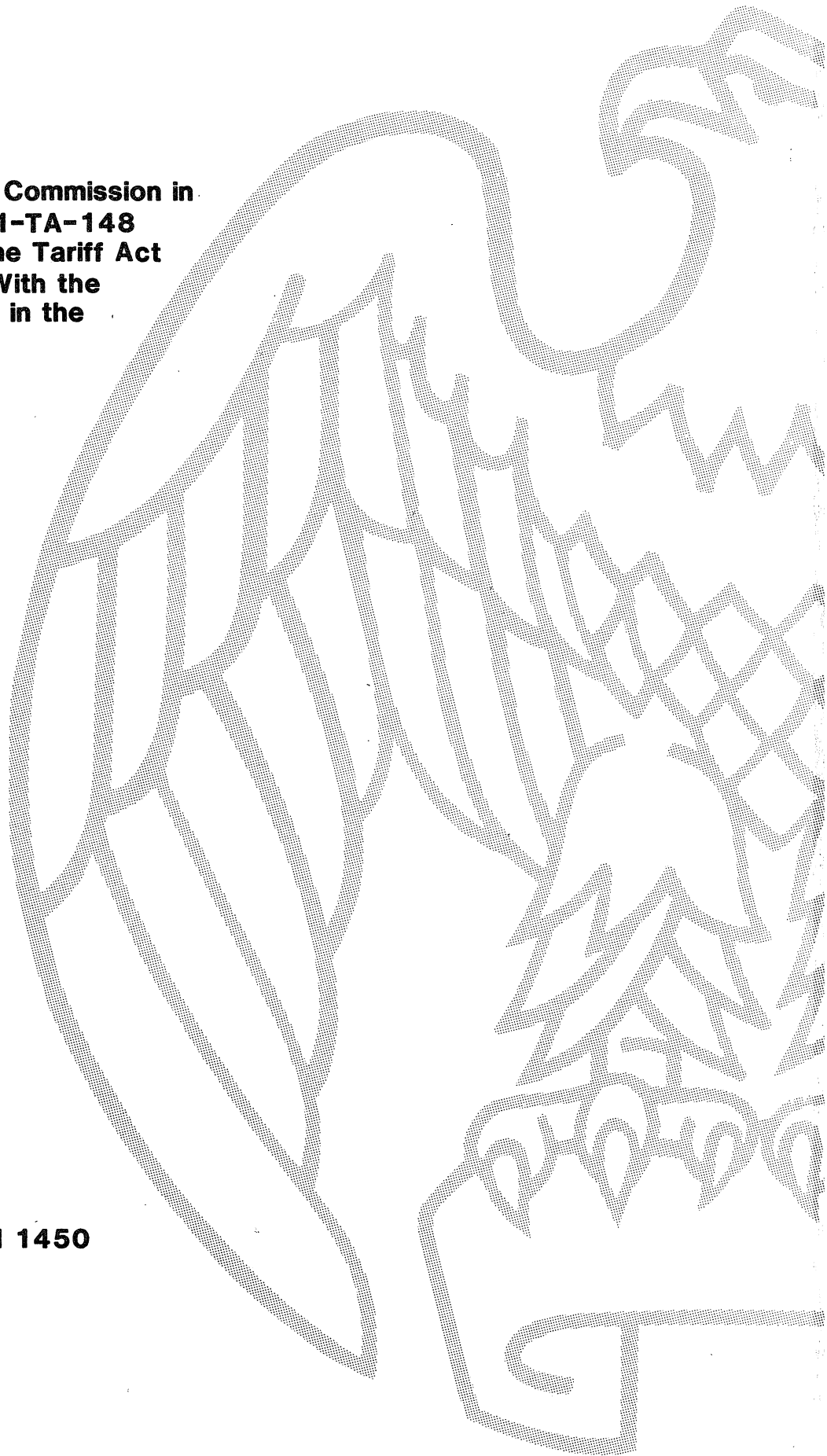


FRESH CUT ROSES FROM COLOMBIA

**Determination of the Commission in
Investigation No. 731-TA-148
(Preliminary) Under the Tariff Act
of 1930, Together With the
Information Obtained in the
Investigation**

USITC PUBLICATION 1450

NOVEMBER 1983



UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Alfred E. Eckes, Chairman

Paula Stern

Veronica A. Haggart

Seeley G. Lodwick

Kenneth R. Mason, Secretary to the Commission

Staff assigned:

Woodley Timberlake, Office of Investigations

Stephen Burket, Office of Industries

Gerald Benedick, Office of Economics

Marvin Claywell, Office of Investigations

Clarease Mitchell, Office of the General Counsel

John MacHatton, Supervisory Investigator

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

C O N T E N T S

	<u>Page</u>
Determination-----	1
Views of the Commission-----	3
Information obtained in the investigation:	
Introduction-----	A-1
Previous Commission investigations-----	A-1
Nature and extent of alleged sales at LTFV-----	A-3
The product:	
Description and uses-----	A-3
U.S. tariff treatment-----	A-3
Channels of distribution-----	A-4
The U.S. industry-----	A-6
The Colombian industry-----	A-8
U.S. Importers-----	A-8
Apparent consumption-----	A-9
The question of material injury-----	A-9
U.S. production and planting capability-----	A-10
U.S. growers' shipments:	
Domestic-----	A-11
Exports-----	A-15
U.S. employment-----	A-15
Financial experience of U.S. producers:	
Profit-and-loss experience-----	A-16
Capital expenditures and research and development expenditures-----	A-19
The question of the threat of material injury-----	A-19
Consideration of the causal relationship between imports allegedly sold at LTFV and the alleged injury:	
U.S. imports-----	A-20
U.S. consumption and market penetration-----	A-20
Prices-----	A-23
Roses sold in the Eastern United States-----	A-25
Roses sold in the Western United States-----	A-32
Depreciation of the U.S. dollar-----	A-36
Lost sales-----	A-37
Lost Revenue-----	A-39
Appendix A. U.S. International Trade Commission's notice of institution of the investigation-----	A-41
Appendix B. U.S. Department of Commerce's notice of institution of the investigation-----	A-43
Appendix C. Calendar of witnesses appearing at the conference-----	A-45
Appendix D. Discussion of the regional concentration of the industry-----	A-47

Tables

1. Fresh cut roses: Number of U.S. commercial growers of hybrid tea and sweetheart roses in leading producing States, 1977-81-----	A-7
2. Fresh cut roses: U.S. production, exports of domestic merchandise, imports, and apparent U.S. consumption, 1980-82, January-August 1982, and January-August 1983-----	A-9

Contents

	<u>Page</u>
3. Fresh cut roses: Area in production for fresh cut roses and other fresh cut flowers and greenhouse products for 47 growers, 1980-82, January-August 1982, and January-August 1983-----	A-10
4. Fresh cut roses: Plants in production, total salable blooms produced, and average yield per plant for 48 firms, 1980-82, January-August 1982, and January-August 1983-----	A-11
5. Fresh cut roses: U.S. sales of 47 growers, 1980-82, January-August 1982, and January-August 1983-----	A-12
6. Fresh cut roses: Quarterly distribution of shipments to the Eastern and Non-Eastern United States for 37 growers, January 1980-August 1983-----	A-14
7. Fresh cut roses: Average number of employees, total and production related workers, hours worked by production and related workers, and average hourly wage rate earned by such workers, 1980-82, January-August 1982, and January-August 1983-----	A-16
8. Income-and-loss experience of 28 U.S. growers on their fresh-cut-rose operations, 1980-82, interim 1982, and interim 1983-----	A-18
9. Fresh cut roses: U.S. imports for consumption, by principal sources, 1980-82, January-August 1982, and January-August 1983-----	A-21
10. Fresh cut roses: U.S. imports and apparent consumption, 1980-82, January-August 1982, and January-August 1983-----	A-22
11. Fresh cut roses grown in the United States and imported from Colombia: Weighted-average net f.o.b. selling prices, constructed delivered prices, and average margins of underselling for fresh cut roses sold to customers in the <u>Eastern</u> United States, by types of roses, by stem lengths, and by quarters, January 1981-September 1983-----	A-27
12. Fresh cut roses: Weighted-average net f.o.b. selling prices and constructed delivered prices for U.S. grown roses, and average margins of underselling by the imported Colombian roses for fresh cut roses sold to customers in the <u>Eastern</u> United States, by source area of domestic roses --Eastern or Western United States, by types of roses, by stem lengths, and by quarters, January 1981-September 1983-----	A-30
13. Fresh cut roses grown in the United States and imported from Colombia: Weighted-average net f.o.b. selling prices, and average margins of underselling for fresh cut roses sold to customers in the <u>Western</u> United States, by types of roses, by stem lengths, and by quarters, January 1981-September 1983-----	A-34
14. Index of the real exchange-rate between the Colombian Peso and the U.S. dollar, by quarters, January 1981-June 1983-----	A-37
D-1. Fresh cut roses: Area in production, plants in production, and production, by selected geographic regions, 1980-82, January-August 1982, and January-August 1983-----	A-49

Contents

	<u>Page</u>
D-2. Fresh cut roses: Domestic shipments of all fresh cut roses by Western and Eastern U.S. growers, 1980-82, January-August 1982, and January-August 1983-----	A-51
D-3. Income-and-loss experience of 28 U.S. growers on their fresh-cut-rose operations, by growing areas, 1980-82, interim 1982, and interim 1983-----	A-53

Figure

U.S. channels of distribution for marketing fresh cut roses in the United States-----	A- 5
---	------

Note.--Information which would reveal 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. 731-TA-148 (Preliminary)

FRESH CUT ROSES FROM COLOMBIA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673(a)), that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, 2/ 3/ by reason of imports from Colombia of fresh cut roses, provided for in item 192.18 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value (LTFV). 4/

Background

On September 30, 1983, counsel for Roses, Inc., filed a petition with the Commission and the Department of Commerce alleging that imports of fresh cut roses from Colombia are being sold in the United States at LTFV, and that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. Accordingly, effective September 30, 1983, the Commission instituted a preliminary anti-dumping investigation under section 733(a) of the Act (19 U.S.C. § 1673b(a)).

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

2/ Commissioner Eckes determined only that there is a reasonable indication of material injury; Commissioner Lodwick determined that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports; Commissioner Stern determined that there is no reasonable indication that an industry in the United States is materially injured, or is threatened with material injury.

3/ The material retardation of the establishment of an industry in the United States was not an issue in the investigation.

4/ Commissioner Haggart not participating.

Notice of the institution of the Commission's investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of October 13, 1983 (48 F.R. 46632). The conference was held in Washington, D.C. on October 24, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel. The Commission's determination was made by vote in a public Government in the Sunshine meeting on November 7, 1983.

Views of Chairman Eckes

On the basis of the record in 731-TA-148 (Preliminary), I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of fresh cut roses from Colombia, which are allegedly sold at less than fair value. 1/

Industry and Like Product

The term "industry" is defined in section 771(4)(A) of the Tariff Act of 1930 (the Act) as "the domestic producers as a whole of the like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 2/ "Like product," in turn, is defined in section 771(10) as being "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation." 3/

The imported articles which are subject to this investigation are roses from Colombia. Roses are members of the Rosaceae family; at least 100 species and thousands of varieties are known to exist. Commercially, the two most important types of roses are the sweetheart roses and the hybrid tea roses, both of which are imported from Colombia. Domestic growers produce roses which correspond to the types of roses that are subject to this investigation. 4/ Therefore, for purposes of this preliminary investigation, I determine that the like product consists of fresh cut roses, and accordingly, the domestic industry consists of the domestic producers of fresh cut roses.

1/ Material retardation of the establishment of an industry in the United States is not an issue in this investigation and will not be discussed further. Since I have found affirmatively with regard to an industry as defined in sec. 771(4)(A), I have not reached the further issues regarding the reasonable indication of a threat of material injury or alleged injury to a regional industry.

2/ 19 U.S.C. §1677(4)(A).

3/ 19 U.S.C. §1677(10).

4/ There were no significant issues raised by the parties regarding the like product analysis in this preliminary investigation. 3

Conditions of Trade

An assessment of whether there is an indication of material injury and the causal relationship between any injury and subject imports must be made in the context of "the conditions of trade, competition, and development regarding the industry concerned." 1/ In this investigation, the industry is one characterized by a production process that requires a long-term investment of resources; all roses grown commercially in the United States are produced in greenhouses. Further, the planting strategy pursued by each grower is complex in nature; a rose plant has a limited productive life span. Because of limited availability of new rose plants, a grower must anticipate as much as two years in advance future needs for replacement plants or additional plants for expansion. Thus, the record suggests that this particular industry has many of the characteristics of an agricultural industry and presents unique problems of assessing injury which warrant further investigation. 2/

From the information available in this preliminary investigation, it is apparent that roses are essentially fungible in nature. There have been no allegations that there are significant quality differences between domestic and imported roses. Therefore, it seems that quality differences do not explain the significant and increasing volume of imports of Colombian roses. 3/ The assessment of the impact of imports must also focus on the pricing of domestic and imported products.

1/ S. Rep. No. 249, 96th Cong., 1st Sess. 88 (1979).

2/ Id., "Because of the special nature of agriculture, including the cyclical nature of much of agriculture production, special problems exist in determining whether an agricultural industry is materially injured."

3/ Information developed suggests that wholesalers perceive the quality of Colombian imports differently. Some perceive such imports higher in quality; others find Colombian roses lower in quality.

An important factor is the competitive relationship between the Western producers and Eastern producers, and how the alleged LTFV imports compete with these segments in the Eastern market where most of the competition between domestic and Colombian roses occurs. An understanding of these relationships is essential to assessing the condition of the entire domestic industry. It is apparent from the information available that changes occurring within the domestic industry warrant further investigation. For instance, fewer domestic shipments have entered the Eastern market during recent periods, despite the fact that preliminary pricing data suggest that Western-produced roses undersell imported roses from Colombia in the Eastern market and therefore would be expected to be increasing in that market.

Pricing data in this investigation were developed almost exclusively from responses to Commission questionnaires submitted to domestic producers and importers. Available price comparisons are based on limited responses from sixteen domestic growers and three importers and are on an f.o.b. basis only. Although staff constructed delivered price comparisons, transportation costs in conjunction with shipping patterns in these markets are particularly significant, and therefore, actual delivered price comparisons would be more reliable. A further unexplained aspect to the pricing data is the importance of the relationship between direct sales and consignment sales, and the extent to which the pricing strategies for both domestic and imported roses differ, depending on whether the sale is made on a direct basis or on consignment. It is evident that the relationship between import prices and domestic prices warrants further inquiry.

Condition of the Domestic Industry 1/

From 1980-1982, the area set aside for the production of fresh cut roses by U.S. rose growers increased by little more than 2 percent. During the interim period January-August 1983, U.S. growers increased production area by 6 percent compared with the comparable 1982 period. Trends for the number of plants in production, average bloom yield, and domestic shipments follow a similar upward pattern.

Notwithstanding these recent increases, there are indications that individual growers differed in their recent planting decisions. While some increased rose acreages, others decreased production throughout the period; one Western producer reported plants were destroyed because of depressed prices. Significantly, information obtained regarding the profit-and-loss experiences of growers suggests that many growers are experiencing difficulties. 2/

Although sales of fresh cut roses increased throughout the period, net income remained flat in 1981 and 1982, and declined in the interim 1983 period when compared with the comparable 1982 period. The ratio of net income to total sales of these producers increased from 3.4% in 1980 to 4.9% in 1981, then declined 4.5% in 1982. In 1982, there were eight growers reporting losses, more than one-fourth of the growers responding to the Commission's questionnaire.

1/ Most of the data obtained have been based on questionnaire responses representing about 20 percent of all growers and accounting for about 40 percent of domestic production in 1982. There is very little, if any, secondary source data by which the reliability of these limited questionnaire responses can be measured.

2/ Financial data for the period 1980-1982 was obtained from 28 domestic growers, about ten percent of all growers in the United States. Interim data for the period January-August in 1982 and 1983 were provided by 22 domestic producers. Interim data do not appear to follow full year data trends in 1982 and 1983.

For purposes of this preliminary investigation the available data regarding the performance of this industry indicate that the domestic industry "could possibly" be suffering material injury. 1/

Impact of alleged LTFV imports

This investigation has found a significant increase in the volume of imported roses from Colombia in recent years. Prior to 1979, relatively small quantities of roses were imported from Colombia, but that year initiated a sharp upward trend in imports. 2/ Since 1979, Colombia has been the largest single source of imports into the United States.

Import levels of roses from Colombia increased from 29.9 million blooms in 1980 (estimated) to 75.4 million blooms in 1982. Imports were 65.5 million blooms in January-August 1983 compared with 47 million blooms in the corresponding 1982 period. The latter figures indicate continuing increases in imports during 1983. As a share of consumption, imports from Colombia increased throughout the period 1980-1983. In 1980, subject imports accounted for 6 percent of apparent U.S. consumption, but this share increased to 10.1 percent in 1981 and 13.8 percent in 1982. During the period January-August 1983, imports from Colombia accounted for 16.1 percent of apparent U.S. consumption compared with 12.8 percent in the same period in 1982.

Analysis of the effect of imports of roses from Colombia on domestic prices indicates both underselling and lost sales. Because most of the competition between domestic (both Eastern-grown and Western-grown) and Colombian roses occurs in markets located in the Eastern United States, the

1/ See statement of legislative intent regarding preliminary investigation threshold H. Rept. No. 317, 96th Cong., 1st Sess. 52 (1979).

2/ Fresh Cut Roses, Inv. No. TA-201-42, USITC Pub. No. 1059 (April, 1980), p. A-13.

available pricing data emphasizes Eastern market conditions. 1/ Pricing information was gathered on three representative rose categories. Comparison of f.o.b. and constructed delivered prices for the domestic (both Eastern-grown and Western-grown) and Colombian roses sold in the Eastern United States reveals consistent underselling for two of the three types of roses on which pricing data was obtained. With regard to the remaining type (hybrid tea roses, greater than 24", red varieties) these comparisons do not reflect Colombian underselling. However, domestic prices for this particular type are low because they reflect a concentration of Western roses which are lower priced than Eastern roses. Data for roses produced only in the East shows consistent underselling in all three rose categories by Colombian roses.

