

# **CERTAIN MUSHROOMS**

**Report to the President on  
Investigation No. TA-203-13  
Under Section 203  
of the Trade Act of 1974**

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# UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information which discloses confidential operations of individual concerns may not be published and therefore has been deleted from this report.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



REPORT TO THE PRESIDENT  
INVESTIGATION NO. TA-203-13  
CERTAIN MUSHROOMS

U.S. International Trade Commission  
April 15, 1982

To the President:

In accordance with sections 203(i)(1) and 203(i)(2) of the Trade Act of 1974 (19 U.S.C. 2253(i)(1) and (i)(2)), the United States International Trade Commission herein reports the results of an investigation concerning certain mushrooms.

The Commission unanimously 1/ advises, on the basis of information obtained in the investigation, that termination of the import relief presently in effect with respect to imports of canned and frozen mushrooms broiled in butter or in butter sauce, provided for in item 144.20 of the Tariff Schedules of the United States, would have an adverse economic effect on the domestic industry concerned. 2/

The Commission instituted this investigation on December 29, 1981, following receipt of a request for such an investigation from the United States Trade Representative (USTR) on December 21, 1981. Public notice of the investigation and hearing was given by posting copies of the notice at the office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of January 6, 1982, (47 F.R. 688). A public hearing was held in connection with this investigation on March 10, 1982, in Washington, D.C. All interested persons were afforded an opportunity to be present, to present evidence, and to be heard.

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1/ Commissioner Haggart did not participate.

2/ Detailed advice on the probable economic effect on the domestic industry concerned of the termination of the import relief presently in effect with respect to the mushroom products specified in the letter to the Commission from USTR is contained in the statement of the Commission which follows. The Commission's statement also contains advice on developments in the mushroom industry since import relief became effective, including the progress and specific efforts made by the firms in the industry to adjust to import competition, as requested by USTR.

The information in this report was obtained from field work, questionnaires sent to domestic producers and importers, the Commission's files, other Government agencies, briefs filed by interested parties, and other sources.

## Statement of the Commission

The present investigation was instituted on December 29, 1981, at the request of the U.S. Trade Representative in order that the Commission might advise the President with respect to (1) developments in the mushroom industry since import relief became effective, and (2) the probable economic effect on the domestic mushroom industry of exempting canned and frozen mushrooms broiled in butter or in butter sauce from the import relief duties currently in place. 1/

This is the second mushroom investigation the Commission has conducted under section 203(i) since import relief was proclaimed in October 1980. As a result of the Commission's earlier investigation completed in September 1981, 2/ the President on February 27, 1982, announced that he was terminating relief with respect to certain wild specialty mushrooms valued at over \$1.60 per pound (drained weight) and to certain whole oriental mushrooms in retail-size containers. 3/

In responding to the request, we will provide first our assessment of the current state of the domestic industry and then our advice as to the probable economic effect of terminating relief with respect to canned and frozen mushrooms broiled in butter or in butter sauce.

#### Current state of the domestic industry

In evaluating the current state of the domestic industry, three considerations should be emphasized at the outset. First, the domestic

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1/ The Commission has conducted this investigation under the authority of section 203(i)(1) and (i)(2) of the Trade Act of 1974 (19 U.S.C. 2253(i)(1) and (i)(2)).

2/ Mushrooms, Inv. No. TA-203-9, USITC Pub. 1184 (1981).

3/ Presidential Proclamation 4904, 47 F.R. 8753.

industry has had the benefit of import relief for only seventeen months. Thus, it is difficult to make any reliable assessment of the full impact import relief has had. Second, over the past 17 months, consumption of prepared and preserved mushrooms has been in decline, falling from 217.2 million pounds in 1980 to 175.5 million pounds in 1981, the first full year of relief. And third, it is possible that the prolonged series of import investigations itself has affected the domestic industry by diverting its limited financial and other resources. These investigations have also created a continuing uncertainty as to the status of the import relief. Taking into account these factors and all the data we have collected in this third mushroom investigation since 1980, it is our view that the domestic mushroom industry continues to suffer serious harm from import competition.

In 1979, the last full calendar year before relief was imposed, imports of prepared or preserved mushrooms totalled 98.6 million pounds (drained weight). 4/ In 1980, the year during which relief was imposed, imports rose to 117.3 million pounds. However, in 1981, after imposition of the import relief, imports fell to 88.6 million pounds. 5/

Coupled with this decline in total imports was a significant and dramatic change in the source of imports. In 1979, Taiwan and Korea accounted for 81 percent of U.S. imports, while Hong Kong, Macao, and the People's Republic of China (PRC) were responsible for 16 percent. By 1981, the share of the import market held by Taiwan and Korea had fallen to 39 percent. The share accruing

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4/ These figures, as well as the following, include imported specialty mushrooms which accounted for 1 percent of total imports.

5/ A-9.

to Hong Kong, Macao, and the PRC increased to 60 percent. 6/ Most of the mushrooms exported from Hong Kong and Macao were grown in the PRC. Had not Hong Kong, Macao, and the PRC increased their lower-priced exports to the U.S. market, domestic producers might have been able to generate higher profits and sustain greater adjustment efforts. Moreover, the ease and rapidity with which PRC imports have displaced those of Taiwan and Korea is an indication of the PRC's potential as a competitor to the U.S. industry.

In addition to this decline in imports, total U.S. consumption of prepared and preserved mushrooms has followed an erratic path, climbing from 179.5 million pounds in 1979 to 217.2 million pounds in 1980, but then falling to 175.5 million pounds in 1981. 7/ Despite this severe decline in U.S. consumption, the domestic industry has recaptured a small portion of the U.S. market from foreign competitors. It increased its share of the market from 49 percent in 1979 and 1980 to 52 percent in 1981. 8/

However, this increase in market share does not appear to have significantly improved the health of the domestic industry in 1981. The domestic industry continues to suffer from low and even negative profitability. 9/ This can be attributed to two factors: first, that total U.S. consumption of canned processed mushrooms fell, and second, that declining import prices appear to have depressed domestic mushroom prices. There also continues to be pressure from some imports entering in bulk which are subsequently being repackaged in the United States.

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6/ A-9, Table 3 at A-60.

7/ A-12, Table 7 at A-63.

8/ A-12.

9/ Precise financial data regarding the condition of the domestic industry are presented at A-20-24.

The domestic industry's poor health is reflected by a number of economic indicators. Capacity utilization among domestic canners increased from 45 percent in 1979 to 58 percent in 1980, but then declined to 53 percent in 1981. 10/ Although the capacity utilization of domestic freezers has increased steadily during the period 1979-81, it stood at only 50 percent in 1981.

Domestic production of canned mushrooms followed a similar pattern. Canners produced 86.5 million pounds in 1979, 111.6 million pounds in 1980, and 106.4 million pounds in 1981. 11/ Freezers increased their production from 16.8 million pounds in 1979 to 20.6 million pounds in 1981. 12/

Sales by canners increased from 87.6 million pounds in 1979 to 106.5 million pounds in 1980, and then fell to 92 million pounds for 1981. 13/ Sales of frozen mushrooms rose from 8 million pounds in 1979 to 15.2 million pounds in 1980 and 19.9 million pounds in 1981. 14/

A further sign of serious weakness in the domestic industry is its inventory position. From December 31, 1979, to December 31, 1981, inventories of canned mushrooms increased from 12.9 million pounds to 30.2 million pounds. 15/ Similarly, inventories of frozen mushrooms increased from 0.92 million pounds to 3.3 million pounds during the same period. 16/

The domestic industry has begun several projects which may further increase its share of the U.S. market and improve its overall condition. First, U.S. producers have developed a new method for processing mushrooms

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10/ A-13.

11/ A-14.

12/ A-14.

13/ A-15.

14/ Id.

15/ A-16.

16/ Id.

which would reduce the amount of shrinkage experienced under present processing methods, thereby reducing their raw product costs since more of the mushroom is utilized. 17/ One industry representative estimated that this new process would reduce shrinkage by approximately 60 percent. The developer of the process and a food industry technologist both claim that the new process will yield a mushroom with greater weight, better texture, and a closer resemblance to fresh mushrooms. This process is being patented, with the intent of allowing its use solely by the U.S. mushroom industry. 18/

Second, the domestic industry has invested in advanced equipment and improved growing and harvesting techniques which have boosted yields. In marketing year 1980/81, U.S. grower yields of fresh mushrooms averaged 3.4 pounds per square foot, 7 percent greater than during the marketing year 1979/80. In fact, certain firms have increased their yields to over 4 pounds per square foot from under 3.4 pounds per square foot, reducing raw mushroom costs. These costs savings can be passed on to the processor through lower mushroom prices.

Third, the domestic industry has improved its market research so as to identify better the relationships among retail pricing, advertising, and consumer purchasing patterns. Knowledge of these relationships should enable the domestic industry to pursue advertising and pricing strategies that will promote mushroom consumption. 19/

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17/ Transcript of hearing page 21. The process cannot be implemented until it receives Food and Drug Administration (FDA) approval, which may take 2 years.

18/ Submission of Mushroom Cooperative Co., pp. 4 and 5.

19/ Market research of this nature was conducted by several private consulting firms under the auspices of the American Mushroom Institute. This and other studies covering the U.S. mushroom industry were funded by a U.S. Department of Commerce technical assistance grant.

Finally, the domestic industry has begun to diversify into the broader and more promising field of frozen vegetables and new forms of frozen mushroom preparations and combinations with other foods.

Probable economic effect

Exempting canned and frozen mushrooms broiled in butter or in butter sauce would adversely affect the domestic industry. Consumption of canned buttered mushrooms fell from \* \* \* pounds to \* \* \* pounds from 1979 to 1981.

20/ Further, testimony before the Commission indicated that the market is unlikely to expand, particularly during a recession. 21/

Despite the relief currently in place, imported canned buttered mushrooms have captured an increasing share of the U.S. market of this product, increasing more than tenfold from 1979. 22/ Part of the increase in imports in 1981 is due to the fact that the largest domestic producer of buttered mushrooms moved most of its production of these mushrooms from the United States to Taiwan. Imports have assumed this strong market position despite the fact that they are currently higher priced than the domestic product. 23/ If canned buttered mushrooms were exempted from import relief, it is likely that the price of the imports would fall below that of the domestic product if cost-savings were passed on to consumers. 24/ Such a development would likely accelerate the decline of the domestic industry's position in the canned buttered mushroom market.

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20/ A-12.

21/ Transcript of hearing, p. 163.

22/ The precise figure is based upon confidential information gathered by the Commission in Table 8 at A-64.

23/ A-27. Imports appear to benefit from better brand recognition which accounts for their higher prices.

24/ A-30.

Although the domestic industry has not yet begun to participate in the frozen buttered mushroom market, 25/ several U.S. processors have invested heavily in vegetable freezing equipment which could be used to freeze mushrooms. 26/ Although domestic consumption of frozen buttered mushrooms fell in 1981, the consumption of frozen mushrooms, in general, did increase. Frozen mushroom products and the broader category of frozen vegetables appear to be promising for the domestic mushroom industry. Exemption of frozen buttered mushrooms from the import duties might foreclose entry of the U.S. industry into this segment of the mushroom market.

Another reason for not exempting buttered mushrooms from the import relief is the possibility that such an exemption would encourage circumvention of the relief which would remain in effect. There is currently no FDA standard for the amount of butter needed to permit labeling a mushroom product "in butter" or "in butter sauce." If the mushroom industry practice of about 2 percent butter content were adopted as the requirement for mushrooms to be "in butter," importers of mushrooms in brine could add, at minimal expense, this token amount of butter to circumvent the import relief. These cost savings due to circumvention could be greater than the production costs of adding butter by from 5 cents to 15 cents per pound of mushrooms, which is 1.6 to 4.8 percent of average buttered mushroom prices.

Additionally, there is no definition by the FDA for the term "broiled" when used in connection with mushrooms. While the process of broiling mushrooms in butter is more expensive and less likely to attract those

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25/ A-14.

26/ A-28.

inclined to evade the duty, it is difficult to distinguish canned broiled from canned unbroiled mushrooms, particularly since there are no government or industry standards guiding the use of the term. Therefore, it would neither be possible to establish an enforceable exemption, nor would it be practical for Customs officials to administer uniformly an exemption for this type of canned mushroom. Circumvention of the current import relief would greatly exacerbate the harm the domestic industry is already suffering. 27/

#### Conclusion

It is our assessment that the domestic industry remains in a depressed state despite its success in recapturing a small portion of the domestic market and its diverse efforts to adjust to import competition. Nevertheless, the import relief duties currently in place have had the effect of providing some restraint on imports from Taiwan and Korea since their institution in November 1980 and should be permitted to continue for the full 3-year period. An exemption to the current import relief duties for canned or frozen mushrooms broiled in butter or in butter sauce would encourage circumvention of those duties and thereby harm the domestic industry.

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27/ Commissioner Frank notes that beside the above-mentioned economic effects, there are also the cost burdens in the United States of conforming to a wide variety of regulations issued by a variety of governmental entities.

## INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On December 29, 1981, the Commission instituted investigation No. TA-203-13 under section 203(i)(1) and (i)(2) of the Trade Act of 1974 (19 U.S.C. 2253(i)(1) and (i)(2)) for the purpose of gathering information in order that it might advise the President (1) on developments in the mushroom industry since import relief became effective, including the progress and specific efforts made by the firms in the industry to adjust to import competition, and (2) of its judgment as to the probable economic effect on the domestic industry concerned of the reduction or termination of the import relief presently in effect with respect to canned and frozen mushrooms broiled in butter or in butter sauce, provided for in item 144.20 of the Tariff Schedules of the United States (TSUS).

The import relief presently in effect, which applies to all prepared or preserved mushrooms, will terminate on November 1, 1983, unless suspended, modified, or terminated by the President at an earlier date. The relief, in the form of increased duties described in TSUS item 922.55, is provided for in Presidential Proclamation No. 4801 of October 29, 1980 (45 F.R. 72617), as modified by Presidential Proclamation No. 4904 of February 27, 1982 (47 F.R. 8753). 1/

This relief was proclaimed following an investigation completed by the Commission in August 1980 (investigation No. TA-201-43) under section 201 of the Trade Act of 1974. In that investigation, the Commission determined by a unanimous vote that mushrooms, prepared or preserved, provided for in TSUS item 144.20 were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. 2/

In conjunction with providing import relief, the President directed the United States Trade Representative (USTR) to request that the Commission provide advice on developments in the mushroom industry since import relief became effective, including the progress and specific efforts made by the firms in the industry to adjust to import competition. The USTR was to request an investigation after the import relief had been in effect for 18 months.

The Commission instituted the present investigation following receipt of such a request from the USTR on December 21, 1981. 3/ Prior to the USTR's request for an investigation, the Taiwan Mushroom Packers United Export Corp. had requested an exemption from the import relief for canned and frozen mushrooms broiled in butter or in butter sauce. Accordingly, the USTR also requested that the Commission advise the President of its judgment as to the probable economic effect on the domestic industry concerned of the modification of the existing import relief to exclude such mushrooms.

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1/ A copy of Proclamation Nos. 4801 and 4904 is presented in app. A.

2/ Mushrooms: Report to the President on Investigation No. TA-201-43 . . . , USITC Publication 1089, August 1980. A-1

3/ A copy of the USTR's letter is presented in app. B.

Public notice of the investigation and hearing was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of January 6, 1982 (47 F.R. 688). 1/ A public hearing in connection with the investigation was held on March 10, 1982, in the Commission's Hearing Room in Washington, D.C. 2/ The Commission made its determination on the investigation on April 7, 1982; the administrative deadline for reporting its advice to the President is April 15, 1982.

#### Previous Commission Investigations on Mushrooms and Presidential Action

During 1964-81, the Commission conducted seven investigations concerning mushrooms. 3/ In the most recent investigation, 4/ conducted under section 203 of the Trade Act of 1974 (investigation No. TA-203-9) and completed in September 1981, the Commission was requested by the USTR to provide advice upon which the President could base his decision on whether to modify the mushroom import relief program in place at that time. More specifically, the Commission was asked to determine the probable economic effect on the domestic mushroom industry of termination of the relief program with respect to the following mushroom categories: frozen battered and frozen breaded; champignon de Paris; chanterelle, cepe, morel, and mixed mushrooms valued over \$1.60 per pound (drained weight); chanterelle mushrooms valued over \$8.50 per pound (drained weight); and straw, golden, oyster, and summer oyster mushrooms. In addition, the Commission addressed four separate questions posed by the USTR with respect to the above mushroom types: (1) to what extent does each category of imported mushrooms compete with the domestic product; (2) how would import levels be affected by specific exemptions; (3) would specific exemptions be administratively feasible; and (4) what circumvention problems can be expected if exemptions are granted.

On the basis of the information gathered in that investigation, the Commission advised the President that termination of the import relief presently in effect with respect to frozen battered and frozen breaded mushrooms, wild specialty mushrooms, 5/ cultivated specialty mushrooms 6/ valued over \$3 per pound (drained weight), and straw and certain other oriental mushrooms 7/ imported whole in airtight containers of 9 ounces or

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1/ A copy of the Commission's notice of investigation and hearing is presented in app. C.

2/ A list of witnesses appearing at the hearing is contained in app. D.

3/ A detailed description of these investigations is presented in app. E.

4/ Certain Mushrooms: Report to the President on Investigation No. TA-203-9 . . . , USITC Publication 1184, September 1981.

5/ These mushrooms are of the following types and genera: chanterelle (Cantharellus), cepe (Boletus), morel (Morchella), and mixed mushrooms (Boletus luteus, Lactarius deliciosus, Rozites caperata, Suillus grevillei, and Suillus granulatus).

6/ These mushrooms are champignon de Paris (Psalliota).

7/ These mushrooms are of the following types and genera: straw mushrooms (Volvariella volvacea), golden mushrooms (Flammulina velutipes), Oyster mushrooms (Pleurotus ostreatus), and summer oyster mushrooms (Pleurotus abalon).

less (drained weight) would not have an adverse economic effect on the domestic industry benefiting from the above import relief. However, the Commission also advised that termination of the import relief in effect with respect to cultivated specialty mushrooms valued at \$3 or less per pound (drained weight), and straw and other oriental mushrooms, imported whole in airtight containers larger than 9 ounces, or imported sliced or chopped in containers of any size, would have a significant adverse economic effect on the domestic industry.

On February 27, 1982, the President determined, pursuant to section 203(h)(4) of the Trade Act of 1974 (19 U.S.C. 2253(h)(4)), after taking into account the advice of the U.S. International Trade Commission and after seeking the advice of the Secretary of Commerce and the Secretary of Labor as required by that section, that it was in the national interest to terminate the increased rates of duty currently in effect on imports of certain mushrooms and to retain the increased rates of duties on imports of other mushrooms now provided for in that item. Those items excluded from the increased duty include wild mushrooms and mixed mushrooms valued over \$1.60 per pound (drained weight) and oriental mushrooms, whole, in retail-size containers. The relief, in the form of increased duties described in TSUS item 922.56, is provided for in Presidential Proclamation No. 4904 of February 27, 1982 (47 F.R. 8753). 1/

#### Description and Uses

The term "mushroom" as used herein refers to the edible portion (the fruiting body) of the mushroom fungi. There are two species of mushrooms commonly grown and processed throughout the major mushroom-producing countries, Agaricus bisporus and, to a much lesser extent, A. bitorquis. The four types of Agaricus commonly marketed in the United States are the white, off white, creme, and brown mushrooms. Such mushrooms are marketed fresh, dried, frozen, or canned.

