

CANNED MUSHROOMS FROM THE PEOPLE'S REPUBLIC OF CHINA

**Report to the President on Investigation
No. TA-406-9 Under Section 406
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Note.--Information which discloses confidential operations of individual concerns may not be published and therefore has been deleted from this report.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.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. TA-406-9.

CANNED MUSHROOMS FROM THE PEOPLE'S
REPUBLIC OF CHINA

Determination

On the basis of information developed in the course of investigation No. TA-406-9, the Commission is equally divided in determining, with respect to imports of mushrooms, prepared or preserved, other than frozen, provided for in item 144.20 of the Tariff Schedules of the United States, which are the product of the People's Republic of China (China), whether market disruption exists with respect to an article produced by a domestic industry--

Commissioners Frank and Haggart determine that market disruption exists;

Chairman Eckes and Commissioner Stern determine that market disruption does not exist.

Findings and recommendations

Commissioners Frank and Haggart find that to remedy such market disruption it is necessary to impose quantitative restrictions on imports of such mushrooms from China in the amount of 21 million pounds (drained weight) per year for a 3-year period.

Chairman Eckes and Commissioner Stern having determined that market disruption does not exist, recommend that the President provide no relief.

Background

This report is being furnished pursuant to section 406(a)(3) of the Trade Act of 1974 (19 U.S.C. 2436(a)(3)) and is based on an investigation conducted under section 406(a)(1) of the Trade Act. The Commission instituted the investigation on July 9, 1982, following receipt of a petition filed on June 30, 1982, by the American Mushroom Institute.

Notice of the institution of the Commission's investigation and of a public 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 July 21, 1982 (47 F.R. 31631).

A public hearing in this proceeding was held in the Hearing Room of the U.S. International Trade Commission Building in Washington, D.C., on August 24, 1982. All interested parties were given an opportunity to be present, to present evidence, and to be heard.

The information in this report was obtained from field work, questionnaires received from domestic processors, growers and importers, the Commission's files, other Government agencies, testimony presented at the hearing, briefs filed by interested parties, and other sources.

VIEWS OF COMMISSIONERS EUGENE J. FRANK AND VERONICA A. HAGGART

Based on the information before us in this investigation, we have determined that imports of canned mushrooms from the People's Republic of China (hereinafter China) are disrupting the U.S. canned mushroom market. In order to remedy this disruption, we believe it is necessary for the President to impose a quantitative restriction (quota) on imports of canned mushrooms from China for a 3-year period in the amount of 21 million pounds (drained weight) per annum. 1/

The reasons in support of our finding of market disruption and recommendation of a quota are set forth below.

Summary and Background

In the present investigation, we have found that imports of canned mushrooms from China have risen rapidly so as to constitute a significant cause of material injury to the domestic canned mushroom industry. The Chinese imports, which have increased 100-fold in just two years, have depressed domestic and other foreign prices for canned mushrooms. In sum, the market disruption caused by the recent flood of imported canned mushrooms from China has prevented the domestic industry from operating at a reasonable level of profit and has interfered with the domestic industry's ability to adjust in an orderly manner to import competition as contemplated by the Commission and the President in providing import relief in 1980 for this industry pursuant to section 201 of the Trade Act of 1974. 2/

1/ The petitioner, the American Mushroom Institute, in its Prehearing Brief at pp. 12-13, argued that the Commission should recommend a quota but also expressed its intent to make a request to the President to negotiate an orderly marketing agreement (OMA) with one or more countries accounting for a major part of U.S. imports of canned mushrooms. We express no views as to the advisability of negotiating an OMA as it is not within our province to do so. See section 201(d)(1)(A), 19 U.S.C. § 2251(d)(1)(A) (1980).

2/ Mushrooms, Investigation No. TA-201-43, USITC Publication 1089 (August 1980).

The request for relief pursuant to Section 406, at a time when the period for relief pursuant to Section 201 has not yet expired, presents a case of first impression for the Commission. Therefore, we have set forth the background of this matter before discussing the basis for our decision in this case.

In August 1980, a majority of the Commission determined, pursuant to section 201 of the Trade Act of 1974, that imports of canned mushrooms were being imported in such increased quantities so as to be a substantial cause of serious injury to the domestic industry comprised of U.S. mushroom canning facilities, and recommended that the President impose a quantitative restriction (quota) for a three-year period commencing July 1, 1980. 3/

One of the reasons the Commission chose a quota as opposed to a tariff rate increase as the appropriate remedy was its belief that "tariffs might not be fully passed forward." Specifically, the Commission was concerned that "China might absorb any tariff increases in order to increase its small but growing market share." 4/

On October 17, 1980, President Carter chose to provide a tariff rather than the quota remedy recommended by the Commission for the following reasons:

[I]t [a tariff] is the most appropriate form of relief in this case. Increased tariffs will enable the canning industry to become more profitable. This improvement in their financial position, which is not expected to have a significant inflationary impact, will enable the industry to implement adjustment programs which they have pledged to undertake. Tariffs are also preferable in this case because, unlike quotas, they allow the natural market forces to continue to work, thus providing relatively more incentive to the industry to adjust to foreign competition. Finally, tariffs are preferable

3/ Unlike the instant section 406 investigation which deals only with imports from the subject communist country, the quota recommended pursuant to section 201 would have applied to imports from all foreign sources.

4/ Mushrooms, supra note 2 at 24.

because of the difficulty of equitably allocating quotas among countries when there are highly competitive new suppliers entering a market dominated by traditional suppliers. 45 Fed. Reg. 70,361 (1980).

In addition to providing the domestic industry with import relief, the President directed the "United States Trade Representative (USTR) to request under section 203(i)(1) of the Trade Act of 1974, 19 U.S.C. § 2253(i)(1) (1980), that the USITC report, within eighteen months of this decision, on the industry's efforts to adjust."

Pursuant to this request from the USTR, the Commission conducted an investigation with respect to developments in the mushroom industry since import relief became effective, and on April 15, 1982, the Commission found that the domestic industry continued to suffer "serious harm from canned mushroom import competition." 5/ While the Commission acknowledged that overall imports had declined, it noted the following about the changing source of imports and Chinese imports in particular:

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 to Hong Kong, Macao, and the PRC increased to 60 percent. 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. (emphasis supplied). Investigation No. TA-203-13 at 4-5.

5/ Certain Mushrooms, Investigation No. TA-203-13, USITC Publication 1239 (April 1982). The Commission noted that the poor health of the domestic industry was reflected by a number of economic indicators, including capacity utilization, production, and sales, which showed significant decreases from 1980 to 1981.

Thus, the Commission, in the two recent mushroom investigations discussed above, foresaw the possibility of market disruption by China. The facts developed during the course of this investigation confirm that market disruption has in fact occurred.

MARKET DISRUPTION

Section 406(a)(1) of the Trade Act directs that, upon the filing of a petition, the Commission "shall promptly make an investigation to determine, with respect to imports of an article which is the product of a Communist country, whether market disruption exists with respect to an article produced by a domestic industry." 6/ Section 406(e)(2) defines market disruption as follows:

Market disruption exists within a domestic industry whenever imports of an article, like or directly competitive with an article produced by such domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat thereof, to such domestic industry.

Section 406 thus requires that the Commission find the following three criteria satisfied in order to determine that market disruption exists:

- (1) imports from a Communist country are increasing rapidly, either absolutely or relatively;

6/ China National Cereals, Oil, Foodstuffs Import and Export Corporation (CEROILS) maintains that "although China is a communist country, its mushroom industry is organized along competitive lines, and both suppliers and prices are responsive to market forces" and thus are not the type of imports which Congress intended to be regulated under section 406. Prehearing Brief of CEROILS at pp. 7-8. We believe that whether or not the Chinese mushroom industry is organized along competitive lines is irrelevant for purposes of section 406 since its application is dependent on whether China is "controlled or dominated by communism." See S. Rep. No. 93-1298, 93d Cong., 2d Sess. 213 (1974). China is a country "dominated or controlled by communism." See Presidential Proclamation No. 2935, 3 C.F.R. 121 (1949-53 compilation) (1951).

- (2) a domestic industry is materially injured or threatened with material injury; and
- (3) such rapidly increasing imports are a significant cause of material injury or threat thereof.

We have found each of these criteria to be met and have therefore reached an affirmative determination.

Domestic industry

It is appropriate to first determine what constitutes the domestic industry against which the impact of the rapidly increasing imports must be assessed. Section 406 defines "domestic industry" in terms of domestic facilities producing articles "like or directly competitive" with the imported articles. 7/ The Senate Finance Committee Report on the Trade Act of 1974 provides guidance as to the meaning of the terms "like" or "directly competitive." Specifically, the Committee stated:

The term "like or directly competitive" used in the bill to describe the products of domestic producers that may be adversely affected by imports was used in the same context in section 7 of the 1951 Extension Act and in section 301 of the Trade Expansion Act. The term was derived from the escape-clause provisions in trade agreements, such as article XIX of the GATT. The words "like" and "directly competitive" as used previously and in this bill, are not to be regarded as synonymous or explanatory of each other, but rather to distinguish between "like" articles and articles which, although not "like," are nevertheless "directly competitive." . . . In such context, "like" articles are those which are substantially identical in inherent or intrinsic characteristics (i.e., materials from which made, appearance, quality, texture, etc.), and "directly competitive" articles are those which, although not substantially identical in

7/ Section 406(a)(2), 19 U.S.C. § 2436(a)(2) (1980), specifically makes applicable the domestic industry considerations set forth in section 201(b)(3), 19 U.S.C. § 2251(b)(3) (1980).

their inherent or intrinsic characteristics, are substantially equivalent for commercial purposes, that is, are adapted to the same uses and are essentially interchangeable therefor.

S. Rep. No. 93-1298, 93d Cong., 2d Sess. 121-22 (1974). 8/

Thus, the legislative history for the Trade Act of 1974 reveals that "like" has to do with the physical identity of the articles themselves, while "directly competitive" relates more to the notion of commercial interchangeability. The concept of "directly competitive with" is included in the law in order to broaden the scope of the legislation and to provide standing to U.S. producers of articles that, although not "like" the imports under investigation, are commercially interchangeable with them.

The petitioner in this investigation, the American Mushroom Institute (AMI), contends that the appropriate domestic industry consists of the U.S. facilities canning mushrooms. 9/ In addition, petitioner does not allege injury to growers. Importers, on the other hand, argue that the appropriate industry consists of the domestic facilities growing and canning mushrooms on the basis that fresh and canned mushrooms are directly competitive with each other. 10/

The Commission specifically considered this issue in the 1980 section 201 investigation involving mushrooms. 11/ In that investigation, the Commission found that domestic and imported canned mushrooms were "like" products and acknowledged that fresh mushrooms were, perhaps, "directly competitive" with

8/ The House Report addresses this question with virtually identical language, H. Rep. No. 93-571, 93d Cong., 1st Sess. 45 (1974).

9/ Petition of June 30, 1982, p. 2.

10/ Brief of Nature's Farm Products filed August 18, 1982, pp. 3-16.

11/ Mushrooms, supra note 2.

the imported canned and other processed mushrooms. However, since the Commission decided that canned and fresh mushrooms could be treated as separate and distinct industries and that since such treatment was consistent with the practice in the marketplace, it proceeded to look at the industry which presented the most compelling argument for relief. 12/ Thus, the Commission assessed the impact of the increased imports against the domestic industry consisting of producers of canned mushrooms. 13/

We agree with the approach taken by the Commission in that investigation. Thus, we conclude that the domestic industry is comprised of the U.S. facilities canning mushrooms.

Rapidly increasing imports

Having concluded that the domestic industry against which the impact of imports must be assessed consists of U.S. facilities canning mushrooms, we must turn to the issue of whether the imports are "increasing rapidly, either absolutely or relatively." The term is not defined in the statute, but the

12/ As in the 1980 section 201 investigation, the Commission has compiled separate data exclusively for U.S. canning operations which enable us to analyze all factors relevant to our determination of injury. Production, consumption, sales, employment, profitability, capacity utilization, and other factors can be examined for canning operations alone.

13/ Compare Certain Ceramic Kitchenware from the People's Republic of China (Kitchenware), Investigation No. TA-406-8, USITC Publication 1279 at 4-8 (August 1982) where the Commission included in the domestic industry some imported chinaware from China that was found to be "directly competitive" with the domestically produced earthenware. The present investigation is distinguishable from Kitchenware where the imported articles consisted mostly of chinaware while domestic production was heavily concentrated in earthenware. Thus, most of the imports under investigation in Kitchenware were not "like" domestic production but nevertheless were "directly competitive." Commissioner Frank found more direct competitiveness in this investigation than the Commission did between chinaware and earthenware.

Senate Finance Committee report on the Trade Act of 1974 states that the increase "must have occurred during a recent period of time, as determined by the Commission taking into account any historical trade levels which may have existed." 14/ The Committee was particularly concerned about the ability of communist countries to direct their exports "so as to flood domestic markets within a shorter time period than could occur under free market condition(s)." 15/ However, the Committee was also careful to note that "[a] reasonable quantity of imports would not cause market disruption." 16/

We agree with CEROILS that Congress assumed, when it enacted the Trade Act of 1974, that there would be some increase in imports from communist countries. 17/ However, we conclude that the increased imports of canned mushrooms from China are increasing rapidly so as to meet the statutory criterion and entitle the domestic industry to relief.

Imports from China increased from 265,000 pounds in 1979 18/ to 14.8 million pounds in 1980 19/ and 27.4 million pounds in 1981, a 100-fold

14/ S. Rep. No. 93-1298, supra note 6 at 212.

15/ Id. at 210.

16/ Id. at 211. See also Anhydrous Ammonia from the U.S.S.R., Investigation No. TA-406-6, USITC Publication 1051 at 25 (April 1980), where Commissioner Calhoun in his concurring opinion noted that "nothing in the legislative history suggests that either House intended its formulation of market disruption to deter the establishment of a respectable market share for imports from 'communist countries.'" We agree with Commissioner Calhoun that "successful new entrants to a market will often show marked increases in volume and even market share from one year to the next in the initial years of the market entry" but conclude that the increase in imports of canned mushrooms from China are both "abrupt" and "inundating" to constitute a rapid increase for purposes of section 406.

17/ Prehearing Brief of CEROILS at p. 14.

18/ All pound amounts are in terms of "drained weight."

19/ The People's Republic of China received most-favored-nation (MFN) status on February 1, 1980. Thus, the higher column 2 rate of duty generally applicable to communist countries was replaced by the lower column 1 rate of duty applicable to those countries enjoying MFN status for imports from China.

increase in just two years. 20/ Imports continued to increase in 1982, rising to 15.5 million pounds in January-June 1982 from 9.4 million pounds in January-June 1981. This increase constitutes a rapid rise in absolute terms.

Imports from China have also increased rapidly relative to U.S. production and consumption. The ratio of imports from China to domestic production increased from 0.3 percent in 1979 to 13.3 percent in 1980, then to 25.8 percent in 1981, and finally to 33.3 percent in January-June 1982 (as compared with 16.8 percent in January-June 1981). The ratio of imports from China to domestic canned mushroom consumption has similarly increased at a rapid rate, from less than 1 percent in 1979 to 6.8 percent in 1980, to 15.6 percent in 1981, and to 16 percent in January-June 1982 (as compared with 11.0 percent in January-June 1981). Thus, it is clear that imports of canned mushrooms from China have increased, both in absolute and relative terms, at a rapid rate since 1979, when imports were negligible.

CEROILS argues 21/ that the statute, on its face, requires that total imports be increasing rapidly in order for the "rapidly increasing" requirement to be satisfied. Specifically, they refer to section 406(e)(2) which provides that:

Market disruption exists within a domestic industry whenever imports of an article, like or directly competitive with an article produced by such domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat thereof, to such domestic industry. (Emphasis as supplied by CEROILS).

20/ We acknowledge the difficulty of assessing growth of imports where the historic level of imports is negligible. See discussion supra note 16.

21/ Prehearing Brief of CEROILS at p. 8.

We disagree with CEROILS' construction of the statute. It is a basic rule of statutory construction that a statute is to be read as a whole. 22/ Looking at the statute as a whole, we believe that it is clear on its face that section 406 is to be utilized only where market disruption exists with respect to imports from a communist country. Section 406(a)(1) provides that the Commission shall "promptly make an investigation to determine with respect to imports of an article which is the product of a communist country, whether market disruption exists with respect to an article produced by a domestic industry." In sum, we believe that section 406(e)(2) must be read together with section 406(a)(1) and therefore the Commission will consider only imports from the communist country. Moreover, the language in both the statute and the legislative history are explicit in that market disruption is to be analyzed with respect to imports from a communist country. 23/

Material injury

The second criterion requires a finding that a domestic industry is materially injured or threatened with material injury. 24/ The term "material injury" is not expressly defined either in the Trade Act of 1974 or its legislative history. However, the Senate Finance Committee Report does state that the term "material injury" in section 406 is intended to represent a lesser degree of injury than the term "serious injury" in section 201. 25/

22/ 2A C. Sands, Sutherland Statutory Construction, § 46.05 (3d Ed. 1973); Addison v. Holly Hill Fruit Products, Inc., 322 U.S. 607 (1944).

23/ S. Rep. No. 93-1298, supra note 6 at 212; H. Rep. No. 93-571, supra note 8 at 82.

24/ The criterion is expressed in the disjunctive. If material injury is found, there is no need to consider whether a threat of material injury exists.

25/ S. Rep. No. 93-1298, supra note 6 at 212.

