(Cents per pound)

City	United States		Italy		Turkey	
	Range	Median	Range	Median	Range	Median
Boston	36.6-49.0	39.3	37.5-127.0	67.0	29.0-67.0	33.0
Chicago	38.9-49.0	42.5	37.5-125.0	67.0	***	***
Memphis	46.0-50.3	49.0	37.5-84.0	67.0	(1)	(1)
New York	39.0-51.0	42.0	37.5-120.0	67.0	28.0-67.0	31.0
Salt Lake City	46.0-84.0	67.6	37.5-95.0	70.0	(1)	(1)
San Francisco	41.0-77.0	46.7	37.0-119.0	73.0	30.0-80.0	37.0

[1] No data reported.

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

[5] These price ranges are presented to display similarities and/or differences between prices for dry pasta in different cities; they are not intended to be used for making comparisons between domestic and imported prices for dry pasta.

[6] Four of the five U.S. producers that reported prices for more than one city reported different prices for different cities. Similarly, 13 of 18 importers of Italian product and 3 of 4 importers of Turkish product reported different prices for different cities.

Brand Classifications

As stated earlier in the section on purchase factors, brand names play an important role in the sales of dry pasta, particularly in the retail market. Brand names can convey a certain degree of quality and/or prestige, with the selling price often playing a role in the image of a particular brand. During the preliminary investigations, arguments were made by the respondents that the retail market for pasta is comprised of different segments based on the perceived quality of certain brands. It was argued that there are some brands of dry pasta that are considered to be "premium" brands that are a higher quality product which command a higher price. Producers, importers, and purchasers were asked whether or not there were brands of dry pasta that they considered to be premium brands. While responses from producers were divided on the question of the existence of premium brands, the vast majority of responding importers and purchasers reported that premium brands do exist.[7]

While a large number of brand names were listed as being considered premium brands, De Cecco was, by far, the most frequently mentioned name. Other brands listed frequently as premium brands include the Italian brands DelVerde, Barilla, and La Molisana, and the domestic brands Pasta La Bella, Gaston Dupree, Ronzoni, and Antoine's.[8] Purchasers also provided information on the criteria they used to determine the classifications of different brands (i.e., premium, standard, and low-end). Factors listed by purchasers include the price of the product, grade of wheat, packaging, production techniques, color, and consumer perceptions. Finally, purchasers were also asked to discuss the extent to which premium brands of subject imports from Italy both created and satisfied the demand in the premium market segment. The data in response to this question were mixed. Fourteen of the responding firms stated that they believe that Italian pasta has, to some degree, created and/or satisfied the demand for premium brands, 7 firms reported that they believe that Italian pasta has not created/satisfied the demand (with 2 of these 7 firms stating that the Italian pasta has taken sales/shelf space from the domestics), 7 provided comments that did not answer the question, and 8 reported that they did not know.

Producers, importers, and purchasers were also asked to discuss the existence of any relationship between the demand for premium dry pasta and the demand for standard and/or low-end pasta. Responses indicate that slightly more than half of the producers believe that the demand for premium pasta is related to the demand for standard or low-end pasta. In general, producers reported that consumers will switch between premium and nonpremium brands, particularly if the premium brands are being promoted at special prices.[9] On the other hand, the majority of importers (i.e., 26 of 35) and purchasers (17 of 28) reported differently, stating that the demand for the two products are unrelated.[10]

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[7] Six of the responding producers reported that there were not any brands of dry pasta that they considered to be "premium" brands, while five reported that there were premium brands. In the case of importers and purchasers, 50 of 52 and 33 of 41 responding importers and purchasers, respectively, stated that premium brands of dry pasta do exist.

[8] Several purchasers and importers also mentioned brands of organic pasta, such as Eddie's or Eden, as premium brands of pasta.

[9] ***.

[10] Firms that provided comments but did not answer the specific question are not included in the total number of responding firms.

Several purchasers and importers reported that consumers of premium pasta tend to be more educated about pasta and are more interested in the quality (i.e., taste, semolina content, etc.) and are willing to pay a higher price; as such, these consumers are less likely to switch brands because of price. A few importers (9 of 35) and a number of purchasers (11 of 28) reported that the demands for premium and nonpremium brands of pasta are related. Several purchasers reported that increases in sales of the premium brand products take away from sales of nonpremium brands; however, two of these reported that a shift to premium from nonpremium is usually only done when premium products are promoted heavily.

Purchasers were also asked whether or not the frequent use of promotions for dry pasta has caused the distinctions (for purposes of pricing) among premium, standard, and low-end dry pasta to collapse. While 15 of the responding purchasers reported that the distinctions between the brands was maintained despite any use of promotions, 7 firms reported that there was an effect because of the use of frequent promotions. These seven firms reported that the use of frequent promotions results in price points for premium pasta that are similar to those for standard and/or low-end brands.

In addition to the many brand name pastas in the marketplace, pasta suppliers also sell their products as private-label brands. Information obtained from questionnaire responses in the preliminary investigations indicate that sales of private-label brands (by U.S. dry pasta producers and importers) are fewer than those of branded products. Estimated percentages of brand-name sales were 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. Purchasers were asked to discuss changes in the amount of total purchases accounted for by purchases of private-label brands of dry pasta. The majority of responding purchasers reported that the overall percentage of their total purchases accounted for by private label purchases has increased since 1993. Moreover, these firms reported that this percentage increased for private-label brands of dry pasta from the United States and from the two subject countries.[11] Purchasers reported that the increase in purchases of private-label pasta is due to both increases in the demand for dry pasta and a shifting from brand name dry pasta. Some grocery stores, such as Safeway and Stop and Shop, offer two different private label products--one domestic and one imported from Italy. According to ***,[12] ***.

Exchange Rates

Quarterly data reported by the International Monetary Fund (IMF) indicate that the nominal value of the Italian lira depreciated 3.5 percent in relation to the U.S. dollar during the period January-March 1993 to October-December 1995 (figure V-2).[13] Adjusting for changes in the U.S. and Italian producer price indices, the real value of the Italian lira depreciated 2.3 percent during the period January-March 1993 through July-September 1993, the most recent period for which data are available.

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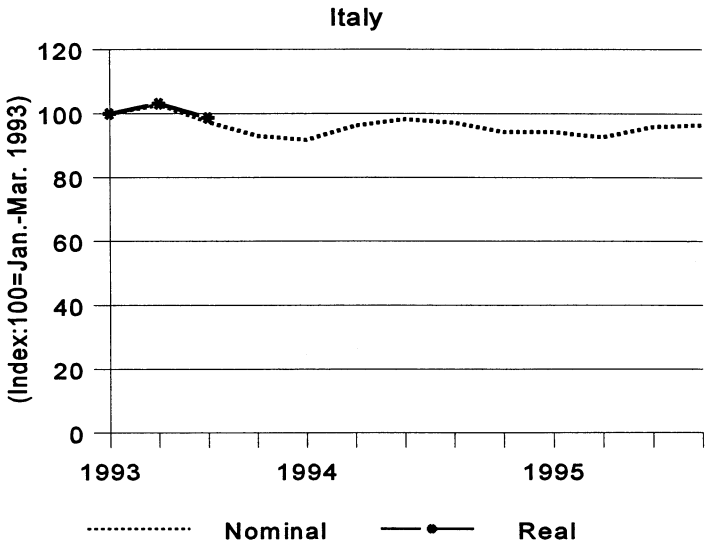
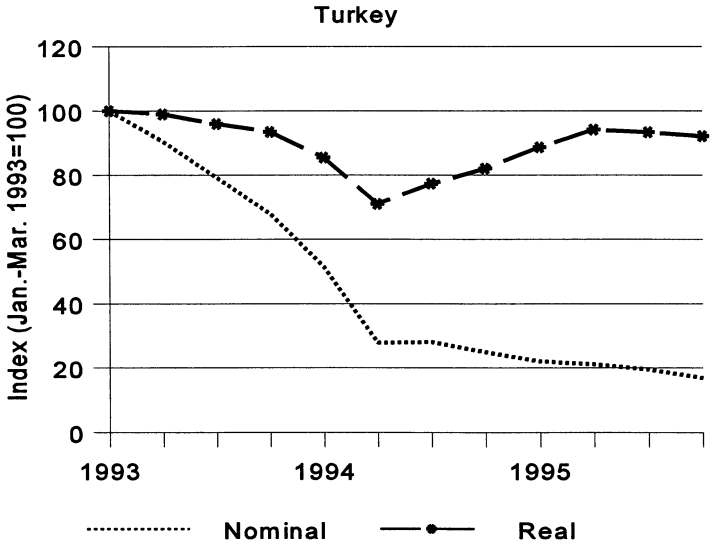
[11] Twelve of 23 responding firms reported that private-label purchases from U.S. producers increased since 1993. For imported private-label pastas, 7 of 8 firms reported increases in purchases of Italian private-label brands and 3 of 5 firms reported increases of Turkish private-label brands.

[12] Staff interview with ***, May 13, 1996.

[13] International Monetary Fund, *International Financial Statistics*, May 1996.

Figure V-2
Exchange rates: Indices of the nominal and real exchange rates between the currencies of Italy and Turkey and the U.S. dollar, by quarters, Jan. 1993-Dec. 1995





Source: International Monetary Fund, *International Financial Statistics*, May 1996.

Available data from the IMF indicate that the nominal value of the Turkish lira depreciated by 83.0 percent in relation to the U.S. dollar from the first quarter of 1993 to the fourth quarter of 1995 (figure V-2). Adjusting for inflation, the real value of the Turkish lira depreciated 7.8 percent during the period examined.

PRICING PRACTICES

Pricing Methods/Strategies

Pricing for dry pasta tends to be done in two manners: tier pricing and line pricing.[14] Petitioners report that domestic dry pasta producers have traditionally maintained three pricing "tiers" in the various product forms.[15] The first tier includes the most popular and fast-moving product forms, such as spaghetti. Products in this tier are the most popular pasta items in the United States, and because of that, are normally produced in long production runs by domestic producers, which results in lower per-unit costs. Products in tier one have traditionally been the ones on which retailers have preferred to have regular pricing specials to the consumer. Second-tier items (e.g., rigatoni) are produced at slower production line speeds and have traditionally been promoted to the consumer less frequently than first-tier items. Packing and packaging costs for tier two products are usually less efficient than those for tier- one products. Third-tier products have been more specialized product forms (e.g., large shells, lasagne, etc.), 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 pasta products. While most of the responding producers and importers reported that the tiers are based on production costs, other factors, such as consumer preferences, competitive conditions, and expected retail price points, were mentioned as factors that determine tiers.[16]

Many importers, on the other hand, reported using line pricing for their sales of dry pasta. Line pricing refers to the practice 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.[17] One importer, Luigi Vitelli, reported at

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[14] Purchasers were asked whether they use tier or line pricing for their sales of dry pasta; responses were mixed with purchasers reporting using both methods. Purchasers were also asked to provide information on the average markup (i.e., percentage difference between purchase price and sales price). Reported data indicate that average markups range from about 6 percent to about 50 percent, with no significant differences between average markups for domestic and for imported pasta.

[15] Ten of the 12 U.S. producers that provided responses to pricing questions in the Commission's questionnaires reported that they use tier pricing for their sales of dry pasta. In addition, 17 of 37 responding importers reported using some form of tier pricing. Many of these importers reported that they generally had two tiers: one for regular cuts (e.g., spaghetti, elbows, etc.) and another for specialty cuts (e.g., lasagne).

[16] In response to questions at the hearing, petitioners reported that ***, average production costs for items in the three pricing tiers are as follows: *** (Petitioners, posthearing brief, app. 3, p. 1).

[17] Questionnaire price data do indicate more instances of underselling for products 2 and 3, which are considered to be tier 2 and 3 products for the U.S. producers.

the conference that tier pricing is not an option for the firm because of the more limited number of shapes of its pasta products. 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.[18] Several other importers reported using line pricing because it makes bookkeeping and invoicing easier.

Discounts and Promotions

Producers and importers have reported that they publish price lists for their sales of dry 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 pasta frequently use a variety of discounts and promotional programs when selling their product, particularly for sales to retail customers, such as grocery stores. Both U.S. producers and importers reported offering discounts based on the dollar value of dry 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 pasta (regardless of the shape) and some even reported that discounts are based on total sales of all products sold by that supplier.

U.S. producers and importers also reported using a variety of promotional tools to sell their pasta in the retail market; these include cooperative advertising allowances, in-store demonstrations, sales guarantees, free goods, rebates, cash/credit terms, free freight, new/remodeled store allowances, retailer coupons, manufacturer coupons, and billback allowances.[19] These promotional activities are coordinated between suppliers and retail accounts and are often determined several months in advance; however, many times the terms are not confirmed or guaranteed in writing. The terms of these agreements often include commitments by retailers to offer reduced prices and run advertisements in return for funds from the supplier (in the form of billback allowances or direct payments).[20] Most suppliers, both of domestic and imported pasta, stated that these promotional programs affect a significant portion of their sales of dry pasta and are generally used for all types of dry pasta.

Promotions and discounts directly affect the price of the dry pasta, as these amounts are often reflected as deductions on the invoice. Producers and importers were asked to estimate the average difference between the initial invoice price and the final net price, after all discounts, rebates, promotions, and allowances. U.S. producers reported that, on average, final prices are between 2 and 50 percent below initial invoice prices for retail sales.[21] Importers of Italian pasta reported that final prices tend to be between 4 and 40 percent lower than initial prices. The range of differentials between initial and final prices reported by Turkish importers was narrower than that reported by U.S. and Italian suppliers; these

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[18] 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 transcript, pp. 244-245).

[19] For brief definitions and estimates of the amount spent on these promotional tools (as reported by U.S. producers and importers) see app. I.

[20] 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).

[21] While discounts off invoice may occur for sales to the food service or industrial market, they tend to be much lower than those that are used in the retail market.

importers reported that final prices were usually between 2 and 15 percent below the initial list prices.

Producers and importers provided information on the types of promotions and discounts that they used for their sales of dry pasta. In general, producers and importers reported using similar types of promotions throughout the period for which data were collected. Purchasers of dry pasta were asked to rate the frequency with which suppliers of dry pasta used promotions. While the majority of purchasers reported that both producers and importers use promotions, the frequency with which promotions were used varied somewhat based on the country of origin of the product. While 88.9 percent of the responding purchasers reported that U.S. producers used discounts, rebates, allowances, and/or promotions always or often, a smaller number (i.e., 64.7 percent) of purchasers reported that Italian importers used these tools as frequently.[22] With regard to Turkish imports, 55.0 percent of purchasers reported that importers used these tools always or often and 27.8 percent reported that these firms never used promotions.

Slotting Fees

Product placement and shelf space are also important factors in the sales of dry pastas.[23] For some products that they carry, grocery stores will charge the manufacturer (or perhaps the distributor) a slotting fee. Historically, slotting fees were used as a means for grocery stores to recover the costs of introducing new products; these costs generally include the cost of clearing shelf space to accommodate the new product, entering the new SKU (stock keeping unit) number onto store records and computer systems, and hanging planagrams.[24] One firm reported that slotting fees became institutionalized as retail chain stores recognized that slotting fees could provide a substantial revenue stream. 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; questionnaire responses from purchasers indicate that the average amount of slotting fees varies significantly, ranging from $750 to $10,000 per SKU.[25] In general, the amount of a slotting fee is determined by a number of factors, including the cost of carrying the product, the potential sales volume, the shelf placement in the store, the number of facings, the brand name of the product, and the number of items deleted to add the new item.

In general, a larger percentage of producers reported having paid slotting fees or allowances. Of the 13 producers responding to the question on slotting fees, 61.5 percent (i.e., 8 firms) reported paying them, while 34.5 percent (i.e., 19 of 56) of importers reported paying slotting fees during the period for which data were reported.[26] Slotting fees can either be paid as a lump sum amount, or as an

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[22] ***.

[23] ***.

[24] Planagrams are the diagrams that display how shelf space is allocated and show where each product goes on the shelf.

[25] Producers, importers, and purchasers reported that slotting fees are generally paid for each SKU. In the case of dry pasta, that means that different slotting fees are paid for each cut/shape of pasta that is put on the shelf.

[26] The importers that reported having paid slotting fees and/or allowances tended to be those firms selling ***.

allowance/discount off of the product.[27] While most producers, importers, and purchasers reported that slotting fees are generally a one-time payment for initial introduction of a product, a couple of importers reported that slotting fees are collected at intervals. Two importers of Italian pasta, ***, reported that grocery stores can require that you pay a slotting fee and that you meet certain performance goals (e.g., sell a certain number of cases in a given time period). If the goals are not met within a specified time period, the store can stop selling that particular product and keep the previously paid slotting fees. *** further stated that the grocery store may ask it to pay a form of "reslotting fees" to avoid discontinuation.[28] Several U.S. producers and importers reported that they have chosen not to sell to a particular customer because of the slotting fees requested by that customer. Finally, purchasers were asked whether or not the lack of a payment of slotting fees influences the position in which they place dry pasta or whether they refused to carry a particular dry pasta product because a supplier refused to pay a slotting fee. Twenty-nine of the 33 responding firms reported that lack of a payment did not influence the shelf position. Similarly, almost all of the responding purchasers (i.e., 30 of 32) reported that they did not refuse to carry a particular dry pasta product for lack of payment of a slotting fee.[29]

Purchasers were asked to discuss changes in the allocation of shelf space. Specifically, purchasers were asked whether lower-priced imports of subject dry pasta generally gained access to shelf space in recent years, thereby displacing domestic brands. Of the 33 responding purchasers, 26 firms reported "No" and the remaining 7 reported "Yes." Similarly, purchasers were asked whether or not higher-priced imports of subject dry pasta generally gained access to shelf space in recent years, thereby displacing domestic brands. The majority (24 or 32) of responding firms reported that higher-priced brands of subject dry pasta have not gained shelf space by displacing domestic brands. Finally, when asked whether any imports of subject dry pasta gained access to shelf space, 13 firms reported "Yes" and 16 firms reported "No." Reasons given as to why subject imports gained shelf space include price, quality, and perception of imported pasta from Italy.

[27] For example, a supplier may give $1 off of every case for the first 20,000 cases of product sold.

[28] 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 via direct store delivery (DSD) companies; however, it is reported that many grocery chains are now also attempting to secure slotting fees from the DSD section of the store.