Fresh mushrooms, used primarily as a garnish with meats and other foods, are also served separately or in gravies, sauces, relishes, salads, and soups. Some consumers will freely interchange canned mushrooms, frozen mushrooms, and, to a lesser degree, dried mushrooms with fresh mushrooms. Fresh mushrooms are perishable, and, if earmarked for consumption in the fresh state, must be marketed within a few days after harvesting even though properly refrigerated. In the United States, about two-fifths of the mushrooms consumed are fresh, and the remainder are processed.

The great bulk of processed mushrooms are canned. These mushrooms are usually packed in a light brine solution; however, small quantities are preserved in vinegar (pickled mushrooms), in wine (mushrooms in wine), and in oil (marinated mushrooms). Similarly, small amounts are prepared with the addition of butter or butter sauce. Mushrooms canned in brine are used largely for the same purpose as fresh mushrooms, while those preserved in mediums other than brine or butter have limited uses, mainly as appetizers and snacks.

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1/ A copy of Proclamation No. 4904 is presented in app. A.

Most of the imported canned mushrooms are of the same genus and species as those canned in the United States and are comparable in flavor and appearance. The bulk of these imports are packed in a light brine solution, with small quantities preserved in vinegar, in wine, or in oil.

A small portion of the imported canned mushrooms (about 1 percent in 1981) consists of either cultivated or wild types not grown commercially 1/ to any extent in the United States, although some wild mushrooms grown in Washington State were packed in brine for foreign sales in 1981. These mushrooms are different from the domestic cultivated mushroom in flavor and appearance. Frequently, because of tradition, fancy packaging, and reputed quality, mushrooms imported from Europe have a prestige value over the domestic product. They are sold primarily to restaurants and gourmet food stores, where consumers are willing to pay a higher price for them.

Small amounts of imported canned mushrooms (about 4 percent in 1981) are prepared with the addition of butter or butter sauce; these are of the same species as those canned in the United States and are comparable in flavor and appearance. Such mushrooms, frequently referred to as broiled in butter, simmered in butter, or with butter or butter sauce added, are used largely for the same purposes as domestically produced fresh or canned in brine mushrooms.

Frozen mushrooms, both domestically produced and imported, are the same genus of mushroom (Agaricus) that is canned. Most frozen mushrooms produced domestically are fresh mushrooms that are washed, sometimes sliced, then frozen and packaged primarily in bulk containers (over 10 pounds each) for institutional users. Such mushrooms are used primarily as ingredients in other products, such as in spaghetti sauce. Few, if any, fresh-frozen mushrooms have been imported in recent years. Most of the imported frozen mushrooms are of two types: mushrooms packed in butter sauce in single-serving pouches, or battered or breaded mushrooms. Frozen whole mushrooms packed with butter sauce in 6-ounce cartons for the retail market are not produced domestically. These mushrooms are used as a side dish with the main meal.

Frozen battered or frozen breaded mushrooms are processed by washing fresh mushrooms, dusting them with flour, then dipping them in batter. The mushrooms are then put through a deep fryer just long enough to set the batter, frozen, and packed in various size containers for shipment. The domestically produced product and the imported product (almost all from Canada) are of the same genus of mushroom (Agaricus); however, almost all of the imported product is whole, usually button (small) mushrooms, whereas the domestically produced product usually includes whole or sliced mushrooms. Both products are sold primarily to institutional users, such as restaurants, that serve other frozen battered or breaded products such as fish and onion rings. They are also used to garnish meats, such as steak, and as hors d'oeuvres.

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1/ Commercial production usually involves the growing of mushrooms under a controlled environment in an enclosed structure.

## U.S. Tariff Treatment

The imported mushrooms covered by this investigation are classified for tariff purposes under subpart D, part 8, schedule 1, of the Tariff Schedules of the United States. The column 1 and column 2 rates of duty currently applicable to imports from all countries are shown in the following tabulation:

TSUS item No.	Commodity	Rates of duty	
		Col. 1	Col. 2
	Mushrooms:		
144.20	Otherwise prepared or preserved.	3.2¢ per lb on drained weight + 10% ad val. <u>1/</u>	10¢ per lb on drained weight + 45% ad val.

1/ Duty temporarily increased. Effective on or after Nov. 1, 1980, the rate provided for in item 144.20 plus 20 percent ad valorem; Nov. 1, 1981, the rate provided for in item 144.20 plus 15 percent ad valorem; Nov. 1, 1982, the rate provided for in item 144.20 plus 10 percent ad valorem. Effective period for increased duties terminates at the close of Oct. 31, 1983. See Proclamation No. 4904 in app. A for certain mushrooms excluded from the increased duties.

The column 1 rate reflects a concession granted by the United States in the General Agreement on Tariffs and Trade. The rate of duty applicable to imports of otherwise prepared or preserved mushrooms from those countries having most-favored-nation (MFN) status is shown in column 1. 1/ The column 2 rate applies to imports from countries designated by the President as being under Communist domination or control. 2/ The original statutory rate of duty 3/ on "otherwise prepared or preserved" mushrooms (primarily canned mushrooms), 10 cents per pound on the drained weight plus 45 percent ad valorem, has been modified four times in trade agreements--three times in negotiations with France and once in negotiations with the European Community (EC). The most recent of these reductions became effective in July 1963 (in the Dillon round of trade negotiations) (see table 1, app. F). The ad valorem equivalent (AVE) of the duty on imports entered in 1980 was the same as that in 1970 (table 2). During November 1980-October 1981, after the additional duty was imposed, the AVE rose sharply compared with the corresponding period of November 1979-October 1980, as shown in the following tabulation (in percent):

1/ The rate of duty in rate of duty column numbered 1 is a most-favored-nation rate, and is applicable to products imported from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

2/ The rate of duty in rate of duty column numbered 2 applies to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

3/ See general headnote 9(d) of the TSUS.

Type	Average ad valorem equivalents in November-October--	
	1979/80	1980/81
Otherwise prepared or preserved :	:	:
mushrooms:	:	:
Frozen-----:	13.9 :	32.9
Straw-----:	14.2 :	33.5
Other-----:	13.0 :	33.3
:	:	:

Imports of mushrooms, otherwise prepared or preserved, provided for in item 144.20 are not further identified for statistical purposes as to genera (i.e., Agaricus, Boletus, Cantharellus, and so forth), habitat (i.e., cultivated commercially, harvested from their natural environment in forest areas, and so forth), or style of pack (i.e., in brine, in vinegar, in wine, in oil, in butter or butter sauce, and so forth).

Since mid-1974, all frozen mushrooms have been classified by the U.S. Customs Service in TSUS item 144.20 (otherwise prepared or preserved). Prior to that time, imports of frozen mushrooms that were not otherwise prepared or preserved had been classified with fresh mushrooms in TSUS item 144.10. Imports of frozen mushrooms under TSUS item 144.20 are not further identified for statistical purposes as to container size or as to type of frozen product (e.g., frozen battered or frozen breaded mushrooms, fresh-frozen mushrooms, frozen mushrooms in butter sauce, and so forth). The average AVE for all imports of frozen mushrooms in 1981 was 14.7 percent.

Mushrooms are not among the articles eligible for duty-free treatment under the provisions of the Generalized System of Preferences (GSP). 1/

#### U.S. Processors

##### Canners

In late 1981, canned mushrooms were produced by 24 firms, compared with 29 firms in 1976 and 35 firms in 1972. Twelve of the canners are in Pennsylvania; most of the other firms are located in the Midwest and the Pacific Northwest. Two of the firms are grower-owned cooperatives. In 1981, eight of the canners each sold more than 3 million pounds (drained weight) of domestically canned mushrooms, but no single firm accounted for more than one-fourth of U.S. sales of domestically canned mushrooms. Three firms canned mushrooms prepared with the addition of butter or butter sauce in 1981. Sales

1/ The GSP, enacted as title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

of such mushrooms accounted for a significant amount (\*\*\* ) of the total canned mushroom sales for one firm but less than 10 percent of total sales for the other two firms.

For the most part, domestic mushroom-canning operations are similar to the operations of small firms canning other products in the United States. However, unlike many small canners, which operate during only a few weeks or months of the year, mushroom canners generally operate throughout most months of the year, with the principal canning season extending from October to the following May. Most mushroom canners process few other products. However, the domestic industry is currently evaluating the potential for using existing mushroom farms and processing plants to grow or process mushrooms other than Agaricus bisporus, as well as other crops.

### Freezers

In 1981, about 18 percent of the sales of domestically produced processed mushrooms, except dried, were frozen. Sixteen firms produced frozen mushrooms in 1981; three of these firms also produced canned mushrooms. Three of the freezers are located in Pennsylvania; most of the other firms are located in the Midwest. In 1981, five firms each sold more than 1 million pounds of domestically frozen mushrooms, but no single firm accounted for more than one-third of the total U.S. sales of domestically produced frozen mushrooms. Most of the sales of frozen mushrooms are to institutional-type users, such as hospitals and restaurants. The common cultivated Agaricus mushroom is the only type of mushroom known to be frozen domestically. There are no known domestic firms processing frozen mushrooms prepared with the addition of butter or butter sauce.

### Channels of Distribution

In marketing year 1980/81, 1/ U.S. mushroom growers sold about 43 percent of their Agaricus mushroom output to processors. The proportion of such output sold to processors was much less than in previous years; in 1970/71, for instance, 72 percent of U.S.-grown Agaricus mushrooms were sold to processors. Generally, the best quality mushrooms are offered first to the fresh market because mushrooms sold to the fresh market usually command premium prices compared with prices for those mushrooms sold for processing. However, many firms sell all of their production to processors without ever offering any production for fresh-market sales. A number of processors utilize a No. 1 grade mushroom for processing. This is the highest grade of fresh mushrooms processed and, except for the inclusion of some mushrooms with blemishes, is equivalent to the No. 1 grade for fresh-market sales.

### Canned mushrooms

Three groups of primary suppliers market canned Agaricus mushrooms in the United States: (1) canners, which market only the domestic product; (2) canner-importers, which market both the domestic and foreign products; and (3)

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1/ A marketing year is July 1-June 30.

importers, which market only the foreign product. According to information supplied by the U.S. Customs Service, canner-importers marketed over 9 percent of total otherwise prepared or preserved mushrooms imported during fiscal year 1981 (Oct. 1, 1980-Sept. 30, 1981). Canned Agaricus mushrooms generally have been marketed in five major container sizes: 2-ounce, 4-ounce, and 8-ounce retail-size containers commonly found on supermarket shelves, and 16-ounce and 68-ounce (No. 10) institutional-size cans. Institutional buyers are generally large-volume buyers that resell to hotels, restaurants, or other institutions, which consume the product themselves. Industrial purchasers use canned mushrooms as an ingredient in other food products which are then sold. Historically, most of the domestic product has been sold in retail-size containers, whereas the bulk of the imported product has been in institutional-size containers. In 1981, 61 percent of domestically grown and canned mushrooms were sold in retail-size containers and 39 percent were sold in institutional-size containers. During 1981, 29 percent of the imported product was sold in retail-size containers and 71 percent in institutional-size containers. The percentage distribution of sales of U.S.-produced and imported canned Agaricus mushrooms, by container sizes, for the calendar years 1979-81, are shown in the following tabulation:

Year	U.S. product			Imported product		
	Retail-	Institutional-	Total	Retail-	Institutional-	Total
	size 1/	size 1/		size 1/	size 1/	
1979-----	63	37	100	40	60	100
1980-----	63	37	100	39	61	100
1981-----	61	39	100	29	71	100

1/ Retail-size containers, as used here, hold not more than 9 ounces each; institutional-size containers hold more than 9 ounces each.

#### Frozen mushrooms

The two groups of primary suppliers of frozen mushrooms in the United States are the domestic freezers, which market only the domestic product, and the importers, which market only the foreign product. Frozen Agaricus mushrooms, including frozen battered or frozen breaded mushrooms and other frozen mushrooms, are marketed in numerous container sizes for both the institutional and the retail market. Domestically produced frozen battered or frozen breaded mushrooms are sold almost exclusively to institutional users, often in container sizes requested by the user. Imported frozen battered or frozen breaded mushrooms are sold through distributors with the ultimate purchasers being institutional outlets such as restaurants, hotels, and hospitals. In 1981, imported frozen mushrooms from Canada, primarily frozen battered or frozen breaded mushrooms, made up 55 percent of total U.S. frozen mushroom imports, as compared with 17 percent in 1979.

Other frozen mushrooms produced domestically are sold almost exclusively to institutional users for mixing with other frozen vegetables or as ingredients in products such as spaghetti sauce. In 1978, imported other frozen mushrooms, almost exclusively from Taiwan, were primarily fresh-frozen mushrooms in bulk containers, intended for the same uses as the domestic product. Frozen mushrooms in butter sauce in 6-ounce or 9-ounce pouches, ready for sale to the retail market, made up less than \* \* \* of the other frozen mushrooms imported in 1978, but \* \* \* of such imports in 1981. This product is now processed and packaged exclusively in Taiwan. There is no known domestic production of frozen mushrooms broiled in butter or in butter sauce.

#### U.S. Imports

U.S. imports of otherwise prepared or preserved mushrooms under TSUS item 144.20 consist of canned mushrooms of the genus Agaricus (including canned mushrooms broiled in butter or in butter sauce), canned straw mushrooms of the genus Volvariella, frozen mushrooms of the genus Agaricus (including frozen mushrooms broiled in butter or in butter sauce), and specialty-type canned mushrooms of a number of other genera or species. <sup>1/</sup> About 1 percent of the imports in 1981 consisted of styles of pack or species which were exempted from the import relief by the February 27, 1982, Presidential proclamation. Imports for consumption of otherwise prepared or preserved mushrooms increased from 98.6 million pounds, valued at \$98.2 million, in 1979 to 117.3 million pounds, valued at \$121.9 million, in 1980 (table 3). However, imports during 1981 totaled 88.6 million pounds, valued at \$84.1 million, down over 24 percent from what they were during 1980. The sharp drop in entries in 1981 appears to reflect the additional duty imposed on imports pursuant to Presidential action in October 1980 as well as a generally depressed market in 1981 (domestic producers' sales decreased in this year). Tables 3 and 4 show imports, by principal sources, on a drained-weight basis, for recent calendar years and marketing years, respectively.

In the 1960's, Taiwan and Korea became the leading suppliers of U.S. imports of canned mushrooms. Imports from Taiwan began in 1960, and those from Korea in 1963. In 1979, Taiwan supplied 52 percent of the canned mushrooms imported from all supplying countries (table 3). In the same year, Korea was the second largest source, supplying 29 percent, and Hong Kong was third, with 15 percent. Other suppliers included Macau and Japan. China, an important world exporter of canned mushrooms, supplied less than 1 percent of total annual U.S. imports before 1980. During 1980, however, imports from China rose to 14.8 million pounds (drained weight), compared with 265,000 pounds in the corresponding period of 1979, as a result of the United States extending MFN treatment to China on February 1, 1980. In 1981, China supplied 31 percent of the canned mushrooms imported from all supplying countries; Hong Kong was third with 26 percent. Taiwan and Korea, the two leading suppliers prior to 1980, were the second and fourth largest sources in 1981, supplying 28 percent and 11 percent, respectively.

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<sup>1/</sup> Imports of specialty-type canned mushrooms and canned or frozen mushrooms broiled in butter or in butter sauce are not reported separately in the official import statistics of the U.S. Department of Commerce.

In recent years, about three-fifths of the imports of canned mushrooms have been packed in institutional-size containers (holding more than 9 ounces each) and the remainder in retail-size containers (holding not more than 9 ounces each). The percentage distribution varies, however, by country. Although most of the imports from Taiwan in 1981 are generally in retail-size containers, more than 70 percent of the imports from China (the major foreign supplier), Hong Kong, and Korea enter the United States in institutional-size containers. Table 5 shows the percentage distribution of canned mushroom imports (excluding straw mushrooms), by container sizes and by principal sources, for the years 1979-81.

Imports of canned mushrooms other than straw mushrooms account for the bulk of U.S. imports of otherwise prepared or preserved mushrooms. In 1981, such mushrooms accounted for nearly 95 percent of the total imports (in terms of quantity) of otherwise prepared or preserved mushrooms. Imports of canned mushrooms prepared with the addition of butter or butter sauce (broiled or simmered in butter or in butter sauce) \* \* \* as shown in the following tabulation (in thousands of pounds):

<u>Type</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Canned mushrooms broiled in butter or in butter sauce-----	***	***	***
Total imports of otherwise prepared or preserved mushrooms-----	98,606	117,303	88,635

The sharp rise in imports of buttered canned mushrooms in 1981 resulted from Grocery Store Products Co. ceasing production in the United States and having their product packed in Taiwan. A representative of this processor stated that, in the last 4 years, the firm lost money on its brand (B in B) and it was subsequently faced with either abandoning the brand altogether or having it produced overseas. Grocery Store Products Co. decided to maintain the product since it had invested substantial time, energy, money, and advertising in marketing this product over the last 35 years. However, the company official stated that he had not seen a significant growth in their sales of buttered mushrooms recently and the firm was now using only 13 canners in Taiwan to pack the product, down from 20 canners in the preceding year. 1/

U.S. imports of frozen mushrooms declined from 3.0 million pounds, valued at \$2.2 million, in 1979 to 2.4 million pounds, valued at \$2.0 million, in 1980 (table 6). During 1981, frozen mushroom imports totaled 775,000 pounds, valued at \$0.9 million, representing a decline of 68 percent (by volume) from the preceding year. Taiwan and Canada account for almost all of the U.S. imports of frozen mushrooms. The great bulk of such imports from Taiwan consist of frozen mushrooms in butter sauce and most of these from Canada are frozen battered or frozen breaded mushrooms. The unit value of imports from Taiwan increased from \$0.63 per pound in 1979 to \$0.74 per pound in 1980 and

1/ Transcript of the hearing, pp. 157-167.

to \$0.89 per pound in 1981. The share of total U.S. frozen mushroom imports (by quantity) entered from Taiwan declined regularly from 81 percent in 1979 to 38 percent in 1981, as the share of total frozen mushroom imports from Canada increased from 17 percent in 1979 to 25 percent in 1980, and to 55 percent in 1981.

In order to assess the competitive situation that exists between domestically produced and imported canned or frozen mushrooms, the Commission staff asked 90 mushroom purchasers to rank, on a scale from 1 to 5, the importance of some stated reasons in their decision to purchase imported canned or frozen mushroom products rather than comparable mushroom products produced in the United States in 1981. The various reasons selected by the Commission staff included alternative source, availability, delivery time, historical supplier relationship, price, quality, terms of sale, or other reasons which they may care to specify. The results, based on the responses from 35 questionnaires, representing 10 percent of estimated total purchases of each mushroom product, are shown in the following table:

Reasons for purchasing certain imported mushroomse <sup>1/</sup> ranked on a scale from 1 to 5, by types of products

Item	: : Mushrooms, : canned in : water or in : brine :	: : Other : canned : mushrooms :	: : Frozen : mushrooms :	: Canned : mushrooms, : broiled in : butter or : in butter : sauce :	: Frozen : mushrooms, : broiled in : butter or : in butter : sauce :
Alternative source-----	2.4	2.2	2.4	2.2	2.5
Availability-----	3.4	3.6	4.2	3.5	4.0
Delivery time-----	2.8	2.9	3.0	3.1	3.6
Historical supplier relationship-----	2.7	2.5	2.6	3.0	3.6
Price-----	4.2	3.7	3.0	3.7	3.3
Quality-----	4.3	3.7	3.6	4.0	3.3
Terms of sale-----	2.8	2.6	2.4	2.8	3.2
	:	:	:	:	:

<sup>1/</sup> These are simple averages of all responses for each item, ranked on a scale from 1 to 5 with No. 1=not at all important, Nos 2,3, and 4=mid-range, and No. 5=very important.