Similarly, section 201 does not define "serious injury" but does provide guidelines for the Commission to consider in determining whether "serious injury" exists. 26/ In determining "serious injury," section 201(b)(2)(A) directs the Commission to consider all factors which it considers relevant, including:

the significant idling of productive facilities in the industry, the inability of a significant number of firms to operate at a reasonable level of profit, and significant unemployment or underemployment within the industry.

We find that the domestic industry is experiencing material injury. 27/ Industry capacity utilization, which was 46 percent in 1979, rose to 58 percent in 1980, and then declined to 53 percent in 1981 and 44 percent in January-June 1982 (as compared with 50 percent in January-June 1981). 28/ Domestic capacity increased only slightly during the period, and this increase had only a slight effect on capacity utilization levels. 29/

The industry's profit picture is not favorable. Fifteen producers, accounting for approximately 81 percent of total U.S. sales (by quantity) in 1981, provided profit-and-loss data for their operations on canned mushrooms. 30/ Aggregate net sales of canned mushrooms increased by 17 percent from \$110.8 million in 1979 to \$130.1 million in 1981 after declining to \$106.4 million in 1980. Net sales dropped 13 percent to \$55.9 million during the interim period ending June 30, 1982, as compared with net sales of

26/ 201(b)(2)(A), 19 U.S.C. § 2251(b)(2)(A) (1980).

27/ In fact, the industry remains in about the same condition as it was in August 1980 when the Commission found it to be seriously injured, a more difficult standard to meet than the material injury requirement of section 406.

28/ Report, at A-16.

29/ Id.

30/ Report, at A-21; A-64.

\$64.3 million for the corresponding period in 1981. Operating profit as a share of net sales dropped from 3.4 percent in 1979 to 2.9 percent in 1980 to 2.7 percent in 1981. It then increased to 3.6 percent for the interim period ending June 30, 1982, after falling to a low of a negative 0.2 percent for the corresponding period in 1981. The net operating margin for the entire period under investigation is below that recorded by the canned and dried fruit and vegetable industry as a whole. 31/ Net profit before income taxes as a share of net sales for canners was 2.7 percent in 1979 and decreased to 0.5 percent in 1980. 32/ The ratio dipped to a negative 0.07 percent in 1981 before rising to a positive 1.3 percent in January-June 1982 (as compared with a negative 2.8 percent in January-June 1981). 33/ 34/

Employment and hours worked in canning operations also have not changed much from when the Commission determined that serious injury existed. The number of persons involved in mushroom canning operations declined irregularly from 943 in 1979 to 921 in 1980 and 925 in 1981. 35/ In January-June 1982,

31/ The net operating margins for the canned and dried fruit and vegetable industry as a whole were 4.9 percent in 1979, 5.4 percent in 1980, and 5.9 percent in 1981. See, 1981 Annual Statement Studies, Robert Morris Associates.

32/ Report, at A-64.

33/ Id.

34/ Nature's Farm Products at p. 62 of their Prehearing Brief and CEROILS at p. 21 of their Prehearing Brief contend that the domestic industry's problems are not caused by Chinese imports but by decreased consumption as a consequence of botulism recalls. We have considered this argument and have concluded that the botulism recalls were not a cause of the domestic industry's ill health. Information gathered during this investigation indicates that the effects of botulism recalls were statistically insignificant and short-lived. See Report, app. C. In addition, the information gathered in this investigation reveals that, if costs of handling and reprocessing for recalls are treated as one-time, non-recurring expenses and are excluded from the aggregate data for operations on processed mushrooms, the pre-tax profit or loss margins for the same period indicates a similar trend. Report at A-20.

35/ Id., A-18.

the number of persons involved in such operations averaged 942, down from an average of 965 in the same period a year earlier. 36/ Hours worked in mushroom canning operations also declined from 2.0 million hours in 1979 and 1980 to 1.7 million hours in 1981 and 908,000 hours in January-June 1982 (as compared with 1.1 million hours in January-June 1981). 37/

Domestic production and sales of canned mushrooms, when viewed in the context of the ongoing section 201 relief, as is appropriate in this case, have not changed significantly. Domestic production, which totalled 87 million pounds in 1979, increased to 112 million pounds in 1980 before declining to 106 million pounds in 1981. 38/ Production fell to 47 million pounds in January-June 1982 from 56 million pounds in the corresponding period of 1981. 39/ Domestic canned mushroom sales followed a similar trend, rising from 88 million pounds in 1979 to 106 million pounds in 1980 before declining to 92 million pounds in 1981. 40/ Domestic sales were 50 million pounds in January-June 1982 as compared with 46 million pounds in the same period of 1981. 41/ Yearend inventories held by domestic canners increased substantially from 13 million pounds in 1979 to 19 million pounds in 1980 and to 30 million pounds in 1981 before declining moderately to 26 million pounds as of June 30, 1982 (as compared with 29 million pounds as of June 30, 1981). 42/

36/ Report, at A-18.

37/ Id., A-18.

38/ Id., A-16.

39/ Id.

40/ Id.

41/ Id.

42/ Id., A-17.

The above data show this industry to be facing substantial economic difficulties.

Significant cause

The term "significant cause" is not expressly defined either in the statute or in the legislative history. However the Finance Committee report indicates that the "significant cause" requirement was intended to be an easier standard to satisfy than the "substantial cause" requirement in section 201. ^{43/} "Substantial cause" is defined in section 201(b)(4) of the Act to mean "a cause which is important and not less than any other cause." Thus, the imports under investigation could be a less important cause of material injury than some other cause and still be a significant cause of material injury. The Finance Committee also stated that "the term 'significant cause' is meant to require a more direct causal relationship between increased imports and injury" than the standard used in the adjustment assistance provisions of the Act. ^{44/} The standard in the adjustment assistance provisions--"contribute importantly"--is, in turn, described by the Finance Committee as a cause which may have "contributed less than another single cause" but must have been "significantly more than de minimis." ^{45/} Thus, rapidly increasing imports must be a direct and important cause of material injury and something more than a contributing cause.

In the present case, rapidly increasing imports of canned mushrooms from China are a direct and important cause and thus a significant cause of the

^{43/} S. Rep. No. 93-1298, supra note 6 at 212.

^{44/} Id.

^{45/} S. Rep. No. 93-1298, supra note 6 at 133; see also section 222 of the Trade Act of 1974, 19 U.S.C. § 2272 (1980).

present injury which the domestic canned mushroom industry is suffering. Imports of canned mushrooms from China have increased by more than 100-fold in 2 years and in January-June 1982 accounted for 16 percent of U.S. canned mushroom consumption as compared with less than 1 percent in 1979 and prior years.

In our view, the increase in imports from China has effectively negated any relief afforded by the temporary increase in duties 46/ which President Carter proclaimed in October 1980 to remedy the serious injury which the industry was then found to be suffering. 47/ The information in this investigation reveals that imports of low-priced canned mushrooms from China have underpriced and thus displaced the more traditional suppliers such as Taiwan and Korea, whose exports to the U.S. market caused the serious injury which the President was trying to remedy. The Chinese imports have not only prevented domestic producers from raising their prices to more economically

46/ The temporary duty increase became effective on or after November 1, 1980. Reductions are staged November 1 of each year until the temporary relief terminates on October 31, 1982. Report, at A-4.

47/ Nature's Farm Products in its Prehearing Brief at p. 18 contends that the "purposes of section 201 and 406 are in essence the same" and that granting relief pursuant to section 406 would only be "redundant." We disagree with Nature's Farm Products on both points. Sections 201 and 406 utilize different criteria to treat two types of import problems. While section 201 addresses injury caused by increases in imports from all sources, section 406 addresses injury caused by rapid increases in imports from communist countries. Section 201 relief applies to the subject imports without regard to their origin while section 406 applies only to imports of the subject communist country or countries. As indicated in the legislative history of section 406, Congress was concerned that communist countries, through their control of their distribution process and the price at which articles are sold, could direct their resources so as to "flood" domestic markets in short period of time. Congress was also concerned that unfair trade practice remedies would be inappropriate or ineffective because of the difficulty of their application to products for state-controlled economies. S. Rep. No. 93-1298, supra note 6 at 210.

reasonable levels and from recapturing some of the lost market share which the section 201 relief was intended to permit, but have forced domestic canners to cut prices in order to maintain their market share. Thus, domestic producers' prices declined by an average of 7 cents per pound (4.6 percent) from January-March 1981 to April-June 1982. For those mushroom categories where imports from China were highest (pieces and stems), domestic prices decreased by a greater amount, an average of 12 cents per pound (8.8 percent) over the same period. 48/

Therefore, the fact that overall penetration by canned mushroom imports has changed only marginally since 1980 is misleading. In spite of the temporary duty increase, the large scale penetration of Chinese imports into the U.S. market has suppressed and depressed prices for both domestic and canned mushrooms imported from other foreign sources. This has made the state of health of domestic canners even more precarious than it was in 1980 because the injury has been prolonged and recovery prevented.

Conclusion

For the reasons set forth above, we have concluded that imports of canned mushrooms from China are disrupting the U.S. canned mushroom market.

48/ The Commission was able to confirm a number of instances where domestic producers lost sales to imports from China. These lost sales were directly or indirectly related to the lower prices charged for Chinese mushrooms. Report, at A-27-32.

ADDITIONAL VIEWS ON REMEDY

In order to remedy the injury that we have found to exist, we recommend that the President impose a quantitative limitation (quota) on imports from China of mushrooms, prepared or preserved, other than frozen, provided for in item 144.20 of the TSUS. We find that a quota of 21 million pounds (drained weight) per year for a 3-year period, when coupled with the temporary increase in duties imposed as a result of the 1980 section 201 investigation, will remedy the material injury.

We believe that this limitation will remedy the injury to the domestic industry caused by the recent rapid increase in imports from China by limiting the volume of Chinese imports and by raising their prices. This will relieve the downward price pressure in the market, enabling the domestic industry to improve profit margins from current low levels.

A tariff has also been considered as a remedy alternative. 1/ However, we are uncertain about China's ability to absorb any additional tariff that we may recommend. This concern is based on the apparent ability of China to absorb a large portion of the tariff that became effective on November 1, 1980. Because of this uncertainty, we feel that a quota is a more appropriate remedy in this case.

Section 406(b) 2/ provides for Presidential action and the imposition of relief by specifically making applicable sections 202 and 203 of the Trade Act

1/ Tariffs are generally preferred over quotas since quotas tend to have a stifling effect on trade in general. This is a legitimate concern in the context of a section 201 investigation. However, we recognize that a communist country may be able to absorb an increased tariff cost, thereby effectively negating the recommended tariff. Thus, the general preference for tariffs over quotas must be viewed in the context of whether the investigation is brought under section 201 or 406.

2/ 19 U.S.C. § 2436(b) (1980).

of 1974. 3/ Thus, we will recommend only such relief as the President is authorized to proclaim under section 203. 4/

Because China is a new entrant into the U.S. canned mushroom market and imports of canned mushrooms from China were insignificant prior to 1980, it is difficult to determine what period would constitute "the most recent period . . . representative of imports" for purposes of section 203(d)(2) of the Trade Act. 5/ However, after careful consideration, we conclude that the representative period is marketing year 1980/81 (July 1, 1980 to June 30, 1981). 6/ Our reasons are given below.

Because China was subject to a high tariff prior to receiving most-favored-nation (MFN) status, 7/ it was not an active participant in the U.S. market prior to marketing year 1980/81. Thus, we find that periods prior to marketing year 1980/81 cannot be considered representative of imports from China.

Likewise, the marketing year 1981/82 cannot be considered representative, since it was during this period that imports from China were at their highest level, and prices of imports from China were at their lowest levels. We therefore find that imports from China in this year were those imports causing material injury to the domestic industry.

The marketing year 1980/81 does not present the same problems as the prior and subsequent marketing years. China was established in the U.S. market in

3/ 19 U.S.C. § 2252, 2253 (1980).

4/ 19 U.S.C. § 2253 (1980).

5/ Section 203(d)(2), 19 U.S.C. § 2253(d)(2) (1980), provides that any quota must permit entry of at least that quantity of imports entered during the most recent period representative of imports of such article.

6/ The mushroom industry has traditionally collected and presented production, sales, and inventory data on a marketing-year basis.

7/ China was granted MFN status on February 1, 1980.

the latter half of 1980, and, in the first half of 1981, imports from China were not increasing at the rapid pace of subsequent quarters. 8/ Thus, we conclude that the marketing year 1980/81 is the appropriate representative period.

Imports from China in the marketing year 1980/81 were 20.2 million pounds (drained weight). We recommend a quota rounded up to the nearest million, and arrive at 21 million pounds because the quota cannot be more restrictive than imports during the representative period chosen. 9/

Apparent domestic consumption of canned mushrooms is not expected to grow significantly in the 3 years during which the quota is imposed. 10/ Therefore, we recommend that the quota remain at 21 million pounds during each of the three years it would be in effect.

This quota will decrease the volume of imports from China by 6.4 million pounds, or 25 percent below calendar year 1981 levels. Although total imports may not decline appreciably since importers may switch to other foreign sources, 11/ the general price level of imports is expected to increase as a result of a quota. China can be expected to raise its price to maximize revenue from a restricted volume of exports to the U.S. market. It can also be expected that prices of imports from other low-priced foreign sources (Hong Kong, Macau) will increase somewhat, raising the average price level of canned mushroom imports.

8/ Imports during January-June 1982 amounted to 15.5 million pounds as compared with 9.4 million pounds during January-June 1981.

9/ S. Rep. No. 93-1298, 93d Cong., 2d Sess. 126 (1974).

10/ Based on a significant decline in consumption from 1980 to 1981. Staff Rept., at A-55.

11/ See Our Views on Market Disruption, supra note 47.

There is a possibility that any relief that we recommend may be circumvented because the raw mushrooms for virtually all mushrooms canned in Hong Kong and Macau originate in China. The Commissioner of Customs has advised the United States Trade Representative 12/ that because substantial processing of canned mushrooms takes place in Hong Kong and Macau, canned mushrooms from these countries are considered to be products of those countries rather than products of China. Therefore, imports from those countries would not be subject to any remedy that we recommend pursuant to section 406. In our opinion, a more restrictive quota than we have recommended would not prevent circumvention, but in fact may increase its likelihood, since exporting to the United States through third countries would presumably be even more attractive for China. 13/

12/ Letter dated March 29, 1979, from the Commissioner of Customs to the Special Representative for Trade Negotiations. As of this date, the Commissioner's ruling has not been appealed.

13/ While we believe the possibility of circumvention was properly considered in fashioning the appropriate form and level of recommended relief, it should not be dispositive of whether the domestic industry is entitled to relief pursuant to section 406.

VIEWS OF CHAIRMAN ALFRED E. ECKES AND COMMISSIONER PAULA STERN

On the basis of the information developed during the course of this investigation, we determine that market disruption as defined in section 406 of the Trade Act of 1974 (Trade Act) does not exist with respect to imports of canned mushrooms from the People's Republic of China (China) which are the subject of this investigation.

Section 406(a)(1) of the Trade Act directs that upon the filing of a petition, the Commission is to conduct an investigation to determine, with respect to imports of an article which is the product of a Communist country, whether market disruption exists with respect to an article produced by a domestic industry. 1/ Market disruption exists within a domestic industry--

whenever imports of an article, like or directly competitive with an article produced by such domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat thereof, to such domestic industry. 2/

In this case, our negative determination is based upon our finding that imports of canned mushrooms from China, although rapidly increasing, are not a significant cause of either material injury or threat of material injury to the domestic industry.

Domestic industry

The appropriate domestic industry in this case consists of the domestic facilities engaged in the canning of mushrooms. We do not believe that the

1/ Section 406(e)(1) defines "Communist country" as "any country dominated or controlled by communism." The People's Republic of China is a country "dominated or controlled by communism." See Presidential Proclamation No. 2935, 3 C.F.R. 121 (1949-53 compilation)(1951).

2/ Section 406(e)(2).

domestic industry should be expanded to include firms growing mushrooms for the fresh market, as urged by importers. Although canned mushrooms may compete to some degree with fresh mushrooms, they are readily distinguishable. Canned mushrooms are provided for in a different tariff item than fresh mushrooms. Canned mushrooms have a long shelf life and are suited for gravies and other cooked applications where color and freshness are not key considerations. Additionally, they are already cleaned and generally sliced and are preferred by restaurants and institutional users seeking to minimize time spent in food preparation. Fresh mushrooms, on the other hand, are highly perishable, are preferred in salads and other applications where freshness and appearance are important, and generally require more time to prepare.

In light of these distinctions, our finding on the industry in this case is similar to that which the Commission adopted in investigation No.

TA-201-43, Mushrooms. 3/

Rapidly increasing imports

Under section 406, the Commission must find that imports "are increasing rapidly, either absolutely or relatively." Furthermore, "the increase in imports required by the market disruption criteria must have occurred during a recent period of time, as determined by the Commission taking into account any historical trade levels which may have existed." 4/

3/ The concept of industry used in section 406 is the same as that used in section 201 of the Trade Act. Section 406(a)(2) expressly adopts by reference section 201(b)(3), which describes the concept of industry.

4/ Trade Reform Act of 1974: Report of the Committee on Finance . . . , S. Rept. No. 93-1298, (93d Cong., 2d sess.), 1974, at 212.