[29] One of the two firms that reported "Yes" could not describe a particular incident while the other stated that ***.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and total value (net of all discounts, allowances, and promotions) of certain dry pasta products that were shipped to unrelated U.S. customers during the period January 1993-December 1995.[30] Firms were requested to report data separately for their sales to retail grocery stores and for sales to either direct store distributors (DSDs) or specialty distributors. ***.[31] ***. Prices for Italian pasta sold to specialty distributors were reported but are not shown in a table as there are no comparisons possible.[32] The products for which pricing data were requested are as follows:[33]

Product 1: Brand-name dry non-egg spaghetti (in 1-pound packages)

Product 2: Brand-name dry non-egg rigatoni (in 1-pound packages)

Product 3: Brand-name dry non-egg angel hair pasta (in 1-pound packages)

Product 4: Private-label dry non-egg spaghetti (in 1-pound packages)

Eight U.S. producers and 40 importers provided useable price data for sales of the requested products, although not all firms reported prices for all products for all quarters. Pricing data reported by these firms accounted for approximately 6.8 percent of U.S. producers' merchant shipments of dry pasta in 1995, and 13.9 and 11.5 percent of U.S. shipments of subject imports from Italy and Turkey, respectively, in 1995. It is important to note that there are differences in the reported pricing with regard to the types of customers for which pricing data are reported. While the majority of the price data reported by U.S. producers was for sales to retail grocery chains, the majority of the price data reported by Italian importers was for sales to DSDs. Because of the differences in channels and the differences in the quantities sold within these channels, price comparisons should be viewed with caution. In the case of sales to DSDs, it is also important to note that differences with regard to the views of the classifications of distributors makes price comparisons for DSDs problematic. ***[34] ***. Respondents argue that prices should be kept separate for sales to DSDs and sales to specialty distributors because these two types of distributors sell to different customers and perform different functions.[35] As such, prices reported by importers for sales to

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[30] Some firms had difficulty allocating all discounts, allowances, and promotions to the value data on specific cuts of pasta; therefore, estimates were necessary to obtain a value net of all discounts.

[31] Petitioners' prehearing brief, pp. 77-90 and letter to staff, June 21, 1996.

[32] Data reported by Italian importers (and presented in the staff prehearing report) for sales to specialty distributors indicate that ***. Moreover, data reported by Italian importers indicate that shipments to specialty distributors accounted for between 3.8 and 5.3 percent of total shipments of Italian pasta within the retail market.

[33] Sales price data were not obtained for dry egg pasta, organic pasta, or unenriched pasta. Data are, however, available for unit values of these different types of pasta. In the case of dry pasta, unit values can be used as a fairly good indicator of average prices because large differences do not generally exist between different types/shapes of dry pastas.

[34] ***.

[35] Respondents argue that DSDs generally sell to retail chains and specialty distributors sell to smaller ethnic

(continued...)

DSDs include those importers who reported sales to this type of distributor. Price comparisons for prices to distributors are complicated by the fact that producers and importers have different definitions/perceptions of distributors and perhaps have different pricing policies for sales to different types of distributors.

PRICE TRENDS

Sales to Retail Grocery Stores

Weighted-average prices for domestically-produced dry pasta products sold to retail grocery stores generally increased throughout the period January-March 1993-October-December 1995 (tables V-2-V-5 and figure V-3). Prices for domestically-produced brand-name products (products 1-3) increased 3.8, 7.9, and 14.3 percent, respectively, in that time, while prices for domestically-produced private label product (product 4) increased 17.1 percent. Weighted-average prices for subject pasta imported from Italy and sold to retail grocery stores increased for all four of the products during the period for which data were requested. Overall increases in prices for products 1-4 imported from Italy were 21.1, 5.4, 40.0., and 43.2 percent, respectively. Weighted-average prices for subject pasta imported from Turkey increased for 2 of the 4 products for which pricing data were reported. Overall, prices for products 1 and 2 imported from Turkey *** percent while prices for product 3 *** percent from January 1993 to December 1995. Prices for product 4 were only reported for 3 quarters.

[35] (...continued)
stores and local retailers (posthearing brief of Rogers and Wells, p. 27). Staff notes that purchasers questionnaire responses were received from one DSD and six specialty distributors. ***.

Table V-2
Dry non-egg pasta: Weighted-average delivered prices and quantities of domestic and imported **product 1** sold to **retail grocery stores,** by country and by quarters, Jan. 1993-Dec. 1995

Period	United States		Italy		Turkey	
	Price	Quantity	Price	Quantity	Price	Quantity
	$ per lb.	*1,000 lbs.*	*$ per lb.*	*1,000 lbs.*	*$ per lb.*	*1,000 lbs.*
1993--						
Jan.-Mar.	$0.53	25,995	$0.52	498	***	***
Apr.-June	.53	19,845	.48	522	***	***
July-Sept.	.53	22,656	.48	634	***	***
Oct.-Dec.	.53	24,716	.55	832	***	***
1994--						
Jan.-Mar.	.51	26,297	.52	1,053	***	***
Apr.-June	.53	23,395	.41	3,192	***	***
July-Sept.	.52	24,909	.49	1,383	***	***
Oct.-Dec.	.53	25,844	.49	1,128	***	***
1995--						
Jan.-Mar.	.53	24,467	.55	1,211	***	***
Apr.-June	.53	22,906	.61	767	***	***
July-Sept.	.55	24,330	.54	692	***	***
Oct.-Dec.	.55	26,488	.63	1,347	***	***

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

Table V-3
Dry non-egg pasta: Weighted-average delivered prices and quantities of domestic and imported **product 2** sold to **retail grocery stores**, by country and by quarters, Jan. 1993-Dec. 1995

Period	United States		Italy		Turkey	
	Price	Quantity	Price	Quantity	Price	Quantity
	$ per lb.	*1,000 lbs.*	*$ per lb.*	*1,000 lbs.*	*$ per lb.*	*1,000 lbs.*
1993--						
Jan.-Mar.	$0.63	2,673	$0.53	541	***	***
Apr.-June	.63	1,806	.51	506	***	***
July-Sept.	.64	2,183	.49	599	***	***
Oct.-Dec.	.63	2,762	.55	639	***	***
1994--						
Jan.-Mar.	.64	3,005	.50	808	***	***
Apr.-June.	.69	1,918	.51	856	***	***
July-Sept..	.70	2,404	.52	1,017	***	***
Oct.-Dec.	.70	2,312	.50	1,017	***	***
1995--						
Jan.-Mar.	.64	3,288	.57	997	***	***
Apr.-June	.71	1,776	.62	844	***	***
July-Sept.	.69	2,346	.50	901	***	***
Oct.-Dec.	.68	2,319	.55	1,150	***	***

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

Table V-4
Dry non-egg pasta: Weighted-average delivered prices and quantities of domestic and imported **product 3** sold to **retail grocery stores**, by country and by quarters, Jan. 1993-Dec. 1995

Period	United States		Italy		Turkey	
	Price	Quantity	Price	Quantity	Price	Quantity
	$ per lb.	*1,000 lbs.*	*$ per lb.*	*1,000 lbs.*	*$ per lb.*	*1,000 lbs.*
1993--						
Jan.-Mar.	$0.63	3,481	$0.52	443	***	***
Apr.-June	.65	3,635	.47	494	***	***
July-Sept.	.65	3,560	.47	405	***	***
Oct.-Dec.	.67	3,777	.60	673	***	***
1994--						
Jan.-Mar.	.69	4,002	.55	873	***	***
Apr.-June	.68	3,987	.50	477	***	***
July-Sept.	.76	4,021	.52	870	***	***
Oct.-Dec.	.76	4,132	.51	515	***	***
1995--						
Jan.-Mar.	.75	4,611	.56	730	***	***
Apr.-June	.74	3,741	.72	449	***	***
July-Sept.	.73	3,849	.67	427	***	***
Oct.-Dec.	.72	4,375	.70	755	***	***

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

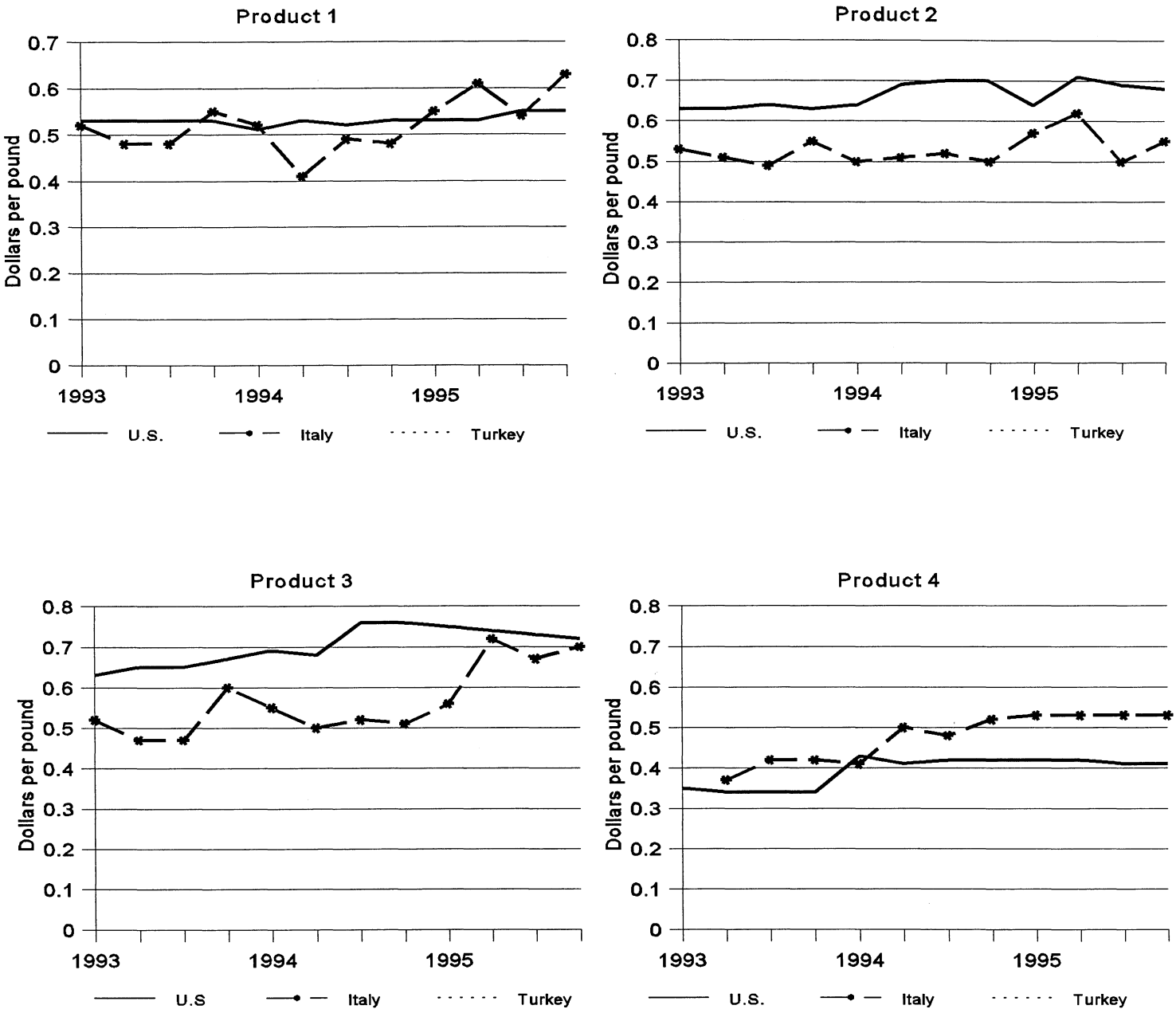
Table V-5
Dry non-egg pasta: Weighted-average delivered prices and quantities of domestic and imported **product 4** sold to **retail grocery stores**, by country and by quarters, Jan. 1993-Dec. 1995

Period	United States		Italy		Turkey	
	Price	Quantity	Price	Quantity	Price	Quantity
	$ per lb.	*1,000 lbs.*	*$ per lb.*	*1,000 lbs.*	*$ per lb.*	*1,000 lbs.*
1993--						
Jan.-Mar.	$0.35	4,711	(1)	(1)	(1)	(1)
Apr.-June	.34	4,651	$0.37	35	(1)	(1)
July-Sept.	.34	5,715	.42	16	(1)	(1)
Oct.-Dec.	.34	6,336	.42	4	(1)	(1)
1994--						
Jan.-Mar.	.43	5,303	.41	115	(1)	(1)
Apr.-June	.41	4,610	.50	33	(1)	(1)
July-Sept.	.42	4,816	.48	110	(1)	(1)
Oct.-Dec.	.42	4,304	.52	239	(1)	(1)
1995--						
Jan.-Mar.	.42	4,766	.53	335	***	***
Apr.-June	.42	3,974	.53	306	***	***
July-Sept.	.41	4,281	.53	340	(1)	(1)
Oct.-Dec.	.41	4,229	.53	211	***	***

[1] Data not reported.

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

Figure V-3: Weighted-average prices for sales of dry non-egg pasta to retail grocery stores, by country and by quarters, Jan. 1993-Dec. 1995



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

Sales to Direct Store Distributors

Prices for sales of domestic dry pasta sold to DSDs were reported by two U.S. producers. Average prices for domestic products 1 and 2 *** percent, respectively, during the period for which data were requested (tables V-6-V-8 and figure V-4). Prices for product 3 *** percent during the period for which data were reported.[36] No U.S. producers reported prices for sales of product 4 to DSDs. Weighted-average prices for sales of Italian product 1 declined 8.9 percent during the period, while prices for product 2 increased 1.7 percent. Prices for product 3 were at the same level at the end of the period as in the beginning. No importers of Turkish dry pasta reported price data for sales to DSDs.

PRICE COMPARISONS

As stated earlier, it is important to note the differences in the quantity supplied to each of the specified sales channels when making price comparisons. While the vast majority of the quantity reported by U.S. producers was for sales to retail grocery stores, most of the quantity for which pricing data were reported for Italian imports was for sales to DSDs. Therefore, while there are instances where price comparisons can be made between domestic and Italian products, it is important to note that it is not possible to match the majority of domestic producers' sales with the majority of Italian importers' sales. Therefore, while comparisons are made, they should be viewed with some degree of caution. In the case of Turkey, prices were only reported for sales to retail grocery stores, so comparisons between domestic and Turkish pasta do not contain the problems that afflict the comparisons between domestic and Italian dry pasta.[37]

[36] Because ***, ***.

[37] One importer reported selling small amounts of Turkish pasta to discount mass merchandisers; these prices are not included in the presented data as they represent sales to a different type of customer.

Table V-6
Dry non-egg pasta: Weighted-average delivered prices and quantities of domestic and imported **product 1** sold to **direct store distributors (DSDs)**, by country and by quarters, Jan. 1993-Dec. 1995

Period	United States		Italy	
	Price	Quantity	Price	Quantity
	$ per lb.	*1,000 lbs.*	*$ per lb.*	*1,000 lbs.*
1993--				
Jan.-Mar.	***	***	$0.55	1,667
Apr.-June	***	***	.53	2,148
July-Sept.	***	***	.45	1,161
Oct.-Dec.	***	***	.50	2,599
1994--				
Jan.-Mar.	***	***	.48	1,856
Apr.-June	***	***	.51	2,061
July-Sept.	***	***	.44	2,038
Oct.-Dec.	***	***	.47	2,297
1995--				
Jan.-Mar.	***	***	.56	1,724
Apr.-June	***	***	.58	1,348
July-Sept.	***	***	.51	1,929
Oct.-Dec.	***	***	.51	2,332

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

Table V-7
Dry non-egg pasta: Weighted-average delivered prices and quantities of domestic and imported **product 2** sold to **direct store distributors (DSDs)**, by country and by quarters, Jan. 1993-Dec. 1995

Period	United States		Italy	
	Price	Quantity	Price	Quantity
	$ per lb.	*1,000 lbs.*	*$ per lb.*	*1,000 lbs.*
1993--				
Jan.-Mar.	***	***	$0.59	987
Apr.-June	***	***	.60	1,024
July-Sept.	***	***	.55	736
Oct.-Dec.	***	***	.64	1,059
1994--				
Jan.-Mar.	***	***	.58	1,250
Apr.-June.	***	***	.57	1,206
July-Sept..	***	***	.56	1,087
Oct.-Dec.	***	***	.54	1,093
1995-				
Jan.-Mar.	***	***	.62	1,144
Apr.-June	***	***	.61	1,005
July-Sept.	***	***	.63	980
Oct.-Dec.	***	***	.60	1,018

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

Table V-8
Dry non-egg pasta: Weighted-average delivered prices and quantities of domestic and imported **product 3** sold to **direct store distributors (DSDs)**, by country and by quarters, Jan. 1993-Dec. 1995

Period	United States		Italy	
	Price[1]	Quantity	Price	Quantity
	$ per lb.	*1,000 lbs.*	*$ per lb.*	*1,000 lbs.*
1993--				
Jan.-Mar.	***	***	$0.67	1,470
Apr.-June	***	***	.69	1,477
July-Sept.	***	***	.62	567
Oct.-Dec.	***	***	.75	1,632
1994--				
Jan.-Mar.	***	***	.67	1,382
Apr.-June	***	***	.65	1,571
July-Sept.	***	***	.56	1,780
Oct.-Dec.	***	***	.60	1,243
1995--				
Jan.-Mar.	***	***	.66	1,594
Apr.-June	***	***	.76	1,289
July-Sept.	***	***	.64	1,764
Oct.-Dec.	***	***	.67	1,311

[1] ***.

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

Figure V-4
Weighted-average prices for sales of dry non-egg pasta to DSDs, by country and by quarters, Jan. 1993-Dec. 1995

* * * * * * *

Price comparisons between the domestic and Italian product were possible in a total of 47 instances in the retail grocery market and 36 instances in the DSD market (tables V-9-V-10). In the retail grocery market, the Italian product was priced below the domestic in 32 of the 47 instances, with margins ranging from 1.8 percent to 35.0 percent.[38] In the other 15 instances, the Italian product was priced above the domestic product, with margins ranging from 2.9 percent to 29.6 percent.[39] In the DSD market, the Italian product undersold the domestic product in 29 instances, with margins ranging from 0.8 percent to 40.4 percent.[40] In the remaining 7 instances, the Italian product was priced above the domestic; margins ranged from 0.4 to 10.5 percent.[41] [42]

In the case of Turkey, prices were only reported for sales to retail grocery stores. The Turkish product undersold the domestic product in all 39 of the instances where comparisons were possible; margins ranged from 24.9 to 65.4 percent.[43]

[38] The average margin of underselling was 15.0 percent.

[39] The average margin of overselling was 17.4 percent.

[40] The average margin of underselling was 14.8 percent.

[41] The average margin of overselling was 8.0 percent.

[42] In the prehearing report, prices for Italian dry pasta products sold to DSDs were generally higher than those for the domestic product; in that report, ***.

[43] The average margin of underselling was 50.1 percent.

Table V-9
Dry non-egg pasta: Margins of under/(over)selling of dry non-egg pasta products sold to **retail grocery stores**, by products and by quarters, Jan. 1993-Dec. 1995

(In percent)

Period	Product 1		Product 2		Product 3		Product 4	
	Italy	Turkey	Italy	Turkey	Italy	Turkey	Italy	Turkey
1993--								
Jan.-Mar.	1.9	***	15.8	***	18.7	***	([1])	***
Apr.-June	9.3	***	19.6	***	26.9	***	(8.0)	***
July-Sept.	10.9	***	24.0	***	27.2	***	(21.7)	***
Oct.-Dec.	(2.9)	***	13.0	***	10.2	***	(22.7)	***
1994--								
Jan.-Mar.	(3.2)	***	22.6	***	20.1	***	2.8	***
Apr.-June	21.9	***	25.6	***	26.7	***	(21.1)	***
July-Sept.	5.1	***	26.6	***	32.1	***	(13.0)	***
Oct.-Dec.	7.4	***	29.2	***	32.6	***	(23.8)	***
1995--								
Jan.-Mar.	(3.2)	***	11.8	***	24.8	***	(27.0)	***
Apr.-June	(14.4)	***	12.3	***	1.9	***	(27.2)	***
July-Sept.	2.2	***	27.6	***	8.6	***	(28.9)	***
Oct.-Dec.	(13.6)	***	18.3	***	1.8	***	(29.6)	***

[1] Margin not calculated.