Price comparisons also were made with regard to two types of domestic and imported roses sold in the Western United States. These comparisons are based only on f.o.b. prices because staff was unable to construct delivered prices for this market. For one type of rose, there was no underselling. For the remaining type, there were margins of underselling in five of the seven most recent quarters, with margins in excess of 8 percent for each quarter.

Of the 15 allegations of lost sales, the Commission verified two instances in which the wholesaler acknowledged that the lower price of Colombian imports was the major reason for buying Colombian roses.

1/ As noted earlier, these pricing data do not reflect any analysis of the effect of sales on a direct basis versus a consignment basis. In consignment sales, domestic growers and importers receive whatever the consignee can sell the roses for (less commission). The importance of any impact of these marketing practices on domestic and import pricing and profitability should be considered in any final investigation.

In brief, the Commission has developed information showing significant and increasing import volumes. It has also compiled pricing data which demonstrates an adverse impact on domestic prices and sales. These provide a reasonable indication of material injury to the domestic industry by reason of subject imports alleged to be sold at less than fair value.

VIEWS OF COMMISSIONER LODWICK

In this investigation I have determined that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of fresh cut roses from Colombia which are allegedly sold at less than fair value.

Domestic Industry

For the purposes of this preliminary investigation, I have determined that the domestic products, like the imports subject to investigation, are fresh cut roses. The two most commercially important types of these relatively expensive flowers are sweethearts and the hybrid teas. 1/ The domestic growers produce all of these types of roses. Accordingly, the domestic industry consists of the growers of fresh cut roses.

Condition of the Domestic Industry

Responses of 47 domestic growers to the Commission's questionnaire survey indicated that over 82 percent of their total planting square footage has been devoted to growing roses since 1981. 2/ During the period January-August 1983, these U.S. growers increased their area of square footage devoted to the growing of roses by some six percent from the comparable period in 1982. 3/

1/ Report at A-3.

2/ Id., at A-10.

3/ Id.

For the period under investigation, sales of fresh cut roses have accounted for between 80 and 84 percent of the total sales of all greenhouse products of the 22 domestic growers that responded to the profit-and-loss section of the Commission's questionnaire. Net income before taxes amounted to only 4.5 percent of net sales during 1982 for 18 of these firms. 4/

Twenty-three responding growers indicated that their aggregate research and development and capital expenditures had decreased from 1981 to 1982 but then increased from January-August 1982 to the comparable period in 1983. 5/ The Commission's preliminary investigation shows that the production of fresh cut roses is a long term investment. A grower must contract for new rose plants some nine months to two years for replacement or additional plants. 6/ From the time new rose plants are placed in a grower's greenhouse, about 120 days will pass before the first rose bloom can be cut. 7/ Rose plants are normally leased. Neither cuttings nor plant sales are permitted in typical leases. 8/

Threat of Material Injury by Reason of Imports Allegedly Sold at Less than Fair Value

Information in the record of this preliminary investigation warrants an affirmative determination based on the threat of material injury by reason of the subject imports. Fresh cut roses are a perishable agricultural commodity extremely susceptible to price decreases. Agricultural economists find that "Relatively small increases in supply tend to create low-price glut conditions

4/ Id., at A-17.

5/ Id., at A-19.

6/ Id., at A-8.

7/ Id.

8/ Id.

which actually provide less revenue to the total industry, even though sales go up." 9/

Although we do not have precise data on export trends of Colombian fresh cut roses, it appears that over seventy percent of Colombian production was exported to the United States in 1982. 10/ Imports of Colombian roses increased from nearly thirty million blooms in 1980 to over seventy-five million in 1982. These imports increased another 39 percent from the January-August period in 1982 to the comparable period in 1983. 11/

Estimates prepared by the Commission's staff indicate that while there was a net decrease in U.S. production of fresh cut roses between 1980 and 1982, 12/ imports from Colombia as a share of U.S. consumption increased from six to about 14 percent during this period. This ratio increased to sixteen percent during the January-August 1983 period. 13/

The petitioner estimates that approximately seventy percent of the Colombian exports are of the red hybrid tea variety with stem lengths of 20-30 inches. Long-stemmed red hybrid tea roses command premium prices in the U.S. market. 14/ Imports of these roses from Colombia generally undersell comparable domestic roses produced in the Eastern United States, the major domestic market. 15/ It is possible that the pricing of the Colombian long-stemmed red hybrid tea rose will affect the pricing of shorter-stemmed hybrid tea roses and sweetheart roses as well.

9/ E.g., Alvi O. Voight, "Market Supply is Critical Item In Pricing Balance of Roses," Southern Florist And Nurseryman, May 9, 1969, at 13.

10/ Report, at A-19.

11/ Id., at A-20.

12/ Id., at A-9 (table 2).

13/ Id., at A-22.

14/ Id., at A-23.

15/ Id., at A-26.

Conclusion

The rapid increase in the supplies of fresh-cut roses from Colombia coupled with the proximity of the Miami airport to the transportation network 16/ for the Eastern United States market indicate that the pricing pressure in the Eastern United States will continue. It is reasonable to forecast that such pricing pressure may jeopardize recent investments of U.S. growers in expanded production. Continued increases in supplies from Colombia combined with increased U.S. production would force down prices and revenue. For these reasons, I have determined that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of fresh cut roses from Colombia which are allegedly sold at less than fair value. 17/

16/ Id., at A-8.

17/ The legislative history of the preliminary investigation provision of the law makes clear that in a preliminary investigation "a reasonable indication will exist in each case in which the facts reasonably indicate that an industry in the United States could possibly be suffering material injury, threat thereof, or material retardation." H.R. Rep. No. 96-317. 96th Cong., 1st Sess., 59 (1979) (emphasis added).

VIEWS OF COMMISSIONER PAULA STERN

I find there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from Colombia of fresh cut roses allegedly sold at less than fair value. 1/

Summary

Imports of fresh cut roses from Colombia have increased, but without any material effect on the domestic industry. Domestic production has at least remained stable and consumption, shipments and sales have increased. Employment has been constant and wages have gone up. Losses in profitability have been experienced primarily by growers in the Eastern United States where costs of production are higher. Hence, the injury affecting the domestic industry results from Western growers underselling producers in the East, because of this cost advantage.

1/ Since there is an established domestic industry, the question of whether imports have materially retarded the establishment of a domestic industry is not relevant to this investigation.

Pricing data further establishes there is no causal link between the domestic injury and the Colombian imports. Western roses undersold not only the Eastern roses, but also the Colombian imports, and all growers generally obtained large price increases.

Most Colombian imports are long stem roses, which constitute a limited percentage of domestic production. Moreover, Colombian roses supplement rather than substitute for domestic supplies of roses, especially in peak seasons, when domestic demand cannot be met by U.S. producers.

Like Product and the
Issue of a Regional Industry

The product that is the subject of this investigation consists of fresh cut roses which are being imported into the United States from Colombia. The roses from Colombia which are competitive with domestic roses include red hybrid tea roses with stem lengths of 18 to 24 inches, red hybrid tea roses with stem lengths greater than 24 inches, and red sweetheart roses with stem lengths of 10 to 14 inches. 2/

2/ Report at A-24.

Section 771(4)(C) of the Tariff Act of 1930 3/ provides that the Commission, under appropriate circumstances may treat a regional segment of a national industry as the domestic industry if

(i) the producers within such market sell all or almost all of their production of the like product in question in that market, and

(ii) the demand in that market is not supplied, to any substantial degree, by producers of the product in question located elsewhere in the United States.

Although the petitioner did not base its claim for relief on the existence of a regional market within the meaning of Section 771, I have considered whether the criteria are met in this case and have concluded that the domestic industry producing an article "like" fresh cut roses covered by TSUS item 192.18 cannot appropriately be subdivided into a distinct geographical region. At a minimum, the second criteria is not satisfied, since a substantial proportion of consumption in the Eastern region is supplied by domestic growers in the Western region. 4/

3/ 19 U.S.C. 1677(4)(C).

4/ Office of Economics submission, "Quantity of Roses Sold in the Eastern U.S.," November 7, 1983. See also, Fresh Cut Roses, Inv. No. TA-201-42, USITC Pub. No. 1059, p. 4, especially note 2.

The Condition of the Domestic Industry

The information on the record 5/ establishes that the domestic industry is not experiencing material injury. 6/

5/ The record consists of all information gathered for this investigation, Inv. No. 731-TA-148, and three prior investigations: Fresh Cut Roses, TA-201-42, USITC Pub. No. 1059, April 1980, Fresh Cut Roses from the Netherlands, No. 701-TA-21 (Preliminary), USITC Pub. No. 1041, Feb. 1980, and Fresh Cut Flowers, Inv. No. TA-201-22, USITC Pub. No. 827, August 1977.

In this investigation the Commission sent questionnaires to 180 growers of an estimated total of 250 fresh cut rose growers. Of the 180 questionnaires, responses with useable data were received from 48 growers. This response rate, however, is actually better than that of the previous three investigations, all of which were unanimous negatives. (See Transcript of Commission meeting on November 7, 1983. [In spite of this information obtained at the meeting of November 7, 1983, it has come to light that in one of the previous investigations, Fresh Cut Roses (TA-201-42), the response rate was in fact higher.]) Clearly a higher response level would be desirable, especially since all non-respondents to the questionnaire were petitioners. The Trade Agreements Act of 1979 states that the Commission "shall make a determination, based upon the best information available to it at the time of the determination." A determination must be made at this stage of the investigation. And an affirmative determination cannot be premised solely on the fact that data will be more complete in a final investigation

6/ "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant." In making its determinations, the Commission is required to consider, among other factors, (1) the volume of imports of the subject of the investigation, (2) the effect of the imports of that merchandise on prices in the United States for like products, and (3) the impact of imports of such merchandise on domestic producers of like products. 19 U.S.C. section 1677(7)(B).

Domestic consumption of fresh cut roses increased steadily during 1980-83, primarily on the strength of U.S. imports, mostly from Colombia, Israel and the Netherlands. 7/

Consumption rose about ten percent from 1980-82, and continued this trend in the interim January-August 1983 with a rise of eleven percent over the corresponding 1982 period. 8/

While imports from all sources were responsible for almost all of this increase in consumption, 9/ there was no

7/ See Table 9 at A-21.

8/ Report at A-9, A-22.

9/ Import penetration rose from 7.7 percent in 1980 to 17.2 percent in 1982. This figure was 20.6 percent for the interim January-August 1983, compared to 16.4 percent for the same period in 1982 (Table 2). Note that these figures reflect imports from all sources, and that all imports rose in tandem with Colombian imports. (See Table 10, A-22.)

consequent decline in U.S. production. 10/ Commission and respondent's estimates, questionnaire responses, and data supplied by the petitioner generally establish that production has at least remained stable, and has probably increased.

10/ There are no national-level data reported on domestic rose production. Hence, U.S. production data were based on a U.S. Department of Agriculture survey of the 14 major rose-growing states. (See Table 2 at A-9.) Unfortunately, USDA ceased reporting 14-state production at the end of 1981. Estimates were, therefore, made by the Commission, petitioner and respondent for 1982. The Commission estimate based on USDA data indicated a drop in production of less than two percent (see Table 2); however, questionnaire data indicated an increase in production of approximately seven percent. For the interim 1983 period, Commission estimates showed a 5.53 percent increase in production over the corresponding 1982 period. Data provided by petitioner also demonstrated an increase in both "blooms produced" and "blooms sold." (See Post-Hearing Brief of Roses, Inc., October 31, 1983, Table 3 at p. 10; see also Petition at 41.) From 1980-82, "Blooms Produced" increased 6.5 percent, and 4.3 percent from 1982-83. "Blooms Sold" similarly increased 9.3 percent from 1980-82, and 4.1 percent from 1982-83. Counsel for respondent FTD conservatively estimated production as stable from 1980-82 (Transcript of October 24, 1983 Conference, hereinafter "Transcript," at 120), and while refraining from making estimates for 1983, argue that, based on data for California interstate shipments, production will likely continue to increase through 1983. (Transcript at 119, 121-22, Post-Conference submission of Florist's Transworld Delivery Assoc., October 18, 1983.)

See also Report at Table 4, demonstrating that saleable blooms produced increased by 6.7 percent from 1980-82, and 4.5 percent in the interim 1982-83 period. Table D-1 also shows an overall 6.7 percent 1980-82 increase, and a 4.5 percent increase in production for the interim 1982-83 period.

Similarly, domestic shipments rose consistently from 1980-82, continuing the increase into the interim 1982-83 period. 11/ Domestic shipments rose almost eight percent from 1980-82, and 3.4 percent in January-August 1983 over the corresponding 1982 period.

Sales followed the same increasing trend as production and shipments. Between 1980 and 1982, U.S. sales of fresh cut roses went up by 7.3 percent, and the interim 1983 period showed a 3.3 percent increase compared to the same period in 1982. Both total value and average unit value of these sales also increased. 12/

Employment in the industry for the period under investigation did not show any substantial change, although questionnaire data indicated a slight decline (four percent), in total number of all workers employed in the industry, and a slight increase (two percent) in the number of workers directly

11/ See Report at Table D-2.

12/ See Report at Table 5, A-12.

related to rose growing. 13/ However, wages paid to workers growing fresh cut roses increased more than 18 percent between 1980 and 1982, and continued to rise by seven percent for the interim 1983 period. Salaries paid to officers or partners also increased along with wages paid to workers throughout the period. 14/

The domestic industry did not experience difficulty in gaining access to financing for investment or in making expenditures for research and development. According to petitioner's data, capital investment increased 12.5 percent on an annual basis between 1979-82, with an overall cumulative increase equalling 41 percent. Questionnaire data showed a 37 percent increase in research and development expenditures between 1980 and 1982, and a 22 percent increase comparing January-August 1983 to the same period in 1982. 15/

13/ See Report at Table 7. However, respondents cite information provided by petitioner demonstrating that employment in fact increased from 2822 to 3140 workers from 1979-82. See Post-Conference Brief on behalf of the Association Colombiana de Exportadores de Flores (Asocolflores) and the Association of Floral Importers of Florida (AFIF), October 28, 1983.

14/ See Report at Table 8.

15/ See Petition at Table 14 and Report at A-19.

Reasonable Indication of Material Injury
by Reason of Imported Roses from Colombia

Over the past three decades there has been a shift in the concentration in U.S. production away from many small local growers located in the Eastern and Mid-Western United States to large and efficient growers in the Western United States, particularly California. 16/ Although demand for fresh cut roses is higher in the densely populated urban areas of the East, 17/ costs of production per bloom are almost twice as

16/ See Report at A-6.

17/ See Office of Economic's submission of November 7, 1983, "Quantity of Roses Sold in the Western U.S." and "Quantity of Roses sold in the Eastern U.S."

high in the East than in California. 18/ Accordingly, the number of rose growers in California and Colorado have recently increased, while a decline has occurred in the number of growers located in the Eastern United States. 19/

18/ The following figures were obtained by dividing total growing and operational expenses (Table D-3) by blooms produced (Table D-1) for the various geographic areas and years:

Cost of Production (cents per bloom):

California

1980	14.4
1981	14.4
1982	16.2

Other Western

1980	23.6
1981	25.1
1982	24.8

All Other (Eastern)

1980	27.4
1981	29.3
1982	31.1

19/ See Report at A-7, Transcript at 93, 120.

California clearly dominates the domestic rose growing industry with more than 50 percent of production, more than 50 percent of shipments, and a profitability ratio more than twice as high as the Eastern United States. 20/ While California leads the industry in terms of production, shipments and profitability, this ascension has not been at the expense of Eastern growers, since these growers have reported steady, albeit smaller, increases in production and shipments. 21/

Losses in profitability have been experienced primarily by rose growers in the Eastern United States. 22/ This is consistent with an analysis of cost of production comparisons for the two geographic areas 23/ demonstrating a substantial cost advantage to California growers. This cost advantage is so significant that it surpasses any advantage in transportation costs Eastern growers may have in distributing these roses in the Eastern market. 24/

20/ See Report at Table D-1 at A-49, A-50, Table D-2 at A-51 and Table D-3 at A-53.

21/ See Report at Tables D-1 and D-2.

22/ See Report at Table D-3. Also questionnaire responses for Table 8.

23/ See note 18.

24/ Transcript at 120.

Hence it is apparent that the domestic industry is currently experiencing a shift of production from the East to a greater concentration of production facilities in the West. This is because it is less expensive to grow fresh cut roses in the Western United States and transport them to the East than it is to grow them where demand is greatest.

Prices

The cost advantage resulting from the lower cost of production per bloom in the Western segment of the industry is apparent in an analysis of prices of all categories of roses from the Eastern and Western United States vis-a-vis roses from Colombia. If you ignore the geographical distinctions between the Eastern and Western markets, and look at price data 25/ that has not been disaggregated by geographic sector, 26/ and compare the prices of all domestic roses to Colombian roses, then Colombian roses undersold domestic roses in two of the

25/ Price trends were analyzed by calculating weighted average prices for January through September to minimize the impact of seasonal variations (A-32).

26/ See Report at Table 27.

three rose categories. The margins of underselling ranged from six percent to 58 percent on a delivered price basis for intermediate stem (18 to 24 inches) and sweetheart (10 to 14 inches) roses. 27/ Domestic roses underpriced Colombian roses, however, in the long-stem category (greater than 24 inches) by margins ranging from 23 to 100 percent on an f.o.b. basis and 14 to 68 percent, delivered. Most imported roses from Colombia are of the long-stemmed variety. 28/

More significantly, if you disaggregate price data to allow for analysis of prices of Eastern, Western and Colombian roses, it is clear that Western growers undersold Eastern growers in all categories of roses. 29/ In the Eastern United States, where most competition occurs between Western, Eastern

27/ Report at Table 11.