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

As shown in the preceding tabulation, purchasers of mushrooms canned in water or in brine and other canned mushrooms rated quality and price as their two most important reasons for purchasing such imported products, with availability the next most important reason. Availability was rated the most important reason for purchasing frozen mushrooms, with quality, price, and delivery time also rated as important. A number of individual purchasers of these products stated that the absence of domestic products of comparable

value together with the lower price of the imported products had a significant effect on their purchases of such products.

Purchasers of imported canned mushrooms broiled in butter or in butter sauce rated quality as the single most important reason for purchasing such products over the comparable U.S.-produced items, with price and availability rated next in importance. This is in accordance with the testimony of the Grocery Store Products Co., an important importer of canned buttered mushrooms from Taiwan into the United States, that the U.S. market has demonstrated a preference for the quality of the imported product with the B in B label; and that price is not generally the primary purchasing consideration for retail-size cans of such products by consumers, the ultimate purchasers of the imported product.

Purchasers of imported frozen mushrooms broiled in butter or in butter sauce rated availability as the most important reason for purchasing such products. This is in accordance with the fact that there is no domestic production of a comparable product. Historical supplier relationship was also rated as very important, pointing to the fact that the only frozen buttered mushroom product on the market today is supplied by the Green Giant Co., whose label is recognized nationally.

#### Recent Trends in the U.S. Market

##### Consumption and import penetration

Canned mushrooms.--Most of the canned mushrooms consumed in the United States are of the genus Agaricus. U.S. apparent consumption of canned mushrooms (including canned buttered mushrooms) increased from 179.5 million pounds in 1979 to 217.2 million pounds in 1980 before decreasing to 175.5 million pounds in 1981 (table 7). The ratio of imports to consumption decreased from 51 percent in 1979 and 1980 to 48 percent in 1981. U.S. consumption of canned buttered mushrooms decreased from \* \* \* 1979 to \* \* \* 1980, but then rose \* \* \* in 1981 (table 8). During 1979-81, the ratio of imports to consumption increased from \* \* \* 1979 to \* \* \* 1981.

Frozen mushrooms.--U.S. consumption of frozen mushrooms increased 61 percent from 10.9 million pounds in 1979 to 17.6 million pounds in 1980 (table 9). 1/ During 1981, consumption totaled 20.7 million pounds, representing an increase of 18 percent compared with what it was in 1980. The ratio of imports to consumption declined steadily from 27 percent in 1979 to 4 percent during 1981.

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1/ Consumption data include battered or breaded mushrooms, mushrooms in butter sauce, and other types of frozen mushrooms. A-12

Since there is no domestic production of frozen buttered mushrooms, U.S. consumption is equal to imports, which declined from 1979 to 1981, as shown in the following tabulation (in thousands of pounds): 1/

	<u>Quantity</u>
1979-----	***
1980-----	***
1981-----	***

1/ Fiscal year from June 1 to May 31.

#### Capacity and capacity utilization

Questionnaires were sent to all known U.S. processors of canned and frozen mushrooms (including canned or frozen mushrooms prepared with the addition of butter or butter sauce). Among other things, these processors were requested to report their total annual practical capacities to produce such products in their domestic facilities.

Canners.--Responses to the Commission's questionnaires by firms processing canned mushrooms showed that the respondents' rate of capacity utilization for canned mushrooms (excluding canned mushrooms broiled in butter or in butter sauce) increased irregularly from 1979 to 1981, as shown in the following tabulation:

Year	Production	Capacity	Capacity utilization
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Percent</u>
1979-----	87	192	45
1980-----	112	193	58
1981-----	106	200	53

The capacity of most firms to process canned mushrooms increased slightly during the period. The increase in capacity utilization of the responding firms--which accounted for about 95 percent of the aggregate sales of domestic canned mushrooms in 1981--is attributable more to an increase in production (19 million pounds) than to an increase in capacity (8 million pounds). Three of these firms canned mushrooms with the addition of butter or butter sauce sometime during 1979-81. Data on the production and capacity to produce such mushrooms are included in the following tabulation:

Year	Production	Capacity	Capacity utilization
	-----1,000 pounds-----		Percent
1979-----	***	***	***
1980-----	***	***	***
1981-----	***	***	***

Production declined regularly for each of the three domestic processors in 1979-81, with one firm no longer packing or marketing any canned buttered mushrooms and another firm having all of its product packed in Taiwan in 1981, accounting for \* \* \* of the decrease in capacity and \* \* \* of the decline in production from 1979 to 1981.

Freezers.--Data from mushroom processors showed that the capacity as well as the capacity utilization of those firms processing frozen mushrooms increased from 1979 to 1981, as shown in the following tabulation:

Year	Production	Capacity	Capacity utilization
	-----1,000 pounds-----		Percent
1979-----	16,819	38,070	44
1980-----	18,650	38,297	49
1981-----	20,590	41,053	50

None of these firms processed any frozen mushrooms broiled in butter or in butter sauce.

#### U.S. production

Canned mushrooms.--U.S. production of canned mushrooms (including canned mushrooms broiled in butter or in butter sauce) increased 29 percent from 86.5 million pounds (drained weight) in 1979 to 111.6 million pounds in 1980 (table 10). During 1981, the first full calendar year after the import relief was put into effect, production of canned mushrooms amounted to 106.4 million pounds, down 5 percent from the previous year. During 1979-81, domestic production of canned mushrooms prepared with the addition of butter or butter sauce decreased steadily from \* \* \* 1979 to \* \* \* 1981, as shown in the previous tabulation.

Frozen mushrooms.--Domestic freezers' mushroom production rose steadily in recent years from 16.8 million pounds (frozen weight) in 1979 to 20.6 million pounds in 1981 (table 11). U.S. production of frozen mushrooms is small in relation to total U.S. production of processed (canned) mushrooms. A-14

None of this production included any frozen mushrooms prepared with the addition of butter or butter sauce.

#### U.S. sales

Canned mushrooms.--During 1979-81, U.S. sales of domestically canned mushrooms increased from 87.6 million pounds (drained weight) in 1979 to 106.5 million pounds in 1980 before decreasing to 92 million pounds in 1981 (table 7). Virtually all of the sales consist of the canned Agaricus mushrooms. Sales of U.S.-produced canned buttered mushrooms decreased \* \* \* from 1979 to 1981 (table 8), following the decision by Grocery Store Products Co., a domestic processor, to have all of their product packed in Taiwan.

Frozen mushrooms.--Sales of U.S.-produced frozen mushrooms rose to 15.2 million pounds (drained weight) in 1980, up from 8 million pounds in 1979 (table 9). During 1981, sales amounted to 19.9 million pounds, with most of the sales made to institutional users, in bulk containers holding over 10 pounds. None of these sales included any frozen buttered mushrooms domestically produced.

#### U.S. exports

Canned mushrooms.--Exports of U.S.-produced canned mushrooms increased from 473,000 pounds (drained weight) in 1979 to 578,000 pounds in 1980, then decreased to 498,000 pounds in 1981. Exports in the latter year were valued at \$372,000. Exports accounted for less than 1 percent of U.S. production in 1981; none of these exports included any canned mushrooms broiled in butter or in butter sauce. Principal export markets for canned mushrooms in 1981 were as follows:

<u>Market</u>	<u>Quantity</u> <u>(1,000 pounds)</u>
Hong Kong-----	136
Saudi Arabia-----	74
Bahamas-----	42
Canada-----	37
All other-----	209
Total-----	498

Exports to Hong Kong, a net exporter of canned mushrooms (virtually all in institutional-size containers), consist of domestically produced canned mushrooms in retail-size cans with recognized brand names, intended for distribution through grocery chainstores.

Frozen mushrooms.--Exports of U.S.-produced frozen mushrooms are not separately reported; however, they are believed to be negligible.

U.S. inventories

Canned mushrooms.--During 1979-81, inventories of domestically canned Agaricus mushrooms held by canners increased regularly from 12.9 million pounds (drained weight) on December 31, 1979, to 30.2 million pounds on December 31, 1981. Mushrooms packed in retail-size containers accounted for over two-thirds of the inventories held on December 31, 1981. Data on inventories of canned mushrooms, submitted in response to Commission questionnaires, are shown in the following tabulation (in thousands of pounds):

Held on Dec. 31--	Container size--		Total
	Retail	Institutional	
1979-----	9,698	3,245	12,943
1980-----	15,379	3,851	19,230
1981-----	21,912	8,316	30,228

Inventories of domestically canned buttered mushrooms held on December 31, of 1979-81 increased from \* \* \* 1979 to \* \* \* 1980, before dropping sharply \* \* \* in 1981, as shown in the following tabulation:

<u>Held on Dec. 31--</u>	<u>Quantity</u> (1,000 pounds)
1979-----	***
1980-----	***
1981-----	***

The sharp drop in inventories held on December 31, 1981 reflects the decisions of Emil Lerch, Inc., to cease production of this product altogether in 1981 and of Grocery Store Products Co. to stop domestic production in late 1981 while aligning imports more closely to projected sales.

Frozen mushrooms.--According to data submitted in response to Commission questionnaires, inventories of domestically-produced frozen mushrooms held by freezers on December 31 of 1979-81 increased from 915,000 pounds to 3.3 million pounds (frozen weight), as shown in the following tabulation (in thousands of pounds):

<u>Type</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Frozen mushrooms-----	915	1,674	3,278

U.S. employment

All domestic processors of canned and frozen mushrooms were requested to provide information on employment in their firms, including the number of production and related workers employed, hours worked by production and related workers, and the total wages paid to such workers.

Canners.---Twenty-four firms processed canned mushrooms in 1981. Data submitted by the responding firms indicate that, from 1979 to 1981, the average number of production and related workers involved in mushroom canning operations (excluding buttered mushrooms) decreased 7 percent from 943 in 1979 to 875 in 1981, as shown in the following tabulation:

Year	Production and related workers involved in--	
	All operations	Mushroom canning operations
1979-----	1,621	943
1980-----	1,567	921
1981-----	1,548	875

The number of production and related workers involved in canning buttered mushrooms decreased from \* \* \* 1979 to \* \* \* 1981, as shown in the following tabulation:

Year	Production and related workers involved in--	
	All operations	Mushroom canning operations
1979-----	***	***
1980-----	***	***
1981-----	***	***

The hours worked by employees engaged in the processing of canned mushrooms decreased by 10 percent from 2,021 in 1979 to 1,822 in 1981, as shown in the following tabulation:

Year	Hours worked--	
	All operations	Mushroom canning operations
	-----1,000 hours-----	
1979-----	2,736	2,021
1980-----	2,686	2,032
1981-----	2,532	1,822

Hours worked by production and related workers in mushroom canning operations averaged 74 percent of the total hours worked in all operations of the reporting establishments from 1979 to 1981.

The number of hours worked by production and related workers in the processing of buttered canned mushrooms during 1979-81 decreased \* \* \* from \* \* \* 1979 to \* \* \* 1981, as shown in the following tabulation:

Year	Hours worked--	
	All operations	Mushroom canning operations
	-----1,000 hours-----	
1979-----	***	***
1980-----	***	***
1981-----	***	***

Total wages paid to production and related workers engaged in processing canned mushrooms increased steadily from 1979 to 1981, as shown in the following tabulation:

Year	Total wages paid--	
	-----1,000 dollars-----	
1979-----		11,896
1980-----		12,524
1981-----		13,110

Data from processors of canned buttered mushrooms indicate that total wages paid to production and related workers decreased steadily from 1979 to 1981, as shown in the following tabulation:

Year	:	Total wages paid--	
		-----1,000 dollars-----	
1979-----	:		***
1980-----	:		***
1981-----	:		***

Freezers.--Sixteen firms processed frozen mushrooms in 1981. Data submitted by the 15 responding firms indicate that, from 1979 to 1981, the number of production and related workers involved in mushroom freezing operations increased by 13 percent, from 275 in 1979 to 312 in 1981, as shown in the following tabulation:

Year	:	Production and related workers	
		involved in--	
		All operations	Mushroom freezing operations
1979-----	:	1,401	275
1980-----	:	1,407	286
1981-----	:	1,515	312

The hours worked by employees engaged in the processing of frozen mushrooms increased 6 percent from 391 in 1979 to 415 in 1981, as shown in the following tabulation:

Year	:	Hours worked--	
		-----1,000 hours-----	
		All operations	Mushroom freezing operations
1979-----	:	2,171	391
1980-----	:	2,097	390
1981-----	:	2,145	415

The hours worked by production and related workers in mushroom freezing operations averaged 19 percent of the total hours worked in all operations of the reporting establishments from 1979 to 1981.

Total wages paid to production and related workers engaged in processing frozen mushrooms increased 20 percent from \$1.5 million in 1979 to \$1.8 million in 1981, as shown in the following tabulation:

Year	Total wages paid--
	-----1,000 dollars-----
1979-----	1,503
1980-----	1,502
1981-----	1,805

#### Profit-and-loss experience

Twelve producers of processed mushrooms provided profit-and-loss data relative to their operations on processed mushrooms and their overall operations within which such products were produced during 1979-81. <sup>1/</sup> These firms accounted for about 33 percent of total U.S. sales (by quantity) of processed mushrooms in 1981.

As shown in table 12, aggregate net sales of processed mushrooms increased by 9 percent from \$45.3 million in 1979 to \$49.5 million in 1981, after declining slightly to \$44.7 million in 1980. Cost of goods sold as a percentage of net sales declined from 91.6 percent in 1979 to 88.7 percent in 1980, and then increased to 90.4 percent in 1981. General, selling, and administrative expenses, expressed as a percentage of net sales, increased from 7.3 percent in 1979 to 8.4 percent in 1981.

Aggregate net operating profit increased from \$500,000, or 1.1 percent of net sales, in 1979 to \$1.4 million, or 3.1 percent of net sales, in 1980. In 1981, reporting firms earned aggregate operating profit of \$604,000, representing a decline of 57 percent from the 1980 operating profit; and the operating margin dipped to 1.2 percent, almost the same level when compared with the 1979 margin. Interest expense almost doubled during 1979-81. As a percent of net sales, interest expense increased from 1.5 percent in 1979 to 2.7 percent in 1981.

After taking into account interest expense, and other income which ranged between 0.2 to 0.3 percent of net sales, reporting firms sustained an aggregate net loss before taxes of \$29,000 in 1979 and \$627,000 in 1981, or 1.3 percent of net sales in 1981. Responding firms reported a meager aggregate

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<sup>1/</sup> Profit-and-loss data were requested from all domestic processors of canned buttered mushrooms. However, these firms were unable to supply this A-20 information.

net profit before taxes of \$371,000, or 0.8 percent of net sales in 1980. The number of firms reporting a net loss declined from 6 in 1979 to 3 in 1980 and 4 in 1981.

Seven firms out of the 12 reporting firms were engaged in production of processed mushrooms only. Aggregate operating margin for the overall operations of reporting establishments increased from 2.1 percent in 1979 to 3.4 percent in 1980 and then declined to 1.4 percent in 1981. Net profit margin before taxes increased from 1.2 percent in 1979 to 1.7 percent in 1980. In 1981, responding firms sustained an aggregate net loss of \$82,000. The net operating profit margins and net profit or (loss) margins for operations on processed mushrooms were less than that for all establishment operations.

To provide an additional measure of profitability, the ratios of net operating profit to original cost, book value, and replacement cost of fixed assets employed by 10 firms in the production of processed mushrooms are presented in table 13. These ratios follow the same trend as did the ratios of net operating profit to net sales.

Nine processors of canned mushrooms provided profit-and-loss data relative to their operations on canned mushrooms as well as the overall operations of the firms within which such products were produced during 1979-81. These firms accounted for about 31 percent of total U.S. sales (by quantity) of canned mushrooms in 1981. The operations on canned mushrooms generally followed similar trends in net sales, costs and expenses, and net operating profit as did the operations on processed mushrooms discussed earlier.

As shown in table 14, aggregate net sales of canned mushrooms declined by 5 percent to \$36.4 million in 1980 and increased by 6 percent to \$40.6 million in 1981 compared with net sales of \$38.2 million in 1979. Aggregate net operating profit increased by 174 percent from \$287,000 in 1979 to \$787,000 in 1980. In 1981, net operating profit declined to \$201,000, representing a fall of 74 percent compared with the net operating profit of 1980. The net operating margins increased from 0.8 percent in 1979 to 2.2 percent in 1980 and then declined to 0.5 percent in 1981. Responding firms reported an aggregate net loss for each of the years 1979 to 1981. The number of firms reporting a net loss before taxes decreased from 5 in 1979 to 3 in 1980, and increased to 4 in 1981.

Seven firms out of the nine reporting firms were producers of only canned mushrooms. Aggregate operating margin for all operations of reporting establishments within which canned mushrooms were produced increased from 1.7 percent in 1979 to 3.5 percent in 1980, and then declined to 0.8 percent in 1981. Net profit margin before taxes increased from 0.5 percent in 1979 to 1.3 percent in 1980, but then dipped to a negative 1.6 percent in 1981. The operating profit margin and net profit or (loss) margin for canned mushrooms were less than that for all operations of reporting establishments. The number of firms reporting a net loss before taxes for all operations were 3 in 1979, 2 in 1980, and 3 in 1981.

The ratios of net operating profit to original cost, book value, and replacement cost of fixed assets employed in the production of canned mushrooms are presented in table 15. These ratios followed the same trend as did the ratios of net operating profit to net sales.

Cash flow from operations before taxes, capital expenditures, and the ratio of capital expenditures to cash flow from operations for processed mushrooms and canned mushrooms are presented in the following tabulation:

Item	Processed mushrooms			Canned mushrooms		
	1979	1980	1981	1979	1980	1981
	-----1,000 dollars-----					
Cash flow from operations	:	:	:	:	:	:
before taxes--1,000 dollars--	\$797	\$1,292	\$259	\$500	\$614	\$(237)
Capital expenditures-----do-----	1,267	778	808	1,203	731	682
Ratio of capital expenditures	:	:	:	:	:	:
to cash flow from oper-	:	:	:	:	:	:
ations-----percent--	159.0	60.2	312.0	241.0	119.0	-
	:	:	:	:	:	:

For purposes of this analysis, cash flow from operations is defined as net profit or (loss) before taxes plus depreciation and amortization expense. Cash flow of the reporting 12 firms for operations on processed mushrooms increased by 62 percent, from \$797,000 in 1979 to \$1.3 million in 1980, and then declined to \$259,000 in 1981. Capital expenditures by such firms dropped from \$1.3 million in 1979 to \$778,000 in 1980 and \$808,000 in 1981. As a percentage of cash flow from operations, capital expenditures increased from 159.0 percent in 1979 to 312.0 percent in 1981, after declining to 60.2 percent in 1980.

