

FALL HARVESTED ROUND WHITE POTATOES FROM CANADA

**Determination of the Commission in
Investigation No. 731-TA-124
(Final) Under the Tariff Act
of 1930, Together With the
Information Obtained in
the Investigation**

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.-- Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report.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-124 (Final)

FALL-HARVESTED ROUND WHITE POTATOES FROM CANADA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 735(b)(1) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)(1)), that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded by reason of imports of fall-harvested round white potatoes from Canada, provided for in items 137.20, 137.21, 137.25, or 137.28 of the Tariff Schedules of the United States, which the Department of Commerce has found to be sold in the United States at less than fair value.

Background

The Commission instituted this investigation effective August 2, 1983, following a preliminary determination by the Department of Commerce that fall-harvested round white potatoes from Canada are being, or are likely to be, sold in the United States at less than fair value. Notice of the institution of the Commission's investigation and of the public hearing to be held in connection therewith and of the change of date of the public hearing was duly given by posting copies of the notices in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of August 31, 1983 (48 F.R. 39518) and of September 23, 1983 (48 F.R. 43412). The hearing was held in Portland, Me. on November 18, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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 Haggart not participating.

VIEWS OF COMMISSIONERS STERN AND LODWICK

The Commission unanimously 1/ determines that under section 731 of the Tariff Act of 1930 2/ an industry in the United States is not materially injured or threatened with material injury and that the establishment of an industry in the United States is not materially retarded, 3/ by reason of imports of fall-harvested round white potatoes from Canada at less-than-fair value (LTFV). 4/ 5/

Summary

The regional domestic industry in this investigation is experiencing material injury, reflected primarily by irregular declines in acreage harvested, a decline in part-time employment, financial losses and difficulty in obtaining financial assistance. However, LTFV imports of fall-harvested round white potatoes from Canada are not a material cause of these problems.

1/ Commissioner Haggart did not participate in this investigation.

2/ 19 U.S.C. § 1637.

3/ Material retardation of the establishment of an industry in the United States was not an issue in this investigation and will not be discussed further.

4/ The Department of Commerce ("Commerce") determined on November 4, 1983, that the Canadian potatoes at issue are being sold in the United States at LTFV. 48 Fed. Reg. 51669 affirming 48 Fed. Reg. 34992 included in the Commission Report, Appendix D, pp. A-89-96, and Appendix A, pp. A-73-77, respectively.

5/ As discussed at the Commission meeting of December 12, 1983, an affirmative finding by Commerce does not necessitate an affirmative finding by the ITC. Under Section 731 of the Tariff Act of 1930, 19 U.S.C. § 1673, the Commission is to determine whether an industry in the United States is materially injured, or threatened with material injury, by reason of imports. This means that "the Commission must satisfy itself that, in light of all information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury." S. Rep. 7649, 96th Cong., 1st Sess., p. 75 (1979). See footnote 4 of Chairman Eckes' opinion for further explanation.

An analysis of the price and volume effects of the Canadian imports on the domestic industry indicates that changes in regional domestic production, rather than imports, determine prices of fall-harvested round white potatoes in the U.S. market. A causal link between the imports and the domestic industry's injury is absent since most losses to the industry occurred when imports were lowest and domestic production was highest. Moreover, once in the U.S. market, the volume effect of Canadian potatoes on price was insignificant or nonexistent; the increase in domestic production from 1980/81 to 1982/83 was the predominant factor affecting price.

Pricing data further demonstrate that both import and domestic prices rose and fell together, apparently in response to the same changes in domestic production; that prices in the Northeast market were highly correlated with prices in other sections of the country where imports were absent or less concentrated; and that Canadian potatoes did not undersell the domestic product. Also, other factors such as tighter size standards, a perceived higher quality of the Canadian potato and more effective marketing organization among many Canadian growers were found to contribute to the competitiveness of the Canadian product.

No threat of injury was found to exist to the industry, since import penetration has fallen, Canadian inventories are down, and production of round whites in Eastern Canada is not expected to increase.

Like Product

The term "industry," 6/ as used in section 731 is defined by section 771(4)(A) in terms of domestic producers of the "like product" which in turn is defined by section 771(10) as: ". . . a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation" 7/ Since Commerce determined that fall-harvested round white potatoes from Canada are being sold, or likely to be sold, in the United States at LTFV, 8/ the Commission must determine which domestically produced product is like, or in the absence of like, most similar in characteristics and uses with, the Canadian fall-harvested round white potatoes.

Although all potatoes are similarly grown, certain physical characteristics and uses differentiate types of potatoes in the marketplace, and hence their end use. There are four basic types of potatoes: long white, round red, russet, and round white. Long white potatoes are nearly all commercially grown in California for spring and summer tablestock use. 9/ Round red potatoes, because of their low specific gravity (i.e., relatively higher water content) are best suited for boiling. 10/ Russet potatoes, because of their high specific gravity are used extensively for baking by restaurants and are the dominant potato for freezing and dehydration. 11/

6/ 19 U.S.C. § 1667(4)(A) defines "industry" as: ". . . the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product."

7/ 19 U.S.C. § 1677(10).

8/ Commerce Determinations, supra note 4.

9/ Commission Report ("Report") at A-3.

10/ Id., Certain Fresh Potatoes from Canada, Inv. No. 731-TA-124 (Preliminary), USITC Pub. No. 1364 (March 1983) at 6 ("Preliminary").

11/ Report at A-3, Preliminary supra note 10 at 7.

Round white potatoes, on the other hand, are best suited for boiling, frying, mashing, chipping, and sometimes baking. 12/ Although small quantities of round white potatoes have been substituted in the Northeast for frozen and dehydration processing, such substitution occurs only when russets are unavailable. 13/

Round white potatoes are further distinguished by the timing of their harvest. 14/ In practice, almost all of the fall-harvested crop is placed in protective storage for marketing and sales through the spring. 15/ Non-fall-harvested round white potatoes, 16/ however, are not suitable for long term storage because their immature skins are easily bruised and broken, thus severely limiting their storage life. 17/

Price differentials 18/ between potato types illustrate both that consumers consistently place different values on these various end uses and that the distinct characteristics of the potato types allow for little substitution in end use. Based upon the foregoing factors, the Commission concludes that the domestic like product competing with the Canadian imports is the domestic fall-harvested round white potato.

12/ Report at A-3, Preliminary supra note 8 at 6, Petitioner's post hearing brief at Attachment C.

13/ Report at A-5.

14/ Report at A-3; also see USDA Potatoes and Sweet Potatoes, Usual Dates For Planting, Harvesting, Marketing. Agricultural Handbook No. 460 (Rev. 1973) and USDA Potatoes and Sweet Potatoes, 1981-82 Production, Disposition, Value, Stocks, and Utilization Report ("Utilization Report") (September 1983).

15/ Id.

16/ Early harvested round white potatoes such as those harvested in winter, spring, or summer months, are usually considered as new, or new crop, potatoes. The adjective "new" when used to define a crop refers to an immature crop. J. N. Winburne, A Dictionary of Agricultural and Allied Terminology (1962).

17/ Fruit and Vegetables Facts and Pointers: Potatoes; United Fresh Fruit and Vegetable Association (August 1972) at 27-29 and 35-36.

18/ Report at A-54.

Regional Industry

The Tariff Act of 1930 also authorizes the Commission to find a regional industry if the appropriate circumstances are present. Exercising the option of finding a regional industry is left entirely up to Commission discretion. Specifically, the law requires that: (1) the producers within such region sell all or almost all of their production of the like product in that market; (2) the demand in the market is not supplied to any substantial degree by producers located elsewhere in the United States; and (3) there is a concentration of the allegedly dumped or subsidized merchandise in the regional market. 19/

Based upon the facts presented in this investigation, we determine that the appropriate circumstances as required by statute are met in this case for finding a regional industry. 20/ These facts are: (1) 84.7 percent of the domestic production is sold in the Northeast region; 21/ (2) only 1.3 percent of the demand of the regional market is supplied from producers elsewhere in the United States; 22/ and (3) 68.0 percent of total U.S. imports are concentrated in the regional market. 23/ 24/

19/ 19 U.S.C. § 1667(4)(C).

20/ We adopt petitioner's definition of the Northeast region which includes the following jurisdictions: Maine, New York, Pennsylvania, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, New Jersey, Delaware, Maryland, and the District of Columbia.

21/ Report at A-16. The figure 84.7 percent represents an average of the three most recent years under investigation but includes some on-farm use within the region.

22/ Id.

23/ Id. at A-50.

24/ Commissioner Stern notes that concentration is a relative, not absolute criterion. Imports are concentrated in a region if they have a disproportionate presence in the geographic area. This can be shown by either
(Continued)

We disagree with respondent's allegation that combining areas for analyzing production and consumption under the umbrella of a regional industry violates the "statutory logic of regionality." 25/ 26/ A "regional industry" is defined in terms of behavior in the regional marketplace. The term market should be accorded its plain literal meaning of a place or region in which goods can be bought and sold. A restrictive reading of the statute could distort the view of the domestic market and provide a false frame of reference in which to evaluate the impact of the imports.

Thus, we determine that a regional industry exists and consists of domestic producers of fall-harvested round white potatoes located in the twelve jurisdictions. 27/

(Footnote continued)

a comparison of import penetration figures for the region and the nation or by comparing the percentage of all imports that are consumed in the region with the region's percentage of national consumption. These two methods are algebraically identical. In the present case the average regional import penetration of 4.9 percent is greater than the average national penetration of 3.4 percent; also 68 percent of the imports are concentrated in the region which accounts for 47 percent of total U.S. consumption.

25/ Respondent's prehearing brief at 15.

26/ Commissioner Stern notes that in the preliminary investigation, petitioner suggested that the Northeast region include Baltimore, Maryland, and Washington, D.C., which were not contiguous to the remainder of the Northeast region. Because such a construction of the region would be inconsistent with past Commission practice and would violate the statutory logic on regionality, subsequently the Commission added the states of New Jersey, Delaware, and Maryland. Although the round white potatoes produced in these three states are not fall harvested, both Canadian and U.S. fall harvested round white potatoes are marketed throughout the geographic region. Hence, it is inappropriate to combine a producing area and a consuming area to make a single regional industry when the two areas are not contiguous. Preliminary supra note 10 at 9, footnote 22.

27/ Supra footnote 20.

Condition of the Domestic Industry

In determining whether the domestic industry is materially injured 28/ the Commission's Rules ("Rules") direct the Commission to evaluate, among other factors 29/ all relevant economic factors bearing on the state of the industry, including but not limited to:

- (i) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity;
- (ii) factors affecting domestic prices;
- (iii) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital and investment.

Data on regional acreage, employment, and the financial condition of the industry indicate that potato growers in the Northeastern region have experienced material injury. Acreage harvested fell 14.8 percent during the period under investigation. 30/ Full and part time employment fell overall 15.7 percent from 1980/81 to 1982/83. 31/ Similarly, hours worked by persons engaged in potato operations declined by 7.0 percent over the same period. 32/

The financial data available 33/ indicate losses to the industry, particularly in 1980 and 1982. 34/ Further evidence of the Maine growers'

28/ Material injury is defined as injury which is not inconsequential, immaterial, or unimportant. 19 U.S.C. § 1677(7)(A); 19 C.F.R. § 207.27.

29/ Id., 19 C.F.R. § 207.26.

30/ Report at A-25.

31/ Id. at A-31. Employment data developed in the report were for 32 farms accounting for 2.2 percent of fall-harvested round white potato production in the Northeastern region.

32/ Id. at A-31.

33/ Data was provided in response to Commission questionnaires by 23 growers, which accounted for about 2.2 percent of production of fall-harvested round white potatoes in the Northeastern region.

34/ Report at A-33-38.

financial difficulties is found in an examination of data provided by the Farmers Home Administration ("FmHA"), which finances over 50 percent of Maine's potato growers. 35/

The significant declines in employment and acreage harvested when coupled with the overall poor financial condition of growers indicate that the growers of fall-harvested round white potatoes in the Northeastern region have experienced material injury.

Material Injury by Reason of Imports from Canada

Among the factors the Commission must consider in assessing the issue of whether LTFV imports are materially injuring a domestic industry are:

- (1) whether the volume or increase in the volume of imports is significant;
- (2) whether the price impact of the imports is significant; and (3) whether the imports have had an adverse impact on the domestic industry. 36/

A determination of whether a domestic industry is materially injured by reason of imports sold in this market at LTFV therefore includes a finding that there is a requisite causal link between the imported LTFV goods sold and the material injury experienced by the domestic industry. 37/

35/ The number of potato farms financed declined by 17 percent between 1979 and 1983 and the number of potato acres financed declined by 21 percent during the same period. In 1983, FmHA dropped 21 farmers due to a "lack of profitability". Fifty-nine farmers were rejected solely because of financial condition. FmHA also financed 47 new farmers in 1983; most of these were farmers whose financial condition had deteriorated to the point where they could no longer be financed by production credit associations or private banks. Id. at A-37-38.

36/ 19 U.S.C. § 1677(7)(B).

37/ See the Trade Agreements Act of 1979, Statements of Administrative Action, H.R. Doc. No. 96-153, Part II, 96th Cong., 1st Sess., 434-5 (1979).

Imports had no measurable effect on domestic price in the regional market during the period under investigation. Changes in the region's production, 38/ not imports, determine domestic prices. Generally prices were highest when domestic production was lowest. 39/ Significantly, imports increased into the U.S. market when prices in this market were highest. 40/ Losses experienced by the domestic industry were similarly greatest when regional domestic production was high and imports were relatively low. 41/ Thus, domestic prices and losses to the domestic industry were a function of domestic production, not of increases in the volume of imports.

Further, once Canadian potatoes were in the U.S. market, their volume effect on the U.S. price was minimal or nonexistent. For example, in 1980/81 the average wholesale price of round white potatoes in the New York City

38/ Total U.S. potato production also affected the price to growers in the Northeast region. Utilization Report, supra, n. 15. In 1980/81, the year under investigation when prices were at their highest, total U.S. potato production fell almost 40 million cwt., or 11.6 percent, from the previous crop year. Only 6 million cwt., or 14.7 percent, was accounted for by the drop in the region's fall-harvested round white potato production.

39/ In 1980/81, Northeast regional production declined 14 percent from the previous year, and average Maine prices were \$6.52 in New York City and \$5.85 in Boston. In 1981/82, Northeast regional production increased 6.4 percent, and average Maine prices fell to \$4.82 in New York City and to \$3.86 in Boston. In 1982/83, Northeast regional production again increased 6.2 percent, and average Maine prices again declined to \$3.77 in New York City and to \$3.38 in Boston. In 1983, regional production declined 18.8 percent, and average Maine prices rose to \$5.50 in New York and to \$4.85 in Boston. (Regarding regional domestic production, See Report at A-26. Regarding Maine prices, see Table 18 for prices in New York City and Table 19 for prices in Boston.)

40/ Report at Table 2 and A-51. See *infra*, p. 12.

41/ Financial losses or low profitability levels were most apparent in 1980 and in 1982 (Report at A-33, 35-36). Import penetration was 2.5 percent in 1979/80 and 4 percent in 1982/83, lower than the 6-7 percent levels in 1980/81 and 1981/82. (*Id.* at 51.)

terminal market increased 114 percent 42/ even though imports of Canadian round white potatoes in the Northeast region increased 132.5 percent. 43/ From 1981/82 to 1982/83, the price of round white potatoes received in the New York City terminal market fell only 13 percent 44/ even though imports of round white potatoes into the Northeastern region fell 39.6 percent. 45/ Thus, the volume effect of Canadian imports on price is minimal. 46/ 47/

Price data suggests that Canadian imports have little or no effect on U.S. prices. Prices for domestic and Canadian fall-harvested round white potatoes rose and fell together. 48/ Moreover, round white potato prices in the Northeast market were highly correlated with round white potato prices in U.S. cities where Canadian imports were absent or less concentrated. 49/ This

42/ Id. at A-55.

43/ Id. at A-51.

44/ Id. at A-55.

45/ Id. at A-61.

46/ The conclusion that any price effect brought on by the increase in the volume of Canadian imports is insignificant when compared to price changes resulting from domestic production is further substantiated by other studies of supply and demand in the U.S. round white potato market. See Report at Appendix P citing Olman Hee, Demand and Price Analyses for Potatoes, U.S.D.A. Technical Bulletin No. 1380 (July 1967); A. Paul, Kahl and Tomek, Performance of Futures Market: The Case of Potatoes, USDA Technical Bulletin No. 1636 (January 1981); and unpublished elasticity study by Dr. Alan Kezis and Paul Fackler of the University of Maine. See also "Estimated Effects of Various Factors on the Real Price of Potatoes Received by Maine Growers in Comparison with Actual," Submission by ITC Office of Economics, dated December 12, 1983.

47/ Commissioner Stern notes the volume effect of Canadian imports is minimal, particularly when compared with increases in domestic production. Domestic production rose 4.7 million cwt. from 1980/81 to 1982/83 (Table 17), while imports decreased 577,000 cwt. (Table 17).

48/ Report at Table 18 and 19.

49/ Id. at A-66 and Table 21. The correlation between prices of round white potatoes in New York City and Atlanta is .99 and .98 for prices in New York City and Chicago.

suggests that all potato prices in the domestic market respond to the same changes in regional domestic production, rather than indicating that import prices lead U.S. prices up or down. 50/

The absence of price leadership by Canadian potatoes is demonstrated by the fact that during the entire September 1979 to October 1983 period, in 42 of 42 months, Prince Edward Island round white potatoes sold in the New York City terminal market were priced higher than Maine round white potatoes. 51/ Similarly in the Boston market, Prince Edward Island potatoes oversold Maine potatoes in 40 of 42 months during the four-year period. 52/ Prices of New Brunswick potatoes sold in the Philadelphia market from February 1983 to May 1983 were also examined, and in three of these four months New Brunswick potatoes were priced above those from Maine. 53/

U.S. Customs and Commerce data of prices received by Canadian shippers for both Prince Edward Island and New Brunswick potatoes showed similar trends. Customs invoices were examined from the Portland, Maine district for November 1982 and January 1983. The January data showed that prices of New Brunswick potatoes tended to be higher than Maine potatoes, while prices of Prince Edward Island potatoes tended to be substantially higher than prices of Maine potatoes. 54/

Commerce data from September 1982 to February 1983 also suggested that the average price of New Brunswick and Prince Edward Island fall-harvested

50/ Supra note 46.

51/ Report at A-61 and Table 18. The margins of overselling ranged from 35.6 percent in January 1983 to .5 percent in October 1980.

52/ Id. at A-61 and Table 19. The margins of overselling ranged from a high of 81.2 percent in June 1980 to a low of 2.1 percent in January 1981.

53/ Id. at A-60.

54/ Id. at A-64.

round white potatoes was higher than Maine potatoes. 55/ Hence, analysis of all pricing data available to the Commission does not substantiate petitioners's claim that imports of fall-harvested round white potatoes generally undersold the domestic product, or demonstrate price leadership in the U.S. market.

Moreover, nonprice factors 56/ were also found to contribute to the competitiveness of Canadian potatoes. While fall-harvested round white potatoes from Maine and New Brunswick are generally considered to be roughly equal in quality due to similarities in growing conditions, the market reflects a preference for New Brunswick potatoes because of the tighter and more uniform Canadian size requirements. 57/ Prince Edward Island potatoes are also preferred in the market since they are grown in a reddish soil which results in a more appealing appearance. 58/

The Commission evaluated other non-price information on differences in Canadian and U.S. marketing. Prince Edward Island growers market their product through centralized marketing organizations which provide price information and quality certification. 59/ Maine growers, however, are represented by a large number of independent, small volume shippers whose relatively decentralized marketing efforts create internal price competition. 60/

55/ Id. at A-65.

56/ W. Stauton, *Fundamentals of Marketing* (3d ed. 1971) at 478-80; P. Samuelson, *Economics* (9th ed. 1973) Table 251 at 489.

57/ Id. at A-48.

58/ Id. at A-47.

59/ Id. at at A-24-25 and Respondents Post Hearing Submission.

60/ Id. at A-48. However, two years ago a voluntary quality control system to promote the sale of Maine potatoes was instituted, and in January 1984 a price stabilization program will also go into effect.

Finally, lost sales data demonstrate that the ability of the Canadian fall-harvested round white potato to compete in the U.S. market is at least partially attributable to nonprice factors. Out of nineteen allegations of lost sales investigated by the Commission, almost none were due to a lower Canadian price. Although some of the buyers contacted indicated their purchases of Canadian potatoes had increased in recent years, a number of these buyers stated they purchased some Canadian potatoes because of higher quality. 61/

Thus, the importance of these nonprice factors in an assessment of the Canadian products' success in the U.S. market, combined with a lack of data substantiating that the Canadian potato had a volume or price effect on the U.S. price of fall-harvested round white potatoes, demonstrate there is no causal link between Canadian imports and the condition of the U.S. regional industry.

Threat of Material Injury

In making a determination as to whether there is a threat of material injury, the Commission is required to consider, among other factors: (1) the rate of increase of the dumped imports into the United States market, (2) the capacity of the exporting country to generate exports, and (3) the availability of other export markets. 62/ The finding of a threat of material injury, however, must be based on a showing that the likelihood of harm is

61/ Id. at A-69-72.

62/ 19 CFR § 207.26; H.R. Rep. 317, 96th Cong., 1st Sess., 46 (1979); Prestressed Concrete Steel Wire Strand from the United Kingdom, Inv. No. 713-TA-89 (Final), USITC Pub. No. 1343, 9 (1983); Stainless Steel Sheet and Strip from West Germany, Inv. No. 731-TA-92 (Preliminary), USITC Pub. No. 1252, 14-15 (1982).

real and imminent, and not based on mere supposition, speculation, or conjecture. 63/

Import penetration in the most recent period fell. The market share of Canadian imports to consumption in the Northeast region was 4.0 percent during 1982/83, down from 6.7 percent during the previous crop year. In absolute terms, imports dropped 40 percent from 2,076,000 to 1,253,000 cwt. over the same period. 64/ Even with the drop in market penetration, average prices paid for Maine potatoes in the New York City market were lower than in the previous year. 65/ Furthermore, production in Eastern Canada is expected to decline in the upcoming crop year. 66/ Inventories in Eastern Canada, as reported on November 1, 1983, are lower than those in prior years. Moreover, petitioner's allegations of recent expansion in Canadian storage facilities and Canadian ability to store potatoes year round remain unsubstantiated. 67/

Petitioner also argued that there was a threat to this industry as a result of Canadian government sponsored and financed export programs such as CANAGREX. There is no indication that CANAGREX will direct potatoes to the northeast region that such exports would materially injure the domestic regional industry. 68/ For the foregoing reasons, the Commission determines there is no evidence of threat of material injury.

63/ S. Rep. 249, 96th Cong., 1st Sess., 88-89 (1979); S. Rep. 1298, 93rd Cong., 2nd Sess., 180 (1974); *Alberta Gas Chemicals, Inc. v. United States*, 515 F. Supp. 780, 790 (USCIT 1981).

64/ Report at A-51.

65/ *Id.* at A-56-57.

66/ 1984 acreage is projected to be 129,700 as compared to 136,300 acres in 1982. Report at A-39.

67/ *Id.* at A-38.

68/ *Id.* at A-39.

VIEWS OF CHAIRMAN ECKES

I determine that under section 731 of the Tariff Act of 1930 1/ an industry in the United States is not materially injured or threatened with material injury and the establishment of an industry in the United States is not materially retarded, 2/ by reason of imports of fall-harvested round white potatoes from Canada being sold at less-than-fair value (LTFV). 3/ 4/

Like Product

The term "industry," 5/ as used in section 731 is defined by section 771(4)(A) in terms of domestic producers of the "like product" which in turn is defined by section 771(10) as: ". . . a product which is like, or in the

1/ 19 U.S.C. § 1637.

2/ Material retardation of the establishment of an industry in the United States was not an issue in this investigation and will not be discussed further.

3/ The U.S. Department of Commerce ("Commerce") determined on November 4, 1983, that the Canadian potatoes at issue are being sold in the United States at LTFV. 48 Fed. Reg. 51669 affirming 48 Fed. Reg. 34992 included as Appendix D, pp. A-89-96, and Appendix A, pp. A-73-77, respectively.

4/ As discussed at the Commission meeting of December 12, 1983, an affirmative finding by Commerce does not necessitate an affirmative finding by the ITC. The roles of the Commerce Department and the Commission are separate and distinct. Commerce must determine whether there are sales at less than fair value, and if so, the amount by which the foreign market value exceeds the United State price of the merchandise. Section 735(a), 19 U.S.C. 1673d(a), Section 736(a), 19 U.S.C. 1673e(a). The Commission's role is to determine, in cases where Commerce has already found sales at less than fair value, whether merchandise sold at less than fair value is materially injuring domestic producers of the like product. Section 735(b), 19 U.S.C. 1673d(b). Thus, "the Commission must satisfy itself that, in light of all information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury." S. Rep. 7649, 96th Cong., 1st Sess., p. 75 (1979).

5/ 19 U.S.C. § 1667(4)(A) defines "industry" as: ". . . the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product."

absence of like, most similar in characteristics and uses with, the article subject to an investigation" 6/ Since Commerce determined that fall-harvested round white potatoes from Canada are being sold, or likely to be sold, in the United States at LTFV, 7/ the Commission must determine which domestically produced product is like, or in the absence of like, most similar in characteristics and uses with, the Canadian fall-harvested round white potatoes.

Although all potatoes are similarly grown, certain physical characteristics and uses differentiate types of potatoes in the marketplace, and hence their end use. There are four basic types of potatoes: long white, round red, russet, and round white. Long white potatoes are nearly all commercially grown in California for spring and summer tablestock use. 8/ Round red potatoes, because of their low specific gravity (i.e., relatively higher water content) are best suited for boiling. 9/ Russet potatoes, because of their high specific gravity are used extensively for baking by restaurants and are the dominant potato for freezing and dehydration. 10/ Round white potatoes, on the other hand, are best suited for boiling, frying, mashing, chipping, and sometimes baking. 11/ Although small quantities of round white potatoes have been substituted in the Northeast for frozen and dehydration processing, such substitution occurs only when russets are unavailable. 12/

6/ 19 U.S.C. § 1677(10).

7/ Commerce Determinations, supra note 3.

8/ Commission Report (hereinafter referred to as "Report") at A-3.

9/ Id., Certain Fresh Potatoes from Canada, Inv. No. 731-TA-124 (Preliminary), USITC NO. 1364 (March 1983) at 6 ("Preliminary").

10/ Report at A-3, Preliminary supra note 14 at 7.

11/ Report at A-3, Preliminary supra note 8 at 6, Petitioner's post hearing brief at Attachment C.

12/ Report at A-5.

Price differentials 13/ between potato types illustrate both that consumers consistently place different values on these various end uses and that the distinct characteristics of the potato types allow for little substitution in end use.

Round white potatoes are further distinguished by the timing of their harvest. 14/ In practice, almost all of the fall-harvested crop is placed in protective storage for marketing and sales through the spring. 15/ Non-fall-harvested round white potatoes, 16/ however, are not suitable for long term storage because their immature skins are easily bruised and broken, thus severely limiting their storage life. 17/

Based upon the foregoing factors, I conclude that the domestic "like" product which is competing with the Canadian imports is domestic fall-harvested round white potatoes.

Regional Industry

The Tariff Act of 1930 also authorizes the Commission to find a regional industry if the appropriate circumstances are present. Specifically, the law requires that: (1) the producers within such region sell all or almost all of their production of the like product in that market; (2) the demand in the

13/ Report at A-54.

14/ Report at A-3; also see USDA Potatoes and Sweet Potatoes, Usual Dates For Planting, Harvesting, Marketing. Agricultural Handbook No. 460 (Rev. 1973) and USDA Potatoes and Sweet Potatoes, 1981-82 Production, Disposition, Value, Stocks, and Utilization Report (September 1983).

15/ Id.

16/ Early harvested round white potatoes such as those harvested in winter, spring, or summer months, are usually considered as new, or new crop, potatoes. The adjective "new" when used to define a crop refers to an immature crop. J. N. Winburne, A DICTIONARY OF AGRICULTURAL AND ALLIED TERMINOLOGY (1962).

17/ Fruit and Vegetables Facts and Pointers: Potatoes; United Fresh Fruit and Vegetable Association (August 1972) at 27-29 and 35-36.

market is not supplied to any substantial degree by producers located elsewhere in the United States; and (3) there is a concentration of the LTFV or subsidized merchandise in the regional market. 18/

Based upon the facts presented in this investigation, I determine that the appropriate circumstances as required by statute are met in this case for finding a regional industry. 19/ In short, these facts are: (1) 84.7 percent of the production in the region is sold in the northeast region; 20/ (2) only 1.3 percent of the demand of the regional market is supplied by producers elsewhere in the United States; 21/ and (3) 68.0 percent of U.S. LTFV imports from Canada are concentrated in the regional market. 22/

I disagree with respondent's allegation that combining producing and consuming areas under the umbrella of a regional industry violates the "statutory logic of regionality." 23/ A "regional industry" is defined in terms of behavior in the regional marketplace pursuant to the statutory criteria. The term market should be accorded its plain literal meaning of a place or region in which goods can be bought and sold. Thus, the term "regional industry" should be broadly read to include both buyers and sellers. A more restrictive reading of the statute could distort the view of the domestic market and provide an unrealistic frame of reference in which to evaluate the impact of the imports.

18/ 19 U.S.C. § 1667(4)(C).

19/ I adopt petitioner's definition of the northeast region which includes the following jurisdictions: Maine, New York, Pennsylvania, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, New Jersey, Delaware, Maryland, and the District of Columbia.

20/ Staff Report at A-16. The figure 84.7 percent represents an average of the three most recent years under investigation, but includes some on-farm use within the region.

21/ Id.

22/ Id. at A-50.

23/ Respondent's prehearing brief at 15.

Thus, I determine that a regional industry exists and consists of domestic producers of fall-harvested round white potatoes located in the twelve jurisdictions. 24/

Condition of the Domestic Industry

In determining whether the injury experienced by the domestic industry is material (i.e. not inconsequential, immaterial, or unimportant), 25/ the Commission's Rules ("Rules") direct the Commission to evaluate, among other factors 26/ all relevant economic factors bearing on the state of the industry, including but not limited to:

- (i) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity;
- (ii) factors affecting domestic prices;
- (iii) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital and investment.

Data on regional acreage, employment, and the financial condition of growers indicate that potato growers in the Northeastern region have experienced difficulties.

24/ Supra footnote 20.

25/ 19 U.S.C. § 1677(7)(A); 19 C.F.R. § 207.27.

26/ Id., 19 C.F.R. § 207.26.

Acreage harvested fell 14.8 percent during the period under investigation. 27/ Full and part time employment fell overall 15.7 percent from 1980/81 to 1982/83. 28/ Similarly, hours worked by persons engaged in potato operations declined by 7.0 percent over the same period. 29/

The financial data available 30/ indicate losses to the industry, particularly in 1980 and 1982. Fifteen growers experienced aggregate income before taxes of \$27,000 in 1980, \$319,000 in 1981 and a loss of \$144,000 in 1982. 31/ Eight growers experienced aggregate losses of \$1.6 million in 1980, \$130,000 in 1981 and \$655,000 in 1982. 32/ Combined data for the 23 growers 33/ also show the trend of losses to be most acute in 1980 and 1982. Income before taxes for all 23 growers was a loss of \$1.6 million in 1980, a profit of \$189,000 in 1981 and a loss of \$799,000 in 1982. 34/

Further evidence of the Maine growers' financial difficulties is found in an examination of data provided by the Farmers Home Administration ("FmHA"), which finances over 50 percent of Maine's potato growers. The number of

27/ Report at A-25.

28/ Id. at A-31. Employment data developed in the report were for 32 farms accounting for 2.2 percent of fall-harvested round white potato production in the Northeastern region.

29/ Id. at A-31.

30/ Data tabulated was provided in response to Commission questionnaires by 23 growers, which accounted for about 2.2 percent of production of fall-harvested round white potatoes in the Northeastern region.

31/ Report at A-32-34. The 15 growers' ratio of net income or loss before income taxes to total sales and other income increased from 1.6 percent in 1980 to 14.5 percent in 1981 and then declined to a negative 8.6 percent in 1982.

32/ Id. at A-35. The 8 growers' ratio of net income before taxes to net sales was negative 89.4 percent in 1980, negative 2.8 percent in 1981, and negative 18.8 percent in 1982.

33/ Data were evaluated separately for the 8 and 15 growers because the two groups employed different accounting procedures.

34/ Report at A-36. The ratio of net income before taxes to net sales was negative 46.1 percent in 1980, 3.4 percent in 1981 and negative 15.9 percent in 1983.

potato farms financed declined from 518 in 1979 to 428 in 1983, or by 17 percent and the number of potato acres financed declined from 44,600 in 1979 to 35,200 in 1983, or by 21 percent. 35/

In 1983, FmHA dropped 21 farmers due to a "lack of profitability". 36/ Fifty-nine farmers were rejected solely because of financial condition. 37/ FmHA also financed 47 new farmers in 1983; most of these were farmers whose financial condition had deteriorated to the point where they could no longer be financed by production credit associations or private banks. 38/ The percent of loans collected by FmHA declined from 119 percent in 1980 (a year in which the farmers were able to pay some unpaid loans from previous years) to 76 percent in 1981 and only 46 percent in 1982. 39/

The significant declines in employment, acreage harvested, coupled with the overall poor financial condition of growers, indicate that the growers of fall-harvested round white potatoes in the Northeastern region have experienced problems.

Material Injury By Reason of LTFV Imports from Canada

A key issue in any Commission determination under Title VII is whether LTFV imports are a cause of material injury to the domestic industry. As I indicated in my preliminary opinion, petitioners were unable to establish any connection whatsoever between imports and injury to the domestic industry. During the course of this final investigation they failed to develop any data that would alter that conclusion.