28/ There are only estimates of what percentage long-stem roses constitute of the total. Estimates vary from approximately 50 percent (see Office of Economics submission, November 7, 1983) to 75 percent of total roses imported from Colombia (see Transcript at 123, Post-Conference submission of Florists' Transworld Delivery Association at p. 8, and Transcript of Commission Meeting, November 7, 1983).

29/ See Table 12, Report at A-30; see also Transcript at 97-102, 126, 127.

and Colombian roses, 30/ price comparisons show that while Colombian roses consistently undersold domestic Eastern-grown roses, domestic Western-grown roses generally undersold both the Colombian- and Eastern-grown roses. 31/ In the Western United States, where virtually no Eastern-grown roses are sold, 32/ it was also the case that roses from Colombia were generally priced above those domestically-produced in the West. 33/

Thus, imported roses have not undersold domestic roses overall when price comparisons are made which distinguish Colombian, Eastern and Western prices. While roses from Colombia are, in fact, underselling roses from the Eastern United States, roses from the West are priced lower still. Even if Colombian roses were absent from the U.S. market, the part of the industry which grows and sells roses in the Eastern United States would still be facing the same degree of competition that petitioner argues is injurious.

30/ See Report at A-25.

31/ See Report at A-30, Table 12, Transcript at 97-102, 126, 127.

32/ Report at A-32.

33/ See Report at Table 13.

In addition, roses from Colombia have not caused any suppression or depression of U.S. prices. Prices of Eastern, Western and Colombian roses all increased throughout the period under investigation. 34/ Moreover, in the Eastern United States, where Colombian imports are greatest 35/ and hence the impact from imports would be most acute, prices of Eastern roses increased more rapidly than either prices of Western or Colombian roses. 36/ All domestic price increases exceeded the

34 Report at A-25, A-26, Tables 11-13.

35/ See Office of Economics submission, November 7, 1983, "Quantity of Roses Sold in Eastern and Western United States," and compare "Colombian" roses for Eastern and Western U.S. See also Report at A-24.

36/ See A-26. For all three rose categories, prices of Eastern roses increased 10-27 percent, Western roses increased from 4-19 percent and Colombian roses increased from 3-13 percent.

approximately six percent increase in the United States wholesale price during the period under investigation.

Lost Sales and Lost Revenue

Lost sales and lost revenue information similarly do not show evidence of significant injury from imported Colombian roses. Petitioner did not allege any lost sales. However, the Commission staff contacted 15 purchasers who bought imported Colombian roses. Thirteen of these 15 purchasers reported they bought Colombian roses because of inadequate domestic supplies, especially during peak demand periods. Higher quality of the imported roses was also cited as a factor. Two purchasers out of 15 indicated price of the Colombian roses was influential in their decision. 37/

Domestic growers did make specific allegations of lost revenues due to imported Colombian roses. 38/ Of nine purchasers contacted, seven stated that reduced prices of the domestic growers were the result of competition with other domestically-grown roses and the imported Colombian roses. 39/

37/ See Report at A-37-A-38.

38/ See Report at A-39-A-40.

39/ Only one purchaser stated that the reduced price of the domestic roses was the result of competition with the Colombian roses. The remaining purchaser could not recall the instance where the domestic grower reduced his price.

Therefore, because roses from Colombia did not undersell all domestic roses, did not suppress or depress U.S. prices, and because revenue and sales were not lost due to prices of Colombian roses alone, there is no causal link between imports of roses from Colombia and the injury suffered by the domestic industry.

Domestic Demand and Supply and
a Reasonable Indication of
Threat of Material Injury

Petitioner points to recent significant and sustained volume increases of rose imports from Colombia as a reasonable indication of threat of material injury. 40/ Moreover, petitioner argues that the injury and threat presented by these imports 41/ is particularly pronounced because a rose is a perishable product, and therefore the market is price sensitive.

40/ See petitioner's Post-Conference submission on behalf of Roses, Inc., October 31, 1983, at p. 18. Note that petitioner did not specifically allege threat of material injury.

41/ Imports of roses from Colombia increased from an estimated 30 million blooms in 1980 to 75 million blooms in 1982. Colombian imports rose by 39 percent in interim 1983 when compared to the same 1982 period (Report at A-20). Notably, imports from all sources rose (Report at A-20).

However, an analysis of several factors indicates that these increased levels of imports do not present a threat to the domestic industry. 42/ Supply and demand in the U.S. market for the subject roses is not such that these imports will necessarily threaten the U.S. industry with injury.

Most Colombian rose imports are of the long-stem variety. 43/ While there are no data on domestic production of long-stem roses, it has been estimated that due to climatic conditions, premium long-stem roses constitute only 25 percent of domestic supply. 44/ Production of a greater proportion of

42/ In an analysis of threat of material injury the Commission examines, among other factors, demonstrable trends in the following areas: (1) the rate of increase in importation of the dumped merchandise on the United States market, (2) importers inventories (irrelevant in regard to this product), (3) capacity in the exporting country to generate exports, and (4) the likelihood that such imports will be directed to this market, taking into account the availability of other export markets (see section 207.6 of the Commission's Rules (19 C.F.R. 9207.26)). See also Senate Report No. 96-249, 96th Cong., 1st Sess., (1979) at 88-89. "An ITC affirmative determination with respect to threat of injury must be based on information showing that the threat is real and injury is imminent, not mere supposition or conjecture." See also *Alberta Gas Chemicals, Inc. v. United States*, 515 F. Supp. 780, May 28, 1981.

43/ See note 28.

44/ See Transcript at 23-25, Post-Conference submission of Florists Transworld Delivery Association at pp. 7-8.

domestic long-stem roses would likely result in substantial increases in costs of production. 45/ Even if the domestic industry could increase production of this variety of rose, it is difficult to ascertain how Colombian imports of long-stem roses would be injurious, since long-stemmed roses from California are priced below long-stemmed roses from Colombia. 46/ Thus, Colombian imports of primarily long-stemmed roses are both meeting a demand for which there is inadequate domestic supply, and for which domestic producers do not have a comparative advantage. 47/

The conclusion that imports of roses from Colombia supplement, rather than substitute for, domestic roses is borne out by the fact that the market has been one of generally increasing prices for all participants. If the total quantity of roses available was greater than demand, prices

45/ Transcript at 124. According to counsel for respondents, U.S. growers could increase the percentage of premium red roses per plant by heavily pruning intermediate stems, but this would increase labor costs and sharply reduce the total number of blooms produced per plant per year. See also Transcript at 146.

46/ See Report at Table 12.

47/ Transcript at 145-48. See also, Post-Conference submission of Florists' Transworld Delivery Association at p. 7 and Lost Sales data, Report at A-37.

would follow a declining, rather than an increasing trend. 48/

Most significant, in an analysis of a reasonable indication of material injury or threat of material injury, an affirmative determination cannot be made solely on the basis of an increased level of imports. 49/ With regard to a reasonable indication of threat of material injury, an affirmative determination must be based on more than mere supposition and conjecture that injury might occur at some remote future time. While petitioner refers to an increasing amount of acreage devoted to roses by Colombian growers, 50/ no evidence of planned expansion of the cultivation area is offered. 51/

48/ Moreover, in a market characterized by inadequate domestic supply and seasonal variations in demand, and a perishable product which is subject to adverse climate, imports perform an important function in keeping prices within the reach of the consumer. For example, in 1977 a frost damaged the Colombian rose crop, thereby limiting the availability of roses on Valentine's Day. Consequently, U.S. rose prices soared above their normally high holiday levels in February 1977.

49/ See note 42.

50/ Petition at 48.

51/ Transcript at 104. I will, of course, fully consider all information developed in the course of this investigation in this regard.

Conclusion

An analysis of most indicators shows that the domestic industry is not experiencing material injury. Any injury being experienced is the result of domestic competition, brought on by lower costs of production in the Western United States. Because most Colombian imports are a variety which is not cost-efficient for the domestic industry to produce, and because these imports have not caused rose prices to fall, these imports have supplemented, rather than substituted for, domestic production. No substantial information was presented to the Commission demonstrating that there is a reasonable indication of a real and imminent threat to the domestic industry. Increased import volume and penetration is not -- in and of itself -- sufficient to sustain an affirmative preliminary determination with respect to injury, threat of injury, and causation. 52/

52/ See section 771(7)(C) of the Tariff Act of 1930, as amended (19 U.S.C. 1677(7)(C)). See also the Report of the Senate Committee on Finance on the Trade Agreements Act of 1979 (S. Rept. No. 96-249, 96th Cong., 1st Sess. 88 (1979)). While the significance of the various factors which affect an industry will depend upon the facts of each particular case, see also SCM Corporation v. United States, Slip Op. 82-54, 3 ITRD 2198 (Ct. of Int'l Trade 1982), where the court upheld a negative injury determination of the Commission based upon criteria other than increases in the volume of imports. Despite a large increase in import penetration, the Commission found negatively because there had been no domestic price suppression or lost sales. Financial indicators had also not been negatively affected.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 30, 1983, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of Roses, Inc., 1/ alleging that fresh cut roses imported from Colombia are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the antidumping laws of the United States. Accordingly, effective September 30, 1983, the Commission instituted investigation No. 731-TA-148 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured or is threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports of fresh cut roses from Colombia, which are currently provided for in item 192.18 of the Tariff Schedules of the United States (TSUS). The statute directs that the Commission make its determination within 45 days of receipt of the petition, or in this case by November 14, 1983.

Notice of the institution of the Commission's investigation and of the public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of October 13, 1983 (48 F.R. 46632). 2/ A public conference was held in Washington, D.C., on October 24, 1983, at which all interested parties were afforded the opportunity to present information for consideration by the Commission. 3/ The Commission's vote on the investigation was on November 7, 1983.

Previous Commission Investigations

The Commission has conducted several investigations with respect to fresh cut roses specifically and fresh cut flowers in general. On the basis of a petition filed on behalf of the Grower Division of the Society of American Florist and Ornamental Horticulturists, the Commission instituted, effective February 12, 1977, investigation No. TA-201-22 under section 201 of the Trade Act of 1974 to determine whether fresh cut flowers (including roses), then being imported into the United States, were being imported in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to a domestic industry. The Commission made a negative determination in that investigation. Investigation No. TA-201-22 was followed by investigation No. TA-201-42, relating only to fresh cut roses, which was

1/ Roses, Inc. is a domestic trade association whose membership consists of growers of fresh cut roses.

2/ A copy of the Commission's notice of institution is presented in app. A. Commerce's notice of institution is presented in app. B.

3/ A copy of the calendar of the public conference is presented in app. C.

instituted, effective November 29, 1979, as a result of a petition filed on behalf of Roses, Inc. In April 1980, the Commission unanimously determined that fresh cut roses were not 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 the like or directly competitive articles.

On January 3, 1980, a petition was again filed on behalf of Roses, Inc., alleging that imports of fresh cut roses from the Netherlands were being subsidized by the Government of that country. Effective January 11, 1980, the Commission instituted investigation No. 701-TA-21 (Preliminary) 1/ to determine whether there was a reasonable indication that an industry in the United States was materially injured, or threatened with material injury, or whether the establishment of an industry in the United States was materially retarded, by reason of the allegedly subsidized imports of fresh cut roses from the Netherlands. In February 1980, the Commission unanimously determined, on the basis of the record developed in the investigation, that there was no reasonable indication of injury to a domestic industry by reason of the allegedly subsidized imports of fresh cut roses from the Netherlands. Finally, the Commission instituted, effective June 8, 1981, an antidumping investigation (Inv. No. 731-TA-43 (Preliminary)) with respect to fresh cut roses from Colombia. However, the Commission's investigation was terminated when Commerce (the administering authority) dismissed the petition on June 25, 1981. 2/

On January 18, 1983, Commerce entered into a suspension agreement with 93 Colombian producers and exporters of roses and other cut flowers whereby such producers and exporters renounced all benefits deemed countervailable by Commerce in its preliminary countervailing duty investigation initiated on August 26, 1982. 3/ Commerce also published in the Federal Register of August 12, 1983 (48 F.R. 36635) the results of its final administrative review with respect to fresh cut roses from Israel. 4/ The review covered the period October 1, 1979 through September 30, 1980, and resulted in a determination of net subsidies amounting to 11.69 percent.

1/ Fresh Cut Roses From the Netherlands: Determination of no Reasonable Indication of Material Injury or Threat Thereof in Investigation No. 701-TA-21 (Preliminary), . . . , USITC Publication 1041, February 1980.

2/ The petitioner (Roses, Inc.) challenged the dismissal through the judicial process which culminated in an order by the court remanding the case back to Commerce for a redetermination. Note, however, that the petition resulting in the instant investigation is separate and unrelated to the order of remand by the court.

3/ Colombia is not a "country under the Agreement" therefore the Commission did not conduct an injury investigation.

4/ Commerce's affirmative final determination was published in the Federal Register of Sept. 4, 1980 (45 F.R. 58516)

Nature and Extent of Alleged Sales at LTFV

Based on information provided in the petition, more than 85 percent of Colombia's production of fresh cut roses (there are about 28 growers) is channeled to export markets, with the United States receiving about 90 percent of the exports. In support of its allegation of sales made at LTFV, the petition compares the amounts actually remitted to the Colombian grower/exporter resulting from a U.S. sales transaction made under the consignment arrangement with the constructed value (based on cost of production) of the merchandise in Colombia. Based on this comparison, the petition alleges LTFV margins in 1983 ranging from a low of 16.8 percent to a high of 247.0 percent.

The Product

Description and uses

Roses are members of the Rosaceae family; at least 100 species and thousands of varieties are known to exist. The two most commercially important types of these relatively expensive flowers are the sweethearts and the hybrid teas. Roses may be white, pink, red, yellow, orange, or intermediate shades or tints. Cut roses are used in wreaths and bouquets for ceremonial occasions and for general decorative purposes. As fresh cut flowers, roses may last 3 to 5 days in the home without the use of a preservative and 5 to 7 days with the use of a preservative.

U.S. tariff treatment

Fresh cut roses are classified for tariff purposes under item 192.18 of the TSUS. 1/ Prior to January 1, 1980, fresh cut roses were classified along with all other fresh cut flowers under item 192.20 of the TSUS. The rates of duty currently applicable to imports of fresh cut roses are 8 percent ad valorem under column 1 2/ and 40 percent ad valorem under column 2. 3/ The column 1 rate reflects a concession granted by the United States in the Tokyo round of the General Agreement on Tariffs and Trade effective January 1, 1980; that rate is not scheduled for further reductions under the Tokyo round. Fresh cut roses imported from beneficiary developing countries are not eligible for duty-free treatment under the Generalized System Preferences.

1/ Fresh cut roses were classified under TSUS item 192.19 from Jan. 1, 1980, through Mar. 29, 1980.

2/ The rates of duty in column 1 are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS. The People's Republic of China, Hungary, Romania, and Yugoslavia are the only Communist countries currently eligible for MFN treatment. However, MFN rates would not apply to products of developing countries if preferential tariff treatment is granted under the Generalized System of Preferences (GSP) or under the "LDDC" rate of duty column.

3/ The rates of duty in column 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS. A-3

U.S. imports of fresh cut roses generally are valued for duty-assessment purposes on the basis of their value for exportation in the country of export. Transportation costs for imported fresh cut roses usually account for a substantial portion of the landed cost in the United States, since air shipment is often required because of their perishability. Because transportation costs are not part of the dutiable value, the rate of 8 percent ad valorem on fresh cut roses is significantly less than 8 percent of the landed value. In 1982, the c.i.f. value of fresh cut rose imports was 12 percent higher than the customs value.