Cash flow from operations before taxes of the reporting 9 firms for operations on canned mushrooms increased from \$500,000 in 1979 to \$614,000 in 1980, and then declined to a negative cash flow of \$237,000 in 1981. Capital expenditures by such firms declined from \$1.2 million in 1979 to \$682,000 in 1981. Capital expenditures as a percent of cash flow from operations dropped from 241 percent in 1979 to 119 percent in 1980.

In addition, profit-and-loss data were received in investigation No. TA-201-43 in August 1980 from 18 canners on the overall operations of reporting establishments and from 17 canners on their canning operations during 1977-79. These firms represented about 90 percent of total U.S. production of canned mushrooms in 1979.

Aggregate net sales of canned mushrooms increased by 14 percent from \$117 million in 1977 to \$134 million in 1978, but then decreased to \$124 million in 1979, or by 7 percent (table 16). The fluctuation in sales was due primarily to a decline in the volume of sales. The aggregate cost of goods sold, as a share of net sales, remained steady at about 89.5 percent during 1977-79. A-22

General, selling, and administrative expenses, as a share of net sales, increased from 6.9 percent in 1977 to 9.2 percent in 1979.

Aggregate net operating profit on canned mushroom operations declined by 58 percent from \$4.0 million in 1977 to \$1.7 million in 1979. The ratio of net operating profit to net sales dipped from 3.4 percent in 1977 to 1.3 percent in 1979, primarily because of the continuous decline in volume of sales due to the fluctuations in average sales price in the face of increasing operating costs. The number of firms reporting a net operating loss increased from 4 in 1977 and 1978 to 9 in 1979.

Aggregated net operating profit for all operations of reporting establishments declined from 3.4 percent in 1977 to 2.0 percent in 1979. Most of the reporting firms were engaged in production of canned mushrooms only. The net operating profit in 1979 for canned mushrooms (1.3 percent) was less than that for all establishment operations (2.0 percent) and far below that for the canned and dried fruits and vegetables industry as a whole (4.9 percent).

For purposes of this analysis, cash flow from operations is defined as net operating profit plus depreciation and amortization. Income taxes paid are not taken into consideration owing to different tax rates which may apply to individual firms. Cash flow from operations of the reporting 13 firms declined by 29 percent from \$5.3 million in 1977 to \$3.8 million in 1979, as shown in the following tabulation:

Item	:	1977	:	1978	:	1979
	:		:		:	
	:	<u>-----1,000 dollars-----</u>				
Cash flow from operations before	:		:		:	
taxes-----1,000 dollars--	:	5,331	:	5,140	:	3,782
Capital expenditures-----do----	:	4,498	:	4,417	:	3,853
Ratio of capital expenditures to	:		:		:	
cash flow from operations	:		:		:	
percent--	:	84.4	:	85.9	:	101.9
	:		:		:	

Capital expenditures by such firms also dropped, from \$4.5 million in 1977 to \$3.9 million in 1979. Capital expenditures as a percentage of cash flow from operations increased from 84.4 percent in 1977 to 101.9 percent in 1979.

\* \* \*

Calculations of return on investment during 1977-79 using net operating profit or loss and investment data are shown in table 17. Fixed-assets data were provided to the Commission on original-cost, net-book-value, and estimated-replacement-cost bases for 1977-79. Only 10 firms out of the 17 firms responding reported the estimated replacement cost for fixed assets. Hence, those amounts presented in table 12 are understated. Usually those amounts are much higher than original cost owing to inflation. Original-cost and book-value calculations are somewhat distorted by the time period during which

the investments are made. Regardless of which investment base is used, return on investment declined from 1977 to 1979.

The ratio of net operating profit to fixed assets should not be construed as a return on total investment. Total investment includes, in addition to fixed assets, investment in working capital, nonproductive facilities, and other related joint investments.

Some domestic mushroom processors did respond to the Commission's questionnaire in the section 201 investigation requesting information pertaining to actual and potential negative effects, if any, of imports of canned mushrooms on U.S. mushroom processors' ability to raise capital and investment. The respondent firms alleged that investors and lending institutions were very cautious and increasingly reluctant to lend money to firms in the mushroom industry because of reported poor earnings and an uncertain future for domestic mushroom processors due to uncontrolled imports and lower domestic product sales. Some processors reported that their capital and investment were limited because of the provisions for certification and repayment established by the Small Business Administration for their adjustment assistance loans.

#### Price considerations

Canned mushrooms.--The President imposed a temporary duty in addition to the statutory duty on November 1, 1980. Following this action, landed duty-paid unit values, 1/ an indication of the cost of mushrooms to importers, increased to an average of \$1.53 per pound in January-March 1981, representing an 11-percent increase compared with unit values in July-September 1980, the quarter preceeding the relief (table 18). However, in the last 9 months of 1981, unit values decreased for most mushroom import categories, by an average of 6 percent through December 1981. 2/ The unit value decline was generally greatest in October-December 1981; about 50 percent of the 14¢ decline in this quarter can be attributed to the lowering of the temporary duty by 5 percentage points on November 1, 1981. Importers' sales prices of processed mushrooms showed a similar trend, increasing to an average of \$1.72 per pound in January-March 1981, a 10 percent increase from prices in July-September 1980 (tables 19-22). In the last nine months of 1981, prices decreased for most mushroom import categories while remaining relatively stable for the others.

U.S. producers' sales prices for processed mushrooms in institutional-size containers decreased in January-March 1981 to an average of \$1.32 per pound, 2 percent below the price in the previous quarter (tables 19 and 20). The domestic price of mushrooms in retail-size containers increased in January-March 1981 to an average of \$1.77 per pound, 6 percent above the price

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1/ This includes freight, insurance, and other charges from the port of exportation to the port of entry, plus the duty.

2/ Unit values are derived from U.S. Department of Commerce data for six mushroom import categories, each with a seven digit statistical designation. Because each category is fairly specific, unit values should not be significantly affected by changes in product mix.

in the previous quarter (tables 21 and 22). Domestic mushroom prices in all categories remained relatively stable through July-September 1981, but declined by an average of 4 percent in October-December 1981 from the previous quarter.

Several factors appear to have contributed to generally declining prices and unit values in 1981 for processed mushrooms. Apparent consumption of canned mushrooms fell in 1981 compared with the previous year, reflecting a market which many importers and domestic processors considered depressed. Suppliers with lower unit values (China, Hong Kong) significantly increased their share of total mushroom imports in 1981 (table 23), and unit values from all major import sources generally declined during that year (table 24). <sup>1/</sup> The scheduled lowering of the temporary duty on November 1, 1981 contributed to the decline of both import unit values and importers' sales prices in October-December 1981.

Domestic mushroom prices generally lagged behind import prices by one or two quarters, decreasing in July-September or October-December 1981. Price declines came first, and were greatest, for domestic mushrooms in that mushroom category where imports were high (stems and pieces in institutional-size containers). Price declines were less for domestic mushrooms in that mushroom category where import penetration was lowest (stems and pieces in retail-size containers).

Raw mushroom costs generally represent over half of total production costs of mushrooms processed in the United States. <sup>2/</sup> U.S. mushroom processors are said to have a degree of control over prices they pay for fresh-processing mushrooms, since mushroom growers have limited alternative markets for these lower grade mushrooms. Table 25 shows that prices of fresh mushrooms for processing declined in 1981, concurrent with falling prices for processed mushrooms. In contrast, prices of mushrooms for fresh consumption generally increased in 1981.

There are several classes of importers of processed mushrooms, and the appropriate price comparison between imported and domestic processed mushrooms depends on the individual importer being considered. Some larger importers sell to retail chains, to industrial processors, and/or institutional wholesalers. These importers compete directly with domestic mushroom processors and it is these importers' sales prices which should be compared with processors' sales prices. However, smaller importers generally operate as wholesalers, competing directly with wholesalers of the U.S. produced mush-

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<sup>1/</sup> Among the factors which can affect unit values of imported mushrooms, foreign suppliers can lower the price of their product to partially counteract the increased tariff, and an appreciation of the dollar can lower the dollar value of imports. Both of these factors appear to have affected unit values of imported mushrooms in 1981.

<sup>2/</sup> A cost analysis in a recent United States Department of Agriculture (USDA) study of the mushroom industry estimated that raw mushroom costs were an average of 63 percent of total production costs for mushrooms canned in the United States. This percentage was larger for mushrooms in institutional-size cans and smaller for mushrooms in retail-size cans.

rooms and only indirectly with the U.S. processor. It is more appropriate to compare these importers' purchase prices (or landed duty-paid unit values) with processors' sales prices. At least one retailer of canned mushrooms, \* \* \*, both imports and buys directly from domestic mushroom processors. In addition, five domestic mushroom processors also import processed mushrooms, primarily in institutional-size containers.

Landed duty-paid unit values and importers' sales prices are shown in tables 19-22. Importers' sales prices in the tables include sales reported by smaller importers that compete directly with wholesalers rather than producers of U.S. processed mushrooms. These price averages may therefore overstate prices of those importers that actually compete with U.S. producers. With the exception of mushrooms broiled in butter or in butter sauce, a comparison between landed duty-paid unit values and domestic processors' sales prices is believed to more accurately reflect price competition between domestic and imported processed mushrooms. 1/

In 1980, landed duty-paid unit values of imports were generally lower than domestic processors' sales prices. Following imposition of the temporary duty on November 1, 1980, this price differential narrowed from an average of \$0.29 per pound in July-September 1980 to \$0.06 per pound in January-March 1981 (tables 19-22). However, in the last three quarters of 1981, import unit values generally declined, and the price differential increased to \$0.09 per pound in October-December 1981. Unit values of imports from Taiwan and Korea were often higher than domestic prices in 1981. In contrast, unit values of imports from China and Hong Kong generally undersold domestic mushrooms by an average of \$0.17 per pound in 1981.

Mushrooms broiled in butter or in butter sauce.--Imports of mushrooms broiled in butter or in butter sauce (butter mushrooms) are in retail-size containers \* \* \* firms distribute butter mushrooms to retail chains under their own national labels (Green Giant and B in B). Buttered mushrooms were produced in 1981 in the United States \* \* \*. However, domestic production by Grocery Store Products Co. is being phased out in favor of production in Taiwan.

Following imposition of the import relief on November 1, 1980, importers' sales prices of butter mushrooms increased in January-March 1981 \* \* \*. This was an increase \* \* \* over prices in the quarter preceeding the relief (table 26). Prices of imported canned butter mushrooms remained stable for buttons and slices, and increased for pieces and stems, through yearend 1981. Prices of imported frozen butter mushrooms continued to increase through July-September 1981 \* \* \*, but decreased \* \* \* in October-December of that year.

Prices of domestic butter mushrooms (canned only) increased \* \* \* in January-March 1981, representing an increase \* \* \* over the average in July-September 1980. Prices of buttons and slices remained stable \* \* \* through yearend 1981. Prices of pieces and stems declined from \* \* \* January-March 1981 to \* \* \* October-December of that year.

Canned butter mushrooms were consistently higher priced than mushroom prices in any other category. Prices of imported butter mushrooms were \* \* \* above the average domestic butter mushroom price \* \* \* during 1980 and 1981. In 1980, imported butter mushroom buttons and slices were \* \* \* higher than the average domestic brine packed mushroom price \* \* \* per pound. This premium price increased \* \* \* in 1981. In 1980, imported butter mushroom pieces and stems were \* \* \* higher than the average domestic brine packed mushroom price of \$1.55 per pound. This premium price increased \* \* \* in 1981.

Imported frozen butter mushrooms were lower priced than all canned butter mushrooms, but still higher priced than domestic canned buttons and slices in brine. In 1981 this price premium was \* \* \*.

Domestic and foreign producers of mushrooms in butter sauce attribute the higher price of this product to a number of factors. According to testimony, costs of production are higher because (1) a higher quality raw mushroom is generally used, imposing a higher raw product cost, and (2) an additional step in the production process requires cooking the mushroom in butter, either by broiling or by simmering. 1/ A former domestic producer of butter mushrooms testified that the extra cost of the raw butter (estimated at 3 cents per pound) was a small portion of the additional cost to produce a butter mushroom. According to the same producer, most of the extra cost was in the additional processing stage. 2/

Butter mushroom imports from both Taiwan and Korea are sold under labels of nationally recognized brands (Green Giant and B in B). One importer indicated that distribution and promotion of these items throughout the country imposed costs higher than firms distributing mushrooms on a more regional basis. 3/ Vegetables under the national labels are advertised as higher quality, and generally command premium prices.

#### U.S. producers' efforts to compete with imports

Questionnaire responses.—U.S. mushroom processors were requested to supply information concerning their efforts to become more competitive with imported processed mushrooms. Seven processors, accounting for 24 percent of U.S. sales of processed mushrooms in 1981, provided information concerning such efforts. The remaining processors returned questionnaires with no responses on efforts to compete. Among the latter, two canners stated explicitly that they were making no efforts to become more competitive, and four freezers stated that they did not compete with imports. Reasons given for making no efforts to compete were (1) the import relief has not been effective in restricting imports, (2) consumption of processed mushrooms declined in 1981, resulting in lower profits for the processors, and (3) high interest rates precluded borrowing for capital investment. Some processors that submitted evidence of efforts to compete also cited the above factors as restricting their efforts.

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1/ Transcript of hearing, pp. 27, 48, 113, and 158.

2/ Ibid., p. 45.

3/ Ibid., p. 162.

Efforts to compete were classified in seven categories: (1) investment in plant or equipment, (2) reduction of costs with existing plant and equipment, (3) diversification, (4) vertical expansion, (5) research and development, (6) organizational changes, and (7) marketing.

Of the seven firms providing information, five had invested a total of \$427,150 in plant or equipment to improve product quality. Four firms reported cost reduction efforts, primarily through reduced energy consumption, with a total reported cost of \$90,000. Four firms invested a total of \$612,585 for diversification, including production of frozen mushrooms, frozen breaded zucchini slices and sticks, and frozen breaded mushrooms. Five firms reported efforts in marketing, with \$516,000 being spent on mushroom promotion. \* \* \*. No efforts were reported by these seven firms under the category of vertical integration.

Mushroom processing firms providing evidence of efforts to compete are listed below. The type of mushroom product (i.e., canned, frozen) packed by each firm is enclosed in parenthesis following the name of each firm.

\* \* \* \* \*

Industry-wide efforts to compete.--In 1981, the mushroom industry completed a two year technical assistance project. This project was funded by the U.S. Department of Commerce at a cost of \$250,000, and was implemented by the American Mushroom Institute (AMI). The project included both the processing and fresh mushroom sectors of the mushroom industry, and included research on marketing, research and development, and diversification.

Marketing studies included the identification of factors affecting per capita consumption of mushrooms, the relationship between mushroom prices and consumer purchasing habits, and the effect of direct and indirect advertising on mushroom purchases.

Research and development studies centered on increased efficiency of mushroom growing and processing. Increased efficiency in the growing sector would reduce the cost to grow mushrooms, which could have a beneficial effect on the mushroom-processing sector. Efficiency in the processing sector centered on reducing shrinkage of mushrooms to reduce the raw product cost. This included a study to select and develop mushroom strains that were less subject to shrinkage, and the development of a processing method for reducing shrinkage. A representative of the AMI testified that it was requesting an additional \$50,000 grant to continue research in this area.

Diversification studies looked at other possible uses for processed and fresh mushrooms and mushroom byproducts, and at the possibility of growing and processing other mushroom strains or other crops.

The AMI testified that it is seeking acceptance in the mushroom industry of a marketing order for the fresh mushroom sector. 1/ The purpose of this marketing order would be to finance fresh mushroom promotion on a national level. Financing would be through obligatory assessments on fresh mushroom sales, to be paid by mushroom growers. Only mushroom growers could sign such an order, only sales of mushrooms destined for the fresh market would be assessed, and only fresh mushrooms could be promoted, according to an official of the Agricultural Marketing Service of the USDA. This marketing order would not directly restrict the supply of fresh mushrooms. 2/ Although there may be some indirect effects on the mushroom-processing sector, the fresh mushroom sector would be primarily affected.

Raw mushrooms are the major cost element in the processing of mushrooms. An objective of a recent USDA study was "to determine and assess the competitive position of domestically canned mushrooms with imports." 3/ The study found that domestic raw mushroom costs were \* \* \* higher than raw mushroom costs \* \* \* in Taiwan and Korea for the four mushroom categories analyzed. Domestic container costs were \* \* \* higher than container costs \* \* \* in Taiwan and Korea. The study concluded that the cost comparisons "highlighted differences in raw product costs between domestic and foreign canners," and that "differences in raw product costs between domestic and foreign canners appear to be too great to overcome through increased processing efficiency."

Domestic mushroom processors argue that the development of a new blanching process would reduce raw mushroom shrinkage from 40 percent to 15 percent, thereby reducing their raw product costs since more of the mushroom is used. 4/ \* \* \*. If 15 percent shrinkage is applied to the domestic raw mushroom cost, the actual cost of the processed mushroom would be \* \* \*. If \* \* \* shrinkage is applied to the foreign raw mushroom cost, the actual cost would be \* \* \*. The process is estimated to reduce the cost advantage of foreign raw mushrooms \* \* \*. The domestic processor who is developing this process estimated that it would be available to the industry in from 1 to 2 years, and would be available to the mushroom industry on a royalty basis. 5/

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1/ Transcript of hearing, p. 39.

2/ Ibid., p. 43.

3/ The Mushroom Industry. Prepared by the Agricultural Marketing Service, Market Research and Development Division, in cooperation with the Agricultural Cooperative Service, Cooperative Development Division, U.S. Department of Agriculture, pp. 12-19.

4/ Transcript of hearing, p. 21.

5/ Submission of Mushroom Cooperative Co., pp. 4 and 5.

Probable Economic Effects of Terminating Import Relief for  
Mushrooms Broiled in Butter or in Butter Sauce

The effect on the U.S. mushroom industry of terminating import relief for mushrooms broiled in butter or in butter sauce (butter mushrooms) depends on the level of U.S. demand for this product, the foreign industry's present and potential level of output, and the extent to which butter mushrooms can be substituted for domestically produced mushroom products, specifically for mushrooms canned in brine.

Structure and level of demand

Butter mushrooms sell only in the retail market, and are supplied by imports and domestic production. Apparent consumption has declined from 7.7 million pounds in 1979 to 6.8 million pounds in 1981. One mushroom producer/importer testified that he saw the market for these mushrooms as limited, and did not expect significant growth in this market. 1/ Butter mushrooms are characterized as a specialty item and consumption would be expected to decline somewhat during a recessionary period.