35/ Id. at A-37.

36/ Id. at A-38.

37/ Id.

38/ Id.

39/ Id.

The statute requires that the Commission consider import trends, and the effect of such imports on prices in the United States, including such evidence as significant price undercutting, price depression, and price suppression.

In reaching my determination, I have examined each of these factors:

a) Import Trends. Imports increased from 787,000 hundredweight in 1979/80 to 1.8 million hundredweight in 1980/81. Imports increased slightly in 1981/82 to 2.1 million hundredweight before declining in 1982/83 to 1.3 million hundredweight. 40/ The ratio of imports to apparent consumption in the regional market increased from 2.5 percent in 1979/80 to 6.4 percent in 1980/81. Import penetration then decreased from 6.7 percent in 1981/82 to 4.0 percent in 1982/83. 41/

b) Price Undercutting. Imported round white potatoes from Canada have had no demonstratable effect on prices in the United States. 42/ There is little evidence that imports undersell domestic potatoes. During the September 1979 to October 1983 period, in 42 of 42 months, Canadian round white potatoes sold in the New York City terminal market at prices higher than for Maine round white potatoes. Similarly in the Boston market, Canadian potatoes oversold Maine potatoes in 40 to 42 months during the four year period. The Commission also obtained data on prices for New Brunswick potatoes sold in the Philadelphia market from February 1983 to May 1983. In three of the four months examined New Brunswick potatoes were priced above those from Maine. In brief, these data indicate that at the wholesale level where imports and domestic potatoes compete most directly in the marketplace, there is no significant price undercutting. In fact, the pattern is just the opposite--imported potatoes regularly oversell Maine potatoes.

40/ Report at A-51.

41/ Report at A-51.

42/ See also discussion of "Price Depression or Suppression" infra. p. 9.²⁴

The Commission also sought to compare prices at levels closer to the growers. It examined Customs invoices to compare prices received by Canadian shippers. These data show that prices of New Brunswick potatoes tended to be higher than Maine potatoes in January 1983. And prices for Prince Edward Island potatoes tended to be substantially higher than prices of Maine potatoes for the same period.

Commerce data, based on prices received by some Canadian shippers on sales in the U.S. from September 1982 to February 1983, also showed that the average price of New Brunswick and Prince Edward Island fall-harvested round white potatoes was higher than that for Maine potatoes. The data indicate that from September 1982 to February 1983 buyers paid more for Canadian potatoes from these shippers than they did for Maine potatoes.

In short, comparing data at levels closer to the potato growers fails to substantiate petitioner's claims that imports of fall-harvested round white potatoes generally undersold the domestic product in the U.S. market. The fact that Canadian potatoes are consistently higher priced suggests that Canada is not the price leader in the U.S. potato market.

c) Price Depression or Suppression. In this investigation the petitioner has alleged that imports of Canadian round white potatoes into the region have had a price-suppressing effect. As I indicated in the preliminary phase of this investigation, however, the price elasticity studies that were cited indicated that "any price effect which the small change in the volume of imports may have is insignificant when compared to the price changes resulting from domestic production figures." 43/

43/ See Certain Fresh Potatoes From Canada, Inv. No. 731-TA-124 (Prel.) "Views of Chairman Eckes on Causation" at 18.

The pattern of imports from Canada and their price and volume effects on the domestic industry indicates that LTFV imports have not had a price suppressing effect on domestic potatoes. Domestic prices are determined by domestic production.

In this investigation prices were generally highest when domestic production was lowest. In 1980/81, northeast regional production declined 14 percent from the previous year, and average Maine prices in New York City 44/ were \$6.52 and \$5.85 in Boston. 45/ In 1981/82, Northeast regional production 46/ increased 6.4 percent, and average Maine prices fell to \$4.32 in New York City and to \$3.86 in Boston. In 1982/83, Northeast regional production again increased 6.2 percent, and average Maine prices again declined to \$3.77 in New York City and to \$3.38 in Boston. In 1983, regional production declined 18.8 percent, and average Maine prices for the month of October rose to \$5.50 in New York and to \$4.78 in Boston.

Additionally, losses experienced by the domestic industry were greatest when regional production was high and imports were relatively low. 47/ Thus, domestic prices, and losses to the domestic industry, were a function of domestic production, not of increases in the volume of imports.

44/ Report at Table 18.

45/ Report at Table 19.

46/ Report at A-26.

47/ Financial losses or low profitability levels were most apparent in 1980 and in 1982 (See Report at table 9, Table 10 and Table 11). Import penetration was 2.5 percent in 1979/80 and 4 percent in 1982/83, lower than the 6 to 7 percent levels in 1980/81 and 1981/82. (Report at Table 17.)

d) Lost Sales. Maine potato growers claim they have lost sales to Canadian potato producers; the Commission investigated nineteen specific instances which were cited. However, Commission staff found that almost none of these were due to a lower Canadian price. Rather, although some buyers contacted had increased their purchases of Canadian potatoes in recent years, a number stated they purchased Canadian potatoes because of higher quality.

In my judgment, nonprice factors not pricing considerations, are a major explanation for the competitiveness of Canadian potatoes in the U.S. market. Although Maine and New Brunswick potatoes are generally equal in quality due to similarities in growing conditions, the New Brunswick potatoes are more uniform in size. Prince Edward Island potatoes are not only more uniform than Maine potatoes, but they are often more appealing in appearance because of the reddish soil for growing. These factors may be responsible for the success of Canadian imports.

It appears that the Maine potato farmers would benefit from effective marketing organizations and a marketing order which would assure customers more uniform size.

Finally, the petitioner has alleged that LTFV imports from Canada were the price leaders in the Northeast region. As I have stated, price data suggest that Canadian imports have little or no effect on U.S. prices. There has been little or no price undercutting. Prices for domestic and Canadian fall-harvested round white potatoes rose and fell together in the marketplace. 48/ Finally, prices in the Northeast region rose and fell in concert with prices in U.S. cities where Canadian imports were absent or less

48/ Report at Tables 18 and 19.

concentrated. Thus, the information on the record demonstrates that potato prices respond to domestic production and that LTFV imports from Canada are not the price leaders.

Threat of Material Injury

In making a determination as to whether there is a threat of material injury, the Commission is required to consider, among other factors: (1) the rate of increase of the dumped imports into the United States market, (2) the capacity of the exporting country to generate exports, and (3) the availability of other export markets. 49/ The finding of a threat of material injury, however, must be based on a showing that the likelihood of harm is real and imminent, and not based on mere supposition, speculation, or conjecture. 50/

Import penetration in the most recent period is falling. The market share of Canadian imports to consumption in the Northeast region is 4.0 percent during 1982/83, down from 6.7 percent during the previous crop year. In absolute terms, imports dropped 40 percent from 2,076,000 to 1,253,000 hundredweight over the same period. 51/ Even with the drop in market penetration, average prices paid for Maine potatoes in the New York City

49/ Section 207.26 of the Commission's Rules (19 CFR § 207.26); H.R. Rep. 317, 96th Cong., 1st Sess., 46 (1979); Prestressed Concrete Steel Wire Strand from the United Kingdom, Inv. No. 713-TA-89 (Final), USITC Pub. 1343, 9 (1983); Stainless Steel Sheet and Strip from West Germany, Inv. No. 731-TA-92 (Preliminary), USITC Pub. 1252, 14-15 (1982).

50/ S. Rep. 249, 96th Cong., 1st Sess., 88-89 (1979); S. Rep. 1298, 93rd Cong., 2nd Sess., 180 (1974); Alberta Gas Chemicals, Inc. v. United States, 515 F. Supp. 780, 790 (USCIT 1981).

51/ Report at A-51.

market were lower than in the previous year. 52/ Furthermore, production in Eastern Canada is expected to decline in the upcoming crop year. 53/ Moreover, inventories in Eastern Canada, as reported on November 1, 1983, are lower than those in prior years. Petitioner's allegations of recent expansion in Canadian storage facilities and Canadian ability to store potatoes year round remain unsubstantiated. 54/

Petitioner also argued that there was a threat to this industry as a result of Canadian government sponsored and financed export programs such as CANAGREX. There is no indication that CANAGREX will direct potatoes to the relevant region 55/ and/or that such exports would materially injure the domestic regional industry. For the foregoing reasons, I determine there is no sufficient showing of a threat of material injury.

52/ Id. at A-56.

53/ In 1984, acreage is projected to be 129,700 as compared to 136,300 acres in 1982. Report at A-39..

54/ Id. at A-38.

55/ Id. at A-39.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On February 9, 1983, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of the Maine Potato Council alleging that fall-harvested round white potatoes from Canada are being sold in the United States at less than fair value (LTFV). Accordingly, effective February 9, 1983, the Commission instituted preliminary antidumping investigation No. 731-TA-124 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), to determine whether there was a reasonable indication that an industry in the United States was materially injured, or was threatened with material injury, or the establishment of an industry in the United States was materially retarded, by reason of imports from Canada of fresh or chilled round white potatoes, as provided for in items 137.20, 137.21, 137.25, and 137.28 of the Tariff Schedules of the United States (TSUS).

On March 28, 1983, the Commission notified the Secretary of Commerce of its determination 1/ that there was a reasonable indication that an industry in the United States is materially injured by reason of imports from Canada of fresh or chilled round white potatoes which were alleged to be sold in the United States at LTFV. 2/

On August 2, 1983, the Department of Commerce made a preliminary determination that there was a reasonable basis to believe or suspect that fall-harvested round white potatoes from Canada are being, or are likely to be, sold in the United States at LTFV, as provided in section 733 of the Tariff Act of 1930 (19 U.S.C. § 1673b). 3/ The petitioner had alleged in the petition that there were "critical circumstances"--that is, massive imports over a short period of time that would require retroactive imposition of dumping duties in order to prevent the recurrence of the alleged material injury to the domestic industry. The Department of Commerce concluded that critical circumstances did not exist for fall-harvested round white potatoes from Canada, because there were no massive imports over a relatively short period of time.

As a result of the affirmative preliminary determination of LTFV sales by the Department of Commerce, the Commission instituted investigation No. 731-TA-124 (Final), effective August 2, 1983, to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason

1/ Commissioner Stern made an affirmative determination, Chairman Eckes made a negative determination, and Commissioner Haggart did not participate in the investigation. The Commission is deemed to have made an affirmative determination by operation of sec. 771(11) of the Tariff Act of 1930 (19 U.S.C. § 1677(11)).

2/ Certain Fresh Potatoes from Canada: Determination of the Commission in Investigation No. 731-TA-124 (Preliminary). . . ., USITC Publication 1364, March 1983.

3/ A copy of the Department of Commerce's preliminary determination is presented in app. A.

of the importation into the United States of fall-harvested round white potatoes from Canada. Notice of the institution of the Commission's final investigation and of the public hearing to be held in connection therewith was given by posting copies of a notice (and a revised notice) at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notices in the Federal Register on August 31, 1983, (48 F.R. 39518) and September 23, 1983 (48 F.R. 43412). 1/

Following the receipt of a request by counsel for the Canadian Horticultural Council, the Department of Commerce postponed its final LTFV determination. 2/ On November 4, 1983, the Department of Commerce determined that fall-harvested round white potatoes from Canada are being sold in the United States at LTFV. Margins were found on 74 percent of the sales compared, with the weighted-average margin on all sales being 36.1 percent. 3/

A public hearing was held by the Commission in connection with this investigation on November 18, 1983, in the ballroom of the Ramada Inn, 1230 Congress Street, Portland, Maine. 4/ The Commission is scheduled to vote on the investigation during the week of December 12, 1983. The applicable statute directs that the Commission make its final injury determination within 45 days after the final determination by the Department of Commerce, or in this case, by December 19, 1983.

Previous Commission Investigation Concerning Fresh Potatoes

On April 1, 1982, following the receipt of letters of request from Ambassador William E. Brock, the United States Trade Representative (USTR), the Commission instituted investigation No. 332-140, in which the Commission studied the competitive conditions of the potato industry of the State of Maine and the Northeastern market and the importance of the factors which affect the competitive position of Maine producers vis-a-vis that of producers in other States or marketing regions of the United States and Canada. Following approximately 5 months of investigative work, which included public hearings in Bangor, Maine, and Boise, Idaho, the Commission released a report of the investigation on August 16, 1982. 5/

1/ Copies of the Commission's original and revised notices of investigation and hearing are presented in app. B.

2/ A copy of the Department of Commerce's notice of postponement of its final antidumping determination is presented in app. C.

3/ A copy of the Department of Commerce's final determination is presented in app. D.

4/ A list of the individuals who appeared at the public hearing is presented in app. E.

5/ The Competitive Status of Major Supply Regions for Fall Harvested Fresh White or Irish Potatoes in Selected Markets: Report to the President on Investigation No. 332-140 Under Section 332 of the Tariff Act of 1930, USITC Publication 1282, August 1982.

The Product

Description and uses

The white potato of commerce (Solanum tuberosum, L.) is a member of the Solanaceae family of plants and is related to the tomato, eggplant, and pepper. The potato tuber is an enlarged portion of an underground stem that stores carbohydrates not used by the potato plant for growth. Botanically, potatoes are of a great many sizes, shapes, and colors of skin or flesh. However, only white-fleshed potatoes (the so-called white or Irish potato) are used commercially in the United States and Canada. For potatoes, the period of growth from planting to harvest ranges from 80 to 150 days, depending on variety.

Nearly all of the numerous potato varieties are classified as one of four types, namely, round white potatoes, russet potatoes, round red potatoes, or long white potatoes, as shown in the figure on the following page. Most potato varieties (by count) are considered to be of the round white type and, depending on the qualities of the individual variety, are used mostly for boiling, frying, mashing, chipping, and sometimes for baking. Russet potatoes, when sold as tablestock, 1/ are used extensively for baking by restaurants and for other end uses; also, russets are the dominant processing potato for freezing and dehydration. The distinguishing characteristic of the round red type, used primarily for boiling, is the red skin color. Nearly all of the commercially produced long white potatoes are grown in California for spring and summer tablestock use. Not counting many experimental varieties and minor varieties, there are about 20 potato varieties classed as being of the round white type, 2/ 4 or 5 varieties as russets, 7 or 8 varieties as round red potatoes, and 1 or 2 varieties as long white potatoes.

This investigation is concerned with fall-harvested round white potatoes imported from Canada and sold in the Northeastern United States. 3/ Fall-harvested round white potatoes are "round white potatoes harvested in the fall season of the year, but no earlier than September 1, and no later than December 31 in that year, and marketed, or entered into the United States, from the dates of September 1, in any given year, to the following June 30, inclusive." 4/ Nearly all of the potatoes harvested in the Northeastern States from Pennsylvania northward are fall harvested for reasons of climate and length of growing season for the most widely grown varieties. Almost all of the fall-harvested crop is placed in protective storage in September and

1/ The term "tablestock" refers to fresh potatoes sold through fresh produce channels to retail store outlets or food service establishments for ultimate use by home or away-from-home consumers.

2/ In reference to its affirmative final antidumping determination on fall-harvested round white potatoes from Canada, the U.S. Department of Commerce has named 22 potato varieties as being within the scope of the determination, as indicated in app. F.

3/ The Northeastern United States consists of the New England States, New York, Pennsylvania, New Jersey, Maryland, Delaware, and the District of Columbia.

4/ As defined by the U.S. Department of Commerce in its final antidumping determination on fall-harvested round white potatoes from Canada. A-3

Types of Potatoes

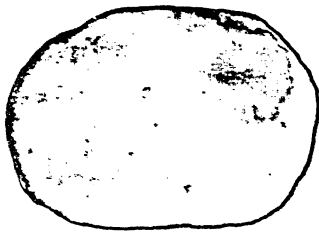
U.S. potatoes may be categorized into 4 groups:

1. Round White
2. Russet
3. Round Red
4. Long White

This categorization is from appearance only. Internal qualities and eating appeal vary from group to group and within groups.

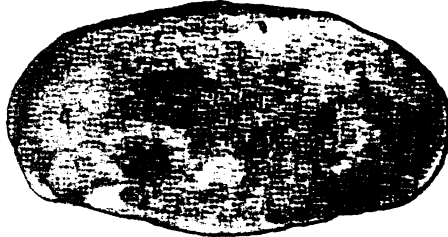
It is impossible to recommend any one potato for any one use. The user must decide on his preference through usage and experience. Storing ability, solids content, texture and other characteristics have an influence on usage and preference.

A breakdown of the common potato varieties that fit into each group are as follows:



1. Round White Group—

- a. Kennebec
- b. Katahdin
- c. Superior
- d. Norchip
- e. Irish Cobbler
- f. Monona
- g. Sebago
- h. Ontario
- i. Chippewa



2. Russet (mostly long) Group—

- a. Russet Burbank
- b. Norgold Russet
- c. Centennial Russet



3. Round Red Group

- a. Norland
- b. Red Pontiac
- c. Red La Soda
- d. La Rouge
- e. Red McClure



4. Long White Group—

- a. White Rose

October, prior to severe frosts. 1/ The stored potato crop is marketed during the late fall, winter, and spring months until supplies are exhausted or until quality drops below market grades. Fall-harvested potatoes lose weight in storage due to dehydration; this shrinkage, on average, is equivalent to 10 percent of the harvested weight.

Round white potatoes are used predominantly for sales to tablestock markets and as seed for growing the next crop, and secondarily by potato chip manufacturers, which prefer specific varieties of round white potatoes for their cooking (chipping) qualities. It is believed that only small quantities of round white potatoes in the Northeastern United States are used by processors of frozen or dehydrated potato products, and then only when other potatoes are not available, and that no round white potatoes are shipped outside the Northeastern United States to processors of frozen or dehydrated potato products or of potato starch. Cull or otherwise distressed fall-harvested round white potatoes grown within the region are processed into potato starch, used for livestock feed, sold as nonfood uses, or are thrown away.

Potato grade, size, and uniformity of size are significant elements in tablestock and certified seed potato sales. However, round white potatoes grow in a wide range of sizes, the share of each size depending on growing conditions and variety. For tablestock sales, most home consumers prefer the middle range of harvested sizes, i.e., potatoes from about 2 to 3 inches in diameter. Larger sizes sold in the tablestock market, generally of 3 inches in diameter and over, are purchased predominantly by restaurants, hotels, or other institutional food establishments; these are called chefs or chef specials in the trade. The smaller sizes, ranging from a minimum diameter of 1-1/2 inches to a maximum diameter of 2-1/2 have very little demand in tablestock sales. Certified seed sales consist primarily of middle-range-size potatoes (which are cut into pieces before planting) and small potatoes (which are planted whole); rarely are large-size potatoes used for planting, because the rate of waste (number of nongrowing pieces when cut) is high. Potatoes grown for certified seed are entirely acceptable for tablestock uses, but growers keep distinct the growing operations of commercial tablestock production and certified seed production. 2/ Certified seed producers sell nearly all of their large-size potatoes to the tablestock market.

1/ In practice, summer-, spring-, or winter-harvested potatoes are not stored. Potatoes harvested during these periods are not the subjects of this investigation; however, some quantities of summer-harvested potatoes are produced within the Northeastern United States. Spring-harvested or winter-harvested potatoes are not produced within this region.

2/ There is no Federal seed certification program in the United States for potatoes. However, individual States, including Maine and New York, have established systems for seed certification. Although standards vary by State, they are similar in content, and all States require a certification tag on the potato bags prior to shipment. Potato fields that meet the standards of the official certification agency may be certified and the potatoes offered as certified seed. In Canada, the certified seed potato programs are subject to both Federal and Provincial requirements.

Federal standards for grades and sizes govern potato sales in both the United States and Canada. In the United States standards there are five separate designations for potatoes--four grade designations (measuring quality defects) and one unclassified category; for each designation, size range and uniformity is optional, except that most of the designations have a minimum size requirement. 1/ For example, a U.S. No. 1 grade round white potato, the predominant grade for U.S. tablestock sales, requires that the potatoes be "not less than 1-7/8 inches in diameter, unless otherwise specified in connection with the grade." In addition to the minimum size specified, "a lot" of potatoes designated as size A (also common in tablestock sales) shall contain at least 40 percent of potatoes which are 2-1/2 inches in diameter or larger. In the Canadian standards for potatoes, there are four "Grade" designations which are combinations of two quality standards (measuring defects) and three specified size ranges. 2/ Thus, Canada No. 1 round white potatoes (measuring quality) include "Canada No. 1 Grade" for potatoes of a minimum diameter of 2-1/4 inches and a maximum diameter of 3-1/2 inches, "Canada No. 1 Large Grade" for potatoes of 3 to 4-1/2 inches, and "Canada No. 1 Small Grade" for potatoes of 1-1/2 to 2-1/4 inches. Canada No. 2 Grade potatoes have only one size designation, from 1-3/4 to 4-1/2 inches.

The imported product

The major round white potato varieties grown in the Eastern Provinces of Canada which export to the United States are the Kennebec, Superior, and Sebago varieties, with the Kennebec variety accounting for over one-half of the output. 3/ These varieties are also grown in the Northeastern United States. The Katahdin variety, a major variety in the Northeastern United States, ranks a distant fourth in Eastern Canada. The Sebago variety, important in Eastern Canada, is not a major variety in the Northeastern United States.

Canadian round white potatoes are harvested and marketed during the same time periods as are round white potatoes produced in the northern United States, including States in the Northeastern United States. Imported round white potatoes are used predominantly for tablestock use and certified seed for planting, and, to a lesser extent, for chipping. 4/

During January-June 1983, approximately three-fourths of the round white potato imports (other than certified seed potatoes) entered in containers of not over 100 pounds net weight each (chiefly in sacks of 50 pounds each), and about one-quarter entered in containers of more than 100 pounds. The imports

1/ The U.S. standards for grades of potatoes as established by the U.S. Department of Agriculture (USDA) are presented in app. G.

2/ The Canadian grades for potatoes, as provided for in the Canada Agricultural Products Standards Act, are presented in app. H.

3/ Based on estimated production in 1982 by Agriculture Canada of seed potato varieties, by Province (app. I).

4/ Prior to January 1983, U.S. import data for fresh potatoes did not separate the imported product by types or uses, and thus, the share of the imports in recent years that are round white potatoes is estimated on the basis of 1983 shares.

in containers of over 100 pounds were in such units as barrels (165 pounds each), tote boxes (about 1,000 pounds net weight), or in bulk in trucks. The imported products are sold either directly to retail users in the containers in which they enter or are repacked by U.S. firms into new, smaller containers, usually of 5 or 10 pounds net weight each. Of the certified seed potatoes imported during January-June 1983, two-thirds were in containers of not over 100 pounds each, and one-third were in containers of more than 100 pounds.

Many of the imported round white potatoes are not distinguishable from those produced in the Northeastern United States; however, some wholesale potato buyers in the United States contend that round white potatoes grown in Prince Edward Island, Canada, have a distinctive color owing to that region's soil types and that these potatoes are preferred by retail consumers. ^{1/}

The domestic product

The product that is the subject of the petition is fresh fall-harvested round white potatoes. In the Northeastern United States the principal round white varieties grown are the Superior and Katahdin varieties, with the Ontario, Norchip, Atlantic, and Kennebec varieties also grown in significant amounts. In addition, as many as 20 other round white varieties are grown in these States. The domestic product includes fall-harvested round white certified seed potatoes marketed primarily to commercial potato growers located in winter-, spring-, summer-, and fall-harvested production areas in the Eastern United States and, to a smaller degree, to home gardeners. The domestic product includes round white fall-harvested potatoes sold to terminal produce market wholesalers in major cities, chainstore receivers, local and roadside market operators, potato chip manufacturers located throughout the Northeastern United States, and, to a lesser extent, other processors in the major Northeastern production areas.

U.S. tariff treatment

Imported fresh potatoes are classified for tariff purposes under items 137.20, 137.21, 137.25, and 137.28 in subpart A, part 8, of the TSUS. ^{2/} TSUS items 137.20 and 137.21 provide for certified seed potatoes under specified

^{1/} Based on the testimony of Mr. Vinnie Gandolfo of Dominic Gandolfo, Inc., Chelsea, Mass., at the Nov. 18, 1983, public hearing, transcript of the hearing, pp. 221 and 227, and on statements to Commission staff by other potato wholesalers in terminal markets in Boston and New York City.

^{2/} TSUS items 137.20, 137.21, 137.25, and 137.28 provide for fresh, chilled, or frozen white or Irish potatoes that are not reduced in size or otherwise prepared or preserved. Potatoes normally are never chilled (as are some vegetables), and potatoes are seldom, if ever, frozen whole; thus, the essential articles in these tariff items are various fresh potatoes A-7

conditions, 1/ and TSUS items 137.25 and 137.28 provide for potatoes "other than such certified seed."

Imported fresh potatoes are subject to tariff rate quotas. 2/ For certified seed potatoes, the current under-quota rate of duty for not more than 114 million pounds (1,140,000 hundredweight) that can be entered during the 12-month period beginning September 15 in any year is 36 cents per hundredweight (TSUS item 137.20); imports in excess of that quota quantity are dutiable at 55 cents per hundredweight (TSUS item 137.21). For potatoes other than certified seed potatoes, the current under-quota rate of duty for not more than 45 million pounds (450,000 hundredweight) is also 36 cents per hundredweight (TSUS item 137.25); over-quota imports are dutiable at 55 cents per hundredweight (TSUS item 137.28), the same as over-quota certified seed potatoes. The rates of duty for both certified seed and other than certified seed potatoes were modified as a result of a concession granted by the United States in the Tokyo round of Multilateral Trade Negotiations under the General Agreement on Tariffs and Trade (GATT). The duty reductions are staged annually through January 1, 1987, at which date both the under-quota and over-quota rates of duty become 35 cents per hundredweight. The rate of duty concessions under the GATT and excerpt pages from the Tariff Schedules of the United States Annotated (1983) (TSUSA) (which show current rates and statistical annotations to the import data) are presented in appendix J.

The TSUS does not differentiate between imported round white potatoes and other types of potatoes. For statistical purposes however, import data on certain potato types and container sizes became available effective January 1, 1983. The average ad valorem equivalents of the specific rates of duty in effect in 1983 applicable to round white potatoes, based on dutiable imports

1/ The specified conditions in a heading to the tariff description for potatoes are that such potatoes must be "certified by a responsible officer or agency of a foreign government in accordance with official rules and regulations to have been grown and approved especially for use as seed," and must be "in containers marked with the foreign government's official certified seed potato tags." By Public Law 97-466, effective Jan. 27, 1983, the following language was added after the word "tags" in the heading: "and imported for use as seed." Subsequently, U.S. Customs now requires an end-use statement from users of imported certified seed potatoes verifying that the seed was planted; otherwise, the importer is subject to penalties. There is a 3-year period in which to file the end-use statement.

2/ Tariff rate quotas became part of the U.S. customs treatment for fresh potatoes (certified seed) pursuant to the 1936 U.S. trade agreement with Canada. Quota quantities and quota coverage have been adjusted several times since 1936, the most recent being at the institution of the TSUS on Aug. 31, 1963. In the TSUS, the quota level for other than certified seed is tied to domestic production of at least 210 million hundredweight (21 billion pounds) as set out in headnote 2, subpart A, pt. 8, schedule 1, of the TSUS.

of round white potatoes 1/ entered during January through July 1983, were as follows:

<u>TSUSA item</u>	<u>Ad valorem equivalent</u> (percent)
137.2520-	5.4
137.2540-	9.0
137.2820-	8.3
137.2840-	13.0

Imports of tablestock potatoes that enter the United States are required to comply with the grade, size, and maturity provisions of Federal Marketing Order regulations in force for potatoes under the Agricultural Marketing Agreement Act of 1937. Imports of certified seed potatoes are exempt from these requirements. Marketing orders for fresh potatoes are presently active in five production areas: Idaho, Oregon, Washington, Colorado, and Virginia/North Carolina. The Colorado area No. 3 marketing order is used by the Agricultural Marketing Service of the USDA to set the requirements for imported round white potatoes entered during the fall-harvested potato marketing season. 2/ The provisions of the act are administered by the U.S. Department of Agriculture, and in an agreement with Agriculture Canada, potatoes passing inspections by Canadian officials of potatoes for export to the United States are accepted as meeting the U.S. marketing order requirements on imported potatoes, provided it so states on the Canadian inspection certificate.

Imports of fresh potatoes from Canada (except Newfoundland and certain parts of British Columbia) into the United States are exempt from Federal plant quarantine regulations of the USDA as established under the Plant Quarantine Act of 1912 (37 Stat. 316; 7 U.S.C. 159). 3/

Nature and Extent of Sales at LTFV

The Department of Commerce's investigation into the question of sales at LTFV covered the 6-month period from September 1, 1982, to February 28, 1983. On the basis of a statistical sampling of the Canadian grower/distributor and grower populations, 9 Canadian grower/distributors were presented with antidumping questionnaires, and 10 growers were presented with cost-of-production questionnaires. In order to determine whether sales of fall-harvested round white potatoes in the United States were made at LTFV, Commerce compared the U.S. price with the foreign-market value; where a grower did not have home market sales, the U.S. price was compared with constructed value.

1/ Varieties other than russet or netted gem (a type of russet potato).

2/ The marketing orders setting the import requirements for potatoes and the handling regulations applicable to Irish potatoes grown in Colorado area No. 3 presented in app. K.

3/ Current plant protection and quarantine programs for fruits and vegetables prohibit the entry of potatoes (Solanum Spp.) into the United States from all countries except Canada, Bermuda, and the Dominican Republic (7 CFR 319.56-2). ^{A-9}

Commerce found that the foreign-market value of fall-harvested round white potatoes exceeded the U.S. prices on 74 percent of the sales compared. The margins on specific sales ranged from 0.6 to 206 percent; the overall weighted-average margin on all sales compared was 36.1 percent. Data on the nine grower/distributors surveyed are shown in table 1.

Table 1.--Fall-harvested round white potatoes: Quantity sold in the United States, share of sales at less than fair value (LTFV), and weighted-average LTFV margins for 9 Canadian grower/distributors, September 1982-February 1983

Location and grower/ distributor	Sold in the United States	Share of sales at LTFV	Weighted- average LTFV margin
	Hundredweight	Percent	
Prince Edward Island:			
L. George Lawton-----	***	***	33.6
Simmons & MacFarlane, Ltd-----	***	***	58.3
Powers Produce, Ltd----	***	***	0.0
New Brunswick:			
Gemvak, Ltd-----	***	***	52.3
Ouellette Seed Farm, Ltd-----	***	***	1.9
M. Rose & Sons, Ltd--	***	***	45.6
John Crawford, Ltd----	***	***	0.0
Ontario:			
Olan Potato Farms, Ltd-----	***	***	.6
R.C. Marshall Farms, Ltd-----	***	***	7.5
Total or weighted average <u>2/</u> -----	<u>3/</u> ***	74.0	36.1

1/ Data may represent only certain months during the period for individual grower/distributors.

2/ Only for firms listed above.

3/ This is * * * percent of the estimated total imports of fall-harvested round white potatoes into customs districts in the Northeastern United States in 1982/83.

Source: U.S. Department of Commerce.

On August 2, 1983, in accordance with section 733(d) of the Tariff Act of 1930 (19 U.S.C. § 1673b(d)), the Department of Commerce directed the U.S. Customs Service to suspend liquidation of all entries of fall-harvested round white potatoes from Canada. The suspension of liquidation and possible additional dumping duties apply to all of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after August 2, 1983. Pending the Commission's final determination, the Customs Service is currently requiring a cash deposit or the posting of a bond for each of the firms listed

above in the amount of each firm's weighted-average LTFV margin. With an affirmative Commission determination, imports of fall-harvested round white potatoes from any other Canadian source will remain subject to such bond or deposit in the amount of 36.1 percent ad valorem (the weighted average for the nine firms surveyed in Commerce's finding). A negative Commission determination would result in the elimination of such bond or deposit or possible dumping duties.

The Domestic Market

Producers

Fall-harvested round white potatoes in the Northeastern United States are grown on farms in nearly all States from Maine to Maryland, and regionwide production consists of an estimated 2,000 growers. The largest number of growers and the largest average number of acres planted to potatoes per grower is in Maine. An estimated 800 to 900 growers produce potatoes in Maine, and for most of them, potatoes are the principal source of income. ^{1/} Many of the Maine growers produce only round white potatoes, and others also produce russet potatoes. Approximately 75 percent of the fall-harvested potatoes produced in Maine and 86 percent of the fall-harvested potatoes produced in the Northeastern United States during 1979-82 consisted of round white potatoes.

Potato growers in the Northeastern States other than Maine, with minor individual exceptions, produce fall-harvested potatoes almost exclusively, most of them being round whites. In parts of Pennsylvania, New York, and New Jersey, however, some growers produce both fall-harvested and summer harvested round white potatoes. Nearly all of the relatively few growers in Maryland and Delaware produce primarily summer-harvested potatoes. A small number of larger firms have round white potato production facilities in several States, which may range from fall-harvested production in Maine to spring-harvested production outside the Northeastern States; production from such firms, however, is only a small part of the total output of fall-harvested potatoes.

Importers

The principal importers of round white potatoes from Canada into the Northeastern United States are firms that resell the imported product at wholesale for tablestock use (see the section on channels of distribution for the types of firms that handle fresh potatoes). The next largest group is likely the wholesale distributors and grower-users of certified seed potatoes for planting. Probably the third most important group of importers consists of firms that resell tablestock potatoes at retail. A final group of

^{1/} A 1982 survey indicated that the number of potato farms in Maine of five or more acres decreased from 951 in 1979 to 825 in 1982, or by 13 percent (testimony presented at the June 30, 1982, hearing in Bangor, Maine, by Mr. Ray D. Hews, Senior Credit Representative, Aroostook County Production Credit Association and Aroostook Country Federal Land Bank Association, transcript of the hearing, p. 315).

importers consists of firms that use the imported fresh potatoes in the production of other potato products, including prepeeled potatoes and potato chips. Many of the importers arrange their purchases through potato brokers, whose names generally do not appear on the import documents. ^{1/} An analysis of invoices that covered about 5 percent of 1982/83 imports into the Northeastern United States showed that more than 90 firms imported potatoes from Eastern Canada.