It is difficult for the U.S. Customs Service to compute the dutiable value of fresh cut flowers based on their value in the exporting country if the flowers are imported from sources in Latin America; very little of the commercial production is sold in the domestic markets of the countries in that area. In addition, some of the imports from that area enter the United States on consignment for subsequent sale. Consignment shipments and related-party entries are valued monthly by the U.S. Customs Service for duty purposes. For the period October 1-October 31, 1983, the rate of duty on fresh cut rose imports is assessed for such consignment and related-party entries based on the following fixed valuations:

Long stem roses (20 inches or more)-----	22¢ per stem
Short stem roses (under 20 inches)-----	15¢ per stem

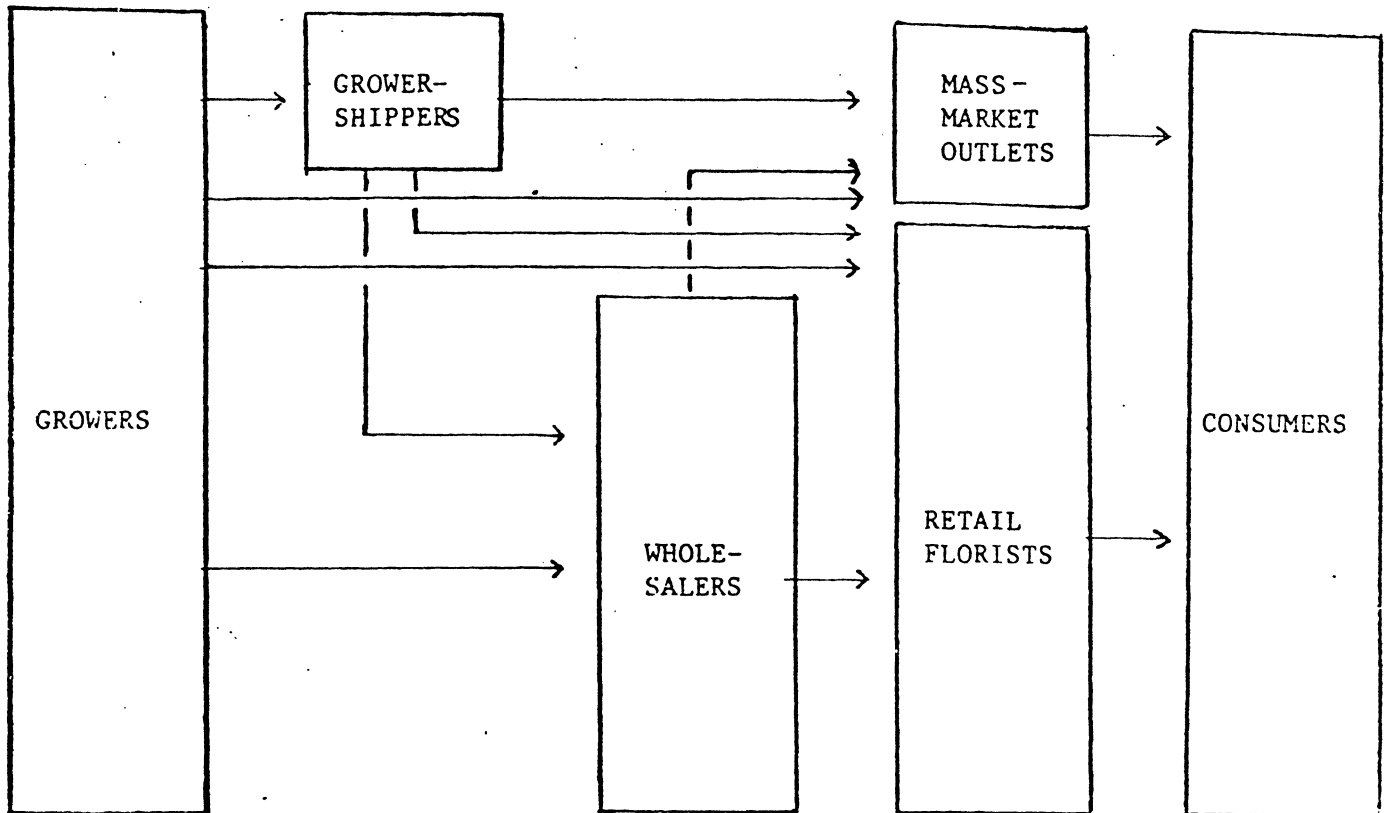
All imported fresh cut roses are subject to Federal quarantine inspection to prevent the spread of injurious plant pests (7 CFR 319.74). Inspections are made quickly and result in very few detentions. Imported roses also require a permit, but this permit is readily obtainable for roses shown to be free of injurious plant pests. Quarantine inspections are provided free of charge to importers during normal working hours of the Animal and Plant Health Inspection Service of the U.S. Department of Agriculture. At all other times, importers are charged a fee for inspection services.

Channels of distribution

The channels of distribution used to market fresh cut roses, shown in the following figure, are the same as those used to market other types of fresh cut flowers. Most fresh cut rose production moves through the traditional market channels, from the grower to the wholesaler to the retail florist, and finally to the consumer. In recent years, grower-shippers have gained an important role in the distribution channel. Initially, grower-shippers almost exclusively shipped only flowers produced in their own growing facilities. Such entities have now expanded their operations to include the shipment of flowers produced by other growers. In many cases, grower-shippers also have expanded product lines to cover a full line of fresh cut flowers to satisfy the needs of wholesalers, mass merchandisers, and retail florists.

Wholesalers generally carry a full line of fresh cut flowers along with various other plant materials and supplies used by retailers. The wholesalers receive the flowers in their warehouses and distribute them in the major markets. There are over 2,000 wholesalers in the United States. Some whole-^{A-4}salers, known as wholesaler-shippers, have also integrated their operations,

U.S. channels of distribution for marketing fresh cut roses in the United States.



Source: U.S. International Trade Commission.

establishing purchasing centers in major growing areas in order to obtain a product line tailored to the needs of the mass-merchandiser, the retail florist, and the consumer. These wholesalers are known as wholesaler-shippers.

The retail florist shops and the mass-merchandising outlets generally are the points at which fresh cut roses are sold to the ultimate consumer. The retail florist is considered a full-service outlet and generally carries a full line of fresh cut flowers. In addition, the retail florist generally allows the consumer to charge purchases and have the product delivered, as well as providing other services such as designing flower arrangements. The mass merchandiser, however, generally operates on a cash-and-carry basis and is considered a no-service outlet.

Importers of fresh cut roses normally enter the distribution channel at the same level as the grower or grower-shipper. However, some importers have expanded their operations to include wholesaling functions in major U.S. markets.

The U.S. Industry

During 1950-82 there was a marked shift in the composition of the fresh cut rose industry in the United States, from many small local growers near eastern and midwestern population centers to large and efficient growers primarily in California and Colorado. Although California growers are situated in a favorable climate for producing cut roses, Colorado also has a great deal of sunshine--a requisite for growing good quality roses--in spite of cold winter weather, with its attendant fuel costs. Pennsylvania, Indiana, and New York also have been important rose-producing States owing in part to their proximity to eastern and midwestern population centers.

Most commercial growers raise both the hybrid tea and the sweetheart types. It is estimated that there are about 250 commercial rose growers in the United States. Table 1 shows the number of commercial producers of cut roses, by principal types, in major producing States in recent years. 1/

In 1981 there were 222 commercial growers of hybrid tea roses in the 14 major producing States, down 6 percent from the number of growers in 1977. The number of commercial growers of sweetheart roses in the 13 major producing States 2/ declined by 11 percent over the period 1977-81, from 198 to 177. However, the number of growers of hybrid tea roses in California and Colorado increased during the period, as did the number of growers of sweetheart roses in California. Hence, most of the decline in the number of commercial growers occurred in the other major producing States located primarily in the Eastern United States.

1/ The major producing States are California, Colorado, Connecticut, Illinois, Indiana, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Washington for hybrid tea and (except Oregon) for sweetheart roses.

2/ It is estimated by the U.S. International Trade Commission that the major producing States account for at least 90 percent of U.S. commercial rose production. A-6

Table 1.--Fresh cut roses: Number of U.S. commercial growers of hybrid tea and sweetheart roses in leading producing States, 1977-81

Year	Hybrid tea roses			Sweetheart (miniature) roses		
	California and Colorado	Other States	Total	California	Other States	Total
1977-----	85	152	237	52	146	198
1978-----	87	134	221	55	125	180
1979-----	91	145	236	57	120	177
1980-----	94	146	240	67	116	183
1981-----	92	130	222	68	109	177

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

Note.--The U.S. Department of Agriculture ceased gathering data on the U.S. floriculture industry beginning in 1982.

U.S. commercial rose growers vary in size, in terms of number of rose plants in production, from firms with as few as 2,000 rose plants to one firm with nearly 1.3 million plants. In 1975, the last year for which industry data were reported by the U.S. Department of Agriculture, less than 25 percent of the commercial growers of hybrid tea and sweetheart roses accounted for more than 60 percent of the commercial production of those rose types.

Many U.S. rose growers are diversified in their output, producing other types of cut flowers, potted flowering plants, or other floricultural products. The importance of cut rose production to their overall operations varies significantly by firm. An average size U.S. rose-growing operation would have about 88,000 rose plants in production, requiring about 135,000 square feet of greenhouse space. The grower would sell about 2.1 million rose blooms annually from these plants and would have annual rose sales of about \$600,000.

Almost all roses grown commercially in the United States are produced in greenhouses. The greenhouse may be of a rigid type (constructed of glass or rigid fiberglass) or it may be of a film type (constructed of plastic or polyethylene). Both types of structures have certain advantages and disadvantages. For instance, rigid-type structures have very high initial construction costs and lower maintenance costs compared with those for film-type structures. Both types of structures are common throughout the United States, and each is usually tailored to the individual grower's needs. Rose greenhouses in the United States require some type of supplemental heating for rose production to continue year round. Where possible, growers usually use natural-gas-fired boilers rather than oil-fired boilers or other types of heating systems, owing in major part to the cost advantages of

natural gas. But because of the rapid escalation of fuel costs, some U.S. growers are turning to alternative energy sources for their heating needs (e.g., geothermal, wood, sawdust, rice coal, and waste heat from power plants).

The production of roses is a long-term investment. A typical rose plant will be in production for 4 to 6 years and will produce between 80 and 150 blooms during that time, depending on the rose variety. The sweetheart varieties are usually more prolific than the average rose plant, although some of the hybrid tea varieties are far less fruitful. A grower must also contract in advance for new rose plants that will be used to either replace existing plants or for additional plants. This leadtime is usually between 9 months and a year, but for some varieties, the leadtime may be nearly 2 years. Also, once the plants are placed in the greenhouse, it is about 120 days before the first rose bloom is cut. In addition, rose plants are normally leased from the propagator. The lease usually stipulates that cuttings to produce more plants cannot be taken from the plants, and once the plants are removed from the growing area, they cannot be sold but must be destroyed. The conditions also apply to outright sales of the rose plants. Hence, a grower has to produce cut roses if he is to recover his investment in the rose plants.

The Colombian Industry

Colombia is one of the world's leading producers of roses for the export market. In 1982, it is estimated by the petitioner that Colombian commercial rose growers, numbering about 28, produced about 120 million roses. About 80 percent of that total, nearly 102 million blooms, was exported. The United States was the destination for about 93 percent, or 94 million blooms, of such exports in that year.

U.S. Importers

During January-August 1983, nearly 100 firms imported fresh cut roses from Colombia. However, the bulk of the imports were accounted for by 10 firms. Many of these importing firms are associated with Colombian producers and are the Colombian firms' marketing arm in the United States.

U.S. importers of fresh cut roses from Colombia are mainly concentrated in the Miami, Fla., area due to its close proximity to Colombia, which is a distance that requires less than 4 hours of air travel and the transportation network for shipping perishables from Florida to Eastern United States markets. It is from this central hub that importers control the movement of Colombian imported fresh cut roses throughout the United States. Once the incoming merchandise clears customs and APHIS inspection, it is either loaded into trucks for immediate shipment to points north or the merchandise is held over by the importer in a refrigerated warehouse for shipment within a few days.

Apparent Consumption

Apparent U.S. consumption of fresh cut roses increased steadily during 1980-82 and interim January-August 1983, primarily on the strength of U.S. imports. Consumption rose from 499.8 million blooms in 1980 to 548.5 million blooms in 1982, representing an increase of about 10 percent (table 2). The increase in consumption in January-August 1983 over January-August 1982 was of a similar magnitude. The ratio of imports to apparent consumption and to U.S. production also increased considerably from 1980 to 1982, increasing from 7.7 percent and 8.2 percent, respectively, in 1980 to 17.2 percent and 20.3 percent, respectively, in 1982.

Table 2.--Fresh cut roses: U.S. production, exports of domestic merchandise, imports for consumption, and apparent U.S. consumption, 1980-82, January-August 1982, and January-August 1983

Period	Production	Exports ^{1/}	Imports	Apparent consumption	Ratio of imports to—	
					U.S. production	Apparent consumption
	Millions of blooms				Percent	
1980-----	471.3	10.0	^{2/} 38.5	499.8	8.2	7.7
1981-----	466.8	10.0	67.5	524.3	14.5	12.9
1982-----	^{1/} 464.4	10.0	94.1	548.5	20.3	17.2
Jan.-Aug.--						
1982-----	^{1/} 313.0	7.0	60.2	366.2	19.2	16.4
1983-----	^{1/} 330.3	7.0	84.1	407.4	25.5	20.6

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

^{2/} Data for January-March 1980 estimated by the staff of the U.S. International Trade Commission since imports of fresh cut roses were not separately provided for in the TSUS and thus no official statistics for that period were available.

Source: U.S. production based on data from Floriculture Crops of the U.S. Department of Agriculture with adjustments to include all 50 States, except as noted; imports, compiled from official statistics of the U.S. Department of Commerce, except as noted.

The Question of Material Injury

In seeking information on the question of a reasonable indication of material injury, the Commission sent questionnaires to 180 known U.S. commercial rose growers, requesting a response within 12 days of the Commission mailing. By the time of this report, 51 questionnaires had been received, and 48 contained usable data. The 48 respondents supplying usable data accounted for 39.5 percent of salable blooms produced by all U.S. producers in 1980; 41.5 percent in 1981, and 42.8 percent of estimated U.S. production in 1982. For January-August 1982 and 1983, the questionnaire respondents accounted for 37.6 percent and 37.2 percent respectively of total estimated U.S. production.

U.S. production and planting capability

U.S. rose growers had a total area of 15.1 million square feet in production in 1980, 12.4 million square feet, or 82 percent of the total, was devoted to the growing of fresh cut roses, according to the responses of 47 of 51 firms responding to questionnaires of the U.S. International Trade Commission. From 1980 to 1982, the area set aside for the production of fresh cut roses by these producers grew by little more than 2 percent, to 12.6 million square feet, whereas that for all products rose by less than 1 percent, increasing to 15.2 million square feet in 1982 (table 3). In January-August 1983, the area devoted exclusively to the growing of fresh cut roses increased by 6 percent, to 12.9 million square feet, compared with the area devoted to such production in January-August 1982. Similarly, the ratio of the area planted in fresh cut roses to the total area planted for all products increased uninterruptedly in all periods, as shown in table 3.

Five U.S. growers reported a net decrease of 98,000 square feet in planting area devoted to rose plants from January 1980 through August 1983. Two additional firms closed down or dismantled greenhouses accounting for a substantial part of the overall area dedicated to rose plants. ^{1/} See table D-1 in appendix D for selected data on area in production, by areas of the United States.

Table 3.--Fresh cut roses: Area in production for fresh cut roses and other fresh cut flowers and greenhouse products for 47 commercial growers, 1980-82, January-August 1982, and January-August 1983

Period	Area in production				Ratio of area used for cut roses to total area used
	Fresh cut roses	Other fresh cut flowers	Other greenhouse products	Total all products	
	-----1,000 square feet-----				Percent
1980-----	12,353	1,893	854	15,100	81.8
1981-----	12,463	1,922	815	15,200	82.0
1982-----	12,626	1,935	634	15,195	83.1
January-August--					
1982-----	12,196	1,933	613	14,742	82.7
1983-----	12,943	1,919	534	15,396	84.1

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

^{1/} * * *.

Data submitted by 48 fresh cut rose growers show that the number of rose plants in production by those firms increased irregularly from 7.5 million plants (186.2 million blooms) in 1980 to 7.7 million plants (198.6 million blooms) in 1982, or by 4 percent (table 4). Because the average bloom yield per plant increased irregularly from 1980 to 1982, the number of salable blooms produced increased uninterruptedly, by an overall 7 percent during 1980-82. In January-August 1983, both the number of salable blooms produced and the average bloom yield per plant were up from those of January-August 1982, while the number of plants in production fell. In the case of the number of salable blooms produced, the increase was 4.5 percent, or 5.3 million blooms.

When faced with basic planting decisions of whether to expand or cut back on rose production, or vary their product mix, U.S. growers, in general, responded differently. Whereas some growers may have shifted out of rose production into some other crop, others were devoting more space to growing roses. For example, * * *. See table D-1 for selected data on the number of plants in production and salable blooms produced by areas of the United States.

Table 4.--Fresh cut roses: Plants in production, total salable blooms produced, and average yield per plant for 48 firms, 1980-82, January-August 1982, and January-August 1983

Period	Plants in production	Salable blooms produced	Average yield per plant
	<u>1,000</u> <u>plants</u>	<u>1,000</u> <u>blooms</u>	<u>Blooms</u>
1980-----	7,453	186,158	25.0
1981-----	7,801	193,594	24.8
1982-----	7,736	198,597	25.7
January-August--			
1982-----	7,502	117,563	15.7
1983-----	7,490	122,893	16.4

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

U.S. growers' shipments

Domestic.--According to usable questionnaire data submitted by 47 growers, the number of fresh cut rose blooms sold by these growers rose consistently during 1980-82 and also increased in January-August 1983 over sales in the corresponding period of January-August 1982. The total number of

blooms sold increased from 179.6 million in 1980 to 192.9 million blooms in 1982 (table 5). Bloom sales of the sweetheart variety increased by 11 percent and sales of all other rose varieties, including the hybrid tea rose, increased by only 6 percent. The value of sales, as reported by the 47 growers, also rose from 1980 to 1982, increasing by slightly less than 18 percent to \$48.6 million in 1982. The value of such sales in the interim 1983 period (\$35.9 million) was up by more than 10 percent over the value of such sales in the interim 1982 period.

Table 5.--Fresh cut roses: U.S. sales of 47 growers, 1980-82, January-August 1982, and January-August 1983

Item	1980	1981	1982	January-August--	
				1982	1983
	Quantity (millions of blooms)				
Sweetheart-----	56.3	60.2	62.6	37.1	36.7
Other <u>1</u> /-----	123.3	129.0	130.3	75.9	80.1
Total-----	179.6	189.2	192.9	113.0	116.8
	Value (1,000 dollars)				
Sweetheart-----	11,020	13,525	12,903	8,979	9,673
Other <u>1</u> /-----	30,297	34,665	35,701	23,480	26,201
Total-----	41,317	48,190	48,604	32,459	35,874
	Unit value (cents per bloom)				
Sweetheart-----	19.6	22.5	20.6	24.2	26.4
Other <u>1</u> /-----	24.6	26.9	27.4	30.9	32.7
Average-----	23.0	25.5	25.2	28.7	30.7

1/ Includes hybrid tea.

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

The average unit value of sales of sweetheart roses increased by 5 percent, to 20.6 cents per bloom from 1980 to 1982, compared with an increase of 11 percent, to 27.4 cents per bloom for all other varieties of fresh cut roses over the same period. The average unit value on sales of all fresh cut roses in January-August 1983 rose by nearly 7 percent (to 30.7 cents per bloom) over the average unit value of such sales in January-August 1982.