Note.--Percentage margins are calculated from unrounded figures; thus, margins cannot always be directly calculated from the rounded prices shown in the tables.

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

Table V-10
Dry non-egg pasta: Margins of under/(over)selling of Italian dry non-egg pasta (compared with domestic) sold to **DSDs**, by products and by quarters, Jan. 1993-Dec. 1995

* * * * * * *

PURCHASER PRICE DATA

Purchasers were asked to provide similar price and quantity data for their purchases of the four specified dry pasta products during the period January 1993-December 1995.[44] Price and quantity data were only reported by a relatively small number of firms. In general, purchasers reported that it was not possible to assemble the requested data, particularly in light of the fact that they often purchase a large number of brands of pasta. Fourteen firms reported purchase price data, with eight reporting purchases of both domestic dry pasta and either Italian or Turkish during the period for which data were requested. Because the number of firms reporting was so few and the types of firms differed (i.e., distributors, retail chain stores, etc.), in addition to aggregate weighted-average prices (for all firms), average prices for those firms that reported buying from both domestic and imported sources are shown in appendix J.

Aggregate weighted-average prices (i.e., not on a by-company basis) are presented in this section only for sales to retail chain stores; prices for sales to this channel are shown as they represent a large portion of the total dry pasta market. In the company-by-company data, prices are shown for retail chain stores and distributors. It is important to note several points when examining the purchase price data. Because the purchaser price data represent the purchase price by the customer, comparisons between domestic and imported (particularly Italian imports) can alleviate the problem of sales through different channels. In the case of producer and importer data, there were differences in the reported data in that most of the domestic prices were for sales to retail grocery stores, while the Italian product was sold through DSDs. With purchaser data, comparisons are made at the retail store level; therefore, regardless of whether the product was purchased from a distributor or directly from the pasta supplier, the prices are comparable because they are the actual prices paid by the retailer.

[44] As presented earlier, the four products for which pricing data were requested are as follows: (1) brand-name dry non-egg spaghetti (in 1-pound packages); (2) brand-name dry non-egg rigatoni (in 1-pound packages); (3) brand-name dry non-egg angel hair pasta (in 1-pound packages); and (4) private-label dry non-egg spaghetti (in 1-pound packages).

The main weakness of the data is that the percentages of domestic shipments and shipments of imports covered by the reported data are very low. Reported purchase price data accounted for less than 1 percent of both U.S. producers' domestic shipments and U.S. shipments of Italian imports; these data accounted for about 1.3 percent of U.S. shipments of Turkish imports. Another problem with the data is that some firms only provided data for a portion of the period for which data were requested; therefore, discussion of price trends is not accurate as movements in prices may be a factor of changes in the number of firms reporting. Finally, examination of purchaser price data indicate an apparent discrepancy between the predominance of overselling of the Italian product in the purchaser data and the predominance of underselling of the Italian product in the producer/importer price data. This discrepancy may be explained in part by the fact that in both the purchaser database and the producer/importer database the reported data represent a small percentage of total U.S. shipments of dry pasta; therefore, it is possible that the data in each database cover different transactions/companies. Moreover, some of the purchaser price data discussed in the company-by-company comparisons include types of firms for which producer and importer data were not requested (e.g., food service distributor and warehouse distributor).

Weighted-average purchase prices for purchases of products 1-3 by retail chain stores yields a total of 16 comparisons between domestic and Italian prices and 31 comparisons between domestic and Turkish products (table V-11 to V-13). In the case of Italy, the imported product was priced below the domestic product in 5 of the 16 instances (margins ranged from 1.6 percent to 28.9 percent) and was priced above the domestic product in the other 11 (margins ranged from 9.5 percent to 53.2 percent). In the case of Turkey, the imported product was priced below the domestic in all of the 31 instances, with margins ranging from 43.9 to 91.2 percent.

Table V-11
Dry non-egg pasta: Weighted-average purchase prices and margins or under/(overselling) for **product 1** purchased by retail chain stores, by quarters, Jan. 1993-Dec. 1995

* * * * * * *

Table V-12
Dry non-egg pasta: Weighted-average purchase prices and margins or under/(overselling) for **product 2** purchased by retail chain stores, by quarters, Jan. 1993-Dec. 1995

* * * * * * *

Table V-13
Dry non-egg pasta: Weighted-average purchase prices and margins or under/(overselling) for **product 3** purchased by retail chain stores, by quarters, Jan. 1993-Dec. 1995

* * * * * * *

As mentioned earlier, in addition to examining weighted-average purchase prices, staff is also presenting information on price comparisons for individual purchasers who bought both the domestic and imported products during the period for which data were requested. The following tabulation presents a summary of the price comparison data reported by these purchasers.[45]

Country and customer type	Number of comparisons	Number of instances of underselling	Range of underselling	Number of instances of overselling	Range of overselling
			(In percent)		*(In percent)*
Italy:					
Warehouse distributors	24	24	37.1-46.7	0	-
Retail chain stores	32	4	7.7	28	3.0-92.0
Specialty distributors	12	0	-	12	40.7-61.9
Food service distributors	21	0	-	21	5.6-65.4
Total	89	28	7.7-46.7	61	3.0-92.0
Turkey:					
Warehouse distributors	22	22	26.7-69.3	0	-
Retail chain stores	30	30	34.0-76.5	([1])	([1])
Total	52	52	26.7-76.5	0	-

[1] In four instances, the average purchase price of the Turkish product was the same as that of the domestic product.

[45] See app. J for the actual price tables for these purchasers.

While actual purchase price data were limited, purchasers were asked to discuss relative levels of prices of domestic and subject import prices. Five purchasers reported that the U.S. product was priced higher than the Italian product, 18 stated that the U.S. product was priced below the Italian, and 7 stated that they were the same price. With regard to relative price levels between domestic and Turkish dry pasta, 19 purchasers reported that prices of the U.S. product were higher than those of the Turkish product and 2 reported that prices were the same. Finally, 20 purchasers reported that prices of Italian imports were higher than those of Turkish imports and 2 firms reported that they were the same.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of dry pasta to report any instances of lost sales or revenues they experienced due to competition from imports from Italy and/or Turkey. Of the 19 responding U.S. producers, 6 reported that they had to either reduce prices or roll back announced price increases. Petitioners reported that the nature of the dry pasta industry is such that it is difficult to quantify lost sales; rather, some firms are able to provide information concerning accounts at which they allegedly lost shelf space. Information on selected alleged instances of lost shelf space are included in this section on lost sales.

*** however, was able to provide specific information concerning lost revenues allegations. *** reported that it lost *** on four sales of dry pasta (totaling ***) due to competition from Italian imports. Similarly, seven firms reported that they had lost sales due to subject imports of dry pasta; however, *** was able to provide specific information for 20 different lost sale allegations. *** reported that it lost approximately *** on sales of over *** million pounds of dry pasta due to competition from Italian and Turkish imports.[46] A summary of the information obtained from the purchasers named in these allegations follows.

*** named *** in *** lost sales and *** lost revenue allegations, all of which involved Italian imports. The lost sales allegations totaled approximately *** and involved approximately *** pounds of dry pasta. The lost revenue allegations totaled *** and involved approximately *** pounds of dry pasta. *** denied the lost sales allegations and reported that any shift in supply from domestic sources to Italian sources was due to customer demands and not price. *** explained that *** stated that ***. Information provided by *** in its response to the Commission's questionnaire indicates that ***. *** also reported in its questionnaire response that U.S. prices for dry pasta have generally been lower than those for Italian dry pasta. *** also stated that he does not think that there is much of a quality difference but he does believe that consumers' perceptions of differences in quality are important. Finally, with regard to the lost revenues allegations, *** did not comment on the specific allegations but reported that while price is not the first factor they consider, there probably have been instances where negotiations involved discussions of price competition.

[46] Eleven of the allegations concerned imports from Italy; these allegations totaled *** and involved *** pounds of dry pasta. Eight of the allegations involved imports from Turkey; these allegations totaled *** and involved *** pounds of dry pasta. Finally, one of the allegations (totaling *** and involving *** pounds of dry pasta) involved imports from both Italy and Turkey.

*** was named by *** in *** lost sales allegations and *** lost revenue allegation involving imports of dry pasta from Italy. The lost sales allegations totaled *** and involved *** pounds of dry pasta; the lost revenue allegation totaled *** and involved *** pounds of dry pasta. *** did not comment on the specific allegations but did provide information on the company's purchases of dry pasta. *** reported that *** does carry both domestic *** and Italian *** dry pasta, but overall the stores ***. *** explained that the company chose both brands (domestic and Italian) because *** wanted to carry both an imported and a domestic product; both brands receive equal space on the shelf. *** reported that the company specifically did not choose to sell Turkish pasta (in particular, ***) because he believed that consumers' perceptions are important and they may not like a pasta product from Turkey. *** explained that consumers often want Italian pasta but sometimes they do not know if the brand is actually Italian because brand names and packages usually sound and/or look Italian. With regard to relative prices between the domestic and imported dry pastas that *** purchases, *** reported that the U.S. brand *** tends to be a little higher but it is in a box, whereas the Italian product is in a bag. According to ***, boxed products tend to be viewed as higher quality. Finally, *** reported that although he is no expert, he believes that there are some quality differences.

*** alleged that it lost a sale valued at *** and involving *** pounds of dry pasta to *** due to competition from Turkish imports. In its response, ***. According to the questionnaire response, *** began purchasing Turkish pasta in ***; about *** percent of *** purchases are domestic pastas and *** percent are Turkish brands;[47] *** classified its domestic pasta purchases as "premium brand name" and the Turkish as "private label, nonpremium." While *** reported that the lowest price does not necessarily win a sale, it also reported that *** (Turkish product) is the price leader." *** added that "all other U.S. branded vendors have not reacted to lowering prices down to this level. Some have increased prices, ***, while others, such as ***, have lowered prices." In a phone interview, ***, spokesman for ***, reported that *** has stopped buying Turkish pasta because of the preliminary dumping and countervailing duties currently in place. *** also reported that he does not like purchasing imported pasta because there are often a lot of problems (e.g., transportation). However, *** also reported that he is troubled by excessive markups by domestic firms.

*** named *** in a lost sales allegation totaling *** and involving *** pounds of dry pasta. *** refused to comment on the allegation or on the dry pasta market in general.

*** reported that it lost shelf space to imports from Italy at ***. In its questionnaire response *** reported that ***. In a phone interview with ***, *** reported that in some instances shelf space was lost by the domestics but in others the addition of a new pasta product may have resulted in lost shelf space for a nearby product (e.g., rice). *** addressed the issue of the introduction of Barilla into ***. According to ***. With regard to slotting fees paid by ***, *** reported that the initial slotting fee of *** was considerably lower than that offered by other suppliers. *** originally wanted *** to carry *** different SKUs of *** pasta; *** reported that the slotting fee was not even enough to cover the expense of putting in the new products.

[47] *** questionnaire response indicates that it purchased *** pounds of Turkish pasta in late 1995. In its prehearing brief, counsel for Turkish respondents stated that *** purchased ***.

*** also alleged that it lost shelf space at *** during the period of investigation. In its questionnaire response, *** reported that imports of dry pasta have not generally gained shelf space in recent years at the expense of domestic brands, except in the Eastern part of the United States. *** reported that there has been some displacement to make room for ***. In an interview, *** reported that the main reason that domestic brands have lost shelf space is due to the desire of ***. As mentioned earlier in this report, *** stated that ***.

*** alleged that it lost shelf space to ***. ***, spokesman for ***, reported that he believed that domestic dry pasta producers have lost shelf space to imports, particularly in the last three years where there has been an influx of low-priced Turkish and Italian pasta products.[48] *** reported that *** has purchased domestic, Italian, and Turkish dry pasta during the past three years; however, *** recently discontinued its purchases of the Turkish *** brand of pasta. According to ***, *** began buying Turkish pasta because it became aware that a number of *** competitors were offering Turkish product at low prices. *** reported that the only reason that *** carries the *** brand is that the product has a low price.

*** also discussed the introduction of *** pasta. According to ***, *** decided to carry *** pasta because of the strong promotional campaign behind it. When *** sales representatives came to sell the product they discussed the strong advertising campaigns (particularly radio advertisements) that were going to be used. *** explained that it is important to carry a product if you know there is going to be advertising and coupons because not carrying it could lead to lost sales. For example, if *** customers (i.e., retail store) respond to the advertising and want the product and *** does not have the product, the customer may go to another *** to get the product. *** also explained that *** did discontinue some items to make room for the new *** items. Decisions on which items to discontinue are made based on which items are slow moving products or products that are duplications within the category. In the case of the addition of ***, *** reported that *** discontinued the following items: ***. In addition, *** also reported that sales of *** have been very poor in ***.

[48] *** reported that the Italian brand *** is the low-priced brand that *** purchases.

PART VI ~ FINANCIAL EXPERIENCE OF U.S. PRODUCERS

INTRODUCTION

Complete financial data were provided on dry pasta operations, in addition to overall establishment operations, by 11 firms.[1] These data represent 75.4 percent of U.S. production of dry pasta in 1995. Three firms that did not submit dry pasta financial data, ***, indicated that their entire production is consumed internally. Of the 11 firms that provided data on their dry pasta operations, 9 also provided information on their dry non-egg pasta operations. Two firms, ***, provided data on dry pasta operations but not on dry non-egg pasta operations.

OVERALL ESTABLISHMENT OPERATIONS

Income-and-loss data on the U.S. producers' overall operations, which include dry pasta operations, are presented in table VI-1. For nine of the 11 firms included in the table, the overall establishment operations are the same as their dry pasta operations. Trends for overall establishment operations approximate those for dry pasta operations, but the profitability for dry pasta is considerably less because two firms (***) were considerably less profitable on their dry pasta operations than on their overall establishment operations. For the 11 producers, all dry pasta net sales revenues were *** percent of the overall establishment net sales revenues in 1995; however, the overall establishment operations had an operating profit of *** as opposed to the dry pasta operations' operating loss of $14.8 million in 1995.

[1] A. Zerega & Sons, Gooch Foods, American Italian Pasta Company (AIPC), Best Foods, Borden, Costa Macaroni, Eden Foods, Golden Grain, Hershey, Philadelphia Macaroni, and Royal Angelus. Gooch Foods and Golden Grain have fiscal periods ending ***; Philadelphia Macaroni has a fiscal period ending ***, and the remainder have fiscal periods ending ***.

Table VI-1
Income-and-loss experience of U.S. producers [1] on the overall operations of their establishments wherein dry pasta is produced, fiscal years 1993-95

Item	1993	1994	1995
	Value (*1,000 dollars*)		
Net sales:			
Commercial (trade) sales	***	***	***
Company transfers	***	***	***
Total	***	***	***
Cost of goods sold	***	***	***
Gross profit	***	***	***
Selling, general, and administrative expenses	***	***	***
Operating income or (loss)	***	***	***
Interest expense	***	***	***
Other expense	***	***	***
Other income items	***	***	***
Net income or (loss) before income taxes	***	***	***
Depreciation and amortization	***	***	***
Cash flow[2]	***	***	***
	Ratio to net sales (*percent*)		
Cost of goods sold	***	***	***
Gross profit	***	***	***
Selling, general, and administrative expenses	***	***	***
Operating income or (loss)	***	***	***
Net income or (loss) before income taxes	***	***	***
	Number of firms reporting		
Operating losses	***	***	***
Net losses	***	***	***
Data	11	11	11

[1] A. Zerega & Sons, Gooch Foods, AIPC, Best Foods, Borden, Costa Macaroni, Eden Foods, Golden Grain, Hershey, Philadelphia Macaroni, and Royal Angelus Foods. *** have fiscal periods ending ***; Philadelphia Macaroni has a fiscal period ending ***, and *** have fiscal periods ending ***.
[2] Cash flow is defined as net income or loss plus depreciation and amortization.

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

OPERATIONS ON DRY PASTA

Income-and-loss data for the U.S. producers' dry pasta operations are presented in table VI-2, per-unit data are presented in table VI-3, and data by firm are presented in table VI-4. Income-and-loss data for the *** major U.S. producers, ***, are presented individually in tables VI-5 and VI-6. Corresponding tables for commercial (trade) sales only[2] are presented in appendix K. Corresponding tables for dry non-egg pasta, dry non-egg pasta in packages of 5 pounds or less, dry organic pasta, and dry unenriched pasta are presented in appendix L.

The quantity sold of dry pasta was relatively constant during 1993-95. The variation from the highest level (1993) to the lowest level (1994) was less than *** percent. Although quantities sold decreased from 1993 to 1994, sales revenues actually increased by *** percent during this period. Sales revenues and quantities were relatively unchanged from 1994 to 1995. Significant increases from the prehearing staff report of *** in 1993, 1994, and 1995, respectively, are associated with staff requests for *** to change their data in conformance with Generally Accepted Accounting Principles (GAAP) and the usual Commission requirement for income-and-loss data.[3]

Although net sales were relatively constant during 1993-95, profitability experienced a steep decline during the period due in large part to the universal cost increase in 1994 for the principal raw material, durum wheat semolina, and ***. The aggregate operating income decreased by *** from 1993 to 1995. Excluding ***, ***.

[2] Commercial sales were referred to as "trade sales" in the Commission's producers' questionnaire. Financial data on commercial (trade) sales of dry pasta are close to, and believed to be representative of, financial data for dry pasta excluding dry industrial pasta.

[3] Typical selling, general, and administrative (SG&A) expenses had previously been removed from SG&A and treated as a deductions from gross sales. This procedure understated net sales and SG&A expenses on a GAAP and the firms' financial statement basis.

Table VI-2
Income-and-loss experience of U.S. producers [1] on their operations producing dry pasta, fiscal years 1993-95

Item	1993	1994	1995
	Quantity (*1,000 pounds*)		
Commercial (trade) sales	***	***	***
Company transfers	***	***	***
Total	***	***	***
	Value (*1,000 dollars*)		
Net sales:			
Commercial (trade) sales	***	***	***
Company transfers	***	***	***
Total	***	***	***
Cost of goods sold	***	***	***
Gross profit	***	***	***
Selling, general, and administrative expenses	***	***	***
Operating income or (loss)	***	***	***
Interest expense	***	***	***
Other expense	***	***	***
Other income items	***	***	***
Net income or (loss) before income taxes	***	***	***
Depreciation and amortization	***	***	***
Cash flow[2]	***	***	***
	Ratio to net sales (*percent*)		
Cost of goods sold	***	***	***
Gross profit	***	***	***
Selling, general, and administrative expenses	***	***	***
Operating income or (loss)	***	***	***
Net income or (loss) before income taxes	***	***	***
	Number of firms reporting		
Operating losses	1	1	3
Net losses	2	3	4
Data	11	11	11

[1] A. Zerega & Sons, Gooch Foods, AIPC, Best Foods, Borden, Costa Macaroni, Eden Foods, Golden Grain, Hershey, Philadelphia Macaroni, and Royal Angelus Foods. *** have fiscal periods ending ***; Philadelphia Macaroni has a fiscal period ending ***, and *** have fiscal periods ending ***.