Imports of canned mushrooms from China are "increasing rapidly," in both absolute and relative terms. In 1979, imports of canned mushrooms from China totaled only 265,000 pounds. 5/ In 1980, the year in which most-favored-nation (MFN) treatment was extended to China by the United States, imports of canned mushrooms rose sharply to 14.8 million pounds, 55 times the level of 1979. 6/ In 1981, imports from China increased to 27.4 million pounds, representing an increase of 85 percent over those in the previous year. 7/ The ratio of such imports to domestic production also increased, from 0.3 percent in 1979 to 13.3 percent in 1980 and to 25.8 percent in 1981. The ratio increased to 33.3 percent in January-June 1982 from 16.8 percent in the corresponding period of 1981. 8/

Significant cause of material injury

The terms "significant cause" and "material injury" are not defined in the statute. However, the legislative history compares the terms with standards used in other provisions of the Trade Act. The Senate Finance Committee report states that the "significant cause" requirement was intended to be "an easier standard" to satisfy than the "substantial cause" requirement in section 201 of the Trade Act. 9/ Section 201(b)(4) defines "substantial cause" as "a cause which is important and not less than any other cause." The Finance Committee report also stated that the term "significant cause" was intended "to require a more direct causal relationship between increased

5/ Report at A-14.

6/ Id.

7/ Id.

8/ Id. at A-15. The ratio of imports to apparent domestic consumption also increased from 6.8 percent in 1980 to 15.6 percent in 1981 and to 16.0 percent in January-June 1982 compared to 11.0 percent in the corresponding period of 1981.

9/ Finance Committee report at 212.

imports and injury" than the term "contribute importantly" used in the adjustment assistance provisions of the Trade Act. 10/

The term "material injury" is intended to represent a lesser degree of injury than the term "serious injury" used in section 201. 11/ In determining whether material injury is present, the Commission has generally considered data relevant to the statutory guidelines for determining serious injury under section 201--including industry capacity utilization, profitability, and employment.

In August 1980, the Commission determined in a section 201 investigation that the domestic industry "is either suffering serious injury or is on the threshold of serious injury" as a result of increased imports of prepared or preserved mushrooms from all sources. 12/ This determination was made before imports of canned mushrooms from China became a factor in the market. 13/ Upon careful examination of relevant economic information (profit and loss, employment, capacity utilization, and lost sales), in this case we find that there is no material injury which can be linked to imports from China.

At first glance, some negative indicators are apparent. Although there was an improvement in the interim period 1982, 14/ profit margins declined slightly from 1979 to 1981. 15/ Production decreased from 1980 to 1981 and

10/ Id.

11/ Id.

12/ See the views of Commissioners Alberger, Calhoun, and Stern in Mushrooms: Report to the President on Investigation No. TA-201-43 . . . , USITC Publication 1089, August 1980, at 16. The investigation covered imports of mushrooms, prepared or preserved, provided for in TSUS item 144.20. Chairman Eckes was not a member of the Commission at the time this determination was made.

13/ At the time the 1980 determination was made, the Commission had import data only through March 1980.

14/ Oct. 1, 1981, to June 30, 1982.

15/ These profit margins have not been adjusted for nonrecurring recall costs.

also from January-June 1981 to January-June 1982. Capacity utilization declined over the same periods. Inventories increased, and employment levels and prices generally declined.

A closer look at these indicators, however, shows that injury is not material and that the rapid increase in imports from China is not a significant cause of injury.¹ Although canned mushroom production declined in 1981, we note that it was unusually high in 1980. Production in 1981 was 22 percent higher than in 1979, a year when China was not a factor in the U.S. market. Therefore, domestic production increased even as imports from China were increasing rapidly. Although domestic production decreased in the first half of 1982, domestic producers' sales increased. Capacity utilization declined slightly, but the decline was due primarily to an increase in domestic industry capacity. ^{16/} Employment decreased minimally from 1979 to 1980, increased in 1981, and again declined minimally from January-June 1981 compared to January-June 1982. During this period, however, there was a significant increase in the productivity of workers. ^{17/} Therefore, it is likely that it was the increase in productivity, rather than import competition from China, which caused employment to decline slightly.

Adjusted profit data ^{18/} show that profit margins remained relatively stable from 1979 to 1981, and improved significantly in the interim period

^{16/} Report at A-16.

^{17/} Id. at A-18 to A-19.

^{18/} We used the profit margins presented in the report which netted out the nonrecurring costs of canned mushroom recalls for two mushroom canners. We consider these profit margins to be the most appropriate for analyzing the issue of material injury. They discount one factor that obviously had a negative effect on aggregate profit margins that is unrelated to the imports in question.

1982. 19/ Although these profit margins may be considered low, the issue here is whether the rapid increase in imports from China was a significant cause of material injury to the domestic industry. Because domestic canners' profit margins were stable or improving at a time when imports from China were increasing rapidly, it is difficult to find any causal link between imports from China and any injury to the domestic industry. In fact, in the period when U.S. canners' profit margins improved most significantly (1982), imports from China gained their largest share of apparent U.S. consumption.

When prices decline, it is often assumed that a cost-price squeeze will result, with a consequent decline in profit margins. This has not been the case with the U.S. mushroom canning industry. 20/ Although U.S. mushroom canners' prices were at lower levels in the first half of 1982 than in the corresponding period of 1981, their profit margins improved significantly in the interim period 1982. This improvement in 1982 is primarily due to the decline in prices of fresh mushrooms for processing, resulting in a decline in domestic canners' unit costs of production.

An attempt to confirm the lost sales allegations of 13 purchasers of canned mushrooms was inconclusive. It appears that many of these purchasers shifted from one foreign source of imports to another. 21/ Information concerning such shifting of foreign sources is further supported by the aggregate import data. As imports from China increased, imports from Taiwan and Korea decreased, with total imports declining from 1979 to 1981. Imports

19/ Report at A-20.

20/ Petitioners asserted that profits of U.S. canners eroded as imports from China increased. Posthearing brief of the American Mushroom Institute, at 3.

21/ Report at A-27 to A-32.

from Taiwan and Korea, which had accounted for 44.2 percent of U.S. consumption in 1979, declined to 19.3 percent of U.S. consumption in 1981, or by 24.9 percentage points (45.4 million pounds). Imports from China, which accounted for less than 0.1 percent of U.S. consumption in 1979, increased to 15.6 percent in 1981, or by 15.5 percentage points (27.2 million pounds). Combined imports from China, Taiwan, and Korea, which had accounted for 44.3 percent of U.S. consumption in 1979, declined to 34.9 percent in 1981 notwithstanding the big increase in imports from China. 22/ Thus, the increase in imports from China appears to be largely at the expense of other foreign sources rather than U.S. canners.

In sum, imports from China are not a significant cause of material injury to the U.S. mushroom canning industry.

Significant cause of threat of material injury

The concept of "threat" of material injury is the same as that used in section 201 of the Trade Act. The Senate Finance Committee stated that a "threat" of injury exists when injury, "although not yet existing, is clearly imminent if import trends continued unabated." 23/ Information available to the Commission does not indicate that imports of canned mushrooms from China are a significant cause of the threat of material injury.

Material injury by imports from China is not imminent. The foregoing discussion with respect to significant cause of material injury applies here. Information gathered in this investigation shows that the domestic industry has

22/ These data are derived from data set forth in table 8 of the report at A-57.

23/ Senate Finance report at 121.

either maintained or improved its performance despite the rapid increase in imports from China. We expect the industry to be able to maintain its current level of performance. This performance is directly related to the cost of raw mushrooms. 24/ Lower raw mushroom costs aided the domestic industry in 1981 and 1982, and such costs are not expected to increase significantly in the near future. 25/

It is arguable whether import trends from China will continue unabated. 26/ Little is known about the mushroom industry in China. However, it is known that the production of canned mushrooms in China is adjusted each year according to the expected demand in both the domestic and international markets. 27/ Although production in China increased from 1979 to 1980, it declined by 13 percent in 1981. Total exports from China increased in each of the years 1979, 1980, and 1981, but the rate of increase declined significantly in 1981. 28/

24/ Report at A-25 to A-26. A cost analysis in a recent U.S. Department of Agriculture (USDA) study of the mushroom industry indicated that raw mushrooms accounted for an average of 63 percent of total production costs of mushrooms canned in the United States. This percentage was larger for mushrooms in institutional-size cans and smaller for mushrooms in retail-size cans. Raw mushroom costs declined by an average of 9 cents per pound from January-March 1981 to April-June 1982, concurrent with an average fall of 9 cents per pound for prices of U.S.-produced processed mushrooms.

25/ Telephone conversation between the Commission's Office of Economics and the U.S. Department of Agriculture, Sept. 20, 1982.

26/ Commissioner Stern further notes that pressure on the U.S. industry from low-cost imports will continue regardless of whether a remedy is implemented on imports from China. See our discussion on remedy, infra.

27/ Report at A-24.

28/ The European Community maintains quotas on imports of mushrooms, but the largest share of the quota is allocated to imports from China, and the quantity permitted to be entered has remained relatively constant over the last few quota periods.

The import data seem to indicate the gradual consolidation of market share of a new entrant in the U.S. market. 29/ China has made a concerted effort to sell in the U.S. market only in recent years. This effort was made easier when the United States granted MFN treatment to imports from China in February 1980, thereby making Chinese goods eligible for the lower rates of duty accorded to goods imported from most of our other trading partners. Imports of canned mushrooms from China, which had been dutiable at the rate of 10 cents per pound (drained weight) plus 45 percent ad valorem before February 1980, became dutiable at the rate of 3.2 cents per pound plus 10 percent ad valorem. Because China is now firmly in the U.S. market and because its market share and import prices now reflect the lower MFN rates of duty, it is arguable whether the trends of the last 3 years will continue unabated.

Remedy

In this investigation we have voted in the negative and, therefore, do not recommend a remedy. If our determination is not accepted and a remedy is imposed, it is likely that such remedy will be circumvented.

The U.S. Department of Agriculture has reported that the mushrooms canned in and exported from Hong Kong and Macau are grown in China. The Commissioner of Customs has already ruled that such imports of canned mushrooms from Hong Kong are products of Hong Kong, not China. 30/ In 1981, about 70 percent of the mushrooms exported from Hong Kong (26 percent of total U.S. mushroom

29/ We reached a similar conclusion in Certain Ceramic Kitchenware and Tableware From the People's Republic of China: Report to the President on Investigation No. TA-406-8 . . ., USITC Publication 1279, August 1982, at 21.

30/ Letter to the U.S. Trade Representative of Mar. 29, 1979. The letter is reproduced in appendix E of this report.

imports) were destined for the U.S. market. Although Macau has not been an important supplier to the U.S. market in the past, it has recently increased its share of total U.S. imports. Thus, any remedy which effectively restricts imports of canned mushrooms from China is likely to result in additional U.S. imports of canned mushrooms from Hong Kong and Macau. Under section 406 the Commission can recommend the imposition of restrictions only on imports from China and cannot propose a remedy that would restrict imports from Hong Kong and Macau.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On June 30, 1982, the U.S. International Trade Commission received a petition from the American Mushroom Institute (AMI) of Kennett Square, Pa., a nationwide trade association representing canners and growers of mushrooms in the United States, for import relief under section 406 of the Trade Act of 1974. The petition was found to be properly filed, and accordingly, on July 9, 1982, the Commission instituted an investigation under section 406(a) of the Trade Act of 1974 (19 U.S.C. 2436(a)). The purpose of the investigation is to determine, with respect to imports of canned mushrooms provided for in item 144.20 of the Tariff Schedules of the United States (TSUS), which are products of the People's Republic of China (China), whether market disruption exists with respect to an article produced by a domestic industry. Section 406(e)(2) of the Trade Act of 1974 defines market disruption to exist within a domestic industry if "imports of an article, like or directly competitive with an article produced by such domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat thereof, to such domestic industry." The statute requires the Commission to submit its determination to the President within 3 months after the filing of a petition--in this case by September 30, 1982.

Notice of the Commission's institution of investigation No. TA-406-9 and of the public hearing held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of July 21, 1982 (47 F.R. 31631). 1/ The hearing was held on August 24, 1982, 2/ the briefing and vote on injury was held on September 21, 1982, and the briefing and vote on remedy was held on September 22, 1982.

Previous Commission Investigations on Mushrooms
and Presidential Action

During 1964-82, the Commission conducted eight investigations concerning mushrooms. 3/ In the most recent investigation, 4/ conducted under section 203 of the Trade Act of 1974 (investigation No. TA-203-13) and completed in April 1982, the Commission was requested by the United States Trade Representative (USTR) to gather information in order that the USTR might advise the President (1) on developments in the mushroom industry since import relief became effective, including the progress and specific efforts made by

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

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

3/ A detailed description of the investigations prior to 1980 is presented in app. C.

4/ Certain Mushrooms: Report to the President on Investigation No. TA-203-13 . . ., USITC Publication 1239, April 1982.

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 TSUS.

The import relief presently in effect, which applies to certain prepared or preserved mushrooms provided for in item 144.20, will terminate on November 1, 1983, unless suspended, modified, or terminated by the President at an earlier date or extended. The relief, in the form of increased duties described in TSUS item 922.56, 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/} The increased duties apply to imports of mushrooms from countries entitled to most-favored-nation (MFN) status.

The increased duties on all prepared or preserved mushrooms (i.e., other than fresh or dried mushrooms), classified in item 144.20, were 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/} Proclamation 4904 removed the increased duties on certain enumerated genera and types of prepared or preserved mushrooms.

The Product

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.

^{1/} A copy of Presidential Proclamations Nos. 4801 and 4904 is presented in app. D.

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

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; mushrooms preserved in mediums other than brine or butter have limited uses, mainly as appetizers and snacks.

The imported product

Imports of canned mushrooms other than straw mushrooms account for the bulk of U.S. imports of otherwise prepared or preserved (i.e., other than fresh or dried) mushrooms. In 1981, such mushrooms accounted for nearly 95 percent of the total imports (in terms of quantity) of otherwise prepared or preserved mushrooms. 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, wine, or oil.

Since early 1981, increasing quantities of prepared or preserved mushrooms from China and Hong Kong, packed in a heavy salt solution in large containers (primarily 5- and 20-gallon plastic and 55-gallon steel drums), have been entered for consumption. Virtually all of these imports are included in Tariff Schedules of the United States Annotated item 144.2043, which accounted for 3 percent of all mushrooms imported from China in 1981. These are fresh mushrooms (grown in China) ^{1/} that have been cooked and then saturated with a heavy salt solution, so that about 20 percent of the total weight of the contents is salt (which acts as a temporary preservative). These presalted mushrooms are then packed with an additional salt water or salt brine added prior to shipping. Upon arrival, these containers are taken into a processing plant where the mushrooms are washed and desalted before being subjected to conventional canning processes. * * *.

Imports of canned mushrooms from China enter in all conventional container sizes and in each style of pack. However, most of these imports are packs of stems and pieces in both institutional-size and retail-size cans. As shown in table 1, the percentage distribution of imports from China has changed considerably in recent years. In 1979, imports from China, though accounting for a relatively small share of total imports from all countries, consisted primarily of retail-size cans of stems and pieces and of whole mushrooms, with smaller amounts of sliced mushrooms and stems and pieces in institutional-size cans. In 1981, imports from China accounted for the

^{1/} Transcript of hearing, p. 63.

largest single share of total imports, with about three-fourths of the Chinese product from China packed in institutional-size cans, mostly as stems and pieces, and the remainder packed in retail-size cans, principally stems and pieces.

In recent years, about three-fifths of the total imports of canned mushrooms have been packed in institutional-size containers (holding over 9 ounces each), and the remainder, in retail-size containers (holding 9 ounces or less each) (table 2).

The domestic product

The only mushroom canned commercially to any extent in the United States is the Agaricus mushroom, also the most important canned mushroom in Asia. The three main styles of canned mushrooms are stems and pieces, sliced, and whole (including buttons). Canned mushrooms are typically sold in tinned or glass containers ranging in size from 2 to 68 ounces (drained weight). In 1981, 39 percent of domestic canned mushroom sales were in institutional-size containers.

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 of the subject articles are shown in the following tabulation:

TSUS item No.	Commodity	Rate of duty	
		Col. 1	Col. 2
	Mushrooms:		
144.20	Otherwise prepared	3.2¢ per lb	10¢ per lb
	or preserved.	on drained	on drained
		weight + 10%	weight + 45%
		ad val. 1/	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 Presidential Proclamation No. 4904 in app. D 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 current level of increased duties imposed under item 922.56 is 15 percent ad valorem, assessed in addition to the column 1 duty rate under item 144.20. These additional duties are imposed on those mushrooms provided for in item 144.20 and not exempted in item 922.56. 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) (table 3). The ad valorem equivalent (AVE) of the duty on imports entered in 1980 was 15.3 percent, the same as that in 1970 (table 4). During November 1980-October 1981, after the additional duty was imposed, the AVE rose sharply to 32.3 percent, compared with 13.7 percent during the corresponding period of November 1979-October 1980, as shown in the following tabulation (in percent):

Item	November-October--		November-April--	
	1979/80	1980/81	1981/82	
Otherwise prepared or preserved mushrooms:				
Frozen-----	13.9	32.9		28.6
Straw-----	14.2	33.5		27.9
Other-----	13.0	33.3		27.3

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, vinegar, wine, oil, butter or butter sauce, and so forth).

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.

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 broiled in butter or in butter sauce, and so forth). The average AVE for all imports of frozen mushrooms in calendar year 1981 was 14.7 percent.

The subject mushrooms (except air dried or sun dried) are not among the articles eligible for duty-free treatment under the Generalized System of Preferences (GSP). 1/

U.S. Market

Apparent U.S. consumption

Apparent U.S. consumption of canned 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 5). The ratio of imports to consumption decreased from 51 percent in 1979 and 1980 to 48 percent in 1981. The ratio of imports from China to total U.S. consumption increased steadily from 0.1 percent in 1979 to 6.8 percent and 15.6 percent in 1980 and 1981, respectively, as shown in the following tabulation (in percent):

	<u>Ratio of</u> <u>imports from</u> <u>China to consumption</u>
1979-----	0.1
1980-----	6.8
1981-----	15.6
January-June--	
1981-----	11.0
1982-----	16.0

Most of the canned mushrooms consumed in the United States are of the genus Agaricus.