Channels of distribution

Round white potatoes produced in the Northeastern United States may be sold directly from the grower to the ultimate consumer, or the potatoes may be sold in a number of transactions before reaching the ultimate consumer. The difference depends largely on the type of use by the ultimate consumer and the options chosen by (or available to) the round white potato grower. Growers that sell certified seed to other growers for planting or sell round white potatoes to processors are usually involved in a one-step transaction to the fresh potato consumer.

On the other hand, round white potatoes that are sold for tablestock use usually go through three or more business transactions before reaching the home consumer of fresh round white potatoes. First, the typical grower in Maine commits a sale to a local dealer who has found a chainstore customer for a given quantity, package size, and price. Second, the dealer bills the chainstore at the given price and pays the grower at the predetermined grower price. (Frequently, the grower packs and ships the potatoes to the chainstore from his farm, but sometimes the dealer packs and ships the potatoes from his own packing facilities.) Third, the chainstore sells the potatoes to the home consumer. A fourth transaction is involved when the chainstore purchases the Maine potatoes by using a buying service or buys from a repacker.

If the Maine potatoes are sold through wholesale produce terminal markets (large produce markets located in major cities), five or six business transactions may be involved before the potatoes are owned by the consumer. To start, the relationship between the Maine grower and Maine dealer is the same as in a chainstore sale, but in this case the dealer usually sells through a broker in the terminal market to wholesale receivers in the terminal market. The wholesale receivers sell to independent stores, food service establishments, jobbers, and others, who generally inspect samples of the product before making a purchase.

The role of Canadian exporters of round white potatoes in New Brunswick and Prince Edward Island is essentially the same as the role of Maine dealers with regard to channels of distribution. However, some Maine dealers also handle potatoes exported from Canada. In 1982/83, nearly 15 percent of imports of tablestock potatoes from Canada through Maine ports of entry were

^{1/} The listed importer of record for fresh potatoes on U.S. Customs entry papers is usually a customhouse broker whose responsibility it is, for a fee, to facilitate the paperwork of entry and pay the duty, for which reimbursement is collected. In most cases, for potatoes, the customhouse brokers' fees are paid for by the Canadian exporter.

destined for addresses in Maine, presumably to dealers and packers in Maine for resale to other States.

Regional industry

In most investigations conducted by the Commission under title VII of the Tariff Act of 1930, the Commission examines the impact of imports on a national industry, as defined in section 771(4)(A) of the act (19 U.S.C. § 1677(4)(A)). However, there is also a statutory basis for analyzing and assessing the impact of imports on a regional industry in appropriate circumstances. The basis for defining a regional industry is stated in section 771(4)(C) of the act:

In appropriate circumstances, the United States, for a particular product market, may be divided into 2 or more markets and the producers within each market may be treated as if they were a separate 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.

In such appropriate circumstances, material injury, the threat of material injury, or material retardation of the establishment of an industry may be found to exist with respect to an industry even if the domestic industry as a whole, or those producers whose collective output of a like product constitutes a major proportion of the total domestic production of that product, is not injured, if there is a concentration of subsidized or dumped imports into such an isolated market and if the producers of all, or almost all, of the production within that market are being materially injured or threatened by material injury, or if the establishment of an industry is being materially retarded, by reason of the subsidized or dumped imports.

The Northeastern Region

In the preliminary phase of this investigation, the Commission found that a regional industry analysis was appropriate. ^{1/} The geographic area which was deemed to satisfy the statutory criteria for the regional industry test

^{1/} Certain Fresh Potatoes from Canada: Determination of the Commission in Investigation No. 731 TA 124 (Preliminary) . . . , USITC Publication 1364, p. 11.

was defined as consisting of "the jurisdictions of Maine, New York, Pennsylvania, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, New Jersey, Delaware, Maryland, and the District of Columbia." These jurisdictions will hereinafter be collectively referred to in this report as the Northeastern Region or NE Region.

Production areas.--Of the 12 States or areas included in the NE Region by the Commission during the preliminary phase of this investigation, only 8 (the 6 New England States plus New York and Pennsylvania) are considered by the U.S. Department of Agriculture (USDA) as fall-harvested potato production areas for crop-reporting purposes. The other four States or areas either do not produce fall-harvested potatoes or (especially in the case of New Jersey) produce some fall-harvested potatoes but are not designated by the USDA as fall-harvested production areas.

Consumption areas.--Fall-harvested round white potatoes grown in both the NE Region and Canada are generally marketed in the Atlantic Coastal States from Maine in the north to Florida in the south, but are concentrated in the NE Region. Accordingly, the marketing or consumption area for fall-harvested round white potatoes differs geographically from the production area. The southernmost USDA-designated fall-harvested producing States in the NE Region are Pennsylvania and New York, but the consumption area, especially for certified seed potatoes, extends to the south of these States. 1/

Apparent consumption

Apparent consumption of fall-harvested round white potatoes in the NE Region during crop years 1979/80 through 1982/83 ranged from a low of 28.7 million hundredweight in 1980/81 to a high of 31.5 million hundredweight in 1979/80 (table 2). 2/ The various components of the apparent consumption figures are discussed elsewhere in this report. Apparent consumption decreased by 8.9 percent in 1980/81, increased by 8.4 percent in 1981/82, and increased by 0.8 percent in 1982/83.

The ratio of imports to apparent consumption increased from 2.5 percent in 1979/80 to 6.4 percent in 1980/81 and 6.7 percent in crop year 1981/82, and then decreased to 4.0 percent in 1982/83.

1/ The petitioner claimed that the NE Region should consist not only of the New England States, New York, and Pennsylvania, but also of the consumers in peripheral cities, i.e., Baltimore, Md., and Washington, D.C., that consume fall-harvested round white potatoes. In its preliminary determination, the Commission accepted the petitioner's contention and included these areas, plus New Jersey, in the geographical configuration termed by the Commission as the "Northeastern Region."

2/ Data presented on a crop-year basis are for the period Sept. 1 in a given year to Aug. 31 in the following year. However, import data presented exclude imports in July and August, since round white potatoes entering during those months are not fall-harvested according to the U.S. Department of Commerce's definition of fall-harvested round white potatoes.

Table 2.--Fall-harvested round white potatoes: NE Region production sold and remaining within the NE Region, outside the NE Region, and total production sold; inflows into the NE Region; NE Region imports from Canada; NE Region exports; and apparent NE Region consumption, crop years 1979/80 through 1982/83

Crop year	(In thousands of hundredweight)									
	NE Region production sold			Inflows from U.S.		NE Region imports from Canada		NE Region exports	Apparent NE Region consumption	Ratio of NE Region imports to NE Region consumption
	Remaining within the NE Region 1/	Outside the NE Region 2/	Total 3/	sources outside the NE Region 4/	Remaining in the NE Region 5/	Total 6/	7/	8/		
									Percent	
1979/80-----	30,281	6,334	36,615	394	787	962	19	31,462	2.5	
1980/81-----	26,485	5,696	32,181	344	1,830	2,237	5	28,659	6.4	
1981/82-----	28,610	5,985	34,595	372	2,076	2,522	6	31,058	6.7	
1982/83-----	29,653	6,074	35,727	385	1,253	1,666	9	31,291	4.0	

1/ Derived from percentages remaining in the NE region shown in table 3 of this report.

2/ Includes exports.

3/ Derived from official statistics of the U.S. Department of Agriculture, app. M., table M-3.

4/ Data were derived from arrival data on tablestock potatoes in 9 cities in the NE Region during 1981/82. The inflows are the share (1.3 percent) that arrivals from Michigan and Ohio were to total arrivals from NE Region sources in the 9 cities times the quantity of NE Region production sold remaining within the NE Region.

5/ Derived from percentages shown in table 4 of this report.

6/ Based on data in table 12 of this report.

7/ Exports of fall-harvested round white potatoes from the NE Region were estimated by applying the annual percentages of Maine's production that were fall-harvested round white potatoes to known exports of all potatoes from the NE Region.

8/ NE Region production sold remaining within the NE Region, plus inflows from U.S. sources outside the NE Region, plus NE Region imports from Canada remaining in the NE Region.

Source: U.S. International Trade Commission, except as noted.

On the basis of data compiled by the U.S. Department of Agriculture, NE Region production sold which remained in the NE Region was 82.3 percent of total NE Region production sold in 1980/81, 82.7 percent in 1981/82, and 83.0 percent in 1982/83 (table 3). The corresponding figure in 1979/80 is estimated to have been 82.7 percent. 1/

The percentage of NE Region production of potatoes which remained in the NE Region was 84.3 percent in 1980/81, 84.5 percent in 1981/82, and 85.3 percent in 1982/83.

An analysis of arrivals data for 1981/82 in nine cities in the NE Region indicated that inflows of fall-harvested potatoes from major round-white-producing States outside the NE Region equaled approximately 1.3 percent of all potato arrivals from NE Region States.

An analysis of the destinations of Canadian truck shipments through Maine ports of entry indicated that shipments that were destined for the NE Region totaled 81.8 percent in 1980/81, 82.3 percent in 1981/82, and 75.2 percent in 1982/83 (table 4). 2/ The percentage of tablestock shipments from Canada remaining in the NE Region is substantially higher than the percentage of Canadian seed shipments remaining in the NE Region.

1/ Data submitted by shippers, dealers, brokers, and first receivers in response to questionnaires of the U.S. International Trade Commission indicated that in the NE Region, production sold that remained within the NE Region totaled 78.8 percent in 1980/81, 79.7 percent in 1981/82, and 80.7 percent in 1982/83. The questionnaire responses accounted for 18 percent of the NE Region's production sold of fall-harvested round white potatoes in 1982/83.

2/ Some of the reasons why the share of Canadian shipments remaining in the NE Region may have declined in crop year 1982/83 were discussed by Mr. Gary Hatfield of New Brunswick at the public hearing, transcript of the hearing, pp. 202-204.

Table 3.--Fall-harvested potatoes: NE Region production remaining within the NE Region, crop years 1980/81 through 1982/83 1/

Crop year and area	Pro- duction	Pro- duction sold	Recorded NE Region shipments 2/		Balance of NE Region production sold		NE Region pro- duction	NE Region :		Ratio of--		
			Sold within the NE Region	Sold outside the NE Region	Total (2)-(3)-(4)	Estimated to have remained in the NE Region 3/		(7)	Unsold pro- duction (1)-(2)		production: sold re- maining in: the NE Region plus: unsold production: (7)+(8)	
												(3)	(4)	(5)	(6)	(8)	(9)	(10)	(11)
1,000 hundredweight											Percent	
1980/81:												
Maine-----	24,960	21,635	10,373	3,677	7,585	7,281	17,654	3,325	20,979	81.6	84.1	
New York:												
Long Island-----	4,794	4,497	1,993	2,167	337	324	2,317	297	2,614	51.5	54.5	
Upstate-----	6,250	5,610	4/	4/	5,610	5,385	5,385	640	6,025	96.0	96.4	
All other 5/-----	6,189	5,631	4/	4/	5,631	5,406	5,406	558	5,964	96.0	96.4	
Total-----	42,193	37,373	12,366	5,844	19,163	18,396	30,762	4,820	35,582	82.3	84.3	
1981/82:												
Maine-----	26,520	23,405	10,251	3,937	9,217	8,848	19,099	3,115	22,214	81.6	83.8	
New York:												
Long Island-----	5,365	5,080	2,268	2,325	487	468	2,736	285	3,021	53.9	56.3	
Upstate-----	6,875	6,060	4/	4/	6,060	5,818	5,818	815	6,633	96.0	96.5	
All other 5/-----	7,465	6,837	4/	4/	6,837	6,563	6,563	628	7,191	96.0	96.3	
Total-----	46,225	41,382	12,519	6,262	22,601	21,697	34,216	4,843	39,059	82.7	84.5	
1982/83:												
Maine-----	27,030	22,530	9,352	3,609	9,569	9,186	18,538	4,500	23,038	82.3	85.2	
New York:												
Long Island-----	4,995	4,700	1,919	2,351	430	413	2,332	295	2,627	49.6	52.6	
Upstate-----	7,020	6,295	4/	4/	6,295	6,043	6,043	725	5,768	96.0	96.4	
All other 5/-----	7,765	7,159	4/	4/	7,159	6,873	6,873	606	7,479	96.0	96.3	
Total-----	46,810	40,684	11,271	5,960	23,453	22,515	33,786	6,126	39,912	83.0	85.3	

1/ Round white potatoes account for approximately 86 percent of production of fall-harvested potatoes in the NE Region.

2/ Based on published data of the U.S. Department of Agriculture, Market News Service.

3/ Represents 96 percent of col. 5. The 96-percent allocation is based on an analysis of tablestock potato arrivals in 36 U.S. cities from September 1981 through May 1982.

4/ Not available.

5/ Pennsylvania, Connecticut, Massachusetts, Rhode Island, Vermont, and New Hampshire.

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

Table 4.- Potatoes: Primary destinations of truck shipments from Canada through Maine ports of entry, 1/ crop years 1980/81 through 1982/83.

Area	1980/81 <u>2/</u>	1981/82	1982/83
	Quantity (1,000 hundredweight)		
NE Region States <u>3/-</u>	1,107	3,132	1,842
Southern seaboard States	143	528	442
All other-	103	146	166
Total--	1,353	3,806	2,450
	Percent of total		
NE Region States <u>3/-</u>	81.8	82.3	75.2
Southern seaboard states	10.6	13.9	18.0
All other-	7.6	3.8	6.8
Total--	100.0	100.0	100.0

1/ Destinations are primary destinations as reported on entry papers.

2/ Reporting of these data began in February 1981; data shown are for Feb. 14 through May 30.

3/ Includes shipments to destinations in Maine, more than three fourths of which remain within the NE Region.

Source: Based on data published by the U.S. Department of Agriculture, Market News Service, Presque Isle, Maine.

The Canadian Industry

Potatoes are produced in each of Canada's 10 Provinces. Virtually all of Canada's potato production is fall harvested. The Provinces of Prince Edward Island (PEI), New Brunswick, Nova Scotia, Newfoundland, Quebec, and Ontario account for nearly all of Canada's production of fall-harvested round white potatoes and account for all of Canada's exports of such potatoes through ports of entry in the NE Region of the United States.

Acreage

Total potato acreage planted, as reported by Agriculture Canada, in selected Provinces of Canada is shown in the following tabulation (in thousands of acres):

Province	1979	1980	1981	1982	1983 <u>1/</u>
Prince Edward Island-----	61	56	64	69	70
New Brunswick-----	56	52	54	54	53
Quebec-----	47	45	42	44	44
Nova Scotia and Newfoundland-----	5	5	5	5	5
Ontario-----	45	42	39	39	38
Subtotal-----	214	200	204	211	210
All other Provinces-----	66	65	69	69	69
Total-----	280	265	273	280	279

1/ Preliminary.

Potato acreage planted in the six Eastern Provinces, which produce most of Canada's fall-harvested round white potatoes, decreased from 214,000 acres in 1979 to 200,000 acres in 1980, and then increased in 1981 and 1982, before decreasing to 210,000 acres 1/ in 1983. Nearly all of the increase in acreage between 1980 and 1982 occurred in PEI; however, the increase in PEI's acreage was in part for the production of russet potatoes. 2/

The Canadian Horticultural Council has provided data on acreage of round white potatoes (presumably entirely fall harvested) in PEI, New Brunswick, Quebec, and Ontario. These data are presented in the following tabulation (in thousands of acres):

<u>Province</u>	<u>1982</u>	<u>1983</u>
Prince Edward Island-----	40.7	38.4
New Brunswick-----	21.6	21.2
Quebec-----	44.0	44.0
Ontario-----	30.0	28.0
Total-----	136.3	131.6

Round white potato acreage in PEI, New Brunswick, Quebec, and Ontario in 1982 amounted to 136,300 acres, or 66 percent of total potato acreage in those Provinces. Round white potato acreage in the four Provinces decreased to 131,600 acres in 1983, or by 3.4 percent; the 1983 acreage represented 64 percent of total potato acreage in those Provinces in that year.

1/ Preliminary data.

2/ Counsel for the Canadian Horticultural Council submitted exhibit 3 in the Nov. 18, 1983, hearing, which indicates that provincially inspected acreage of Russet Burbank potatoes in Prince Edward Island increased from 17,000 acres in 1980 and 1981 to over 25,000 acres in 1982 and 29,000 acres in 1983.

Production

Total potato production in selected Provinces of Canada is shown in the following tabulation (in millions of hundredweight):

Provinces	1979/80	1980/81	1981/82	1982/83	1983/84 ^{1/}
Prince Edward Island	15.2	13.0	16.2	18.1	17.5
New Brunswick	13.0	11.6	13.2	13.1	11.8
Quebec	9.7	8.5	7.5	8.5	6.9
Newfoundland and Nova Scotia	.8	.8	.9	.9	.9
Ontario	9.2	8.8	8.6	8.5	6.5
Subtotal	47.9	42.7	46.4	49.1	43.6
All other Provinces	13.0	12.6	12.8	12.6	12.6
Total	60.9	55.3	59.2	61.7	56.2

^{1/} Preliminary.

Production of potatoes in the six Eastern Provinces, which produced most of Canada's fall-harvested round white potatoes, decreased from 47.9 million hundredweight in 1979 to 42.7 million hundredweight in 1980, then increased in both 1981 and 1982, but decreased in 1983 to 43.6 million hundredweight. Production in the remainder of Canada remained relatively constant between 1980 and 1983.

The Canadian Horticultural Council provided data on production of round white potatoes (presumably entirely fall harvested) in PEI, New Brunswick, Quebec, and Ontario, presented in the following tabulation (in millions of hundredweight):

Province	1982	1983
Prince Edward Island	9.6	9.2
New Brunswick	5.1	4.6
Quebec	8.5	6.4
Ontario	6.6	4.7
Total	29.8	24.9

The combined production of round white potatoes in PEI, New Brunswick, Quebec, and Ontario decreased by 16 percent between 1982 and 1983. The share of total potato production in the four Provinces accounted for by round white potatoes was 62 percent in 1982 and 58 percent in 1983.

Inventories (storage stocks)

Canadian potato storage stocks are at their highest levels in November (immediately after the harvest). Stocks are gradually depleted during the following months, and by July of the following year, they are usually nil. Total stocks held in storage and wholesale warehouses in selected Provinces of Canada on November 1 and February 1 of 1979/80 to 1982/83 are shown in table 5. Stocks in Eastern Canada constitute over two-thirds of Canada's total stocks.

Table 5.--Potatoes: Storage stocks held in in Canada, by Provinces, crop years 1979/80 through 1982/83

(In millions of hundredweight)							
Inventory date	: Prince : Edward : Island	: New Brunswick	: Quebec	: Ontario	: All other	: Total	
1979/80:	:	:	:	:	:	:	
Nov. 1-----	13.5	11.1	4.2	4.4	10.9	44.1	
Feb. 1-----	7.6	7.3	2.5	2.9	7.1	27.4	
1980/81:	:	:	:	:	:	:	
Nov. 1-----	10.9	9.8	4.5	3.8	10.3	39.3	
Feb. 1-----	6.6	6.6	2.2	2.2	7.2	24.8	
1981/82:	:	:	:	:	:	:	
Nov. 1-----	14.2	10.9	4.6	3.5	10.2	43.4	
Feb. 1-----	9.6	8.0	2.9	2.4	6.8	29.7	
1982/83:	:	:	:	:	:	:	
Nov. 1-----	16.1	11.2	4.8	4.3	10.7	47.1	
Feb. 1-----	9.9	8.1	2.8	3.3	7.7	31.8	
1983/84:	:	:	:	:	:	:	
Nov. 1-----	15.3	9.7	3.4	3.8	10.5	42.7	

Source: Agriculture Canada.

Exports

The United States is the principal market for Canada's exports of fresh potatoes, having accounted for approximately 55 percent of total exports in 1982/83, as shown in table 6.

Table 6.- Potatoes: Exports from Canada to the continental United States and all countries of seed potatoes, tablestock potatoes, and all potatoes, by Provinces, crop year 1982/83 ^{1/}

(In thousands of hundredweight)							
Province	Exports to the continental United States			Exports to all countries ^{2/}			Total
	Seed	Table stock	Total	Seed	Table stock	Total	
Prince Edward Island	125	1,167	1,292	1,288	2,213	3,501	
New Brunswick	386	899	1,285	798	949	1,747	
Nova Scotia and Newfoundland	0	0	0	1	2	3	
Quebec	^{3/}	83	83	^{3/}	83	83	
Ontario	1	204	205	1	204	205	
Subtotal	512	2,353	2,865	2,088	3,451	5,539	
All other	106	235	341	106	235	341	
Total	619	^{4/} 2,587	3,206	2,195	^{4/} 3,685	5,880	

^{1/} Data are preliminary and represent the period August 1982-July 1983.

^{2/} Most of Canada's potato exports to offshore (non-U.S.) markets consist of round white potatoes for use as seed.

^{3/} Less than 500 hundredweight.

^{4/} Includes 807,365 hundredweight for processing.

Source: Compiled from official statistics of Agriculture Canada.

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

The two principal Provinces exporting potatoes are Prince Edward Island and New Brunswick, which together accounted for 80 percent of Canada's total potato exports to the United States and 89 percent of Canada's total potato exports to all countries in crop year 1982/83. Data on exports of potatoes from PEI and New Brunswick are presented in table 7. Nearly all, if not all, exports of potatoes to the United States from PEI and New Brunswick are through ports of entry in the NE Region.

Table 7.-- Potatoes: Seed and tablestock exports from Prince Edward Island and New Brunswick to the continental United States and to all countries, by types, crop years 1980/81 through 1982/83 1/

(In thousands of hundredweight)							
Crop year/Province	Exports to the continental			Exports to all countries			
	United States						
	Seed	Table stock <u>2/</u>	Total	Seed	Table stock <u>2/</u>	Total	
1980/81:							
Prince Edward Island	603	827	1,430	2,167	1,269	3,436	
New Brunswick	637	685	1,323	1,128	685	1,814	
Total	1,240	1,512	2,753	3,295	1,954	5,250	
1981/82:							
Prince Edward Island	438	1,165	1,603	1,710	1,930	3,639	
New Brunswick	652	1,387	2,040	1,128	1,452	2,580	
Total	1,090	2,552	3,643	2,838	3,382	6,219	
1982/83:							
Prince Edward Island	125	1,167	1,292	1,288	2,213	3,501	
New Brunswick	386	899	1,285	798	949	1,747	
Total	511	2,066	2,577	2,086	3,162	5,248	

1/ Data for 1981/82 and 1982/83 are preliminary.

2/ Believed to include potatoes for processing.

Source: Compiled from official statistics of Agriculture Canada.

Total exports of potatoes from PEI and New Brunswick to the United States increased by 32 percent in 1981/82 and decreased by 29 percent in 1982/83. Exports of seed potatoes to the United States from the two Provinces decreased by 12 percent in 1981/82 and by 53 percent in 1982/83. Exports of tablestock potatoes to the United States from the two Provinces increased by 69 percent in 1981/82 and decreased by 19 percent in 1982/83.

With regard to round white potatoes, the Canadian Horticultural Council has provided data (based on a survey by Agriculture Canada), indicating that Canadian exports of round white potatoes (presumably nearly all fall-harvested) to the United States for tablestock and for processing amounted to 1.23 million hundredweight during August 1, 1981 through July 31, 1982, and 1.2 million hundredweight during August 1, 1982 through July 31, 1983. Of the 1.2 million hundredweight exported to the United States during August 1982-July 1983, PEI accounted for 506,000 hundredweight, or 42 percent; New Brunswick accounted for 376,000 hundredweight, or 31 percent; Quebec accounted for 81,000 hundredweight, or 7 percent; and Ontario accounted for 234,000 hundredweight, or 20 percent, as shown in the following tabulation (in thousands of hundredweight):

<u>Province</u>	<u>Tablestock</u>	<u>Processing</u>	<u>Total</u>
Prince Edward Island-	493	13	506
New Brunswick	285	91	376
Quebec-	7	74	81
Ontario-	73	161	234
Total--	858	339	1,197

Exports of round white potatoes for tablestock and processing from Canada's Western Provinces to the United States were reported to be nil.

Other information obtained by the Canadian Horticultural Council indicated that Canadian exports of round white certified seed potatoes (presumably all fall harvested) to the United States during crop year 1982/83 amounted to 376,700 hundredweight, of which 276,900 hundredweight were from New Brunswick, 87,300 hundredweight were from PEI, 5,800 hundredweight were from Ontario, 4,500 hundredweight were from Manitoba, and 2,200 hundredweight were from Alberta.

Counsel for the Canadian Horticultural Council and certain Canadian exporters of fresh potatoes submitted data on exports of round white and other than round white exports of seed and tablestock potatoes to the United States from PEI and New Brunswick during 1980/81 through 1982/83 (app. L). Data provided for 1980/81 and 1981/82 are based on confidential information supplied by shippers, and the data for 1982/83 are supplied by the Prince Edward Island Marketing Board and the New Brunswick Potato Agency. The data do not cover total exports of potatoes to the United States from PEI and New Brunswick as reported by official statistics of Agriculture Canada.

Canadian programs that affect production or exports of potatoes

Potato growers in Eastern Canada can utilize a number of Federal and Provincial support programs. Moreover, export market promotion is available to most potato growers in Eastern Canada through both the Federal and Provincial departments of agriculture and the efforts of two industry groups, the Prince Edward Island Potato Marketing Board and the New Brunswick Potato Agency.

The Federal Government provides income support under the Canadian Agricultural Stabilization Act, which provides support of up to 95 percent of the 5 year average market return adjusted for changes in cash costs of production over the same period. Moreover, under the Advance Payments for Crops Program, Canadian farmers are able to receive advance payments on crops entering storage for later sale; the Federal Government pays the interest on loans for growers who as an organization undertake to store and market their produce through specified purchases and to repay the principal amount of the loan as sales are made. In addition, the Canadian Fresh Fruit and Vegetable Storage Construction Assistance Program, administered by Agriculture Canada, extends financial assistance to producer groups of up to one-third the cost of renovations or construction of storage facilities suitable for the preservation of perishable fruit and vegetables.

An organization called Potatoes Canada, supported by Provincial governments, marketing boards, and the Federal Government, promotes offshore seed potato exports and organizes technical teams. Market development is spearheaded by the provincial marketing boards of PEI and New Brunswick. Among the Provincial boards' marketing tools are the Elite Seed Farms, which in PEI alone permit most potatoes grown to be eligible for certification as seed. This quality factor is perceived as being important for sales in international markets. 1/

Consideration of Material Injury to an Industry in the Northeastern Region of the United States

In considering the issue of material injury, the Commission examined acreage harvested, production, and production sold for round white fall-harvested potatoes, all fall-harvested potatoes, and all potatoes produced in the States of the NE Region, as well as NE Regional exports, inventories, employment, and financial experience of growers.

Regional acreage

Fall-harvested round white potato acreage harvested in the NE Region during 1979-83 fell irregularly from 155,600 acres in 1979 to 132,500 acres in 1983, or by 14.8 percent, as shown in the following tabulation (in thousands of acres):

Crop harvested in the fall of--	: Fall-harvested round white potato acreage harvested	: Fall-harvested russet potato and other potato acreage harvested	: Total fall-harvested potato acreage harvested
1979-----	155.6	36.2	191.8
1980-----	143.4	35.4	178.8
1981-----	148.4	29.1	177.5
1982-----	148.9	35.0	183.9
1983 <u>1/</u> -----	132.5	30.7	163.2

1/ Preliminary.

Fall-harvested round white potato acreage harvested in the NE Region decreased by 7.8 percent in 1980, increased by 3.5 percent in 1981, increased by 0.3 percent in 1982, and decreased by 11.0 percent in 1983. During 1979-83, fall-harvested round white potato acreage in the NE Region accounted for between 80 and 84 percent of the NE Region's total fall-harvested potato acreage.

1/ Adapted from USDA Attache Report No. CA3014, Ottawa, Canada, of Mar. 9, 1983.

Maine was the NE Region's (and the nation's) principal producer of fall-harvested round white potatoes during 1979-83 (table M-1, app. M). Maine's share of the NE Region's fall-harvested round white potato acreage during the period ranged from a high of 50 percent in 1981 to a low of 47 percent in 1983, with an average of 48.5 percent for the period. New York accounted for an average of 30.0 percent of the NE Region's fall-harvested round white potato acreage during the period, and Pennsylvania accounted for 15.4 percent.

Regional production

Production of fall-harvested round white potatoes in the NE Region during 1979/80 through 1983/84 ranged from a high of 42.1 million hundredweight in 1979/80 to a low of 33.2 million hundredweight (preliminary) in crop year 1983/84, as shown in the following tabulation (in millions of hundredweight):

Crop year	Fall-harvested round white potato production	Fall-harvested russet potato and other potato production	Total fall-harvested potato production
1979/80-----:	42.1 :	6.6 :	48.7
1980/81-----:	36.2 :	6.0 :	42.2
1981/82-----:	38.5 :	7.7 :	46.2
1982/83-----:	40.9 :	5.9 :	46.8
1983/84 <u>1</u> /-----:	33.2 :	4.8 :	38.0

1/ Preliminary.

Production of fall-harvested round white potatoes in the NE Region decreased by 14.0 percent in 1980, increased by 6.4 percent in 1981, increased by 6.2 percent in 1982, and decreased by 18.8 percent in 1983. 1/ Production of fall-harvested round white potatoes in the NE Region accounted for 86 percent of total fall-harvested potato production in the NE Region in the harvest of 1979, 86 percent in 1980, 83 percent in 1981, 87 percent in 1982, and 87 percent in 1983. 2/ The remaining fall-harvested production in the NE Region consisted principally of russet potatoes.

Maine's share of the NE Region's fall-harvested round white potato production during the period ranged from a high of 52 percent in 1980 to a low of 49 percent in 1981, with an average of 50.9 percent for the 5 years

1/ Data submitted in response to questionnaires of the U.S. International Trade Commission for 1980-82 indicate that fall-harvested round white potato production of the responding growers increased by 7.1 percent in 1981 and by 3.7 percent in 1982. The 36 responding growers together accounted for 3.2 percent of the NE Region's fall-harvested round white potato production 1982.

2/ These percentages may include up to 5 percentage points of potatoes other than round white potatoes.

(table M-2). New York accounted for an average of 30.6 percent of the NE Region's fall-harvested round white potato production during the period, and Pennsylvania accounted for 13.4 percent.

Production data in the potato industry must be regarded with caution, since a significant amount of production remains unsold and does not enter marketing channels because of spoilage, shrinkage, other loss, or own use. The amount of production which remains unsold can also vary from one crop year to another. Approximately 13.1 percent of fall-harvested round white potato production in the NE Region remained unsold in 1979/80, 11.1 percent remained unsold in 1980/81, 10.2 percent remained unsold in 1981/82, and 12.6 percent remained unsold in 1982/83.

Regional production sold 1/

Production sold of fall-harvested round white potatoes in the NE Region during 1979/80 through 1982/83 ranged from a high of 36.6 million hundredweight in 1979/80 to a low of 32.2 million hundredweight in 1980/81, as shown in the following tabulation (in millions of hundredweight):

Crop year	Fall-harvested round white potato production sold	Fall-harvested russet potato and other potato production sold	Total fall-harvested potato production sold
1979/80	36.6	5.6	42.2
1980/81	32.2	5.2	37.4
1981/82	34.6	6.8	41.4
1982/83	35.7	5.0	40.7

Production sold of fall-harvested round white potatoes in the NE Region decreased by 12 percent in 1980/81, increased by 7.5 percent in 1981/82, and increased by 3.3 percent in 1982/83. Production sold of fall-harvested round white potatoes in the NE Region accounted for 86.7 percent of total fall-harvested production sold in the NE Region in 1979/80, 86.1 percent in 1980/81, 83.6 percent in 1981/82, and 87.8 percent in 1982/83. The remaining fall-harvested production sold in the NE Region consisted principally of russet potatoes.

1/ The data in this section refer not to shipments (as usually presented in Commission reports) but to production sold, as reported by the U.S. Department of Agriculture. Data on production sold for a crop year are obtained by subtracting shrinkage, loss, and potatoes for own (farm) use from total production (storage stocks are depleted by the end of a crop year). Accordingly, production sold is the amount which reportedly goes into consumption channels. Data on what is called shipments in the fresh-market potato trade exclude in-State processing, and thus would not be representative of the actual amount of potatoes entering consumption channels.

Maine accounted for 49.2 percent of the NE Region's production sold of fall-harvested round white potatoes during 1979/80 through 1982/83 (table M-3). New York accounted for 31.6 percent of the NE Region's production sold, and Pennsylvania accounted for 13.8 percent.

Regional exports

There are no export data available on fall-harvested round white potatoes per se. Indeed, even export data for all potatoes, by States, are not available in a consistent series. Therefore, export data on fall-harvested round white potatoes presented herein were necessarily estimated from certain State export data and Canadian arrivals data on potatoes.

Exports of all potatoes from the NE Region in recent years have been insignificant. The most recent year of significant exports of all types of potatoes from the NE Region was 1976, when Maine exported over 4 million hundredweight, principally to Western Europe, owing to widespread drought and crop failure in Western Europe. 1/

Maine is known to have exported 25,500 hundredweight of certified seed potatoes (principally to Canada) in 1979/80, 6,600 hundredweight of certified seed potatoes to Canada and 500 hundredweight of unspecified potatoes offshore in 1980/81, 2/ 7,900 hundredweight of certified seed potatoes (principally to Canada) in 1981/82, and 12,000 hundredweight of certified seed potatoes to Canada in 1982/83. 3/ No data are available on exports of potatoes from fall-harvested States in the NE Region other than Maine.