[2] Cash flow is defined as net income or loss plus depreciation and amortization.

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

Table VI-3
Income-and-loss experience (on a per-pound basis) of U.S. producers on their operations producing dry pasta, fiscal years 1993-95[1]

* * * * * * *

Table VI-4
Income-and-loss experience of U.S. producers on their operations producing dry pasta, by firms, fiscal years 1993-95

* * * * * * *

Semolina was the greatest single cost in the production of dry pasta, accounting for approximately 44 percent of the total cost of goods sold in 1995. The increase in the cost of semolina adversely affected profitability, especially in 1994, since there was apparently an inability to pass on fully the increased costs in the form of price increases. The cost of semolina for a pound of dry pasta produced increased from $0.13 in 1993 to $0.18 in 1994 and 1995. The total cost of goods sold on a per-pound basis increased by $0.06, or by 17 percent from 1993 to 1994. The increase was almost entirely related to the semolina cost increase. For individual producers the cost of semolina in a pound of dry pasta sold ranged from ***. Rising costs for semolina are attributed by *** to limited supply caused by poor harvests and a rail strike in 1994 that hampered transportation of the harvested durum wheat to the millers.[4] The producers' semolina per-unit costs were consistent for each of their pasta products.

Selling, general, and administrative (SG&A) expenses as a percent of net sales were similar in all periods for the respective producers except for ***. ***.

Slotting fees (payments to grocers for shelf placement), thought to be increasing substantially because of competitive market pressures, were relatively minor and consistent for the reporting firms during 1993-95; however, sales promotions (e.g., coupon programs), billback allowances, and advertising apparently increased substantially during 1993-95. For the large producers that depend on volume rather than niche or regional ethnic markets, marketing programs are critical to create demand for their

[4] ***.

products. The smaller firms apparently do not have the same marketing pressures as evidenced by their lower SG&A rates and absence of slotting fee expenses. The larger firms reported slotting fees generally less than *** percent of net sales. *** rate was the highest of those reporting,[5] and its rate increased from *** percent in 1993 to *** in 1995. Although slotting fees do not appear to be large when considered separately; however, combined with the other increased marketing costs for coupon programs, billback allowances, and other discounting, total marketing costs are considerable. For instance, ***. ***[6] ***. It appears that *** have devoted considerable resources to their head-to-head battle for market supremacy and to meet the competition for market share from both domestic and foreign producers. These *** producers accounted for *** percent of the total reported U.S. dry pasta net sales in 1995.

The combination of relatively flat net sales and increased SG&A expenses, primarily by ***, and increased semolina costs for all producers, were the principal causes of the deterioration of profitability from 1993 to 1995.

Borden's Operations on Dry Pasta

Borden's ***. Selected aggregate income-and-loss data less *** data are presented in the following tabulation (in thousands of dollars, except where noted) and complete income-and-loss data for Borden alone are presented in table VI-5:

Item	1993	1994	1995
Net sales	***	***	***
Less ***	***	***	***
Total without ***	***	***	***
Operating income or (loss)	***	***	***
Less ***	***	***	***
Total without ***	***	***	***
Operating income or (loss) as a percent of net sales:			
Total average	***	***	***
Less ***	***	***	***
Total average without ***	***	***	***

[5] Gooch Foods, AIPC, Best Foods, Borden, and Hershey.

[6] Questionnaire amounts for allowances, discounts, and rebates.

Table VI-5
Income-and-loss experience of Borden on its operations producing dry pasta, fiscal years 1993-95

* * * * * * *

***.[7] ***.[8] ***. Interest and other expenses affect net income, but not operating income.

Hershey's Operations on Dry Pasta

Hershey's income-and-loss data are presented in table VI-6. Hershey and Borden are the dominant U.S. producers of dry pasta. The two firms combined had ***. ***.[9]

Table VI-6
Income-and-loss experience of Hershey on its operations producing dry pasta, fiscal years 1993-95

* * * * * * *

[7] Telephone conversations with ***.

[8] ***.

[9] Staff discussion on June 14, 1996 with ***. The document in question was that submitted by the law firm of Collier, Shannon, Rill & Scott, ***.

VARIANCE ANALYSIS

The variance analysis, table VI-8, is based on the aggregate data of the 11 producers that provided sufficient financial data for an assessment of changes in profitability as related to changes in pricing, costs, and volume. There were relatively minor export sales and intercompany transfers. The information for the variance analysis is derived from information presented in tables VI-2 and VI-3. Although there may have been product mix changes during the period of investigation, it is believed that they are not of sufficient magnitude to invalidate general conclusions about the effects of changes in pricing, costs, and volume on profitability. The variance analysis revealed that the increase in cost of goods sold and SG&A expenses had the most harmful effects on profitability during 1993-95 and 1993-94. Additionally, a decrease in the per-pound value of net sales contributed to the unfavorable operating income variance during 1994-95. Although relatively minor, the decrease in volume for intercompany transfers during 1993-95 and 1994-95 contributed to the unfavorable operating income variance in the periods 1993-95 and 1994-95.

Table VI-7
Variance analysis for dry pasta, fiscal years 1993-95

* * * * * * *

INVESTMENT IN PRODUCTIVE FACILITIES, CAPITAL EXPENDITURES, AND RESEARCH AND DEVELOPMENT EXPENSES

The U.S. producers' value of property, plant, and equipment; capital expenditures; and research and development expenses are presented in table VI-8.

Table VI-8
Dry pasta: Value of property, plant, and equipment; capital expenditures; and research and development expenses, fiscal years 1993-95

Item	Value (*1,000 dollars*) 1993	1994	1995
All dry pasta:			
Fixed assets:			
Original cost	711,183	727,500	740,734
Book value	423,983	434,256	432,704
Capital expenditures			
All dry pasta	57,134	46,566	60,415
All dry non-egg pasta	46,782	41,444	57,181
Research and development expenses:			
All dry pasta	1,839	2,037	2,728

Note: Fixed assets are values at the end of the fiscal year; capital expenditures and research and development expenses are total expenditures for the respective fiscal years.

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 dry non-egg pasta in packages of 5 pounds or less 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 M.

PART VII ~ THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations.[1] Information on the final subsidy and LTFV margins was presented earlier in this report. Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in appendix M. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" and any dumping in third-country markets, follows.

ABILITY OF FOREIGN PRODUCERS TO GENERATE EXPORTS AND THE AVAILABILITY OF EXPORT MARKETS OTHER THAN THE UNITED STATES

The information in this section is based primarily on responses to Commission requests for information submitted to foreign manufacturers through their U.S. counsel.[2] Twenty-three Italian producers and two Turkish producers responded to questionnaires of the Commission. Staff also provided the names and addresses of all foreign manufacturers listed in the petition to the U.S. embassies in Italy and Turkey and requested additional information on the pasta industries in each of these countries.[3]

The Industry in Italy

In 1960, there were 730 plants producing pasta in Italy. In 1994, there were 167 such plants.[4] Not unlike the United States, the Italian pasta industry underwent a significant rationalization of production during the last 30 years. Pasta is manufactured throughout Italy with 52 percent of production plants located in the south of Italy, 32 percent in the north of Italy, and 16 percent in central Italy.[5] Most Italian pasta companies still primarily manufacture pasta, with Barilla,[6] Nestle, and Parmalat as noted

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[1] *See* 19 U.S.C. § 1677(7)(F)(i).

[2] On Mar. 7, 1996, a formal letter along with a questionnaire was sent to counsel for all respondents and petitioners in these investigations. Counsels were asked to have their clients submit responses and to identify other companies that should respond to the Commission's request for information.

[3] The Commission did not receive responses from the U.S. Embassies in Rome or Ankara in these final investigations.

[4] The Union Industriali Pastai Italiani (UNIPI) identified 170 pasta plants in Italy in 1992, 170 in 1993, and 167 in 1994. The Unione delle Associazioni degli Industriali Pastificatori della U.E. (UNAFPA) also identified 167 producers in 1994.

[5] *See* submission of Rogers & Wells of June 20, 1996, containing UNIPI's foreign producers' questionnaire response submitted to the Canadian International Trade Tribunal dated Feb. 5, 1996.

[6] ***. Postconference brief of Rogers & Wells, p. 18, n. 68.

exceptions.[7] According to UNIPI, semolina pasta production in Italy was 4.90 billion pounds in 1993 and 4.94 billion pounds 1994,[8] with capacity utilization at 83 percent and 82 percent, respectively.[9]

Table VII-1 lists the Italian producers responding to questionnaires of the Commission and provides shipment data, by company, for the period 1993-95. Table VII-2 presents aggregated industry data, based on Commission questionnaire responses, on Italy's capacity, production, capacity utilization, inventories, and shipments for the period 1993-95. Using UNIPI statistics as a benchmark for production, the 23 Italian producers responding to the Commission's questionnaires account for approximately one-half of Italian production. These same 23 companies accounted for 72.1 percent of U.S. imports from Italy in 1993, 66.8 percent in 1994, and 63.3 percent in 1995. Approximately one-quarter of Italy's exports are shipped to the United States. Exports are projected to account for one-third of industry shipments during 1996-97.

Barilla G. e R. F.lli Societa per Azioni ("Barilla"), the largest producer of dry pasta in Italy, accounting for *** percent of Italian production of dry non-egg pasta,[10] has recently expanded its market presence for dry pasta in the United States. ***.[11]

The petition discusses planned future capital investment by Barilla.[12] In its response to the Commission's foreign producer questionnaire, Barilla indicated ***.[13]

According to questionnaire responses, production capacity in Italy increased 4.6 percent from 1993-95 but by 1997 is projected to decrease by 3.4 percent from the level in 1995.

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[7] These firms also produce other food products.

[8] According to Italy's National Institute of Statistics (ISTAT), production of semolina pasta was 5.1 billion pounds in 1993. *See* petitioners' prehearing brief at p. 98 and exhibit 11 (ISTAT, "Databank," May 1994).

[9] *See* submission of Rogers & Wells of June 20, 1996, containing UNIPI's foreign producers' questionnaire response submitted to the Canadian International Trade Tribunal dated Feb. 5, 1996.

[10] Barilla's response to the Commission's foreign producers' questionnaire. Another source reports that Barilla accounts for 30 percent of Italy's pasta market. ("Is That Ed Artzt Pushing Pasta?", *Business Week,* Apr. 15, 1996, p. 102.)

[11] ***.

[12] Petition, p. 100.

[13] ***.

Table VII-1
Dry non-egg pasta: Producers in Italy, company location, shipments to the United States, total shipments, total export shipments, and shipments to the United States as a share of total shipments and total exports, 1993-95[1]

(Quantity in 1,000 pounds and shares in percent)

Company	Location	Cumulative1993-95--			Shipments to U.S. as a share of company's--	
		Shipments to the U.S.	Total shipments	Total export shipments	Total shipments	Total exports
		Quantity (1,000 pounds)			*(percent)*	
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
Total/average		559,325	8,015,211	2,447,933	7.0	22.8

[1] The companies in this table responded to questionnaires of the Commission. Companies are listed in order of cumulated shipments to the United States during the period 1993-95.
[2] ***.

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

Table VII-2
Dry non-egg pasta: Italy's production capacity, production, inventories, capacity utilization, and shipments, 1993-95, and projections for 1996-97[1]

Item	Actual experience			Projections	
	1993	1994	1995	1996	1997
	Quantity (1,000 pounds)				
Production capacity	2,802,937	2,849,128	2,932,245	2,915,617	2,832,495
Beginning inventories	170,778	173,272	171,186	171,334	157,062
Ending inventories	173,272	171,186	201,940	184,822	179,332
Production[2]	2,519,673	2,528,961	2,706,297	2,715,142	2,639,336
Purchases of finished goods	67,706	46,120	43,641	92,104	166,473
Shipments:					
Home market	1,899,137	1,829,347	1,844,403	1,848,898	1,830,448
Exports to--					
United States	155,347	196,285	207,393	209,752	203,232
All other markets	569,600	608,149	712,817	691,889	719,216
Total exports	722,848	804,436	920,650	900,805	922,347
Total shipments	2,622,087	2,628,072	2,765,053	2,756,504	2,752,896
	Ratios and shares (percent)				
Capacity utilization[3]	89.9	88.8	92.3	93.1	93.2
Inventories to production	6.9	6.8	7.5	6.8	6.8
Inventories to total shipments	6.6	6.5	7.3	6.7	6.5
Share of total quantity					
Home market	72.4	69.6	66.7	67.1	66.5
Exports to--					
United States	5.9	7.5	7.5	7.6	7.4
All other markets	21.7	23.1	25.8	25.1	26.1
Total exports	27.6	30.6	33.3	32.7	33.5

[1] The data presented in this table are based on the responses of the 23 Italian producers identified in table VII-1. These companies represent approximately one-half of Italian production, and 72.1 percent of U.S. imports from Italy in 1993, 66.8 percent in 1994, and 63.3 percent in 1995.

[2] According to UNIPI, dry pasta production was 4.9 billion pounds in 1993 and 1994.

[3] According to UNIPI, Italian capacity utilization was 83 percent in 1993 and 82 percent in 1994.

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

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

The Industry in Turkey

Turkey is reportedly one of the larger producers of pasta in the world, but its production is well behind that of Italy and the United States.[14] In contrast to most U.S. firms, producers in Turkey are integrated and mill the semolina used for pasta production.[15]

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 was reportedly 970 million pounds, resulting in capacity utilization of 73 percent.[16] Staff obtained data from only two Turkish producers, Filiz Gida Sanayii ve Ticaret A.S. (Filiz), and Maktas Makarnacilik ve Ticaret T.A.S (Maktas), in these final investigations.[17] These two responding Turkish producers had production of *** pounds in 1994 and *** pounds in 1995, accounting for an estimated *** of Turkish production.

Official U.S. import statistics show imports from Turkey totaled 47.9 million pounds in 1993, 65.9 million pounds in 1994, and 60.8 million pounds in 1995. Using official U.S. import statistics as a benchmark, Filiz and Maktas accounted for *** percent of exports to the United States in 1993, *** percent in 1994, and *** percent in 1995. According to official Government of Turkey export statistics, dry pasta exports to the United States totaled 45.2 million pounds in 1993, 68.0 million pounds in 1994, and 65.5 million pounds in 1995.[18]

Table VII-3 lists the Turkish producers responding to questionnaires of the Commission. These companies are included in the aggregate industry data for Turkey. Table VII-4 presents data on Turkey's capacity, production, capacity utilization, inventories, and shipments for the period 1993-95.

Based on the responses of two firms, Turkish production, capacity and shipments *** 1993-95. Exports accounted for *** of industry shipments from 1993 to 1995, with shipments to the United States accounting for *** percent of total shipments. According to the projected data, ***.[19]

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[14] S. Nobile Latin American Seminar data, Caracas (1992), apprearing in the Northern Crop Institute's "short course on pasta information."

[15] 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 of Grunfeld, Desiderio, Lebowitz & Silverman, pp. 20-22.

[16] Petition, pp. 100-101.

[17] The Commission received responses from five Turkish producers in the preliminary investigations. Three firms that responded in the preliminary investigations, Nuh Ticaret ve Sanayi A.S., Oba Makarnacilik Sanayii ve Ticaret, and Ulukartal Makarnacilik Ticaret Sanayi A.S., did not respond to the Commission's questionnaires in the final investigations. According to the U.S. Embassy in Ankara, these three firms and the two responding firms account for over 90 percent of exports of the product to the United States.

[18] Prehearing brief of Grunfeld, Desiderio, Lebowitz & Silverman, app. D, May 30, 1996.

[19] According to official U.S. import data, imports of dry pasta from Turkey have fallen dramatically since January 1996. Several of the largest importers of pasta from Turkey indicated *** and have shifted sources to

(continued...)

Table VII-3
Dry non-egg pasta: Producers in Turkey, company location, shipments to the United States, total shipments, total export shipments, and shipments to the United States as a share of total shipments and total exports, 1993-95[1]

* * * * * * *

Table VII-4
Dry non-egg pasta: Turkey's production capacity, production, inventories, capacity utilization, and shipments, 1993-95, and projections for 1996-97[1]

* * * * * * *

[19] (...continued)
Mexico and Chile. (Posthearing brief of Turkish respondents, p. 14.)

U.S. IMPORTERS' INVENTORIES

Information on inventories of subject imports held by U.S. importers is presented in table VII-5. End-of-period inventories of imports from Italy increased 169.3 percent from 1993 to 1995. Inventories of imports from Turkey increased 2.5 percent. The principal U.S. importers holding inventories of imports from Italy at the end of 1995 were ***. Overall, 40 U.S. importers maintained inventories of imports from Italy at the end of 1995. Four U.S. importers held inventories of imports from Turkey at the end of 1995: ***.

Table VII-5
Subject pasta: End-of-period inventories of U.S. importers, by sources, 1993-95

Item	1993	1994	1995
	Quantity (1,000 pounds)		
Italy[1]	14,095	28,973	37,956
Turkey[2]	7,299	8,544	7,478
Subtotal	22,394	37,517	45,434
	Ratio to imports (percent)		
Italy	8.9	13.3	15.8
Turkey	15.0	13.4	13.1
Subtotal	10.8	13.3	15.3
	Ratio to total shipments of imports (percent)		
Italy	9.2	14.1	16.3
Turkey	16.0	13.6	12.8
Subtotal	11.3	14.0	15.7

[1] The principal U.S. importers holding inventories of imports from Italy at the end of 1995 were ***. Overall, 40 U.S. importers maintained inventories of imports from Italy at the end of 1995.
[2] Four U.S. importers held inventories of imports from Turkey at the end of 1995: ***.

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

SUBSIDY AND ANTIDUMPING INVESTIGATIONS IN OTHER COUNTRIES

With respect to import relief investigations on dry pasta in countries other than the United States, including antidumping or countervailing duty findings or remedies, two countries (Australia and Canada) are known to have initiated and subsequently terminated investigations. On June 25, 1995, in response to an application filed by Australian pasta producers Nestle Australia, Ltd., San Remo Macaroni Co. Pty., Ltd., and Uncle Toby's Co., Ltd., the Australian Customs Service ("ACS") initiated antidumping investigations on certain dry uncooked pasta products in retail packs of sizes up to and including 2 kilograms from Indonesia and Italy. On September 25, 1995, the ACS determined that "there are not sufficient grounds for the publication of a dumping duty notice in respect of dry pasta exported from Indonesia and Italy,"[20] and terminated the investigations. The decision was reviewed by the Australian Anti-Dumping Authority and confirmed in December 1995.