Canned butter mushrooms are generally sold for the same uses, and are placed on the same grocery shelf, as mushrooms canned in brine, according to testimony from a former domestic producer of these mushrooms. 2/ However, both domestic and imported canned butter mushrooms sell for a premium over mushrooms in brine, according to domestic and foreign producers. 3/

If canned butter mushrooms are exempted from the import relief, the impact on prices of mushrooms canned in brine will depend on how this exemption is reflected in butter mushroom prices, and the change in the level of butter mushroom imports. Current prices of butter mushroom imports are higher than prices of domestic mushrooms canned in brine \* \* \* for buttons and slices, and \* \* \* for pieces and stems. If butter mushrooms are exempted from the import relief, and if the total cost savings is passed on to the consumer, the importers' sales price would be reduced \* \* \*. The price premium of imported butter mushrooms would then be \* \* \*. An importer of butter mushrooms indicated that this premium is \* \* \* at the retail level. 4/

These price differentials are still relatively high, and it is unlikely that many consumers would switch from mushrooms canned in brine to butter mushrooms. Butter mushroom imports were about \* \* \* of all processed mushroom imports in 1981, and the impact of price changes for this type of mushroom on other mushroom imports would be small. However, it is possible that in the event of an exemption, other foreign mushroom processors could enter this market and charge lower prices if it is cost effective to do so. The later section on circumvention of the import relief discusses this issue.

There is no known U.S. production of frozen butter mushrooms. Domestic consumption is supplied entirely by imports from Taiwan and all imports are sold by a single distributor. \* \* \*. These mushrooms are generally sold in

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1/ Transcript of hearing, p. 163.

2/ Ibid., p. 30.

3/ Ibid., pp. 58 and 162.

4/ Ibid., pp. 161 and 162.

retail-size cartons (6 ounce) as whole mushrooms, and are intended to be served as a separate side dish. They do not appear to compete directly with canned retail mushrooms which generally are mixed with other food items. Frozen battered or breaded mushrooms are the only other frozen mushrooms known to be sold at retail levels. Most fresh frozen mushrooms are generally sold in the industrial and institutional markets. On a per pound basis, frozen butter mushrooms are generally lower priced than canned butter mushrooms, but higher priced than domestic canned mushrooms in brine.

#### The foreign industry

The only known foreign production of butter mushrooms is in Taiwan and Korea. 1/ Butter mushrooms produced in Korea are imported by the Pillsbury Co. under the Green Giant label. Production in Korea was 189,000 pounds (drained weight) in 1980 and 203,075 pounds in 1981, according to data provided by the managing director of the Korean Canned Goods Exporters Association (KOCAND). Most Korean production of butter mushrooms was whole or sliced in 1981.

Both the Pillsbury Co. (Green Giant brand) and Grocery Store Products Co. (B in B brand) import butter mushrooms from Taiwan. A representative of the Taiwan Mushroom Packers United Export Corporation (TMPUEC) testified that all production of butter mushrooms from Taiwan is sold in advance to these two firms. 2/ Exports from Taiwan were 4,132,472 pounds in 1981, according to data submitted by counsel for the TMPUEC.

Testimony at the hearing indicated that foreign production of butter mushrooms required higher quality mushrooms, which were washed, sprayed with butter, and passed under radiant heat of 500 degrees Fahrenheit for broiling. They were then packed in brine with some butter added. Foreign producers and a former domestic producer of butter mushrooms testified that the cost of production for butter mushrooms was higher than for mushrooms in brine. They attributed most of this higher cost to the use of higher quality mushrooms and to the extra process of cooking the mushrooms in butter, whether by broiling or by simmering.

The cost of the raw butter used in this process is relatively small, according to domestic and foreign producers. Butter from New Zealand is used by canners from Taiwan and Korea, and the current butter price is \$1.04 per pound, f.o.b., New Zealand. Estimated freight to these countries is about

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1/ A telegram from the U.S. Embassy in China stated that butter mushrooms were not produced in that country.

2/ Transcript of hearing, p. 141.

\$0.10 to \$0.15 per pound. 1/ The import duty on butter is 60 percent in Korea, bringing the cost of the raw butter to about \$1.90 per pound, excluding inland freight. If mushrooms in butter sauce are defined as containing 3 percent butter by weight, 2/ one pound of butter mushrooms would contain .48 ounces of butter having a raw butter cost of \$0.057. A former domestic producer of butter mushrooms also testified that the extra cost to produce butter mushrooms was primarily attributable to higher processing costs. The extra cost of the raw butter was estimated at \$0.027 per pound. 3/

#### Circumvention of the import relief

If butter mushrooms were exempted from the import relief, the probability of circumvention would depend on the definition of the exempted product. There are no Food and Drug Administration (FDA) regulations governing the butter content of mushrooms broiled or packed in butter or in butter sauce. If the exempted butter mushrooms were defined only on a content basis (containing 3 percent butter), the extra cost of adding the butter can be compared with the cost savings of avoiding the increased tariff resulting from the import relief. Added to the raw butter costs would also be such cost factors as butter storage and a process to add the butter to the container. Table 27 shows the cost savings per pound of avoiding the import relief, by mushroom style and by country. Through October 31, 1982, the cost savings would average 18 cents per pound for both retail-size and institutional-size containers. From November 1, 1982, through October 31, 1983, the cost savings would average 12 cents per pound for retail-size containers and 11 cents per pound for institutional-size containers. The distribution of this savings between importers and foreign producers would depend on the foreign producers' pricing of butter mushrooms in response to an exemption. These cost savings could be greater than the production cost of adding 3 percent butter, by from 5 cents to 15 cents per pound. A posthearing submission from counsel for the foreign producers of butter mushrooms agreed that "mushrooms styled as packed in butter or as packed in butter sauce could promote evasion because of the small cost increment entailed by the added butter." 4/

Even if it is cost effective to produce butter mushrooms rather than mushrooms in brine for export to the United States, a constraining factor would be the acceptance of butter mushrooms as substitutes for mushrooms in brine. A former domestic producer of these mushrooms testified that to most end users, a small amount of butter would not necessarily make the mushrooms unsuitable for use. 5/

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1/ The price of butter in New Zealand, and an estimate of freight costs from New Zealand, was provided by an official of the New Zealand Dairy Board in Chicago.

2/ Food and Drug Administration regulations require a minimum of 3 percent of butter, by weight, for a canned vegetable to be classified as including butter sauce. However, canned mushrooms are exempted from these regulations.

3/ Transcript of hearing, p. 45.

4/ Posthearing supplemental submission of counsel for the TMPUEC, March 17, 1982.

5/ Transcript of hearing, p. 28.

If the exempted product is specified as having to be broiled or cooked in butter, the added cost would less likely be regained by avoiding the tariff, since processing costs of cooking the mushrooms in butter would have to be added to the cost of the raw butter. These processing costs are relatively high, according to testimony from butter mushroom producers. Exemption of mushrooms classified as "broiled in butter" would therefore not promote evasion of the import relief, according to counsel for the foreign producers of these mushrooms. Counsel also argued that evasion could be precluded by exempting only butter mushrooms in containers of 9 ounces or less, since all butter mushroom imports are in retail-size containers.



**APPENDIX A**  
**PRESIDENTIAL PROCLAMATIONS ON MUSHROOMS**

Federal Register

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Monday, November 3, 1980

# Presidential Documents

Title 3—

The President

Proclamation 4801 of October 29, 1980

## Temporary Duty Increase on the Importation Into the United States of Certain Mushrooms

By the President of the United States of America

### A Proclamation

1. Pursuant to Section 201(d)(1) of the Trade Act of 1974 (the Trade Act) (19 U.S.C. 2251(d)(1)), the United States International Trade Commission (USITC), on August 18, 1980, reported to the President (USITC Report 201-43) the results of its investigation under section 201(b) of the Trade Act (19 U.S.C. 2251(b)). The USITC determined that mushrooms, prepared or preserved, provided for in item 144.20 of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202), are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. The USITC recommended the imposition of quantitative restrictions on imports of the above specified mushrooms.

2. On October 17, 1980, pursuant to section 202(b)(1) of the Trade Act (19 U.S.C. 2252(b)(1)), and after taking into account the considerations specified in section 202(c) of the Trade Act (19 U.S.C. 2252(c)), I determined to remedy the injury, or threat thereof, found to exist by the USITC by proclaiming a temporary duty increase. On October 17, 1980, in accordance with section 203(b)(1) of the Trade Act (19 U.S.C. 2253(b)(1)), I transmitted a report to the Congress setting forth my determination and intention to proclaim a temporary duty increase and stating the reason why my decision differed from the action recommended by the USITC.

3. Section 203(e)(1) of the Trade Act (19 U.S.C. 2253(e)(1)) requires that import relief be proclaimed and take effect within 15 days after the import relief determination date.

4. Pursuant to sections 203(a)(1) and 203(e)(1) of the Trade Act (19 U.S.C. 2253(a)(1) and 2253(e)(1)), I am providing import relief through the temporary increase of the import duty on the subject mushrooms.

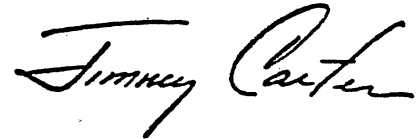
NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, acting under the authority vested in me by the Constitution and the statutes of the United States, including sections 604 and 203 of the Trade Act (19 U.S.C. 2483 and 2253), and in accordance with Article XIX of the General Agreement on Tariffs and Trade (GATT) (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786), do proclaim that—

(1) Part I of Schedule XX to the GATT is modified to conform to the actions taken in the Annex to this Proclamation.

(2) Subpart A, part 2 of the Appendix to the TSUS is modified as set forth in the Annex to this Proclamation.

(3) This Proclamation shall be effective as to articles entered, or withdrawn from warehouse for consumption, on or after November 1, 1980, and before the close of October 31, 1983, unless the period of its effectiveness is earlier expressly suspended, modified or terminated.

IN WITNESS WHEREOF, I have hereunto set my hand this twenty-ninth day of October, in the year of our Lord nineteen hundred and eighty, and of the Independence of the United States of America the two hundred and fifth.



## ANNEX

Subpart A, part 2 of the Appendix to the TSUS (19 U.S.C. 1202) is modified by inserting in numerical sequence the following new provision:

Item	Articles	Rates of Duty			2
		1			
		Effective on or after November 1,--			
		1980	1981	1982	
"922.55	Mushrooms, prepared or preserved, provided for in item 144.20...	The rate provided for in item 144.20 + 20% ad val.	The rate provided for in item 144.20 + 15% ad val.	The rate provided for in item 144.20 + 10% ad val.	No change."

## Presidential Documents

**Proclamation 4904 of February 27, 1982**

### **Termination of Increased Rates of Duty on Certain Mushrooms and Technical Corrections in the Tariff Schedules of the United States**

**By the President of the United States of America**

#### **A Proclamation**

1. By Proclamation 4901 of October 29, 1980, the President proclaimed increased duties on certain types of mushrooms, prepared or preserved, provided for in item 144.20 of the Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202). These increased duties were to be effective from November 1, 1980, through October 31, 1983, unless modified or terminated earlier. This action was taken under the following legal provisions: sections 202(b), 202(c), 203, and 604 of the Trade Act of 1974 (the Trade Act) (19 U.S.C. 2252(b), 2252(c), 2253, and 2483).

2. I have determined, pursuant to section 203(h)(4) of the Trade Act (19 U.S.C. 2253(h)(4)), after taking into account the advice of the U.S. International Trade Commission and after seeking the advice of the Secretary of Commerce and the Secretary of Labor as required by that section, that it is in the national interest to terminate the increased rates of duty currently in effect on imports of certain mushrooms now provided for in item 922.55 of the TSUS and to retain the increased rates of duties on imports of other mushrooms now provided for in that item.

3. I have further determined that certain technical corrections to the TSUS are necessary to embody therein, pursuant to section 604 of the Trade Act (19 U.S.C. 2483), the substance of relevant provisions of actions undertaken within the authority of the Trade Act; and that, pursuant to section 301, title 3 of the United States Code, responsibility for arranging for the certification by foreign government officials of "certified hand-loomed and folklore" products be assigned to the United States Trade Representative, and that pending completion of such arrangements, the detailed description contained in the definition of such products be removed from the TSUS. I have further determined that TSUS item 141.84, "kidney beans in airtight containers", established by Presidential Proclamation 4707 of December 11, 1979, has no classification effect since kidney beans were already provided for at a superior level in the classification hierarchy of the TSUS.

Therefore, pursuant to section 604 of the Trade Act (19 U.S.C. 2483), to make a technical correction to the TSUS, I have determined that TSUS item 141.84 should be deleted from the tariff schedules.

4. By Proclamation 4788 of June 23, 1980, the President modified the TSUS by adding numerous provisions to schedule 4 thereof for "products provided for in the Chemical Appendix to the Tariff Schedules" and by adding a Chemical Appendix to the TSUS. This action was taken under the authority of section 503(a)(1) of the Trade Agreements Act of 1979 (93 Stat. 251). The Chemical

Appendix lists chemicals and products which the President has determined were imported into the United States before January 1, 1978, or were produced in the United States before May 1, 1978. I have determined pursuant to section 604 of the Trade Act (19 U.S.C. 2483), that certain products included in the Chemical Appendix are properly classifiable in other items in schedule 4 of the TSUS, that their inclusion in the Chemical Appendix was a technical error of no classification effect, and that these products should therefore be deleted from the Chemical Appendix to the TSUS.

5. By Proclamation 4884 of November 13, 1981, the President proclaimed increased duties on certain high-carbon ferrochromium, provided for in TSUS item 607.31, effective through November 15, 1982. This action was taken under the authority of section 203 of the Trade Act (19 U.S.C. 2253). A technical error was made in incorporating these increased rates in the TSUS, in that the measure of assessment was incomplete.

6. By Proclamation 4887 of December 23, 1981, the President proclaimed import fees on certain sugars, sirups, and molasses, provide for in TSUS items 155.20 and 155.30. These import fees were imposed under the authority of section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), and were made effective as of December 24, 1981. A technical error was made in incorporating these import fees in the TSUS, in that the measure of assessment was incomplete.

NOW, THEREFORE, I, RONALD REAGAN, President of the United States of America, acting under the authority vested in me by the Constitution and the statutes of the United States, including sections 203 and 604 of the Trade Act (19 U.S.C. 2253 and 2483), section 22 of the Agricultural Adjustment Act, as amended (7 U.S.C. 624), and in accordance with Article XIX of the General Agreement on Tariffs and Trade (GATT) (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786), do proclaim that—

(1) Part I of Schedule XX to the GATT is modified to take into account the actions taken in paragraphs (5) and (6) below and in the Annexes to this proclamation.

(2) The TSUS is modified as set forth in the Annexes to this proclamation.

(3) Annexes II and III to Presidential Proclamation 4707 of December 11, 1979, are amended as provided in Annex II to this proclamation.

(4) Annex II to Presidential Proclamation 4768 of June 28, 1980, is amended as provided in Annex II to this proclamation.

(5) Subpart A, part 2 of the Appendix to the TSUS is amended by inserting, in the columns titled Rates of Duty 1 and 2 of item 923.18, the symbol "¢" after "4.625" in each column. This modification is effective as to articles entered, or withdrawn from warehouse for consumption, on or after November 16, 1981.

(6) Part 3 of the Appendix to the TSUS is amended by inserting, in the column entitled Rates of Duty (Section 22 fees) for items 956.05, 956.15, and 957.15, the symbol "¢" after the numeral which precedes the word "per" in each such item. This modification is effective as to articles entered, or withdrawn from warehouse for consumption, on or after December 24, 1981.

(7) The modifications of Part I of Schedule XX to the GATT and of the Appendix to the TSUS made by Annex I hereto shall be effective as to articles entered, or withdrawn from warehouse for consumption, on or after March 1, 1982, and before the close of October 31, 1983, unless the period of their effectiveness is earlier expressly suspended, terminated, or modified.

(8) The remaining modifications made by paragraphs (1), (2), (3), and (4) hereof shall be effective as to articles entered, or withdrawn from warehouse for consumption, on or after the third day following publication of this proclamation in the Federal Register.

IN WITNESS WHEREOF, I have hereunto set my hand this 27th day of Feb., in the year of our Lord nineteen hundred and eighty-two, and of the Independence of the United States of America the two hundred and sixth.

*Ronald Reagan*

Billing code 3195-01-M

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## ANNEX I

Subpart A, part 2 of the Appendix to the TSUS (19 U.S.C. 1202) is modified by deleting item 922.55 and by inserting in numerical sequence the following new item:

Item	Articles	Rates of Duty		2
		1		
		Effective on or after—		
		March 1, 1982	November 1, 1982	
"922.56	Mushrooms, prepared or preserved, provided for in item 144.20 (except (1) mushrooms valued over \$1.60 per pound (drained weight) of the genera <u>Cantharellus</u> , <u>Eulocius</u> , or <u>Morchella</u> , (2) mixed mushrooms valued over \$1.60 per pound (drained weight) of two or more of the types <u>Boletus luteus</u> , <u>Lactarius deliciosus</u> , <u>Rorites caperata</u> , <u>Suillus grevillei</u> , or <u>Suillus granulatus</u> , and (3) whole mushrooms (including buttons), in containers each holding not more than 9 ounces (drained weight) of the types <u>Volvariteila volucrea</u> , <u>Flammulina velutipes</u> , <u>Pleurotus ostreatus</u> , or <u>Pleurotus abaloni</u> ).....	The rate provided for in item 144.20 + 15% ad val.	The rate provided for in item 144.20 + 10% ad val.	No change".



APPENDIX B

LETTER FROM THE USTR TO THE COMMISSION REQUESTING  
AN INVESTIGATION UNDER SECTION 203, RECEIVED DECEMBER 21, 1981

THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON  
20506

RECEIVED  
81 DEC 21 12:11

December 11, 1981

OFFICE OF THE SECRETARY  
DOCKET/USITC

81 DEC 21 12:52

RECEIVED

Mr. Bill Alberger  
Chairman  
U.S. International Trade  
Commission  
701 E Street, N.W.  
Washington, D.C. 20436

Dear Mr. Chairman:

On October 29, 1980, President Carter proclaimed import relief for the domestic mushroom industry and increased the duty for three years on imports of prepared or preserved mushrooms classified under item 144.20 of the Tariff Schedules of the United States.

On May 14, 1981, I sent you a request that the Commission advise the President on the probable economic effects on the domestic mushroom industry of modifying existing import relief to exclude certain products. The Commission provided this advice on September 11, 1981.

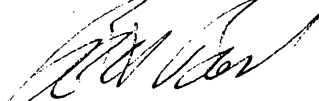
I am now making two additional requests of the Commission. First, pursuant to Section 203(i)(1) of the Trade Act of 1974, I am requesting that the Commission advise the President on developments in the mushroom industry since import relief became effective, including the progress and specific efforts made by the firms in the industry to adjust to import competition.

Second, I have received a request from the attorney for the Taiwan Mushroom Packers United Export Corporation that canned and frozen mushrooms broiled in butter or in butter sauce be exempted from the increased duties established for import relief purposes. To assist us in deciding how to respond, I am requesting that, under Section 203(i)(2) of the Trade Act of 1974, the Commission advise the President of its judgment concerning the probable economic effect on the domestic mushroom industry of modifying the import relief to exclude such mushrooms.

It would be helpful if the Commission's report and advice on these matters could be submitted as soon as possible, but not later than April 15, 1982.

In light of this request and the new investigation which the Commission will be conducting; and in order to minimize the demands upon the industry and the Commission's staff, it will not be necessary to prepare the monitoring reports on the mushroom industry which the Commission would be publishing for the quarters ending December 31, 1981, and March 31, 1982.