Although the United States exports substantial amounts of potatoes (2.3 million hundredweight in 1982, of which 2.0 million were to Canada), nearly all of these potatoes are from States in the Western, Southern, and Eastern Shore 4/ areas of the United States; U.S. potato exports occur mainly during April-July. Virtually none are fall-harvested potatoes from the NE Region. In fact, data on unloads of tablestock potatoes in major Canadian cities indicate that no supplies were received from fall harvested-producing areas in the NE Region. The only known exports of round white potatoes to Canada from the NE Region of any significance are from Delaware during the summer months, when Canadian grown potatoes are in short supply.

Exports of fall-harvested round white potatoes to Canada from the NE Region for processing uses are negligible or nil, owing in part to the Canadian permit system in place for bulk shipments of potatoes entering Canada. U.S. exports of potatoes in bulk to Canada for processing or packaging

1/ Aroostook County, Maine, Potato Industry Study, report by James N. Putnam II, Farm Credit Banks of Springfield, Springfield, Mass., January 1981, pp. 51 and 52.

2/ Maine also exported 34,000 hundredweight of Russet Burbank seed to Libya in 1980/81.

3/ Derived from data of the Maine Department of Agriculture and from the U.S. Department of Agriculture, Market News Service, Marketing Maine Potatoes, Presque Isle, Maine, various years.

4/ The Eastern Shore potato production area includes parts of North Carolina, Virginia, Delaware, and Maryland.

are subject to regulation under the Canadian Agriculture Products Standards Act of 1955, which requires that importers of produce (all fruits and vegetables) shipped in bulk must request a waiver (permit) exempting the shipment from packaging requirements. Permits are granted by Canadian officials on a case-by-case basis. Such permits are issued only when supplies are not available from local (Provincial) sources. The permit requirements for imports into a Province also apply to shipments from one Province to another. The permits specify the quantity, supply, receiving locations, use, and time limit for the shipments. In the case of potatoes, the permit requirement does not apply to containers holding 100 pounds or less. The full extent of the effect of such restrictions on exports of potatoes from the United States is unknown. However, of the waiver requests granted during 1980-82 for January-June (months that account for about two-thirds of the U.S. annual bulk exports), the designated fall-harvested Northeastern States received permits for less than 1 percent of the U.S. bulk shipments to Canada. Most U.S. exports during this period are supplied by Eastern Shore States, Western States (principally California), and Florida, none of which produce fall-harvested potatoes. It appears, therefore, that at least for January-June of 1980-82, Maine supplied none or only small quantities of potatoes in bulk to Canada.

It is not known if Maine potato exporters are unable to secure the necessary permits or whether such exporters do not apply for the permits. In any case, most of Maine's potatoes are shipped to markets within the NE Region. Only small quantities, primarily certified seed potatoes, are exported to Canada, whether bulk or packaged. This distribution pattern for Maine potatoes has been essentially unchanged for a number of years.

Regional inventories (storage stocks)

Fall-harvested round white potatoes generally are put into potato storage houses immediately after harvest, where they remain for sales or other uses. ^{1/} Such inventories of fresh potatoes are typically referred to as storage stocks (stocks). In the NE Region, harvest for storage generally begins in September and is completed not later than November. Growers and dealers holding stocks usually plan to liquidate their inventories by the end of the following May. However, some "old crop" potatoes may be held and sold as late as July, depending on the rate of movement out of storage and/or marketing strategies, and depending on quality.

Storage stock holdings are published by the U.S. Department of Agriculture each month from December to May. Published holdings are not broken down into potato types, such as round white potatoes, but percentage estimates are made by the USDA. The Commission has constructed data on stocks of fall-harvested round white potatoes in the NE Region by applying the published percentage of stocks, by potato types, to total stocks on December 1 and February 1 of 1979/80 through 1982/83 (table M-4). The resulting data on storage stocks in the NE Region are summarized in the following tabulation (in millions of hundredweight):

^{1/} Only fall-harvested potatoes are stored; potatoes from other harvest seasons are usually sold directly to their markets from the field.

Period	Storage stocks of fall-harvested round white potatoes	Storage stocks of fall-harvested russet potatoes	Storage stocks of total fall- harvested potatoes
1979/80:			
Dec. 1-----:	29.4 :	5.6 :	35.0
Feb. 1-----:	19.5 :	4.4 :	23.9
1980/81:			
Dec. 1-----:	22.7 :	4.5 :	27.2
Feb. 1-----:	15.4 :	2.6 :	18.0
1981/82:			
Dec. 1-----:	24.6 :	6.2 :	30.8
Feb. 1-----:	15.4 :	4.2 :	19.6
1982/83:			
Dec. 1-----:	28.5 :	4.8 :	33.3
Feb. 1-----:	17.4 :	3.4 :	20.8

Storage stocks in the NE Region on December 1, 1979, were higher than on December 1 in the other crop years, because production was highest during that crop year (1979/80). December 1 stocks decreased in 1980/81 and increased in both 1981/82 and 1982/83, consonant with larger production in those crop years.

Maine accounted for an average of 61 percent of the NE Region's stocks of fall-harvested round white potatoes on December 1 of 1979/80 through 1982/83, and 71 percent on February 1 of these crop years. Maine's stocks of fall-harvested round white potatoes are depleted at a slower rate than in New York and Pennsylvania, because Maine stores its potatoes for sale (generally for tablestock and seed) throughout the marketing season; while New York and Pennsylvania send a higher percentage of their potatoes to market (generally for tablestock and chipping) relatively earlier in the marketing season.

Employment and compensation

Data on employment compiled in this investigation are based on responses to Commission questionnaires. ^{1/} Of the questionnaires returned, 48 contained useful information on employment; two-thirds of these questionnaires were from Maine growers, and the others were from elsewhere in the NE Region, especially New York and Pennsylvania. The employment data presented herein are compilations of responses from 32 of the 48 useful questionnaires. The 32 questionnaires are from those growers whose fall-harvested round white potato production accounted for 80 percent or more of total potato production on their farms in 1982/83. The 32 questionnaires (20 of which were from Maine growers) represented 2.2 percent of production of fall-harvested round white potatoes in the NE Region during 1982/83.

^{1/} The Commission mailed a total of 413 questionnaires to growers, requesting information on production, income and loss, employment, and other information. Responses were received on 177 of the questionnaires, but many of these indicated that the farmer did not produce fall-harvested round white potatoes, was retired, out of business, or deceased.

Table 8.- Number of full-time and part-time persons engaged in potato operations, hours worked by such persons, and total compensation of persons engaged in potato operations, crop years 1980/81 through 1982/83 1/

Item	1980/81	1981/82	1982/83
Number of individuals engaged in potato operations:			
Full-time <u>2/</u>	69	69	69
Part-time <u>3/</u>	493	401	405
Hours worked by persons engaged in potato operations:			
Full-time persons,			
total - 1,000 hours	142	142	142
Part-time persons,			
total - 1,000 hours	101	83	84
Total, all persons			
1,000 hours	243	225	226
Total compensation paid to persons engaged in potato operations			
1,000 dollars <u>4/</u>	950	977	1,001

1/ The data in this table are for 32 farms for which fall-harvested round white potato production accounted for 80 percent or more of total potato production on each farm, accounting for 2.2 percent of fall-harvested round white potato production in the NE Region. The data differ from data in the prehearing report on this investigation principally because the data now exclude figures for * * * in Maine that * * * percent russet potatoes.

2/ Includes the farm manager and any other officers or workers who may engage in the production of potatoes on a profit-sharing arrangement.

3/ A part-time employee was defined in the questionnaire as one who normally works less than the regularly scheduled number of hours per week for a full-time employee or who works less than 3 months per year in potato operations.

4/ 8 of the reporting farms did not report compensation paid to owners or partners.

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

The number of full time individuals engaged in potato operations on the 32 reporting farms was 69 during 1980/81 through 1982/83 (table 8). The number of part time individuals decreased from 493 in 1980/81 to 401 in 1981/82, and increased to 405 in crop year 1982/83.

The total number of hours worked by persons engaged in potato operations decreased from 243,000 in 1980/81 to 225,000 in 1981/82, and increased to 226,000 in 1982/83.

Total compensation paid to persons engaged in potato operations on the 32 farms increased from \$950,000 in 1980/81 to \$977,000 in 1981/82 and \$1.0 million in 1982/83. Total compensation per hour worked amounted to \$3.91 in 1980/81, \$4.34 in 1981/82, and \$4.43 in 1982/83.

It was stated at the public hearing in Portland, Maine, that each 1,000-acre decrease in potato acreage in the State of Maine means a loss of 20 farm workers. ^{1/} Accordingly, the 14,500-acre decrease in Maine's fall-harvested round white potato acreage between 1979 and 1983 indicates a loss of 290 farm jobs (farm labor only).

Financial experience of U.S. growers

Forty eight growers provided usable data in response to Commission questionnaires on the overall operations of their establishments growing round white potatoes. Data presented herein are of growers whose sales of fall-harvested round white potatoes were at least 80 percent of their total sales and other income in 1982. There are 23 growers that fall in this category. Out of these 23 growers, data for 15 growers, which reported on a calendar-year basis, are presented in table 9. Data for eight other growers, which reported on their accounting year ending between April 30 and June 30, are discussed separately later on in this section. Nineteen of the 23 growers employ the cash-basis method of accounting, and four growers use the accrual method of accounting.

The 15 growers that reported on a calendar-year basis together accounted for about 0.8 percent of total NE Region production of fall-harvested round white potatoes in 1981/82, and the other 8 growers together accounted for about 1.4 percent. Because the 23 growers represent only a small portion of the total industry, data in this sample may not properly represent the financial experience of the total industry.

^{1/} Testimony of Mr. Ray Hews of the Farm Credit Banks, transcript of the hearing, p. 123.

Table 9.-- Income and loss experience of 15 U.S. growers whose accounting year ended Dec. 31 ^{1/} on the overall operations of their establishments growing fall-harvested round white potatoes, 1980-82

Item	1980	1981	1982
Total crop acreage	2,380	2,401	2,442
Total potato acreage	1,375	1,375	1,379
Farm income:			
Sales of fall-harvested round white potatoes-----1,000 dollars--	1,587	2,071	1,533
Sales of other potatoes-----do-----	6	4	3
All other-----do-----	116	124	145
Total-----do-----	1,709	2,199	1,681
Farm operating expenses:			
Seed, fertilizer, lime, chemicals 1,000 dollars--	475	635	514
Labor-----do-----	292	344	386
Interest-----do-----	50	76	74
All other-----do-----	799	742	778
Total-----do-----	1,616	1,797	1,752
Net income or (loss) before officers' or partners' salaries- 1,000 dollars--	93	402	(71)
Officers' or partner's salaries-----do-----	66	83	73
Net income or (loss) before income taxes-----do-----	27	319	(144)
Ratio of net income or (loss) before officers' or partners' salaries to total sales and other income percent--	5.4	18.3	(4.2)
Ratio of net income or (loss) before income taxes to total sales and other income-----percent--	1.6	14.5	(8.6)
Number of growers reporting losses-----	4	0	5

^{1/} 12 growers operated as sole proprietors, 1 grower operated as a partnership firm, and 2 growers operated as a corporation.

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

Eighteen of the 23 growers operated as sole proprietors. Hence, those growers do not pay themselves a salary, but rather live off any income made by the farm after paying income taxes. In telephone conversations with the Commission staff, some growers pointed out that although the financial information for their farms which was reported in the questionnaire may indicate net income, the income was not enough to cover living expenses and farm and personal debts. A representative of Farm Credit Banks, Aroostook County, Maine, indicated that operations in only 1 out of the past 6 years have been profitable for Maine's potato growers. ^{1/}

^{1/} Testimony of Ray Hews on Nov. 18, 1983, transcript of the hearing, p. 64.

The 15 growers that reported on a calendar-year basis harvested an average of 1,376 acres of potatoes, compared with the average total crop area of 2,408 acres during 1980-82. The other crop area is used in rotation with potatoes and may be planted with oats, peas, grains, hay, and so forth. The sales value of such crops is much less than the sales value of potatoes. Aggregate sales of fall-harvested round white potatoes, which for the 15 growers averaged above 90 percent of total sales and other income in each year, increased by 30 percent, from \$1.6 million in 1980 to \$2.1 million in 1981, but then dropped to \$1.5 million in 1982.

Aggregate net income (before officers' or partners' salaries and income taxes) more than quadrupled, from \$93,000, or 5.4 percent of total sales and other income, in 1980 to \$402,000, or 18.3 percent of total sales and other income, in 1981. There was a loss in 1982 of \$71,000, equivalent to 4.2 percent of total sales and other income. Three firms reported officers' or partners' salaries. Profit margins before income taxes and with officers' or partners' salaries treated as expenses followed a trend similar to that of the profit margins before deductions for income taxes and officers' or partners' salaries, increasing from 1.6 percent in 1980 to 14.5 percent in 1981 and then declining to a negative 8.6 percent in 1982. Five growers reported losses in 1982, compared with none in 1981 and four in 1980.

The data of * * * and of 7 other growers that reported on accounting years ended between April 30 and June 30 (compared with the 15 growers discussed above, which reported on a calendar-year basis) are presented in table 10. Because their accounting years ended between April 30 and June 30, the data are nearly representative of crop years 1979/80, 1980/81, and 1981/82.

* * *. The eight firms together reported aggregate losses in 1981 and 1982, but losses were reduced substantially from those in 1980, mainly because of increases in sales and other income.

* * * * *

¹/ Approximately * * * percent of the * * * production consisted of fall-harvested round white potatoes in 1982/83.

Table 10.--Income-and-loss experience of 8 U.S. growers whose accounting year ended between Apr. 30 and June 30 1/ on the overall operations of their establishments growing fall-harvested round white potatoes, 1980-82

Item	1980	1981	1982
Total crop acreage-----	4,676	4,605	4,656
Total potato acreage-----	2,908	2,802	2,853
Farm income:			
Sales of fall-harvested round			
white potatoes-----1,000 dollars--	1,422	2,371	2,091
Sales of other potatoes-----do-----	207	847	1,063
All other-----do-----	139	193	179
Total-----do-----	1,768	3,411	3,333
Farm operating expenses:			
Seed, fertilizer, lime, chemicals			
1,000 dollars--	814	947	1,410
Labor-----do-----	595	694	689
Interest-----do-----	441	483	467
All other-----do-----	1,499	1,383	1,393
Total-----do-----	3,349	3,507	3,959
Net income or (loss) before officers'			
or partners' salaries--1,000 dollars--	(1,581)	(96)	(626)
Officers' or partner's salaries--do-----	50	34	29
Net income or (loss) before income			
taxes-----do-----	(1,631)	(130)	(655)
Ratio of net income or (loss) before			
officers' or partners' salaries to			
total sales and other			
income-----percent--	(89.4)	(2.8)	(18.8)
Ratio of net income or (loss) before			
income taxes to total sales and other			
income-----percent--	(92.3)	(3.8)	(19.7)
Number of growers reporting losses-----	2	4	6

1/ 6 growers operated as sole proprietors, and 2 growers operated as a corporation.

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

The data presented in table 9 for the 15 growers reported on a calendar-year basis and the data presented in table 10 for the 8 growers reported on a fiscal-year basis are combined in table 11. The 23 growers together harvested an average of 4,231 acres of potatoes, compared with the average total crop acreage of 7,053 during 1980-82. Aggregate sales of fall-harvested round white potatoes, which for these growers declined from 87 percent of total sales and other income in 1980 to 72 percent in 1982, increased by 48 percent, from \$3.0 million in 1980 to \$4.4 million in 1981, but then fell to \$3.6 million in 1982. Aggregate net income (before officers' or partners' salaries and income taxes) amounted to \$306,000, or 5.5 percent of total sales and

other income, in 1981, compared with large losses of \$1.5 million, or 42.8 percent of total sales and other income, in 1980, and \$697,000, equivalent to 13.9 percent of total sales and other income, in 1982.

Table 11.--Income-and-loss experience of 23 U.S. growers 1/ on the overall operations of their establishments growing fall-harvested round white potatoes, 1980-82 2/

Item	1980	1981	1982
Total crop acreage-----	7,056	7,006	7,098
Total potato acreage-----	4,283	4,177	4,232
Farm income:			
Sales of fall-harvested round			
white potatoes-----1,000 dollars--	3,009	4,442	3,624
Sales of other potatoes-----do-----	213	851	1,066
All other-----do-----	255	317	324
Total-----do-----	3,477	5,610	5,014
Farm operating expenses:			
Seed, fertilizer, lime, chemicals			
1,000 dollars--	1,289	1,582	1,924
Labor-----do-----	887	1,038	1,075
Interest-----do-----	491	559	541
All other-----do-----	2,298	2,125	2,171
Total expenses-----do-----	4,965	5,304	5,711
Net income or (loss) before officers'			
or partners' salaries-----do-----	(1,488)	306	(697)
Officers' or partner's salaries---do---	116	117	102
Net income or (loss) before income			
taxes-----do-----	(1,604)	189	(799)
Ratio of net income or (loss) before			
officers' or partners' salaries to			
total sales and other income-percent--	(42.8)	5.5	(13.9)
Ratio of net income or (loss) before			
income taxes to total sales and			
other income-----percent--	(46.1)	3.4	(15.9)
Number of growers reporting losses-----	6	4	11

1/ 18 growers operated as sole proprietors, 1 grower operated as a partnership firm, and 4 growers operated as a corporation.

2/ 15 growers' accounting year ended Dec. 31, and 8 growers' accounting years ended between Apr. 30 and June 30.

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

* * * * *

In addition to the data obtained in response to the Commission questionnaires, the Commission has obtained a profitability study, prepared and published by Farm Credit Banks of Springfield, Mass., for potato farms located in Aroostook County, Maine. 1/ The summary of this study is presented in app. N.

The Commission has received signed form-letter statements from 33 Maine potato growers indicating that "the 1982-83 crop year was a financial disaster because of imports of Canadian round white potatoes at such unfairly low prices that I could not recover my cost of production. This situation must not be allowed to continue." The 33 growers farmed a total of 5,128 acres of round white potatoes, or 8.2 percent of the 62,300 acres harvested of round white potatoes in Maine in 1983.

Data received from the Farmers Home Administration (FmHA), which finances over 50 percent of Maine's potato growers, indicate that the number of growers financed has decreased each year during 1979-83, as shown in the following tabulation:

Year	: Number of : potato farms : financed	: Number of : potato acres : financed	: Amount : financed : Million dollars:	: Share : of loans : collected : Percent
1979-----	518	44,627	20.8	44
1980-----	495	44,484	28.3	119
1981-----	478	40,699	28.7	76
1982-----	467	38,596	26.0	46
1983-----	428	35,249	21.6	<u>1/</u>

1/ Not available.

The number of Maine potato growers financed by the FmHA declined by 17 percent between 1979 and 1983; the number of acres financed declined by 21 percent.

1/ Aroostook County accounts for 90 percent of Maine's potato crop.

In 1983, the FmHA dropped 88 farmers, representing 8,500 acres planted. ^{1/} Twenty-one of these farmers, either retired or stopped farming due to a "lack of profitability." ^{2/} Fifty-nine of the farmers were rejected by the FmHA solely because of financial condition; at least 47 of the 59 farms are currently in the process of being liquidated. ^{3/} The FmHA also financed 47 new farmers in 1983; most of these were farmers whose financial condition had deteriorated to the point where they could no longer be financed by production credit associations or private banks. ^{4/}

The share of loans collected by the FmHA declined from 119 percent in 1980 (a year in which farmers were able to pay some unpaid loans from previous years) to 76 percent in 1981 and only 46 percent in 1982.

Consideration of the Threat of Material Injury to an Industry in the Northeastern Region

As part of its consideration of the threat of material injury to a domestic industry, the Commission examines factors such as the ability or capacity of the exporting country to continue to generate exports and the likelihood that such exports will be directed to the U.S. market.

Combined production of potatoes in Prince Edward Island, New Brunswick, Quebec, and Ontario was 47.1 million hundredweight in 1979, 41.9 million hundredweight in 1980, 45.5 million hundredweight in 1981, 48.2 million hundredweight in 1982, and 42.7 million hundredweight in 1983. Production decreased by 11 percent in 1980, increased by 8.6 percent in 1981, increased by 5.9 percent in 1982, and decreased by 11.4 percent in 1983. Although the share of production consisting of fall-harvested round white potatoes is not known for 1979-81, the Canadian Horticultural Council, in response to a request from the U.S. International Trade Commission through the Department of State, has reported that round white potato production in these Provinces was 29.8 million hundredweight in 1982, 24.9 million hundredweight in 1983, and is projected to be 24.7 million hundredweight in 1984. ^{5/}

Total potato acreage planted in Prince Edward Island, New Brunswick, Quebec, and Ontario was 209,000 acres in 1979, 195,000 acres in 1980, 199,000 acres in 1981, 206,000 acres in 1982, and 205,000 acres in 1983. Acreage planted decreased by 6.7 percent in 1980, increased by 2.1 percent in 1981, increased by 3.5 percent in 1982, and decreased by 0.5 percent in 1983. The Canadian Horticultural Council has provided data indicating that acreage of round white potatoes in Canada's four principal exporting Provinces decreased

^{1/} From the testimony of Senator William S. Cohen, on Nov. 18, 1983, in Portland, Maine, transcript of the hearing, p. 9.

^{2/} Ibid.

^{3/} Ibid.

^{4/} Ibid, p. 7.

^{5/} Letter from Danny Dempster, Executive Vice President of the Canadian Horticultural Council, to Mr. George Myles, Agricultural Specialist, U.S. Embassy, Ottawa, Canada, Nov. 8, 1983.

by 3.4 percent in 1983 and is projected to decrease by 1.4 percent in 1984, as shown in the following tabulation (in thousands of acres): 1/

<u>Province</u>	<u>1982</u>	<u>1983</u>	<u>1984</u> <u>1/</u>
Prince Edward Island-	40.7	38.4	36.5
New Brunswick-	21.6	21.2	21.2
Quebec-	44.0	44.0	44.0
Ontario-	<u>30.0</u>	<u>28.0</u>	<u>28.0</u>
Total-	136.3	131.6	129.7

1/ Projected.

The Council added that "The Expectation (sic) is that exports of Round Whites to the U.S. in 1983 and 1984 will either maintain their present level or show a decline. However it is difficult to forecast exports as markets are dictated by supply and demand." 2/

Various support programs of the Canadian Government and of Provincial governments that are available for potato growers in Canada are discussed in the section of this report on "The Canadian Industry." Such assistance programs, including export market promotion which is available to Maritime potato growers through the Federal and Provincial departments of agriculture and through the efforts of two industry groups, the Prince Edward Island Potato Marketing Board, and the New Brunswick Potato Agency, could contribute to the expansion of the Canadian industry, as could the establishment of CANAGREX, a Canadian Government-sponsored and Government-financed export program. The bill to establish CANAGREX has passed both houses of the Canadian Parliament and received Royal assent. The Canadian Minister of Agriculture recently stated that "CANAGREX will be modest in size, but will help to generate new export markets for Canadian farmers and processors, by bringing buyers and sellers together. It will be especially useful in helping small firms enter the untried waters of new foreign markets." 3/

A 1981 study on the Aroostook County, Maine, potato industry indicated that-

"... today's precarious position will make it difficult for the industry and individual farmers to address some longer-term issues that may become even more acute during the 1980's, e.g. transportation availability, soil erosion and water pollution, the threat of Canadian potato imports, and volatility in the general economy." 4/
(emphasis added)

1/ Ibid.

2/ Ibid.

3/ Information on CANAGREX obtained from the prehearing brief of Heron, Burchette, Ruckert, and Rothwell, pp. 36 and 37.

4/ James N. Putnam, op. cit., p. 1.

The study further addressed the question of the threat of Canadian imports as follows:

"The increasing level of Canadian exports threatens to further erode Maine's markets in the Northeast, although most of the loss of markets to date has been caused by domestic competition, e.g. Idaho. Given current exchange rate trends and increasingly relaxed tariffs, this is likely to be a significant long-term challenge to the Maine industry. While foreign exchange advantages and Canadian subsidization of its potato growers cannot be ignored, it is also important that Prince Edward Island's round whites have been selling for a modest premium in northeastern terminal markets. The fact that consumers will pay more for Canadian round whites should be of special concern to the Maine industry." 1/

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

Regional imports

U.S. imports of fall-harvested round white potatoes from Canada into customs districts in the NE Region increased from 1.0 million hundredweight in 1979/80 to 2.2 million hundredweight in 1980/81, or by 132.5 percent (table 12). Imports increased to 2.5 million hundredweight in 1981/82, or by 12.7 percent, and then decreased to 1.7 million hundredweight in 1982/83, or by 33.9 percent. Approximately 81 percent of such imports during 1979/80 through 1982/83 entered via the Portland, Maine, customs district.

U.S. imports of fall-harvested potatoes are classified either as certified seed or as "other than certified seed." Imports of fall-harvested round white certified seed potatoes from Canada into customs districts in the NE Region increased from 0.4 million hundredweight in 1979/80 to 1.1 million hundredweight in 1980/81, or by 159 percent (table 13). 2/ Such imports then decreased in crop year 1981/82 to 1.0 million hundredweight, or by 12 percent, and to 0.4 million hundredweight, or by 56 percent, in 1982/83. 3/ Imports of

1/ Ibid., p. 54.

2/ It is assumed in this report that imports of fall-harvested round white certified seed potatoes entering into customs districts in the NE Region accounted for 80 percent of total fall-harvested certified seed potatoes imported from Canada into these customs districts. The 80 percent figure is the percentage of imports of round white seed potato varieties into the Portland, Maine, customs district for the first week of April 1983. The U.S. Customs Service provided a listing of confidential invoices for the first week of April 1983, from which the 80-percent figure was calculated.

3/ The significant decline of certified seed potato imports in 1982/83 was due at least in part to the requirement by U.S. Customs of an end-use statement for certified seed potatoes as a result of changed language in the TSUS pursuant to Public Law 97-466, effective Jan. 27, 1983.

Table 12.- Fall-harvested round white potatoes: NE Region imports from Canada, by principal customs districts in the NE Region and by selected periods, crop years 1979/80 through 1982/83

(In thousands of hundredweight)				
Period	Portland, Maine	Ogdensburg, N.Y.	All other ^{1/}	Total
1979/80:				
Sept.-Dec. 1979-	223	31	8	262
Jan.-Mar. 1980-	261	5	32	297
Apr.-June 1980-	264	35	104	403
Total-	748	71	144	962
1980/81:				
Sept.-Dec. 1980-	400	150	60	611
Jan.-Mar. 1981-	978	154	48	1,180
Apr.-June 1981-	367	64	16	446
Total-	1,745	368	124	2,237
1981/82:				
Sept.-Dec. 1981-	360	84	5	449
Jan.-Mar. 1982-	700	111	30	840
Apr.-June 1982-	1,042	117	74	1,233
Total-	2,102	312	109	2,522
1982/83:				
Sept.-Dec. 1982-	323	51	14	388
Jan.-Mar. 1983-	573	16	32	621
Apr.-June 1983-	520	9	128	657
Total-	1,416	76	174	1,666

^{1/} Buffalo, N.Y.; New York, N.Y.; Boston, Mass.; Bridgeport, Conn.; and St. Albans, Vt.

Source: Based on official statistics of the U.S. Department of Commerce.

Note.- Data shown are a percentage allocation of all potato imports entered in these customs districts. See following tables on certified seed and other than certified seed potatoes.

Table 13.--Fall-harvested round white certified seed potatoes: NE Region imports from Canada, by principal customs districts and by selected periods, crop years 1979/80 through 1982/83 1/

(In thousands of hundredweight)				
Period	Portland, Maine	Ogdensburg, N.Y.	All other <u>2/</u>	Total
1979/80:				
Sept.-Dec. 1979-	28	0	2	30
Jan.-Mar. 1980-	180	2	2	184
Apr.-June 1980-	198	2	7	207
Total-	406	4	11	421
1980/81:				
Sept.-Dec. 1980-	126	39	4	169
Jan.-Mar. 1981-	661	75	7	743
Apr.-June 1981-	165	10	3	178
Total-	952	124	14	1,090
1981/82:				
Sept.-Dec. 1981-	73	8	<u>3/</u>	81
Jan.-Mar. 1982-	410	17	4	431
Apr.-June 1982-	424	18	6	448
Total-	907	43	10	960
1982/83:				
Sept.-Dec. 1982-	36	<u>3/</u>	<u>3/</u>	36
Jan.-Mar. 1983-	253	2	0	255
Apr.-June 1983-	130	0	3	133
Total-	419	2	3	424

1/ Imports of fall-harvested round white certified seed potatoes through principal customs districts in the NE Region during July-August of 1980-82 were negligible.

2/ Buffalo, N.Y.; New York, N.Y.; Boston, Mass.; Bridgeport, Conn.; and St. Albans, Vt.

3/ Less than 500 hundredweight.

Source: Based on official statistics of the U.S. Department of Commerce.

Note.--Data shown constitute 80 percent of the imports of all certified seed potatoes entered in these customs districts. The percentage is based on a sample of invoices for certified seed potatoes entered in the first week of April 1983.

fall-harvested certified seed potatoes into customs districts in the NE Region accounted for 44 percent of total imports of fall-harvested round white potatoes into those districts in 1979/80; the corresponding figures were 49 percent in 1980/81, 38 percent in 1981/82, and 25 percent in 1982/83.

U.S. imports of fall-harvested round white potatoes "other than certified seed" into customs districts in the NE Region increased from 0.5 million hundredweight in 1979/80 to 1.1 million hundredweight in 1980/81, or by 112 percent (table 14). Such imports increased further in 1981/82 to 1.6 million

Table 14.- Fall-harvested round white potatoes, other than certified seed: NE Region imports from Canada, by principal customs districts and by selected periods, crop years 1979/80 through 1982/83 1/

(In thousands of hundredweight)				
Period	Portland, Maine	Ogdensburg, N.Y.	All other <u>2/</u>	Total
1979/80:				
Sept.-Dec. 1979-	195	31	6	232
Jan.-Mar. 1980-	81	3	30	113
Apr.-June 1980-	66	33	97	196
Total-	342	67	133	541
1980/81:				
Sept.-Dec. 1980-	274	111	56	442
Jan.-Mar. 1981-	317	79	41	437
Apr.-June 1981-	202	54	13	268
Total-	793	244	110	1,147
1981/82:				
Sept.-Dec. 1981-	287	76	5	368
Jan.-Mar. 1982-	290	94	26	410
Apr.-June 1982-	618	99	68	785
Total-	1,195	269	99	1,563
1982/83:				
Sept.-Dec. 1982-	287	51	14	352
Jan.-Mar. 1983-	320	14	32	366
Apr.-June 1983-	390	9	125	524
Total-	997	74	171	1,242

1/ Imports of round white potatoes, other than certified seed, through principal customs districts in the NE Region during July and August were 12,000 hundredweight in July-August 1980, 21,000 hundredweight in July-August 1981, and 239,000 hundredweight in July-August 1982.

2/ Buffalo, N.Y.; New York, N.Y.; Boston, Mass.; Bridgeport, Conn.; and St. Albans, Vt.

Source: Based on official statistics of the U.S. Department of Commerce.

Note.- For September 1979-December 1982, the data shown are 62 percent of the imports of all potatoes other than certified seed entered in these customs districts, and for January-June 1983, the data are the reported imports of "other varieties" (other than russet or netted gem) of other than certified seed potatoes.

hundredweight, or by 36 percent. Imports then decreased to 1.2 million hundredweight in 1982/83, or by 21 percent. For the purposes of this report, it is assumed that throughout the period for which data are presented, fall-harvested round white potatoes other than certified seed imported from Canada into customs districts in the NE Region accounted for 62 percent of total fresh potato imports into such customs districts. The 62-percent figure is the percentage of nonrusset potatoes that was imported into the customs districts in the NE Region during January-June 1983, as shown in table 15. ^{1/}

Market penetration of imports

U.S. imports of fall-harvested round white potatoes from Canada into customs districts in the NE Region (and which remained in the NE Region) as a share of apparent consumption in the NE Region increased from 2.5 percent in 1979/80 to 6.4 percent in 1980/81 and 6.7 percent in 1981/82, and then decreased to 4.0 percent in 1982/83, as shown in the following tabulation:

<u>Crop year</u>	<u>Apparent consumption (1,000 hundredweight)</u>	<u>Imports (1,000 hundredweight)</u>	<u>Ratio of imports to apparent consumption (percent)</u>
1979/80	31,462	787	2.5
1980/81	28,659	1,830	6.4
1981/82	31,058	2,076	6.7
1982/83	31,291	1,253	4.0

The increased market penetration in 1980/81, both absolutely and in terms of apparent consumption in the NE Region, is in part due to the relatively low production and high prices which prevailed in the NE Region in that year for fall-harvested round white potatoes. Imports increased again in 1981/82 despite an increase in production in the NE Region and significantly lower prices. Imports decreased in 1982/83, in part because of the end-use statement required on certified seed imports that became effective in January 1983, and perhaps in part because of the relatively high domestic production and very low prices which characterized fall-harvested round white potatoes in the NE Region in that year.

A sample of commercial invoice documents was examined for imports of fall-harvested potatoes entered in the Portland, Maine, customs district for certain days in October-November 1982 and January-February 1983. The total

^{1/} Beginning in January 1983, a new statistical breakout in the Tariff Schedules of the United States Annotated enabled the compilation of such data on nonrusset potatoes.