In the Commission's questionnaire, U.S. growers were asked to provide the quarterly distribution (in blooms) of their fresh cut rose shipments to the eastern 1/ and western sectors of the United States from January 1980 through August 1983. Of the 37 growers that were able to provide such data, 10 growers reported sales of their merchandise to points both east and west of the Mississippi; 21 growers reported sales in only the eastern part of the United States, and 5 growers reported sales of their product to only the western part of the United States. None of the Eastern growers shipped to the Western States; all 10 growers that ship to points east and west of the Mississippi are located in the western part of the United States; 6 of these growers are located in California followed by 1 each in Colorado and Oregon and 2 in Utah.

The predominant share of U.S. growers' shipments flow into the eastern part of the United States where heavily populated urban centers tend to be more concentrated. The ratio of U.S. growers' sales to the Eastern United States to U.S. growers' total sales to all areas of the United States, by quarters, is shown in the following tabulation (in percent):

Year	Ratio of shipments to the Eastern United States to total shipments to all areas of the United States					
	Jan.-	Apr.-	July-	Oct.-	Average	
	Mar.	June	Sept.	Dec.		
1980-----	63.2	66.7	65.7	67.0	65.7	
1981-----	63.7	68.1	66.2	66.3	66.2	
1982-----	58.6	59.8	58.1	58.4	58.8	
1983-----	59.5	67.0	<u>1/</u> 57.5	<u>2/</u>	<u>3/</u> 62.6	

1/ Includes July-August only.

2/ Data not available.

3/ Includes January-August only.

The strongest selling periods of the year for sales of fresh cut roses tend to occur in the months of February and May. These two months of the year include the traditional celebration of Valentine's Day on February 14th and Mother's Day which is celebrated the second week in May. These two dates are the greatest demand periods for roses, more so than any other time of the year. The data presented in table 6, which are based on the questionnaire responses of 37 growers, suggest that U.S. growers' shipments to all areas of the United States tend to be higher in the 3-month period April-June than at any other time in a given year. From 1980 to 1982, total fresh cut rose

1/ The Eastern United States includes Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, Michigan, Wisconsin, New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Delaware, Maryland, Virginia, West Virginia, Kentucky, North Carolina, Tennessee, South Carolina, Georgia, Alabama, Mississippi, Florida, and the District of Columbia. The Western United States includes all other States of the United States.

shipments by the 37 growers during the 3 months of April-June totaled 33.6 million blooms in 1980, or 30 percent of the total blooms shipped in that year; 31.7 million blooms in 1981, representing 29 percent of total 1981 shipments, and 37.6 million blooms in 1982, again accounting for 29 percent of total 1982 shipments. Such shipments in the 3-month period April-June 1983 were up by 26 percent, to 47.5 million blooms, over those in the corresponding period of April-June 1982.

In the Commission's questionnaire, U.S. growers were also asked to report the quantity (blooms) and value of their fresh cut rose sales that were sold on consignment; 20 growers provided this information in their questionnaire responses. However, upon examination of the individual responses and subsequent telephone calls made by the commission's staff, it was determined that the reported data were unreliable and hence should not be included in this report. See table D-2 for selected data on domestic shipments by areas of the United States.

Table 6.--Fresh cut roses: Quarterly distribution of shipments to the Eastern and non-Eastern United States for 37 growers, January 1980-August 1983

(Millions of blooms)						
Year/region	: January- : March	: April- : June	: July- : September	: October- : December	:	Total
1980:	:	:	:	:	:	:
Eastern United States-----	15.6 :	22.4 :	17.6 :	18.1 :	:	73.7
Non-Eastern United States--:	9.1 :	11.2 :	9.2 :	8.9 :	:	38.4
Total-----	24.7 :	33.6 :	26.8 :	27.0 :	:	112.1
1981:	:	:	:	:	:	:
Eastern United States-----	16.3 :	21.6 :	17.0 :	17.5 :	:	72.4
Non-Eastern United States--:	9.3 :	10.1 :	8.7 :	8.9 :	:	37.0
Total-----	25.6 :	31.7 :	25.7 :	26.4 :	:	109.4
1982:	:	:	:	:	:	:
Eastern United States-----	16.3 :	22.5 :	19.0 :	18.8 :	:	76.6
Non-Eastern United States--:	11.5 :	15.1 :	13.7 :	13.4 :	:	53.7
Total-----	27.8 :	37.6 :	32.7 :	32.2 :	:	130.3
1983:	:	:	:	:	:	:
Eastern United States-----	17.3 :	31.8 :	<u>1/</u> 13.0 :	<u>2/</u> :	:	<u>3/</u> 62.1
Non-Eastern United States--:	11.8 :	15.7 :	<u>1/</u> 9.6 :	<u>2/</u> :	:	<u>3/</u> 37.1
Total-----	29.1 :	47.5 :	<u>1/</u> 22.6 :	<u>2/</u> :	:	<u>3/</u> 99.2
	:	:	:	:	:	:

1/ Includes July-August only.

2/ Data not available.

3/ Includes January-August only.

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

Exports.--Only eight U.S. growers reported exports of fresh cut roses grown in their U.S. growing establishments. Total exports by these eight growers were minimal, averaging about 1.5 million blooms per year from 1980 to 1982. As a share of their total production and total shipments, exports by these growers represented about 3 percent of both production and shipments in 1982. Canada is believed to be the primary destination of U.S. exports.

U.S. employment

The average number of all persons employed by reporting U.S. rose growers remained relatively unchanged between 1980 and 1982, decreasing by 4 percent to 1,960 workers. In contrast, the average number of production and related workers engaged directly in the growing of fresh cut roses increased by a slight margin (less than 2 percent) over the same period, increasing to 1,374 workers (table 7). Of the 45 growers reporting data on the average number of all employees in 1982, 16 employed fewer than 21 workers, 19 employed between 21 and 50 workers, and 10 employed more than 50 workers.

Total wages paid to production and related workers growing fresh cut roses increased from \$12.0 million in 1980 to \$14.1 million in 1982, representing an increase of more than 18 percent. Total wages paid in January-August 1983 rose by 7 percent over wages paid in the corresponding period of 1982. For the most part, production and related workers employed in the industry do not have union representation and generally must rely on wages alone as their only form of compensation. Production and related workers involved in growing fresh cut roses worked a total of 2.7 million hours in 1982 and were paid an average hourly wage rate of \$5.33, compared with a total of 2.6 million hours worked in 1980 at an average rate of \$4.70 per hour. Worker productivity for production and related workers producing fresh cut roses increased only marginally from 1980 to 1982, growing from 73.0 blooms per worker hour in 1980 to 74.9 blooms per worker hour in 1982. Worker productivity in January-August 1983 averaged 69.6 blooms, up from 66.8 blooms per worker hour in the corresponding period of 1982.

Table 7.--Fresh cut roses: Average number of employees, total and production and related workers, hours worked by production and related workers, and average hourly wage rates earned by such workers, 1980-82, January-August 1982, and January-August 1983

Item	1980	1981	1982	January-August--	
				1982	1983
Average number of all persons: employed <u>1</u> /-----	2,034	2,035	1,960	2,094	2,064
Average number of production and related workers pro- ducing--					
All products <u>1</u> /-----	1,859	1,845	1,772	1,896	1,842
Fresh cut roses <u>1</u> /-----	1,355	1,388	1,374	1,474	1,484
Hours worked by production and related workers pro- ducing--					
All products <u>2</u> /					
1,000 hours--	3,481	3,447	3,326	2,290	2,252
Fresh cut roses <u>2</u> /--do----	2,550	2,589	2,652	1,759	1,766
Wages paid to production and related workers producing--					
All products <u>2</u> /					
1,000 dollars--	16,334	17,398	18,368	12,084	12,653
Fresh cut roses <u>2</u> /--do----	11,977	12,922	14,141	9,180	9,858
Average productivity of pro- duction and related workers: producing fresh cut roses <u>3</u> /					
blooms per worker-hour--	73.0	74.8	74.9	66.8	69.6
Average hourly wage rate of production and related workers producing fresh cut roses-----	\$4.70	\$4.99	\$5.33	\$5.22	\$5.58

1/ Includes data for 45 growers.

2/ Includes data for 46 growers.

3/ Based on production of 46 growers.

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

Financial experience of U.S. producers

Profit-and-loss experience.--Usable income-and-loss data were received from 28 U.S. growers of fresh cut-roses. 1/ Total net sales of all greenhouse

1/ Of the 22 growers, 6 did not provide interim income-and-loss data for 1982 and 1983. A-16

products rose annually from \$36.7 million in 1980 to \$43.6 million in 1982, or by 19 percent (table 8). Total net sales were \$25.7 million during interim 1983, up 4 percent from the \$24.7 million in sales reported for the corresponding period of 1982. Sales of fresh cut roses accounted for 79.7 percent of total sales of all greenhouse products in 1980. The figure increased to 81.1 percent in 1981, to 82.1 percent in 1982, and to 83.9 percent during January-August 1983, compared with 80.7 percent for the corresponding period of 1982.

Total growing and operating expenses rose annually from \$36.1 million in 1980 to \$42.8 million in 1982, or by 18.4 percent. Such expenses were \$22.2 million during interim 1983, compared with \$22.4 million for the corresponding period of 1982, representing a decline of only 0.7 percent.

Net income before income taxes (accrual basis) rose from \$1.2 million, or 3.4 percent of net sales, in 1980 to \$2.0 million, or 4.5 percent of net sales, in 1982. Net income before income taxes was \$2.8 million, or 10.7 percent of net sales, during interim 1983, compared with \$3.0 million, or 12.2 percent of net sales, for the corresponding period of 1982.

Of the 28 reporting growers, 25 reported payment of salaries to officers or partners. Such salaries, which averaged 5 percent of net sales during 1980-82, have been deducted as an operating expense. Net income before deduction for officers' salaries is shown in the following tabulation:

<u>Period</u>	<u>Net income before officers' salaries and income taxes (1,000 dollars)</u>	<u>Ratio of net income before officers' salaries and income taxes to net sales (Percent)</u>
1980-----	3,104	8.4
1981-----	3,897	9.7
1982-----	4,149	9.5
Jan.-Aug.--		
1982-----	4,032	16.3
1983-----	3,926	15.3

Table 8.--Income-and-loss experience of 28 U.S. growers on their fresh-cut-rose operations, 1980-82, interim 1982, and interim 1983 1/

Item	1980	1981	1982	Interim period to Aug. 31--	
				1982	1983
Sales: <u>2/</u>					
Fresh cut roses--1,000 dollars--	29,281	32,487	35,751	19,954	21,560
Other fresh cut flowers---do----	3,467	3,318	3,973	2,093	1,867
Other greenhouse products-do----	3,989	4,274	3,835	2,683	2,267
Total sales-----do----	36,737	40,079	43,559	24,730	25,694
Other income-----do----	621	604	1,158	625	264
Total sales and other income-----do----	37,358	40,683	44,717	25,355	25,958
Growing and operating expense:					
Depreciation-----do----	2,310	2,575	2,774	1,381	1,418
Officers' or partners' salaries-----do----	1,871	1,944	2,173	1,026	1,169
Interest expense-----do----	1,031	1,247	1,473	707	625
All other expenses-----do----	30,909	32,947	36,335	19,241	19,993
Total growing and operating expenses-----do----	36,121	38,713	42,755	22,355	23,205
Net income before income taxes, cash basis-----do----	1,237	1,970	1,962	3,000	2,753
Inventory adjustment <u>3/</u> -----do----	(4)	(17)	14	6	4
Net income before income taxes, accrual basis-----do----	1,233	1,953	1,976	3,006	2,757
Cash flow from operations---do----	3,543	4,528	4,750	4,387	4,175
Ratio to total sales of--					
Fresh cut rose sales---percent--	79.7	81.1	82.1	80.7	83.9
Officers' salaries-----do----	5.1	4.9	5.0	4.1	4.5
Net income before income taxes-----do----	3.4	4.9	4.5	12.2	10.7
Number of growers reporting losses-----	7	5	8	5	3

1/ Data for the two interim periods are for 22 growers.

2/ Some growers reported gross sales and other growers reported net sales (less commissions).

3/ Beginning inventory less ending inventory.

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

Capital expenditures and research and development expenditures.--There were 23 rose growers which supplied data relative to their capital expenditures for land, buildings, and machinery and equipment, and 15 growers furnished data relative to their research and development expenditures. Such expenditures are presented in the following tabulation:

<u>Period</u>	<u>Capital expenditures</u> <u>(1,000 dollars)</u>	<u>Research and development expenditures</u> <u>(1,000 dollars)</u>
1980-----	3,312	274
1981-----	3,376	418
1982-----	3,098	375
Jan.-Aug.--		
1982-----	1,883	243
1983-----	2,879	296

The Question of the Threat of Material Injury

In its examination of the question of a reasonable indication of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of the alleged LTFV imports, the rate of increase of U.S. market penetration of such imports, the volume of imports held in inventory in the United States, and the capacity of producers in the subject country or countries to generate exports (including the availability of export markets other than the United States). The rate of increase of U.S. imports from Colombia and the market penetration of such imports are discussed elsewhere in this report. Because of their perishability, inventories of fresh cut roses are not a factor to be taken into consideration.

Colombia is one of the world's leading producers of fresh cut flowers, including fresh cut roses. An estimated 180 growers, two-thirds of which are believed to be rose growers, utilize about 800 hectares (1,976 acres) for growing fresh cut flowers for export. ^{1/} Although there are no precise data available on production and export trends of Colombian fresh cut rose growers, it is estimated that such growers produced about 120 million blooms in 1982. About 80 percent, or 102 million blooms, of that production was exported. Historically, the United States has been the principal receiver of Colombian exports, followed by Europe, which receives limited amounts. The United States received an estimated 93 percent of Colombia's fresh cut rose exports in 1982.

^{1/} "How the Colombians do it," Florist Review, Apr. 14, 1983.

Consideration of the Causal Relationship Between Imports
Allegedly Sold at LTFV and the Alleged Injury

U.S. Imports

Imports of fresh cut roses have trended sharply upward since the beginning of the 1970's. Prior to that time, imports were insignificant, consisting primarily of border trade with Canada. Imports increased steadily from less than 1 million blooms in 1970 to 35.0 million blooms in 1979. Almost all varieties of imported fresh cut roses have domestic counterparts which are comparable in quality with the imports. The rapid growth in the imports of roses has been facilitated by the development of reliable transoceanic airline schedules and the use of sophisticated receiving and shipping facilities in the United States, particularly in Miami and New York City.

Fresh cut rose imports during 1980-82 increased substantially, rising from 38.5 million blooms, with an estimated value of \$6.6 million, in 1980 to 94.1 million blooms, valued at about \$18.8 million, in 1982 (table 9). The increase in the volume of imports in 1981 was 75.3 percent; in 1982 it amounted to 39.4 percent. The level of imports in January-August 1983 far exceeded, by nearly 40 percent, the level of imports in the corresponding period of 1982.

The majority of U.S. imports of fresh cut roses are accounted for by three countries: Colombia, Israel, and the Netherlands. Other countries that also export to the United States include Guatemala, the Dominican Republic, Mexico, and Canada. As a share of total U.S. imports, fresh cut roses imported from Colombia accounted for a relatively constant 77.7 to 80.0 percent of the total between 1980 and 1982. Such imports increased from an estimated 29.9 million blooms, valued at approximately \$5.5 million, in 1980 to 75.4 million blooms, valued at \$16.0 million, in 1982. Colombian sourced imports rose by 39 percent in the interim January-August 1983 over those in the corresponding period of January-August 1982.

The average unit value of fresh cut roses imported from Colombia averaged 20 cents per bloom between 1980 and 1982, compared with an average unit value of 19 cents per bloom for imports from all sources over the same period.

U.S. consumption and market penetration

Apparent U.S. consumption of fresh cut roses increased at an average annual rate of 5 percent between 1980 and 1982. The increase was due entirely to the increased flow of U.S. imports since there was a net decrease in U.S. production and no change in U.S. exports over the same period. Consumption

Table 9.--Fresh cut roses: U.S. imports for consumption, by principal sources, 1980-82, January-August 1982, and January-August 1983

Period	Colombia	Israel	Netherlands	Other	Total or average
Quantity (million blooms)					
1980 <u>1</u> /-----	29.9	5.0	1.4	2.2	38.5
1981-----	52.9	6.2	3.2	5.2	67.5
1982-----	75.4	5.3	5.2	8.3	94.1
January-August <u>2</u> /--					
1982-----	47.0	4.2	3.9	5.1	60.2
1983-----	65.5	3.3	4.9	10.4	84.1
Value (1,000 dollars)					
1980 <u>1</u> /-----	5,471	371	386	385	6,613
1981-----	11,078	320	833	869	13,100
1982-----	16,049	295	1,158	1,338	18,840
January-August <u>2</u> /--					
1982-----	10,791	233	933	876	12,834
1983-----	18,966	280	1,273	1,583	22,233
Average unit value (cents per bloom)					
1980-----	18	7	28	18	17
1981-----	21	5	26	17	19
1982-----	21	6	22	16	20
January-August <u>2</u> /--					
1982-----	23	6	24	17	21
1983-----	29	9	26	16	26

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

2/ Data for January-September 1983 not available.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

rose to 548.5 million blooms in 1982, up from 499.8 million blooms in 1980 (table 10). Consumption increased by 11 percent in January-August 1983 over that in the corresponding period of 1982.

U.S. imports from Colombia and from all other countries as a share of U.S. consumption increased steadily from 1980 to 1982 and rose further in January-August 1983 over those in the corresponding period of 1982. Imports from Colombia as a share of consumption increased from 6 percent in 1980 to slightly less than 14 percent in 1982; imports from all sources as a share of consumption rose from 8 percent to 17 percent over the same period. The ratio

Table 10.—Fresh cut roses: U.S. imports and apparent consumption, 1980-82, January-August 1982, and January-August 1983

Period	U.S. imports from—			Apparent consumption	Ratio of imports to apparent consumption—		
	Colombia	All other sources	Total		From Colombia	From other countries	Total
1980—	1/ 29.9	1/ 8.6	1/ 38.5	499.8	6.0	1.7	7.
1981—	52.9	14.6	67.5	524.3	10.1	2.8	12.
1982—	75.4	18.7	94.1	548.5	13.8	3.4	17.
January-August—							
1982—	47.0	13.2	60.2	366.2	12.8	3.6	16.
1983—	65.5	18.6	84.1	407.4	16.1	4.6	20.