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.

Apparent U.S. consumption of mushrooms, including both canned and fresh, increased from 375 million pounds (drained weight) in marketing years 1/ 1979/80 and 1980/81 to 398 million pounds in 1981/82 (table 6). The ratio of canned imports to consumption decreased from 30 percent in 1979/80 to 24 percent in 1981/82. The ratio of canned mushroom imports from China to total U.S. consumption increased steadily from 1.1 percent in 1979/80 to 5.4 percent in 1980/81 and 8.1 percent in 1981/82, as shown in the following tabulation (in percent):

Marketing year	<u>Ratio of imports from China to consumption</u>
1979/80-----	1.1
1980/81-----	5.4
1981/82-----	8.1

Channels of distribution

In marketing year 1981/82, U.S. mushroom growers sold about 38 percent of their Agaricus mushroom output to processors. The proportion of such output sold to processors was much less than in previous years; in 1971/72, for instance, 71 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. The greater portion of growers' production is sold through market intermediaries such as repackers, wholesaler/distributors, netmen, and commission merchants.

Traditionally, many growers sold 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 mushroom processed and, except for the inclusion of some mushrooms with blemishes, is equivalent to the No. 1 grade for fresh market sales. However, many growers consider canners and other processors as a residual market-- an outlet for lower quality mushrooms, culls, and prime mushrooms which are surplus to fresh-market requirements. Bulk sellers and repackers are the sole market intermediaries supplying the processed mushroom market on a regular basis.

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) importers, which market only the foreign product. 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

1/ Marketing year is from July 1 to June 30.

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 from all countries and 23 percent of the imported product from China were sold in retail-size containers. This represents a major shift in container sizes of canned mushroom imports from China, which supplied 77 percent of its exports to the United States in retail-size containers during 1979. 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 table 7.

Competitive products

In its report to the President on mushrooms in 1980, 1/ the Commission stated that:

"The facts gathered in this investigation clearly show that the "like" product is canned mushrooms and does not include fresh mushrooms. Only canned mushrooms have the same or nearly the same appearance, qualities or characteristics. 1/ There are certain intrinsic differences between the two products. 2/ For example, canned mushrooms may be stored for an indefinite period, while fresh mushrooms must be consumed or preserved within a short time. Restaurants and other institutional users point out that fresh mushrooms have higher preparation costs. 3/ For certain uses, such as salads, fresh mushrooms are clearly preferred. 4/ There are obvious differences in quality, texture and taste 5/, as pointed out in the Commission's survey. 6/

1/ See, *Japan Import Co. v. United States*, 86 F. 2d 124, 24 C.C.P.A. 167, 176 (1936). "Like" is commonly defined as "the same or nearly the same (as in appearance, character, or quantity)", Webster's New Collegiate Dictionary (1977).

2/ Intrinsic characteristics was a factor mentioned in the Senate Finance Rept., supra, at p. 122.

3/ See infra, p. A-12.

4/ See infra, p. A-11.

5/ See Senate Finance Rept. supra, at p. 122.

6/ See infra, p. A-10-A-12.

1/ The Commission report, Mushrooms: Report to the President on Investigation No. TA-201-43 . . ., USITC Publication 1089, was sent to the President on Aug. 15, 1980.

The Commission's survey did reveal that there is a certain degree of interchangeability between the two types of goods, but this merely indicates that the products may be "directly competitive". In fact, Section 601(5) of the Trade Act of 1974 7/ was written specifically to assure among other things that producers of agricultural goods have standing to petition for relief against imports of goods at a different stage of processing on the grounds that such goods are "directly competitive" for the purpose of section 201. The section states:

An imported article is "directly competitive with" a domestic article at an earlier or later stage of processing, and a domestic article is "directly competitive with" an imported article at an earlier or later stage of processing, if the importation of the article has an economic effect on producers of the domestic article comparable to the effect of importation of articles in the same stage of processing as the domestic article. For purposes of this paragraph, the unprocessed article is at an earlier stage of processing. 1/

As pointed out by the court in the United Shoe Workers v. Bedell, the section was enacted after the Commission had refused to consider unprocessed sweet cherries to be "directly competitive" with imports of processed Glace cherries. 2/ Commenting on this fact, the court said:

. . . after the Commission excluded from the reach of "like or directly competitive," products that were "substantially the same" but at "an earlier or later stage of processing," Congress expanded the definition of "directly competitive," rather than "like," to encompass those products. This evidence, in our view, is persuasive as to the restrictive sense in which Congress used the word "like".

7/ 19 U.S.C. 2481 (5).

1/ Id.

2/ 506 F 2d, at pp. 185, note 76.

Considering the history behind section 601(5) and the restrictive definition historically given to the term "like", it seems that, at most, fresh mushrooms could only be considered "directly competitive" with a product such as canned mushrooms, which are at a later stage of processing and have been altered in many respects.

Having determined that the "like" product is canned mushrooms, we must also consider whether the domestic producers of this article constitute a separate and distinct industry for which it would be appropriate to invoke section 201. Our investigation revealed that canning and processing are largely distinct from the production and sale of fresh mushrooms. While some firms are engaged in both types of operations, the majority of canners are separate from the growing industry and must purchase fresh mushrooms from growers. Of those canners who do grow their own fresh mushrooms, most devote such production solely to processing rather than sales on the fresh market. Even with respect to those canners who do make some sales to the fresh market, separate accounting records are usually maintained for such sales. In general, the Commission has data exclusively for U.S. canning operations which enable us to analyze all factors relevant to our determination of injury. Production, consumption, sales, employment, profitability, capacity utilization, and other factors can all be examined for canning operations alone.

Clearly then, the canning of mushrooms encompasses a distinct class. We therefore believe that the facts of this case compel us to treat mushroom processors as a separate "industry" for the purpose of section 201." 1/

1/ Because our determination with respect to this industry is affirmative, and because the industry producing the "like" product presents the most compelling case for relief, we do not find it necessary to address the question of possible injury to an industry producing "directly competitive" goods in this opinion.

Fresh mushroom production in the United States reached 517 million pounds during the 1981/82 marketing year, up 10 percent from such production during the previous 2 marketing years. Growers used approximately 141 million square

feet of bed and tray area to produce the 1981/82 crop, up 1 percent from the number used in the previous year. Yield averaged 3.66 pounds per square foot nationwide, up 9 percent from the yield in the previous year. Currently, the amount of total fresh mushroom production sold through fresh-market outlets is 62 percent, up from 48 percent in 1977/78, as shown in the following tabulation:

<u>Marketing year</u>	<u>Sales of total fresh mushroom production sold through fresh- market outlets (percent)</u>
1977/78-----	48
1978/79-----	51
1979/80-----	54
1980/81-----	59
1981/82-----	62

The Domestic Industry

U.S. producers

In early 1982, canned mushrooms were produced by 22 firms, compared with 29 firms in 1976 and 35 firms in 1972. Those 13 firms now out of business processed only mushrooms; one firm re-opened in 1981 for repacking imported products from another mushroom canner, have not been used since. 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. * * *.

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.

Mushrooms selected for canning are first weighed, then graded for quality, subjected to a forced-air cleaner to remove loose straw and dirt, and then inspected, all prior to washing. Then, they pass through a flood washer, causing them to rub against each other to dislodge any additional debris. After receiving a second inspection, they receive a final wash prior to processing. If they are to be canned whole or sliced, the mushrooms are

usually size graded prior to blanching; mushrooms to be diced go directly to the blanchers. Blanching involves heating the mushrooms, usually in water but sometimes in steam, resulting in the largest shrinkage of product at any time during processing. After a final inspection, the mushrooms are automatically filled into containers with a measured amount of water and salt added prior to sealing. The containers are then placed in a retort (pressure cooker) for a specified period of time and at very high temperatures to destroy any harmful organisms. After processing, the cans are cooled and stored for a number of days before shipment to customers. Those mushrooms found unacceptable at any step of processing (averaging from 1 to 3 percent of the original volume used) are gathered up at the end of the day and transported to a nearby waste disposal area.

Mushrooms were grown by over 600 firms in 1981/82, with production in 25 States. Pennsylvania was the leading producing State, accounting for 53 percent of production of the 1981/82 crop, with Eastern States accounting for 64 percent of the total U.S. production. Central and Western States accounted for 12 and 24 percent of production, respectively.

U.S. importers

There are less than 100 U.S. firms importing canned mushrooms from China; 25 firms accounted for the bulk of such imports in 1981. These larger firms are located primarily on the east and west coasts, usually near large urban centers. Most of them have been importing canned vegetables for many years and consider canned mushrooms only one of many different items which they import. * * *.

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These firms, which market both the foreign and the domestic product, have been processing domestically grown mushrooms for many years but have been importing from China, as well as from other Asian countries, only during the past 5 years. * * *.

Foreign Producers

Canned mushrooms are produced in many countries throughout the world, with the major producing and exporting countries being China, Taiwan, the Republic of Korea (Korea), Hong Kong, and Macau. The processing plants in these countries vary in development and modernization, from highly sophisticated and automated facilities to rudimentary and highly labor-intensive operations.

Production of canned mushrooms in China dates back many years, with fresh mushrooms grown throughout the country. Procedures for propagating mushroom spawn from their own culture follow generally accepted sterile techniques used in the United States. 1/ Compost materials are composed of buffalo, cow, and horse manure mixed with wheat stalks (or occasionally rice stalks) and earth. Growing houses are concrete structures, and no pesticides are reportedly used within such structures. Most of the canning firms receive their fresh mushrooms from a growing area radius of 2 to 3 hours travel from the plant. These mushrooms arrive at the cannery receiving station in plastic-lined boxes, either packed dry or in water, and are then washed and transported immediately into the plant.

Mushrooms grown close to canning plants, mostly near Hangzhou in Zhejiang Province, and in Fujian Province, are sold for canning. Fresh mushroom production for 1981/82 in the Fujian Province totaled an estimated 85 million pounds, or 15 percent higher than the previous year's crop. Mushrooms grown in more remote areas are usually packed in brine on the farm and exported to Hong Kong or Macau, where they are canned and reexported. 2/ According to the U.S. Department of Agriculture, 3/ the Government of China, in need of foreign exchange, is apparently investing in additional mushroom-canning facilities so that it can further expand its share of the world market. Production in recent years has increased significantly, with much of the production designated for export. Although processing techniques in China have been modernized and some plants are similar to those used in the United States, most factories rely heavily on hand labor for performing many of the necessary duties involved.

Data for the total number of canning factories in China, including their employment and production, are unavailable. Limited statistics for certain factories show that there is canned mushroom production in many Provinces, with several firms located in the Provinces of Fujian, Guangdong, and Zhejiang. These three Provinces together account for 12 processing plants. Based on the data gathered during the FDA tour of canneries in China, 4/ the 12 canneries reported a combined production capacity of about 360 million pounds (drained weight) of canned products, including mushrooms, other vegetables, fruits, and meats. These same firms reported total employment of 19,000 workers. The oldest of these firms started production in 1908, and the newest started in 1974, with the majority of the firms having started production since 1956. China accounted for about 36 percent of world trade in canned mushrooms in 1980, up from 18 percent in 1978. If Hong Kong and Macau,

1/ Food and Drug Administration (FDA), Tour of the People's Republic of China Canneries, November 1980, p.10.

2/ U.S. Department of Agriculture, Foreign Agricultural Service, Foreign Agriculture Circular: Fresh and Processed Vegetables, FVEG 6-81, September 1981, p. 4.

3/ Id.

4/ See Food and Drug Administration's Tour of the People's Republic of China Canneries.

which export Chinese grown mushrooms, are included in the total, China's share of world canned mushroom trade in 1980 would be 46 percent.

There is no known commercial fresh-mushroom production in either Hong Kong or Macau, a Portuguese territory on the South China coast near Hong Kong. Cannerys in these territories import the main part of their raw material, mostly bulk mushrooms in brine, from China. In 1980, the United States was the destination for approximately 89 percent of Hong Kong's canned mushroom exports and apparently for all of Macau's exports.

In a 1978 U.S. Customs Service investigation requested by the USTR, it was found that substantial quantities of salt-brined mushrooms were being imported from Taiwan for reprocessing in Hong Kong for export as canned mushrooms. ^{1/} However, such mushrooms were found to be further processed in Hong Kong sufficiently to constitute a substantial transformation of the products, establishing the canned mushrooms as products of Hong Kong and concluding that no transshipments were involved.

Consideration of the Question of Rapidly Increasing Imports

Rate of increase of imports

China, an important world exporter of canned mushrooms, supplied less than 1 percent of total annual U.S. imports before 1980. Following the extension of MFN treatment to China by the United States on February 1, 1980, imports of otherwise prepared or preserved mushrooms from China increased to 14.8 million pounds, valued at \$13.5 million, in 1980, or 55 times greater than the total in 1979 (265,000 pounds, \$198,000) (table 8). In 1981, imports from China increased to 27.4 million pounds, valued at \$23.0 million, representing an increase of 85 percent over imports in the previous year. Tables 8 and 9 show imports, by principal sources, on a drained-weight basis, for recent calendar years and marketing years, respectively.

As shown in the following tabulation, much of the increase in imports from China occurred concurrent with a decrease in imports from other foreign sources, with total imports declining in 1981. In 1981, China supplied 31 percent of canned mushrooms imported from all supplying countries. 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. Hong Kong was the third largest source with 26 percent. Imports from China continued to increase in 1982, as shown in the following tabulation (in thousands of pounds, drained weight):

^{1/} See the Commissioner of Customs' letter to the Special Representative for Trade Negotiations in app. E.

Source	1979	1980	1981	January-June--	
				1981	1982
China-----	265	14,830	27,444	9,441	15,503
All other countries-----	98,341	102,473	61,191	31,894	32,879
Total-----	98,606	117,303	88,635	41,335	48,382

The sharp drop in total U.S. imports in 1981 appears to reflect the additional duty imposed on mushroom imports pursuant to Presidential action in October 1980, as well as a generally depressed market in 1981.

U.S. imports of otherwise prepared or preserved mushrooms under TSUS item 144.20 consist of canned mushrooms of the genus Agaricus, canned straw mushrooms of the genus Volvariella, frozen mushrooms of the genus Agaricus, and specialty-type canned mushrooms of a number of other genera or species. ^{1/} 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.

In recent years, about three-fifths of the imports of canned mushrooms have been packed in institutional-size containers (holding over 9 ounces each) and the remainder, in retail-size containers (holding 9 ounces or less each). The percentage distribution varies, however, by country. Although most of the imports from Taiwan in 1981 were generally in retail-size containers, more than 70 percent of the imports from China (the major foreign supplier), Hong Kong, and Korea entered the United States in institutional-size containers. Table 2 shows the percentage distribution of canned mushroom imports (excluding straw mushrooms), by container sizes and by principal sources, for 1979-81, January-June 1981, and January-June 1982. Table 10 shows the distribution of canned mushroom imports (excluding straw mushrooms) from China, by container sizes and by styles of pack, for the same periods.

Rate of increase of Chinese imports relative to U.S. production

The ratio of U.S. imports of canned mushrooms from China to total U.S. production of canned mushrooms increased from 0.3 percent in 1979 to 13.3 percent in 1980, primarily as a result of China being granted MFN treatment in February 1980. In 1981, imports from China nearly doubled over imports in the previous year, with the ratio of imports to U.S. production at 25.8 percent. In the same year, imports from other sources declined significantly, with the ratio of imports to production decreasing to 57.5 percent from 91.8 percent in 1980. In January-June 1982, the ratio of imports to U.S. production, for both imports from China and all other imports, increased to 33.3 percent and 70.7 percent, respectively, as shown in table 11.

^{1/}Imports of specialty-type canned mushrooms are not reported separately in the official import statistics of the U.S. Department of Commerce.

Consideration of the Question of Material Injury

U.S. production, capacity, and capacity utilization

U.S. production of canned mushrooms increased 29 percent from 86.5 million pounds (drained weight) in 1979 to 111.6 million pounds in 1980 (table 12). 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 production in the previous year. Production amounted to 47 million pounds during January-June 1982, down 17 percent from 56 million pounds during the corresponding period of 1981.

Questionnaires were sent to all known U.S. processors of canned mushrooms. Among other things, these processors were requested to report their total annual practical capacities to produce such products in their domestic facilities. Responses to the Commission's questionnaires by firms processing canned mushrooms showed that the respondents' rate of capacity utilization for canned mushrooms decreased from 1980 to 1981, with a decreasing trend for January-June of 1982, as compared with capacity utilization in the corresponding period of 1981, as shown in the following tabulation:

Period	Production	Capacity	Capacity utilization
	Million pounds	Million pounds	Percent
1979-----	88	192	46
1980-----	112	193	58
1981-----	106	200	53
January-June--			
1981-----	56	112	50
1982-----	47	108	44

U.S. producers' sales

During 1979-81, U.S. sales of domestically produced canned mushrooms increased from 87.6 million pounds (drained weight) in 1979 to 106.5 million pounds in 1980, before decreasing to 92.0 million pounds in 1981 (table 5). Sales increased to 49.8 million pounds in January-June 1982, as compared with sales of 46.1 million pounds during January-June 1981. Virtually all of the sales consisted of the canned Agaricus mushrooms.

U.S. producers' exports

Exports of U.S.-produced canned mushrooms increased from 473,000 pounds (drained weight) in 1979 to 578,000 pounds in 1980, before decreasing to 498,000 pounds in 1981. Exports in 1981, valued at \$372,000, were equivalent

to less than 1 percent of U.S. production in that year. During January-June 1982, exports amounted to 107,000 pounds, as compared with 165,000 pounds in the corresponding period of 1981. 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-----	<u>498</u>

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.