Table 15.--Fall-harvested potatoes, other than certified seed: U.S. imports for consumption from Canada of fall-harvested round white potatoes 1/ and fall-harvested russet potatoes, by selected customs districts, January-March and April-June 1983 2/

Item	Northeastern Region				Pembina, N. Dak.	All other	Total
	Portland, Maine	Ogdensburg, N.Y.	All other	Total			
Fall-harvested round white potatoes, other than certi- fied seed:							
Jan.-March 1983	320	14	32	366	0	32	398
1,000 hundredweight--	390	9	125	524	1	73	599
Apr.-June 1983--do----	710	23	157	890	1	105	997
Fall-harvested russet potatoes, other than: certified seed:							
Jan.-March 1983	205	8	0	213	81	2	296
1,000 hundredweight--	329	4	0	333	64	2	399
Apr.-June 1983--do----	534	12	0	546	145	5	695
Total fall-harvested potatoes, other than: certified seed:							
Jan.-March 1983	525	22	32	579	81	34	694
1,000 hundredweight--	719	14	125	858	65	75	998
Apr.-June 1983--do----	1,244	36	157	1,437	146	109	1,692
Share of total accounted for by fall-harvested round white potatoes-----percent--	57	64	100	62	1	96	59

1/ For the purposes of this table, it is assumed that imports of fresh potatoes other than russet potatoes consist entirely of round white potatoes.

2/ Data comparable with those in this table are not available for any periods prior to January 1983, because the statistical breakdowns providing these data became effective in January 1983.

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

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

quantity of the sample was 110,579 hundredweight (table 16). 1/ There were 91 U.S. buyers in the sample and 27 Canadian exporters 14 exporters from Prince Edward Island (PEI) and 13 from New Brunswick. Of the buyers, 63 were within

Table 16.--Potatoes: Number of U.S. buyers and quantities purchased, by locations, uses, and Canadian Provinces of origin for a sample of U.S. imports entered in crop year 1982/83 1/

Buyer	Number of buyers purchasing			Quantity purchased		
	From PEI	From New Brunswick	Total	From PEI	From New Brunswick	Total
				<u>Hundredweight</u>		
Located in the NE Region:						
Tablestock:						
Reshipper	4	6	6	15,549	7,349	22,898
Terminal market receiver in:						
Boston	8	5	9	11,791	7,923	19,714
New York City	12	3	13	20,105	4,169	24,274
Philadelphia	7	2	8	8,301	950	9,251
All other <u>2/</u>	2	3	4	1,950	2,915	4,865
All other buyers	11	11	21	6,026	4,215	10,241
Subtotal	44	30	61	63,722	27,521	91,243
Seed	1	2	3	100	993	1,093
Processing	0	2	2	0	4,717	4,717
Total <u>3/</u>	<u>3/</u> 44	<u>3/</u> 32	<u>3/</u> 63	63,822	33,231	97,053
Located outside the NE Region:						
Tablestock	6	14	20	2,625	6,370	8,995
Seed	0	7	7	0	2,712	2,712
Processing	0	1	1	0	1,819	1,819
Total	<u>3/</u> 6	<u>3/</u> 22	<u>3/</u> 28	2,625	10,901	13,526
Grand total	50	54	91	66,447	44,132	110,579

1/ The sample represents 4.3 percent of all potatoes entering the NE Region during 1982/83.

2/ Providence, R.I., and Baltimore/Washington.

3/ Figures may or may not add to the totals shown because some buyers purchased for more than 1 use.

Source: Commercial invoices, U.S. Customs Service, Portland Maine district, as compiled by the staff of the U.S. International Trade Commission.

1/ The sample size represents 5.2 percent of the imports into the NE Region during 1982/83 that entered through the Portland, Maine, district and 4.3 percent of the imports entered through all districts into the Region.

the NE Region (of which 34 were wholesale receivers at major city terminal markets) 1/, and 28 were located outside the NE Region. 2/ The five largest buyers together accounted for 32 percent of the imports.

Of the total imports of potatoes in the sample, 60 percent were from PEI (66 percent for those that were sold within the NE Region) and 40 percent were from New Brunswick (34 percent of those within the NE Region). Terminal-market receivers in major cities together accounted for 53 percent of the sample imports (63 percent of the imports from PEI and 36 percent of the imports originating from New Brunswick). Firms that are primarily potato shippers together accounted for 21 percent of the sample imports; two-thirds of the sample imports by shippers were supplied by PEI.

Of the sample quantity, 88 percent were to buyers within the NE Region, and 12 percent were to buyers outside the NE Region (chiefly to Florida); for New Brunswick potatoes, the share outside the NE Region was 25 percent, and for PEI potatoes, the share was 4 percent.

Quality and other considerations

According to responses to Commission questionnaires and conversations of the Commission staff with potato dealers, brokers, wholesalers, and others in the potato trade, it appears that there is a perceived quality difference between Canadian potatoes from PEI, on the one hand, and potatoes from Maine and from New Brunswick, on the other hand. 3/ Fall-harvested round white potatoes from PEI are generally considered to be more desirable than such potatoes from either Maine or New Brunswick, in part because PEI potatoes are grown in a reddish soil, which results in the potatoes being visually more appealing (although not necessarily preferable for cooking or other purposes); PEI potatoes also are marketed in a manner that associates them with quality. In fact, PEI potatoes generally command a premium price over Maine and New Brunswick potatoes in wholesale terminal markets. 4/

1/ Terminal markets in Boston, New York, Philadelphia, Baltimore/ Washington, and Providence, R.I.

2/ The 28 buyers outside the NE Region represented only 12 percent of the quantity of potatoes in the sample.

3/ No information was obtained on the respective quality of fall-harvested round white potatoes grown in New York or in Pennsylvania. Indications are that such potatoes grown in Pennsylvania are mostly for processing (chipping) uses within Pennsylvania, and the same may be true for such potatoes grown in upstate New York. Fall-harvested round white potatoes grown in Long Island appear to compete more directly in tablestock markets with potatoes from Maine and from Canada. Most persons contacted perceived the issues of quality and competitiveness as being a Maine versus Canada issue, since those are the fall-harvested round white potatoes that generally compete directly in markets.

4/ According to several conversations between Commission staff and wholesalers and brokers located in terminal markets.

Fall-harvested round white potatoes from Maine and New Brunswick are generally considered to be roughly equal in quality owing to the proximity of the two growing areas, i.e., the similar nature of the soil, climate, and other growing conditions. New Brunswick fall-harvested round white potatoes are thought by some to be slightly preferable to such Maine potatoes only because Canada No. 1 Grade tablestock potatoes are sized at between 2-1/4 and 3-1/2 inches and U.S. No. 1 grade tablestock potatoes can be sized at a wider mix of 1-7/8 inches minimum (as some are in Maine) to over 4 inches. 1/ On the other hand, some persons expressed a preference for Maine potatoes over New Brunswick and even over PEI potatoes. With regard to the question of the quality of Maine's potatoes, * * * has written that--

Industry leadership in Maine has long recognized the existence of a serious marketing problem and the lack of a quality image for Maine potatoes. This is aggravated by the large number of small volume shippers. A large variation among the many packs, and the lack of consistent quality at terminal markets and supermarket warehouses causes buyers to discount the Maine product. Over the years the trend to fewer but larger potato packing operations has taken place in all major producing areas of both Canada and the United States, but its impact in the Maine producing area has been less pronounced. Other producing areas have better reputations with the trade because there is less variability in their packs. Attempts to combine packer volume in Maine must be considered seriously, and some further moves in this direction will have to be made if Maine is to raise its ranking in the pattern of terminal market prices that presently exists. 2/

Approximately 2 years ago, the Maine Potato Quality Control Board instituted the "Maine Bag Program," a voluntary potato quality-control system to promote the sale of Maine potatoes. 3/ Participation in the program apparently has increased substantially this year, with 40 percent of Maine's tablestock potato shipments currently being affected. 4/

1/ The Maine Department of Agriculture has announced that effective with the 1983/84 marketing season, the minimum size for round white tablestock potatoes shipped from Maine will be 2 inches, and beginning with the 1984/85 marketing season, the minimum size will be 2-1/4 inches. A task force has been appointed to develop uses for potatoes not meeting the new size standards. The Maine Department of Agriculture has estimated that between 4 and 6 percent of the 1983 crop will fall between the old and new size standards, as will an added 10 to 12 percent of the 1984 crop (Kathryn O. Swanson, "Maine Boosts Minimum Tablestock Size; Group to Study Uses for Smaller Potatoes," The Packer, Sept. 10, 1983, p. 3A).

2/ From "Reasons Behind Price Differences Between Maine and Canadian Potatoes in Northeastern U.S. Markets," an unpublished statement by * * * to the U.S. Department of Agriculture's Interagency Task Force on potato competition in the Northeastern United States, April 1981.

3/ App. O.

4/ As indicated by * * * in a Nov. 22, 1983, telephone conversation with A-48 member of the Commission staff.

The question of whether there are quality differences between Maine and Canadian potatoes is somewhat obscured, because it is not always possible to determine on which side of the border shipments originate. In fact, trade reports have implied that some U.S. repackers have mixed U.S. and Canadian lots when preparing potatoes for resale in consumer-sized packages. 1/ However, this problem may be resolved by a new U.S. Customs Service regulation, effective Oct. 24, 1983, which will require stronger country-of-origin labeling of certain articles, including packaged produce sold at retail. 2/ Under the new regulation, importers must certify that packages (and any packages subsequently repacked) are marked as to the country of origin. Importers must also inform packers of the country-of-origin marking requirement. Those not complying with the regulation could incur stiff fines and penalties. 3/

Although Canada No. 1 Grade tablestock potatoes have a larger minimum size and a narrower size range than U.S. No. 1 grade tablestock potatoes (see discussion in the section on "Description and uses" in this report) and are presumably inspected for export to the United States, there is some evidence that not all potatoes imported from Canada are properly graded or inspected. Beginning on March 11, 1981, two inspectors from the * * * began a 7-day detail to check incoming Canadian potatoes. Once the detail began, the flow of Canadian trucks slowed considerably. The total number of trucks inspected was 29. Fourteen of these were loads of seed potatoes which were inspected only for tagging, and which were found to be properly tagged with Canadian seed tags. However, of the 15 loads of tablestock potatoes (the tablestock potatoes were given a complete inspection for quality), 5 loads failed to meet Canada's No. 1 grade, and 10 loads, if inspected for U.S. grades, would have failed to meet the U.S. No. 1 grade. Two of these loads were reported to the U.S. Department of Agriculture because they were so far out of grade. 4/

Ten potato dealers, shippers, brokers, and first receivers responded to the question in the Commission questionnaire which asked them to rank the reason why they may purchase fall-harvested round white potatoes from Canada in lieu of from the NE Region. The principal reasons, when aggregated, were "availability," "quality," and "price," in that order.

1/ Unpublished statement by * * *.

2/ 48 F.R. 33860, July 26, 1983.

3/ Adapted from Larry Waterfield, "Customs Rule Orders Country-of-Origin Label," The Packer, Sept. 24, 1983, p. 1.

4/ Adapted from a report by * * *.

* * *, which purchases fall-harvested round white potatoes from both Maine and New Brunswick, stated in its response to the Commission questionnaire that "The difference between Maines (sic) and New Brunswick is slight. The size from New Brunswick is supposed to be 2 1/4" min. (it isn't always) whereas we pack mostly a 2" min. Generally speaking I think Maine does a better job grading out defects and are cleaner. We wash more potatoes than they do."

Consideration of the total U.S market

Fall-harvested potatoes are grown throughout the Northern tier of the continental United States, including as far south as Colorado in the Western States. The principal growing areas for fall-harvested round white potatoes are the NE Region and the North Central States. Although the Western States are the principal potato-growing area in the United States, very few of their potatoes are round white potatoes; nearly all are russets.

Total U.S. production of fall-harvested round white potatoes during 1979/80 through 1983/84 ranged from a low of 63.9 million hundredweight in 1980/81 to a high of 73.9 million hundredweight in 1981/82 (table 17). Production decreased by 10.3 percent in 1980/81 from that in the preceding crop year, increased by 15.6 percent in 1981/82, decreased by 0.1 percent in 1982/83, and decreased by 4.8 percent in 1983/84 (preliminary). The NE Region accounted for an average of 54 percent of total U.S. production of fall-harvested round white potatoes during 1979/80 through 1983/84 and 47 percent of such production in 1983/84 (preliminary).

Total apparent U.S. consumption of fall-harvested round white potatoes during 1979/80 through 1982/83 ranged from a low of 59.7 million hundredweight in 1980/81 to a high of 69.1 million hundredweight in 1981/82. Apparent consumption decreased by 6.9 percent in 1980/81, increased by 15.9 percent in 1981/82, and decreased by 3.1 percent in 1982/83. The NE Region accounted for an average of 47 percent of total apparent U.S. consumption of fall-harvested round white potatoes during 1979/80 through 1982/83.

Total U.S. imports of fall-harvested round white potatoes during 1979/80 through 1982/83 ranged from a low of 1.1 million hundredweight in 1979/80 to a high of 3.0 million hundredweight in 1981/82. Imports increased by 136.8 percent in 1980/81, increased by 11.3 percent in 1981/82, and decreased by 33.4 percent in 1982/83. Of the total U.S. imports of fall-harvested round white potatoes into all parts of the United States, imports into the NE Region which remained in the NE Region accounted for an average of 68 percent during 1979/80 through 1982/83 (70.0 percent in 1979/80; 68.7 percent in 1980/81; 70.1 percent in 1981/82; and 63.5 percent in 1982/83).

The ratio of total U.S. imports from Canada of fall-harvested round white potatoes to total apparent U.S. consumption of fall-harvested round white potatoes increased from 1.8 percent in 1979/80 to 4.5 percent in 1980/81, and then decreased to 4.3 percent in 1981/82 and 2.9 percent in 1982/83.

Table 17.--Fall-harvested round white potatoes: NE Region and U.S. production, production sold, imports, exports, and apparent consumption, crop years 1979/80 through 1983/84

Crop year	NE Region <u>1/</u>						Ratio of imports to apparent con- sumption
	Produc- tion	Production sold	Imports <u>2/</u>	Exports	Apparent consump- tion <u>3/</u>		
	<u>1,000 hundredweight</u>						<u>Percent</u>
1979/80-----	42,051	36,615	787	19	31,462		2.5
1980/81-----	36,203	32,181	1,830	5	28,659		6.4
1981/82-----	38,534	34,595	2,076	6	31,058		6.7
1982/83-----	40,863	35,727	1,253	9	31,291		4.0
1983/84-----	<u>4/</u> 33,177	<u>5/</u>	<u>5/</u>	<u>5/</u>	<u>5/</u>		<u>5/</u>
	Total United States						Ratio of imports to apparent con- sumption
	Produc- tion <u>6/</u>	Production sold <u>6/</u>	Imports <u>7/</u>	Exports <u>8/</u>	Apparent consump- tion		
	<u>1,000 hundredweight</u>						<u>Percent</u>
1979/80-----	71,261	63,045	1,124	89	64,080		1.8
1980/81-----	63,943	57,123	2,662	119	59,666		4.5
1981/82-----	73,898	66,271	2,963	100	69,134		4.3
1982/83-----	73,806	65,103	1,973	<u>9/</u> 75	67,001		2.9
1983/84-----	<u>4/</u> 70,247	<u>5/</u>	<u>5/</u>	<u>5/</u>	<u>5/</u>		<u>5/</u>

1/ NE Region data are from table 2 of this report, except for NE Region production, which is from table M-2.

2/ Imports remaining in the NE Region. Excludes imports during July and August.

3/ Includes inflows from U.S. sources outside the NE Region. Data are from table 2 in this report.

4/ Preliminary.

5/ Not available.

6/ Consists of total fall-harvested production, or production sold, times the share of such quantities which, according to the USDA, consisted of round white potatoes. This share was 24 percent in 1979/80, 1980/81, 1982/83, and 1983/84, and 25 percent in 1981/82.

7/ Consists of round white certified seed potatoes (80 percent of total imports of certified seed) and round white potatoes other than certified seed (59 percent of total nonseed imports) entered at all U.S. ports.

The import data shown are for September in a given year through June in the next year. Imports of round white potatoes during July and August are not shown, because such imports are not considered to be "fall-harvested" under

Footnotes for table 17--Continued

the U.S. Department of Commerce's definition of fall-harvested round white potatoes. Estimated total U.S. imports of round white potatoes are 12,000 hundredweight in July-August 1980, 21,000 hundredweight in July-August 1981, and 239,000 hundredweight in July-August 1982.

8/ Total U.S. exports of fall-harvested round white potatoes to Canada are computed as 5 percent of total U.S. exports of potatoes to Canada on the basis of arrivals of U.S. tablestock potatoes in 12 Canadian cities (The Competitive Status of Major Supply Regions for Fall Harvested Fresh White or Irish Potatoes in Selected Markets . . ., USITC Publication 1282, August 1982, p. 35).

9/ Estimated.

Source: Production compiled from official statistics of the U.S. Department of Agriculture, as noted; and imports and exports compiled from official statistics of the U.S. Department of Commerce, as noted.

Prices

Annual prices of round white potatoes can vary greatly. For example, the average price of potatoes received by Maine farmers, as reported by the USDA, increased 74 percent from 1979/80 to 1980/81. Potato prices vary so much because supply from one crop to another is highly erratic, whereas demand is quite stable. In years when potato production is high, potato prices must fall to low levels before consumers will significantly increase their consumption of potatoes. Because the demand for potatoes is price inelastic, a small decrease in price will have little effect on the demand for potatoes. ^{1/} In years when potato production is low, potato prices must increase significantly to ration the available supply among consumers. Weather conditions are a major determinant of potato production.

The marketing of round white potatoes in the United States is a fairly complicated procedure that may involve potatoes changing hands at six different levels in the marketing chain. In general, however, most round white potatoes are sold at four levels. In the first, dealers buy the potatoes from growers. In the second, wholesalers buy the potatoes from dealers. In the third, restaurants and food stores buy the potatoes from wholesalers at the wholesale price. In the final level, consumers buy the potatoes from food stores. The prices discussed in this section are the wholesale prices of fall-harvested fresh potatoes, as reported daily by the Federal-State Market News Service, USDA.

Potato prices are determined by a number of different factors. Potato prices vary according to type of potato (round white, russet, round red, or long white), the grade or quality (U.S. extra No. 1, U.S. No. 1, U.S. commercial, or U.S. No. 2), size (size A, size B, Large, Medium, Small), the State or Province of origin, and the type of package (count carton or sack). Unless otherwise stated, the wholesale prices of round white, round red, and long white potatoes discussed in this section are for 50-pound sacks. Russet potato prices are given for 50-pound, 80-to-100 count cartons. ^{2/}

Prices of the different types of potatoes vary significantly. In January 1982, for example, the wholesale price of Maine round whites in New York City ranged from \$3.75 to \$4.75; at the same time, the prices of Idaho russets, Minnesota round reds, and California long whites ranged from \$10.50 to \$11.50, \$6.00 to \$7.00, and \$13.00 to \$14.00, respectively.

^{1/} App. P. presents information on several studies that have estimated the effect of changes in supply on the price of potatoes, including an analysis by the Commission staff.

^{2/} Russet potatoes receive a premium when packed in count cartons instead of sacks. The 80-to-100 count cartons contain 80 to 100 premium-sized russet potatoes that together weigh approximately 50 pounds. The potatoes that go into this carton are of a similar size. They are bought primarily in count cartons by restaurants for baking purposes. In addition to providing uniformly sized potatoes, count cartons protect potatoes from damage during shipping better than sacks. Russet potatoes that are packed in sacks generally sell for 25 to 35 percent less than russet potatoes packed in count cartons. The USDA does not report wholesale prices for russet potatoes packed in sacks.

Although each type of potato tends to have a distinct price level, correlations between the prices of different types of potatoes show that potato prices tend to move together. For example, the correlation between the prices of Maine round white potatoes and Idaho russet potatoes is 0.89, and the correlation between the prices of Maine round white potatoes and Minnesota round red potatoes is 0.98. 1/

The Maine Department of Agriculture is instituting a program that is intended to help stabilize prices of Maine's round white potatoes. The Maine State Legislature authorized the program in June 1983, and it is expected to be operational by January 1984. Under the program, a suggested daily minimum price will be established for 50-pound sacks of U.S. No. 1 grade, 2-inch minimum round white potatoes sold in Maine by first handlers (packers). All first handlers will be licensed; any handlers that sell potatoes at prices below the set minimum level would be fined or have their licenses revoked. A spokesman for * * * said that the program is * * *. 2/

Prices for round white potatoes in the NE Region.--Round white potatoes produced in the NE Region and in Canada compete in most markets in the NE Region. Because both Boston and New York City are major NE Region markets for round white potatoes, the wholesale market prices in the two cities are used to compare prices of round white potatoes from different areas. 3/

Because the U.S. and Canadian standards for grading potatoes are different, any price comparisons between U.S. and Canadian potatoes will involve comparing prices of potatoes that are different in size. According to USDA specifications, U.S. No. 1, size A potatoes must have a minimum diameter of 1-7/8 inches. 4/ In addition, at least 40 percent of the potatoes in a particular lot must be 2-1/2 inches in diameter or larger or weigh 6 ounces or more for that lot to be designated as size A. Canadian No. 1 Grade potatoes, which are sold as U.S. No. 1, size A potatoes in the U.S. market, are more selectively sized than U.S. No. 1 potatoes; they must be between 2-1/4 and 3-1/2 inches in diameter. This difference in country standards means that the less restrictive U.S. size standards allow both greater size variation in packages and smaller, and presumably less desirable, potatoes to be included in packages than the Canadian standards allow.

New York City.--In the past 4 years, the average monthly wholesale price of Maine round white potatoes per 50-pound sack in New York City reported by the USDA ranged from \$2.63 in April 1980 to \$8.04 in June 1981

1/ A correlation measures the degree to which changes in the value of one variable coincide with changes in the value of another. A correlation close to 1 means that large, positive changes in the value of one variable very often coincide with large, positive changes in the value of the other.

2/ Telephone conversation with * * * Nov. 3, 1983.

3/ Potatoes from Pennsylvania are sold in neither the New York City nor Boston markets. Approximately 52 percent of all imported Canadian potatoes are sold in wholesale terminal markets, as derived from table 16 in this report.

4/ The Maine Department of Agriculture has suggested that potatoes sold from the 1983/84 crop be at least 2 inches in diameter.

(table 18). 1/ The average annual price of Maine round white potatoes was \$3.04 in 1979/80, \$6.52 in 1980/81, \$4.33 in 1981/82, and \$3.78 in 1982/83. Maine round white potatoes from the 1980/81 crop were priced substantially higher than Maine round white potatoes from any other crop in the last 5 years, except for the 1983/84 crop year; national production of potatoes in 1980/81 was the lowest since that in 1973/74, and production in Maine was the lowest in at least 25 years. Maine potatoes from the 1981/82 crop were priced about 35 percent lower than Maine potatoes from the 1980/81 crop; the production of Maine potatoes increased about 6 percent in 1981/82, and national production increased 11 percent.

Table 18.--Average prices of certain round white tablestock potatoes from Maine, Canada, and Long Island sold in New York City, by months, September 1979-October 1983

(Per 50-pound sack)			
Period	2-inch minimum <u>2/</u> Maine	2-1/4-inch minimum Prince Edward Island <u>3/</u>	2-inch minimum <u>4/</u> Long Island
1979/80:			
September 1979-----	-	-	\$2.77
October 1979-----	\$2.93	\$3.34	3.02
November 1979-----	2.95	3.20	2.94
December 1979-----	2.78	3.06	2.63
January 1980-----	2.92	3.78	2.89
February 1980-----	2.83	3.58	2.81
March 1980-----	2.64	3.34	2.67
April 1980-----	2.63	3.04	2.73
May 1980-----	3.48	3.66	3.38
June 1980-----	4.19	-	3.54
1980/81:			
September 1980-----	-	-	4.91
October 1980-----	5.50	5.53	5.48
November 1980-----	5.13	5.47	5.75
December 1980-----	5.31	5.50	5.75
January 1981-----	6.75	7.13	6.75
February 1981-----	6.72	7.00	6.75
March 1981-----	6.85	7.38	6.53
April 1981-----	7.22	7.88	6.88
May 1981-----	7.19	8.03	-
June 1981-----	8.04	8.75	-

See footnotes at end of table.

1/ Monthly potato prices tend to peak in June, the end of the crop year.

Table 18.--Average prices of certain round white tablestock potatoes from Maine, Canada, and Long Island sold in New York City, by months, September 1979-October 1983--Continued

(Per 50-pound sack)			
Period	2-inch minimum <u>2</u> / Maine	2-1/4-inch minimum Prince Edward Island <u>3</u> / Island	2-inch minimum <u>4</u> / Long Island
1981/82:			
September 1981-----	-	5.00	-
October 1981-----	3.88	4.75	3.94
November 1981-----	4.03	4.38	4.03
December 1981-----	3.94	4.38	4.13
January 1982-----	4.16	4.50	4.25
February 1982-----	4.31	4.69	4.42
March 1982-----	4.10	4.60	4.31
April 1982-----	4.31	4.50	-
May 1982-----	4.66	4.75	-
June 1982-----	5.55	5.70	-
1982/83:			
September 1982-----	-	\$4.38	\$3.19
October 1982-----	-	4.13	3.16
November 1982-----	\$3.13	3.83	3.08
December 1982-----	3.00	3.60	3.09
January 1983-----	2.95	4.00	3.25
February 1983-----	3.21	4.19	3.22
March 1983-----	3.15	4.06	3.00
April 1983-----	5.00	5.31	4.37
May 1983-----	4.84	5.62	-
June 1983-----	4.94	5.31	-
1983/84:			
September 1983-----	-	-	5.25
October 1983-----	5.50	5.83	5.42

1/ No quotations for July and August because supplies are minimal.

2/ U.S. No. 1 potatoes, size A, unwashed.

3/ Canada No. 1 potatoes, unwashed. Potatoes from Prince Edward Island are the only Canadian round whites for which the USDA regularly reports prices.

4/ U.S. No. 1 potatoes, size A, washed.

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

From September 1982 to March 1983, prices of Maine round white potatoes were about 25 percent lower than those of a year earlier. Maine prices increased sharply in April 1983, when the USDA announced that the number of potatoes held in storage was much lower than expected, putting them slightly above prices from a year earlier. The price of 1982/83 Maine round white potatoes was \$3.13 in November 1982, reached \$5.00 in April 1983, and was \$4.94 in June 1983. The price in October 1983 for Maine potatoes from the 1983/84 crop was \$5.50, which equaled the highest October price in the last 5 years.

During September 1979-June 1983, the monthly average wholesale prices of Prince Edward Island round white potatoes tended to be slightly higher than the monthly average prices of Maine round white potatoes in New York City. Questionnaire responses and conversations with potato dealers suggest that New Brunswick round white potatoes are priced at about the same level as Maine round white potatoes. New Brunswick round white potatoes are generally priced below Prince Edward Island round white potatoes. The Prince Edward Island potatoes presumably sell for higher prices, because they tend to be larger and of a more uniform size than the Maine potatoes. In addition, Prince Edward Island potatoes are grown in a red, sandy soil, which gives their skin a reddish tint that is both appealing to consumers and hides some blemishes. ^{1/} The correlation between the two prices is 0.99. The price per 50-pound sack of 1982/83 Canadian round white potatoes was \$4.38 in September 1982, reached \$5.62 in May 1983, and was at \$5.31 in June 1983. In October 1983, the price was \$5.83, the highest monthly price since June 1981.

Like Canadian and Maine potato prices, Long Island potato prices were at their highest levels in 1980/81 and early 1983/84. The average prices of the 1982/83 Long Island crop per 50-pound sack ranged between \$3.00 (March 1983) and \$4.37 (April 1983). Even though Long Island potatoes are generally washed, their prices are below the prices of the unwashed Canadian round white potatoes in the wholesale terminal market. The prices of the Long Island and Maine round white potatoes are fairly close to each other, although the difference between the two prices has been as large as \$0.65 (in June 1980). The correlation between the two prices is 0.99.

Boston.--Wholesale prices of Canadian and Maine round white potatoes in Boston are about 5 to 10 percent lower than wholesale prices in New York City, in part because of lower transportation charges. The wholesale price of Maine round white potatoes in Boston is highly correlated with the wholesale price of Maine round white potatoes in New York City; the correlation was 0.95. During 1982/83, the price of Maine potatoes per 50-pound sack fell from \$4.88 in September 1982 to \$2.38 in January 1983, but rose to \$4.35 in May 1983 (table 19). Prices for Maine potatoes from the 1983/84 crop were at their highest levels since 1980/81.

^{1/} New Brunswick potatoes are grown in the same type of soil as Maine potatoes and, thus, do not have the reddish tint that Prince Edward Island potatoes have.

Table 19.--Average prices of certain round white tablestock potatoes from Maine, Canada, and Long Island sold in Boston, September 1979-October 1983 1/

(Per 50-pound sack)			
Period	2-inch minimum <u>2/</u> Maine	2-1/4-inch minimum :Prince Edward: Island 3/	2-inch minimum <u>4/</u> Long Island
1979/80:			
September 1979-----	-	\$4.06	\$3.02
October 1979-----	\$2.95	3.33	3.24
November 1979-----	2.85	2.97	3.29
December 1979-----	2.65	2.88	-
January 1980-----	2.48	3.50	3.00
February 1980-----	2.31	3.53	-
March 1980-----	2.33	3.23	-
April 1980-----	2.03	2.84	-
May 1980-----	3.06	3.50	-
June 1980-----	2.92	5.29	-
1980/81:			
September 1980-----	4.70	5.13	5.06
October 1980-----	4.91	5.06	-
November 1980-----	4.75	5.03	-
December 1980-----	4.75	5.10	-
January 1981-----	6.25	6.38	-
February 1981-----	6.31	6.50	-
March 1981-----	6.28	6.95	-
April 1981-----	6.97	7.42	-
May 1981-----	6.67	7.67	-
June 1981-----	7.00	-	-
1981/82:			
September 1981-----	4.03	5.33	4.69
October 1981-----	3.88	4.69	4.50
November 1981-----	3.45	4.10	-
December 1981-----	3.25	3.88	-
January 1982-----	3.63	3.84	-
February 1982-----	3.59	4.00	-
March 1982-----	3.70	4.08	-
April 1982-----	3.83	4.38	-
May 1982-----	4.47	4.17	-
June 1982-----	4.83	5.00	-

See footnotes at end of table.

Table 19.--Average prices of certain round white tablestock potatoes from Maine, Canada, and Long Island sold in Boston, September 1979-October 1983 1/--Continued

(Per 50-pound sack)				
Period	2-inch minimum <u>2/</u> Maine	2-1/4-inch minimum Prince Edward Island <u>3/</u>	2-inch minimum <u>4/</u> Long Island	
1982/83:				
September 1982-----	\$4.88	\$4.50	\$3.69	
October 1982-----	3.22	3.69	3.75	
November 1982-----	3.16	3.43	3.75	
December 1982-----	2.46	3.16	-	
January 1983-----	2.38	3.30	-	
February 1983-----	2.46	3.37	-	
March 1983-----	2.42	3.72	-	
April 1983-----	4.25	4.93	-	
May 1983-----	4.35	5.50	-	
June 1983-----	4.17	6.32	-	
1983/84:				
September 1983-----	4.92	6.63	5.50	
October 1983-----	4.78	5.44	-	

1/ No quotations for July and August (supplies are minimal).

2/ U.S. No. 1 potatoes, size A, unwashed.

3/ Canada No. 1 potatoes, unwashed. Potatoes from Prince Edward Island are the only Canadian round whites for which the USDA regularly reports prices.

4/ U.S. No. 1 potatoes, size A, washed.

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

The price of round white potatoes from Prince Edward Island in Boston was generally higher than the price of other round white potatoes and was highly correlated with the price of round white potatoes from Maine. The correlation was 0.93. During 1982/83, the price of Prince Edward Island potatoes was \$3.69 in October 1982 and rose to \$6.32 in June 1983.

The market share of Long Island potatoes in Boston is relatively small. In 1982, for example, the market share of Long Island potatoes, as a share of total unloads by truck in Boston, was 1.4 percent. 1/ Prices of Long Island potatoes in Boston are therefore not generally available. Except in September 1982, average prices in Boston of Long Island potatoes were higher than those of Maine potatoes. The prices of Long Island potatoes were even higher than those of Canadian potatoes in November 1979, October 1982, and November 1982.

1/ Boston Fresh Fruit and Vegetable Wholesale Market Prices and Unloads 1982, Federal-State Market News Service. The total unloads in Boston in 1982 totaled 2.2 million hundredweight.

Philadelphia.--From February 1983 to May 1983, round white potatoes from New Brunswick were occasionally sold in the Philadelphia wholesale market. The following tabulation, compiled from official statistics of the USDA, shows the average prices of round white potatoes from New Brunswick and Maine in the Philadelphia wholesale market from February 1983 to May 1983 (per 50-pound sack):

<u>Month</u>	<u>Price of Maine potatoes</u>	<u>Price of New Brunswick potatoes</u>
February 1983-----	\$3.31	\$3.70
March 1983-----	3.03	3.63
April 1983-----	4.75	4.78
May 1983-----	4.94	4.81

The tabulation shows that in February and March 1983, the price of New Brunswick round white potatoes was higher than the price of Maine round white potatoes, and in April and May 1983, the price of New Brunswick potatoes was about the same as the price of Maine potatoes.

Margins of underselling.--The average margin of underselling or overselling of Canadian round white potatoes for tablestock sold in Boston and New York City (i.e., the difference between the monthly average wholesale prices of Canadian and Maine potatoes) is shown in table 20. During September 1979-October 1983, Canadian round white potatoes sold in the New York City wholesale market were higher priced than Maine round white potatoes. The margins of overselling per 50-pound sack ranged from a high of 35.6 percent, or \$1.05, in January 1983 to a low of 0.5 percent, or \$0.03, in October 1980. The margins were lowest in 1980/81, when potato prices were at very high levels.

Canadian round white potatoes sold in the Boston wholesale market were higher priced than Maine round white potatoes in all but 2 months, May and September 1982. The margins of overselling per 50-pound sack ranged from a high of 81.2 percent, or \$2.37, in June 1980 to a low of 2.1 percent, or \$0.13, in January 1981.