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

Source: Imports compiled from official statistics of the U.S. Department of Commerce, except as noted.

of imports from Colombia to consumption was higher in January-August 1983 (16.1 percent) than during any other time period covered by the investigation. This was true as well for imports from all countries other than Colombia (4.6 percent) and for imports from all countries (20.6 percent).

Prices

Prices of fresh cut roses vary according to stem length, color, type, and appearance, as well as from seasonal demands and occasional sharp fluctuations in supply. Higher prices are obtained for longer stems, for red versus non-red varieties, for hybrid-tea types versus sweetheart types, and for fresher looking roses. Higher prices are also obtained during periods of increased demand, which are largely created by the following holidays: Valentine's Day, Easter, Mother's Day, Memorial Day, Thanksgiving, Hanukkah, and Christmas. Rose prices may also be affected by unexpected changes in the supply of roses. In early 1977, for instance, a frost damaged the Colombian rose crop, thereby limiting the availability of roses on Valentine's Day. As a result, U.S. rose prices in February 1977 soared above their normally high holiday levels.

Domestic rose growers and importers of Colombian roses sell their roses either directly or on consignment to one or more types of customers--wholesalers, retail florists, or mass merchandisers. On direct sales, the domestic growers and importers generally quote f.o.b. prices, with the customer paying the freight. On consignment sales, the domestic growers and importers receive whatever the consignee can sell the roses for, less the consignee's commission, which ranges from approximately 13 to 27 percent. ^{1/}

During this investigation the Commission requested that U.S. rose growers and U.S. importers of Colombian roses provide their weighted-average net f.o.b. selling prices and number of blooms sold for their total sales, and separated by shipments to customers in the Eastern and Western United States. ^{2/} Price data were requested for three representative rose categories, by quarters, from January 1981 through September 1983.

^{1/} On the basis of questionnaire responses of 16 domestic rose growers and 3 importers of the Colombian roses, these 19 respondents generally sold to wholesalers on consignment, with the domestic growers paying an average commission charge of 20 percent and the importers paying an average of 17 percent. Testifying for the domestic growers, Mr. Eugene Stewart stated, however, that the Colombians pay the wholesalers a 30 percent commission, whereas the domestic rose growers pay generally a 20 to 25 percent commission. (Official Transcript of the Conference on Fresh Cut Roses From Colombia, 731-TA-148 (Preliminary), p. 22.)

^{2/} Eastern and Western United States are defined earlier in this report, and generally correspond to the areas East and West of the Mississippi River.

The three rose categories, which were selected as representative of competition between U.S. and imported Colombian roses, are as follows: (1) hybrid tea roses with stem lengths of 18 to 24 inches, red varieties, (2) hybrid tea roses with stem lengths greater than 24 inches, red varieties, and (3) sweetheart roses with stem lengths of 10 to 14 inches, red varieties. These three categories were suggested by Mr. Hottel of S.S. Pennock Company, a large domestic wholesaler of both U.S. and Colombian roses. 1/

The Commission also requested that U.S. rose growers and importers of the Colombian roses provide the delivery costs and the modes of transport to their customers in the following four major Eastern markets for domestic and imported roses: Boston, Chicago, New York, and Philadelphia. The Commission used the reported delivery cost data to construct a measure of delivered prices to customers in the Eastern United States. Most of the competition between domestic and Colombian roses occurs in this area, and a significant portion of interstate shipments of domestic roses moves from the Western part to the Eastern part of the country. Very few, if any, of the roses grown in the Eastern part of the United States are shipped to the Western part of the country.

Constructed delivered prices of fresh cut roses sold in the Eastern United States were calculated as the sum of reported f.o.b. prices and the average of reported delivery costs to the four specified cities. Average delivery costs were calculated separately for domestic Eastern growers, domestic Western growers, and for importers of Colombian roses. 2/ Because the constructed delivered prices are based on a four-city average of delivery costs and do not include any shipper/wholesaler costs, they only approximate actual delivered prices to individual cities.

There were 17 domestic rose growers and 6 importers of the Colombian roses which reported usable price data, but not necessarily for every rose category or for every quarter requested. The weighted-average net selling prices and average margins of underselling are shown in tables 11-13. Table 11 presents f.o.b. and constructed delivered prices of the domestic and imported roses sold to customers in the Eastern United States. Table 12 presents prices of Eastern-grown and Western-grown roses sold to customers in the Eastern United States. Table 13 presents f.o.b. prices of the domestic and imported roses sold to customers in the Western United States. 3/ No delivery cost data were available to construct delivered prices for roses sold in the western part of the country.

1/ The S.S. Pennock Co. is one of the largest U.S. wholesalers of fresh cut flowers, having been in business for over 100 years. Telephone conversation with the Commission staff on Oct. 6, 1983.

2/ Delivery costs were reported by eight domestic Eastern growers, eight domestic Western growers, and three importers of Colombian roses. Eastern growers and the importers generally reported shipping their roses by truck, whereas Western growers generally reported shipping their roses by airplane.

3/ No domestic Eastern-grown roses were reported sold in the Western United States.

The data in tables 11-13 show the following three relationships between the domestic and imported Colombian roses: (1) In the Eastern United States, the imported roses consistently undersold the domestic Eastern-grown roses, by margins ranging from 24 percent to 68 percent, but the domestic Western-grown roses generally undersold both the imported roses and the domestic Eastern-grown roses; (2) in the Western United States, the domestic Western-grown roses generally undersold the imported roses; and (3) prices of both the domestic and imported roses generally increased from year to year, and fluctuated in a regular seasonal pattern within each year. In the seasonal pattern of price changes, prices in the first quarter were generally the highest of the year, then dropped in the second and third quarters before rising in the fourth quarter.

Roses sold in the Eastern United States.--Weighted-average f.o.b. prices of the domestic and imported Colombian roses sold in the Eastern United States increased from January 1981 through September 1983 (tables 11 and 12). Because of the recurrent seasonal variation in the quarterly prices shown in the tables, trends were analyzed by calculating weighted-average prices for January through September for each of the 3 years shown. These 9-month, weighted-average prices of roses sold in the Eastern United States, which were calculated from f.o.b. selling prices reported by U.S. growers and importers of the Colombian roses, are shown in the following tabulation (in cents per bloom):

Period	Domestic roses sold in the Eastern United States			Colombian roses sold in the Eastern United States
	Eastern- sourced	Western- sourced	Total	
Hybrid tea roses, greater than 24", red varieties				
January-September--	:	:	:	:
1981-----	73 :	27 :	30 :	47
1982-----	75 :	29 :	32 :	46
1983-----	80 :	31 :	33 :	49
Hybrid tea roses, 18"-24", red varieties				
January-September--	:	:	:	:
1981-----	52 :	24 :	41 :	32
1982-----	56 :	25 :	44 :	32
1983-----	66 :	25 :	49 :	33
Sweetheart roses, 10"-14", red varieties				
January-September--	:	:	:	:
1981-----	35 :	16 :	27 :	-
1982-----	37 :	17 :	28 :	16
1983-----	39 :	19 :	31 :	18

As shown in the tabulation, prices of all domestic roses sold in the Eastern United States increased from January–September 1981 to January–September 1983, by approximately 10 percent for the hybrid teas with stems longer than 24 inches, 20 percent for the hybrid teas with stems 18–24 inches long, and 15 percent for the sweethearts with stems 10–14 inches long. In contrast, prices of the imported Colombian roses sold in the Eastern United States increased less rapidly, by approximately 4 percent, 3 percent, and 13 percent, respectively. The 13-percent increase occurred between 1982 and 1983—no prices of these roses were reported before 1982. For two of the three rose categories, hybrid teas with stems longer than 24 inches and sweethearts with stems 10–14 inches long, prices of the western-sourced roses increased more rapidly than prices of the eastern-sourced roses—15 percent versus 10 percent and 19 percent versus 11 percent, respectively. For hybrid teas with stems 18–24 inches long, prices of the western-sourced roses increased by only 4 percent, whereas prices of the eastern-sourced roses increased by approximately 27 percent.

Table 11 presents price data, from January–March 1981 through July–September 1983, for all domestic roses and imported Colombian roses sold in the Eastern United States. In two of the three rose categories, hybrid teas with stems 18–24 inches long and sweethearts with stems 10–14 inches long, the imported roses generally undersold the domestic roses. The average margins of underselling ranged from 3 percent to 61 percent on an f.o.b. price basis and from 6 percent to 58 percent on a delivered price basis. ^{1/} In the other rose category, hybrid teas with stems longer than 24 inches, the imported roses were consistently undersold by the domestic roses. This underselling by domestic roses was caused by the low prices of western-grown roses sold in the Eastern United States. As seen by the spread between f.o.b. and delivered prices, shown in table 11, the western-sourced roses accounted for a much higher proportion of domestic roses in the hybrid tea category with stems longer than 24 inches than in the other two rose categories. ^{2/} As a result, most of the underselling by domestic roses shown in table 11 occurs in this longer stem hybrid tea category.

Table 12 presents domestic price data, from January–March 1981 through July–September 1983, for eastern-grown and western-grown roses sold in the Eastern United States; also shown in table 12 are the average margins of underselling by the imported Colombian roses sold in the Eastern United States. The imported roses consistently undersold the domestic eastern-grown roses in all three rose categories, by average margins ranging from 24 percent to 68 percent on an f.o.b. price basis and from 24 percent to 65 percent on a delivered price basis. In contrast, the imported roses undersold the domestic western-grown roses in only 2 of 30 instances where comparisons were possible,

1/ Delivered prices are a better basis than f.o.b. prices for calculating the average margins of underselling.

2/ The western-grown roses sold in the Eastern United States incurred an average delivery cost of 5 cents per bloom contrasted with 1 cent per bloom for Eastern-grown roses sold in the Eastern part of the country. As a result, a greater spread between the delivered and f.o.b. prices suggests a higher proportion of Western- to Eastern-grown roses.

Table 11.--Fresh cut roses grown in the United States and imported from Colombia: Weighted-averaged net f.o.b. selling prices, constructed delivered prices, and average margins of under (over) selling for fresh cut roses sold to customers in the Eastern United States, by types of roses, by stem lengths, and by quarters, January 1981-September 1983 ^{1/}

Period	Domestic roses		Colombian roses		Average margins of under/(over) selling 2/				
	F.o.b. price	Con- structed delivered price 3/	F.o.b. price	Con- structed delivered price 3/	F.o.b. price basis 4/	Constructed delivered			
						Amount	Quantity	Amount	Quantity
	Cents per bloom				Percent	Cents per bloom	Percent		
Hybrid tea roses greater than 24", red varieties									
1981:									
Jan.-Mar----	43	48	59	61	(16)	(37)	(13)	(27)	
Apr.-June----	26	31	38	40	(12)	(46)	(9)	(29)	
July-Sept----	20	25	40	42	(20)	(100)	(17)	(68)	
Oct.-Dec----	27	32	37	39	(10)	(37)	(7)	(22)	
1982:									
Jan.-Mar----	47	52	58	60	(11)	(23)	(8)	(15)	
Apr.-June----	29	34	40	42	(11)	(38)	(8)	(24)	
July-Sept----	21	26	37	39	(16)	(76)	(13)	(50)	
Oct.-Dec----	27	32	37	39	(10)	(37)	(7)	(22)	
1983:									
Jan.-Mar----	51	55	67	69	(16)	(31)	(14)	(25)	
Apr.-June----	30	35	38	40	(8)	(27)	(5)	(14)	
July-Sept----	6/ 20	24	6/ 36	38	(16)	(80)	(14)	(58)	
Hybrid tea roses, 18"-24", red varieties									
1981:									
Jan.-Mar----	55	57	45	47	10	18	10	18	
Apr.-June----	39	42	26	28	13	33	14	33	
July-Sept----	27	30	29	31	(2)	(7)	(1)	(3)	
Oct.-Dec----	36	39	24	26	12	33	13	33	
1982:									
Jan.-Mar----	62	65	40	42	22	35	23	35	
Apr.-June----	43	45	28	30	15	35	15	33	
July-Sept----	30	33	29	31	1	3	2	6	
Oct.-Dec----	39	42	26	28	13	33	14	33	
1983:									
Jan.-Mar----	68	70	46	48	22	32	22	31	
Apr.-June----	46	48	28	30	18	39	18	38	
July-Sept----	6/ 28	32	6/ 26	28	2	7	4	13	

A-27

See footnotes at end of table.

Table 11.--Fresh cut roses grown in the United States and imported from Colombia:
Weighted--averageted net f.o.b. selling prices, constructed delivered prices,
and average margins of under (over) selling for fresh cut roses sold to
customers in the Eastern United States, by types of roses, by stem
lengths, and by quarters, January 1981-September 1983 1/--Continued

	Domestic roses		Colombian roses		Average margins of under/(over) selling 2/ F.o.b. price basis 4/ Constructed delivered price basis 5/			
Period	F.o.b. price	Con- structed delivered price 3/	F.o.b. price	Con- structed delivered price 3/	Amount	Quantity	Amount	Quantity
							Cents per: <u>bloom</u>	Percent
Sweetheart roses, 10" -14", red varieties								
1981:								
Jan.-Mar----	36	38	-	-	-	-	-	-
Apr.-June---	27	29	-	-	-	-	-	-
July-Sept--	18	21	-	-	-	-	-	-
Oct.-Dec----	24	27	15	17	9	38	10	37
1982:								
Jan.-Mar----	38	40	15	17	23	61	23	58
Apr.-June---	29	32	22	24	7	24	8	25
July-Sept--	18	21	11	13	7	39	8	38
Oct.-Dec----	26	29	13	15	13	50	14	48
1983:								
Jan.-Mar----	40	42	22	24	18	45	18	43
Apr.-June---	31	34	20	22	11	35	12	35
July-Sept---	6/ 19	21 : 6/ 12		14	7	37	7	33

1/ Aggregate weighted-average net f.o.b. selling prices were calculated from net f.o.b. selling prices reported by U.S. rose growers and importers of the Colombian roses. Although price data were requested for only red varieties in the above 3 rose categories, some reported prices of both the domestic and imported roses included a small proportion of non-red varieties. The inclusion of these other varieties do not significantly affect comparisons between the domestic and imported roses.

2/ Calculated as a percentage of the domestic growers' weighted-average price. Overselling is shown in parentheses ().

3/ Constructed delivered prices, as a measure of actual delivered prices, were calculated as the sum of reported f.o.b. prices and the average of reported delivery costs to the following 4 Eastern U.S. cities: Boston, Chicago, New York, and Philadelphia. Constructed delivered prices of Western roses sold in the Eastern United States averaged 5 cents per bloom more than the reported f.o.b. prices; constructed delivered prices of Eastern roses sold in the Eastern United States averaged 1 cent per bloom more than the reported f.o.b. prices; and constructed delivered prices of Colombian roses sold in the Eastern United States averaged 2 cents per bloom more than the reported f.o.b. prices.

4/ F.o.b. prices were the only reported prices available as a basis to

Footnotes for table 11.--Continued

calculate the average margins of underselling. Because f.o.b. prices do not include delivery costs, these margins of underselling may not be the best for analysis.

5/ Constructed delivered prices, which approximate actual delivered prices, may be a better basis than f.o.b. prices for comparing U.S. prices of the domestic and imported Colombian roses.

6/ In some instances, net f.o.b. selling prices that were reported for the third quarter of 1983 did not include data for September. The few omissions do not significantly distort comparisons between the domestic and imported roses.

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

Note.--The Eastern United States encompasses the area defined earlier in this report.

Table 12.--Fresh cut roses: Weighted-average net f.o.b. selling prices and constructed delivered prices for U.S. grown roses, and average margins of under/(over) selling by the imported Colombian roses for fresh cut roses sold to customers in the Eastern United States, by source areas of domestic roses --Eastern or Western United States, by types of roses, by stem lengths, and by quarters, January 1981-September 1983 1/

Period	Domestic		Average margins of		Domestic		Average margins of	
	Eastern roses	under/(over) selling	under/(over) selling	under/(over) selling	Western roses	under/(over) selling	under/(over) selling	
	Con-	F.o.b. price	Constructed delivered	F.o.b. price	Con-	F.o.b. price	Constructed delivered	
	price 3/	basis 4/	price basis 5/	basis 4/	price 3/	basis 4/	price basis 5/	
	Cents/ bloom	Cents/ bloom	Cents/ bloom	Cents/ bloom	Cents/ bloom	Cents/ bloom	Cents/ bloom	
Hybrid tea roses, greater than 24", red varieties								
1981:								
Jan.-Mar----	85	26	31	25	39	41	(20): (20): (49)	
Apr.-June----	66	28	42	27	40	25	(15): (15): (60)	
July-Sept----	62	22	35	21	33	19	(23): (23): (121)	
Oct.-Dec----	68	31	46	30	43	25	(14): (14): (56)	
1982:								
Jan.-Mar----	96	38	40	37	38	45	(15): (15): (33)	
Apr.-June----	71	31	44	30	42	27	(15): (15): (56)	
July-Sept----	59	22	37	21	35	20	(19): (19): (95)	
Oct.-Dec----	69	32	46	31	44	26	(13): (13): (50)	
1983:								
Jan.-Mar----	93	26	28	25	27	50	(19): (19): (38)	
Apr.-June----	80	42	53	41	51	29	(11): (11): (38)	
July-Sept----	61	25	41	34	47	20	(18): (18): (90)	
Hybrid tea roses, 18"-24", red varieties								
1981:								
Jan.-Mar----	65	20	31	19	29	37	(10): (10): (27)	
Apr.-June----	49	23	47	22	44	24	(4): (4): (17)	
July-Sept----	38	9	24	8	21	19	(12): (12): (63)	
Oct.-Dec----	50	26	52	25	49	23	(3): (3): (13)	
1982:								
Jan.-Mar----	74	34	46	33	44	42	0 : 0	
Apr.-June----	53	25	47	24	44	25	(5): (5): (20)	
July-Sept----	40	11	28	10	24	19	(12): (12): (63)	
Oct.-Dec----	52	26	50	25	47	23	(5): (5): (22)	
1983:								
Jan.-Mar----	79	33	42	34	39	46	(2): (2): (4)	
Apr.-June----	59	31	53	30	50	25	(5): (5): (20)	
July-Sept----	61	25	49	26	50	17	(11): (11): (65)	

See footnotes at end of table.