Very truly yours,



WILLIAM E. BROCK

WEB:sfg



APPENDIX C

COMMISSION'S NOTICE OF INVESTIGATION AND  
HEARING AS PUBLISHED IN THE FEDERAL REGISTER

[TA-203-13]

**Certain Mushrooms; Notice of Investigation and Hearing****AGENCY:** International Trade Commission.

**ACTION:** Following receipt of a request from the U.S. Trade Representative on December 21, 1981, the Commission instituted investigation No. TA-203-13 under section 203(i)(1) and (i)(2) of the Trade Act of 1974 (19 U.S.C. 2253(i)(1) and (i)(2) for the purpose of gathering information in order that it might advise the President (1) on developments in the mushroom industry since import relief became effective, including the progress and specific efforts made by the firms in the industry to adjust to import competition, and (2) of its judgment as to the probable economic effect on the domestic industry concerned of the reduction or termination of the import relief presently in effect with respect to canned and frozen mushrooms broiled in butter or in butter sauce, provided for in item 144.20 of the Tariff Schedules of the United States (TSUS). Such import relief is in the form of increased rates of duty and is provided for in Presidential Proclamation 4801 of October 29, 1980 (45 FR 72617); the relief is described in item 922.55 of the Appendix to the TSUS.

**EFFECTIVE DATE:** December 29, 1981.**FOR FURTHER INFORMATION CONTACT:** Tim McCarty (202-724-1753).**SUPPLEMENTARY INFORMATION:**

*Public hearing ordered.* A public hearing in connection with this investigation will be held in Washington, D.C., at 10 a.m.,

Wednesday, March 10, 1982, in the Hearing Room, U.S. International Trade Commission Building, 701 E Street, NW. Requests for appearances at the hearing should be received in writing by the Secretary to the Commission at his office in Washington, no later than the close of business Monday, February 8, 1982.

*Prehearing procedures.* To facilitate the hearing process, it is requested that persons wishing to appear at the hearing submit prehearing briefs enumerating and discussing the issues which they wish to raise at the hearing. An original and nineteen copies of such prehearing briefs should be submitted to the Secretary to the Commission no later than the close of business Wednesday, March 1, 1982. Copies of any prehearing briefs submitted will be made available for public inspection in the Office of the Secretary. While submission of prehearing briefs does not prohibit submission of prepared statements in accordance with § 201.12(d) of the Commission's *Rules of Practice and Procedure* (19 CFR 201.12(d)), it would be unnecessary to submit such a statement if a prehearing brief is submitted instead. Oral presentations should, to the extent possible, be limited to issues raised in the prehearing briefs.

A prehearing conference will be held on Wednesday, February 10, 1982, at 10:00 a.m., in Room 117 of the U.S. International Trade Commission Building.

Persons not represented by counsel or public officials who have relevant information to present may give testimony without regard to the suggested prehearing procedures outlined above.

By order of the Commission.

APPENDIX D

LIST OF WITNESSES APPEARING AT THE HEARING

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Certain Mushrooms

Inv. No. : TA-203-13

Date and time: March 10, 1982 - 10:00 a.m., e.s.t.

Sessions were held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

In support of the original petition for import relief:

Holland & Knight--Counsel  
Washington, D.C.  
on behalf of

American Mushroom Institute

Howard M. Malick, Vice President, Mushroom Co-Operative  
Canning Company, Kennett Square, Pennsylvania

John J. Kooker, Executive Director, American Mushroom  
Institute, Kennett Square, Pennsylvania

Ms. Elizabeth Lerch, Emil Lerch, Inc., Hatfield,  
Pennsylvania

Lewe B. Martin--OF COUNSEL

In opposition to the original petition for import relief:

Myron Solter--Counsel  
Washington, D.C.  
on behalf of

Taiwan Mushroom Packers United Export Corporation  
and  
Korean Canned Goods Exporters Association

Jesse Y. H. Wu, Sales Manager, TMPUEC

William C. H. Sun, Assistant Manager, Tai Yu  
Products Corporation, Taipei, Taiwan

S. M. Kang, Managing Director of the Korean  
Canned Foods Exporters Association, Seoul,  
Korea

Myron Solter--OF COUNSEL

James Burns, President, Grocery Store Products Company, West  
Chester, Pennsylvania



APPENDIX E

PREVIOUS COMMISSION INVESTIGATIONS INVOLVING MUSHROOMS

There have been several Commission investigations concerning mushrooms in the last 18 years. In 1964, domestic canners of mushrooms filed a petition with the U.S. Tariff Commission (the former name of the U.S. International Trade Commission) for an "industry" investigation under section 301(b) of the Trade Expansion Act of 1962. In that investigation, the Commission found that canned mushrooms were being imported in increased quantities within the meaning of section 301(b) of the act, but that such increased imports were not attributable in major part to trade-agreement concessions. 1/ In 1966, the canners requested the President to enter into negotiations under section 204 of the Agricultural Act of 1956 with Taiwan, the principal supplier of imported canned mushrooms, for the purpose of limiting that country's exports to the United States. 2/ Following a review by an interagency task force, the request for negotiations was denied; the primary reason given for the denial was that canners' profits were above the level that prevailed before imports assumed a significant role. 3/

In 1968, Taiwan took steps to place a limit on its shipments of canned mushrooms to the United States in that year only. The limitation permitted some growth in U.S. imports from Taiwan over those in 1967 but amounted to a substantial reduction in Taiwan's initial export target for the U.S. market. The limitation was operative only in 1968.

In 1972, the domestic canners again sought Presidential approval for the initiation of discussions with the Governments of Taiwan and the Republic of Korea under section 204 of the Agricultural Act of 1956 for the purpose of obtaining agreements to limit their exports of canned mushrooms to the United States. Thereupon, the President requested the Commission, under section 332 of the Tariff Act of 1930, to conduct an investigation (No. 332-72) on the competitive conditions in the United States between domestically produced and imported fresh and processed mushrooms. 4/ The report on this investigation was reviewed by the Interagency Trade Staff Committee, which was to recommend a course of action. Subsequently, discussions were held by the United States

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1/ The Commission's report, Mushrooms, Prepared or Preserved: Report to the President on Investigation No. TEA-I-8 . . . , TC Publication 148, was sent to the President on Jan. 27, 1965.

2/ Sec. 204 of the Agricultural Act of 1956 authorizes the President to negotiate with representatives of foreign governments to obtain agreements limiting the export from those countries and the importation into the United States of any agricultural commodity or product manufactured therefrom. The President is authorized to issue regulations governing the importation of these products. If a multinational agreement has been concluded under this authority among countries accounting for a significant part of world trade in the articles with respect to which the agreement was concluded, the President may also issue regulations governing the importation of the same articles which are the products of countries not parties to the agreement.

3/ From Canned Mushrooms: A Situation Report, issued by the U.S. Department of Agriculture, Foreign Agricultural Service, Fruit and Vegetable Division, on July 5, 1972.

4/ The Commission's report, Mushrooms: Report to the President on Investigation No. 332-72 . . . , TC Publication 580, was sent to the President on May 30, 1973.

with Taiwan and Korea concerning unilateral restraints on their mushroom exports to the United States, but no agreements resulted.

On September 17, 1975, the Mushroom Canners Committee of the Pennsylvania Food Processors Association and the Mushroom Processors Tariff Committee filed a petition with the Commission pursuant to section 201 of the Trade Act of 1974 for relief from imports of mushrooms. Upon completion of that investigation (No. TA-201-10), the Commission determined that mushrooms, prepared or preserved, except fresh or dried, provided for in TSUS item 144.20, were being imported in such increased quantities as to be a substantial cause of serious injury or the threat thereof to the domestic industry producing articles like or directly competitive with the imported articles, and recommended the provision of adjustment assistance to effectively remedy the serious injury or threat thereof found to exist. 1/

In response to the Commission's recommendation of adjustment assistance, the President called for expeditious consideration by the Secretaries of Labor and Commerce of petitions for such assistance. During April 1, 1976, to February 28, 1982, 18 firms petitioned the U.S. Department of Commerce for adjustment assistance, with 14 of the firms being certified for such assistance. Assistance totaling \$851,500 was provided during the 6-year period. During the same period, worker petitions for adjustment assistance were received by the U.S. Department of Labor from three groups of workers. Two of these petitions were certified, resulting in 327 workers receiving a total of \$643,249 in trade adjustment assistance.

On September 20, 1976, the Commission received a letter from the United States Trade Representative (USTR) 2/ requesting an expedited investigation pursuant to section 201(b)(1) of the Trade Act of 1974. Having determined, pursuant to section 201(e) of the Trade Act, good cause to exist for a reinvestigation within one year since the Commission made its report to the President on its previous investigation on mushrooms, the Commission instituted the requested investigation (No. TA-201-17) on October 5, 1976.

On the basis of that investigation, the Commission determined that mushrooms, prepared or preserved, except fresh or dried, provided for in TSUS item 144.20, were being imported in such increased quantities as to be a substantial cause of serious injury or the threat thereof to the domestic industry producing articles like or directly competitive with the imported articles. 3/ A majority of the Commission recommended imposing a tariff-rate-quota system for the ensuing 5-year period, but two Commissioners recommended the provision of adjustment assistance to the domestic industry.

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1/ The Commission's report, Mushrooms: Report to the President on Investigation No. TA-201-10 . . ., USITC Publication 761, was sent to the President on March 17, 1976.

2/ At that time, known as the Special Representative for Trade Negotiations.

3/ The Commission's report, Mushrooms: Report to the President on Investigation No. TA-201-17 . . ., USITC Publication 798, was sent to the President on Jan. 10, 1977.

Upon consideration of the Commission's recommendation, the President determined that provision of import relief would not be in the national economic interest. However, on March 10, 1977, the President, pursuant to section 332(g) of the Tariff Act of 1930, (19 U.S.C. 1332(g)), requested the Commission to conduct an investigation (No. 332-84) to obtain certain information necessary for the monitoring of import competition in the domestic market for canned mushrooms. More specifically, the Commission was requested to prepare quarterly statistical reports providing the following information on canned mushrooms: production, sales, and inventories of U.S. producers, according to size and style of pack; U.S. imports for consumption (total, and by country of origin); U.S. exports, to the extent they could be readily determined; and apparent U.S. consumption. The Commission subsequently issued 15 quarterly statistical reports on canned mushrooms. 1/

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1/ The Commission's most recent quarterly report, Processed Mushrooms . . .: Report to the President on Investigation No. 332-84 . . ., USITC Publication 1198, was sent to the President on Nov. 27, 1981.

**APPENDIX F**  
**STATISTICAL TABLES**

Table 1.--Mushrooms, fresh, dried, or otherwise prepared or preserved: U.S.  
MFN rates of duty, Jan. 1, 1970, to Jan. 1, 1987, as established through  
Jan. 1, 1982

TSUS item No.	Description	MFN rate of duty	Effective date
	Mushrooms:		
144.10	Fresh-----	5¢ per lb + 25% ad val.	<u>1/</u> Jan. 1, 1948
144.12	Dried-----	3.2¢ per lb + 14% ad	Jan. 1, 1970
		val.	
		3.2¢ per lb + 12% ad	Jan. 1, 1971
		val.	
		3.2¢ per lb + 10% ad	Jan. 1, 1972
		val.	
		2.9¢ per lb + 9.3% ad	Jan. 1, 1980
		val.	
		2.7¢ per lb + 8.5% ad	Jan. 1, 1981
		val.	
		2.4¢ per lb + 7.8% ad	Jan. 1, 1982
		val.	
		2.2¢ per lb + 7% ad	Jan. 1, 1983
		val.	
		2¢ per lb + 6.3% ad	Jan. 1, 1984
		val.	
		1.8¢ per lb + 5.5% ad	Jan. 1, 1985
		val.	
		1.5¢ per lb + 4.8% ad	Jan. 1, 1986
		val.	
		1.3¢ per lb + 4% ad	Jan. 1, 1987
		val.	
144.20	Otherwise prepared or	3.2¢ per lb <u>2/</u> + 10% ad	<u>3/</u> July 1, 1963
	preserved.	val.	

1/ Rate has not changed.

2/ On drained weight.

3/ Rate of duty temporarily increased. See Presidential Proclamation No. 4801 in app. A for effective period of increased duties and date of termination of relief.

Table 2.--Mushrooms, otherwise prepared or preserved (TSUS item 144.20): U.S. rates of duty, average ad valorem equivalents, and imports for consumption, 1970-81, January-October of 1979-81, and November-December of 1979-81

Period	Rate of duty	Average ad valorem equivalent	Imports	
			Quantity	Value
	<u>Cents per pound; 1/ percent ad valorem</u>	<u>Percent</u>	<u>1,000 pounds 1/</u>	<u>1,000 dollars</u>
1970-----	3.2¢ + 10%	15.3	24,808	14,846
1971-----	3.2¢ + 10%	14.8	30,763	20,587
1972-----	3.2¢ + 10%	14.8	52,111	34,922
1973-----	3.2¢ + 10%	15.0	49,792	32,147
1974-----	3.2¢ + 10%	14.5	42,626	30,627
1975-----	3.2¢ + 10%	14.2	53,249	40,825
1976-----	3.2¢ + 10%	13.6	67,344	59,346
1977-----	3.2¢ + 10%	13.0	74,005	79,675
1978-----	3.2¢ + 10%	13.0	91,187	97,095
1979-----	3.2¢ + 10%	13.2	98,606	98,219
1980-----	3.2¢ + 10%	15.3	117,303	121,909
1981-----	3.2¢ + 10%	32.5	88,635	84,116
1979:				
January-October-----	3.2¢ + 10%	13.2	85,004	84,209
November-December-----	3.2¢ + 10%	13.1	13,602	14,010
1980:				
January-October-----	3.2¢ + 10%	13.1	101,542	105,626
November-December-----	<u>2/</u>	33.1	15,761	16,284
1981:				
January-October-----	<u>2/</u>	33.4	72,466	68,981
November-December-----	<u>2/</u>	28.4	16,169	15,136

1/ Drained weight.

2/ Rate of duty temporarily increased. See Presidential Proclamation No. 4801 in app. A. for effective period of increased duties.

Source: Average ad valorem equivalents, calculated by the staff of the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce; imports, compiled from official statistics of the U.S. Department of Commerce.

Table 3.--Mushrooms, otherwise prepared or preserved: U.S. imports  
for consumption, 1/ by principal sources, 1979-81

Source	1979	1980	1981
Quantity (1,000 pounds, drained weight)			
Taiwan-----	50,853	59,108	24,614
China-----	265	14,830	27,444
Hong Kong-----	14,556	19,618	23,481
Korea-----	28,551	19,406	9,426
Macau-----	738	1,988	2,292
Japan-----	626	456	368
France-----	197	204	155
Dominican Republic-----	569	699	48
All other-----	2,251	994	807
Total-----	98,606	117,303	88,635
Value (1,000 dollars)			
Taiwan-----	53,693	65,105	28,376
China-----	198	13,508	23,000
Hong Kong-----	12,076	17,807	19,353
Korea-----	27,198	20,668	9,191
Macau-----	591	1,762	2,005
Japan-----	622	549	419
France-----	429	513	343
Dominican Republic-----	459	619	43
All other-----	2,953	1,378	1,336
Total-----	98,219	121,909	84,116
Unit value (per pound)			
Taiwan-----	\$1.06	\$1.10	\$1.15
China-----	.75	.91	.84
Hong Kong-----	.83	.91	.82
Korea-----	.95	1.07	.98
Macau-----	.80	.89	.87
Japan-----	.99	1.20	1.14
France-----	2.17	2.51	2.22
Dominican Republic-----	.81	.89	.90
All other-----	1.31	1.39	1.66
Average-----	1.00	1.04	.95

1/ About 1 percent of total imports shown are excluded from the increased rate of duty as a result of Proclamation No. 4904 of Feb. 27, 1982.

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

Table 4.--Mushrooms, otherwise prepared or preserved: U.S. imports for consumption, 1/ by principal sources, marketing years 1978/79 to 1980/81, July-December 1980, and July-December 1981

Source	1978/79	1979/80	1980/81	July-December--	
				1980	1981
	Quantity (1,000 pounds, drained weight)				
Taiwan-----	42,128	61,287	39,448	28,556	13,741
Hong Kong-----	12,613	17,552	21,398	8,973	11,056
China-----	50	4,275	20,214	10,773	18,003
Korea-----	27,002	25,925	11,258	5,065	3,233
Macau-----	0	0	2,010	500	782
Dominican Republic---	828	299	611	563	0
Japan-----	497	632	447	141	62
France-----	209	195	183	98	71
All other-----	2,880	3,444	934	499	371
Total-----	86,207	113,609	96,503	55,168	47,300
	Value (1,000 dollars)				
Taiwan-----	46,231	64,617	45,135	32,866	16,107
Hong Kong-----	10,613	15,191	18,850	8,280	8,782
China-----	48	3,674	18,102	9,989	14,887
Korea-----	26,033	26,409	11,508	5,409	3,092
Macau-----	-	-	1,792	456	670
Dominican Republic---	667	251	544	501	-
Japan-----	490	673	523	196	91
France-----	417	458	427	256	172
All other-----	3,643	3,721	1,334	636	690
Total-----	88,142	114,994	98,215	58,589	44,491
	Unit value (per pound)				
Taiwan-----	\$1.10	\$1.05	\$1.14	\$1.15	\$1.17
Hong Kong-----	.84	.87	.88	.92	.79
China-----	.97	.86	.90	.93	.83
Korea-----	.96	1.02	1.02	1.07	.96
Macau-----	-	-	.89	.91	.86
Dominican Republic---	.81	.84	.89	.89	-
Japan-----	.99	1.06	1.17	1.39	1.48
France-----	2.00	2.35	2.34	2.61	2.45
All other-----	1.26	1.08	1.43	1.27	1.86
Average-----	1.02	1.01	1.02	1.06	.94

1/ About 1 percent of total imports shown are excluded from the increased rate of duty as a result of Proclamation No. 4904 of Feb. 27, 1982.

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

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Note.--A marketing year is July 1-June 30.

Table 5.--Mushrooms, canned: Percentage distribution of U.S. imports, by container sizes 1/ and by principal sources, 1979-81

Year and container size	Taiwan	China	Hong Kong	Korea	Macau
1979:					
Retail-----	56.5	77.2	6.3	32.5	2.9
Institutional-----	43.5	22.8	93.7	67.5	97.1
Total-----	100.0	100.0	100.0	100.0	100.0
1980:					
Retail-----	53.5	41.1	10.3	31.4	3.3
Institutional-----	46.5	58.9	89.7	68.6	96.7
Total-----	100.0	100.0	100.0	100.0	100.0
1981:					
Retail-----	69.3	23.2	3.9	3.2	3.6
Institutional-----	30.7	76.8	96.1	76.8	96.4
Total-----	100.0	100.0	100.0	100.0	100.0
	Japan	France	Dominican Republic	All other:	Total
1979:					
Retail-----	28.0	2.9	-	58.1	40.3
Institutional-----	72.0	97.1	100.0	41.9	59.7
Total-----	100.0	100.0	100.0	100.0	100.0
1980:					
Retail-----	38.1	39.4	.1	22.4	8.9
Institutional-----	61.9	90.6	99.9	77.6	61.1
Total-----	100.0	100.0	100.0	100.0	100.0
1981:					
Retail-----	28.4	21.6	-	15.9	28.5
Institutional-----	71.6	78.4	100.0	84.1	71.5
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Retail-size containers hold not more than 9 ounces each and institutional-size containers hold more than 9 ounces each.