Table 20.--Canadian round white potatoes for tablestock: Average margins of underselling or overselling (-), 1/ in Boston and New York City terminal markets, by months, September 1979-October 1983 2/

Period	New York		Boston	
	: As a share :		: As a share :	
	: of wholesale :		: of wholesale :	
	Amount	price of Maine potatoes	Amount	price of Maine potatoes
	<u>Per 50-</u>	<u>Percent</u>	<u>Per 50-</u>	<u>Percent</u>
	<u>pound sack</u>		<u>pound sack</u>	
1979/80:				
October 1979-----	-\$0.41	-14.0	-\$0.38	-12.9
November 1979-----	-.25	- 8.5	-.12	-4.2
December 1979-----	-.28	-10.1	-.23	-8.7
January 1980-----	-.86	-29.5	-1.02	-41.1
February 1980-----	-.75	-26.5	-1.22	-52.8
March 1980-----	-.70	-26.5	-.90	-38.6
April 1980-----	-.41	-15.6	-.81	-39.9
May 1980-----	-.18	-5.2	-.44	-14.4
June 1980-----	-	-	-2.37	-81.2
1980/81:				
September 1980-----	-	-	-.43	-9.1
October 1980-----	-.03	-.5	-.15	-3.1
November 1980-----	-.34	-6.6	-.28	-5.9
December 1980-----	-.19	-3.6	-.35	-7.4
January 1981-----	-.38	-5.6	-.13	-2.1
February 1981-----	-.28	-4.2	-.19	-3.0
March 1981-----	-.53	-7.7	-.67	-10.7
April 1981-----	-.66	-9.1	-.45	- 6.5
May 1981-----	-.84	-11.7	-1.00	-15.0
June 1981-----	-.71	-8.8	-	-
1981/82:				
September 1981-----	-	-	-1.30	-32.3
October 1981-----	-.87	-22.4	-.81	-20.9
November 1981-----	-.35	-8.7	-.65	-18.8
December 1981-----	-.44	-11.2	-.63	-19.4
January 1982-----	-.34	-8.2	-.21	-5.8
February 1982-----	-.38	-8.8	-.41	-11.4
March 1982-----	-.50	-12.2	-.38	-10.3
April 1982-----	-.19	-4.4	-.55	-14.4
May 1982-----	-.09	-1.9	.30	6.7
June 1982-----	-.15	-2.7	-.17	-3.5

See footnotes at end of table.

Table 20.--Canadian round white potatoes for tablestock: Average margins of underselling or overselling (-), 1/ in Boston and New York City terminal markets, by months, September 1979-October 1983 2/--Continued

Period	New York		Boston	
	: As a share :		: As a share :	
	: of wholesale :		: of wholesale :	
	Amount	price of	Amount	price of
		Maine		Maine
		potatoes		potatoes
	Per 50-		Per 50-	
	pound sack	Percent	pound sack	Percent
1982/83:				
September 1982-----	-	-	.38	7.8
October 1982-----	-	-	-.47	-14.6
November 1982-----	-.70	-22.4	-.27	-8.5
December 1982-----	-.60	-20.0	-.70	-28.5
January 1983-----	-1.05	-35.6	-.92	-38.7
February 1983-----	-.98	-30.5	-.91	-37.0
March 1983-----	-.91	-28.9	-1.30	-53.7
April 1983-----	-.31	-6.2	-.68	-16.0
May 1983-----	-.78	-16.1	-1.15	-26.4
June 1983-----	-.37	-7.5	-2.15	-51.6
1983/84:				
September 1983-----	-	-	-1.71	-34.8
October 1983-----	-.33	-6.0	-.66	-13.8

1/ The margins are the differences between the average prices of Maine and Canadian round white potatoes sold in each city (tables 18 and 19).

2/ Data for September 1979 are not available.

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

The petition alleges that LTFV sales of Canadian round white potatoes have suppressed and depressed round white potato prices in the NE Region. Prices of all round white potatoes (including Canadian) in the NE Region were lower in 1981/82 and 1982/83 than they were in 1980/81. Initial prices in 1983/84, however, are as high as they were in 1980/81 (tables 18 and 19). Industry sources say that prices received by growers in recent years have been so low, some growers of round white potatoes in Maine have been forced to sell below their cost of production.

Questionnaire data.--Questionnaire responses by U.S. dealers, wholesalers, and other buyers were inadequate to accurately determine the prices paid for Canadian and Maine potatoes. The respondents provided somewhat useful information when asked to compare the relative prices of Canadian and Maine round white potatoes.

Approximately 100 questionnaires were sent to dealers, wholesalers, and other buyers throughout the NE Region. Ten dealers answered a question that asked them to compare the prices they paid for Maine and New Brunswick round white potatoes. Three of the 10 dealers said that the price of New Brunswick potatoes was less than the price of Maine potatoes, 5 said the prices were about the same, and 2 said the New Brunswick potatoes were higher priced.

Seven dealers answered a question asking them to compare the prices they paid for Maine and Prince Edward Island round white potatoes. Six of the seven dealers said that the price of Prince Edward Island potatoes was higher than the price of Maine potatoes, and one said the Prince Edward Island potatoes were lower priced.

Four dealers answered a question that asked them to compare the prices they paid for New Brunswick and Prince Edward Island round white potatoes. Three of the four dealers said that the price of Prince Edward Island potatoes was higher than the price of New Brunswick potatoes, and one said the prices were about the same.

Customs data.--Because the questionnaires provided inadequate data on prices, the Commission staff examined U.S. Customs' invoices from the Portland, Maine district for November 1982 and January 1983. 1/ These invoices generally provided the prices received by Canadian shippers. 2/ Although the prices obtained from the invoices varied considerably, most sales took place at prices within a more narrow range.

The U.S. price most comparable with the price received by Canadian shippers is the price received by Maine dealers. Unfortunately, the Maine price is not directly comparable with the Canadian price because it generally costs more to transport Canadian potatoes to market than it costs to transport Maine potatoes. In addition, duties must be paid on Canadian potatoes. Therefore, any comparison between prices received by Maine dealers and Canadian shippers will not accurately reflect the prices paid by wholesalers. It generally costs wholesalers more to bring Canadian potatoes to market than Maine potatoes.

The range of prices received by Canadian shippers for round white potatoes from both Prince Edward Island and New Brunswick, the range of prices received by Maine dealers and some large Maine growers for Maine round white potatoes, and the average price received by Canadian shippers and Maine dealers for round white potatoes are shown in the following tabulation (per 50-pound sack). The prices of Maine potatoes are f.o.b. Central Aroostook County for January 1983 as reported in the Maine Potato Report.

1/ Only prices from January invoices are discussed in this section.

2/ Conversation with * * *, U.S. Customs officer. In some cases, the invoices provided the delivered price of potatoes. However, the potatoes were being shipped all over the east coast, making comparisons of prices difficult.

<u>State or province</u>	<u>Range</u>	<u>Average</u>
Maine-----	\$1.20-\$1.43	\$1.26
New Brunswick-----	1.18- 3.23	1.85
Prince Edward Island-----	1.37- 2.93	2.18

The data in the tabulation suggest that in January 1983, prices of New Brunswick potatoes tended to be higher than prices of Maine potatoes, and prices of Prince Edward Island potatoes tended to be substantially higher than prices of Maine potatoes. Combining the invoice prices with the fact that it generally costs more to bring Canadian potatoes to market than Maine potatoes suggests that in January 1983, it cost wholesalers more to purchase Canadian potatoes than Maine potatoes.

The Canadian prices obtained from the invoices varied considerably more than the Maine prices obtained from the Maine Potato Report. A possible reason is that the Maine Potato Report does not include the prices of all sales; it includes only those prices at which a substantial number of sales are made. 1/

Another reason why Canadian prices varied so much is that Canadian shippers sold their potatoes to both U.S. dealers and U.S. wholesalers, whereas the prices reported in the Maine Potato Report are prices paid by wholesalers to dealers and some large growers acting as their own dealers. Thus, the Canadian prices include sales made at two levels in the distribution chain, whereas the Maine prices are for sales made at essentially one level.

Commerce data.--The Commission staff examined the prices used by the Department of Commerce in making its margin-of-dumping determination. Commerce used prices received by Canadian shippers in sales to the United States. These prices were obtained from questionnaires returned to Commerce by Canadian shippers. The Commerce data examined consisted of all sales of round white potatoes made to the United States from September 1982 to February 1983 by * * * from New Brunswick and * * * from Prince Edward Island. 2/
* * *.

The Commerce prices and the invoice prices described in the previous section are both prices received by Canadian shippers. Thus, the prices received by Maine dealers are the most comparable U.S. prices even though they are not directly comparable because of higher transportation costs and duties that must be paid in bringing Canadian potatoes to U.S. markets.

1/ Conversation with * * *, U.S. Department of Agriculture.

2/ Commerce collected data on * * * additional shippers in both New Brunswick and Prince Edward Island. However, the data given to the Commission staff concerning these * * * shippers did not * * *. In addition, Commerce collected data on two shippers in Ontario.

The range of prices received by Canadian shippers for 50-pound sacks of round white potatoes from both Prince Edward Island and New Brunswick, the range of prices received by Maine dealers and some large Maine growers for Maine round white potatoes, and the average price received by Canadian and Maine dealers for round white potatoes are shown in the following tabulation (per 50-pound sack). The prices of Maine potatoes are f.o.b., Central Aroostook County for September 1982-February 1983 as reported in the Maine Potato Report.

<u>State or province</u>	<u>Range</u>	<u>Average</u>
Maine-----	\$1.13-\$1.63	\$1.32
New Brunswick-----	***	***
Prince Edward Island-----	***	***

The data in the tabulation suggest that from September 1982 to February 1983, prices of New Brunswick potatoes from * * * tended to be * * * of Maine potatoes, and prices of Prince Edward Island potatoes from * * * tended to be * * * of Maine potatoes. Combining the Commerce prices with the fact that it generally costs more to bring Canadian potatoes to market than Maine potatoes suggests that from September 1982 to February 1983, it cost wholesalers more to purchase Canadian potatoes from these * * * shippers than it cost to purchase Maine potatoes. How applicable these findings are to comparing the prices paid to all Canadian shippers with prices to Maine dealers, however, is questionable.

Prices of large potatoes.--Sales of large potatoes constitute between 10 and 15 percent of total sales of round white potatoes. Canadian large potatoes must be between 3 and 4-1/2 inches in diameter; Maine has two different classes of large potatoes--Chef's Specials, which must be between 3 and 4 inches in diameter (at least 70 percent must have a minimum diameter of 3-1/4 inches) and must have no more than 8 percent defects (4 percent internal, 4 percent external), and Chef's Prides, which must be at least 3 inches in diameter. The following tabulation, compiled from official statistics of the USDA, shows the average prices of large potatoes from Prince Edward Island and Chef's Specials from Maine in the Boston wholesale market for 1982/83 (per 50-pound sack):

<u>Period</u>	<u>Price of Maine Chef's Specials</u>	<u>Price of Prince Edward Island large potatoes</u>
October 1982-----	\$4.25	\$4.56
November 1982-----	4.28	4.41
December 1982-----	4.25	4.35
January 1983-----	3.88	4.22
February 1983-----	4.08	4.25
March 1983-----	4.65	4.49
April 1983-----	6.06	6.06
May 1983-----	5.63	6.44

The tabulation shows that the average price of Prince Edward Island large potatoes in 1982/83 tended to be slightly higher than the average price of

Maine Chef's Specials in 6 of the 8 months; in 1 month, the price of Maine potatoes was higher, and in 1 month, the price was the same.

The following tabulation, compiled from official statistics of the USDA, shows the average prices of large potatoes from New Brunswick and Chef's Specials from Maine in the Philadelphia wholesale market for those months in 1982/83 in which New Brunswick prices were reported (per 50-pound sack):

<u>Period</u>	<u>Price of Maine Chef's Specials</u>	<u>Price of New Brunswick large potatoes</u>
February 1983-----	\$4.31	\$4.46
March 1983-----	4.05	4.20
April 1983-----	5.69	5.71
May 1983-----	6.09	6.00

The tabulation shows that from February 1983 to May 1983, the price of New Brunswick large potatoes tended to be about the same as the price of Maine Chef's Special potatoes.

Prices in other regions.--As shown in table 21, prices of round white potatoes vary from city to city across the United States, depending on geographical proximity to production areas and the availability of substitutes. Although the level of potato prices can vary significantly, changes in potato prices in different cities tend to be highly correlated. For example, the correlation between the prices of round white potatoes in New York City and Atlanta is 0.99, for prices in New York City and Chicago, the correlation is 0.98, and for prices in New York City and Baltimore, the correlation is 0.85. 1/

1/ Round white potatoes from Florida are sometimes sold in Baltimore. Because these potatoes tend to sell for a much higher price than other round white potatoes, they can significantly raise the average selling price of round white potatoes in Baltimore. Round white potatoes from Florida cannot, by USDA definition, be fall harvested.

Table 21.--Round white potatoes: 1/ Monthly ranges of wholesale prices 2/
in selected cities, by months, January 1980-August 1983

(Per 50-pound sack)					
Period	Maine potatoes		Atlanta	Baltimore	Chicago
	Boston	New York			
January 1980-----	\$2.25-\$2.75	\$2.75-\$3.00	\$3.25-\$3.50	\$2.00-\$3.00	\$3.00-3.25
February 1980-----	2.25- 2.50	2.65- 3.00	3.00- 3.25	2.00- 2.75	3.13-3.25
March 1980-----	2.25- 2.50	2.50- 2.75	3.00- 3.50	1.75- 2.75	3.13-3.25
April 1980-----	2.00- 2.25	2.50- 2.80	3.00- 3.50	1.75- 8.50	3.13-3.25
May 1980-----	2.50- 3.50	2.50- 4.00	4.00- 5.00	2.50- 8.50	3.13-3.25
June 1980-----	2.75- 3.00	3.50- 5.50	3.85- 7.00	3.75- 7.00	-
July 1980-----	-	5.00- 5.50	5.75- 7.25	5.00- 7.00	5.50
August 1980-----	-	-	5.50- 6.00	4.50- 5.50	5.25-5.50
September 1980----	4.50- 5.00	-	5.25- 6.00	4.50- 5.50	5.25-5.50
October 1980-----	4.25- 5.50	5.25- 5.75	5.50- 6.25	5.00- 6.25	5.00-5.25
November 1980-----	4.50- 5.00	5.00- 5.50	5.25- 6.25	5.00- 6.00	5.00-5.50
December 1980-----	4.50- 5.00	5.00- 6.00	6.00- 6.50	5.00- 6.00	5.25-5.50
January 1981-----	5.50- 6.50	6.00- 7.50	7.00- 8.50	5.50- 7.25	5.75-8.00
February 1981-----	6.00- 6.50	6.50- 7.00	7.50- 8.00	5.00- 7.00	7.25-7.75
March 1981-----	6.00- 7.00	6.25- 7.50	7.50- 8.75	5.50- 7.50	7.25-7.50
April 1981-----	6.75- 7.00	7.00- 7.50	8.00- 8.75	6.75-18.00	7.50-8.00
May 1981-----	6.50- 7.00	6.50- 8.00	7.00- 9.00	7.00- 8.50	-
June 1981-----	7.00	7.75- 8.50	7.72- 9.00	6.50- 9.50	-
July 1981-----	-	-	6.25- 7.00	4.50- 6.50	-
August 1981-----	4.50	-	4.50- 6.00	3.50- 4.75	4.00-4.75
September 1981----	4.00- 4.25	-	4.50- 5.50	4.00- 4.50	3.75-4.00
October 1981-----	3.50- 4.00	3.75- 4.00	4.50- 5.00	3.50- 4.50	4.00-4.25
November 1981-----	3.25- 3.75	3.75- 4.25	4.50- 5.00	3.00- 4.25	4.00-4.25
December 1981-----	3.25	3.75- 4.25	4.50- 5.00	3.00- 4.25	3.88-4.25
January 1982-----	3.25- 4.00	3.75- 4.75	4.75- 5.00	3.25- 5.00	3.75-4.13
February 1982-----	3.50- 4.00	4.00- 4.50	4.75- 5.00	3.25- 5.00	4.00-4.25
March 1982-----	3.50- 3.75	4.00- 4.25	4.75- 5.00	2.50- 5.00	3.75-4.25
April 1982-----	3.75- 4.00	4.00- 4.75	-	-	-
May 1982-----	4.25- 4.50	4.25- 5.00	-	-	-
June 1982-----	4.50- 5.00	5.00- 6.50	-	-	-
July 1982-----	-	5.50- 6.50	-	-	-
August 1982-----	-	-	-	-	-
September 1982----	4.50- 5.00	-	-	-	-
October 1982-----	2.75- 4.00	3.00- 3.25	3.25- 4.00	3.15- 4.50	2.88-3.50
November 1982-----	2.50- 4.50	3.00- 3.25	3.25- 4.00	2.25- 5.00	2.75-3.25
December 1982-----	2.25- 2.50	2.75- 3.25	3.25- 4.00	1.50- 4.50	3.00

See footnotes at end of table.

Table 21.--Round white potatoes: 1/ Monthly ranges of wholesale prices 2/ in selected cities, by months, January 1980-August 1983--Continued

(Per 50-pound sack)					
Period	Maine potatoes		Atlanta	Baltimore	Chicago
	Boston	New York			
January 1983-----	\$1.90-\$2.75	\$2.75-\$3.25	\$3.25-\$3.50	\$2.25-\$3.00	\$1.75-3.13
February 1983-----	2.25- 2.75	3.00- 3.50	3.50- 3.75	1.50- 3.50	3.00-3.25
March 1983-----	2.25- 2.50	3.00- 3.50	3.25- 3.75	2.50- 3.00	3.00-3.50
April 1983-----	4.00- 5.00	3.50- 5.00	3.50- 6.25	3.00-15.00	3.75-4.25
May 1983-----	3.50- 5.00	4.50- 5.25	5.50- 6.50	4.25-11.00	-
June 1983-----	4.00- 4.50	4.75- 5.00	5.25- 6.00	4.50- 7.00	-
July 1983-----	-	-	5.25- 7.50	4.50- 7.25	-
August 1983-----	-	-	6.50- 7.50	5.50- 7.00	5.25-6.00

1/ All potatoes are U.S. No. 1, size A, round whites in 50-pound sacks.

2/ Prices in Boston and New York are for Maine round whites only. Prices in Atlanta, Baltimore, and Chicago are for round whites from various other sources.

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

Exchange rates

The following tabulation, compiled from official statistics of the International Monetary Fund, shows the exchange rate between the U.S. dollar and the Canadian dollar in 1980-83:

<u>Period</u>	<u>U.S. dollars per Canadian dollar</u>	<u>Real exchange- rate index (1980=100)</u>
1980:		
Jan.-Mar-----	0.86	101
Apr.-June-----	.85	100
July-Sept-----	.86	100
Oct.-Dec-----	.84	99
1981:		
Jan.-Mar-----	.84	98
Apr.-June-----	.83	98
July-Sept-----	.83	98
Oct.-Dec-----	.84	101
1982:		
Jan.-Mar-----	.83	100
Apr.-June-----	.80	99
July-Sept-----	.80	99
Oct.-Dec-----	.81	101
1983:		
Jan.-Mar-----	.81	101
Apr.-June-----	.81	102

The value of the Canadian dollar fell 6 percent from January-March 1980 to April-June 1983. The real exchange-rate index, which takes into account differences in inflation rates, shows that the relative purchasing powers of the Canadian and U.S. dollar have not changed very much since 1980.

Lost revenues

Many growers alleged that imports of Canadian potatoes have lowered the prices received by U.S. growers for their potatoes. * * *.

Lost sales

The Commission received allegations of sales lost to 24 customers of round white potatoes. These allegations did not specify the date or the quantity of potatoes involved in the lost sale. Rather, the allegations were that fewer sales were made this year to a certain customer than sales were made last year to the customer. The Commission staff contacted 19 of these customers. Each of these customers' responses is presented below.

Customer 1.--* * *, alleged in an affidavit that since January 1981, * * * "decreased or ceased purchases of Maine round white potatoes from * * * on account of Eastern Canadian round whites trading at depressed prices and in increased volume." A spokesman for * * * said that his firm doesn't generally buy Canadian potatoes, but they bought some last year because the quality of Maine potatoes was bad, suffering from a condition known as hollow heart. He added that the quality of Maine potatoes is generally pretty good, whereas the quality of Prince Edward Island potatoes is generally excellent. He said that Prince Edward Island potatoes are priced at about the same level as Maine Chef's Specials.

Customer 2.--* * *, stated in an affidavit that Canadian round white * * * lower * * * Maine * * *. A spokesman for * * * said that 40 percent of the potatoes his firm handles are from Canada. He said that the quality of Canadian and U.S. potatoes is excellent. His firm is currently selling Maine potatoes for \$4.50 per 50-pound bag and Prince Edward Island potatoes for \$5.25 per bag. His firm is currently (October 1983) paying \$7.40 for 100 pounds of Prince Edward Island potatoes and \$6.80 for 100 pounds of Maine potatoes. Most of his firm's customers prefer potatoes from a certain source (e.g., Maine, Prince Edward Island). His firm generally buys potatoes to fill orders that they have; they generally do not buy potatoes without a particular customer in mind. The spokesman said that because Prince Edward Island potatoes are grown in a red, sandy soil, they have a red tint to them that makes them look appealing to customers. In addition, the red tint tends to cover many blemishes.

Customer 3.--* * *, alleged in an affidavit that * * * Maine round white potatoes * * * lost * * * it could not match the prices offered for Canadian round white potatoes. A spokesman for * * * said that his firm has not purchased any round white potatoes from Canada this season because of the bond that must be paid on these potatoes owing to the preliminary Commerce ruling. He said he did not know about purchases in previous years because * * *. His firm buys potatoes on the basis of price, quality, and size.

Customer 4.--* * *, alleged in an affidavit that * * * told him that * * * Canadian round whites * * * price. * * * said that about one-half of the potatoes he handles are from Canada. Two years ago about 10 percent of the potatoes he handled were from Canada. He added that Canadian potatoes are better in quality than Maine potatoes and that Canadian potatoes sell for about the same price as Maine potatoes. He said that if a customer does not request round white potatoes from a specific source, he will ship them the ones that he can get for the lowest price.

Customer 5.--* * *, alleged in an affidavit that * * * bought * * * Canadian round white potatoes * * * lower price * * *. A spokesman for * * * said that his firm buys potatoes strictly on the basis of price. He recalled buying potatoes from Canada earlier this year, but was unable to say when even after looking through his records. He was not sure if potatoes from the NE Region were available when his firm bought the Canadian potatoes.

Customer 6.--* * *, alleged in an affidavit that since January 1981, * * * "decreased or ceased purchases of Maine round white potatoes from * * * on account of Eastern Canadian round whites trading at depressed prices and in increased volume." A spokesman for * * * said that his firm generally pays the same price for Canadian and U.S. potatoes. The only Canadian potatoes that his firm would pay a higher price for are * * * variety. His firm is currently (October 1983) charging \$5.50 for 50 pounds of Canadian potatoes and \$4.50 for 50 pounds of U.S. potatoes. He said that Prince Edward Island potatoes are better looking than New Brunswick potatoes or Maine potatoes. He said that Maine potatoes are generally of good quality, but that Canadian potatoes are graded more accurately.

Customer 7.--* * *, alleged in an affidavit that since January 1981, * * * "decreased or ceased purchases of Maine round white potatoes from * * * on account of Eastern Canadian round whites trading at depressed prices and in increased volume." A spokesman for * * * said he would not answer any questions over the phone.

Customer 8.--* * *, alleged in an affidavit that since January 1981, * * * has "decreased or ceased purchases of Maine round white potatoes from * * * on account of Eastern Canadian round whites trading at depressed prices and in increased volume." A spokesman for * * * said that only about 5 percent of the round white potatoes his firm handles are Canadian. His firm pays about 25 percent more for Canadian potatoes. He said that Maine growers do not accurately grade their potatoes, making them less desirable. Many of his customers request potatoes from a certain State.

Customer 9.--* * *, alleged in an affidavit that * * * told him * * * Canada * * * low * * *. A spokesman for * * * said that his firm pays higher prices for Prince Edward Island potatoes than for Maine potatoes because his firm can get a higher wholesale price for them. According to the spokesman, Prince Edward Island potatoes are higher priced because they are larger and because they are graded more accurately. Potatoes from New Brunswick are the same size as Prince Edward Island potatoes, but are not graded as accurately. Maine potatoes are often not graded accurately. In 1982/83, about 50 percent of the round white potatoes handled by his firm were from Canada; this was about the same percent as in the previous year. His firm handles only 50-pound bags from Canada, but handles all different sized bags from Maine.

Customer 10.--* * *, alleged in an affidavit that * * *, has stopped purchasing potatoes from his firm because of * * * underselling * * *. A spokesman for * * * said his firm has not bought any Canadian potatoes this year because of the bond that must be paid on these potatoes owing to the preliminary Commerce ruling. He said that because Canadian potatoes are bigger and more accurately graded, they sell for higher prices in the market. He said that Prince Edward Island potatoes are higher in quality than New Brunswick potatoes. He said the number of Canadian potatoes that his firm buys has increased in each of the last 3 years. * * *. He said his firm decides which potatoes to buy on the basis of price and quality; it doesn't care what State or Province they come from.

Customer 11.---* * *, alleged in an affidavit that since January 1981, * * * "decreased or ceased purchases of Maine round white potatoes from * * * on account of Eastern Canadian round whites trading at depressed prices and in increased volume." A spokesman for * * * said that in the last 3 years, his firm has increased the number of Canadian russet potatoes that it buys but has sharply lowered the number of Canadian round white potatoes that it buys.

Customer 12.---* * *, alleged in an affidavit that * * * from Canada * * * lower prices * * *. * * * said that in the last 3 years, he has bought less * * * from Canada than before, because customers are now demanding varieties of round white potatoes that Maine specializes in. About 10 to 20 percent of * * * he handles comes from Canada. He said that the quality of * * * from the United States and Canada is the same.

Customer 13.---* * * alleged that * * * New Brunswick because of price. A spokesman for * * * said that at least 50 percent of the round white * * * comes from Canada. He said that price is an important consideration * * *, but that * * * is even more important. His firm generally buys * * * from Canada and * * * from the United States. He added that the quality * * * is exactly the same.

Customer 14.---* * *, alleged in an affidavit that * * *, has not bought any potatoes from * * *. * * *. A spokesman for * * * said his firm does not purchase Canadian potatoes.

Customer 15.---* * *, alleged in an affidavit that since January 1981, * * * "decreased or ceased purchases of Maine round white potatoes from * * * on account of Eastern Canadian round whites trading at depressed prices and in increased volume." A spokesman for * * * said that in the last 2 years, his firm has increased the amount of Prince Edward Island potatoes that it purchased. He said that Prince Edward Island potatoes cost between 25 and 50 cents more per hundredweight than Maine potatoes. He estimated that about 1 percent of the potatoes his firm sells are Canadian. The spokesman added that Prince Edward Island produces high-quality potatoes that are sold primarily to restaurants.

Customer 16.--* * *, alleged in an affidavit that * * * Canadian * * * potatoes * * * lower price * * * same quality. A spokesman for * * * said that his firm imports some * * * potatoes from Canada. The spokesman added that his firm * * * sell potatoes * * * the United States.

Customer 17.--* * *, alleged in an affidavit that * * * prices, * * * round white potatoes from Canada during * * *." * * * said that in previous years, his firm had bought Canadian potatoes but that the bond that must be paid on these potatoes because of the preliminary Commerce ruling has increased their price so much that his firm * * * has not bought any Canadian potatoes this year. * * * said that if the price of Canadian potatoes falls, his firm would resume purchasing Canadian potatoes.

Customer 18.--* * *, alleged * * * that * * * Canadian potatoes substantially below * * * Maine. * * *. A spokesman for * * * said that they generally buy the cheapest potatoes. This year, less than 1 percent of the potatoes they buy are from Canada. Last year, about 10 percent of the potatoes his firm bought were from Canada.

Customer 19.--* * *, stated in an affidavit that * * * Canadian round whites equal in quality * * * lower * * * Maine round white * * *.

* * * indicated that * * * does not buy "too many" PEI potatoes; he stated that they occasionally use New Brunswick potatoes. He also stated that he * * * handles mainly PEI potatoes and handled no more than 10 loads of New Brunswick potatoes last year as a "fill-in." He said that the PEI product is a better potato, and that it oversells Maine potatoes "95 percent of the time." He said that New Brunswick potatoes sell at prices comparable with Maine potatoes and generally not below those of Maine potatoes.

* * * stated that * * * bought no more than two loads of Canadian round whites last year, in part because of Maine's bad crop last year. They prefer to buy (and nearly always do buy) Maine round whites--- * * * day. However, * * * also said that when they call * * * and ask him to obtain potatoes for them, they do not specify the source of the potatoes.

APPENDIX A

DEPARTMENT OF COMMERCE'S NOTICE OF A PRELIMINARY
DETERMINATION OF SALES AT LTFV

DEPARTMENT OF COMMERCE**International Trade Administration****Fall-Harvested, Round, White Potatoes From Canada; Antidumping Preliminary Determination of Sales at Less Than Fair Value**

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of preliminary determination of sales at less than fair value: Fall-harvested, round, white potatoes from Canada.

SUMMARY: We preliminarily determine that fall-harvested, round, white potatoes from Canada are being, or are likely to be, sold in the United States at less than fair value. Therefore, we have notified the U.S. International Trade Commission (ITC) of our determination, and we have directed the U.S. Customs Service to suspend the liquidation of all entries of the subject merchandise which are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice and to require a cash deposit or bond for each such entry in an amount equal to the estimated dumping margin as described in the "Suspension of Liquidation" section of this notice. If this investigation proceeds normally, we will make a final determination within 75 days of the publication of this notice.

EFFECTIVE DATE: August 2, 1983.

FOR FURTHER INFORMATION CONTACT:

Vincent Kane or Julia, E. Hathcox, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone (202) 377-5414 or 377-0184.

Preliminary Determination

We have preliminarily determined that there is a reasonable basis to believe or suspect that fall-harvested, round, white potatoes from Canada are being, or are likely to be, sold in the United States at less than "fair value," as provided in section 733 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act).

We have found that the foreign market value of fall-harvested, round, white potatoes exceeded the United States price on 58 percent of the sales compared. These margins ranged from 1 percent to 124.8 percent. The overall weighted-average margin on all sales compared is 17.3 percent. The weighted-average margins for individual companies investigated are presented in the "Suspension of Liquidation" section of this notice.

If this investigation proceeds normally, we will make a final determination within 75 days of the publication of this notice.

Case History

On February 9, 1983, we received a petition filed by counsel on behalf of the Maine Potato Council. In accordance with the filing requirements of § 353.36 of the Commerce Department Regulations (19 CFR 353.36), the petitioner alleged that fall-harvested, round, white potatoes from Canada are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or are threatening to materially injure, a United States industry. Petitioner also alleged that sales are being made at less than cost of production in Canada and that "critical circumstances" exist, as defined in section 733(e) of the Act.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping investigation. We notified the ITC of our action and initiated such an investigation on February 28, 1983 (48 FR 9677). On March 7, 1983, the ITC found that there is a reasonable indication that imports of fall-harvested, round, white potatoes are materially injuring, or are threatening to materially injure, a United States industry.

We presented antidumping questionnaires to nine Canadian grower-distributors on April 14 and 15, 1983. These firms were selected on the basis of a statistical sampling of the Canadian grower/distributor population. We found it necessary to use a sampling technique, since scores of Canadian firms were selling potatoes for export to the United States and there was a significant volume of sales.

Thereafter, given that hundreds of growers were supplying the nine grower/distributors, we concluded that a statistical sampling would also be required in our selection of growers to respond to the cost of production questionnaire.

We, therefore, selected ten growers on the basis of a statistical sample of the grower population under consideration.

Our methodology used a random sample, stratified by size of company, type of company, and location. The methodology was based on widely accepted statistical sampling assumptions of the underlying probability distribution of the population and the sample. This methodology provided a statistically valid 95 percent certainty that the firms

selected are properly representative samples of those firms which comprise the population of the Canadian, fall-harvested, round, white potato industry.

We subsequently received responses from all of the grower/distributors within our sample, which included L. George Lawton, Ouellette Seed Farm, Ltd., Gemvak, Ltd., Powers Produce, Ltd., Olan Potato Farms, Ltd., Simmons and MacFarlane, Ltd., R. C. Marshall Farms, Ltd., John Crawford, Ltd., and M. Rose and Sons, Ltd. In addition, we received responses from all but three of the growers within our sample. Those responding included M. J. Keenan and Sons, Ltd., A. S. MacSwain and Son, Ltd., Hoghland Farms, Ltd., Olan's Packing Plant, Ltd., MacEwen Farms, Ltd., Sidney Drummond, Ltd., and R. H. Rennie and Sons, Ltd. Unless extended, the preliminary determination in this investigation was scheduled for July 19, 1983. Pursuant to section 733(c)(1)(A) of the Act, we subsequently postponed the preliminary determination to no later than September 7, 1983 (48 FR 29036).

Scope of Investigation

For purposes of this investigation, the term "fall-harvested, round, white potatoes" cover fall-harvested fresh or chilled round, white potatoes as currently classifiable under items 137.20, 137.21, 137.25, or 137.28 of the *Tariff Schedules of the United States*.

This investigation covers the period September 1, 1982, through February 28, 1983.

Fair Value Comparison

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value. Where a grower did not have home market sales, we compared the United States price to constructed value.

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price for the sales by the previously mentioned grower/distributors because the subject merchandise was sold to unrelated U.S. purchasers prior to its importation into the United States.