On August 30, 1995, in response to a complaint filed by the Canadian Pasta Manufacturers' Association (Borden-Catelli Canada, Primo Foods Ltd., Italpasta Ltd., and Grisspasta Products Ltd.), Revenue Canada initiated antidumping and countervailing duty investigations on dry pasta, not stuffed or otherwise prepared, and not containing eggs, in packages up to and including 2.3 kilograms in weight, originating in or exported from Italy. On October 26, 1995, the Canadian International Trade Tribunal advised that the evidence disclosed a reasonable indication that the alleged dumping and subsidizing had caused or was threatening to cause injury to the domestic industry. On January 12, 1996, and April 11, 1996, Revenue Canada made affirmative preliminary and final determinations, respectively, of dumping and subsidization. However, on May 13, 1996, the Canadian International Trade Tribunal determined that there was no material injury or threat of material injury to the domestic industry by reason of the dumped and subsidized pasta from Italy, and terminated the investigations.[21]

There is currently an antidumping investigation being conducted in Israel concerning imports of pasta from Italy. The Israeli market accounts for approximately *** percent of total Italian exports.[22]

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[20] The ACS concluded that "(1) certain exports of dry pasta from Italy were not at dumped prices and the investigation in respect of these exporters should be terminated; (2) all exports of dry pasta from Indonesia and some exports from Italy have been exported to Australia at dumped prices; (3) the applicants have not suffered material injury as a result of imports of pasta at dumped prices; and (4) there is no foreseeable or imminent threat of future injury from imports of pasta from Indonesia or Italy at dumped prices." *Certain Dry Pasta Products Exported from Indonesia and Italy,* Report and Preliminary Finding No. 95/3, Sept. 25, 1995.

[21] Canada also conducted a countervailing duty investigation in 1986-87 on dry pasta in packages up to and including 2.5 kilograms in weight from the European Community. On Feb. 12, 1987, the Canadian Import Tribunal determined that the subject pasta had not caused, was not causing, and was not likely to cause material injury to the industry in Canada, thus terminating the investigation.

[22] Prehearing brief of Italian respondents, section C, p. 20.

APPENDIX A

COMMISSION'S *FEDERAL REGISTER* NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701–TA–365 and 366 (Final)]

Certain Pasta From Italy and Turkey

AGENCY: International Trade Commission.

ACTION: Institution of final countervailing duty investigations.

SUMMARY: The Commission hereby gives notice of the institution of final countervailing duty investigations Nos. 701–TA–365 and 366 (Final) under section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)) (the Act) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of subsidized imports from Italy and Turkey of certain pasta,[1] provided for in subheading 1902.19.20 of the Harmonized Tariff Schedule of the United States.

Pursuant to a request from petitioner under section 705(a)(1) of the Act (19 U.S.C. 1671d(a)(1)), Commerce has extended the date for its final determinations to coincide with those to be made in the ongoing antidumping investigations on certain pasta from Italy and Turkey. Accordingly, the Commission will not establish a schedule for the conduct of the countervailing duty investigations until Commerce makes preliminary determinations in the antidumping investigations (currently scheduled for December 15, 1995).

For further information concerning the conduct of these investigations, hearing procedures, 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 C (19 CFR part 207).

EFFECTIVE DATE: October 17, 1995.

FOR FURTHER INFORMATION CONTACT: George Deyman (202–205–3197), 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. General information concerning the Commission may also be obtained by accessing its internet server (http://www.usitc.gov or ftp://ftp.usitc.gov).

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that certain benefits which constitute subsidies within the meaning of section 703 of the Act (19 U.S.C. 1671b) are being provided to manufacturers, producers, or exporters in Italy and Turkey of certain pasta. The investigations were requested in a petition filed on May 12, 1995, by 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 wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, not later than 21 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 section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these final investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made not later than 21 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.

Authority: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.20 of the Commission's rules.

Issued: November 22, 1995.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 95–29054 Filed 11–27–95; 8:45 am]

BILLING CODE 7020–02–P

[1] "Certain pasta," the imported product subject to these investigations, consists of non-egg dry pasta in packages of 5 pounds (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. Certain pasta is typically sold in the retail market in fiberboard or cardboard cartons or polyethylene or polypropylene bags, of varying dimensions. Excluded from the definition of certain pasta 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 2 percent egg white.

[Investigations Nos. 701–TA–365–366 (Final) and 731–TA–734–735 (Final)]

Certain Pasta From Italy and Turkey

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of final antidumping investigations and scheduling of the ongoing countervailing duty investigations.

SUMMARY: The Commission hereby gives notice of the institution of final antidumping Investigations Nos. 731–TA–734–735 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of less-than-fair-value imports from Italy and Turkey of certain pasta,[1] provided for in subheading 1902.19.20 of the Harmonized Tariff Schedule of the United States. The Commission also gives notice of the schedule to be followed in these antidumping investigations and the ongoing countervailing duty investigations regarding imports of certain pasta from Italy and Turkey (Invs. Nos. 701–TA–365–366 (Final)), which the Commission instituted effective October 17, 1995 (60 FR 58638, November 28, 1995). The schedules for the subject investigations will be identical, pursuant to Commerce's alignment of its final subsidy and dumping determinations.

For further information concerning the conduct of these investigations, hearing procedures, 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 C (19 CFR part 207).

EFFECTIVE DATE: January 17, 1996.

FOR FURTHER INFORMATION CONTACT: Fred Fischer (202–205–3179), 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. General information concerning the Commission may also be obtained by accessing its internet server (http://www.usitc.gov or ftp://ftp.usitc.gov).

SUPPLEMENTARY INFORMATION:

Background

The subject antidumping investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that imports of certain pasta from Italy and Turkey are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. 1673b). The Commission instituted the subject countervailing duty investigations effective October 17, 1995 (60 FR 58638, November 28, 1995). The antidumping and countervailing duty investigations were requested in a petition filed on May 12, 1995, by 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

Any person having already filed an entry of appearance in the countervailing duty investigations is considered a party in the antidumping investigations. Any other persons wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, not later than 21 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 the 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 section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these final investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made not later than 21 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.

Staff Report

The prehearing staff report in these investigations will be placed in the nonpublic record on May 22, 1996, and a public version will be issued thereafter, pursuant to section 207.21 of the Commission's rules.

Hearing

The Commission will hold a hearing in connection with these investigations beginning at 9:30 a.m. on June 5, 1996, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before May 28, 1996. A nonparty who has testimony that may aid the Commission's 4 deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on May 31, 1996, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), and 207.23(b) of the Commission's rules. Parties are strongly encouraged to submit as early in the investigations as possible any requests to present a portion of their hearing testimony in camera.

Written Submissions

Each party is encouraged to submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.22 of the Commission's rules; the deadline for filing is May 30, 1996. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.23(b) of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.24 of the Commission's rules. The deadline for filing posthearing briefs is June 11, 1996; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before June 11, 1996. On July 2, 1996, the Commission will make available to parties all information on which they have not had opportunity to comment. Parties may submit final comments on this

[1] "Certain pasta," the imported product subject to these investigations, consists of non-egg dry pasta in packages of 5 pounds (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. Certain pasta is typically sold in the retail market in fiberboard or cardboard cartons or polyethylene or polypropylene bags, of varying dimensions. Excluded from the definition of certain pasta 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 2 percent egg white.

information on or before July 5, 1996, but such final comments must not contain new factual information, or comment on information disclosed prior to the filing of posthearing briefs, and must otherwise comply with section 207.29 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with sections 201.16(c) and 207.3 of the Commission's 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 title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.20 of the Commission's rules.

By order of the Commission.

Issued: January 31, 1996.

Donna R. Koehnke,

Secretary.

[FR Doc. 96-2577 Filed 2-6-96; 8:45 am]

BILLING CODE 7020-02-P

APPENDIX B

CALENDAR OF HEARING

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject	:	CERTAIN PASTA FROM ITALY AND TURKEY
Investigation Nos.	:	701-TA-365 and 366 (Final) 731-TA-734 and 735 (Final)
Date and Time	:	June 5, 1996 - 9:30 a.m.

Sessions were held in connection with the investigation in the Main hearing room 101, 500 E Street, SW, Washington, D.C.

In Support of Imposition of Antidumping Duties:

Collier, Shannon, Rill and Scott
Washington, D.C.
on behalf of

Hershey Foods Corp.
Borden, Inc.
Gooch Foods, Inc.

C. Mickey Skinner, President, Hershey Pasta Group

David Tacka, Corporate Controller and Chief Accounting Officer, Hershey Foods Corp.

Howard Bowne, Director of Trade Marketing, Borden, Inc.

Matthew Nitzberg, Marketing Director, Pasta, Borden, Inc.

Dr. Paula Stern, Economic Consultant, The Stern Group

Michael T. Kerwin, Economic Consultant, Georgetown Economic Services

Gina E. Beck, Economic Consultant, Georgetown Economic Services

Paul C. Rosenthal)
David C. Smith, Jr.)-- OF COUNSEL
Lynn E. Duffy)

In Opposition to the Imposition of Antidumping Duties:

PANEL 1

Rogers and Wells
Washington, D.C.
and
O'Melveny and Myers
Washington, D.C.
on behalf of

Agnesi S.p.A.
Arrighi S.p.A. Industrie Alimentari
Barilla Alimentare S.p.A.
Barilla America, Inc.
Carmine Russo S.p.A.
Corticella Industria Molini e Pastifici S.p.A.
De Matteis Agroalimentare
F.lli De Cecco Di Filippo Fara S. Martino S.p.A.
F. Divella S.p.A.
Fabianelli S.p.A.
Ferrara Food Co., Inc.
Food World Sales, Inc.
Great Brands of Europe, Inc.
Industrie Alimentari Molisane
Joseph Rutigliano & Sons, Inc.
La Molisana Industrie Alimentari S.p.A.
La Pace Imports, Inc.
Liberty Richter, Inc.
Nestle Italiana S.p.A.
North American Enterprises, Inc.
Pastificio Antonio Pallante S.p.A.
Pastificio Attilio Mastromauro-Pasta Granoro S.r.l.
Petrini S.p.A.
Prodotti Mediterranei, Inc.
N. Puglisi & F. Industria Paste Alimentari S.p.A.
World Finer Foods, Inc.

Claudio Catuzzi, Director of Production, La Molisana Industrie Alimentari, S.p.A.

Ronald C. Curhan, Professor of Marketing, Boston University

Greg M. Oester, President, North American Enterprises, Inc.

Stephano Serra, Foreign Wheat Manager, Barilla Alimentare S.p.A.

Andrew Weiss, Director of Imports and Specialty Foods, Rykoff-Sexton, Inc.

In Opposition to the Imposition of Antidumping Duties:--Continued

Daniel W. Klett, Economic Consultant, Capital Trade Inc.

William Silverman)
Douglas J. Heffner)--OF COUNSEL (Rogers and Wells)
Stephen J. Claeys)

F. Amanda DeBusk --OF COUNSEL (O'Melveny and Myers)

McKenna and Cuneo
Washington, D.C.
and
Mound, Cotton and Wollan
New York, NY
on behalf of

Delverde, SrL

Tullio A. De Robbio, President, M. De Robbio and Sons, Inc., Cranston, Rhode Island

Lawrence J. Bogard--OF COUNSEL (McKenna and Cuneo)

Costantino P. Suriano--OF COUNSEL (Mound, Cotton and Wollan)

PANEL 2

Harris and Ellsworth
Washington, D.C.
on behalf of

Association of Food Industries (AFI) Pasta Group

Herbert E. Harris)
Jeffrey S. Levin) --OF COUNSEL

Barnes, Richardson & Colburn
Washington, D.C.
on behalf of

De Cecco

James H. Lundquist)
Gunter von Conrad)--OF COUNSEL
Edward C. Snyder)

In Opposition to the Imposition of Antidumping Duties:--Continued

PANEL 3

Grunfeld, Desiderio, Lebowitz and Silverman, LLP
Washington, D.C.
on behalf of

Maktas
Filiz Gida

Ayla Onder, Secretary General of Maktas

David L. Simon--OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1
Dry pasta: Summary data concerning the U.S. market, 1993-95

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

Reported data-- Item		1993	1994	1995	Period changes--	1993-95	1993-94	1994-95
U.S. consumption--								
Amount	*quantity*	2,833,625	3,028,555	3,112,308	*percent*	9.8%	6.9%	2.8%
Producers' share	*percent*	87.0%	84.1%	83.5%	*percentage pt.*	-3.5%	-2.8%	-0.6%
Importers' share:								
Subject:								
Italy	*percent*	7.6%	9.4%	10.4%	*percentage pt.*	2.8%	1.9%	0.9%
Turkey	*percent*	1.7%	2.1%	1.8%	*percentage pt.*	0.1%	0.4%	-0.3%
Subtotal	*percent*	9.3%	11.6%	12.2%	*percentage pt.*	2.9%	2.3%	0.6%
Non-subject:								
Italy	*percent*	0.1%	0.3%	0.2%	*percentage pt.*	0.1%	0.2%	-0.1%
Turkey	*percent*	0.0%	0.2%	0.2%	*percentage pt.*	0.2%	0.1%	0.1%
Other sources	*percent*	3.7%	3.8%	3.9%	*percentage pt.*	0.2%	0.2%	0.0%
Subtotal	*percent*	3.8%	4.3%	4.3%	*percentage pt.*	0.5%	0.5%	-0.0%
U.S. consumption--								
Amount	*value*	1,294,039	1,453,236	1,474,894	*percent*	14.0%	12.3%	1.5%
Producers' share	*percent*	87.8%	85.7%	84.4%	*percentage pt.*	-3.4%	-2.1%	-1.3%
Importers' share:								
Subject:								
Italy	*percent*	6.8%	8.6%	10.0%	*percentage pt.*	3.2%	1.8%	1.4%
Turkey	*percent*	0.9%	1.1%	0.9%	*percentage pt.*	0.1%	0.2%	-0.1%
Subtotal	*percent*	7.7%	9.7%	11.0%	*percentage pt.*	3.2%	2.0%	1.2%
Non-subject:								
Italy	*percent*	0.1%	0.3%	0.2%	*percentage pt.*	0.1%	0.2%	-0.1%
Turkey	*percent*	0.0%	0.1%	0.1%	*percentage pt.*	0.1%	0.1%	0.0%
Other sources	*percent*	4.4%	4.2%	4.3%	*percentage pt.*	-0.0%	-0.2%	0.2%
Subtotal	*percent*	4.5%	4.6%	4.7%	*percentage pt.*	0.2%	0.1%	0.1%
U.S. imports from--								
Subject:								
Italy--								
Quantity		213,966	285,860	322,448	*percent*	50.7%	33.6%	12.8%
Value		88,237	125,502	147,580	*percent*	67.3%	42.2%	17.6%
Unit value	*per pound*	$0.41	$0.44	$0.46	*percent*	11.0%	6.5%	4.2%
Ending inventory	*quantity*	14,095	28,973	37,956	*percent*	169.3%	105.6%	31.0%
Turkey--								
Quantity		48,803	64,022	57,046	*percent*	16.9%	31.2%	-10.9%
Value		11,490	15,541	13,935	*percent*	21.3%	35.3%	-10.3%
Unit value	*per pound*	$0.24	$0.24	$0.24	*percent*	3.8%	3.1%	0.6%
Ending inventory	*quantity*	7,299	8,544	7,478	*percent*	2.5%	17.1%	-12.5%
Subject sources--								
Quantity		262,769	349,882	379,494	*percent*	44.4%	33.2%	8.5%
Value		99,727	141,043	161,515	*percent*	62.0%	41.4%	14.5%
Unit value	*per pound*	$0.38	$0.40	$0.43	*percent*	12.1%	6.2%	5.6%
Ending inventory	*quantity*	21,394	37,517	45,434	*percent*	112.4%	75.4%	21.1%
U.S. imports from--								
Non-subject--								
Italy:								
Quantity		1,500	7,832	4,983	*percent*	232.2%	422.1%	-36.4%
Value		1,412	4,407	3,119	*percent*	120.9%	212.1%	-29.2%
Unit value	*per pound*	$0.94	$0.56	$0.63	*percent*	-33.5%	-40.2%	11.2%
Ending inventory	*quantity*	357	385	407	*percent*	14.0%	7.8%	5.7%
Turkey--								
Quantity		1,369	5,812	7,529	*percent*	450.0%	324.5%	29.5%
Value		314	1,347	1,754	*percent*	458.6%	329.0%	30.2%
Unit value	*per pound*	$0.23	$0.23	$0.23	*percent*	1.6%	1.0%	0.5%
Ending inventory	*quantity*	50	291	1,180	*percent*	2260.0%	482.0%	305.5%
Other sources--								
Quantity		103,609	116,559	121,090	*percent*	16.9%	12.5%	3.9%
Value		56,476	60,437	63,835	*percent*	13.0%	7.0%	5.6%
Unit value	*per pound*	$0.55	$0.52	$0.53	*percent*	-3.3%	-4.9%	1.7%
Ending inventory	*quantity*							
All sources--								
Quantity		106,478	130,203	133,602	*percent*	25.5%	22.3%	2.6%
Value		58,202	66,191	68,708	*percent*	18.1%	13.7%	3.8%
Unit value	*per pound*	$0.55	$0.51	$0.51	*percent*	-5.9%	-7.0%	1.2%
Ending inventory	*quantity*	407	676	1,587	*percent*	289.9%	66.1%	134.8%

Table continued.