U.S. producers' inventories

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. On June 30, 1982, inventories amounted to 26.5 million pounds, as compared with 28.7 million pounds held on June 30, 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):

Period	Container size--		Total
	Retail	Institutional	
Held on Dec. 31--			
1979-----	9,698	3,245	12,943
1980-----	15,379	3,851	19,230
1981-----	21,912	8,316	30,228
Held on June 30--			
1981-----	22,855	5,894	28,749
1982-----	20,089	6,391	26,480

U.S. employment and productivity

All domestic processors of canned 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. Twenty-two firms processed canned mushrooms in 1982. Data submitted by the responding 21 firms indicate that, from 1979 to 1981, the average number of production and related workers involved in mushroom-canning operations (excluding buttered mushrooms) decreased by 2 percent from 943 in 1979 to 925 in 1981, as shown in the following tabulation:

Period	Production and related workers involved in--	
	All operations	Mushroom- canning operations
	:	:
1979-----	1,621	943
1980-----	1,567	921
1981-----	1,548	925
January-June--	:	:
1981-----	1,396	965
1982-----	1,357	942
	:	:

During January-June 1982, the average number of workers amounted to 942, down 2 percent from 965 workers during January-June 1981.

The hours worked by employees engaged in the processing of canned mushrooms decreased by 17 percent from 2,021 in 1979 to 1,685 in 1981, with a similar trend noted for January-June 1982 as compared with January-June 1981, as shown in the following tabulation (in thousands of pounds):

Period	Hours worked in--	
	All operations	Mushroom canning operations
	:	:
1979-----	2,736	2,021
1980-----	2,686	2,032
1981-----	2,434	1,685
January-June--	:	:
1981-----	1,588	1,102
1982-----	1,346	908
	:	:

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 productivity of employees engaged in the processing of canned mushrooms can be measured by the production of canned mushrooms per employee-hour worked. The following tabulation shows that productivity increased from 43 pounds in 1979 to 55 pounds in 1980, and to 63 pounds in 1981. Productivity remained stable during January-June 1982 as compared with January-June 1981.

Period	Production of canned mushrooms per hour worked
1979-----	43
1980-----	55
1981-----	63
January-June--	
1981-----	51
1982-----	51

Total wages paid to production and related workers engaged in processing canned mushrooms decreased from 1979 to 1981, as shown in the following tabulation (in thousands of dollars):

Period	Total wages paid
1979-----	11,896
1980-----	12,524
1981-----	9,070
January-June--	
1981-----	4,760
1982-----	4,075

Financial experience of U.S. producers

Profit-and-loss experience of overall industry.--Eighteen 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 (table 13). These firms accounted for about 95 percent of total U.S. sales (by quantity) of processed mushrooms in 1981.

As shown in table 13, aggregate net sales of processed mushrooms increased by 18 percent from \$117.8 million in 1979 to \$138.9 million in 1981, after declining slightly to \$114.6 million in 1980. For the interim period ending June 30, net sales declined by 13 percent from \$68.4 million in 1981 to \$59.8 million in 1982. Cost of goods sold as a percentage of net sales declined from 89.4 percent in 1979 to 88.6 percent in 1980 and then increased to 89.4

percent in 1981. As a share of net sales, general, selling, and administrative expenses fluctuated between 7.2 percent and 8.1 percent during 1979-81.

Aggregate operating profit on processed mushroom operations declined by 6 percent from \$4.0 million, or 3.4 percent of net sales, in 1979 to \$3.7 million, or 3.3 percent of net sales, in 1980. In 1981, the reporting firms earned an operating profit of \$3.9 million, almost the same level as in 1979, but the operating margin fell to 2.8 percent compared with the 3.4 percent margin in 1979. Interest expense almost doubled from \$2.1 million (1.8 percent of net sales) in 1979 to \$4.1 million (3.0 percent of net sales) in 1981. After taking into account interest expense and other income or expenses, net profit before income taxes dropped from \$3.2 million, or 2.7 percent of net sales, in 1979 to \$1.2 million, or 1.0 percent of net sales, in 1980, and then plunged to \$316,000, equivalent to 0.2 percent of net sales, in 1981. The profit picture improved significantly in the interim period ending June 30, 1982, as the reporting firms earned an operating profit of \$2.1 million (3.5 percent of net sales) and a pre-tax net profit of \$782,000 (1.3 percent of net sales) compared with an operating profit of \$168,000 (0.2 percent of net sales) and a pre-tax net loss of \$1.5 million (2.2 percent of net sales) for the corresponding period of 1981.

The primary reason for better profitability on operations of processed mushrooms, despite declining net sales, during the interim period ending June 30, 1982, was a drop in average prices received by growers of mushrooms for processing, indicated by the declining cost of goods sold as a percentage of net sales.

Six firms and five firms reported net losses in 1980 and in 1981, respectively, compared with seven firms in 1979. During the interim period ending June 30, 1982, two firms sustained an operating loss and six firms reported a net loss compared with four firms showing an operating loss and five firms a net loss for the corresponding period of 1981.

Three firms recalled some of their canned mushrooms during 1980-81. ^{1/} * * *. If costs of handling and reprocessing for recalls are treated as one-time, non-recurring expenses and, hence, are excluded from the aggregate data for operations on canned mushrooms, the resultant operating profit and pre-tax profit or loss margins for 1979-81 and interim periods 1981-82 are shown in the following tabulation:

* * * * *

^{1/} See app. G.

* * * * *

Thirteen of the 18 reporting firms were engaged in the production of processed mushrooms only. Aggregate operating profit and pre-tax net profit margins for the overall operations of the reporting establishments showed trends similar to those for the operating profit and pre-tax net profit margins for the operations on processed mushrooms discussed earlier.

The ratios of operating profit to original cost and book value of fixed assets for 16 firms engaged in the production of processed mushrooms are presented in table 14. These ratios generally follow the same trend as the ratios of operating profit to net sales.

Fifteen processors of canned mushrooms provided profit-and-loss data for their operations on canned mushrooms, as well as the overall operations of their firms within which such products were produced (table 15). These firms accounted for about 81 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 profits as did the operations on processed mushrooms discussed earlier.

As shown in table 15, aggregate net sales of canned mushrooms increased by 17 percent from \$110.8 million in 1979 to \$130.0 million in 1981, after declining to \$106.3 million in 1980. Net sales dropped 13 percent to \$55.9 million during the interim period ending June 30, 1982, as compared with net sales of \$64.3 million for the corresponding period of 1981. Aggregate operating profit dropped by 16 percent from \$3.8 million in 1979 to \$3.1 million in 1980. During the same period, the operating profit margin declined from 3.4 percent to 2.9 percent. In 1981, responding firms reported an aggregate operating profit of 3.5 million, equivalent to 2.7 percent of net sales. The pre-tax net profit margin fell steadily from 2.7 percent in 1979 to a negative 0.07 percent in 1981. During the interim period ending June 30, 1982, reporting firms earned an operating profit margin of 3.6 percent and a pre-tax net profit margin of 1.3 percent, as compared with an operating loss margin of 0.2 percent and a pre-tax net loss margin of 2.8 percent for the corresponding period of 1981. Six firms reported a net operating loss in 1979 and 1980 while 5 firms reported such losses in 1981.

Twelve of the 15 reporting firms were producers of only canned mushrooms. Aggregate operating profit and pre-tax net profit margins for all operations of the reporting establishments within which canned mushrooms were produced followed similar trends for the operating profit and pre-tax net profit margins for the operations on canned mushrooms discussed earlier.

To provide an additional measure of profitability, the ratios of operating profit to original cost and book value of fixed assets employed by 14 firms in the production of canned mushrooms are presented in table 16. These ratios generally follow trends similar to those of the ratio of operating profit to net sales.

Capital expenditures reported by sixteen firms, accounting for about 90 percent of total U.S. sales (by quantity) of processed mushrooms in 1981, are presented in the following tabulation (in thousands of dollars):

Period	Capital expenditures for--	
	Canned mushrooms	All processed mushrooms
1979-----	2,723	2,787
1980-----	2,442	2,489
1981-----	1,502	1,628
January-June--		
1981-----	632	682
1982-----	297	429

The majority of capital expenditures were incurred by processors for canned mushrooms. Such expenditures for all processed mushrooms declined 42 percent from \$2.8 million in 1979 to \$1.6 million in 1981. As of June 30, 1982, expenditures had declined to \$429,000, down 37 percent from the \$685,000 incurred through June 30, 1981.

Research, development, and capital expenditures.--Mushroom processors reported numerous expenditures in recent years to increase the profitability of their firms. Of the seven firms providing information, five had invested a total of \$427,150 in plant facilities 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.

Financial experience of U.S. growers

* * * growers of fresh mushrooms, accounting for about 27 percent of total U.S. sales of fresh mushrooms in 1981, provided financial data on their operations producing fresh mushrooms (table 17). All * * * were engaged in the production of fresh mushrooms only, and each operated as a corporate form of organization. * * *.

As shown in table 17, aggregate net sales of fresh mushrooms increased by 43 percent from \$96.7 million in 1979 to \$138.1 million in 1981. The responding firms reported an aggregate operating loss of \$4.0 million in 1979 and \$5.2 million in 1980. The operating loss margin increased from 4.2 percent in 1979 to 4.7 percent in 1980. Net loss before income taxes rose

from \$6.5 million in 1979 to \$6.9 million in 1980. However, during the same period, the loss margin before income taxes declined from 6.7 percent to 6.2 percent. In 1981, the profit picture completely changed as the reporting firms earned an aggregate operating profit of \$3.3 million, or 2.4 percent of net sales, and net profit before income taxes of \$2.5 million, equivalent to 1.8 percent of net sales, compared with the losses of the prior 2 years.

*	*	1	*	*	*	*	*
*	*		*	*	*	*	*
*	*		*	*	*	*	*
*	*		*	*	*	*	*
*	*		*	*	*	*	*

The ratio of net profit or (loss) before income taxes to total assets and net investments in assets during 1979-81 period reflected the same trend as did the ratio of net profit or (loss) before income taxes to net sales.

The share of aggregate net sales to fresh-market outlets remained the same in 1979 and 1981 but declined slightly in 1980. The share of each reporting firm's total net sales to fresh-market outlets is presented in the following tabulation (in percent):

*	*	*	*	*	*	*	*
---	---	---	---	---	---	---	---

As shown in the preceding tabulation, the shares of * * * sales to fresh-market outlets declined in 1980 and increased in 1981 compared with the shares in 1979. * * *.

Consideration of the Question of Threat of Material Injury

U.S. importers' inventories

Data from U.S. importers responding to the Commission's questionnaire were insufficient for tabulation, because the overall number of importers is large and no one firm accounts for a major share of the total U.S. imports of canned mushrooms from China.

Capability of the foreign producers to increase exports

Little is known about the overall mushroom-canning industry in China. According to trade sources, there were 20 processing firms in China registered with the FDA in 1981 for processing low-acid canned foods, including mushrooms. Most of these firms producing canned mushrooms currently process other vegetables as well. Their production is adjusted every year according to the expected demand in both the domestic and the international markets. Also, their canned mushroom output is affected by the supply of raw material. The supply of raw material is dependent upon the overall growing conditions, weather, and changing market prices, as well as the fact that fresh mushrooms are grown by individual farmers in some areas as a sideline to raising other vegetables.

Industrial departments, such as the China National Cereals, Oils, and Foodstuffs Import and Export Corp. (CEROILS), engaged in foreign trade * * *. 1/ * * *. CEROILS stated that the increased exports of canned mushrooms to the United States had nothing to do with the import restrictions in other countries. Rather, only after 1980, when China was accorded MFN treatment, did exports to the United States increase. In China, total canned mushroom production and exports have increased since 1979, as shown in the following tabulation (in thousands of pounds):

<u>Item</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Production-----	***	***	***
Exports-----	***	***	***

China has been an important exporter of canned mushrooms to other countries, most notably the European Community, for many years. West Germany accounts for about 95 percent of the EC's imports of canned mushrooms from third (non-EC) countries. In 1980, exports of canned mushrooms from China to the EC and the United States amounted to 61.6 million pounds (drained weight)

1/ See U.S. Department of State Airgram, pp. 1-2.

and 14.8 million pounds, respectively. Third countries supplied 32 percent of West Germany's total canned mushroom imports in 1980, and China accounted for 78 percent of these imports from third countries.

The EC places restrictions on imports of canned mushrooms from third countries, which are designed to limit foreign suppliers to no more than one-third of the EC market. For the year 1982, the EC Council of Ministers agreed upon a total import ceiling of 46 million pounds (net drained weight), representing an increase of 5 percent over the 1980 allotment, with China given a limit of 33 million pounds. Imports in excess of the import ceilings for each country are subject to a special levy of about \$1.18 per pound, net drained weight.

Consideration of the Question of the Causal Relationship Between Imports and Alleged Injury

U.S. imports

China 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 1979. In 1981, China supplied 31 percent (27.4 million pounds) of the canned mushrooms imported from all supplying countries, or 15.6 percent of total U.S. consumption (based on sales) of canned mushrooms.

Prices of canned mushrooms

Following imposition of a temporary duty on November 1, 1980, the average price of canned mushrooms from China increased 1/ by about 14 percent through January-March 1981. Thereafter, Chinese mushroom prices generally declined, by an average of 13 percent through April-June 1982. Prices of mushrooms from other foreign sources showed a similar trend. U.S. producers' prices also increased in the quarters immediately following the increase in the tariff but declined thereafter, generally lagging behind price declines of China and other foreign sources by one quarter.

Factors affecting market prices.--Several factors appear to have contributed to generally declining processed mushroom prices in 1981 and in January-June 1982. Apparent consumption of canned mushrooms fell in 1981 compared with consumption in the previous year, reflecting a market which many importers and domestic processors considered depressed. However, apparent consumption increased in January-June 1982 compared with that in January-June 1981. Mushroom imports from suppliers with lower unit values (China, Hong Kong) significantly increased their share of total mushroom imports in 1981 (table 18), and unit values from all major import sources generally declined

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

during this period (tables 19-22). 1/ In addition, a major recall of canned mushrooms from one large processor, due to the detection of botulism, may have contributed to lower prices for retail-size canned mushrooms in January-June 1981. This recall affected only pieces and stems in 4-ounce cans and would have had little effect on prices of mushrooms in institutional-size containers. 2/ 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 and in January-March 1982.

Costs of raw mushrooms generally represent over half of total production costs of mushrooms processed in the United States. 3/ 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. 4/ Table 23 shows that prices of fresh mushrooms for processing declined by an average of 9 cents per pound from January-March 1981 to April-June 1982, concurrent with an average fall of 9 cents per pound for prices of U.S.-produced processed mushrooms. This suggests that processors were able to pass lower prices for canned mushrooms back to growers, thereby partially protecting their profit margins. Prices of fresh mushrooms for processing remained relatively stable at low levels in January-June 1982. In contrast, prices of mushrooms for fresh consumption generally increased in 1981, although they declined in October-December and in January-June 1982.

Price trends and comparisons.--Official Commerce Department data on imported mushrooms are collected for a number of distinct mushroom categories. Accordingly, there are no significant distortions in unit values that would result from product mix changes. In the following analysis, landed duty-paid unit values are therefore used as proxies for import prices for purposes of analyzing trends. Adjusted landed duty-paid unit values of imports from China are also compared with U.S. processors' sales prices. A more detailed discussion of why landed duty-paid unit values are used is contained in appendix H.

1/ 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 and January-June 1982.

2/ Transcript of hearing, pp.49-50.

3/ U.S. Department of Agriculture, Agricultural Marketing Service, The U.S. Mushroom Industry: The Import Challenge, Marketing Research Report Number 1131, July 1982. A cost analysis of the mushroom industry estimated that raw mushrooms were an average of 63 percent of total production costs of mushrooms canned in the United States. This percentage was larger for mushrooms in institutional-size cans and smaller for mushrooms in retail-size cans.

4/ Ibid., p. 58.

Landed duty-paid unit values of imports of canned mushrooms from China, by container sizes and by styles of pack (table 24), show that the unit value decline from January-March 1981 to April-June 1982 was greatest for pieces and stems in institutional-size containers (21 percent or 28 cents per pound). This mushroom category accounted for 70 percent of imports of Chinese mushrooms in 1981 and 77 percent in January-June 1982. During the same period, unit values also declined for most other categories of mushroom imports from China. 1/

U.S. processors' sales prices for canned mushrooms are presented in tables 19 through 22 for various size containers and styles of pack. Domestic prices increased during January-June 1981, but generally declined thereafter. The greatest decline in domestic prices occurred for pieces and stems in institutional-size containers, from \$1.27 per pound in January-March 1981 to \$1.13 per pound in April-June 1982, or by 11 percent (table 19).

Adjusted landed duty-paid unit values of imports from China are believed to be the most accurate representations of price competition between imports of mushrooms from China and U.S. processors' canned mushroom sales (app. H). Comparisons on this basis show that Chinese mushrooms generally undersold the domestic product in 1981 and 1982, by an average of 7 cents per pound (6 percent, or \$1.79 per case) for pieces and stems in institutional-size cans and by an average of 5 cents per pound (3 percent or \$ 0.30 per case) for pieces and stems in retail-size cans. 2/ Margins of underselling generally declined from January 1981 to June 1982 for these two categories, primarily because of the lowering of domestic prices. These two categories represented over 90 percent of canned mushroom imports from China in 1981.