We calculated purchase price on the basis of the duty-paid, delivered price with deductions for freight, duty and brokerage for the following grower/distributors: R. C. Marshall Farms, Ltd., M. Rose and Sons, Ltd., Olan Potato Farms, Ltd., L. George Lawton, Powers Produce, Ltd., Gemvak, Ltd., and Simmons and MacFarlane, Ltd. For John

Crawford, Ltd., and Ouellette Seed Farms, Ltd., we calculated purchase price on the basis of the f.o.b. duty paid price with deductions for duty and brokerage.

Foreign Market Value

In calculating foreign market value, we used monthly weighted-average prices for each pack size. Although prices changed considerably over the period of investigation, prices within a given month remained sufficiently constant to justify using a monthly weighted-average price. With one exception comparisons were restricted to sales of the same pack size. In the case of the one exception, we based foreign market value on sales of a somewhat smaller pack size, since there were no home market sales other than of this pack size. In addition, we attempted to restrict comparisons to the same size, grade, and type of potato. For example, sales of grade 1 potatoes were not compared with sales of grade 2 potatoes.

In accordance with section 773(a) of the Act, we calculated foreign market value for potatoes two inches and larger in diameter on the basis of home market sales of such or similar merchandise produced by R. C. Marshall Farms, Ltd. (Marshall). We calculated home market prices on the basis of delivered prices to unrelated customers with a deduction for freight charges. For potatoes of less than two inches in diameter we based foreign market value on the constructed value of this producer's potatoes, since there were no home market or third country market sales of such or similar merchandise. Because of the extreme difference in market value between potatoes of two inches and larger in diameter and potatoes under two inches in diameter, we did not consider the two size categories to be such or similar merchandise within the meaning of section 771(16) of the Act. We found all of Marshall's home market sales to be above its cost to produce.

We calculated home market prices for potatoes two inches and larger in diameter on the basis of delivered prices to unrelated customers with a deduction for freight charges. We found all of Marshall's home market sales to be above its cost to produce.

For John Crawford, Ltd., (Crawford) we calculated the foreign market value on the basis of delivered prices to unrelated customers with a deduction for freight charges. We found all of Crawford's home market sales to be above the cost to produce. Crawford's sales for export to the United States were all in 100 pound bags. Crawford made no home market sales of potatoes

in 100 pound bags. We, therefore, used for foreign market value a monthly weighted-average price based on home market sales in 75 pound bags. Crawford paid a commission on certain home market sales but no commission on U.S. sales. In calculating foreign market value we made no adjustment for commissions paid in the home market. Although requested, the producer supplied no information on its U.S. selling expenses which might have served to offset the commission expense in the home market. Respondents cannot benefit from their failure to provide requested information.

For M. Rose and Sons, Ltd., we calculated foreign market value on the basis of delivered prices to unrelated purchasers with deductions for freight and inspection fee. We found all home market sales of this producer to be above its cost to produce.

Ouellette Seed Farm, Ltd., sold only seed potatoes for export to the United States during the period of investigation. This producer has no home market or third country market sales of seed potatoes except in the month of February 1983. Therefore for months other than February 1983, we based Ouellette Seed Farm, Ltd.'s, foreign market value on its constructed value. For the month of February, we based foreign market value for Ouellette Seed Farm, Ltd., on its one sale of seed potatoes in the home market. We found this sale to be above the cost to produce. As this sale was made in bulk on an f.o.b. basis, we made an adjustment for packing by adding the cost of U.S. packing. No deductions or further adjustment were made to the f.o.b. price.

We calculated the foreign market value for L. George Lawton based on delivered home market prices to unrelated purchasers. In calculating foreign market value we used only home market sales of L. George Lawton at prices equal to or above the cost to produce. Approximately 58 percent by volume of L. George Lawton's home market sales were made at prices below the cost to produce. Since these less than cost sales occurred throughout the investigatory period, we regarded them as having been made over an extended period of time. We also determined that they were made in substantial quantities, and at prices which would not permit recovery of all costs within a reasonable period of time in the ordinary course of trade. Therefore, these below cost sales were disregarded. The remaining above-cost sales provided an adequate basis for determining foreign market value.

Since two of the growers supplying L. George Lawton were included in our sample, we calculated a simple arithmetic average of their costs for purposes of determining whether home market sales prices were at less than cost.

In calculating foreign market value for L. George Lawton we deducted freight charges from the delivered price. L. George Lawton paid commissions on some of its sales in the home market as well as on some sales for export to the United States. We made no adjustment to the home market price for commission, since, whenever a commission was paid in one of the markets under consideration, there was either an offsetting commission in the other market or, if no commission, indirect selling expenses in an amount sufficient to offset the commission.

For Olan Potato Farms, Ltd., we calculated foreign market value on the basis of the f.o.b. price to unrelated home market purchasers. No deductions or adjustments were made to this price. Olan Potato Farms, Ltd., paid a commission on sales for export to the United States but not on home market sales. No deduction was made for the commission in calculating purchase price, and no adjustment was made in the calculating of foreign market value, since indirect home market selling expenses were sufficient in all cases to offset the commission. All of this producer's home market sales were above cost to produce.

Foreign market value for Powers Produce, Ltd., was based on constructed value since no home market sales were made other than in the months of September and October and no sales were made to third country markets during our investigatory period. Sales to the United States were made in November and December of 1982, and in January of 1983. Because of the difference in the date of sale between the home market and the U.S. market, we did not consider these sales to be comparable, and, therefore, used constructed value as the basis for our comparison. All of this producer's home market sales were above the cost of product.

For the months of November 1982 through February 1983, foreign market value for Simmons and MacFarlane, Ltd., was calculated on the basis of the delivered price to unrelated home market purchasers with a deduction for freight. We made no adjustment for the commission paid on sales for export to the United States since in the home market there were either offsetting commissions or indirect selling expenses in an amount sufficient to offset the

commission on U.S. sales. During the months of September and October 1982 Simmons and MacFarlane, Ltd., made no home market or third country sales but did make sales for export to the United States. Therefore, for the months of September and October 1982 we used constructed value as the basis of comparison for U.S. sales made in those months.

In all instances where constructed value was used, we calculated the foreign market value based on the cost of materials and fabrication, and general expenses in accordance with the statute. Since profit was less than 8 percent we added the statutory minimum of 8 percent profit to the total of materials, fabrication and the general and selling expenses. Since we have not received a complete response regarding cost information for those growers supplying Simmons and MacFarlane, Ltd., we have not yet concluded our analysis of this company's cost elements. However, since for the other distributors under investigation, with the exception of L. George Lawton, home market prices exceeded the cost of production, we concluded that Simmons and MacFarlane's home market prices would exceed cost of production. We, therefore, used Simmons and MacFarlane's home market sales as the basis of its foreign market value.

Negative Determination of Critical Circumstances

Counsel for the petitioners alleged that imports of the product under investigation present "critical circumstances". Under section 733(e)(1) of the Act, critical circumstances exist when: (A)(i) There is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation or (ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value, and (B) there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period of time.

During the period January through May of 1982 total imports of white potatoes classified under TSUS item numbers 137.20, 137.21, 137.25, and 137.28 amounted to 2,986,809 cwt. as compared to January through May 1983 imports of 1,590,213 cwt. Imports of white potatoes for the period of January through May 1981 amounted to 2,868,458 cwt.

During the period of June through December 1981 white potato imports

amounted to 1,054,095 cwt. These imports amounted to 1,797,193 cwt during the period June through December 1982.

In the context of this industry, there have not been massive imports over a relatively short period of time. Therefore, critical circumstances do not exist for fall-harvested, round, white potatoes from Canada.

Verification

We will verify all data used in reaching the final determination in this investigation, as provided in section 776(a) of the Act.

Suspension of Liquidation

In accordance with section 773(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of fall-harvested, round, white potatoes from Canada.

This suspension of liquidation applies to all merchandise entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. The Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price. This suspension of liquidation will remain in effect until further notice. Even though no margins were found on sales by John Crawford, Ltd., we did not exclude this firm from the preliminary affirmative determination since the cost of production information must be verified. The weighted-average margins are as follows:

Manufacturers/producers/exporters	Weighted-average margin (percent)
R. C. Marshall Farms, Ltd.	41.6
Ouellette Seed Farm, Ltd.	11.3
M. Rose and Sons, Ltd.	27.0
Gemvak Ltd.	25.4
Powers Produce Ltd.	1.3
L. George Lawton	14.3
Simmons and MacFarlane, Ltd.	26.1
Olan Potato Farms, Ltd.	2.4
John Crawford, Ltd.	0.0
All Others	17.3

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determination. In addition, we have made available to the ITC all nonprivileged and nonconfidential

information relating to this investigation.

We will allow the ITC access to all privileged and confidential information in our files, with the provision that the ITC would not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

Public Comment

In accordance with section 353.7 of the Commerce Regulations, if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 10:00 a.m. on September 8, 1983, at the U.S. Department of Commerce, Room 4830, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room 3099B, at the above address within 10 days of this notice's publication.

Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by September 1, 1983. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, within 30 days of the publication of this notice, at the above address in at least 10 copies.

Alan F. Holmer,

Deputy Assistant Secretary for Import Administration.

July 28, 1983.

[FR Doc. 83-20871 Filed 8-1-83; 8:45 am]

BILLING CODE 3510-25-M

APPENDIX B
COMMISSION'S ORIGINAL AND REVISED NOTICE
OF INVESTIGATION AND HEARING

material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Canada of fresh or chilled round white potatoes. The scope of the Commission's investigation is broader than that of the Department of Commerce's preliminary investigation. The Commission has been informally advised by the Department of Commerce that it intends to revise its notice of preliminary determination of sales at less than fair value to conform the scope of its investigation to the scope of the Commission's investigation. Unless the investigation is extended, the Department of Commerce will make its final dumping determination in the case on or before October 17, 1983, and the Commission will make its final injury determination by November 30, 1983 (19 CFR 207.25).

FOR FURTHER INFORMATION CONTACT:
Mr. George Deyman, Office of Investigations, (202-523-0481), U.S. International Trade Commission, Washington, D.C. 20436.

SUPPLEMENTARY INFORMATION:
Background.—On March 28, 1983, the Commission determined, on the basis of the information developed during the course of its preliminary investigation, that there was a reasonable indication that an industry in the United States was materially injured by reason of allegedly LTFV imports of fresh or chilled round white potatoes from Canada. The preliminary investigation was instituted in response to a petition filed on February 9, 1983, on behalf of the Maine Potato Council.

Participation in the investigation.—Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11) not later than 21 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 later entry for good cause shown by the person desiring to file the entry.

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation, pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)). Each document filed by a party to this investigation must be served on all other parties to the investigation (as identified

[Investigation No. 731-TA-124 (Final)]

Fresh or Chilled Round White Potatoes From Canada

AGENCY: International Trade Commission.

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

EFFECTIVE DATE: August 2, 1983.

SUMMARY: As a result of an affirmative preliminary determination by the U.S. Department of Commerce that there is a reasonable basis to believe or suspect that imports of fall-harvested, round, white potatoes from Canada, provided for in items 137.20, 137.21, 137.25, and 137.28 of the Tariff Schedules of the United States, are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673), the United States International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-124 (Final) under section 735(b) of the act (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with

by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR 201.16(c), as amended by 47 FR 33682, Aug. 4, 1982).

Staff report.—A public version of the prehearing staff report containing preliminary findings of fact in this investigation will be placed in the public record on September 23, 1983, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing.—The Commission will hold a hearing in connection with this investigation beginning at 10:00 a.m. on October 11, 1983, in Portland, Maine, at a location to be announced. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission, U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436, not later than the close of business (5:15 p.m.) on September 29, 1983. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on September 29, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is October 5, 1983.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23, as amended by 47 FR 33682, Aug. 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 (19 CFR 207.22, as amended by 47 FR 33682, Aug. 4, 1982). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on October 26, 1983.

Written submissions.—As mentioned, parties to these investigations may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before October 26, 1983. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). 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 to the Commission.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.8 of the Commission's rules (19 CFR 201.8).

For further information concerning the conduct of the investigations, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and C (19 CFR Part 207, as amended by 47 FR 33682, Aug. 4, 1982), and part 201, subparts A through E (19 CFR part 201, as amended by 47 FR 33682, Aug. 4, 1982).

This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

Issued: August 25, 1983.

By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 83-23836 Filed 8-30-83; 8:45 am]
BILLING CODE 7020-02-M

**INTERNATIONAL TRADE
COMMISSION**
[Investigation No. 731-TA-124 (Final)]
**Fall-Harvested Round White Potatoes
From Canada**
AGENCY: International Trade
Commission.

ACTION: Revised notice of institution of
final antidumping investigation and
rescheduling of a hearing to be held in
connection with the investigation.

EFFECTIVE DATE: August 2, 1983.

SUMMARY: On August 31, 1983, the
United States International Trade
Commission published in the Federal
Register (48 FR 39518), its notice of the
institution of its final antidumping
investigation No. 731-TA-124, relating
to certain potatoes from Canada, and
the scheduling of a public hearing to be
held in connection with the
investigation.

Subsequent to the publication of the
Commission's notice of investigation,
the Department of Commerce
(Commerce) indicated that it intends to
postpone its final determination in its
investigation of less-than-fair-value
(LTFV) sales from Canada from October
17, 1983 to November 4, 1983. Commerce
has also indicated that it will continue
to use as the scope of its investigation,
the language used in its preliminary
determination. This notice is being
issued to announce a later date for the
Commission's public hearing, to change
certain other dates that are affected by
Commerce's later final determination,
and to revise the language of the
Commission notice to conform to that of
the Commerce determination. In
addition, the location of the Portland,
Maine, hearing has now been
established.

As a result of an affirmative
preliminary determination by the U.S.
Department of Commerce that there is a
reasonable basis to believe or suspect
that imports of fall-harvested, round,
white potatoes from Canada, provided
for in items 137.20, 137.21, 137.25, and
137.28 of the Tariff Schedules of the
United States, are being, or are likely to
be, sold in the United States at LTFV
within the meaning of section 731 of the
Tariff Act of 1930 (19 U.S.C. 1673), the
United States International Trade
Commission hereby gives notice of the
institution of investigation No. 731-TA-
124 (Final) under section 735(b) of the

act (19 U.S.C. 1673d(b)) to determine
whether an industry in the United States
is materially injured, or is threatened
with material injury, or the
establishment of an industry in the
United States is materially retarded, by
reason of imports from Canada of fall-
harvested round white potatoes. The
Department of Commerce has indicated
that it will make its final dumping
determination in the case on or before
November 4, 1983, and as a result, the
Commission will make its final injury
determination by December 19, 1983 (19
CFR 207.25), within 45 days of
Commerce's final determination, as
provided by statute.

FOR FURTHER INFORMATION CONTACT:
Mr. George Deyman, Office of
Investigations, U.S. International Trade
Commission, Washington, D.C. 20436
(202-523-0481).

SUPPLEMENTARY INFORMATION:
Background

On March 28, 1983, the Commission
determined, on the basis of the
information developed during the course
of its preliminary investigation, that
there was a reasonable indication that
an industry in the United States was
materially injured by reason of allegedly
LTFV imports of fresh or chilled round
white potatoes from Canada. The
preliminary investigation was instituted
in response to a petition filed on
February 9, 1983, on behalf of the Maine
Potato Council.

Participation in the Investigation

Persons wishing to participate in this
investigation as parties must file an
entry of appearance with the Secretary
to the Commission, as provided in
§ 201.11 of the Commission's Rules of
Practice and Procedure (19 CFR 201.11)
not later than 21 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
entry.

Upon the expiration of the period for
filing entries of appearance, the
Secretary shall prepare a service list
containing the names and addresses of
all persons, or their representatives,
who are parties to the investigation,
pursuant to § 201.11(d) of the
Commission's rules (19 CFR 201.11(d)).
Each document filed by a party to this
investigation must be served on all other
parties to the investigation (as identified
by the service list), and a certificate of
service must accompany the document.
The Secretary will not accept a

document for filing without a certificate of service (19 CFR 201.16(c), as amended by 47 FR 33682, Aug. 4, 1982).

Staff Report

A public version of the prehearing staff report containing preliminary findings of fact in this investigation will be placed in the public record on November 4, 1983, pursuant to section 207.21 of the Commission's rules (19 CFR 207.21).

Hearing

The Commission will hold a hearing in connection with this investigation beginning at 10:00 a.m. on November 18, 1983, in the Ballroom of the Ramada Inn, 1230 Congress Street, Portland, Maine 04102. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission, U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436, not later than the close of business (5:15 p.m.) on November 7, 1983. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on November 7, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is November 15, 1983.

Testimony at the public hearing is governed by section 207.23 of the Commission's rules (19 CFR 207.23, as amended by 47 FR 33682, August 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 (19 CFR 207.22, as amended by 47 FR 33682, August 4, 1982). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on November 28, 1983.

Written Submissions

As mentioned, parties to these investigations may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before November 28, 1983. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in

accordance with section 201.8 of the Commission's rules (19 CFR 201.8). 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 to the Commission.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of section 201.6 of the Commission's rules (19 CFR 201.6). For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and C (19 CFR Part 207, as amended by 47 FR 33682, August 4, 1982), and part 201, subparts A through E (19 CFR Part 201, as amended by 47 FR 33682, August 4, 1982).

This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: September 20, 1983.

Kenneth R. Mason,

Secretary.

[FR Doc. 83-28087 Filed 9-23-83; 8:45 am]

BILLING CODE 7020-03-M

[Investigation No. 731-TA-124 (Final)]

**Fall-Harvested Round White Potatoes
From Canada**

AGENCY: International Trade
Commission.

ACTION: Change in time for the public
hearing.

Information

The beginning time for the public hearing to be held on investigation No. 731-TA-124 (Final), full-harvested round white potatoes from Canada, is hereby changed from 10:00 a.m. to 9:00 a.m. The hearing is still to be held on November

18, 1983, in the Ballroom of the Ramada Inn, 1230 Congress Street, Portland, Maine 04102.

SUPPLEMENTARY INFORMATION:

Background

On August 31, 1983, the United States International Trade Commission (Commission) published in the Federal Register (48 FR 39518), its notice of the institution of its final antidumping investigation No. 731-TA-124, relating to certain potatoes from Canada, and the scheduling of a public hearing to be held in connection with the investigation. On September 23, 1983, the Commission published in the Federal Register (48 FR 43412), a revised notice of institution of investigation No. 731-TA-124 (Final), and the rescheduling of the public hearing to be held in connection with the investigation.

FOR FURTHER INFORMATION CONTACT:

Mr. George Deyman, Office of Investigations, U.S. International Trade Commission, Washington, D.C. 20436 (202-523-0481).

The notice is published pursuant to § 207.23 of the Commission's rules (19 CFR 207.23).

Issued: November 10, 1983.

By order of the Commission.

• Kenneth R. Mason,
Secretary.

[FR Doc. 83-30904 Filed 11-15-83; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX C

**DEPARTMENT OF COMMERCE'S NOTICE OF POSTPONEMENT
OF A FINAL ANTIDUMPING DETERMINATION**

**Fall-Harvested Round White Potatoes
From Canada; Postponement of Final
Determination and Postponement of
Hearing**

AGENCY: International Trade
Administration, Commerce.

ACTION: Postponement of final
antidumping determination and
postponement of hearing.

SUMMARY: This notice informs the public that the final antidumping determination in this case and the hearing on the preliminary affirmative antidumping determination are postponed. Counsel for respondents requested postponement of the final determination, and counsel for both petitioner and respondents requested postponement of the hearing. We will now hold our hearing on September 20, 1983, and issue our final antidumping determination no later than November 4, 1983.

EFFECTIVE DATE: September 19, 1983.

FOR FURTHER INFORMATION CONTACT:
Mr. Vincent Kane or Mrs. Julia E.
Hathcox, Office of Investigations,
Import Administration, International
Trade Administration, 14th Street and
Constitution Avenue, N.W., Washington,
D.C. 20230, telephone (202) 377-5414 or
(202) 377-0184.

SUPPLEMENTARY INFORMATION: On August 2, 1983, we published in the Federal Register our preliminary determination that fall-harvested round white potatoes from Canada are being, or are likely to be, sold in the United States at less than fair value. In our preliminary antidumping determination

we determined that critical circumstances do not exist for fall-harvested round white potatoes from Canada. In that notice, we explained on a company-by-company basis the methodology we used in calculating dumping margins for grower/distributors of fall-harvested round white potatoes from Canada. Margins ranged from 1 to 124.8 percent with a weighted-average margin of 17.3 percent.

Prior to this preliminary antidumping determination, we received, on February 9, 1983, a petition filed by counsel on behalf of the Maine Potato Council. In accordance with the filing requirements of § 353.36 of the Commerce Department Regulations (19 CFR 353.36), the petitioner alleged that fall-harvested white potatoes from Canada are being, or are likely to be sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or are threatening to materially injure, a United States industry. Petitioner also alleged that sales are being made at less than cost of production in Canada and that "critical circumstances" exist, as defined in section 733(e) of the Act. Fall-harvested round white potatoes are currently classified under items 137.20, 137.21, 137.25 or 137.28 of the *Tariff Schedules of the United States*.

Postponement of Final Antidumping Determination

We received from counsel for the respondents in this case a request for a postponement of our final antidumping determination. Under the Tariff Act of 1930, as amended (the Act), respondents of petitioners may request a postponement of a final antidumping determination up to a maximum of 135 days from the date of publication of the preliminary determination. Counsel for the respondents requested an extension until November 16, 1983, but subsequently agreed to a lesser extension until November 4, 1983. We, therefore, will postpone our final antidumping determination to no later than November 4, 1983.

Postponement of Hearing

We have received requests from counsel for petitioner and respondents for the postponement of the hearing on this case. The hearing has been rescheduled for September 20, 1983, at 10 a.m. in room 3708 of the Commerce Department, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230.

This notice is published pursuant to section 733(e) and 733(d) of the Act.

Judith Hippler Bello,

Acting Deputy Assistant Secretary for Import Administration.

September 13, 1983.

[FR Doc. 83-25162 Filed 9-18-83; 9:45 am]

BILLING CODE 3510-25-M

APPENDIX D

DEPARTMENT OF COMMERCE'S NOTICE OF A FINAL DETERMINATION

[A-122-013]

Final Determination of Sales at Less Than Fair Value; Fall-Harvested Round White Potatoes From Canada**AGENCY:** International Trade Administration, Commerce.**ACTION:** Notice.

SUMMARY: We have determined that fall-harvested round white potatoes from Canada are being sold, or are likely to be sold, in the United States at less than fair value. The United States International Trade Commission (ITC) will determine within 45 days of publication of this notice whether these imports are materially injuring, or are threatening to materially injure, a U.S. industry.

EFFECTIVE DATE: November 10, 1983.

FOR FURTHER INFORMATION CONTACT: Vincent Kane or Julia E. Hathcox, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230, (202) 377-5414 or 377-0160.

SUPPLEMENTARY INFORMATION:**Case History**

On February 9, 1983, we received a petition filed by counsel on behalf of the Maine Potato Council. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports from Canada of fall-harvested round white potatoes 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 (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 include an allegation that home market sales are being made at less than the cost of production in Canada. Also, "critical circumstances" have been alleged under section 733(e) of the Act.

After reviewing the petition, we determined that it contained sufficient grounds to initiate an antidumping investigation. We notified the ITC of our action and initiated the investigation on February 28, 1983 (48 FR 9677). On March 7, 1983, the ITC found that there is a reasonable indication that imports of fall-harvested round white potatoes are materially injuring, or threatening to materially injure, a United States industry.

Pursuant to section 733(c)(1)(A) of the Act, we subsequently postponed the preliminary determination by 50 days until no later than September 7, 1983 (48 FR 29036).

We presented antidumping questionnaires to nine Canadian grower/distributors on April 14 and 15, 1983. These firms were selected on the basis of a statistical sampling of the Canadian grower/distributor population. We found it necessary to use a sampling technique, since scores of Canadian firms were selling potatoes for export to the United States and there was a significant volume of sales.

Thereafter, given that hundreds of growers were supplying the nine grower/distributors, we concluded that a statistical sampling would also be required in our selection of growers to respond to the cost of production questionnaire. We, therefore, selected the growers on the basis of a statistical sample of the grower population under consideration.

Our methodology used a random sample stratified by size of company, type of company, and location. The methodology was based on widely accepted statistical sampling assumptions of the underlying probability distribution of the population and the sample. This methodology provided a statistically valid 95 percent certainty that the firms selected are properly representative samples of the firms which comprise the population of the Canadian fall-harvested round white potato industry.

We subsequently received responses from all of the grower/distributors within our sample, which included L. George Lawton, Ouellette seed Farm, Ltd., Gemvak, Ltd., Powers Produce, Ltd., Olan Potato Farms, Ltd., Simmons and MacFarlane, Ltd., R.C. Marshall Farms, Ltd., John Crawford, Ltd., and M. Rose

and Sons, Ltd. In addition, we received responses from all of the growers within our sample which included M. J. Keenan and Sons, Ltd., A.S. MacSwain and Son Ltd., Highland Farms, Ltd., Orlan Farms, Ltd., MacEwen Farms, Ltd., Sidney Drummond, Ltd., R.H. Rennie and Sons, Ltd., MacMurdo Farms, J.D. Black, and St. Clair Croken.

On August 2, 1983, we determined that there is a reasonable basis to believe or suspect that fall-harvested round white potatoes from Canada are being, or are likely to be, sold in the United States at less than fair value (48 FR 34995).

We also determined that "critical circumstances" do not exist for fall-harvested round white potatoes from Canada. We made this determination because, in the context of this industry, there have not been massive imports over a relatively short period of time.

Our notice of the preliminary determination provided interested parties an opportunity to submit views orally and in writing. From July 12, 1983 through July 26, 1983, we verified in Canada the responses from those firms selected as our sample. From September 5 through September 9, 1983, we completed our verifications in Canada.

On September 19, 1983, we published a notice postponing our final antidumping determination until November 4 and postponing our hearing, originally scheduled for September 9, 1983, until September 20, 1983, at the request of counsel for respondents in accordance with section 735(a)(2)(A) of the Act (48 FR 41801).

On September 20, 1983, in accordance with requests from counsel for petitioners and counsel for respondents, a public hearing was held.

Scope of Investigation

The merchandise covered by this investigation is fall-harvested round white potatoes. Fall-harvested round white potatoes are round white potatoes harvested in the fall season of the year, but no earlier than September 1, and no later than December 31 in that year, and marketed, or entered into the United States, from the dates of September 1, in any given year, to the following June 30, inclusive. Fall-harvested round white potatoes are currently classifiable under items 137.20, 137.21, 137.25, or 137.28 of the *Tariff Schedules of the United States* (TSUS).

The period of investigation for fall-harvested round white potatoes from Canada sold in the United States is from September 1, 1982, through February 28, 1983.

Fair Value Comparisons

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value. Where a grower did not have home market sales, we compared the United States price to constructed value.

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price for the sales by the previously mentioned grower/distributors because the subject merchandise was sold to unrelated U.S. purchasers prior to its importation into the United States.

We calculated purchase price on the basis of the duty-paid, delivered price with deductions for freight, duty and brokerage for the following grower/distributors: R. C. Marshall Farms, Ltd., M. Rose and Sons, Ltd., Olan Potato Farms, Ltd., L. George Lawton, Powers Produce, Ltd., Gemvak, Ltd., and Simmons and MacFarlane, Ltd. For Crawford, Ltd., and Ouellette Seed Farms, Ltd., we calculated purchase price on the basis of the f.o.b. duty paid price with deductions for duty and brokerage.

Foreign Market Value

In calculating foreign market value, we used home market sales of such or similar merchandise made on the same day as the U.S. sale or, if a home market sale did not occur on the same day as the U.S. sale, then we used the home market sale or sales on the first of the following days: the day prior to the U.S. sale, the day after the U.S. sale, the second day prior to the U.S. sale, the second day after the U.S. sale, the third day prior to the U.S. sale, or the third day after the U.S. sale. If no home market sales occurred on the day of the U.S. sale or within the three days prior to or three days after the U.S. sale, we then resorted to the monthly weighted-average price. When no home market sales of such or similar merchandise occurred during the entire month, we used the constructed value. With one exception we restricted comparisons to home market sales of the same pack size as the U.S. sale. In the case of the one exception, we based foreign market value on sales of a somewhat smaller pack size, since there were no home market sales other than this pack size.

In addition, we attempted to restrict comparisons to the same size, grade, and type of potato. In accordance with section 773(a) of the Act, we calculated

foreign market value for potatoes two inches and larger in diameter on the basis of home market sales of such or similar merchandise produced by R. C. Marshall Farms, Ltd., (Marshall). We calculated home market prices on the basis of delivered prices to unrelated customers with a deduction for freight charges. For potatoes of less than two inches in diameter, we based foreign market value on the constructed value of this producer's potatoes, since there were no home market or third country market sales of such or similar merchandise. Because of the extreme difference in market value between potatoes of two inches and larger in diameter and potatoes under two inches in diameter, we did not consider the two size categories to be such or similar merchandise within the meaning of section 771(16) of the Act. We found all of Marshall's home market sales to be above its cost to produce.

We calculated home market prices for potatoes two inches and larger in diameter on the basis of delivered prices to unrelated customers with a deduction for freight charges.

For John Crawford, Ltd. (Crawford), we calculated the foreign market value on the basis of constructed value, since we found all of Crawford's home market sales to be below the cost to produce. For M. Rose and Sons, Ltd. (Rose), we calculated foreign market value on the basis of delivered prices to unrelated purchasers with deductions for freight and inspection fee.

For the month of October 1982, we based foreign market value on constructed value, since Rose had no home market sales above cost during this month. Since over 50 percent by volume of Rose's home market sales were at less than cost, we used only above cost home market sales for fair value comparison purposes. We note that Rose did not permit verification of cost data. We, therefore, attributed to Rose the highest verified cost from among the other growers.

Ouellette Seed Farm, Ltd., sold only seed potatoes for export to the United States during the period of investigation. This producer had no home market or third country market sales of seed potatoes except in the month of February 1983. Therefore, for months other than February 1983, we based Ouellette Seed Farm, Ltd.'s, foreign market value on its constructed value. For the month of February, we based foreign market value for Ouellette Seed Farm, Ltd., on its one sale of seed potatoes in the home market. We found this sale to be above the cost to produce. As this sale was made in bulk on an f.o.b. basis, we made an adjustment for

packing by adding the cost of U.S. packing. No deductions or further adjustment were made to the f.o.b. price.

We calculated the foreign market value for L. George Lawton based on delivered home market prices to unrelated purchasers. In calculating foreign market value we used only home market sales of L. George Lawton at prices equal to or above the cost to produce, since over 50 percent by volume of L. George Lawton's home market sales were made at prices below the cost to produce. Since these less than cost sales occurred throughout the investigatory period, we regarded them as having been made over an extended period of time. We also determined that they were made in substantial quantities, and at prices which would not permit recovery of all costs within a reasonable period of time in the ordinary course of trade. Therefore, these below cost sales were disregarded. The remaining above-cost sales provided an adequate basis for determining foreign market value.

Since two of the growers supplying L. George Lawton were included in our sample, we calculated a weighted-average of their costs for purposes of determining whether home market sales prices were at less than cost.

In calculating foreign market value for L. George Lawton we deducted freight charges from the delivered price. L. George Lawton paid commissions on some of its sales in the home market as well as on some sales for export to the United States. We made no adjustment to the home market price for commission, since, whenever a commission was paid in one of the markets under consideration, there was either an offsetting commission in the other market or, if no commission, indirect selling expenses in an amount sufficient to offset the commission in accordance with § 353.15(c) of the Commerce Regulation (19 CFR 353.15(c)).

For Olan Potato Farms, Ltd., we calculated foreign market value on the basis of the f.o.b. price to unrelated home market purchasers. No deductions or adjustments were made to this price. Olan Potato Farms, Ltd., paid a commission on sales for export to the United States but not on home market sales. No deduction was made for the commission in calculating purchase price, and no adjustment was made in calculating foreign market value, since indirect home market selling expenses were sufficient in all cases to offset the commission. Over 50 percent of this producer's home market sales were

made at prices above the cost to produce.

Foreign market value for Powers Produce, Ltd., was based on constructed value since no home market sales were made other than in the months of September and October and no sales were made to third country markets during our investigatory period. Sales to the United States were made in November and December of 1982, and in January of 1983. Because of the difference in the date of sale between the home market and the U.S. market, we did not consider these sales to be comparable, and, therefore, used constructed value as the basis for our comparisons. All of this producer's home market sales were above the cost of production.

For Gemvak, Ltd., we calculated foreign market value on the basis of the delivered price to unrelated home market customers with a deduction for inland freight. Since over 50 percent of this distributor's home market sales were at less than cost, we used only above cost sales as a basis for foreign market value.

For the months of November 1982 through February 1983, foreign market value for Simmons and MacFarlane, Ltd., was calculated on the basis of the delivered price to unrelated home market purchasers with a deduction for freight. Since more than 50 percent of Simmons and MacFarlane, Ltd.'s, home market sales were at less than cost, we used only above cost sales in calculating foreign market value. We made no adjustment for the commission paid on sales for export to the United States since in the home market there were either offsetting commissions or indirect selling expenses in an amount sufficient to offset the commission on U.S. sales. During the months of September and October 1982, Simmons and MacFarlane, Ltd., made no home market or third country sales but did make sales for export to the United States. Therefore, for the months of September and October 1982, we used constructed value as the basis of comparison for U.S. sales made in those months.

In all instances where constructed value was used, we calculated the foreign market value based on the cost of materials and fabrication, and general expenses in accordance with the statute. Since profit was less than 8 percent we added the statutory minimum of 8 percent profit to the total of materials, fabrication and the general and selling expenses. In all cases general expenses exceeded the statutory minimum to 10 percent of materials and fabrication costs.

Negative Determination of Critical Circumstances

Counsel for the petitioners alleged that imports of the product under investigation present "critical circumstances". Under section 733(e)(1) of the Act, critical circumstances exist when: (A)(i) There is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation or (ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the merchandise which is the subject of the investigation at less than its fair value, and (B) there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period of time.