Table C-1--Continued
Dry pasta: Summary data concerning the U.S. market, 1993-95

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

Reported data-- Item		1993	1994	1995	Period changes--	1993-95	1993-94	1994-95
U.S. producers'--								
Average capacity	*quantity*	3,492,033	3,703,316	3,668,937	*percent*	5.1%	6.1%	-0.9%
Production	*quantity*	2,441,469	2,616,714	2,589,015	*percent*	6.0%	7.2%	-1.1%
Capacity utilization	*percent*	69.9%	70.7%	70.6%	*percentage pt.*	0.7%	0.7%	-0.1%
U.S. shipments:								
Quantity		2,464,378	2,548,470	2,599,212	*percent*	5.5%	3.4%	2.0%
Value		1,136,110	1,246,002	1,244,671	*percent*	9.6%	9.7%	-0.1%
Unit value	*per pound*	$0.46	$0.49	$0.48	*percent*	3.9%	6.1%	-2.1%
Export shipments:								
Quantity		20,295	32,754	4,525	*percent*	-77.7%	61.4%	-86.2%
Value		4,686	10,376	1,994	*percent*	-57.4%	121.4%	-80.8%
Unit value	*per pound*	$0.23	$0.32	$0.44	*percent*	90.9%	37.2%	39.1%
Ending inventory	*quantity*	204,913	243,197	226,142	*percent*	10.4%	18.7%	-7.0%
Inventory/shipments		8.3%	9.5%	8.7%	*percentage pt.*	0.4%	1.2%	-0.8%
Production workers		4,418	4,694	4,516	*percent*	2.2%	6.2%	-3.8%
Hours worked	*1,000 hrs.*	9,826	9,500	9,142	*percent*	-7.0%	-3.3%	-3.8%
Wages paid	*value*	114,040	115,423	118,849	*percent*	4.2%	1.2%	3.0%
Hourly wages	*value*	$11.61	$12.15	$13.00	*percent*	12.0%	4.7%	7.0%
Productivity	*lbs./1,000 hrs.*	248.5	275.4	283.2	*percent*	14.0%	10.9%	2.8%
Unit labor costs	*per pound*	$0.047	$0.044	$0.046	*percent*	-1.7%	-5.6%	4.1%

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

Table C-2
Dry non-egg pasta: Summary data concerning the U.S. market, 1993-95

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

Reported data-- Item		1993	1994	1995	Period changes--	1993-95	1993-94	1994-95
U.S. consumption--								
Amount	*quantity*	2,546,039	2,728,600	2,830,655	*percent*	11.2%	7.2%	3.7%
Producers' share	*percent*	85.5%	82.4%	81.9%	*percentage pt.*	-3.6%	-3.1%	-0.5%
Importers' share:								
Subject:								
Italy	*percent*	8.4%	10.5%	11.4%	*percentage pt.*	3.0%	2.1%	0.9%
Turkey	*percent*	1.9%	2.3%	2.0%	*percentage pt.*	0.1%	0.4%	-0.3%
Subtotal	*percent*	10.3%	12.8%	13.4%	*percentage pt.*	3.1%	2.5%	0.6%
Non-subject:								
Italy	*percent*	0.1%	0.3%	0.2%	*percentage pt.*	0.1%	0.2%	-0.1%
Turkey	*percent*	0.1%	0.2%	0.3%	*percentage pt.*	0.2%	0.2%	0.1%
Other sources	*percent*	4.1%	4.3%	4.3%	*percentage pt.*	0.2%	0.2%	0.0%
Subtotal	*percent*	4.2%	4.8%	4.7%	*percentage pt.*	0.5%	0.6%	-0.1%
U.S. consumption--								
Amount	*value*	1,129,699	1,268,820	1,304,526	*percent*	15.5%	12.3%	2.8%
Producers' share	*percent*	86.0%	83.7%	82.4%	*percentage pt.*	-3.7%	-2.4%	-1.3%
Importers' share:								
Subject:								
Italy	*percent*	7.8%	9.9%	11.3%	*percentage pt.*	3.5%	2.1%	1.4%
Turkey	*percent*	1.0%	1.2%	1.1%	*percentage pt.*	0.1%	0.2%	-0.2%
Subtotal	*percent*	8.8%	11.1%	12.4%	*percentage pt.*	3.6%	2.3%	1.3%
Non-subject:								
Italy	*percent*	0.1%	0.3%	0.2%	*percentage pt.*	0.1%	0.2%	-0.1%
Turkey	*percent*	0.0%	0.1%	0.1%	*percentage pt.*	0.1%	0.1%	0.0%
Other sources	*percent*	5.0%	4.8%	4.9%	*percentage pt.*	-0.1%	-0.2%	0.1%
Subtotal	*percent*	5.2%	5.2%	5.3%	*percentage pt.*	0.1%	0.1%	0.1%
U.S. imports from--								
Subject:								
Italy--								
Quantity		213,966	285,860	322,448	*percent*	50.7%	33.6%	12.8%
Value		88,237	125,502	147,580	*percent*	67.3%	42.2%	17.6%
Unit value	*per pound*	$0.41	$0.44	$0.46	*percent*	11.0%	6.5%	4.2%
Ending inventory	*quantity*	14,095	28,973	37,956	*percent*	169.3%	105.6%	31.0%
Turkey--								
Quantity		48,803	64,022	57,046	*percent*	16.9%	31.2%	-10.9%
Value		11,490	15,541	13,935	*percent*	21.3%	35.3%	-10.3%
Unit value	*per pound*	$0.24	$0.24	$0.24	*percent*	3.8%	3.1%	0.6%
Ending inventory	*quantity*	7,299	8,544	7,478	*percent*	2.5%	17.1%	-12.5%
Subject sources--								
Quantity		262,769	349,882	379,494	*percent*	44.4%	33.2%	8.5%
Value		99,727	141,043	161,515	*percent*	62.0%	41.4%	14.5%
Unit value	*per pound*	$0.38	$0.40	$0.43	*percent*	12.1%	6.2%	5.6%
Ending inventory	*quantity*	21,394	37,517	45,434	*percent*	112.4%	75.4%	21.1%
U.S. imports from--								
Non-subject--								
Italy:								
Quantity		1,500	7,832	4,983	*percent*	232.2%	422.1%	-36.4%
Value		1,412	4,407	3,119	*percent*	120.9%	212.1%	-29.2%
Unit value	*per pound*	$0.94	$0.56	$0.63	*percent*	-33.5%	-40.2%	11.2%
Ending inventory	*quantity*	357	385	407	*percent*	14.0%	7.8%	5.7%
Turkey--								
Quantity		1,369	5,812	7,529	*percent*	450.0%	324.5%	29.5%
Value		314	1,347	1,754	*percent*	458.6%	329.0%	30.2%
Unit value	*per pound*	$0.23	$0.23	$0.23	*percent*	1.6%	1.0%	0.5%
Ending inventory	*quantity*	50	291	1,180	*percent*	2260.0%	482.0%	305.5%
Other sources--								
Quantity		103,609	116,559	121,090	*percent*	16.9%	12.5%	3.9%
Value		56,476	60,437	63,835	*percent*	13.0%	7.0%	5.6%
Unit value	*per pound*	$0.55	$0.52	$0.53	*percent*	-3.3%	-4.9%	1.7%
Ending inventory	*quantity*							
All sources--								
Quantity		106,478	130,203	133,602	*percent*	25.5%	22.3%	2.6%
Value		58,202	66,191	68,708	*percent*	18.1%	13.7%	3.8%
Unit value	*per pound*	$0.55	$0.51	$0.51	*percent*	-5.9%	-7.0%	1.2%
Ending inventory	*quantity*	407	676	1,587	*percent*	289.9%	66.1%	134.8%

Table continued.

Table C-2--Continued
Dry non-egg pasta: Summary data concerning the U.S. market, 1993-95

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

Reported data-- Item		1993	1994	1995	Period changes--	1993-95	1993-94	1994-95
U.S. producers'--								
Average capacity	*quantity*	3,108,227	3,267,446	3,231,415	*percent*	4.0%	5.1%	-1.1%
Production	*quantity*	2,158,744	2,306,548	2,310,893	*percent*	7.0%	6.8%	0.2%
Capacity utilization	*percent*	69.5%	70.6%	71.5%	*percentage pt.*	2.1%	1.1%	0.9%
U.S. shipments:								
Quantity		2,176,792	2,248,515	2,317,559	*percent*	6.5%	3.3%	3.1%
Value		971,770	1,061,586	1,074,303	*percent*	10.6%	9.2%	1.2%
Unit value	*per pound*	$0.45	$0.47	$0.46	*percent*	3.8%	5.8%	-1.8%
Export shipments:								
Quantity		18,829	31,776	3,392	*percent*	-82.0%	68.8%	-89.3%
Value		4,228	10,047	1,018	*percent*	-75.9%	137.6%	-89.9%
Unit value	*per pound*	$0.22	$0.32	$0.30	*percent*	33.7%	40.8%	-5.1%
Ending inventory	*quantity*	184,607	213,645	203,275	*percent*	10.1%	15.7%	-4.9%
Inventory/shipments		8.5%	9.5%	8.8%	*percentage pt.*	0.3%	1.0%	-0.7%
Production workers		3,925	4,173	4,040	*percent*	2.9%	6.3%	-3.2%
Hours worked	*1,000 hrs.*	8,784	8,419	8,206	*percent*	-6.6%	-4.2%	-2.5%
Wages paid	*value*	101,213	101,222	105,607	*percent*	4.3%	0.0%	4.3%
Hourly wages	*value*	$11.52	$12.02	$12.87	*percent*	11.7%	4.3%	7.0%
Productivity	*lbs./1,000 hrs.*	245.8	274.0	281.6	*percent*	14.6%	11.5%	2.8%
Unit labor costs	*per pound*	$0.047	$0.044	$0.046	*percent*	-2.5%	-6.4%	4.1%

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

Table C-3
Dry pasta (commercial market only): Summary data concerning the U.S. market, 1993-95

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

Reported data-- Item		1993	1994	1995	Period changes--	1993-95	1993-94	1994-95
U.S. consumption--								
Amount	*quantity*	2,348,649	2,530,116	2,626,259	*percent*	11.8%	7.7%	3.8%
Producers' share	*percent*	84.3%	81.0%	80.5%	*percentage pt.*	-3.8%	-3.3%	-0.6%
Importers' share:								
Subject:								
Italy	*percent*	9.1%	11.3%	12.3%	*percentage pt.*	3.2%	2.2%	1.0%
Turkey	*percent*	2.1%	2.5%	2.2%	*percentage pt.*	0.1%	0.5%	-0.4%
Subtotal	*percent*	11.2%	13.8%	14.4%	*percentage pt.*	3.3%	2.6%	0.6%
Non-subject:								
Italy	*percent*	0.1%	0.3%	0.2%	*percentage pt.*	0.1%	0.2%	-0.1%
Turkey	*percent*	0.1%	0.2%	0.3%	*percentage pt.*	0.2%	0.2%	0.1%
Other sources	*percent*	4.4%	4.6%	4.6%	*percentage pt.*	0.2%	0.2%	0.0%
Subtotal	*percent*	4.5%	5.1%	5.1%	*percentage pt.*	0.6%	0.6%	-0.1%
U.S. consumption--								
Amount	*value*	1,129,922	1,273,412	1,297,269	*percent*	14.8%	12.7%	1.9%
Producers' share	*percent*	86.0%	83.7%	82.3%	*percentage pt.*	-3.8%	-2.3%	-1.5%
Importers' share:								
Subject:								
Italy	*percent*	7.8%	9.9%	11.4%	*percentage pt.*	3.6%	2.0%	1.5%
Turkey	*percent*	1.0%	1.2%	1.1%	*percentage pt.*	0.1%	0.2%	-0.1%
Subtotal	*percent*	8.8%	11.1%	12.5%	*percentage pt.*	3.6%	2.2%	1.4%
Non-subject:								
Italy	*percent*	0.1%	0.3%	0.2%	*percentage pt.*	0.1%	0.2%	-0.1%
Turkey	*percent*	0.0%	0.1%	0.1%	*percentage pt.*	0.1%	0.1%	0.0%
Other sources	*percent*	5.0%	4.7%	4.9%	*percentage pt.*	-0.1%	-0.3%	0.2%
Subtotal	*percent*	5.2%	5.2%	5.3%	*percentage pt.*	0.1%	0.0%	0.1%
U.S. imports from--								
Subject:								
Italy--								
Quantity		213,966	285,860	322,448	*percent*	50.7%	33.6%	12.8%
Value		88,237	125,502	147,580	*percent*	67.3%	42.2%	17.6%
Unit value	*per pound*	$0.41	$0.44	$0.46	*percent*	11.0%	6.5%	4.2%
Ending inventory	*quantity*	14,095	28,973	37,956	*percent*	169.3%	105.6%	31.0%
Turkey--								
Quantity		48,803	64,022	57,046	*percent*	16.9%	31.2%	-10.9%
Value		11,490	15,541	13,935	*percent*	21.3%	35.3%	-10.3%
Unit value	*per pound*	$0.24	$0.24	$0.24	*percent*	3.8%	3.1%	0.6%
Ending inventory	*quantity*	7,299	8,544	7,478	*percent*	2.5%	17.1%	-12.5%
Subject sources--								
Quantity		262,769	349,882	379,494	*percent*	44.4%	33.2%	8.5%
Value		99,727	141,043	161,515	*percent*	62.0%	41.4%	14.5%
Unit value	*per pound*	$0.38	$0.40	$0.43	*percent*	12.1%	6.2%	5.6%
Ending inventory	*quantity*	21,394	37,517	45,434	*percent*	112.4%	75.4%	21.1%
U.S. imports from--								
Non-subject--								
Italy:								
Quantity		1,500	7,832	4,983	*percent*	232.2%	422.1%	-36.4%
Value		1,412	4,407	3,119	*percent*	120.9%	212.1%	-29.2%
Unit value	*per pound*	$0.94	$0.56	$0.63	*percent*	-33.5%	-40.2%	11.2%
Ending inventory	*quantity*	357	385	407	*percent*	14.0%	7.8%	5.7%
Turkey--								
Quantity		1,369	5,812	7,529	*percent*	450.0%	324.5%	29.5%
Value		314	1,347	1,754	*percent*	458.6%	329.0%	30.2%
Unit value	*per pound*	$0.23	$0.23	$0.23	*percent*	1.6%	1.0%	0.5%
Ending inventory	*quantity*	50	291	1,180	*percent*	2260.0%	482.0%	305.5%
Other sources--								
Quantity		103,609	116,559	121,090	*percent*	16.9%	12.5%	3.9%
Value		56,476	60,437	63,835	*percent*	13.0%	7.0%	5.6%
Unit value	*per pound*	$0.55	$0.52	$0.53	*percent*	-3.3%	-4.9%	1.7%
Ending inventory	*quantity*							
All sources--								
Quantity		106,478	130,203	133,602	*percent*	25.5%	22.3%	2.6%
Value		58,202	66,191	68,708	*percent*	18.1%	13.7%	3.8%
Unit value	*per pound*	$0.55	$0.51	$0.51	*percent*	-5.9%	-7.0%	1.2%
Ending inventory	*quantity*	407	676	1,587	*percent*	289.9%	66.1%	134.8%

Table continued.

Table C-3--Continued
Dry pasta (commercial market only): Summary data concerning the U.S. market, 1993-95

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

Reported data-- Item		1993	1994	1995	Period changes--	1993-95	1993-94	1994-95
U.S. producers'--								
Average capacity	*quantity*	3,492,033	3,703,316	3,668,937	*percent*	5.1%	6.1%	-0.9%
Production	*quantity*	2,441,469	2,616,714	2,589,015	*percent*	6.0%	7.2%	-1.1%
Capacity utilization	*percent*	69.9%	70.7%	70.6%	*percentage pt.*	0.7%	0.7%	-0.1%
U.S. shipments:								
Quantity		1,979,402	2,050,031	2,113,163	*percent*	6.8%	3.6%	3.1%
Value		971,993	1,066,178	1,067,046	*percent*	9.8%	9.7%	0.1%
Unit value	*per pound*	$0.49	$0.52	$0.50	*percent*	2.8%	5.9%	-2.9%
Export shipments:								
Quantity		20,295	32,754	4,525	*percent*	-77.7%	61.4%	-86.2%
Value		4,686	10,376	1,994	*percent*	-57.4%	121.4%	-80.8%
Unit value	*per pound*	$0.23	$0.32	$0.44	*percent*	90.9%	37.2%	39.1%
Ending inventory	*quantity*	204,913	243,197	226,142	*percent*	10.4%	18.7%	-7.0%
Inventory/shipments		10.4%	11.9%	10.7%	*percentage pt.*	0.3%	1.5%	-1.2%
Production workers		4,418	4,694	4,516	*percent*	2.2%	6.2%	-3.8%
Hours worked	*1,000 hrs.*	9,826	9,500	9,142	*percent*	-7.0%	-3.3%	-3.8%
Wages paid	*value*	114,040	115,423	118,849	*percent*	4.2%	1.2%	3.0%
Hourly wages	*value*	$11.61	$12.15	$13.00	*percent*	12.0%	4.7%	7.0%
Productivity	*lbs./1,000 hrs.*	248.5	275.4	283.2	*percent*	14.0%	10.9%	2.8%
Unit labor costs	*per pound*	$0.047	$0.044	$0.046	*percent*	-1.7%	-5.6%	4.1%

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

Table C-4
Dry non-egg pasta (commercial market only): Summary data concerning the U.S. market, 1993-95

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

Reported data-- Item		1993	1994	1995	Period changes--	1993-95	1993-94	1994-95
U.S. consumption--								
Amount	*quantity*	2,112,959	2,274,973	2,384,292	*percent*	12.8%	7.7%	4.8%
Producers' share	*percent*	82.5%	78.9%	78.5%	*percentage pt.*	-4.0%	-3.6%	-0.4%
Importers' share:								
Subject:								
Italy	*percent*	10.1%	12.6%	13.5%	*percentage pt.*	3.4%	2.4%	1.0%
Turkey	*percent*	2.3%	2.8%	2.4%	*percentage pt.*	0.1%	0.5%	-0.4%
Subtotal	*percent*	12.4%	15.4%	15.9%	*percentage pt.*	3.5%	2.9%	0.5%
Non-subject:								
Italy	*percent*	0.1%	0.3%	0.2%	*percentage pt.*	0.1%	0.3%	-0.1%
Turkey	*percent*	0.1%	0.3%	0.3%	*percentage pt.*	0.3%	0.2%	0.1%
Other sources	*percent*	4.9%	5.1%	5.1%	*percentage pt.*	0.2%	0.2%	-0.0%
Subtotal	*percent*	5.0%	5.7%	5.6%	*percentage pt.*	0.6%	0.7%	-0.1%
U.S. consumption--								
Amount	*value*	980,959	1,102,416	1,139,684	*percent*	16.2%	12.4%	3.4%
Producers' share	*percent*	83.9%	81.2%	79.8%	*percentage pt.*	-4.1%	-2.7%	-1.4%
Importers' share:								
Subject:								
Italy	*percent*	9.0%	11.4%	12.9%	*percentage pt.*	4.0%	2.4%	1.6%
Turkey	*percent*	1.2%	1.4%	1.2%	*percentage pt.*	0.1%	0.2%	-0.2%
Subtotal	*percent*	10.2%	12.8%	14.2%	*percentage pt.*	4.0%	2.6%	1.4%
Non-subject:								
Italy	*percent*	0.1%	0.4%	0.3%	*percentage pt.*	0.1%	0.3%	-0.1%
Turkey	*percent*	0.0%	0.1%	0.2%	*percentage pt.*	0.1%	0.1%	0.0%
Other sources	*percent*	5.8%	5.5%	5.6%	*percentage pt.*	-0.2%	-0.3%	0.1%
Subtotal	*percent*	5.9%	6.0%	6.0%	*percentage pt.*	0.1%	0.1%	0.0%
U.S. imports from--								
Subject:								
Italy--								
Quantity		213,966	285,860	322,448	*percent*	50.7%	33.6%	12.8%
Value		88,237	125,502	147,580	*percent*	67.3%	42.2%	17.6%
Unit value	*per pound*	$0.41	$0.44	$0.46	*percent*	11.0%	6.5%	4.2%
Ending inventory	*quantity*	14,095	28,973	37,956	*percent*	169.3%	105.6%	31.0%
Turkey--								
Quantity		48,803	64,022	57,046	*percent*	16.9%	31.2%	-10.9%
Value		11,490	15,541	13,935	*percent*	21.3%	35.3%	-10.3%
Unit value	*per pound*	$0.24	$0.24	$0.24	*percent*	3.8%	3.1%	0.6%
Ending inventory	*quantity*	7,299	8,544	7,478	*percent*	2.5%	17.1%	-12.5%
Subject sources--								
Quantity		262,769	349,882	379,494	*percent*	44.4%	33.2%	8.5%
Value		99,727	141,043	161,515	*percent*	62.0%	41.4%	14.5%
Unit value	*per pound*	$0.38	$0.40	$0.43	*percent*	12.1%	6.2%	5.6%
Ending inventory	*quantity*	21,394	37,517	45,434	*percent*	112.4%	75.4%	21.1%
U.S. imports from--								
Non-subject--								
Italy:								
Quantity		1,500	7,832	4,983	*percent*	232.2%	422.1%	-36.4%
Value		1,412	4,407	3,119	*percent*	120.9%	212.1%	-29.2%
Unit value	*per pound*	$0.94	$0.56	$0.63	*percent*	-33.5%	-40.2%	11.2%
Ending inventory	*quantity*	357	385	407	*percent*	14.0%	7.8%	5.7%
Turkey--								
Quantity		1,369	5,812	7,529	*percent*	450.0%	324.5%	29.5%
Value		314	1,347	1,754	*percent*	458.6%	329.0%	30.2%
Unit value	*per pound*	$0.23	$0.23	$0.23	*percent*	1.6%	1.0%	0.5%
Ending inventory	*quantity*	50	291	1,180	*percent*	2260.0%	482.0%	305.5%
Other sources--								
Quantity		103,609	116,559	121,090	*percent*	16.9%	12.5%	3.9%
Value		56,476	60,437	63,835	*percent*	13.0%	7.0%	5.6%
Unit value	*per pound*	$0.55	$0.52	$0.53	*percent*	-3.3%	-4.9%	1.7%
Ending inventory	*quantity*							
All sources--								
Quantity		106,478	130,203	133,602	*percent*	25.5%	22.3%	2.6%
Value		58,202	66,191	68,708	*percent*	18.1%	13.7%	3.8%
Unit value	*per pound*	$0.55	$0.51	$0.51	*percent*	-5.9%	-7.0%	1.2%
Ending inventory	*quantity*	407	676	1,587	*percent*	289.9%	66.1%	134.8%

Table continued.