Table 12.--Fresh cut roses: Weighted-average net f.o.b. selling prices and constructed delivered prices for U.S. grown roses, and average margins of under/(over) selling by the imported Colombian roses for fresh cut roses sold to customers in the Eastern United States, by source areas of domestic roses --Eastern or Western United States, by types of roses, by stem lengths, and by quarters, January 1981-September 1983 1/--Continued

Period	Domestic		Average margins of		Domestic		Average margins of	
	Eastern roses	Con-	under/ (over) selling	under/ (over) selling	Western roses	under/ (over) selling	under/ (over) selling	
	F.o.b. : structured	F.o.b. : price delivered	Constructed delivered	F.o.b. : structured	Con-	F.o.b. : price delivered	Constructed delivered	
	price : delivered	price : delivered	price basis 5/	price : delivered	price : delivered	price basis 4/	price basis 5/	
	price 3/	price 3/	price basis 4/	price 3/	price 3/	price basis 4/	price basis 5/	
	Cents/ : bloom	Cents/ : bloom	Per- : cent	Cents/ : bloom	Cents/ : bloom	Per- : cent	Cents/ : bloom	
	Per- : cent	Per- : cent	Per- : cent	Per- : cent	Per- : cent	Per- : cent	Per- : cent	
Sweetheart roses, 10"								
14"								
1981:								
Jan.-Mar----	45	46	-	20	22	-	-	
Apr.-June----	35	36	-	17	19	-	-	
July-Sept----	25	26	-	10	12	-	-	
Oct.-Dec----	34	35	19 : 56	12 : 12	14	(3) : (25)	(3) : (21)	
1982:								
Jan.-Mar----	47	48	32 : 68	23 : 23	25	8 : 35	8 : 32	
Apr.-June----	37	38	15 : 41	19 : 19	21	(3) : (16)	(3) : (14)	
July-Sept----	25	26	14 : 56	10 : 10	12	(1) : (10)	(1) : (8)	
Oct.-Dec----	36	37	23 : 64	13 : 13	15	0 : 0	0 : 0	
1983:								
Jan.-Mar----	47	48	25 : 53	26 : 26	28	4 : 15	4 : 14	
Apr.-June----	39	40	19 : 49	20 : 20	22	0 : 0	0 : 0	
July-Sept----	25	26	13 : 52	10 : 10	12	(2) : (20)	(2) : (17)	

1/ Aggregate weighted-average net f.o.b. selling prices were calculated from net f.o.b. selling prices reported by U.S. rose growers and importers of the Colombian roses. Although price data were requested for only red varieties in the above 3 rose categories, some reported prices of both the domestic and imported roses included a small proportion of non-red varieties. The inclusion of these other varieties do not significantly affect comparisons between the domestic and imported roses.

2/ Calculated as a percentage of the domestic growers' weighted-average price. Overselling is shown in parentheses ().

3/ Constructed delivered prices, as a measure of actual delivered prices, were calculated as the sum of reported f.o.b. prices and the average of reported delivery costs to the following 4 Eastern U.S. cities: Boston, Chicago, New York, and Philadelphia. Constructed delivered prices of Western roses sold in the Eastern United States averaged 5 cents per bloom more than the reported f.o.b. prices; constructed delivered prices of Eastern roses sold in the Eastern U.S. averaged 1 cent per bloom more than the reported f.o.b. prices; and constructed delivered prices of Colombian roses sold in the Eastern United States averaged 2 cents per bloom more than the reported f.o.b. prices.

4/ F.o.b. prices were the only reported prices available as a basis to calculate the average margins of underselling. Because f.o.b. prices do not include delivery costs, these margins of underselling may not be the best for analysis.

5/ Constructed delivered prices, which approximate actual delivered prices, may be a better basis than f.o.b. prices for comparing U.S. prices of the domestic and imported Colombian roses.

6/ In some instances, net f.o.b. selling prices that were reported for the third quarter of 1983 did not include data for September. The few omissions do not significantly distort comparisons between the domestic and imported roses.

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

by average margins of 15 percent and 35 percent on an f.o.b. basis and 14 percent and 32 percent on a delivered price basis. Of the remaining 28 comparisons, the domestic western-grown roses undersold the imported roses in 25 instances and were priced approximately the same as the imported roses in 3 instances. In all 30 instances, however, the western-grown roses were priced below the eastern-grown roses.

Roses sold in the Western United States.--Weighted-average f.o.b. prices of the domestic and imported Colombian roses sold in the Western United States increased from January 1981 through September 1983 (table 13). ^{1/} Because of the recurrent seasonal variation in the quarterly prices shown in table 13, trends were analyzed by calculating weighted-average prices for January through September for each of the 3 years shown. These 9-month, weighted-average prices of roses sold in the Western United States, which were calculated from f.o.b. selling prices reported by U.S. growers and importers of the Colombian roses, are shown in the following tabulation (in cents per bloom):

Period	Domestic roses sold in the Western U.S.	Colombian roses sold in the Western U.S.
Hybrid tea roses, greater than 24", red varieties		
Jan.-Sept--		
1981-----	29	47
1982-----	31	53
1983-----	34	42
Hybrid tea roses, 18"-24", red varieties		
Jan.-Sept--		
1981-----	27	30
1982-----	29	27
1983-----	31	33
Sweetheart roses, 10"-14", red varieties		
Jan.-Sept--		
1981-----	16	-
1982-----	17	-
1983-----	19	-

As shown in the tabulation, prices of all domestic roses sold in the Western United States increased from January-September 1981 to January-September 1983, by approximately 17 percent for the hybrid teas with stems longer than 24 inches, 13 percent for the hybrid teas with stems 18-24

^{1/} Of the domestic roses sold in the Western United States, only western-grown roses were reported.

inches long, and 19 percent for the sweethearts with stems 10-14 inches long. In contrast, prices of the imported Colombian roses sold in the Western United States decreased by approximately 11 percent for the hybrid teas with stems longer than 24 inches, and increased by approximately 10 percent for the hybrid teas with stems 18-24 inches long. No sweetheart roses imported from Colombia were reported sold in the Western United States.

Table 13 presents price data, from January-March 1981 through July-September 1983, for all domestic roses and imported Colombian roses sold in the Western United States. In the two hybrid tea categories, the imported roses undersold the domestic roses in 5 of 22 instances where comparisons were possible, by average margins ranging from 3 percent to 4 percent on an f.o.b. price basis. 1/ Of the remaining 17 comparisons, the domestic roses undersold the imported roses in 16 instances and were priced approximately the same as the imported roses in 1 instance.

1/ Delivered prices, like those calculated for rose sales in the Eastern United States, could not be constructed from the questionnaire data.

Table 13.--Fresh cut roses grown in the United States and imported from Colombia: Weighted-average net f.o.b. selling prices, and average margins of underselling for fresh cut roses sold to customers in the Western United States, by types of roses, by stem lengths, and by quarters, January 1981-September 1983 1/

Period	Domestic roses	Colombian roses	Average margins of under/(over) selling <u>2/</u>	
	F.o.b. price	F.o.b. price	F.o.b. price basis <u>3/</u>	
	<u>Cents/bloom</u>	<u>Cents/bloom</u>	<u>Cents/bloom</u>	<u>Percent</u>
<u>Hybrid tea roses,</u>				
<u>greater than 24",</u>				
<u>red varieties</u>				
1981:				
January-March-----:	40 :	60 :	(20) :	(50)
April-June-----:	25 :	37 :	(12) :	(48)
July-September-----:	21 :	39 :	(18) :	(86)
October-December---:	25 :	35 :	(10) :	(40)
1982:				
January-March-----:	44 :	63 :	(19) :	(43)
April-June-----:	28 :	68 :	(40) :	(143)
July-September-----:	21 :	34 :	(13) :	(62)
October-December---:	27 :	33 :	(6) :	(22)
1983:				
January-March-----:	49 :	64 :	(15) :	(31)
April-June-----:	30 :	32 :	(2) :	(7)
July-September-----:	21 :	32 :	(11) :	(52)
<u>Hybrid tea roses,</u>				
<u>18"-24", red vari-</u>				
<u>eties</u>				
1981:				
January-March-----:	36 :	58 :	(22) :	(61)
April-June-----:	25 :	27 :	(2) :	(8)
July-September-----:	21 :	24 :	(3) :	(14)
October-December---:	25 :	25 :	0 :	0
1982:				
January-March-----:	40 :	37 :	3 :	8
April-June-----:	28 :	24 :	4 :	14
July-September-----:	22 :	23 :	(1) :	(5)
October-December---:	26 :	23 :	3 :	12
1983:				
January-March-----:	47 :	43 :	4 :	9
April-June-----:	30 :	27 :	3 :	10
July-September-----:	21 :	25 :	(4) :	(19)

See footnotes at end of table.

Table 13.--Fresh cut roses grown in the United States and imported from Colombia: Weighted-average net f.o.b. selling prices, and average margins of underselling for fresh cut roses sold to customers in the Western United States, by types of roses, by stem lengths, and by quarters, January 1981-September 1983 1/--Continued

Period	Domestic roses	Colombian roses	Average margins of under/(over) selling <u>2/</u>	
	F.o.b. price	F.o.b. price	F.o.b. price basis <u>3/</u>	
	Cents/bloom	Cents/bloom	Cents/bloom	Percent
<u>Sweetheart roses,</u>				
<u>10"-14", red vari-</u>				
<u>eties</u>				
1981:				
January-March-----:	21	-	-	-
April-June-----:	18	-	-	-
July-September-----:	10	-	-	-
October-December----	13	-	-	-
1982:				
January-March-----:	22	-	-	-
April-June-----:	19	-	-	-
July-September-----:	11	-	-	-
October-December----	13	-	-	-
1983:				
January-March-----:	25	-	-	-
April-June-----:	20	-	-	-
July-September-----:	11	-	-	-

1/ Aggregate weighted-average net f.o.b. selling prices were calculated from net f.o.b. selling prices reported by U.S. rose growers and importers of the Colombian roses. Although price data were requested for only red varieties in the above 3 rose categories, some reported prices of both the domestic and imported roses included a small proportion of non-red varieties. The inclusion of these other varieties do not significantly affect comparisons between the domestic and imported roses.

2/ Calculated as a percentage of the domestic growers' weighted-average price. Overselling is shown in parentheses ().

3/ F.o.b. prices were the only reported prices available as a basis to calculate the average margins of underselling. Delivered prices, like those calculated for sales in the Eastern United States, could not be constructed from the questionnaire data: Questionnaire respondents were requested to report delivery costs to selected cities in only the Eastern United States. Delivered prices, which reflect transportation costs, are a better basis than f.o.b. prices for calculating average margins of underselling.

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

Note.--The Western United States encompasses the area defined earlier in this report.

Depreciation of the U.S. dollar.--The recent increase in the real value of the Colombian peso against the U.S. dollar (depreciation of the U.S. dollar) may have reduced the price competitiveness of the Colombian roses vis-a-vis U.S. roses. Table 14 presents an index of the real exchange rate ^{1/} between the dollar and the peso from January-March 1981 (the base period) through April-June 1983. When the index is greater than 100, the real value of the peso has increased relative to the dollar. This has been the case in every period shown since January-March 1981. This increase in the real value of the peso tends to make the Colombian products less competitive in the U.S. market.

The approximately 12 percent real appreciation of the Colombian peso against the U.S. dollar between January-March 1981 and April-June 1983 indicates the maximum decrease in price competitiveness that Colombian producers could have suffered while keeping their profit margins constant, assuming they had no dollar-denominated costs. Relative dollar prices of the Colombian roses, however, may not have risen as much as the real appreciation of the peso against the dollar. Two major factors largely explain this. First, U.S. importers may have absorbed their cost increase, thereby maintaining their sales volume at the expense of lower unit profits. Second, relative rates of inflation between dollar prices of U.S. roses and peso prices of Colombian roses may not have diverged as much as the general price levels used in calculating the real exchange-rate index.

^{1/} Real exchange rates are analyzed to show the effect of exchange-rate changes on international competitiveness. The index of a real exchange rate provides a combined measure of changes in the nominal exchange rate between two countries and changes in their rates of inflation.

Table 14.--Index of the real exchange rate between the Colombian peso and the U.S. dollar, by quarters, January 1981-June 1983 ^{1/}

(January-March 1981=100)	
Period	Colombia
1981:	
January-March-----	100.0
April-June-----	100.6
July-September-----	100.5
October-December-----	101.9
1982:	
January-March-----	103.1
April-June-----	105.8
July-September-----	106.2
October-December-----	106.4
1983:	
January-March-----	105.2
April-June-----	112.2

^{1/} The index was calculated from period average exchange-rates that were expressed in U.S. dollars per unit of foreign currency.

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

Lost Sales

No specific allegations of lost sales were reported by the 17 domestic rose growers that responded to this section of the questionnaire. These growers generally commented that, although they were losing sales to Colombian roses, they were unable to provide specific instances. The Commission's staff was able to contact 15 customers identified by these growers to obtain purchaser views about the impact of the imported Colombian roses in the U.S. market. ^{1/} Of these 15 purchasers, 2 cited lower prices of the Colombian roses as the major reason why they bought the imported roses, 4 cited inadequate supplies of the domestic roses, and 9 cited better quality of the Colombian roses. The better quality characteristics of the Colombian roses most often cited were longer shelf life, larger, more appealing blooms, and firmer rose heads. Only 1 of the 13 purchasers that cited inadequate domestic supplies or better quality stated that the Colombian roses were generally priced below the competing domestic roses. Twelve purchasers stated that the Colombian roses were generally priced above or approximately equal to the competing domestic roses.

* * * * *

^{1/} These 15 purchasers were located in 7 Eastern States and 4 Western States, and consisted of 12 wholesale florists, 1 retail florist, and 2 wholesale/retail florists.

* * * * *

Lost Revenue

The three domestic growers that responded to this section of the questionnaire reported, for 1982 and 1983, 32 specific instances where they allegedly reduced the prices of their roses because of competition with lower priced imports from Colombia. Combining all 32 instances, the alleged lost revenue amounted to approximately \$26,727 on 217,275 rose blooms. Of the 32 instances of reported lost revenue, the Commission's staff investigated 19 instances involving 9 purchasers, \$17,038 of alleged lost revenue, and 122,375 rose blooms. Because of the frequency of their purchases, only one of the nine purchasers contacted could verify specific quantities or prices. The remaining eight purchasers, however, were still able to provide some information.

* * *, accounted for a single instance of alleged lost revenue, amounting to * * * in October 1983. * * *, buyer for the firm, stated that the alleging domestic grower, * * *, reduced its price by 8 cents per bloom to sell 5,000 roses. * * *, however, that competition from California rose growers, which generally undersell the Colombian roses, forced * * * to lower its price. * * * further stated that he buys 70 percent domestic roses and 30 percent Colombian roses.

* * *, accounted for five instances of alleged lost revenue, amounting to * * * in 1982 and 1983. * * *, buyer for the firm, stated that * * *, the alleging domestic grower, decreased its prices after * * * called to their attention the lower competing prices of Colombian and California roses. * * * still paid a premium for * * * roses, over the prices of the Colombian and California roses, because he regards * * * roses as the finest in quality. * * * further stated that his firm buys about 95 percent of its annual rose requirements from * * *.

* * *, accounted for three instances of alleged lost revenue, amounting to * * * in 1983. * * *, buyer for the firm, stated that his firm buys approximately 90 percent of its annual rose requirements from U.S. growers. As an example of competition, he cited prices in his market area on November 2, 1983, for competing California, Utah, and Colombian roses, of 14 cents, 54 cents, and 36 to 42 cents per bloom, respectively.

* * *, accounted for two instance of alleged lost revenue, amounting to * * * in February and July of 1983. * * *, buyer for the firm, stated that the alleging domestic grower, * * *, decreased its prices because of competition with other domestic growers or because of weak demand and not as a result of competition with Colombian roses.

* * *, accounted for two instances of alleged lost revenue, ammounting to * * * in March and June of 1983. * * *, buyer for the firm, stated that * * *, the alleging domestic producer, probably decreased its prices because of competition from lower priced Colombian and California roses. * * * stated, however, that he has never purchased Colombian roses.

* * *, accounted for three instances of alleged lost revenue, amounting to * * * in 1982 and 1983. * * *, buyer for the firm, stated that * * *, the alleging domestic grower, decreased its prices because of competition in the Pittsburgh market, which includes sales of Colombian roses. * * * stated that he sells mostly domestic roses and buys Colombian roses only during peak demand periods, when domestic supplies are inadequate.

* * *, accounted for one instance of alleged lost revenue, amounting to * * * in 1983. * * *, buyer for the firm, stated that * * *, the alleging domestic grower, reduced its price as a result of competition with lower priced Colombian roses, which he felt were of a lesser quality than the domestic roses. * * * stated that, in response to the low prices of Colombian roses, prices of the California roses selling in his market area are generally reduced further than the prices of locally grown roses.

* * *, accounted for one instance of alleged lost revenue, amounting to * * * in 1983. * * *, buyer for the firm, stated that * * *, the alleging domestic grower, reduced its price primarily because of competition with other domestic growers, during a period of excess supply. * * * stated that he has never bought the Colombian roses and could not comment on their price or quality.