Lost sales

Three domestic mushroom processors provided the Commission with 15 allegations of lost sales due to competition from mushrooms imported from China. The Commission staff contacted 13 of these firms; 7 purchased only institutional-size cans, 4 purchased only retail-size cans, and 2 purchased both institutional-and retail-size cans. One of the 13 firms purchased only mushrooms produced in Taiwan. Only four of these allegations contained the actual quantities of sales alleged to be lost to import competition from China.

Twelve firms confirmed that they purchased mushrooms produced in China, and most cited the lower price of the Chinese product as the major reason for their purchases. However, all agreed that Chinese mushrooms have a quali-

1/ One exception was whole mushrooms in institutional-size containers. Unit values in this category were exceptionally low in 1981, and showed an increase in 1982. Unit values for these imports were low in 1981 probably because imports from China of bulk mushrooms (which are lower priced) were in this category.

2/ In January-March 1981, the adjusted landed duty-paid unit value of Chinese mushroom pieces and stems in institutional-size containers was higher than the domestic product by 11 cents per pound.

tative edge on U.S.-produced mushrooms in that they are lighter colored (due to bleaching) and more uniform in size than the domestic product. Some purchasers also stated that although the Chinese mushrooms were lighter colored, they also had a blander taste. However, it was their experience that consumers generally prefer a lighter colored and more uniform-sized mushroom. None of these firms were able to provide exact information on the quantities of their purchases of Chinese mushrooms. However, virtually all confirmed that their purchases of the Chinese product have increased over the last year and a half at the expense of both domestic and imported mushrooms from other sources.

All firms were asked if the problems of the domestic industry with botulism recalls had affected their purchases of U.S.-produced canned mushrooms. Institutional buyers, which would have been affected by the * * * recall of institutional-size containers in mid-1980, stated that it affected their purchases of the * * * product only. If they had purchased from * * *, they switched to other domestic or foreign canned mushrooms during the period of the recall. Those that switched to Chinese canned mushrooms did so primarily because importers of the Chinese product were offering a quality product at an attractive price, not because they felt other U.S. producers of canned mushrooms had similar problems. These purchasers did not believe that the recall had any significant adverse affect on their sales, because this recall did not receive extensive publicity, and they merely switched to another source.

Purchasers of retail-size canned mushrooms would have been affected by the * * * recall in mid-1981, involving pieces and stems in 4-ounce cans. Purchasers of canned mushrooms from several large supermarket chains stated that this recall had a negative affect on their sales of all canned mushrooms because of the publicity this recall received in the print and video media. However, all purchasers felt that it would have affected equally sales of both domestic and foreign canned mushrooms (with the exception of sales * * * mushrooms, which would have declined to a much greater extent). All stated that they were aware the recall was limited * * *, and the recall did not directly affect their decision to buy from other domestic firms. They felt that the most significant adverse impact on sales of canned mushrooms occurred in the weeks immediately following the recall, and sales gradually increased to normal levels in 2 to 3 months.

Buyers of institutional-size cans.--Below are details of telephone conversations with the individual purchasers of canned mushrooms in institutional-size containers.

The first company, * * *, confirmed that they purchase Chinese mushrooms in institutional-size cans. They currently buy foreign mushrooms from a number of sources and have not bought U.S.-produced canned mushrooms for about 9 months. They have increased purchases of Chinese mushrooms since the Fall of 1981 because of their attractive price relative to other foreign mushrooms. The quality of the Chinese mushrooms has been consistently good, and they have had quality problems with domestic mushrooms in the past. They rate quality as their most important purchasing factor and rate price second. A-28

This firm discontinued purchasing * * * several years ago because of the botulism recall by * * * at that time.

The second company is * * *. This company confirmed that they buy foreign mushrooms in No. 10 cans primarily because of their lower price. China is now their major source, whereas in the past, it had been Taiwan. The domestic mushrooms are more natural and darker in color and have a better taste than the imported mushrooms. Although the lighter colored Chinese mushrooms may be preferred by some of their customers, they still feel that price is the major reason their customers have switched from domestic to Chinese mushrooms. They still buy from several domestic sources, * * *, and in the past month (August), domestic prices have decreased and become more competitive with prices of Chinese mushrooms.

The * * * recall did not negatively affect their purchases * * * in years following the recall, because * * * reimbursed this purchaser for all the mushrooms that were recalled.

The third firm, * * * that has never bought many domestic mushrooms, confirmed that they buy Chinese mushrooms and that price is the major reason for purchasing such product. They also mentioned that the lighter color of the Chinese mushrooms is preferred by some of their customers. The lower price of the Chinese product has caused them to decrease purchases of mushrooms from other foreign sources and from domestic sources. This firm never purchased from * * *.

The fourth firm confirmed that it purchased Chinese mushrooms, as well as other foreign produced mushrooms. It has not purchased U.S.-produced canned mushrooms for about 3 years, and before that time bought from * * *. They believe that the Chinese mushroom is a better quality product because it is bleached, and most consumers prefer a lighter color. Price is also a factor, but if the foreign and domestic products were priced the same, they would still buy Chinese because of quality. This firm complained that the domestic producers raised their prices by the full amount of the 1980 tariff imposed, and therefore did little to gain a greater share of the U.S. market.

The fifth firm buys * * *. * * *. This company had not bought domestic mushrooms since the early 1970's, because the foreign mushrooms are lighter in color, and more uniform in size. Within the past few years, China has been the major source of canned mushrooms for this company. * * *, they judge solely on the basis of certain standards * * *, price then becomes a consideration in the purchase.

The sixth company is a * * *. This company confirmed that most of their purchases are mushrooms produced in China, and the primary reason for purchasing such mushrooms is price. Although the domestically produced mushroom is darker in color, they don't feel that makes much difference * * *. However, the Chinese mushrooms appear to be more uniform in size, which is an advantage. They have bought from * * *. in the past but have not recently bought from any other domestic processor. The most recent quotation they obtained from a domestic firm was at a price that was comparable to prices of Chinese mushrooms.

Buyers of retail-size cans.--The following information was gathered from telephone conversations with individual purchasers of canned mushrooms in retail-size containers.

The seventh company is * * * that purchases both domestic and Chinese canned mushrooms. Their purchases of Chinese mushrooms have increased over the past year relative to purchases of domestic mushrooms. This company rates quality and price equally. It stated that Chinese mushrooms are lighter in color and more uniform in size than domestic mushrooms, and are a very good quality product.

The * * * mushroom recall in mid-1981 did not seem to have an appreciable affect on their sales of canned mushrooms. They * * * do not believe that this past recall was as widespread, or received as much publicity, as the recall in 1973/74.

The eighth company is * * *. They purchase both domestic and foreign-produced canned mushrooms, with the foreign product constituting about 90 percent of their purchases. Their major domestic suppliers are * * *. They purchase both Taiwanese and Chinese mushrooms, although the Chinese have become more important since 1981. This purchaser rates quality and price equally as factors affecting the company's purchase of mushrooms. They feel that the Chinese mushrooms are a better quality product than domestic mushrooms.

The botulism recall had a small negative effect on their sales, but that effect did not last long. This firm feels that they would have felt the indirect negative effect of the botulism recall more strongly than other retail firms,

The ninth company is * * * that buys both domestic and foreign canned mushrooms. This company's policy is to buy domestic products unless a foreign product of equal quality is lower priced. This company confirmed that purchases from China increased in the past year, primarily due to price. They feel that for * * *, price is the most important factor affecting purchases.

The purchaser stated that the botulism recall in 1981 affected the entire market, both domestic and imported, and that the negative effect of the recall

lasted about 10 weeks. This firm does not feel that the * * * recall caused a switch by purchasers from domestic to Chinese canned mushrooms. Purchasers are aware of the U.S. company involved in this action, and this would not have affected their purchases from other domestic processors.

The tenth company is * * *. They buy both domestic and imported canned mushrooms, and they have increased purchases of Chinese mushrooms in the last year. Their purchasing decisions are primarily a function of price, although the Chinese mushrooms have an edge on quality by being lighter in color and more uniform in size. However, these mushrooms may also be more bland. They estimated that over the last year, Chinese mushrooms have been about 8 cents per pound (50 cents per case) lower in price than domestic mushrooms.

The * * * botulism recall did not affect the domestic industry exclusively, according to this purchaser, but affected sales of both imported and domestic mushrooms while the publicity of the recall lasted. This firm did not purchase from * * *, and the recall had no effect on their decision to purchase from other domestic suppliers. The recall had a negative effect on mushroom sales, but after the negative publicity of the recall ended, sales returned to normal levels in 1 to 2 months.

Buyers of both institutional-size and retail-size cans.--The following information was gathered from conversations with individual purchasers of canned mushrooms in retail-size and institutional-size containers.

The eleventh company purchased a significant number of retail-size cans * * * because they consider it a premium product. In the retail market, price is the key factor for private label brands.

In the institutional market, the Chinese mushrooms have two advantages in terms of appearance and style. Because they are packed in a liquid having a higher acid content than domestic mushrooms, they are a whiter color. On the other hand, they also have less taste, but this is preferred by some institutional buyers. Chinese mushrooms are also cut in thinner slices, and this is preferred by institutional buyers because they can stretch the mushrooms. Domestic mushrooms have a lower acid content, a darker color, and more taste. These are preferred by those who use the mushrooms for sauteeing, because the flavor is more important. This buyer decreased his purchases of institutional-size cans from * * * when the Chinese entered the market, because the lighter colored mushrooms from China were preferred by most users. Price was also an important factor, but he believes it was secondary.

The * * * botulism recall was not a factor in his decision to discontinue purchasing from this company, because he believes * * *

The twelfth company buys institutional-size cans from China and all retail-size cans from domestic sources. Prices of the mushrooms imported from China are considerably less than from other sources, but the whiter color of the Chinese mushrooms is also preferred by some customers. Imports from China have been beneficial to purchasers in the market in that they have held canned mushroom prices down.

The thirteenth firm buys institutional- and retail-size cans from Taiwan and does not purchase Chinese mushrooms.

APPENDIX A

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

[Investigation No. TA-406-9]

Canned Mushrooms From the People's Republic of China

AGENCY: International Trade Commission.

ACTION: Institution of an investigation under section 406(a) of the Trade Act of 1974 (19 U.S.C. 2436(a)) and scheduling of a hearing to be held in connection therewith.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission, following receipt on June 30, 1982, of a petition filed by the American Mushroom Institute, instituted investigation No. TA-406-9 under section 406(a) of the Trade Act of 1974 to determine, with respect to imports of mushrooms, prepared or preserved, other than frozen, provided for in item 144.20 of the Tariff Schedules of the United States, which is the product of the People's Republic of China, whether market disruption exists with respect to an article produced by a domestic industry. Section 406(e)(2) of the Trade Act defines such market disruption to exist whenever "imports of an article, like or directly competitive with an article produced by such domestic industry, are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat thereof, to such domestic industry."

EFFECTIVE DATE: July 9, 1982.

FOR FURTHER INFORMATION CONTACT: Vera A. Libeau, Office of Investigations, U.S. International Trade Commission; telephone 202-523-0368.

SUPPLEMENTARY INFORMATION:

Public hearing.—The Commission will hold a public hearing in connection with this investigation beginning at 10:00 a.m., on Tuesday, August 24, 1982, in the Hearing Room, U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. All parties will be given an opportunity to be present, to produce evidence, and to be heard at the hearing. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on Wednesday, August 11, 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. Fourteen copies of such prehearing briefs should be submitted to the Secretary to the Commission no later than the close of business on Wednesday, August 18, 1982. All parties submitting prehearing briefs and other documents shall serve copies on other parties of record in accordance with the requirements of § 201.16 of the rules (19 CFR 201.16, as published in 47 FR 6190 (Feb. 10, 1982)). Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be clearly marked at the top "Confidential Business Data" and submitted in accordance with the procedures set forth in §§ 201.6 and 201.8(d) of the Commission's rules (19 CFR 201.6, 201.8(d), as published in 47 FR 6188 (Feb. 10, 1982)).

Copies of prehearing briefs and other written submissions will be made available for public inspection in the Office of the Secretary. Oral presentations should, to the extent possible, be limited to issues raised in the prehearing briefs. All persons desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m., on August 13, 1982, in Room 117 of the U.S. International Trade Commission Building.

Inspection of the petition.—A copy of the petition in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission.

For further information concerning the conduct of the investigation, hearing procedures and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR 201).

Issued: July 12, 1982.

By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 19738 Filed 7-20-82; 8:45 am]
BILLING CODE 7020-02-M

APPENDIX B
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 : Canned Mushrooms From The People's
Republic of China

Inv. No. : TA-406-9

Date and time: August 24, 1982 - 10:00 a.m., e.d.t.

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

In support of the petition:

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

American Mushroom Institute

James Mays, Great Lakes Mushroom Cooperative, Warren, Michigan

Thomas DiCecco, The Oxford Corporation, Oxford, Pennsylvania

John K. Kooker, Jr., American Mushroom Institute, Kennett
Square, Pennsylvania

Lewe B. Martin)
David Baker)--OF COUNSEL

In opposition to the petition:

Patton, Boggs & Blow--Counsel
Washington, D.C.
on behalf of

Nature's Farm Products

Dr. Charles S. Pearson, Professor of Economics, Johns Hopkins
School of Advanced International Studies

Pete Pizzo, Sales Manager, Nature's Farm Products

Bart S. Fisher)
Frank R. Samolis)--OF COUNSEL
Andrew S. Newman)

Baker & McKenzie--Counsel
Washington, D.C.
on behalf of

China National Cereals, Oils and Foodstuffs Import and
Export Corporation ("CEROILS")

Dennis Cellery, Merchandising Manager, Fairway Foods,
Northfield, Minnesota

Bruce E. Clubb)
Winston K. Zee)--OF COUNSEL
Eugene Theroux)

Baker & McKenzie--Counsel
Washington, D.C.
on behalf of

Pizza Hut, Inc.

Alfred P. Killian, Dir. of Quality Assurance

Bruce E. Clubb)
Winston K. Zee)--OF COUNSEL
Eugene Theroux)

Interested party:

The National Council for United States-China Trade,
Washington, D.C.

Cristopher H. Phillips, President

Ms. Carolyn Brehm, Director, Business Advisory Services

APPENDIX C

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

1/ The Commissions 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/ U.S. Department of Agriculture, Foreign Agricultural Service, Fruit and Vegetable Division, Canned Mushrooms: A Situation Report, July 5, 1972.

4/ The Commission's report, Mushrooms: Report to the President on Investigation No. 332-72 . . ., TC Publication 580, May 1973, was sent to the President on May 30, 1973. A-40

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 1 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.

1/ The Commission's report, Mushrooms: Report to the President on Investigation No. TA-201-10 . . ., USITC Publication 761, March 1976, was sent to the President on Mar. 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, January 1977, 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/

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

APPENDIX D
PRESIDENTIAL PROCLAMATIONS ON MUSHROOMS

Federal Register

Vol. 45, No. 214

Monday, November 1, 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—

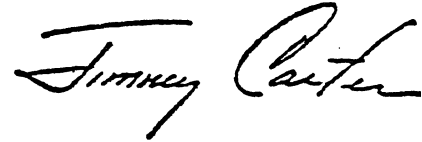
(1) Part I of Schedule XX to the GATT is modified to conform to the actions taken in the Annex to this Proclamation.

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

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(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	
*322.55	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."

[FR Doc. 80-34423
 Filed 10-31-80; 11:23 pm]
 Billing code 3185-01-M.

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 4801 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 2423).

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. 2423), 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. 2423), to make a technical correction to the TSUS, I have determined that TSUS item 141.84 should be deleted from the tariff schedules.

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4. By Proclamation 4768 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 1970 (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 3193-01-M

ANNEX I

Subpart A, part 2 of the Appendix to the TSUS (19 U.S.C. 1202) is modified by deleting item 922.35 and by inserting in numerical sequence the following new item:

Item	Articles	Rates of Duty	
		1	2
		Effective on or after—	
		March 1, 1982	November 1, 1982
922.36	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>Boletus</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>Rozites caperata</u> , <u>Suillus granulatus</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>Volvariella volvacea</u> , <u>Flammulina velutipes</u> , <u>Pleurotus sarmentus</u> , or <u>Pleurotus abalop</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 E
STATISTICAL TABLES

Table 1.--Mushrooms, canned: 1/ Percentage distribution of U.S. imports from China, by container sizes and by styles of pack, 1979-81, January-June 1981, and January-June 1982

Container sizes and styles of pack	1979	1980	1981	January-June--	
				1981	1982
9 ounces or less:					
Whole-----	27.4	2.4	.8	.2	.5
Sliced-----	1.1	1.2	.4	-	.9
Other (stems and pieces)---	48.6	37.5	22.1	20.8	23.2
Total-----	77.1	41.1	23.3	21.0	24.6
Over 9 ounces:					
Whole-----	.3	1.2	2.9	4.4	1.2
Sliced-----	13.3	.7	3.7	5.6	2.6
Other (stems and pieces)---	9.3	57.0	70.1	69.0	71.6
Total-----	22.9	58.9	76.7	79.0	75.4
Grand total-----	100.0	100.0	100.0	100.0	100.0

1/ Canned straw mushrooms are not included in this table; such mushrooms are not grown in the United States.