Table C-4--Continued
Dry non-egg pasta (commercial market only): Summary data concerning the U.S. market, 1993-95

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

Reported data-- Item		1993	1994	1995	Period changes--	1993-95	1993-94	1994-95
U.S. producers'--								
Average capacity	*quantity*	3,108,227	3,267,446	3,231,415	*percent*	4.0%	5.1%	-1.1%
Production	*quantity*	2,158,744	2,306,548	2,310,893	*percent*	7.0%	6.8%	0.2%
Capacity utilization	*percent*	69.5%	70.6%	71.5%	*percentage pt.*	2.1%	1.1%	0.9%
U.S. shipments:								
Quantity		1,743,712	1,794,888	1,871,196	*percent*	7.3%	2.9%	4.3%
Value		823,030	895,182	909,461	*percent*	10.5%	8.8%	1.6%
Unit value	*per pound*	$0.47	$0.50	$0.49	*percent*	3.0%	5.7%	-2.5%
Export shipments:								
Quantity		18,829	31,776	3,392	*percent*	-82.0%	68.8%	-89.3%
Value		4,228	10,047	1,018	*percent*	-75.9%	137.6%	-89.9%
Unit value	*per pound*	$0.22	$0.32	$0.30	*percent*	33.7%	40.8%	-5.1%
Ending inventory	*quantity*	184,607	213,645	203,275	*percent*	10.1%	15.7%	-4.9%
Inventory/shipments		10.6%	11.9%	10.9%	*percentage pt.*	0.3%	1.3%	-1.0%
Production workers		3,925	4,173	4,040	*percent*	2.9%	6.3%	-3.2%
Hours worked	*1,000 hrs.*	8,784	8,419	8,206	*percent*	-6.6%	-4.2%	-2.5%
Wages paid	*value*	101,213	101,222	105,607	*percent*	4.3%	0.0%	4.3%
Hourly wages	*value*	$11.52	$12.02	$12.87	*percent*	11.7%	4.3%	7.0%
Productivity	*lbs./1,000 hrs.*	245.8	274.0	281.6	*percent*	14.6%	11.5%	2.8%
Unit labor costs	*per pound*	$0.047	$0.044	$0.046	*percent*	-2.5%	-6.4%	4.1%

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

APPENDIX D

ADDITIONAL DATA ON CHANNELS OF DISTRIBUTION

Table D-1
Dry non-egg pasta in packages of 5 pounds or less: U.S. producers' U.S. shipments, by channels of distribution, 1993-95

(Quantity in 1,000 pounds and shares in percent)

Channel of distribution	1993		1994		1995	
	Quantity	Share	Quantity	Share	Quantity	Share
Retail market--						
Retail grocery chains	716,840	50.6	744,924	48.6	764,087	47.7
Wholesale distributors	395,331	27.9	391,578	25.6	383,186	23.9
Wholesale clubs	40,544	2.9	46,768	3.1	60,583	3.8
Specialty distributors	1,120	0.1	1,360	0.1	1,920	0.1
Mass merchandisers	31,899	2.3	25,330	1.7	12,549	0.8
DSD distributors[1]	11,321	0.8	11,367	0.7	11,607	0.7
Other retail[2]	17,395	1.2	39,562	2.6	48,227	3.0
Food service market--						
Food service distributors	6,068	0.4	6,692	0.4	11,178	0.7
Institutional users	9	0.0	0	0.0	0	0.0
Restaurants	0	0.0	0	0.0	0	0.0
Other food service[2]	1,703	0.1	28,681	1.9	40,080	2.5
Industrial use--[3]						
Dry macaroni & cheese	175,450	12.4	191,171	12.5	200,164	12.5
Shelf-stable prepared	0	0.0	0	0.0	2,775	0.2
Soup (canned & dry)	0	0.0	0	0.0	0	0.0
Other industrial[2]	9,940	0.7	34,419	2.2	33,248	2.1
Other U.S. producers	9,990	0.7	10,460	0.7	33,340	2.1

[1] Direct store delivery (DSD) distributors. ***.
[2] Includes other and unknown.
[3] Includes internal transfers.

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

Table D-2
Dry egg pasta: U.S. producers' U.S. shipments, by channels of distribution, 1993-95

(Quantity in 1,000 pounds and shares in percent)

Channel of distribution	1993		1994		1995	
	Quantity	Share	Quantity	Share	Quantity	Share
Retail market--						
Retail grocery chains	104,542	44.2	94,275	41.7	91,135	37.8
Wholesale distributors	64,860	27.4	52,560	23.2	49,959	20.7
Wholesale clubs	4,542	1.9	3,378	1.5	2,761	1.1
Specialty distributors	290	0.1	350	0.2	480	0.2
Mass merchandisers	257	0.1	344	0.2	592	0.2
DSD distributors[1]	1,220	0.5	1,221	0.5	1,216	0.5
Other retail[2]	1,580	0.7	1,470	0.6	1,369	0.6
Food service market--						
Food service distributors	13,353	5.6	14,955	6.6	17,469	7.2
Institutional users	1,373	0.6	284	0.1	494	0.2
Restaurants	501	0.2	366	0.2	270	0.1
Other food service[2]	924	0.4	597	0.3	605	0.3
Industrial use--[3]						
Dry macaroni & cheese	6,202	2.6	8,550	3.8	10,266	4.3
Shelf-stable prepared	9,745	4.1	9,397	4.2	9,243	3.8
Soup (canned & dry)	***	***	***	***	***	***
Other industrial[2]	***	***	***	***	***	***
Other U.S. producers	2,497	1.1	2,615	1.2	2,865	1.2

[1] Direct store delivery (DSD) distributors. ***.
[2] Includes other and unknown.
[3] Includes internal transfers.

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

APPENDIX E

SUMMARY OF PURCHASER RESPONSES

Purchasers were asked to rate the following factors in terms of their importance in the firm's purchasing decision for dry pasta produced in the United States, Italy, and Turkey.

	Very important			Somewhat important			Not important		
	U.S.	Italy	Turkey	U.S.	Italy	Turkey	U.S.	Italy	Turkey
	Number of firms reporting								
Availability	27	23	7	1	2	0	0	0	0
Brand name	14	14	1	11	11	4	3	0	2
Brand image	14	17	1	9	7	4	4	1	2
Brand loyalty	14	13	1	10	10	3	3	2	3
Country image	8	15	1	14	8	4	4	2	2
Delivery time	22	19	6	5	5	1	0	1	0
Discounts/rebates/ promotions	18	15	4	8	9	1	2	1	2
Lowest price	9	6	5	14	12	1	5	7	1
Order leadtime	17	16	6	9	9	1	1	0	0
Packaging	14	14	2	11	11	4	1	0	1
Product consistency	24	23	3	4	2	4	0	0	0
Product quality	25	24	4	3	1	3	0	0	0
Product range	17	19	2	8	6	5	2	0	0

Purchasers were asked to rate how dry pasta from the various sources compared with regard to the following factors.

COMPARISONS BETWEEN U.S. AND ITALIAN PRODUCT

	U.S. superior	**Comparable**	**U.S. inferior**
	Number of firms reporting		
Availability	14	15	1
Brand image	6	15	6
Brand loyalty	8	16	8
Country image	5	14	1
Delivery time	22	8	1
Discounts/rebates/promotions	15	13	1
Lowest price	13	12	3
Order leadtime	23	5	0
Packaging	4	23	3
Product consistency	2	20	8
Product quality	2	21	7
Product range	5	17	7
Reliability of supply	12	19	0

COMPARISONS BETWEEN U.S. AND TURKISH PRODUCT

	U.S. superior	Comparable	U.S. inferior
	Number of firms reporting		
Availability	5	2	0
Brand image	5	2	0
Brand loyalty	5	2	0
Country image	5	2	0
Delivery time	4	2	0
Discounts/rebates/promotions	4	1	2
Lowest price	1	2	4
Order leadtime	5	0	0
Packaging	6	1	0
Product consistency	3	4	0
Product quality	3	3	0
Product range	5	2	0
Reliability of supply	5	2	0

COMPARISONS BETWEEN ITALIAN AND TURKISH PRODUCT

	Italy superior	Comparable	Italy inferior
	Number of firms reporting		
Availability	3	5	0
Brand image	6	2	0
Brand loyalty	7	1	0
Country image	7	1	0
Delivery time	2	5	0
Discounts/rebates/promotions	1	6	1
Lowest price	0	2	5
Order leadtime	2	5	0
Packaging	5	3	0
Product consistency	8	0	0
Product quality	8	0	0
Product range	6	2	0
Reliability of supply	3	5	0

APPENDIX F

COMPAS ANALYSIS

ASSUMPTIONS

The COMPAS model is a supply and demand model that assumes that domestic and imported products are less than perfect substitutes. Such models, also known as Armington models, are relatively standard in applied trade policy analysis and are used extensively for the analysis of trade policy changes both in partial and general equilibrium. Based on the discussion contained in Part II of this report, the staff selects a range of estimates that represent price-supply, price-demand, and product-substitution relationships (i.e., supply elasticity, demand elasticity, and substitution elasticity) in the U.S. dry pasta market. The model uses these estimates with data on market shares, Commerce's subsidy and dumping margins, transportation costs, and current tariffs to analyze the likely effect of unfair pricing of subject imports on the U.S. like product industry.

FINDINGS

The estimated effects of the subsidization and dumping of imports on U.S. production of dry pasta are as follows:

	Revenue	Price	Volume
Subsidy:			
Italy.....	0.1 to 1.0	0.0 to 0.2	0.1 to 0.9
Turkey.....	0.0 to 0.2	0.0 to 0.0	0.0 to 0.2
Dumping:			
Italy.....	0.4 to 2.9	0.0 to 0.5	0.4 to 2.7
Turkey.....	0.2 to 0.9	0.0 to 0.2	0.1 to 0.8
TOTAL	0.7 to 5.0	0.0 to 0.9	0.6 to 4.7

More detailed effects of the subsidization and dumping and the modeling assumptions used for the full range of scenarios are shown in tables F-1 to F-4.

Table F-1
The effects of subsidized Italian imports

COMPAS version 1.4 (SUBSIDY) -- EFFECTS OF UNFAIR SUBSIDIZATION OF IMPORTS (6/1/93)
by Joseph Francois and Keith Hall, Office of Economics, USITC

17-Jul-96

ITALY

INPUTS VALUES (ALL IN PERCENTAGES)	
SUBSIDY MARGIN:	3.78
DOMESTIC VALUE SHARE:	84.4
UNFAIR IMPORT VALUE SHARE:	10
AVERAGE U.S. TARIFF RATE:	0
TRANSPORTATION RATIO:	13.8
CAPACITY UTILIZATION:	70.5
U.S. SHARE OF UNFAIR PRODUCTION:	7.9

ELASTICITIES (ABSOLUTE VALUES)	FROM:	TO:
SUBSTITUTION - DOM/UNFAIR:	2	4
SUBSTITUTION - DOM/FAIR:	2	4
SUBSTITUTION - UNFAIR/FAIR:	2	4
AGGREGATE DEMAND:	0.75	1.5
DOMESTIC SUPPLY (INF=infinity):	5	10
Unfair Supply (INF=infinity):	inf	inf
FAIR SUPPLY (INF=infinity):	10	inf
Non-U.S. Unfair Elasticity of Dema	0.75	1.25

ESTIMATED IMPACT ON U.S. MARKET (as percent of "fair" values)	FROM:	TO:
Domestic Price:	-0.0%	-0.2%
Domestic Output:	-0.1%	-0.9%
Domestic Revenue:	-0.1%	-1.0%
Unfair Import Price:	-3.2%	-3.2%
Unfair Import Output:	6.6%	12.2%
Unfair Import Revenue:	3.1%	8.6%
Fair Import Price:	-0.0%	-0.1%
Fair Import Output:	-0.1%	-1.1%
Fair Import Revenue:	-0.2%	-1.2%
"BUT-FOR" ESTIMATIONS	FROM:	TO:
Domestic Value Share:	84.7%	85.1%
Unfair Import Value Share:	9.7%	9.2%
Fair Import Value Share:	5.6%	5.7%
Capacity Utilization:	70.6%	71.1%

INPUTS	Case 3	Case 5
ELASTICITIES OF SUBSTITUTION		
Domestic and Unfair Import:	2	4
Domestic and Fair Import:	2	4
Unfair Import and Fair Import:	2	4
Domestic Supply Elasticity:	5	5
Unfair Import Supply Elasticity:	inf	inf
Fair Import Supply Elasticity:	10	10
Non-U.S. Unfair Elasticity of Dema	-1.3	-0.8
Aggregate U.S. Elasticity of Deman	-1.5	-0.8

SCENARIOS

ESTIMATED IMPACT ON U.S. MARKET	0	0	max	0	min	0	0	0
(as percentage of "fair" values)	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8
Domestic Price:	-0.1%	-0.0%	-0.0%	-0.0%	-0.2%	-0.1%	-0.1%	-0.1%
Domestic Output:	-0.3%	-0.4%	-0.1%	-0.1%	-0.9%	-0.9%	-0.6%	-0.7%
Domestic Revenue:	-0.4%	-0.4%	-0.1%	-0.2%	-1.0%	-1.0%	-0.7%	-0.8%
Unfair Import Price:	-3.2%	-3.2%	-3.2%	-3.2%	-3.2%	-3.2%	-3.2%	-3.2%
Unfair Import Output:	6.2%	6.3%	6.6%	6.6%	12.2%	12.5%	12.7%	12.9%
Unfair Import Revenue:	2.8%	2.9%	3.1%	3.1%	8.6%	8.9%	9.1%	9.2%
Fair Import Price:	-0.0%	0.0%	-0.0%	0.0%	-0.1%	0.0%	-0.1%	0.0%
Fair Import Output:	-0.4%	-0.4%	-0.1%	-0.2%	-1.1%	-1.3%	-0.8%	-1.0%
Fair Import Revenue:	-0.4%	-0.4%	-0.2%	-0.2%	-1.2%	-1.3%	-0.8%	-1.0%
"BUT-FOR" ESTIMATIONS	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8
Domestic Value Share:	84.7%	84.7%	84.7%	84.7%	85.1%	85.2%	85.2%	85.2%
Unfair Import Value Share:	9.7%	9.7%	9.7%	9.7%	9.2%	9.2%	9.2%	9.2%
Fair Import Value Share:	5.6%	5.6%	5.6%	5.6%	5.7%	5.7%	5.7%	5.7%
Capacity Utilization:	70.7%	70.8%	70.6%	70.6%	71.1%	71.2%	70.9%	71.0%

Table F-2
The effects of subsidized Turkish imports

COMPAS version 1.4 (SUBSIDY) -- EFFECTS OF UNFAIR SUBSIDIZATION OF IMPORTS (6/1/93)
by Joseph Francois and Keith Hall, Office of Economics, USITC

17-Jul-96

TURKEY

INPUTS

VALUES (ALL IN PERCENTAGES)	
SUBSIDY MARGIN:	9.7
DOMESTIC VALUE SHARE:	84.4
UNFAIR IMPORT VALUE SHARE:	0.9
AVERAGE U.S. TARIFF RATE:	0
TRANSPORTATION RATIO:	12.6
CAPACITY UTILIZATION:	70.5
U.S. SHARE OF UNFAIR PRODUCTION:	20.1

ELASTICITIES (ABSOLUTE VALUES)	FROM:	TO:
SUBSTITUTION - DOM/UNFAIR:	2	4
SUBSTITUTION - DOM/FAIR:	2	4
SUBSTITUTION - UNFAIR/FAIR:	2	4
AGGREGATE DEMAND:	0.75	1.5
DOMESTIC SUPPLY (INF=infinity):	5	10
Unfair Supply (INF=infinity):	inf	inf
FAIR SUPPLY (INF=infinity):	10	inf
Non-U.S. Unfair Elasticity of Dema	0.75	1.25

ESTIMATED IMPACT ON U.S. MARKET (as percent of "fair" values)	FROM:	TO:
Domestic Price:	-0.0%	-0.0%
Domestic Output:	-0.0%	-0.2%
Domestic Revenue:	-0.0%	-0.2%
Unfair Import Price:	-7.9%	-7.9%
Unfair Import Output:	17.9%	38.7%
Unfair Import Revenue:	8.6%	27.7%
Fair Import Price:	-0.0%	-0.0%
Fair Import Output:	-0.0%	-0.3%
Fair Import Revenue:	-0.0%	-0.3%
"BUT-FOR" ESTIMATIONS	FROM:	TO:
Domestic Value Share:	84.5%	84.6%
Unfair Import Value Share:	0.8%	0.7%
Fair Import Value Share:	14.7%	14.7%
Capacity Utilization:	70.5%	70.6%

INPUTS	Case 3	Case 5
ELASTICITIES OF SUBSTITUTION		
Domestic and Unfair Import:	2	4
Domestic and Fair Import:	2	4
Unfair Import and Fair Import:	2	4
Domestic Supply Elasticity:	5	5
Unfair Import Supply Elasticity:	inf	inf
Fair Import Supply Elasticity:	10	10
Non-U.S. Unfair Elasticity of Dema	-1.3	-0.8
Aggregate U.S. Elasticity of Deman	-1.5	-0.8