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

Table 6.--Mushrooms, frozen: U.S. imports for consumption, by principal sources, 1979-81

Source	1979	1980	1981
Quantity (1,000 pounds, drained weight)			
Canada-----	501	602	425
Taiwan-----	2,385	1,797	298
All other-----	75	1/	53
Total-----	2,961	2,399	775
Value (1,000 dollars)			
Canada-----	602	660	593
Taiwan-----	1,505	1,323	264
All other-----	46	3	52
Total-----	2,153	1,986	909
Unit value (per pound)			
Canada-----	\$1.20	\$1.10	\$1.40
Taiwan-----	.63	.74	.89
All other-----	.61	12.55	.98
Average-----	.73	.83	1.17

1/ Less than 500 pounds.

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

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

Table 7.--Mushrooms, canned: Sales of U.S. product, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-81

Year	Sales	Exports	Imports	Apparent consumption	Ratio of imports to consumption
			1,000 pounds 1/		Percent
1979-----	87,571	473	92,369	179,467	51
1980-----	106,469	578	111,270	217,161	51
1981-----	92,025	498	83,951	175,478	48

1/ Drained weight.

Source: Sales of U.S. product, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; exports and imports, compiled from official statistics of the U.S. Department of Commerce.

Table 8.--Mushrooms (battered), canned: Sales of U.S. product, imports for consumption, and apparent consumption, 1979-81

Year	Sales	Imports	Apparent consumption <u>1/</u>	Ratio of imports to consumption
	-----	1,000 pounds <u>2/</u> -----		Percent
1979-----	***	***	***	***
1980-----	***	***	***	***
1981-----	***	***	***	***

1/ Sales plus imports. Exports are negligible.

2/ Drained weight.

Source: Sales of U.S. product and imports, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 9.--Mushrooms, frozen: Sales of U.S. product, imports for consumption, and apparent consumption, 1979-81

Year	Sales	Imports	Apparent consumption <u>1/</u>	Ratio of imports to consumption
	-----	1,000 pounds <u>2/</u> -----		Percent
1979-----	<u>3/</u> 7,978	2,961	10,939	27
1980-----	15,175	2,399	17,574	14
1981-----	19,882	775	20,657	4

1/ Sales plus imports. Exports are negligible.

2/ Drained weight.

3/ Represents 80 percent of estimated total sales.

Source: Sales of U.S. product and imports, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 10.--Mushrooms, canned: U.S. production, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-81

Year	Production <u>1/</u>	Exports	Imports	Apparent consumption	Ratio of imports to consumption
	1,000 pounds <u>1/</u>				Percent
1979-----	86,540	473	92,369	178,436	52
1980-----	111,639	578	111,270	222,331	50
1981-----	106,371	498	83,951	189,824	44

1/ Drained weight.

Source: Production, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; exports and imports, compiled from official statistics of the U.S. Department of Commerce.

Table 11.--Mushrooms, frozen: U.S. production, imports for consumption, and apparent consumption, 1979-81

Year	Production <u>1/</u>	Imports <u>2/</u>	Apparent consumption <u>3/</u>	Ratio of imports to consumption
	1,000 pounds <u>4/</u>			Percent
1979-----	16,819	2,961	19,780	15
1980-----	18,650	2,399	21,049	11
1981-----	20,590	775	21,365	4

1/ There is no domestic production of frozen mushrooms broiled in butter or in butter sauce.

2/ Includes frozen mushrooms broiled in butter or in butter sauce.

3/ Production plus imports. Exports are negligible.

4/ Drained weight.

Source: Sales of U.S. product and imports, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 12.--Profit-and-loss experience of 12 U.S. processors of canned and frozen mushrooms, by types of operations, accounting years 1979-81 <sup>1/</sup>

Item	1979	1980	1981
Operations on processed mushrooms			
Net sales-----1,000 dollars--:	45,257 :	44,654 :	49,481
Cost of goods sold-----do-----:	41,444 :	39,623 :	44,712
Gross profit-----do-----:	3,813 :	5,031 :	4,769
General, selling, and administrative expenses-----do-----:	3,313 :	3,636 :	4,165
Net operating profit-----do-----:	500 :	1,395 :	604
Interest expense-----do-----:	678 :	1,101 :	1,351
Other income-----do-----:	149 :	77 :	120
Net profit or (loss) before taxes---do-----:	(29):	371 :	(627)
As a share of net sales:			
Net operating profit-----percent--:	1.1 :	3.1 :	1.2
Net profit or (loss) before taxes-do-----:	<u>2/</u> :	.8 :	(1.3)
Number of firms reporting a net operating loss-----:	6 :	2 :	3
Number of firms reporting a net loss before taxes-----:	6 :	3 :	4
All operations of reporting establishment			
Net sales-----1,000 dollars--:	65,693 :	66,598 :	76,278
Cost of goods sold-----do-----:	57,456 :	56,519 :	65,925
Gross profit-----do-----:	8,237 :	10,079 :	10,353
General, selling, and administrative expenses-----1,000 dollars--:	6,871 :	7,783 :	9,304
Net operating profit-----do-----:	1,366 :	2,296 :	1,049
Interest expense-----do-----:	842 :	1,329 :	1,595
Other income-----do-----:	281 :	154 :	464
Net profit or (loss) before taxes---do-----:	805 :	1,121 :	(82)
As a share of net sales:			
Net operating profit-----percent--:	2.1 :	3.4 :	1.4
Net profit before taxes-do-----:	1.2 :	1.7 :	.1
Number of firms reporting a net operating loss-----:	3 :	1 :	3
Number of firms reporting a net loss before taxes-----:	3 :	2 :	3

<sup>1/</sup> The accounting year for 4 processors ended Dec. 31; the accounting year for each of the other 8 processors ended between June 30 and Sept. 30.

<sup>2/</sup> Less than 0.05 percent.

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

Table 13.--Fixed assets, net sales, and net operating profit of 10 U.S. processors of canned and frozen mushrooms, 1979-81

Items	:	1979	:	1980	:	1981
	:		:		:	
Fixed assets:	:		:		:	
Original cost-----1,000 dollars--:		12,317	:	13,050	:	13,773
Book value-----do-----:		5,968	:	5,807	:	5,707
Estimated replacement cost <u>1/</u> -----do-----:		13,969	:	15,969	:	17,995
Net sales-----do-----:		41,256	:	39,910	:	44,212
Net operating profit-----do-----:		441	:	1,341	:	663
Ratio of net operating profit to--	:		:		:	
Net sales-----percent--:		1.1	:	3.4	:	1.5
Original cost of fixed assets-----do-----:		3.6	:	10.3	:	4.8
Book value of fixed assets-----do-----:		7.4	:	23.1	:	11.6
Estimated replacement cost of fixed	:		:		:	
assets-----percent--:		3.2	:	8.4	:	3.7
	:		:		:	

1/ Estimated replacement cost was reported by only 7 firms out of the responding 10 firms, representing about 91 percent of original cost of fixed assets. Hence the amounts are understated. Usually estimated replacement costs are much higher than original cost owing to inflation.

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

Table 14.--Profit-and-loss experience of 9 U.S. processors of canned mushrooms, by types of operations, accounting years 1979-81 1/

Item	1979	1980	1981
Operations on canned mushrooms			
Net sales-----1,000 dollars--:	38,212	36,444	40,640
Cost of goods sold-----do-----:	35,350	33,065	37,423
Gross profit-----do-----:	2,862	3,379	3,217
General, selling, and administrative expenses-----do-----:	2,575	2,592	3,016
Net operating profit-----do-----:	287	787	201
Interest expense-----do-----:	668	1,079	1,330
Other income-----do-----:	136	66	100
Net loss before taxes-----do-----:	245	226	1,029
As a share of net sales:			
Net operating profit-----percent--:	.8	2.2	.5
Net loss before taxes-----do-----:	.6	.6	2.5
Number of firms reporting a net operating loss-----:	5	2	3
Number of firms reporting a net loss before taxes-----:	5	3	4
All operations of reporting establishment			
Net sales-----1,000 dollars--:	49,897	48,718	54,734
Cost of goods sold-----do-----:	45,519	43,161	49,745
Gross profit-----do-----:	4,378	5,557	4,989
General, selling, and administrative expenses-----1,000 dollars--:	3,536	3,853	4,542
Net operating profit-----do-----:	842	1,704	447
Interest expense-----do-----:	786	1,187	1,482
Other income-----do-----:	169	101	134
Net profit or (loss) before taxes-----do-----:	225	618	(901)
As a share of net sales:			
Net operating profit-----percent--:	1.7	3.5	.8
Net profit or (loss) before taxes-----do-----:	.5	1.3	(1.6)
Number of firms reporting a net operating loss-----:	3	1	3
Number of firms reporting a net loss before taxes-----:	3	2	3

1/ The accounting year for 2 processors ended Dec. 31; the accounting year for each of the other 7 processors ended between June 30 and Sept. 30.

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

Table 15.--Fixed assets, net sales, and net operating profit of 7 U.S. processors of canned mushrooms, 1979-81

Items	:	1979	:	1980	:	1981
Fixed assets:	:	:	:	:	:	:
Original cost-----1,000 dollars--:	:	11,322	:	12,007	:	12,604
Book value-----do-----:	:	5,509	:	5,367	:	5,206
Estimated replacement cost, 1/-----do-----:	:	12,519	:	14,449	:	16,360
Net sales-----do-----:	:	35,493	:	33,351	:	37,613
Net operating profit-----do-----:	:	198	:	746	:	325
Ratio of net operating profit to--:	:	:	:	:	:	:
Net sales-----percent--:	:	.6	:	2.2	:	.9
Original cost of fixed assets-----do-----:	:	1.7	:	6.2	:	2.6
Book value of fixed assets-----do-----:	:	3.6	:	13.9	:	6.2
Estimated replacement cost of fixed assets-----percent--:	:	1.6	:	5.2	:	2.0

1/ Estimated replacement cost was reported by only 7 firms out of the responding 9 firms, representing about 90 percent of original cost of fixed assets. Hence the amounts are understated. Usually estimated replacement costs are much higher than original cost owing to inflation.

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

Table 16.--Profit-and-loss experience of 18 U.S. processors of canned mushrooms, by types of operations, accounting years 1977-79 <sup>1/</sup>

Item	1977	1978	1979
Operations on processed mushrooms			
Net sales-----1,000 dollars--:	117,408	133,747	124,156
Cost of goods sold-----do-----:	105,368	119,661	111,103
Gross profit-----do-----:	12,040	14,086	13,053
General, selling, and administrative expenses-----1,000 dollars--:	8,085	10,673	11,392
Net operating profit-----do-----:	3,955	3,413	1,661
Ratio of net operating profit to net sales:			
For canned mushrooms-----percent--:	3.4	2.6	1.3
For canned and dried fruits and vegetables <sup>2/</sup> -----do-----:	4.6	5.0	4.9
Number of firms reporting a net operating profit-----:	13	13	8
Number of firms reporting a net operating loss-----:	4	4	9
All operations of reporting establishment			
Net sales-----1,000 dollars--:	141,544	163,741	150,735
Cost of goods sold-----do-----:	126,709	146,705	134,504
Gross profit-----do-----:	14,835	17,036	16,231
General, selling, and administrative expenses-----1,000 dollars--:	9,984	12,519	13,265
Net operating profit-----do-----:	4,851	4,517	2,966
Ratio of net operating profit to net sales-----percent--:	3.4	2.8	2.0
Number of firms reporting a net operating profit-----:	16	14	11
Number of firms reporting a net operating loss-----:	2	4	7

<sup>1/</sup> The accounting year for 8 producers ended Dec. 31; the accounting year for each of the other 10 producers ended between Feb. 28 and Sept. 31.

<sup>2/</sup> Taken from the 1979 Annual Statement Studies published by Robert Morris Associates.

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

Table 17.--Fixed assets, net sales, and net operating profit of 17 U.S. processors of canned mushrooms, 1977-79

Item	1977	1978	1979
Fixed assets:			
Original cost-----1,000 dollars--:	33,338	36,985	40,692
Book value-----do-----:	19,906	21,212	22,349
Estimated replacement cost <u>1</u> /-----do-----:	20,060	23,635	26,456
Net sales-----do-----:	117,408	133,747	124,156
Net operating profit-----do-----:	3,955	3,413	1,661
Ratio of net operating profit to--:			
Net sales-----percent--:	3.4	2.6	1.3
Original cost of fixed assets-----do-----:	11.9	9.2	4.1
Book value of fixed assets-----do-----:	19.9	16.1	7.4
Estimated replacement cost of fixed assets-----percent--:	19.7	14.4	6.3

1/ Estimated replacement cost was reported by only 10 firms, representing about 60 percent of total sales during 1979. Hence the amounts are understated. Usually, estimated replacement costs are much higher than original cost, owing to inflation.

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

Table 18.--Mushrooms, canned: Landed duty-paid unit values of imports, by container sizes, by styles of pack, and by quarters, 1979-81

(Per pound)							
Period	In containers not over 9 ounces--			In containers over 9 ounces--			
	Whole	Slices	Pieces and stems	Whole	Slices	Pieces and stems	
1979:							
January-March-----	\$1.59	\$1.71	\$1.25	\$1.65	\$1.18	\$1.03	
April-June-----	1.59	1.71	1.27	1.41	1.25	1.00	
July-September-----	1.59	1.67	1.26	1.34	1.26	1.00	
October-December--	1.58	1.65	1.28	1.43	1.19	1.01	
1980:							
January-March-----	1.52	1.67	1.29	1.57	1.23	1.10	
April-June-----	1.57	1.65	1.33	1.37	1.26	1.06	
July-September-----	1.58	1.68	1.36	1.25	1.29	1.11	
October-December--	1.66	1.88	1.51	1.51	1.56	1.23	
1981:							
January-March-----	1.88	1.47	1.58	1.48	1.48	1.30	
April-June-----	1.86	1.88	1.58	1.42	1.34	1.18	
July-September-----	1.95	2.00	1.54	1.44	1.40	1.15	
October-December--	1.66	1.88	1.43	1.29	1.32	1.07	

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

Table 19.--Mushrooms, canned: Average f.o.b. sales prices per case for 68 ounce cans 1/ of mushroom stems and pieces received by U.S. processors and U.S. importers importing from specified sources, and landed duty-paid unit values of imports, by quarters, 1979-81

Period	(Per pound)											
	United States			Taiwan			Korea			China		
	Processors' sales price	Unit value	Importers' sales price	Unit value	Importers' sales price	Unit value	Importers' sales price	Unit value	Importers' sales price	Unit value	Importers' sales price	Unit value
1979:												
January-March-----	\$1.17	\$1.07	\$1.12	\$1.05	\$1.21	\$1.15	\$1.25	\$ .97				
April-June-----	1.15	.83	1.15	1.04	1.19	.66	1.29	.98				
July-September----	1.19	.78	1.13	.98	1.20	2/	1.29	.95				
October-December--	1.22	1.01	1.14	1.06	1.27	2/	1.33	.95				
1980:												
January-March-----	1.25	1.07	1.27	1.14	1.31	1.05	3/	1.00				
April-June-----	1.22	1.06	1.31	1.14	1.29	1.00	3/	1.03				
July-September----	1.24	1.11	1.32	1.13	1.31	1.04	3/	1.03				
October-December--	1.26	1.14	1.34	1.16	1.43	1.03	1.36	1.04				
1981:												
January-March-----	1.25	1.32	1.51	1.31	1.45	1.13	1.55	1.20				
April-June-----	1.28	1.19	1.19	1.25	1.43	1.16	1.42	1.17				
July-September----	1.25	1.27	1.41	1.22	1.39	1.14	1.43	1.13				
October-December--	1.17	1.16	1.34	1.15	1.36	1.09	1.38	1.06				
1/ A case holds 6 cans.												
2/ No imports in this quarter.												
3/ Not reported.												

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

Note.--Landed duty-paid unit values are derived from U.S. Department of Commerce import data. They are computed for each mushroom category by adding to the c.i.f. unit value the amount of the tariff. They do not include brokers' fees or commissions, or inland freight.

Table 20.--Mushrooms, canned: Average f.o.b. sales prices per case for 68 ounce cans 1/ of mushroom slices and buttons received by U.S. processors and U.S. importers importing from specified sources, and landed duty-paid unit values of imports, by quarters, 1979-81

Period	(Per pound)									
	United States		Taiwan		Korea		China		Hong Kong	
	Processors' sales price	Unit value	Importers' sales price	Unit value	Importers' sales price	Unit value	Importers' sales price	Unit value	Importers' sales price	Unit value
1979:										
January-March-----	\$1.39	\$1.41	\$1.47	\$1.32	2/	\$0.73	2/	\$1.09	2/	\$1.09
April-June-----	1.43	1.36	1.46	1.25	2/	3/	2/	1.11	2/	1.11
July-September-----	1.48	1.37	1.47	1.25	2/	.71	2/	1.15	2/	1.15
October-December--	1.50	1.37	1.34	1.40	2/	3/	2/	1.09	2/	1.09
1980:										
January-March-----	1.45	1.35	1.49	1.24	\$1.65	3/	\$1.33	1.16		
April-June-----	1.36	1.27	1.59	1.27	1.65	1.08	1.33	1.21		
July-September-----	1.47	1.30	1.55	1.39	1.65	.93	1.53	1.17		
October-December--	1.43	1.39	1.47	1.24	1.53	1.22	1.53	1.19		
1981:										
January-March-----	1.39	1.66	1.79	3/	1.53	1.16	1.61	1.37		
April-June-----	1.50	1.56	1.71	1.38	2/	1.22	1.53	1.31		
July-September-----	1.38	1.63	1.80	1.44	2/	1.23	1.44	1.33		
October-December--	1.39	1.52	1.84	3.07	2/	1.16	1.41	1.29		
1/ A case holds 6 cans.										
2/ Importers' sales price, not reported.										
3/ No imports in this quarter.										

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

Note.--Landed duty-paid unit values are derived from U.S. Department of Commerce import data. They are computed for each mushroom category by adding to the c.i.f. unit value the amount of the tariff. They do not include brokers' fees or commissions, or inland freight.

Table 21.--Mushrooms, canned: Average f.o.b. sales prices per case for 4 ounce cans 1/ of mushroom stems and pieces received by U.S. producers and U.S. importers importing from specified sources, and landed duty-paid unit-values of imports, by quarters, 1979-81

(Per pound)								
Period	:United :	Taiwan		Korea		: China :	Hong	
	:States :					: 2/ :	Kong 2/	
	:Proces-		:Importers'		:Importers'			
	: sors' :	Unit	: sales	Unit	: sales	Unit	Unit	
	: sales :	value	: sales	value	: sales	value	value	
	: price :		: price		: price			
1979:	:	:	:	:	:	:	:	:
January-March-----	\$1.49 :	\$1.27 :	\$1.40 :	\$1.20 :	\$1.42 :	3/ :	\$1.18 :	
April-June-----	1.48 :	1.29 :	1.41 :	1.22 :	1.43 :	3/ :	1.22 :	
July-September----	1.50 :	1.27 :	1.43 :	1.21 :	1.44 :	3/ :	1.26 :	
October-December--	1.52 :	1.26 :	1.43 :	1.29 :	1.47 :	\$1.02 :	3/ :	
1980:	:	:	:	:	:	:	:	:
January-March-----	1.54 :	1.30 :	1.59 :	1.31 :	1.59 :	1.08 :	1.27 :	
April-June-----	1.54 :	1.34 :	1.59 :	1.35 :	1.62 :	1.24 :	1.24 :	
July-September----	1.47 :	1.31 :	1.62 :	1.34 :	1.73 :	1.28 :	1.29 :	
October-December--	1.47 :	1.38 :	1.63 :	1.38 :	1.71 :	1.23 :	1.48 :	
1981:	:	:	:	:	:	:	:	:
January-March-----	1.53 :	1.63 :	1.85 :	1.57 :	1.80 :	1.48 :	1.53 :	
April-June-----	1.59 :	1.68 :	1.93 :	1.58 :	1.83 :	1.48 :	1.37 :	
July-September----	1.59 :	1.57 :	1.82 :	1.56 :	1.81 :	1.48 :	1.39 :	
October-December--	1.46 :	1.48 :	1.85 :	1.45 :	1.83 :	1.36 :	1.26 :	
	:	:	:	:	:	:	:	

1/ A case holds 24 cans.