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

Table 2.--Mushrooms, canned: Percentage distribution of U.S. imports, by container sizes 1/ and by principal sources, 1979-81, January-June 1981, and January-June 1982

Period and container size	China	Taiwan	Hong Kong	Republic of Korea	Macau
1979:					
Retail-----	77.2	56.5	6.3	32.5	2.9
Institutional-----	22.8	43.5	93.7	67.5	97.1
Total-----	100.0	100.0	100.0	100.0	100.0
1980:					
Retail-----	41.1	53.5	10.3	31.4	3.3
Institutional-----	58.9	46.5	89.7	68.6	96.7
Total-----	100.0	100.0	100.0	100.0	100.0
1981:					
Retail-----	23.2	69.3	3.9	3.2	3.6
Institutional-----	76.8	30.7	96.1	96.8	96.4
Total-----	100.0	100.0	100.0	100.0	100.0
January-June--					
1981:					
Retail-----	21.0	64.3	3.2	22.6	5.3
Institutional-----	79.0	35.7	96.8	77.4	94.7
Total-----	100.0	100.0	100.0	100.0	100.0
January-June--					
1982:					
Retail-----	24.8	56.3	4.1	44.8	.6
Institutional-----	75.2	43.7	95.9	55.2	99.4
Total-----	100.0	100.0	100.0	100.0	100.0

See footnote at end of table.

Table 2.--Mushrooms, canned: Percentage distribution of U.S. imports, by container sizes 1/ and by principal sources, 1979-81, January-June 1981, and January-June 1982--Continued

Period and container size	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	9.4	.1	22.4	8.9
Institutional-----	61.9	60.6	99.9	77.6	91.1
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
January-June--					
1981:					
Retail-----	21.8	29.6	-	20.5	25.4
Institutional-----	78.2	70.4	100.0	79.5	74.6
Total-----	100.0	100.0	100.0	100.0	100.0
January-June--					
1982:					
Retail-----	31.8	20.7	-	29.4	30.8
Institutional-----	68.2	79.3	100.0	70.6	69.2
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Retail-size containers hold 9 ounces or less each and institutional-size containers hold over 9 ounces each.

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

Table 3.--Mushrooms, fresh, dried, or otherwise prepared or preserved: U.S. MFN rates of duty, Jan. 1, 1970-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.	Jan. 1, 1948 <u>1/</u>
144.12 :	Dried <u>2/</u> -----	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>3/</u> + 10% ad	July 1, 1963 <u>4/</u>
:	preserved	val.	:
:	:	:	:
:	:	:	:

1/ Rate has not changed.

2/ Pursuant to Executive Order No. 12354, this item was changed, effective on or after Mar. 31, 1982. The new description includes air dried or sun dried mushrooms (TSUS item 144.14) and otherwise dried mushrooms (TSUS item 144.16).

3/ On drained weight.

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

Table 4.--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, November-December of 1979-81, and January-June of 1980-82

Period	Rate of duty	Average ad valorem equivalent	Imports	
			Quantity	Value
	Cents per pound; 1/ percent ad valorem	Percent	1,000 pounds 1/	1,000 dollars
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-June-----	3.2¢ + 10%	13.1	62,135	63,320
January-October-----	3.2¢ + 10%	13.1	101,542	105,626
November-December-----	2/	33.1	15,761	16,284
1981:				
January-June-----	2/	33.3	41,335	39,625
January-October-----	2/	33.4	72,466	68,981
November-December-----	2/	28.4	16,169	15,136
1982: January-June-----	2/	28.5	48,382	43,808

1/ Drained weight.

2/ Rate of duty temporarily increased. See Presidential Proclamation No. 4801 in app. C. 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 5.--Mushrooms, canned: Sales of U.S. product, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-81, January-June 1981, and January-June 1982

Period	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
January-June--					
1981-----	46,060	165	39,632	85,527	46
1982-----	49,834	107	47,015	96,742	49

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 6.--Mushrooms: Sales of U.S. product, exports of domestic merchandise, imports for consumption, and apparent consumption, marketing years 1979/80 to 1981/82 1/

Marketing year	Sales		Exports	Imports		Apparent consump- tion	Ratio of canned imports to con- sumption
	To fresh market <u>2/</u>	Canned		Canned	Total		
	-----			1,000 pounds <u>3/</u> -----			
1979/80-----	166,350	95,523	1,117	113,609	113,935	374,691	30
1980/81-----	179,473	99,493	705	96,503	96,948	375,209	26
1981/82-----	207,498	95,793	1,625	95,682	96,203	397,869	24
	:	:	:	:	:	:	:

1/ Marketing year is from July 1 to June 30.

2/ Converted to drained-weight basis using 1.538 pounds fresh weight = 1 pound drained weight.

3/ Drained weight.

Source: Sales to fresh market, calculated by the staff of the U.S. International Trade Commission from official statistics of the U.S. Department of Agriculture; sales of canned, 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 7.--Mushrooms, canned: Percentage distribution of sales of U.S.-produced and imported mushrooms, by container sizes, 1979-81

Year	U.S. product		Imported product--			
			From all countries		From China	
	Retail-	Institutional-	Retail-	Institutional-	Retail-	Institutional-
	size 1/	size 1/	size 1/	size 1/	size 1/	size 1/
1979----	63	37	40	60	77	23
1980----	63	37	39	61	41	59
1981----	61	39	29	71	23	77

1/ Retail-size containers, as used here, hold 9 ounces or less each; institutional-size containers hold over 9 ounces each.

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

Table 8.--Mushrooms, otherwise prepared or preserved: U.S. imports for consumption, ^{1/} by principal sources, 1979-81, January-June 1981, and January-June 1982

Source	1979	1980	1981	January-June--	
				1981	1982
Quantity (1,000 pounds, drained weight)					
China-----	265	14,830	27,444	9,441	15,503
Taiwan-----	50,853	59,108	24,614	10,891	16,496
Hong Kong-----	14,556	19,618	23,481	12,425	10,352
Republic of Korea-----	28,551	19,406	9,426	6,193	3,298
Macau-----	738	1,988	2,292	1,511	2,181
Japan-----	626	456	368	306	54
France-----	197	204	155	84	56
Dominican Republic-----	569	699	48	48	62
All other-----	2,251	994	807	436	380
Total-----	98,606	117,303	88,635	41,335	48,382
Value (1,000 dollars)					
China-----	198	13,508	23,000	8,113	12,142
Taiwan-----	53,693	65,105	28,376	12,270	18,137
Hong Kong-----	12,076	17,807	19,353	10,570	7,672
Republic of Korea-----	27,198	20,668	9,191	6,099	3,288
Macau-----	591	1,762	2,005	1,335	1,634
Japan-----	622	549	419	328	80
France-----	429	513	343	171	192
Dominican Republic-----	459	619	43	43	35
All other-----	2,953	1,378	1,386	696	628
Total-----	98,219	121,909	84,116	39,625	43,808
Unit value (per pound)					
China-----	\$0.75	\$0.91	\$0.84	\$0.86	\$0.78
Taiwan-----	1.06	1.10	1.15	1.13	1.10
Hong Kong-----	.83	.91	.82	.85	.74
Republic of Korea-----	.95	1.07	.98	.98	1.00
Macau-----	.80	.89	.87	.88	.75
Japan-----	.99	1.20	1.14	1.07	1.48
France-----	2.17	2.51	2.22	2.02	3.45
Dominican Republic-----	.81	.89	.91	.91	.56
All other-----	1.31	1.39	1.66	1.60	1.65
Average-----	1.00	1.04	.95	.96	.91

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

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

Table 9.--Mushrooms, otherwise prepared or preserved: U.S. imports for consumption, 1/ by principal sources, marketing years 1978/79 to 1981/82 2/

Source	1978/79	1979/80	1980/81	1981/82
Quantity (1,000 pounds, drained weight)				
China-----	50	4,275	20,214	32,239
Taiwan-----	42,128	61,287	39,448	30,238
Hong Kong-----	12,613	17,552	21,398	21,408
Republic of Korea-----	27,002	25,925	11,258	6,531
Macau-----	0	0	2,010	2,963
Dominican Republic-----	828	299	611	62
Japan-----	497	632	447	116
France-----	209	195	183	126
All other-----	2,880	3,444	934	1,999
Total-----	86,207	113,609	96,503	95,682
Value (1,000 dollars)				
China-----	48	3,674	18,102	27,029
Taiwan-----	46,231	64,617	45,135	34,243
Hong Kong-----	10,613	15,191	18,850	16,454
Republic of Korea-----	26,033	26,409	11,508	6,380
Macau-----	-	-	1,792	2,304
Dominican Republic-----	667	251	544	35
Japan-----	490	673	523	171
France-----	417	458	427	364
All other-----	3,643	3,721	1,334	1,320
Total-----	88,142	114,994	98,215	88,300
Unit value (per pound)				
China-----	\$0.97	\$0.86	\$0.90	\$0.84
Taiwan-----	1.10	1.05	1.14	1.13
Hong Kong-----	.84	.87	.88	.77
Republic of Korea-----	.96	1.02	1.02	.98
Macau-----	-	-	.89	.78
Dominican Republic-----	.81	.84	.89	.56
Japan-----	.99	1.06	1.17	1.47
France-----	2.00	2.35	2.34	2.89
All other-----	1.26	1.08	1.43	.66
Average-----	1.02	1.01	1.02	.92

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.

2/ Marketing year is from July 1 to June 30.

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

Table 10.--Mushrooms, canned: U.S. imports for consumption from China, by container sizes and by styles of pack, 1979-81, January-June 1981, and January-June 1982

(In thousands of pounds)						
Container sizes and styles of pack	1979	1980	1981	January-June--		
				1981	1982	
9 ounces or less:						
Whole-----	72	358	218	21	76	
Sliced-----	3	184	108	-	143	
Other-----	128	5,544	6,031	1,962	3,574	
Total-----	203	6,085	6,358	1,983	3,793	
Over 9 ounces:						
Whole-----	1	177	793	412	193	
Sliced-----	35	111	1,020	532	400	
Other-----	24	8,449	19,180	6,510	11,042	
Total-----	60	8,737	20,994	7,453	11,635	
Grand total-----	263	14,823	27,352	9,437	15,428	

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

Note.--Canned straw mushrooms are not included here. Because of rounding, figures may not add to the totals shown.

Table 11.--Mushrooms, canned: U.S. production, imports from China, and imports from all other sources, 1979-81, January-June 1981, and January-June 1982

Period	U.S. production	Imports from China	Ratio of U.S. imports from China to U.S. production	Imports from all other sources	Ratio of U.S. imports from all other sources to U.S. production
	1,000 pounds	1,000 pounds	Percent	1,000 pounds	Percent
1979-----	86,540	265	0.3	98,341	113.6
1980-----	111,639	14,830	13.3	102,473	91.8
1981-----	106,372	27,444	25.8	61,191	57.5
January-June--					
1981-----	56,058	9,441	16.8	31,894	56.9
1982-----	46,533	15,503	33.3	32,879	70.7

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

Table 12.--Mushrooms, canned: U.S. production, exports of domestic merchandise, imports for consumption, and apparent consumption, 1979-81, January-June 1981, and January-June 1982

Period	Production ^{1/}	Exports	Imports	Apparent consumption	Ratio of imports to consumption
			1,000 pounds		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
January-June--					
1981-----	56,058	165	39,632	95,525	42
1982-----	46,533	107	47,015	93,548	50

^{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 13.--Profit-and-loss experience of 18 U.S. processors of canned and frozen mushrooms, by types of operations, accounting years 1979-81 1/ and interim period ending June 30, 1981-82

Item	1979	1980	1981	Interim period ended June 30-- 2/	
				1981	1982
	Operations on processed mushrooms				
Net sales---1,000 dollars--:	117,816	114,564	138,897	68,446	59,786
Cost of goods sold---do---:	105,304	101,519	124,144	63,031	53,231
Gross profit-----do---:	12,512	13,045	14,753	5,415	6,555
General, selling, and administrative expenses 1,000 dollars--:	8,549	9,308	10,830	5,247	4,460
Operating profit (loss) 1,000 dollars--:	3,963	3,737	3,923	168	2,095
Interest expense-----do---:	2,140	3,283	4,103	1,739	1,438
Other income-----do---:	1,341	720	496	78	125
Net profit or (loss) be- fore income taxes 1,000 dollars--:	3,164	1,174	316	(1,493)	782
As a share of net sales:					
Operating profit or (loss)-----percent--:	3.4	3.3	2.8	.2	3.5
Net profit or (loss) be- fore income taxes percent--:	2.7	1.0	.2	(2.2)	1.3
Number of firms reporting an operating loss-----:	7	5	4	4	2
Number of firms reporting a net loss before income taxes-----:	7	6	5	5	6

See footnotes at end of table.

Table 13.--Profit-and-loss experience of 18 U.S. processors of canned and frozen mushrooms,
by types of operations, accounting years 1979-81 1/ and interim period ending
June 30, 1981-82--Continued

* * * * *

Table 14.--Fixed assets, 1/ net sales, and operating profit or (loss) for 16 U.S. processors of canned and frozen mushrooms, accounting years 1979-81 2/ and interim period ending June 30, 1981-82

* * * * *

Table 15.--Profit-and-loss experience of 15 U.S. processors of canned mushrooms, by types of operations, accounting years 1979-81 1/ and interim period ending June 30, 1981-82

Item	1979	1980	1981	Interim period ended June 30-- 2/	
				1981	1982
Operations on canned mushrooms					
Net sales---1,000 dollars--:	110,771	106,354	130,056	64,339	55,892
Cost of goods sold---do----	99,210	94,961	116,855	59,564	49,794
Gross profit-----do----	11,561	11,393	13,201	4,775	6,098
General, selling, and administrative expenses					
1,000 dollars--:	7,811	8,264	9,681	4,884	4,065
Operating profit or (loss)					
1,000 dollars--:	3,750	3,129	3,520	(109):	2,033
Interest expense-----do----	2,130	3,261	4,082	1,739	1,438
Other income-----do----	1,328	709	476	78	125
Net profit or (loss) before income taxes					
1,000 dollars--:	2,948	577	(86):	(1,770):	720
As a share of net sales:					
Operating profit or (loss)-----percent--:	3.4	2.9	2.7	(.2):	3.6
Net profit or (loss) be- fore income taxes					
percent--:	2.7	.5	(.07):	(2.8):	1.3
Number of firms reporting an operating loss-----:	6	5	4	4	2
Number of firms reporting a net loss before income taxes-----:	6	6	5	5	6

See footnotes at end of table.

Table 15.--Profit-and-loss experience of 15 U.S. processors of canned mushrooms, by types of operations, accounting years 1979-81 1/ and interim period ending June 30, 1981-82-- Continued

Item	1979	1980	1981	Interim period	
				ended June 30-- 2/	
				1981	1982
All operations of reporting establishments					
Net sales---1,000 dollars--:	123,329	118,810	144,572	75,433	65,575
Cost of goods sold---do----	110,348	105,557	129,576	69,945	58,297
Gross profit-----do----	12,981	13,253	14,996	5,488	7,278
General, selling, and administrative expenses					
1,000 dollars--:	8,566	9,267	11,014	5,612	4,769
Operating profit or (loss)					
1,000 dollars--:	4,415	3,986	3,982	(124)	2,509
Interest expense-----do----	2,248	3,369	4,204	1,850	1,594
Other income-----do----	1,360	743	512	113	174
Net profit or (loss) before:					
income taxes---percent--:	3,527	1,360	290	(1,861)	1,089
As a share of net sales:					
Operating profit or					
(loss)-----percent--:	3.6	3.4	2.8	(.2)	3.8
Net profit or (loss) be-					
fore income taxes					
percent--:	2.9	1.1	.2	(2.5)	1.7
Number of firms reporting					
an operating loss-----:	4	4	4	3	1
Number of firms reporting					
a net loss before income					
taxes-----:	4	5	4	5	6

1/ The accounting year for 2 processors ended Dec. 31 and another 2 procesors ended Feb. 28/29; the accounting year for each of the other 11 processors ended between May 31 and Sept. 30.

2/ Both interim periods data are for 14 processors only and are not comparable with the data of 1979-81.

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

Table 16.--Fixed assets, 1/ net sales, and operating profit (loss) for 14 U.S. processors of canned mushrooms, accounting years 1979-81 2/ and interim period ending June 30, 1981-82

Item	1979	1980	1981	Interim period ended June 30-- 3/	
				1981	1982
Fixed assets:					
Original cost--					
1,000 dollars--	22,087	24,732	25,634	20,529	20,202
Book value-----do----	12,005	12,484	12,041	9,740	8,926
Net sales-----do----	108,152	103,261	127,029	62,608	54,675
Operating profit or (loss) :					
1,000 dollars--	3,619	3,036	3,440	(163)	1,864
Ratio of operating pro-					
fit or (loss) to--					
Net sales-----percent--	3.3	2.9	2.7	(.3)	3.4
Original costs of fixed					
assets-----percent--	16.4	12.3	13.4	(.8)	9.2
Book value of fixed					
assets-----percent--	30.1	24.3	28.6	(1.7)	20.9

1/ As of the end of specified periods.

2/ The accounting year for 2 processors ended Dec. 31 and another 2 processors ended Feb. 28/29; the accounting year for each of the other 10 processors ended between June 30 and Sept. 30.

3/ Both interim periods' data are for 12 processors only and are not comparable with the data for 1979-81.