SCENARIOS

ESTIMATED IMPACT ON U.S. MARKET	0	0	max	0	min	0	0	0
(as percentage of "fair" values)	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8
Domestic Price:	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
Domestic Output:	-0.1%	-0.1%	-0.0%	-0.0%	-0.2%	-0.2%	-0.1%	-0.2%
Domestic Revenue:	-0.1%	-0.1%	-0.0%	-0.0%	-0.2%	-0.2%	-0.2%	-0.2%
Unfair Import Price:	-7.9%	-7.9%	-7.9%	-7.9%	-7.9%	-7.9%	-7.9%	-7.9%
Unfair Import Output:	17.8%	17.9%	17.9%	17.9%	38.7%	38.8%	38.8%	38.9%
Unfair Import Revenue:	8.5%	8.5%	8.6%	8.6%	27.7%	27.7%	27.8%	27.9%
Fair Import Price:	-0.0%	0.0%	-0.0%	0.0%	-0.0%	0.0%	-0.0%	0.0%
Fair Import Output:	-0.1%	-0.1%	-0.0%	-0.0%	-0.3%	-0.3%	-0.2%	-0.2%
Fair Import Revenue:	-0.1%	-0.1%	-0.0%	-0.0%	-0.3%	-0.3%	-0.2%	-0.2%
"BUT-FOR" ESTIMATIONS	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8
Domestic Value Share:	84.5%	84.5%	84.5%	84.5%	84.6%	84.6%	84.6%	84.6%
Unfair Import Value Share:	0.8%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%
Fair Import Value Share:	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%
Capacity Utilization:	70.6%	70.6%	70.5%	70.5%	70.6%	70.7%	70.6%	70.6%

Table F-3
The effects of LTFV pricing of Italian imports

COMPAS ver. 1.4 (DUMPING) -- THE EFFECTS OF LTFV PRICING OF IMPORTS (6/1/93)
by Joseph Francois and Keith Hall, Office of Economics, USITC

INPUTS (in percentages)	07/17	ENTRY ITALY	From:	To:
Margin:	11.21	Substitution Elast.		
Domestic Share:	84.4	Domsetic/Unfair:	2	4
Unfair Import Share:	10	Domestic/Fair:	2	4
Ave. U.S. Tariff Rate:	0	Unfair/Fair:	2	4
Transportation Ratio:	13.8	Aggregate Demand Elast:	0.75	1.5
Domestic Content:	0	Domestic Supply Elast:	5	10
Dom. Capacity Util:	70.5	Fair Supply Elast:	10	inf

Estimated Impact of Dumping on U.S. Market (as percent of "fair" values)

SCENARIOS	#1	#2	#3	#4	#5	#6	#7	#8
Domestic Price:	-0.2%	-0.1%	-0.1%	-0.0%	-0.5%	-0.3%	-0.3%	-0.2%
Domestic Output:	-1.0%	-1.1%	-0.4%	-0.4%	-2.5%	-2.7%	-1.7%	-2.0%
Domestic Revenue:	-1.2%	-1.2%	-0.4%	-0.4%	-2.9%	-2.9%	-2.1%	-2.1%
"BUT-FOR" ESTIMATIONS								
Domestic Share:	85.1%	85.2%	85.2%	85.2%	86.4%	86.4%	86.4%	86.5%
Unfair Import Share:	9.2%	9.2%	9.2%	9.2%	7.8%	7.8%	7.8%	7.8%
Fair Share:	5.7%	5.7%	5.7%	5.7%	5.8%	5.8%	5.8%	5.8%
Capacity Utilization:	71.2%	71.3%	70.8%	70.8%	72.3%	72.4%	71.7%	71.9%

Estimated Impact of Dumping on Imports (as a percentage of "fair" values)

Unfair Import Price:	-9.0%	-9.0%	-9.0%	-9.0%	-9.0%	-9.0%	-9.0%	-9.0%
Unfair Import Output:	19.0%	19.1%	20.1%	20.1%	39.2%	40.2%	41.2%	41.6%
Unfair Import Revenue:	8.3%	8.4%	9.3%	9.3%	26.8%	27.6%	28.5%	28.9%
Fair Import Price:	-0.1%	0.0%	-0.0%	0.0%	-0.3%	0.0%	-0.2%	0.0%
Fair Import Output:	-1.2%	-1.3%	-0.4%	-0.5%	-3.1%	-3.7%	-2.2%	-2.7%
Fair Import Revenue:	-1.3%	-1.3%	-0.5%	-0.5%	-3.5%	-3.7%	-2.4%	-2.7%

INPUTS

SCENARIOS	#1	#2	#3	#4	#5	#6	#7	#8
ELASTICITIES OF SUBSTITUTION								
Dom/Unfair Imports:	2	2	2	2	4	4	4	4
Dom/Fair Imports:	2	2	2	2	4	4	4	4
Unfair/Fair Imports:	2	2	2	2	4	4	4	4
Domestic Supply Elast:	5	10	5	10	5	10	5	10
Fair Import Supply Elast:	10	inf	10	inf	10	inf	10	inf
Aggregate Demand Elast:	-0.75	-0.75	-1.50	-1.50	-0.75	-0.75	-1.50	-1.50

CALCULATED FROM INPUTS

Domestic Demand Elast:	-0.9	-0.9	-1.6	-1.6	-1.3	-1.3	-1.9	-1.9
Unfair Demand Elast:	-1.9	-1.9	-2.0	-2.0	-3.7	-3.7	-3.8	-3.8
Fair Demand Elast:	-1.9	-1.9	-2.0	-2.0	-3.8	-3.8	-3.9	-3.9
Cross Price Elasticities								
Dom/Unfair Import:	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3
Dom/Fair Import:	0.1	0.1	0.0	0.0	0.2	0.2	0.1	0.1
Fair /Unfair Import:	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3
Fair Import/Dom:	1.1	1.1	0.4	0.4	2.7	2.7	2.1	2.1
Unfair Import/Dom:	1.1	1.1	0.4	0.4	2.7	2.7	2.1	2.1
Unfair/Fair Import:	0.1	0.1	0.0	0.0	0.2	0.2	0.1	0.1

Table F-4
The effects of LTFV pricing of Turkish imports

COMPAS ver. 1.4 (DUMPING) -- THE EFFECTS OF LTFV PRICING OF IMPORTS (6/1/93)
by Joseph Francois and Keith Hall, Office of Economics, USITC

INPUTS (in percentages)	07/17	CNTRY TURKEY	From:	To:
Margin:	56.87	Substitution Elast.		
Domestic Share:	84.4	Domsetic/Unfair:	2	4
Unfair Import Share:	0.9	Domestic/Fair:	2	4
Ave. U.S. Tariff Rate:	0	Unfair/Fair:	2	4
Transportation Ratio:	12.6	Aggregate Demand Elast:	0.75	1.5
Domestic Content:	0	Domestic Supply Elast:	5	10
Dom. Capacity Util:	70.5	Fair Supply Elast:	10	inf

Estimated Impact of Dumping on U.S. Market (as percent of "fair" values)

SCENARIOS	#1	#2	#3	#4	#5	#6	But-for Imports:
Domestic Price:	-0.1%	-0.0%	-0.0%	-0.0%	-0.1%	-0.1%	-0.2%
Domestic Output:	-0.4%	-0.4%	-0.1%	-0.2%	-0.7%	-0.8%	-0.8%
Domestic Revenue:	-0.5%	-0.5%	-0.2%	-0.2%	-0.8%	-0.8%	-0.9%
"BUT-FOR" ESTIMATIONS							
Domestic Share:	84.7%	84.7%	84.7%	84.7%	84.9%	84.9%	85.2%
Unfair Import Share:	0.6%	0.6%	0.6%	0.6%	0.3%	0.3%	--
Fair Share:	14.7%	14.7%	14.7%	14.7%	14.8%	14.8%	14.8%
Capacity Utilization:	70.8%	70.8%	70.6%	70.6%	71.0%	71.0%	71.0%

Estimated Impact of Dumping on Imports (as a percentage of "fair" values)

Unfair Import Price:	-33.6%	-33.6%	-33.6%	-33.6%	-33.6%	-33.6%	--
Unfair Import Output:	125.3%	125.4%	126.1%	126.1%	406.8%	407.6%	--
Unfair Import Revenue:	49.7%	49.7%	50.2%	50.2%	236.7%	237.3%	--
Fair Import Price:	-0.0%	0.0%	-0.0%	0.0%	-0.1%	0.0%	-0.1%
Fair Import Output:	-0.5%	-0.5%	-0.2%	-0.2%	-0.9%	-1.1%	-0.8%
Fair Import Revenue:	-0.5%	-0.5%	-0.2%	-0.2%	-1.0%	-1.1%	-0.9%

INPUTS SCENARIOS	#1	#2	#3	#4	#7	#8	But-for Imports:
ELASTICITIES OF SUBSTITUTION							
Dom/Unfair Imports:	2	2	2	2	4	4	--
Dom/Fair Imports:	2	2	2	2	4	4	--
Unfair/Fair Imports:	2	2	2	2	4	4	--
Domestic Supply Elast:	5	10	5	10	5	10	5
Fair Import Supply Elast:	10	inf	10	inf	10	inf	10
Aggregate Demand Elast:	-0.75	-0.75	-1.50	-1.50	-1.50	-1.50	--

CALCULATED FROM INPUTS

Domestic Demand Elast:	-0.9	-0.9	-1.6	-1.6	-1.9	-1.9
Unfair Demand Elast:	-2.0	-2.0	-2.0	-2.0	-4.0	-4.0
Fair Demand Elast:	-1.8	-1.8	-1.9	-1.9	-3.6	-3.6
Cross Price Elasticities						
Dom/Unfair Import:	0.0	0.0	0.0	0.0	0.0	0.0
Dom/Fair Import:	0.2	0.2	0.1	0.1	0.4	0.4
Fair /Unfair Import:	0.0	0.0	0.0	0.0	0.0	0.0
Fair Import/Dom:	1.1	1.1	0.4	0.4	2.1	2.1
Unfair Import/Dom:	1.1	1.1	0.4	0.4	2.1	2.1
Unfair/Fair Import:	0.2	0.2	0.1	0.1	0.4	0.4

APPENDIX G

U.S. SHIPMENTS BY PRODUCT TYPES

Table G-1
Dry pasta: U.S. shipments[1] by product types and by sources, 1993-95

(Quantity in 1,000 pounds)

Market segment/source	1993	1994	1995
Dry non-egg pasta--			
U.S.-produced	2,176,792	2,248,515	2,317,559
Imported from Italy	153,302	205,739	232,174
Imported from Turkey	45,288	62,235	57,986
Subtotal	2,375,382	2,516,489	2,607,719
Dry egg pasta--			
U.S.-produced	281,017	293,252	274,435
Imported from Italy[2]	1,224	1,762	1,766
Imported from Turkey[2]	1,357	5,571	6,550
Subtotal	283,598	300,585	282,751
Dry organic pasta--			
U.S.-produced[3]	***	***	***
Imported from Italy	***	***	***
Imported from Turkey	***	***	***
Subtotal	***	***	***
Dry unenriched pasta--			
U.S.-produced	***	***	***
Imported from Italy	***	***	***
Imported from Turkey	***	***	***
Subtotal	***	***	***

[1] Dry organic pasta and dry unenriched pasta may be either dry non-egg pasta or dry egg pasta; therefore, shipments of these products are included in the data presented for dry non-egg pasta and dry egg pasta.
[2] May also contain some imports of dry pasta in packages greater than 5 pounds.
[3] Data for ***.

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

APPENDIX H

ADDITIONAL DATA OF U.S. IMPORTERS OF PASTA FROM ITALY, BY COMPANY

Table H-1
Dry non-egg pasta in packages of 5 pounds or less: Quantity, value, and unit value of imports from Italy, by company, 1993-95

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APPENDIX I

PROMOTIONAL TOOLS USED IN THE DRY PASTA MARKET

Producers and importers of dry pasta were requested to list and describe the promotional programs used by their firm to sell dry pasta during the period 1993-95. The following are the most commonly listed promotional activities reported by producers and importers (in questionnaire respones), a brief explanation of the specific promotional tool, and the range of the dollars spent by firms.[1] The amounts spent were only reported by a few firms and are presented to indicate the importance of these promotional tools in the marketplace; due to the limited number of responses, comparisons between dollars spent by U.S. producers and by U.S. importers should not be made.

Advertising allowances.--Trade allowances offered to retail customers for advertising of product in the store's local advertisement or for special in-store display activity. These vary by each account and are commonly paid to the customer as either an off-invoice allowance, a billback, or a lump sum payment.

U.S. producers: Range: ***
U.S. importers: Range: ***

Free goods.--Free product given to retail customer, often in lieu of paying money for slotting fees or for new store grand openings.

U.S. producers: Range: ***
U.S. importers: Range: ***

Cash/credit terms.--A percent discount off the gross invoice amount for payment on or before a specified date or period of time.

U.S. producers: Range: ***
U.S. importers: Range: ***

Billback allowance.--A method of paying a case allowance to a retailer for a set promotional activity, displays, and/or to obtain a key promotional price. Billback allowances are paid after the retailer submits acceptable proof of performance.

U.S. producers: Range: ***
U.S. importers: Range: ***

New or remodeled store allowance.--An allowance that is applicable to a single store location only, provided that the store is new (e.g., Grand Opening) or significantly remodeled. (One importer reported that some chains will automatically bill the supplier when they open a new store or acquire new chains. According to this company, the supplier has no choice but to pay these bills).

U.S. producers: Range: ***
U.S. importers: Range: ***

[1] In some cases, only one firm provided an estimate; therefore, only a single number appears for the range.

Retailer coupons.--Coupons issued by the retailer, usually in lieu of running a "feature ad." The supplier is responsible for the coupons, which are redeemed by the consumer but only when the product is purchased from the specific retailer. The chain (i.e., retailer) then generates a bill based on a pre-agreed upon amount per unit multiplied by the number of units purchased during the sale week.

U.S. producers: Range: ***
U.S. importers: Range: ***

Manufacturer coupons.--Coupons distributed by the manufacturer that can be used in any store.

U.S. producers: Range: ***
U.S. importers: Range: ***

Slotting fees.--Fees paid to obtain warehouse and retail shelf placement for a new stocking item.

U.S. producers: Range: ***
U.S. importers: Range: ***

Off-invoice allowance.--An allowance that is reflected in the original invoice, offered to direct buying customers to be reflected at retail to obtain a reduced shelf price, or as part of another agreed upon merchandising performance program.

U.S. producers: Range: ***
U.S. importers: Range: ***

In-store demonstrations.--With some retailers, suppliers agree to provide coupons and product to be demonstrated/sampled in the retail store.

U.S. producers: Range: ***
U.S. importers: Range: ***

Trade incentive.--An allowance offered based on achieved pre-set annual performance goals, e.g., volume, distribution.

U.S. producers: Range: ***
U.S. importers: Range: ***

Other promotional tools.--These include, but are not limited to, free freight, scan allowances, count-recount allowance, deductions for meeting performance levels, shelf stocking, etc.

APPENDIX J

PURCHASER PRICE DATA

Table J-1
Dry non-egg pasta: Average purchases prices for product 2 purchased from domestic and import sources, as reported by ***, by quarters, Jan 1993-Dec. 1995

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Table J-2
Dry non-egg pasta: Average purchase prices for product 3 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-3
Dry non-egg pasta: Average purchase prices for product 1 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-4
Dry non-egg pasta: Average purchase prices for product 2 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-5
Dry non-egg pasta: Average purchase prices for product 3 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-6
Dry non-egg pasta: Average purchase prices for product 1 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-7
Dry non-egg pasta: Average purchase prices for product 1 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-8
Dry non-egg pasta: Average purchase prices for product 2 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-9
Dry non-egg pasta: Average purchase prices for product 3 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-10
Dry non-egg pasta: Average purchase prices for product 1 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-11
Dry non-egg pasta: Average purchase prices for product 2 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-12
Dry non-egg pasta: Average purchase prices for product 3 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-13
Dry non-egg pasta: Average purchase prices for product 1 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-14
Dry non-egg pasta: Average purchase prices for product 1 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-15
Dry non-egg pasta: Average purchase prices for product 2 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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Table J-16
Dry non-egg pasta: Average purchase prices for product 3 purchased from domestic and import sources, as reported by ***, by quarters, Jan. 1993-Dec. 1995

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APPENDIX K

INCOME-AND LOSS DATA FOR DRY PASTA COMMERCIAL (TRADE) SALES ONLY

Table K-1
Income-and-loss experience of U.S. producers on their operations producing dry pasta, commercial (trade) sales only, fiscal years 1993-95

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Table K-2
Income-and-loss experience (on a per-pound basis) of U.S. producers on their operations producing dry pasta, commercial (trade) sales only, fiscal years 1993-95

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Table K-3
Income-and-loss experience of U.S. producers on their operations producing dry pasta, commercial (trade) sales only, by firms, fiscal years 1993-95

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Table K-4
Variance analysis for dry pasta, commercial (trade) sales only, fiscal years 1993-95

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APPENDIX L

INCOME-AND-LOSS DATA FOR DRY NON-EGG PASTA, DRY PASTA IN PACKAGES OF 5 POUNDS OR LESS, DRY NON-EGG PASTA IN PACKAGES OF 5 POUNDS OR LESS, AND DRY ORGANIC AND UNENRICHED PASTA

Table L-1
Income-and-loss experience of U.S. producers on their operations producing dry non-egg pasta, fiscal years 1993-95

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Table L-2
Income-and-loss experience of U.S. producers on their operations producing dry non-egg pasta, commercial (trade) sales only, fiscal years 1993-95

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Table L-3
Income-and-loss experience (on a per-pound basis) of U.S. producers on their operations producing dry non-egg pasta, fiscal years 1993-95

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Table L-4
Income-and-loss experience (on a per-pound basis) of U.S. producers on their operations producing dry non-egg pasta, commercial (trade) sales only, fiscal years 1993-95

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Table L-5
Income-and-loss experience of U.S. producers on their operations producing dry non-egg pasta, by firms, fiscal years 1993-95

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Table L-6
Income-and-loss experience of U.S. producers on their operations producing dry non-egg pasta, by firms, commercial (trade) sales only, fiscal years 1993-95

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Table L-7
Variance analysis for all dry non-egg pasta, fiscal years 1993-95

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Table L-8
Variance analysis for dry non-egg pasta, commercial (trade) sales only, fiscal years 1993-95

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Table L-9
Income-and-loss experience of U.S. producers on their operations producing dry pasta in packages of 5 pounds or less, fiscal years 1993-95

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Table L-10
Income-and-loss experience of U.S. producers on their operations producing dry non-egg pasta in packages of 5 pounds or less, fiscal years 1993-95

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Table L-11
Income-and-loss experience of U.S. producers on their operations producing dry organic and unenriched pasta, fiscal years 1993-95

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APPENDIX M

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, 1993, has your firm experienced any actual negative effects on its return on investment or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of dry pasta), or the scale of capital investments as a result of imports of dry non-egg pasta in packages of five pounds or less from Italy or Turkey?

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2. Does your firm anticipate any negative impact of imports of dry non-egg pasta in packages of 5 pounds or less from Italy or Turkey?

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