2/ Importers' sales price, not reported.

3/ No imports in this quarter.

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

Note.--Landed duty-paid unit values are derived from U.S. Department of Commerce import data. They are computed for each mushroom category by adding to the c.i.f. unit value the amount of the tariff. They do not include brokers' fees or commissions, or inland freight.

Table 22.--Mushrooms, canned: Average f.o.b. sales prices per case for 4 ounce cans 1/ of mushroom slices and buttons received by U.S. processors and U.S. importers importing from specified sources, and landed duty-paid unit values of imports, by quarters, 1979-81

Period	(Per pound)									
	United States		Taiwan		Korea		China		Hong Kong 2/	
	Processors' sales price	Unit value	Importers' sales price	Unit value	Importers' sales price	Unit value	Importers' sales price	Unit value	Importers' sales price	Unit value
1979:										
January-March-----	\$1.86	\$1.64	\$1.80	\$1.61	2/	3/	2/	\$1.33	2/	\$1.33
April-June-----	1.86	1.66	1.80	1.44	2/	3/	2/	1.35	2/	1.35
July-September-----	1.89	1.92	1.76	1.51	2/	3/	2/	3/	2/	3/
October-December--	1.98	1.61	1.82	1.58	2/	\$1.20	2/	3/	2/	3/
1980:										
January-March-----	1.84	1.68	1.86	1.55	2/	1.03	2/	3/	2/	3/
April-June-----	1.84	1.53	1.94	1.69	2/	3/	2/	1.22	2/	1.22
July-September-----	2.03	1.62	1.89	1.63	2/	1.26	2/	1.35	2/	1.35
October-December--	1.84	1.60	1.90	1.62	2/	1.27	2/	1.22	2/	1.22
1981:										
January-March-----	2.00	1.67	2.24	1.91	2/	1.58	\$2.02	3/	2/	3/
April-June-----	2.00	1.88	2.27	1.85	\$2.38	1.69	1.96	1.70	1.96	1.70
July-September-----	1.84	1.95	2.19	1.82	2.38	1.73	1.92	1.66	1.92	1.66
October-December--	1.82	1.78	2.19	1.78	2.40	1.44	1.83	1.47	1.83	1.47

1/ A case holds 24 cans.

2/ Importers' sales price, not reported.

3/ No imports in this quarter.

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

Note.--Landed duty-paid unit values are derived from U.S. Department of Commerce import data. They are computed for each mushroom category by adding to the c.i.f. unit value the amount of the tariff. They do not include brokers' fees or commissions, or inland freight.

Table 23.--Mushrooms, otherwise prepared or preserved: Percentage distribution of U.S. imports, by principal sources, by container sizes, and by styles of pack, 1980 and 1981

(In percent of total quantity)								
Source	All sizes		In containers not over 9 ounces					
	1980	1981	Whole		Sliced		Pieces and stems	
			1980	1981	1980	1981	1980	1981
Taiwan-----	50.4	27.8	76.6	81.6	83.9	90.2	57.0	35.7
Korea-----	16.5	10.6	13.5	11.3	14.2	7.7	14.2	9.1
China-----	12.6	31.0	5.2	4.8	1.8	1.6	21.1	47.0
Hong Kong-----	16.7	26.5	4.0	1.2	.1	0	6.6	6.7
All other-----	3.8	4.1	.7	1.1	0	.5	1.1	1.5
Total-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
In containers over 9 ounces								
	Whole		Sliced		Pieces and stems			
	1980	1981	1980	1981	1980	1981	1980	1981
Taiwan-----	65.6	55.1	47.7	23.7	34.4	6.2		
Korea-----	13.8	1.8	7.7	2.5	20.8	13.5		
China-----	5.7	20.8	2.3	24.6	14.1	36.9		
Hong Kong-----	7.4	16.7	39.1	45.4	25.7	38.5		
All other-----	7.5	5.6	3.2	3.8	5.0	4.9		
Total-----	100.0	100.0	100.0	100.0	100.0	100.0		

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

Table 24.--Mushrooms, canned: Landed duty-paid unit values of imports, by specified sources and by quarters, 1981

(Per pound)				
Period	Taiwan	Korea	China	Hong Kong
Whole, not over 9 ounces				
January-March-----	\$1.77	\$1.91	\$1.58	<u>1/</u>
April-June-----	1.82	1.93	1.69	\$1.70
July-September----	1.92	1.72	1.91	1.66
October-December--	1.69	1.75	1.61	1.47
Slices, not over 9 ounces				
January-March-----	\$1.57	<u>1/</u>	<u>1/</u>	<u>1/</u>
April-June-----	1.94	\$1.76	<u>1/</u>	<u>1/</u>
July-September----	1.99	1.92	\$1.55	<u>1/</u>
October-December--	1.86	1.81	1.27	<u>1/</u>
Stems and pieces, not over 9 ounces				
January-March-----	\$1.63	\$1.57	\$1.48	\$1.53
April-June-----	1.68	1.58	1.48	1.37
July-September----	1.57	1.56	1.48	1.39
October-December--	1.48	1.45	1.36	1.26
Whole, over 9 ounces				
January-March-----	\$1.63	<u>1/</u>	\$0.98	\$1.32
April-June-----	1.58	\$1.44	1.14	1.33
July-September----	1.62	1.52	1.16	1.30
October-December--	1.48	3.07	1.01	1.32
Slices, over 9 ounces				
January-March-----	\$1.68	<u>1/</u>	\$1.33	\$1.41
April-June-----	1.53	\$1.31	1.30	1.29
July-September----	1.64	1.35	1.29	1.36
October-December--	1.55	<u>1/</u>	1.30	1.25
Stems and pieces, over 9 ounces				
January-March-----	\$1.32	\$1.31	\$1.13	\$1.20
April-June-----	1.19	1.25	1.16	1.17
July-September----	1.27	1.22	1.14	1.13
October-December--	1.16	1.15	1.09	1.06

1/ No imports in this quarter.

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

Table 25.--Mushrooms for the fresh market and for processing: Prices 1/ received by growers for clean-cut mushrooms in the Kennett Square and Temple areas of Pennsylvania, by quarters and by grades, 1979-81

(In cents per pound)						
Period	Fresh <u>2/</u>		Processing <u>3/</u>			
	No. 1	No. 1	No. 2	Utility		
1979:						
January-March-----	68.8	64.0	51.4	41.6		
April-June-----	70.8	65.0	55.3	47.5		
July-September-----	79.3	69.2	55.5	45.6		
October-December---	69.1	63.3	53.5	45.2		
1980:						
January-March-----	66.7	61.8	52.5	45.2		
April-June-----	67.3	52.8	43.9	40.1		
July-September-----	69.0	52.7	43.3	38.0		
October-December---	66.6	56.3	45.5	40.7		
1981:						
January-March-----	68.0	61.6	52.0	46.2		
April-June-----	69.8	59.3	50.5	44.8		
July-September-----	70.5	55.3	46.2	41.7		
October-December---	67.8	51.3	44.1	37.8		

1/ F.o.b. grower's shipping point; does not include precooling, handling, transportation, containers, or brokerage expenses. Data are unweighted averages of weekly prices reported.

2/ In bulk containers for repacking. The No. 1 grade represents the highest grade of fresh mushrooms available.

3/ In bulk containers for processing. The No. 1 grade represents the highest grade of fresh mushrooms processed, and, except for the inclusion of some mushrooms with blemishes, is equivalent to the No. 1 grade for fresh-market sales. The No. 2 grade is an intermediate grade between No. 1 and utility, and includes those mushrooms not satisfactory for fresh-market sales. The utility grade represents the lowest grade of fresh mushrooms acceptable for processing.

Source: Compiled from the Pennsylvania Department of Agriculture, Mushroom Market News.

Table 26.--Mushrooms: F.o.b. sales prices of canned and frozen buttered mushrooms and canned mushrooms in brine in retail-size containers, by styles of pack and by quarters, 1979-81

(Per pound)									
Period	Mushrooms in butter sauce						Mushrooms in brine		
	Imported			U.S. produced			U.S. produced		
	Buttons:	Pieces:	Frozen	Buttons:	Pieces:	1/	Buttons:	Pieces:	1/
	and	and		and	and		and	and	
	slices	stems	whole	slices	stems		slices	stems	
1979:									
January-March-----	***	***	***	***	***		\$1.86		\$1.49
April-June-----	***	***	***	***	***		1.86		1.48
July-September----	***	***	***	***	***		1.89		1.50
October-December--	***	***	***	***	***		1.98		1.52
1980:									
January-March-----	***	***	***	***	***		1.84		1.59
April-June-----	***	***	***	***	***		1.84		1.59
July-September----	***	***	***	***	***		2.03		1.51
October-December--	***	***	***	***	***		1.84		1.49
1981:									
January-March-----	***	***	***	***	***		2.00		1.60
April-June-----	***	***	***	***	***		2.00		1.60
July-September----	***	***	***	***	***		1.84		1.59
October-December--	***	***	***	***	***		1.82		1.52

1/ \* \* \*.

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

Table 27.--Mushrooms, canned: Cost savings 1/ of avoiding the import relief on canned mushrooms for specified countries, by container sizes and by styles of pack, Nov. 1, 1981, to Oct. 31, 1982, and Nov. 1, 1982, to Oct. 31, 1983

(In cents per pound) 2/							
Country	Retail-size containers			Institutional-size containers			
	Whole	Sliced	Pieces and stems	Whole	Sliced	Pieces and stems	
	Nov. 1, 1981, to Oct. 31, 1982						
Taiwan-----	20	21	17	16	19	13	
Korea-----	22	22	16	39	3/	13	
China-----	16	14	16	14	16	12	
Hong Kong----	17	3/	15	18	13	13	
	Nov. 1, 1982, to Oct. 31, 1983						
Taiwan-----	13	14	11	11	12	9	
Korea-----	14	14	10	26	3/	8	
China-----	11	9	10	9	10	8	
Hong Kong----	11	3/	10	12	9	8	

1/ They are computed by taking the difference between the base duty (3.2¢ per pound plus 10 percent) and the import relief duties for the 2 periods applied to customs unit values in December 1981.

2/ Drained weight.

3/ No imports in December 1981 for this category.

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



**APPENDIX G**  
**SECTION 202(C) CONSIDERATIONS**

## Section 202(c) considerations

Section 203(i)(4) of the Trade Act of 1974 directs that the Commission take into account the considerations set forth in section 202(c) when advising the President as to the probable economic effect on the industry concerned of the termination or modification of import relief. In this investigation, the only modification being considered is the exemption from the import relief of mushrooms broiled in butter or in butter sauce.

Section 202(c)(1)

Section 202(c)(1) directs that consideration be given to:

"information and advice from the Secretary of Labor on the extent to which workers in the industry have applied for, are receiving, or are likely to receive adjustment assistance under chapter 2 or benefits from other manpower programs."

The Department of Labor provided the following information: during the period April 1, 1975 to February 28, 1982, petitions for adjustment assistance were submitted by three mushroom processing firms on behalf of workers displaced from these firms. Two of the petitions, covering 327 workers, were certified, making the workers eligible to apply for assistance. The following tabulation summarizes the list of cases presented at the end of this section.

<u>Number of certified cases</u>	<u>Number of workers</u>	<u>Benefits paid</u>
2	327	\$643,249

Section 202(c)(2)

Section 202(c)(2) directs that consideration be given to:

"information and advice from the Secretary of Commerce on the extent to which firms in the industry have applied for, are receiving, or are likely to receive adjustment assistance under chapters 3 and 4."

During the period April 1, 1976 to February 28, 1982, 18 firms petitioned the U.S. Department of Commerce for adjustment assistance, 14 of which were certified as eligible to receive adjustment assistance. Of the 14 firms certified as eligible only 2 have fulfilled all other requirements and received adjustment assistance through the Department of Commerce; this assistance was in the form of two technical assistance loans totaling \$51,500, and a loan of \$800,000. A list of cases is presented at the end of this section.

Section 202(c)(3)

Section 202(c)(3) directs that consideration be given to:

"The probable effectiveness of import relief as a means to promote adjustment, the efforts being made or to be implemented by the industry concerned to adjust to import competition, and other considerations relative to the position of the industry in the Nation's economy."

The effectiveness of the import relief and the efforts made by the industry to adjust to import competition are discussed in the pricing and efforts to compete sections of this report.

Section 202(c)(4)

Section 202(c)(4) directs that consideration be given to:

"The effect of import relief on consumers (including the price and availability of the imported article and the like or directly competitive article in the United States) and on competition in the domestic markets for such articles in the Nation's economy."

Prices of imported canned mushrooms in butter sauce increased from \* \* \* July-September 1980 (the quarter preceding the import relief), to \* \* \* January-March 1981, an increase \* \* \*. Prices of imported frozen mushrooms in butter sauce increased from \* \* \* between the same two periods, an increase of \* \* \*. During the same period prices of domestic canned mushrooms in butter sauce increased \* \* \*. By comparison, prices of all canned vegetables increased by about 8 percent between July-September 1980 and January-March 1981. Canned butter mushroom prices remained relatively stable during the remainder of 1981.

Following the import relief, imports of butter mushrooms increased, while domestic production of butter mushrooms declined. Apparent consumption increased \* \* \* in 1980 to \* \* \* 1981.

Section 202(c)(5) and (6)

Section 202(c)(5) and (6) directs that consideration be given to:

"The effect of import relief on the international economic interests of the United States"; and "the impact on United States industries and firms as a consequence of any possible modification of duties or other import restrictions which may result from international obligations with respect to compensation."

Any modification of duties necessitates consultation with affected GATT contracting parties. Compensatory U.S. tariff reductions of equal trade value on other products exported to the United States could be claimed by these countries. From November 1, 1980, the date the tariff became effective, through February 1982, no U.S. trading partner has requested compensation or has taken retaliatory action. Taiwan, a major supplier of butter mushrooms to the United States, is not a member of the GATT and is not entitled to duty modifications under its provisions. However, Taiwan could request and be granted compensation.

#### Section 202(c)(7)

Section 202(c)(7) directs that consideration be given to:

"The geographic concentration of imported products marketed in the United States."

There is no indication that imports of butter mushrooms are marketed in a concentrated geographic location in the United States.

#### Section 202(c)(8)

Section 202(c)(8) directs that consideration be given to:

"The extent to which the United States market is the focal point for exports of such article by reason of restraints on exports of such article to, or on imports of such article into, third-country markets."

All butter mushroom production in Taiwan and Korea is currently exported to the United States. All butter mushroom production in Taiwan, which accounts for about \* \* \* percent of butter mushroom imports, is pre-sold to Pillsbury or to Grocery Store Products. <sup>1/</sup> It appears that butter mushrooms in Taiwan and Korea are specially produced for these two firms. European Community (EC) import restrictions on processed mushrooms, as described below, may restrict Taiwan and Korea from selling butter mushrooms to this market. However, there was no evidence presented that any significant quantities of butter mushrooms were exported to the EC from Taiwan and Korea prior to the import relief.

The EC is known to have restricted imports of preserved mushrooms since 1975 through a combination of an ad valorem tariff and import-licensing systems. On March 1, 1980, the EC instituted its current import-licensing system. Through December 31, 1980, China was allowed to apply for licenses to export to the EC up to about 51 million pounds, Korea up to 11 million pounds, and Taiwan up to 2 million pounds; licenses for up to 4 million pounds were allocated to other countries. From January 1 to June 30, 1981, under the same system, China was allocated about 26 million pounds, Korea 5 million pounds,

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<sup>1/</sup> Transcript of hearing, page 141.

and Taiwan 1 million pounds; 2 million pounds were allocated to other countries. From July 1 to September 30, 1981 about 9 million pounds were allocated to China, 2 million pounds to Korea, .5 million pounds to Taiwan, and .7 million pounds to other countries. For calendar year 1982, about 55 million pounds are allocated to China, 12 million pounds to Korea, 2.5 million pounds to Taiwan, 1 million pounds to Hong Kong, and 6 million pounds to other countries.

Section 202(c)(9)

Section 202(c)(9) directs that consideration be given to:

"The economic and social costs which would be incurred by taxpayers, communities, and workers if import relief were or were not provided."

If butter mushrooms are exempted from the import relief, there would appear to be little adverse impact on taxpayers, communities, and workers, given the low volume of such imports and the premium price they command. However, the domestic mushroom industry argues that exemption of butter mushrooms from the import relief could lead to circumvention of the relief.

## Determinations of Adjustment Assistance Petitions of Workers

<u>Firm</u>	<u>Number of employees</u>	<u>Date of determination</u>
Kennett Canning Co. Kennett Square, PA	130	Denied 10/22/76
Losito Mushroom Corp. Toughkenamon, PA	13	Certified 7/26/78
Grocery Store Products West Chester, PA	314	Certified 3/12/81

## Determinations of Adjustment Assistance Petitions of Firms

<u>Firm</u>	<u>Date of determination</u>
Losito Mushroom Corp. Toughkenamon, PA	Certified 5/11/76
P. Mastrippolito & Sons, Inc. Coatesville, PA	Certified 8/26/76
Frangella Mushroom Farms, Inc. Ravena, NY	Denied 5/27/77
United Canning Corp. North Lima, OH	Terminated 7/23/79
Reece Foods, Inc. Mt. Victory, OH	Certified 8/6/79
Emil Lerch, Inc. Hatfield, PA	Certified 1/3/80
Fred Mushroom Products Co. South Lebanon, OH	Certified 1/4/80
Mt. Laurel Canning Corp. Temple, PA	Certified 4/23/80

## Determinations of Adjustment Assistance Petitions of Firms--Continued

<u>Firm</u>	<u>Date of determination</u>
The Ostrom Co. Olympia, WA	Certified 5/13/80
Oxford Royal Mushroom Products, Inc. Kelton, PA	Certified 6/20/80
The Oxford Corp. Oxford, PA	Certified 7/28/80
Dexter Arnold Hockessin, Del.	Certified 10/10/80
Gus V. Leo Toughkenamon, PA	Denied 10/20/80
Springs Valley Mushrooms Avondale, PA	Certified 10/27/80
Peter La France Avondale, PA	Certified 11/25/80
Lawrence E. Bracken Landenberg, PA	Certified 12/11/80
Maddalozzo Mushroom Farms Kennett Square, PA	Certified 1/26/81
Rochester Mushroom Farms Rochester, Mich.	Withdrawn 4/21/81