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

Table 17.--Financial experience of * * * U.S. growers of fresh mushrooms,
accounting years 1979-81 1/

Item	1979	1980	1981
Net sales-----1,000 dollars--:	96,655 :	111,356 :	138,071
Cost of goods sold-----do-----:	87,761 :	101,343 :	118,715
Gross profit-----do-----:	8,894 :	10,013 :	19,356
General, selling, and administrative expenses-----1,000 dollars--:	12,942 :	15,249 :	16,089
Operating profit or (loss)-----do-----:	(4,048):	(5,236):	3,267
Interest expense-----do-----:	1,988 :	1,763 :	1,622
Other income (expense)-----do-----:	(473):	75 :	860
Net profit or (loss) before income taxes-----do-----:	(6,509):	(6,924):	2,505
Total assets <u>2/</u> -----do-----:	95,036 :	97,774 :	104,082
Net investments in assets <u>2/</u> -----do-----:	64,084 :	65,266 :	75,940
Ratio of operating profit or (loss) to net sales-----percent--:	(4.2):	(4.7):	2.4
Ratio of net profit or (loss) before income taxes to net sales---percent--:	(6.7):	(6.2):	1.8
Ratio of net profit or (loss) before income taxes to <u>2/</u> -----:	(8.7):	(9.6):	2.3
Net sales-----percent--:	(7.7):	(8.5):	2.4
Total assets-----do-----:	(11.4):	(12.8):	3.3
Net investments in assets-----do-----:			
Net sales to fresh-market outlets:			
Value-----1,000 dollars--:	85,275 :	96,908 :	122,036
As a share of total net sales percent--:	88 :	87 :	88
Number of firms reporting an operating loss-----:	4 :	7 :	5
Number of firms reporting a net loss before income taxes-----:	4 :	8 :	6

1/ * * *.

2/ * * *.

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 from China, Hong Kong, Taiwan, and the Republic of Korea, by quarters, January 1979-June 1982

(Per pound)								
Period	:	China	:	Hong Kong	:	Taiwan	:	Republic of Korea
1979:	:	:	:	:	:	:	:	:
January-March-----:	:	\$1.47	:	\$1.00	:	\$1.27	:	\$1.13
April-June-----:	:	1.41	:	1.01	:	1.23	:	1.13
July-September-----:	:	.93	:	.99	:	1.18	:	1.11
October-December-----:	:	1.30	:	.99	:	1.29	:	1.23
1980:	:	:	:	:	:	:	:	:
January-March-----:	:	1.06	:	1.03	:	1.30	:	1.24
April-June-----:	:	1.08	:	1.07	:	1.19	:	1.27
July-September-----:	:	1.13	:	1.09	:	1.35	:	1.24
October-December-----:	:	1.24	:	1.18	:	1.42	:	1.35
1981:	:	:	:	:	:	:	:	:
January-March-----:	:	1.32	:	1.19	:	1.50	:	1.33
April-June-----:	:	1.17	:	1.17	:	1.60	:	1.38
July-September-----:	:	1.18	:	1.13	:	1.62	:	1.35
October-December-----:	:	1.15	:	1.07	:	1.58	:	1.22
1982:	:	:	:	:	:	:	:	:
January-March-----:	:	1.04	:	1.01	:	1.51	:	1.32
April-June-----:	:	1.08	:	.99	:	1.49	:	1.30
	:	:	:	:	:	:	:	:

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

Table 19.--Mushrooms, canned: Average f.o.b. sales prices per case 1/ for 68-ounce cans 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, January 1979-June 1982

Period	(Per pound)											
	United States			China			Hong Kong			Taiwan		
	Processors' sales price	Unit value	Importers' sales price	Unit value	Importers' sales price	Unit value	Unit value	Importers' sales price	Unit value	Importers' sales price	Unit value	Importers' sales price
1979:												
January-March-----	\$1.17	\$1.50	\$1.25	\$1.04	\$1.16	\$1.07	\$1.12	\$1.05	\$1.21			
April-June-----	1.15	.84	1.29	1.03	1.15	1.02	1.15	1.01	1.19			
July-September-----	1.19	2/	1.29	1.08	1.05	0.99	1.13	.98	1.20			
October-December----	1.22	2/	1.33	1.01	1.22	1.01	1.14	1.06	1.27			
1980:												
January-March-----	1.25	1.04	1.31	1.01	1.22	1.07	1.27	1.15	1.31			
April-June-----	1.22	1.00	1.22	1.04	3/	1.07	1.31	1.15	1.29			
July-September-----	1.24	1.03	1.21	1.04	3/	1.13	1.32	1.14	1.31			
October-December----	1.26	1.14	1.26	1.17	3/	1.35	1.34	1.14	1.43			
1981:												
January-March-----	1.27	1.34	1.55	1.16	1.31	1.34	1.51	1.31	1.45			
April-June-----	1.29	1.15	1.42	1.15	1.28	1.18	1.19	1.25	1.43			
July-September-----	1.24	1.10	1.43	1.08	1.20	1.29	1.41	1.22	1.39			
October-December----	1.18	1.06	1.38	1.00	1.17	1.13	1.34	1.16	1.36			
1982:												
January-March-----	1.16	1.00	3/	1.00	3/	1.10	3/	1.09	3/			
April-June-----	1.13	1.06	3/	0.96	3/	1.15	3/	1.10	3/			

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 1/ for 68-ounce cans 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, January 1979-June 1982

Period	(Per pound)									
	United States		China		Hong Kong 2/		Taiwan		Republic of Korea	
	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	\$0.96			2/	\$1.12	\$1.41	\$1.47	\$1.32	2/
April-June-----	1.43	3/			2/	1.12	1.36	1.46	1.25	2/
July-September-----	1.48	.94			2/	1.21	1.37	1.47	1.25	2/
October-December--	1.50	3/			2/	1.13	1.37	1.34	1.20	2/
1980:										
January-March-----	1.45	3/								\$1.65
April-June-----	1.36	1.08								1.65
July-September-----	1.47	.93								1.65
October-December--	1.43	1.37								1.53
1981:										
January-March-----	1.48	1.02								1.53
April-June-----	1.48	.99								2/
July-September-----	1.46	.99								2/
October-December--	1.46	1.02								2/
1982:										
January-March-----	1.46	1.24								2/
April-June-----	1.46	1.12								2/
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 1/ for 4-ounce cans 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, January 1979-June 1982

(Per pound)									
Period	:United :	China		: Hong :	Taiwan		Republic of Korea		
	:States :			:Kong 2/:					
	:Proces-	: Importers' :		: Importers' :		: Importers' :	: Importers' :		
	: sors' :	: Unit :	: sales :	: Unit :	: Unit :	: sales :	: Unit :	: sales :	
	: sales :	: value :	: price :	: value :	: value :	: price :	: value :	: sales :	: price :
	: price :								
1979:	:	:	:	:	:	:	:	:	:
January-March-----	\$1.49 :	3/ :	3/ :	\$1.17 :	\$1.27 :	\$1.40 :	\$1.20 :	\$1.42	
April-June-----	1.48 :	3/ :	3/ :	1.23 :	1.27 :	1.41 :	1.20 :	1.43	
July-September----	1.50 :	3/ :	3/ :	1.23 :	1.27 :	1.43 :	1.21 :	1.44	
October-December--	1.52 :	\$1.25 :	3/ :	1.47 :	1.26 :	1.43 :	1.30 :	1.47	
1980:	:	:	:	:	:	:	:	:	:
January-March-----	1.54 :	1.08 :	1.41 :	1.28 :	1.30 :	1.59 :	1.32 :	1.59	
April-June-----	1.54 :	1.24 :	1.39 :	1.25 :	1.35 :	1.59 :	1.37 :	1.62	
July-September----	1.47 :	1.28 :	1.35 :	1.34 :	1.32 :	1.62 :	1.37 :	1.73	
October-December--	1.47 :	1.43 :	1.48 :	1.40 :	1.63 :	1.63 :	1.54 :	1.71	
1981:	:	:	:	:	:	:	:	:	:
January-March-----	1.53 :	1.45 :	1.51 :	1.65 :	1.61 :	1.85 :	1.58 :	1.80	
April-June-----	1.50 :	1.46 :	1.45 :	1.37 :	1.75 :	1.93 :	1.58 :	1.83	
July-September----	1.55 :	1.45 :	1.51 :	1.37 :	1.60 :	1.82 :	1.58 :	1.81	
October-December--	1.52 :	1.34 :	1.51 :	1.24 :	1.47 :	1.85 :	1.35 :	1.83	
1982:	:	:	:	:	:	:	:	:	:
January-March-----	1.44 :	1.37 :	1.46 :	1.12 :	1.47 :	2/ :	1.44 :	2/	
April-June-----	1.43 :	1.29 :	1.54 :	1.24 :	1.42 :	2/ :	1.40 :	2/	
	:	:	:	:	:	:	:	:	:

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 1/ for 4-ounce cans 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, January 1979-June 1982

Period	(Per pound)									
	United States		China		Hong Kong		Taiwan		Republic of Korea	
	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	3/	2/	\$1.54	\$1.80	\$1.64	\$1.80	\$1.61	2/	
April-June-----	1.86	3/	2/	1.56	1.80	1.66	1.80	1.59	2/	
July-September-----	1.89	3/	2/	3/	1.76	1.66	1.76	1.51	2/	
October-December-----	1.98	\$1.35	2/	3/	1.82	1.66	1.82	1.58	2/	
1980:										
January-March-----	1.84	1.03	2/	3/	1.86	1.68	1.86	1.55	2/	
April-June-----	1.84	3/	2/	1.22	1.94	1.53	1.94	1.69	2/	
July-September-----	2.03	1.28	2/	1.44	1.89	1.62	1.89	1.63	2/	
October-December-----	1.84	1.49	2/	1.34	1.90	1.87	1.90	1.79	2/	
1981:										
January-March-----	2.00	1.44	\$2.02	3/	2.24	1.61	2.24	1.84	2/	
April-June-----	2.00	1.63	1.96	1.61	2.27	1.88	2.27	1.76	\$2.38	
July-September-----	1.84	1.54	1.92	1.55	2.19	1.95	2.19	1.87	2.38	
October-December-----	1.82	1.29	1.83	1.25	2.19	1.78	2.19	1.79	2.40	
1982:										
January-March-----	2.00	1.42	2/	1.54	2/	1.71	2/	1.80	2/	
April-June-----	2.00	1.47	2/	3/	2/	1.65	2/	1.72	2/	
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, 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	
1982:					
January-March-----	66.9	51.4	44.4	37.8	
April-June-----	67.8	51.4	43.0	37.7	

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, Jan. 1979-June 1982.

Table 24.--Mushrooms, canned: Landed duty-paid unit values of imports from China, by container sizes, by styles of pack, and by quarters, January 1979-June 1982

(Per pound)							
Period	In containers 9 ounces or less--			Pieces and stems	In containers over 9 ounces--		
	Whole	Slices	Pieces		Whole	Slices	Pieces and stems
1979:							
January-March-----	1/	1/	1/		\$0.96	\$0.96	\$1.50
April-June-----	1/	1/	1/		1/	1.48	.84
July-September----	1/	1/	1/		1/	.96	1/
October-December--	\$1.32	\$2.06	\$1.02		1/	1/	1/
1980:							
January-March-----	1.08	.98	1.08		1/	1/	1.05
April-June-----	1/	1/	1.24		1.16	.97	1.00
July-September----	1.30	1.26	1.28		1/	1.93	1.04
October-December--	1.51	1.46	1.43		1.40	1.35	1.14
1981:							
January-March-----	1.58	1/	1.45		.66	1.38	1.34
April-June-----	1.63	1/	1.45		.81	1.16	1.13
July-September----	1.65	1.43	1.45		.79	1.17	1.10
October-December--	1.51	1.08	1.36		.76	1.29	1.07
1982:							
January-March-----	1.50	1.33	1.37		1.59	1.14	1.00
April-June-----	1.47	1/	1.29		1.02	1.21	1.07

1/ No imports in this quarter.

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

Table 25.--Mushrooms, canned: Sales of containers over 9 ounces by the U.S. firm subject to a recall and by other U.S. firms, and imports, by quarter, January 1979-December 1981

(In thousands of pounds, drained weight)				
Period	:	* * *	:	Other U.S. : firms : Imports
1979:	:	:	:	:
January-March-----	:	***	:	*** : 12,557
April-June-----	:	***	:	*** : 15,183
July-September-----	:	***	:	*** : 17,259
October-December-----	:	***	:	*** : 10,118
1980:	:	:	:	:
January-March-----	:	***	:	*** : 14,294
April-June 1/-----	:	***	:	*** : 24,247
July-September-----	:	***	:	*** : 15,133
October-December-----	:	***	:	*** : 14,309
1981:	:	:	:	:
January-March-----	:	***	:	*** : 10,984
April-June-----	:	***	:	*** : 18,596
July-September-----	:	***	:	*** : 15,899
October-December-----	:	***	:	*** : 14,516
	:	:	:	:

1/ This is the quarter in which the recall occurred.

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

Table 26.--Mushrooms, canned: Sales of containers 9 ounces or less by the U.S. firm subject to a recall and by other U.S. firms, and imports, by quarter, January 1980-June 1982

(In thousands of pounds, drained weight)				
Period	:	* * *	:	Other U.S. : Imports
	:		:	firms :
1980:	:		:	:
January-March-----	:	***	:	*** : 9,940
April-June-----	:	***	:	*** : 10,603
July-September-----	:	***	:	*** : 13,470
October-December-----	:	***	:	*** : 9,273
1981:	:		:	:
January-March-----	:	***	:	*** : 4,374
April-June 1/-----	:	***	:	*** : 5,678
July-September-----	:	***	:	*** : 6,330
October-December-----	:	***	:	*** : 7,574
1982:	:		:	:
January-March-----	:	***	:	*** : 8,390
April-June-----	:	***	:	*** : 3,192
	:		:	:

1/ This is the quarter in which the recall occurred.

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

APPENDIX F

LETTER FROM THE COMMISSIONER OF CUSTOMS TO THE OFFICE
OF THE SPECIAL REPRESENTATIVE FOR TRADE
NEGOTIATIONS, DATED MAR. 29, 1979



DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
WASHINGTON



REFER TO

ENF-1-O:D:S ES

MAR 29 1979

The Honorable
Robert S. Strauss
Special Representative
for Trade Negotiations
1800 G Street N.W.
Washington, D.C. 20506

Dear Mr. Strauss:

This is in reply to your request of October 6, 1978, that Customs investigate the allegation that transshipments of mushrooms from Taiwan, perhaps mixed with mushrooms of People's Republic of China origin, are exported to the United States from Hong Kong.

As you know by our letter of February 6, 1979, an investigation of the mushroom matter had been completed, with a report received from Hong Kong. The report required careful consideration of whether further processing of the mushrooms in Hong Kong was sufficient to constitute a "substantial transformation" and, therefore, that no transshipments were involved.

The Hong Kong investigation report (File Number HK12 CH803503, dated January 21, 1979) is enclosed for your information. You will note that it was a very comprehensive investigation.

After careful analysis of the Hong Kong report, information dealing with the further processing in Hong Kong of mushrooms from Taiwan and the PRC, we have reached the following conclusion:

On the basis of the Hong Kong processing and canning, a new and different article of commerce was fashioned and in this respect a substantial transformation was effected. Accordingly, no "transshipments" are here involved; the canned sliced mushrooms are regarded as products of Hong Kong.

Copies of all correspondence and documentation pertinent to this matter is enclosed.

If I may be of any further assistance to you in this matter, please do not hesitate to ask.

Sincerely,

(Signed) R. E. Chasen
Commissioner of Customs

Enclosures

APPENDIX G

THE EFFECT OF THE DETECTION OF BOTULISM IN CANNED MUSHROOMS
ON SALES OF U.S. MUSHROOM PROCESSORS

* * * * *

APPENDIX H

EXPLANATION OF THE USE OF LANDED DUTY-PAID UNIT VALUES

The Chinese value or price that should be compared with the U.S. processors' sales price ranges somewhere between the landed duty-paid unit value and the importers' sales price. Landed duty-paid unit values and importers' sales prices are shown in tables 19-22. The landed duty-paid unit values understate the total cost to the importers of mushrooms from China 1/ but provide a lower limit for that value or price of imported Chinese mushrooms that should be compared with the U.S. processors' sales price.

Ideally, the Commission compares prices where U.S. producers meet import competition head-to-head. Smaller importers of mushrooms from China generally compete only with wholesalers of U.S.-produced mushrooms, rather than directly with the U.S. processors and their prices are generally higher than processors' and large importers' prices. Therefore, their prices are not included in the importers' sales prices for mushrooms from China presented in the tables. 2/ U.S. processors indicated in their questionnaire responses that they competed with the larger importers of Chinese mushrooms, both directly, and through wholesalers of their product, indirectly. Importers' sales prices of mushrooms from China presented in the tables therefore represent prices supplied by these larger importers of mushrooms from China. These prices provide an estimate of the upper limit for the price of Chinese mushrooms to be compared with the U.S. processors' sales price.

Price data received from purchasers of both domestic and Chinese-produced mushrooms for July-December 1981 and January-March 1982 indicate that the values and prices which are closer to the landed duty-paid unit value of imports from China more accurately reflect price competition with U.S. processors. For example, purchasers' questionnaires showed that Chinese pieces and stems in institutional-size containers, representing 70 percent of imports from China, undersold the domestic product by an average of 9 cents per pound (\$2.30 per case) during this period. This price difference is 5 cents per pound less than the difference between landed duty-paid unit values of mushrooms from China and U.S. processors' sales prices over the same period (14 cents per pound or \$3.57 per case). This differential suggests that other importers' costs are about 5¢ per pound, and that the landed duty-paid unit values should be increased by that amount to accurately reflect importers' prices. Purchasers' questionnaires showed that in January-June 1982, the gap between domestic and Chinese mushroom prices narrowed appreciably, primarily because of the decline in domestic prices.

1/ The landed duty-paid unit value includes freight, insurance, and other charges from the port of exportation to the port of entry, plus the duty. It does not include any brokers' fees or commissions, the importers' inventory cost, or other administrative costs of importing. Therefore, the landed duty-paid unit value would tend to understate importers' total cost of importing canned mushrooms from China.

2/ In this investigation, separate importers' sales price data were collected only for mushrooms from China. The importers' sales price data for other countries, collected in previous investigations, may include prices from smaller importers that do not compete directly with U.S. processors.