* * *, accounted for one instance of alleged lost revenue, amounting to * * * in 1982. * * *, buyer for the firm, stated that * * *, the alleging domestic grower, reduced its price because of competition with both Colombian and domestic roses. * * * stated that his firm buys Colombian roses only during peak demand periods, when domestic supplies are inadequate.

APPENDIX A

**U.S. INTERNATIONAL TRADE COMMISSION'S
NOTICE OF INSTITUTION OF THE INVESTIGATION**

imports from Colombia of fresh cut roses, provided for in item 192.18 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value.

FOR FURTHER INFORMATION CONTACT: Mr. John MacHatton, Supervisory Investigator, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. 20436, telephone 202-523-0439.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted in response to a petition filed on September 30, 1983, on behalf of Roses, Inc., the U.S. commercial rose growers trade association. The Commission must make its determination in the investigation within 45 days after the date of the filing of the petition, or by November 14, 1983 (19 CFR 207.17).

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

Service of documents.—The Secretary will compile a service list from the entries of appearance filed in the investigation. Any party submitting a document in connection with the investigation shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR 201.8), serve a copy of the nonconfidential version of each such document on all other parties to the investigation. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b), as amended by 47 FR 33682, Aug. 4, 1982).

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

Written submissions.—Any person may submit to the Commission on or before October 28, 1983, a written statement of information pertinent to the subject matter of this investigation (19

CFR 207.15). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8).

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m., on October 24, 1983, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the supervisory investigator, Mr. John MacHatton (202-523-0439), not later than October 21, 1983, to arrange for their appearance. Parties in support of the imposition of antidumping duties in the investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

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

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and B (19 CFR 207, as amended by 47 FR 33682, Aug. 4, 1982), and part 201, subparts A through E (19 CFR 201, as amended by 47 FR 33682, Aug. 4, 1982). Further information concerning the conduct of the conference will be provided by Mr. MacHatton.

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

A-42

Issued: October 5, 1983.

Kenneth R. Mason,
Secretary.

[FR Doc. 83-27643 Filed 10-12-83; 8:45 am]
BILLING CODE 7020-02-M

[Investigation No. 731-TA-148
(Preliminary)]

Fresh Cut Roses From Colombia

AGENCY: United States International Trade Commission.

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

EFFECTIVE DATE: September 30, 1983.

SUMMARY: The United States International Trade Commission hereby gives notice of the institution of a preliminary antidumping investigation under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially retarded, by reason of

APPENDIX B

**U.S. DEPARTMENT OF COMMERCE'S
NOTICE OF INSTITUTION OF THE INVESTIGATION**

on or before November 14, 1983, and we will make ours on or before March 9, 1984.

EFFECTIVE DATE: October 26, 1983.

FOR FURTHER INFORMATION CONTACT: Charles E. Wilson, Office of Investigations, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230, telephone: (202) 377-1273.

SUPPLEMENTARY INFORMATION: On September 30, 1983, we received a petition in proper form from counsel for Roses Incorporated, the U.S. commercial rose growers' trade association:

In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from Colombia are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act), and that these imports are materially injuring, or are threatening to materially injure, a United States industry. The allegations of sales at less than fair value, which include an allegation that export sales are being made at less than the cost of production of the merchandise under investigation in Colombia, are supported by comparisons of United States price, based on prices to unrelated importers, with the constructed value, as developed by the petitioner from published information.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping investigation and whether it contains information reasonably available to the petitioners supporting the allegations. We have examined the petition filed by counsel for the domestic fresh-cut roses industry, and we have found that it meets the requirements of section 732(b) of the Act. Therefore, we are initiating an antidumping investigation to determine whether fresh-cut roses from Colombia are being, or are likely to be, sold at less than fair value in the United States. If our investigation proceeds normally, we will make our preliminary determination by March 9, 1983.

Scope of Investigation

The merchandise covered by this investigation consists of hybride tea roses, intermediate roses, and sweetheart roses, currently provided for

under item numbers 192.1810 and 192.1890 of the Tariff Schedules of the United States Annotated (TSUSA).

Notification to the ITC

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

Preliminary Determination by ITC

The ITC will determine within 45 days of the date the petition was received whether there is a reasonable indication that imports of fresh-cut roses from Colombia are materially injuring, or are likely to materially injure, a United States industry. If its determination is negative, this investigation will terminate; otherwise it will proceed according to the statutory procedures.

Dated: October 20, 1983.

Alan F. Holmer,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 83-29105 Filed 10-25-83; 8:45 am]

BILLING CODE 3510-25-M

International Trade Administration

[A-301-004]

Fresh-Cut Roses From Colombia; Initiation of Antidumping Investigation

AGENCY: International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping investigation to determine whether fresh-cut roses from Colombia are being, or are likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action, so that it may determine whether imports of this merchandise are materially injuring, or threatening to materially injure, a United States industry. The allegations of sales at less than fair value include an allegation that export sales are being made at less than the cost of production in Colombia. Also, critical circumstances have been alleged under section 733(e) of the Act. If the investigation proceeds normally, the ITC will make its preliminary determination

APPENDIX C
CALENDAR OF WITNESSES APPEARING
AT THE CONFERENCE

Calendar of Witnesses Appearing at the Public Conference

Investigation No. 731-TA-148 (Preliminary)

FRESH CUT ROSES FROM COLOMBIA

Those listed below appeared as witnesses at the United States International Trade Commission conference held on Monday, October 24, 1983, in room 331 (Hearing Room) of the USITC Building, 701 E Street, N.W., Washington, D.C.

In support of the petition

Stewart and Stewart--Counsel
Washington, D.C.
on behalf of

Eugene Stewart--OF COUNSEL

Roses, Inc.
James C. Krone, Executive Vice President

Arthur Heyl, Heyl Roses Inc.
William W. Pinchbeck, William Pinchbeck Inc.
C. Richard Wright, Utah Roses Inc.
Herman Schenkel, Jr., H.R. Schenkel Inc.
Richard Westerbeke, Parmentier's Roses Inc.
Charles P. Haley, Sr., Pikes Peak Greenhouses, Inc.

In opposition to the petition

Busby, Rehm and Leonard--Counsel
Washington, D.C.
on behalf of

Will E. Leonard)
Larry E. Klayman)--OF COUNSEL

Florists' Transworld Delivery (FTD)

John Reilly, Principal, ICF Inc.
P. Lance Graef, Project Manager, ICF Inc.

Heron, Burchette and Ruckert--Counsel
Washington, D.C.
on behalf of

Thomas Rothwell, Jr.)
James Lyons)--OF COUNSEL

Association of Floral Importers

L. James Teper, Continental Farms

APPENDIX D
DISCUSSION OF THE REGIONAL CONCENTRATION
OF THE INDUSTRY

Although imports of fresh cut roses from Colombia are concentrated in the Eastern United States, entering predominantly at Miami and New York entry points, production in the Eastern United States is not shipped in more than minimal quantities outside the Eastern area, a substantial portion of consumption in the Eastern States is supplied by western growers. Questionnaire responses by Western growers indicate that such growers are shipping smaller shares of their production to the Eastern United States, and this is occurring in the face of slightly increased output by Eastern growers and substantial increases for Colombian rose sales in that market.

A significant share of U.S. production of fresh cut roses occurs in the western half of the United States, encompassing California, Colorado, Oregon, Utah, and Washington. In the absence of national statistics on the regional concentration of domestic production, data compiled from questionnaire responses of U.S. producers are used as a proxy for the regional segmentation of U.S. production and shipments. Data presented in tables D-1 through D-3 clearly show that California growers dominate the U.S. industry in terms of production, shipments, and profitability. However, the acceleration, if any, in the expansion of the California industry appears not to have been gained at the expense of eastern growers since such growers too have reported steady albeit smaller increases in their production and shipments.

From 1980 to 1982, California growers increased their production of fresh cut roses by 7.8 percent, compared with an increase of 4.1 percent for Eastern growers and an increase of 6.6 percent for growers located in the other Western-producing States (table D-1). In addition to not losing ground to growers in the West, growers located in the Eastern United States expanded by 30.3 percent the area set aside for producing fresh cut roses in January-August 1983 compared with the corresponding period of 1982. However, there was not, as might be expected, a corresponding increase in the number of plants in production, salable blooms produced, or blooms sold by such growers.

D-1.--Fresh cut roses: Area in production, plants in production, and production, by areas, 1980-82, January-August 1982, and January-August 1983

Area	1980	1981	1982	January-August--		Percentage change	
				1982	1983	1982 over 1980	Jan.-Aug. 1983 over Jan.-Aug. 1982
						-----Percent-----	
Area in production:							
California growers							
1,000 square feet--	6,942	7,115	7,218	6,837	6,842	4.0	1/
Other Western growers-----do----	2,691	2,628	2,639	2,639	2,557	(1.9)	(3.1)
Eastern growers-----do----	2,720	2,720	2,769	2,720	3,544	1.8	30.3
Total-----	12,353	12,463	12,626	12,196	12,943	2.2	6.1
Plants in production:							
California growers-units--	4,026	4,309	4,201	3,956	3,969	4.3	0.3
Other Western growers do----	1,349	1,421	1,451	1,450	1,409	7.6	(2.8)
Eastern growers-----do----	2,078	2,071	2,084	2,096	2,112	0.3	0.8
Total-----	7,453	7,801	7,736	7,502	7,490	3.8	(0.2)
Production:							
California growers							
1,000 blooms--	103,800	110,703	111,879	61,440	65,454	7.8	6.5
Other Western growers do----	35,955	35,111	38,311	25,919	26,188	6.6	1.0
Eastern growers-----do----	46,403	47,780	48,407	30,204	31,251	4.3	3.5
Total-----	186,158	193,594	198,597	117,563	122,893	6.7	4.5
California as a share of the total:							
Area in production percent--	56.2	57.1	57.2	56.1	52.9	1.8	(5.7)
Plants in production do----	54.0	55.2	54.3	52.7	53.0	0.6	0.6
Production-----do----	55.8	57.2	56.3	52.3	53.3	.9	1.9

1/ Less than 0.05 percent.

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

As a share of total domestic shipments of fresh cut roses, growers located in California, Colorado, Oregon, Utah, and Washington combined accounted for between 75.5 percent and 76.0 percent of the total between 1980 and 1982, as shown in the following tabulation (in percent):

	Total Western and California growers' shipments as a share of total U.S. shipments	
	<u>Total</u>	
	<u>Western</u>	<u>California</u>
1980-----	75.5	55.6
1981-----	75.7	57.4
1982-----	76.0	56.7
Jan.-Aug.--		
1982-----	74.5	52.5
1982-----	75.1	53.5

Data presented in table D-2, which was tabulated from the questionnaire responses, show fresh-cut-rose shipments on the basis of the growing area of domestic growers. Although growers in the western part of the United States shipped significantly larger quantities of roses at substantially higher dollar amounts, the average unit value of sales for growers located in the eastern section of the country were significantly higher than the average unit value of sales of western growers. The average unit value of sales for Eastern growers rose by 11.5 percent from 1980 to 1982 and increased by 8.0 percent in January-August 1983 over January-August 1982. Eastern growers received an average unit value of 35.8 cents per bloom in 1980, compared with 18.9 cents per bloom for western growers.

Table D-2.--Fresh cut roses: Domestic shipments of all fresh cut roses by Western and Eastern U.S. growers, 1980-82, January-August 1982, and January-August 1983

(quantity in millions of blooms; value in thousands of dollars;
unit value in cents per bloom)

Area				January-August--		Percentage Chang	
	1980	1981	1982	1982	1983	1982	:Jan.-Au
						from	:1983 fr
						1980	:Jan.-Au
							: 1982
	Quantity						
California growers-----	99.5	108.1	109.3	59.3	62.5	9.8	5
Other Western growers <u>1/</u> -----	35.4	34.5	37.2	24.9	25.2	5.1	1
Subtotal-----	134.9	142.6	146.5	84.2	87.7	8.6	4
Eastern growers-----	44.7	45.9	46.4	28.8	29.1	5.7	1
Grand total-----	179.6	188.5	192.9	113.0	116.8	7.9	3
	Value						
California growers-----	17,737	19,548	20,914	13,431	15,021	17.9	11
Other Western growers <u>1/</u> -----	7,767	8,091	9,178	6,740	7,434	18.2	10
Subtotal-----	25,504	27,639	30,092	20,171	22,455	18.0	11
Eastern growers-----	15,813	20,551	18,512	12,288	13,419	17.7	9
Grand total-----	41,317	48,190	48,604	32,459	35,874	17.9	10
	Average unit value						
California growers-----	17.8	18.1	19.1	22.7	24.0	7.3	5
Other Western growers <u>1/</u> -----	21.9	23.5	24.7	27.1	29.5	12.8	8
Subtotal-----	18.9	19.4	20.5	24.0	25.6	8.5	6
Eastern growers-----	35.4	44.8	39.9	42.7	46.1	11.5	8
Average-----	23.0	25.6	25.2	28.7	30.7	9.1	7

1/ Other Western growers includes those growers located in Colorado, Oregon, Utah, and Washington.

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

For the most part, fresh cut roses grown in the western part of the United States are marketed in both the western and eastern parts of the United States. Fresh cut rose growers in the Eastern United States tend to limit their market to that area of the country, thereby being placed in a position of having to compete with growers in the West as well as importers of the Colombian product. According to data submitted in response to questionnaires of the United States International Trade Commission, the share of fresh cut roses shipped into the eastern markets of the United States by western growers, as a percent of western growers' total shipments, declined steadily from 1980 to 1982 and also in January-August 1983 compared with the corresponding period of 1982, as shown in the following tabulation (in percent):

Ratio of fresh cut rose shipments to the
Eastern United States by Western growers
to total U.S. shipments by such growers

	<u>California growers</u>	<u>Other Western growers</u>	<u>Average all Western growers</u>
1980-----	50.1	16.7	41.6
1981-----	43.6	17.0	37.0
1982-----	40.2	14.5	34.5
Jan.-Aug.--			
1982-----	45.6	16.4	39.3
1983-----	41.5	12.6	35.7

Income-and-loss experience of 28 U.S. growers by growing areas are shown in table D-3 for 1980-82, interim 1982, and interim 1983. The table reveals that the California growers were more profitable than the growers in other areas of the United States during the reporting period. These growers' net income margins before income taxes ranged between 6.5 percent (1982) and 9.3 percent (1981) during 1980-82. Growers in the other Western States also operated profitably during 1980-82. These growers' income margins before income taxes ranged between 3.4 percent (1980) and 7.3 percent (1982). On the other hand, all non-Western U.S. growers reported net losses equal to 1.8 percent and 0.6 percent of total sales in 1980 and 1981, respectively. Such growers earned a net income equal to less than 0.05 percent in 1982.

As shown in the following tabulation, the non-Western growers take out a larger share of their profits in officers' or partners' salaries than do the western growers.

	<u>Officers' or partners' salaries as a percent of total sales</u>		
<u>Grower area</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
California growers-----	3.8	3.7	3.8
Other western growers-----	3.4	2.8	3.1
All other growers-----	8.0	7.7	7.8

Table D-3.--Income-and-loss experience of 28 U.S. growers on their fresh-cut-rose operations, by growing areas, 1980-82 interim 1982, and interim 1983 ^{1/}

	1980	1981	1982	Interim period to August 31--	
				1982	1983
California growers					
Fresh-cut-rose sales--1,000 dollars--	14,133	15,748	17,010	10,099	10,83
Other sales-----do-----	1,806	1,695	2,182	898	92
Total sales-----do-----	15,939	17,443	19,192	10,997	11,76
Other income-----do-----	168	73	218	218	7
Total sales and other income-do-----	16,107	17,516	19,410	11,215	11,83
Officers' or partners' salaries					
do-----	603	642	737	284	28
Growing and operating expenses-do-----	14,340	15,250	17,428	8,992	9,78
Total all expenses-----do-----	14,943	15,892	18,165	9,276	10,07
Net income before income					
taxes ^{2/} -----do-----	1,164	1,624	1,245	1,939	1,76
Ratio of net income before income					
taxes to total sales-----percent--	7.3	9.3	6.5	17.6	15.
Other Western growers:					
Fresh-cut-rose sales--1,000 dollars--	5,200	5,518	6,552	5,086	5,33
Other sales-----do-----	3,432	3,539	3,240	2,538	1,87
Total sales-----do-----	8,632	9,057	9,792	7,624	7,20
Other income-----do-----	146	194	439	295	8
Total sales and other income-do-----	8,778	9,251	10,231	7,919	7,28
Officers' or partners' salaries					
do-----	297	255	306	202	24
Growing and operating expenses-do-----	8,188	8,570	9,210	6,603	6,52
Total all expenses-----do-----	8,485	8,825	9,516	6,805	6,77
Net income before income					
taxes ^{2/} -----do-----	293	426	715	1,114	51
Ratio of net income before income					
taxes to net sales-----percent--	3.4	4.7	7.3	14.6	7.
All other U.S. growers:					
Fresh-cut-rose sales--1,000 dollars--	9,948	11,221	12,189	4,769	5,39
Other sales-----do-----	2,218	2,358	2,386	1,340	1,33
Total sales-----do-----	12,166	13,579	14,575	6,109	6,72
Other income-----do-----	307	337	501	112	10
Total sales and other income-do-----	12,473	13,916	15,076	6,221	6,83
Officers' or partners' salaries					
do-----	971	1,047	1,130	540	63
Growing and operating expenses-do-----	11,722	12,949	13,944	5,734	5,71
Total all expenses-----do-----	12,693	13,996	15,074	6,274	6,35
Net income or (loss) before					
income taxes-----do-----	(220)	(80)	2	(53)	47
Ratio of net income or (loss) before					
income taxes to net sales-percent--	(1.8)	(0.6)	^{3/}	(0.9)	7.

^{1/} Data for the 2 interim periods are for 22 growers.

^{2/} Cash basis.

^{3/} Less than 0.05 percent.

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