During the period August through June of the 1982/1983 crop year, imports of white potatoes classified under TSUS item numbers 137.20, 137.21, 137.25, and 137.28 amounted to approximately 2,199,622 cwt.

During the period of August through June of the 1981/1982 crop year, white potato imports amounted to approximately 3,274,157 cwt. Based on these figures, imports from Canada of round white potatoes have decreased from the 1981/1982 crop year to the 1982/1983 crop year by 1,074,535 cwt.

In the context of this industry, there have not been massive imports over a relatively short period of time. Therefore, critical circumstances do not exist for fall-harvest round white potatoes from Canada.

Respondent's Comments

Comment 1

The Department of Commerce (DOC) postponed the preliminary determination, originally scheduled for July 19, 1983, to no later than September 7, 1983. Not needing the full postponement, the DOC published its preliminary determination on August 2, 1983. Respondent claims that the accelerated preliminary determination was unwarranted and resulted in serious prejudice to its case, citing in particular DOC's failure to complete all verification reports prior to the September 20, 1983 hearing.

DOC Position

The DOC was able to make its preliminary determination considerably prior to the postponement date due, in part, to the unexpectedly quick turnaround on the key punching and computer analysis of sales data. Because the postponement was abbreviated, we had to conduct

verification after our preliminary determination. Nevertheless, most of the verification reports were released prior to the hearing and for those reports released after the hearing, respondents were given an extended comment period.

Comment 2

There is no statutory or regulatory authority for the DOC to make a determination of sales at less than fair value on the basis of a sampling of possible respondents.

DOC Position

In circumstances where the DOC finds it administratively impossible to conduct an investigation encompassing at least 60 percent of imports of the subject merchandise within the time limits allowed by statute, the DOC must take those means at its disposal to complete its investigation within the statutory time limits while at the same time ensuring that the results of its investigation are reliable. In this investigation, due to the scores of distributors and the hundreds of growers shipping the product under investigation, the DOC determined that it was clearly impossible to investigate 60 percent of imports within the statutory time limits. The most practical and effective means available to the DOC was a sampling of potential respondents based on widely accepted statistical assumptions of the underlying probability distribution of the population and the sample. Although the statute does not specifically provide for a sampling of the respondent population, it is clearly within the intent of the statute to use sampling techniques in selecting respondents, when this approach is the only reasonable one available to the DOC under the circumstances.

Comment 3

Respondents claim that fair value price comparisons should be made only between sales for export to the United States and sales for home consumption which are made on the same day, since prices fluctuate on a daily basis.

Comparing sales for export to the United States with a monthly weighted-average price in the home market will create margins, because of the daily price fluctuations. If a sale is not available on the same day in the home market for comparison purposes, the most recent prior home market sale should be used in a rising market and the closest following home market sale should be used in a declining market. Respondents have characterized the

market during the period September 1982 through February 1983 as a generally declining market.

DOC Position

We agree that in some cases potato prices fluctuated on a daily basis. We have, therefore, modified our fair value comparison methodology for purposes of the final determination and have compared sales for export to the United States on a given day with sales in the home market on that same day as opposed to a monthly weighted-average home market price. When no home market sales occurred on the same day as the U.S. sale, we have selected the home market sale occurring on the first of the following days: the day prior to the U.S. sale, the day following the U.S. sale, the second day prior to the U.S. sale, the second day following the U.S. sale, the third day prior to the U.S. sale, and the third day following the U.S. sale. When no home market sale occurred on the day of the U.S. sale or within the period three days prior to and three days following the U.S. sale, we have then resorted to the monthly weighted-average price for fair value comparison purposes.

We disagree that the period from September 1982 through February 1983 was generally a declining market. Based on an analysis of sales transactions of the two largest exporters under investigation, we found that although some sales early in the period were priced higher than sales later in the period, there were a significant number of early period sales at prices less than sales occurring late in the period. We, therefore, cannot characterize the market as a declining one and reject respondents methodology of using the closest succeeding home market sale when no home market sale occurred on the same day as the U.S. sale.

Additionally, using the closest succeeding home market sale would in certain instances result in a home market sales date considerably removed from the date of the U.S. sale.

Comment 4

Respondents claim that the DOC should not use constructed value when no home market sales are available for comparison purposes, since exporters cannot be expected to meet costs in every instance on sales of a perishable commodity such as potatoes.

DOC Position

We agree that with a perishable commodity such as potatoes it is to be expected that sales will sometimes occur at prices less than the cost to produce. Therefore, we have not

resorted to constructed value when an adequate number of fair value comparisons could be made on the basis of home market price. In these cases, when no home market sales were available for comparison purposes during a particular month we simply disregarded the U.S. sales transaction. In other cases, however, where sufficient home market sales were not available for adequate fair value comparisons to be made, we did resort to the constructed value.

Comment 5

Respondents claim that the DOC should not disregard below cost sales unless it investigates whether these sales were at prices which do not permit recovery of all costs within a reasonable period of time in the normal course of trade.

DOC response

We have disregarded below cost sales only when the volume of below cost sales for a particular grower or distributor has exceeded 50 percent of total sales volume. Even for a perishable commodity, this volume of sales over the course of a season would in our opinion meet the statutory requirement that below cost sales be in substantial quantities and over an extended period of time.

Concerning the recovery of costs over a reasonable period of time, we have determined that the below cost prices, if they persisted for the entire season or for several seasons, would not permit the recovery of costs. Growers would never be able to recover costs at these prices. Growers are able to recover costs by selling at considerably higher prices over those weeks during the season when prices are up.

Comment 6

Respondents claim that for a grower whose home market sales of the identical product were found to have been made prior to the investigative period, DOC should use home market sales of similar product during the period of investigation.

DOC Position

We agree. Since home market shipments of the identical product during the investigative period were all pursuant to a contract which predated the period, we consider the actual sale of this product to have taken place prior to our period of investigation. Therefore, we will not use this sale for fair value comparison purposes. Instead, we have selected other home market sales of a similar product during the period as the basis of fair value.

Comment 7

Respondents claim that the DOC should use all growers' cost to produce information submitted during the investigation in making its determination on below cost sales rather than using only the verified cost to produce information. Additionally, at least a weighted-average cost should be computed from the verified cost information.

DOC Response

Because of the large number of growers supplying distributors under investigation, we found that it was administratively impossible to verify all of the grower information submitted. Therefore, we selected a sample of the grower population for verification and restricted our verification to those growers selected in the sample. We were precluded from using cost information from growers not selected for verification by section 776 of the Act which clearly provides that all information used in our final determination be verified information.

We agree that in cases where several growers whose costs were verified supplied a distributor, the weighted-average rather than the simple arithmetic average of their costs by used. For the final determination, we used the weighted-average cost when applicable.

Comment Number 8

Because of the perishability of the product under investigation and because of the highly variable pricing associated with this product, the DOC should abandon its traditional method of fair value comparison and adopt the methodology used for fresh winter vegetables from Mexico, basing its determination on an analysis of matched pairs of sales and certain qualitative factors affecting the market.

DOC Position

We recognize that potatoes are a perishable commodity whose shelf life may be shortened by disease and weather conditions. Nevertheless, potatoes have a considerably longer shelf life than such fresh vegetables as tomatoes or peppers. Tomatoes and peppers are harvested and shipped immediately to market. The grower has no choice but to market the produce immediately after harvest. With potatoes, however, the grower frequently warehouses for six to nine months prior to sale. Consequently, there is an essential difference in the perishability factor as it applies to potatoes and to these other far more

perishable fresh vegetables. As a result, growers and distributors of potatoes have a degree of control over when they choose to market the potatoes and the price they are willing to accept.

Regarding price variability, we have found that potato prices were far less variable than prices for fresh winter vegetables from Mexico. For Mexican vegetables we found prices to double or to halve within a single day. With potatoes, however, it was not uncommon for prices, particularly for export to the United States, to remain essentially unchanged for several weeks in some cases for an entire month or more. Under these circumstances, we have concluded that our traditional comparison methodology, modified where possible for daily price comparisons, is an equitable basis for our final determination.

Comment Number 9

In allocating costs, where the DOC did not accept the respondents' allocation of costs among various activities based on experience, the DOC allocated on the basis of the relative revenues from these activities. If a livestock operation had a higher cost per dollar of revenue than potatoes, more cost ought to be allocated to it than to potato production.

DOC Position

We used relative revenues when a respondent could not provide a reasonable basis for allocating costs and expenses, particularly general and administrative expenses. It is common accounting practice to allocate general and administrative expenses in this manner.

Comment Number 10

Although respondent was unable to determine from verification reports the basis for depreciation expense, respondent claims that useful life depreciation rather than accelerated depreciation for tax purposes should be used in determining cost.

DOC Position

With two exceptions we used depreciation expense as determined for financial reporting purposes. In the two cases where depreciation was taken from the income tax return, it was the best information available to us. Although we requested supporting documentation for the tax depreciation amount, we did not receive it and were unable to determine whether the amount was based on an accelerated depreciation schedule.

Comment Number 11

The DOC used net yield, the quantity actually sold, rather than gross yield, the quantity originally harvested, in determining the cost per hundredweight. In cases of high spoilage or cullage, the use of net yield resulted in an inflated cost.

DOC Position

It is from the net yield, those potatoes actually sold, that production costs must be recovered, since cullage or spoilage has very little sales value and often is not sold. Therefore, it is reasonable that net production absorb total production cost less any revenue from sales of cullage.

It is a generally accepted accounting principle that net production absorb the cost of normal shrinkage or spoilage during a given production period. For one grower whose 1982 yield was abnormally low due to an isolated case of ring rot, we agree that the net yield figure should be changed to reflect the grower's normal net yield.

Comment Number 12

For two growers the DOC imputed the cost of retained seed on the basis of market value which would include the seller's profit and is not truly reflective of these growers' costs.

DOC Position

We agree that retained seed potato should be valued at the grower's cost of production. However, the two respondents were unable to provide the cost of producing the seed and they considered the average 1982 market value a reasonable estimate.

Comment Number 13

One packer/shipper was engaged in other enterprises whose financial status was reflected in the same financial statements as the packing and shipping operation. The DOC arbitrarily assigned the cost of the other enterprises to the potato operations, since the other enterprises did not appear to be revenue generating.

DOC Position

After reviewing the cost allocation for this packer/shipper, we agree that the wages and salaries related to the other enterprises should not be allocated to the cost of packing potatoes.

Comment Number 14

For one grower the DOC assigned a cost based on industry norms for fertilizer and spray usage, even though actual usage by the grower was much lower.

DOC Position

The fertilizer and spray costs which we used for this grower were the actual costs as reported in the financial statements. Our review of the allocation of these costs between round white and russet potatoes showed that the allocation to russets was disproportionately high when compared to other growers. Therefore, we allocated based on the usage norm of other growers.

Comment Number 15

The abnormally high financing, fuel, labor and yield costs of one grower should be reduced to the industry norm.

DOC Position

Although this grower's financing, fuel, and labor costs were substantially higher than any other grower in the sample, these costs did, in fact, represent the actual costs incurred by this grower and verified by the DOC. Since our selection of growers was based on a statistically valid sampling procedure, we view this grower as an integral part of the sample. To disregard his costs because they are high would invalidate the authenticity of the sample. In addition, we do not believe that the net yield figure for this grower should be adjusted, since it was the result of normal spoilage in storage and is above the net yield figure of several other growers.

Comment Number 16

For one packer who distributed fertilizer, spray, and lime in addition to potatoes, the DOC allocated 100 percent of depreciation, insurance, light, heat, repairs and maintenance to potatoes but allocated advertising, interest and office expenses on the basis of revenue.

DOC Position

Since the packer in question did not take physical possession or warehouse the fertilizer, spray, and lime, we determined that it would have been inappropriate to allocate certain overhead items for plant and equipment to the sale of farm supplies.

Comment Number 17

The DOC should not consider costs for crops such as hay and grain to be part of potato production costs, since these crops may be cultivated primarily for the sales revenues which they generate.

DOC Position

A-94

It was the consensus among the growers in our sample that hay and grain were grown as rotation crops to

restore nutrients expended in potato production. The hay was usually not sold and the grain was considered a break-even crop at best. Because the values of grain and hay are small in relation to potatoes and because they are grown primarily for crop rotation purposes, we treated them as by-products for accounting purposes. The net revenue arising from crop rotation was an adjustment to the cost of production of potatoes.

Comment Number 18

In cases where family members worked in potato production but were not paid a wage, the DOC has imputed a labor cost despite the fact that an actual expense was not incurred.

DOC Position

The DOC imputed a cost for family labor since the owner of a business expects a minimum return for his labor as well as a return on his investment. Wage costs should not be excluded from the cost of production simply because it was not a grower's practice to pay wages to family members. The imputed cost we used was based on only full-time adults and their percentage involvement in the potato and grain/hay operations at a minimal labor rate. We did not include child, part-time, or indirect labor (bookkeeping) in the imputed labor costs.

Comment Number 19

Respondent holds that the sample of exporters is not representative of the Canadian industry for two reasons. One, the DOC moved in haste before learning important facts about the Canadian industry. Two, the sampling method is seriously flawed.

DOC Position

In regard to the first point, the DOC took into consideration several factors in developing its sampling methodology in a manner which maintained the statistical significance of the sample and its representativeness of the industry. Such factors as size and type of firm, location of firm by province, and whether the firms exported the class or kind of merchandise during the period of investigation were considered explicitly before presentation of the questionnaire, when responses were received, and subsequently when the robustness of the sample was evaluated. The procedures used and their sequence were implemented in order to assure a sample of firms representative of the industry's cost and price experience. The DOC took advantage of the statistical methodologies available to it to sequence the preparation of

information by respondents in a manner which permitted the investigation to proceed in a timely manner.

In regard to the second point, the DOC disagrees that the sampling method is seriously flawed and it finds that comments from an expert witness directed at the sampling methodology were not a criticism of the methodology but rather a recommendation regarding the use of higher confidence levels. In this respect, the DOC is satisfied that the confidence level of 95 percent with its implications for sample size meets its requirements for investigating a sample which is representative of this industry. Moreover, the DOC has reviewed the variability of actual prices and costs of the 19 firms investigated (19 of which were in the sample). Variability of price and cost were 20 to 40 percent less than the DOC originally hypothesized which leads it to believe that the size of the sample and methodology used were reasonable in obtaining information representative of the entire population. Furthermore, the DOC deliberately designed its sampling methodology as a simple random sample which took account of strata of characteristics of firms by size and province. If, as respondent suggests, the DOC has used a stratified random sampling technique the confidence levels would have been higher and the required number of firms lower than the eighteen firms actually included in the investigation.

Petitioner's Comments

Comment 1

Petitioner claims that the cost to produce reported by the Canadian growers and exporters does not reflect all costs or full costs and is considerably below production costs of Canadian potatoes developed in the Section 332 investigation conducted by the U.S. International Trade Commission in 1982. Specifically, land costs, interest costs, and labor costs, particularly family labor, are understated or omitted.

DOC Position

We agree that for a substantial number of growers, the cost of production information reported in the responses did not reflect all of the elements of costs or did not include full costs for one or more elements of cost. During verification we gathered more complete cost information and related costs to annual profit and loss statements which appeared to be the best evidence of actual costs. With respect to land costs, we note that in some cases land has been owned by the grower for many years and land costs are either minimal or nonexistent. For labor

we have imputed a cost for family labor when the grower did not provide for wages to be paid to family members. Regarding interest costs, we have insured an adequate allocation to potato production by relating interest expense to total interest expense incurred as reflected in the profit and loss statement of the annual report.

Comment 2

Petitioner maintains that the DOC in calculating constructed value should have added a full 10 percent as required by statute for general, selling and administrative expenses when reported costs did not show a breakout for these expenses but aggregated them with materials and labor costs.

DOC Position

We agree that in instances where general, selling, and administrative expenses were not clearly identified and quantified, we should have added a full 10 percent of materials and labor cost to insure that the statutory minimum was satisfied. For our final determination, we have gathered sufficient detail on costs to allow a complete breakdown of expenses, including general, selling, and administrative expenses, and in all cases have insured that these expenses meet the minimum 10 percent test as required by statute.

Comment 3

Petitioner claims that in several instances growers or distributors did not report all home market sales, but excluded sales in smaller quantities to restaurants, grocers and small wholesalers. These sales should be included in the determination of foreign market value since the statute allows for adjustments to the selling price for quantity discounts and differences in levels of trade. Failure of the respondents to claim or document these adjustments should not result in exclusion of the sales from consideration.

DOC Position

Although we collected information on the unreported home market sales during verification, we have decided to exclude these sales in the determination of foreign market value, since adequate home market sales in comparable quantities and at the same level of trade were available for fair value comparison purposes. Sections 353.14 and 353.19 of our regulations (19 CFR 353.14 and 353.19) require that comparisons normally be made on sales of comparable quantities and at the same level of trade. The excluded home

market sales were in considerably smaller quantities than the sales for export to the United States and, in the case of restaurants and grocers, were to a different level of trade.

Comment 4

Petitioner indicates that for one distributor fair value comparisons were not made on U.S. sales when a comparable home market sale was unavailable during the month of the U.S. sale. Petitioner maintains that constructed value should have been used as a basis of comparison when no comparable home market sales were made.

DOC Position

The distributor in question made numerous sales both in the home market and for export to the United States. Although comparable sales did not exist for all U.S. sales, we were able to make a sizeable number of fair value comparisons without resorting to constructed value. With a perishable commodity such as potatoes, where wide price fluctuations over the course of the season are the norm, we are reluctant to use constructed value for comparison purposes, since in the normal course of trade sales will at times be made at prices less than the cost to produce. Therefore, when we were able to make an adequate number of comparisons on the basis of sales, we did not resort to constructed value.

Verification

In accordance with section 776(a) of the Act, we verified the information used in making this determination. We were granted access to the books and records of all of the growers and distributors under consideration with the exception of records on cost for M. Rose and Sons, Ltd. We used standard verification procedures, including examination of accounting records, financial records, and selected documents containing relevant information.

Results of Investigation

We made fair value comparisons on all sales of the subject merchandise made for export to the United States by the distributors and growers under investigation with the exception of L. George Lawton. In the case of L. George Lawton, we made comparisons on those U.S. sales for which there existed a corresponding home market sale during the same month. Since we were able to make an adequate number of comparisons on this basis, we did not resort to constructed value for the remaining U.S. sales.

We have found that foreign market value exceeded the United States prices on 74 percent of the sales compared. The margins ranged from 0.6 to 206 percent. The overall weighted-average margin on all sales compared was 36.1 percent.

Final Determination

Based on our investigation and in accordance with section 735(a) of the Act, we have reached a final determination that fall-harvested round white potatoes from Canada are being sold in the United States at less than fair value within the meaning of section 731 of the Act.

Continuation of Suspension of Liquidation

Liquidation will continue to be suspended on all entries of fall-harvested round white potatoes that are entered into the United States, or withdrawn from warehouse, for consumption. The United States Customs Service will continue to require the posting of a cash deposit or bond in the following amounts:

Manufacturers/producers/exporters	Weighted-average margin (percent)
R.C. Marshall Farms, Ltd.	7.5
Ouellette Seed Farm, Ltd.	1.9
M. Rose and Sons, Ltd.	45.6
Germak Ltd.	52.3
L. George Lawton	33.6
Simmons and McFarlane, Ltd.	56.3
Olan Potato Farms, Ltd.	0.6
All others	36.1

We are excluding John Crawford, Ltd., and Powers Produce, Ltd., from this determination, since we found these distributors sales for export to the United States to be at or above fair value. The security amounts established in our preliminary determination of August 2, 1983, are superseded by the above amounts.

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to this determination. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC 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.

If the ITC determines that material injury or the threat of material injury does not exist, this proceeding will be

terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue an antidumping order directing Customs officers to assess an antidumping duty on fall-harvested round white potatoes from Canada entered, or withdrawn from the warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value of the produce exceeds the United States price. This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)).

Dated: November 4, 1983.

William T. Archey,

Acting Assistant Secretary for Trade Administration.

(FR Doc. 83-30465 Filed 11-9-83; 2:45 am)
BILLING CODE 3510-06-M

APPENDIX E

LIST OF INDIVIDUALS APPEARING AT THE PUBLIC HEARING

CALENDAR OF PUBLIC HEARING

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

Subject : Fall-Harvested Round White Potatoes
from Canada

Inv. No. : 731-TA-124 (Final)

Date and time: November 18, 1983 - 9:00 a.m.

Sessions were held in the Ballroom of the Ramada Inn, 1230 Congress Street in Portland, Maine.

Congressional appearances:

Honorable William S. Cohen, United States Senator, State of Maine

Clyde McDonald, on behalf of: Honorable George J. Mitchell, United States Senator, State of Maine

Marion Higgins, District Office Manager, on behalf of: Honorable Olympia J. Snowe, United States Congresswoman, State of Maine

In support of the imposition of antidumping duties:

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

The Maine Potato Council

MAINE:

Clayton Black, Mapleton, Maine

Dorothy Kelley, Executive Vice President,
Maine Potato Council, Presque Isle, Maine

Dan La Brie, St. Agatha, Maine

Dan La Pointe, President, J.R. La Pointe & Son, Inc.,
Van Buren, Maine

- more -

Carl Richardson, Presque Isle, Maine

Arnold Roach, Smyrna Mills, Maine

Ray Hews, Farm Credit Banks, Aroostook County, Maine

Owen Smith, Presque Isle, Maine

NEW YORK:

Vyron Chapman, Cassville, New York

Richard Corwith, Watermill, Long Island, New York

PENNSYLVANIA:

Furd Irish, Coudersport, Pennsylvania

Thomas A. Rothwell, Jr.)

Alfred G. Scholle)--OF COUNSEL

James M. Lyons)

In opposition to the imposition of antidumping duties

Williams & Ince--Counsel

Washington, D.C.

on behalf of

The Canadian Horticultural Council and certain Canadian
exporters of fresh potatoes

Donald G. Anderson, General Manager, Prince Edward
Island Potato Marketing Board,
Charlottetown, P.E.I., Canada

Donald N. MacKenzie, General Manager, H.B. Willis,
Inc., O'Leary, P.E.I., Canada

Dr. Chesley E. Smith, Executive Director, Potato
Production Development Division, N.B. Department
of Agriculture, Fredericton, New Brunswick, Canada

Lester Armstrong, Ontario Potato Growers' Marketing
Board, Burlington, Ontario, Canada

Norman Clarey, Clarey Farms, Montague, P.E.I., Canada

Daniel Dempster, Executive Secretary, Canadian
Horticultural Council, Ottawa, Ontario, Canada

Gary Hatfield, Gary H. Hatfield, Ltd., Hartland,
New Brunswick, Canada

Walter Kroeker, Kroeker Sales Ltd., Winkler,
Manitoba, Canada

Desmond Morley, Secretary Manager, New Brunswick
Potato Agency, Florenceville, N.B., Canada

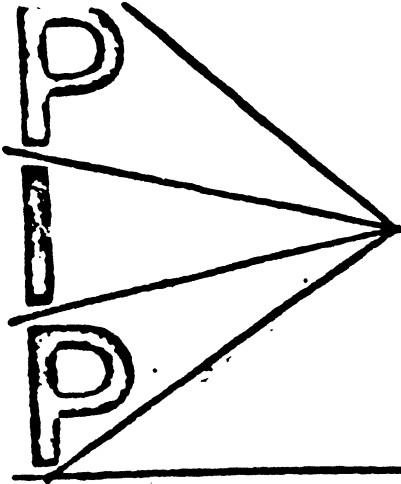
William E. Wright, Executive Vice President,
Willking International, Washington, D.C.

William K. Ince)
Ann O. King)--OF COUNSEL

Vinnie Gandolfo, D. Gandolfo, Inc., Chelsea, Massachusetts

APPENDIX F

**POTATO VARIETIES WITHIN THE SCOPE OF THE
DEPARTMENT OF COMMERCE'S DETERMINATION**



PORTLAND INFORMATION PIPELINE

NUMBER: 83-11

DATE OF ISSUE: 09-01-83

U. S. CUSTOMS SERVICE
PORTLAND, MAINE

SUBJECT: FALL-HARVESTED, ROUND, WHITE POTATOES FROM CANADA

In reference to the affirmative preliminary antidumping determination issued by the Department of Commerce on July 26, 1983, regarding round, white, fall-harvested potatoes from Canada, the following varieties of potatoes may be considered to be within the scope of this determination:

Kennebec
Superior
Norchip
Katahdin
Sebago
Green Mountain
York
Monona
Ontario
Anoka
Cherokee

Atlantic
Yankee Clipper
Denali
La Chipper
Chipbel
Belchip
Pungo
Chippewa
Hudson
Wauseon
Onaway

The Dept. of Commerce is currently in the process of determining whether or not the crystal and cascade varieties are considered to be round, white, fall-harvested potatoes. Information regarding the classification of these two varieties will be forthcoming.

If you require further information please contact Vincent Kane (202) 377-5414) or Julia E. Hathcox (202) 377-0184), Office of Investigations, U. S. Department of Commerce.


for: Emery W. Ingalls

APPENDIX G

UNITED STATES STANDARDS FOR GRADES OF POTATOES

**UNITED STATES STANDARDS
FOR GRADES OF
POTATOES**

**EFFECTIVE SEPTEMBER 1, 1971
AS AMENDED FEBRUARY 5, 1972**



**U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C.
AGRICULTURAL MARKETING SERVICE**

SKINNING

§ 2851.1554 Mature.

"Mature" means that the skins of the potatoes are generally firmly set and not more than 5 percent of the potatoes in the lot have more than one-tenth of the skin missing or "feathered".

§ 2851.1555 Fairly well matured.

"Fairly well matured" means that the skins of the potatoes are generally fairly firmly set and not more than 10 percent of the potatoes in the lot have more than one-fourth of the skin missing or "feathered".

§ 2851.1556 Well shaped.

"Well shaped" means that the potato has the normal shape for the variety.

§ 2851.1557 Fairly well shaped.

"Fairly well shaped" means that the potato is not materially pointed, dumbbell-shaped or otherwise materially deformed.

§ 2851.1558 Seriously misshapen.

"Seriously misshapen" means that the potato is seriously pointed, dumbbell-shaped or otherwise badly deformed.

§ 2851.1559 Injury.

"Injury" means any defect, or any combination of defects, which more than slightly detracts from the edible or marketing quality, or the internal or external appearance of the potato, or any internal defect outside of or nor entirely confined within the vascular ring which cannot be removed without a loss of more than 3 percent of the total weight of the potato.

§ 2851.1560 Damage.

"Damage" means any defect, or any combination of defects, which materially detracts from the edible or marketing quality, or the internal or external appearance of the potato, or any external defect which cannot be removed without a loss of more than 5 percent of the total weight of the potato. See Tables III and IV.

§ 2851.1549 Skinning.

(a) The following definitions provide a basis for describing lots of potatoes as to the degree of skinning whenever description may be appropriate:

(1) "Practically no skinning" means that not more than 5 percent of the potatoes in the lot have more than one-tenth of the skin missing or "feathered".

(2) "Slightly skinned" means that not more than 10 percent of the potatoes in the lot have more than one-fourth of the skin missing or "feathered".

(3) "Moderately skinned" means that not more than 10 percent of the potatoes in the lot have more than one-half of the skin missing or "feathered", and

(4) "Badly skinned" means that more than 10 percent of the potatoes in the lot have more than one-half of the skin missing or "feathered".

DEFINITIONS

§ 2851.1550 Similar varietal characteristics.

"Similar varietal characteristics" means that the potatoes in any lot have the same general shape, color and character of skin, and color of flesh.

§ 2851.1551 Firm.

"Firm" means that the potato is not shriveled or flabby.

§ 2851.1552 Clean.

"Clean" means that at least 90 percent of the potatoes in any lot are practically free from dirt or staining and practically no loose dirt or other foreign matter is present in the container.

§ 2851.1553 Fairly clean.

"Fairly clean" means that at least 90 percent of the potatoes in any lot are reasonably free from dirt or staining and not more than a slight amount of loose dirt or foreign matter is present in the container.

(iii) 3 percent for potatoes which are affected by freezing, southern bacterial wilt, ring rot, late blight, soft rot or wet breakdown, including therein not more than 1 percent for potatoes which are frozen or affected by soft rot or wet breakdown. See § 2851.1547.

(b) For off-size. (1) Not more than 3 percent of the potatoes in any lot may be smaller than the required or specified minimum size except that a tolerance of 5 percent shall be allowed for potatoes packed to meet a minimum size of 2 1/4 inches or larger in diameter or 5 ounces or more in weight. In addition, not more than 10 percent may be larger than any required or specified maximum size. See § 2851.1547.

(2) When a percentage of the potatoes is specified to be of a certain size and larger, individual samples shall have not less than one-half of the percentage specified. Provided, That the average for the entire lot is not less than the percentage specified.

APPLICATION OF TOLERANCES

§ 2851.1547 Application of tolerances.

Individual samples shall have not more than double the tolerances specified, except that at least one defective and one off-size potato may be permitted in any sample. Provided, That en route or at destination one-tenth of the samples may contain three times the tolerance permitted for potatoes which are frozen or affected by soft rot or wet breakdown. And provided further, That the averages for the entire lot are within the tolerances specified for the grade.

SAMPLES FOR GRADE AND SIZE DETERMINATION

§ 2851.1548 Samples for grade and size determination.

Individual samples shall consist of at least 20 pounds. When individual packages contain at least 20 pounds, each individual sample is drawn from one package; when packages contain less than 20 pounds, a sufficient number of adjoining packages are opened to provide at least a 20-pound sample. The number of such individual samples drawn for grade and size determination will vary with the size of the lot.

(a) For defects—(1) U.S. Extra No. 1.

A total of 5 percent for potatoes in any lot which fail to meet the requirements for the grade: Provided, That not more than two-fifths of this tolerance, or 2 percent, shall be allowed for potatoes which are affected by freezing, southern bacterial wilt, ring rot, late blight, soft rot or wet breakdown, including therein not more than one-half of 1 percent for potatoes which are frozen or affected by soft rot or wet breakdown. See § 2851.1547.

(2) U.S. No. 1. A total of 8 percent for potatoes in any lot which fail to meet the requirements for the grade: Provided, That included in this tolerance not more than the following percentages shall be allowed for the defects listed:

(i) 5 percent for external defects; or,
(ii) 5 percent for internal defects; or,
(iii) 3 percent for potatoes which are affected by freezing, southern bacterial wilt, ring rot, late blight, soft rot or wet breakdown, including therein not more than 1 percent for potatoes which are frozen or affected by soft rot or wet breakdown. See § 2851.1547.

(3) U.S. Commercial. A total of 20 percent for potatoes in any lot which fail to meet the requirements for the grade: Provided, That included in this tolerance not more than the following percentages shall be allowed for the defects listed:

(i) 10 percent for potatoes which fail to meet the requirements for U.S. No. 2 grade, including therein not more than:

(ii) 6 percent for external defects; or,
(iii) 6 percent for internal defects; or,
(iv) 3 percent for potatoes which are affected by freezing, southern bacterial wilt, ring rot, late blight, soft rot or wet breakdown, including therein not more than 1 percent for potatoes which are frozen or affected by soft rot or wet breakdown. See § 2851.1547.

(4) U.S. No. 2. A total of 10 percent for potatoes in any lot which fail to meet the requirements for the grade: Provided, That included in this tolerance not more than the following percentages shall be allowed for the defects listed:

(i) 6 percent for external defects; or,
(ii) 6 percent for internal defects; or,
(iii) 3 percent for potatoes which are affected by freezing, southern bacterial wilt, ring rot, late blight, soft rot or wet breakdown, including therein not more than 1 percent for potatoes which are frozen or affected by soft rot or wet breakdown. See § 2851.1547.

§ 551.1565 Internal defects.

"Internal defects" are defects which cannot be detected without cutting the potato. Some internal defects are listed in Table IV.

TABLE IV—INTERNAL DEFECTS

Defect	Damage	Serious damage
Hollow Heart.....	When materially detracting from the internal appearance.	When seriously detracting from the internal appearance.
Ingrown sprouts.....	When removal causes a loss of more than 5 percent of the total weight of the potato.	When removal causes a loss of more than 10 percent of the total weight of the potato.
Internal discoloration occurring entirely within the vascular ring.	When more than the equivalent of 3 scattered light brown spots $\frac{1}{4}$ inch in diameter in a potato $\frac{3}{4}$ inches in diameter or 6 ounces in weight, or correspondingly lesser or greater number of spots in smaller or larger potatoes.	When more than the equivalent of 6 scattered light brown spots $\frac{1}{4}$ inch in diameter in a potato $\frac{3}{4}$ inches in diameter or 6 ounces in weight, or correspondingly lesser or greater number of spots in smaller or larger potatoes.
Internal discoloration outside of or not entirely confined within the vascular ring.	When removal causes a loss of more than 5 percent of the total weight of the potato.	When removal causes a loss of more than 10 percent of the total weight of the potato.

METRIC CONVERSION TABLE

§ 551.1566 Metric conversion table.

Inches	Milli-meters (mm)	Grams
$\frac{1}{16}$ equals.....	3.2	28.35
$\frac{1}{8}$ equals.....	6.4	113.40
$\frac{1}{4}$ equals.....	12.7	141.75
$\frac{3}{8}$ equals.....	19.1	170.10
$\frac{1}{2}$ equals.....	25.4	198.45
$\frac{5}{8}$ equals.....	38.1	226.80
$\frac{3}{4}$ equals.....	50.8	255.15
$\frac{7}{8}$ equals.....	63.5	283.50
1 equals.....	76.2	340.20
1 1/8 equals.....	88.9	396.90
1 1/4 equals.....	101.6	453.60
1 3/8 equals.....	114.3	510.30
1 1/2 equals.....	127.0	567.00
1 5/8 equals.....	149.5	
2 equals.....	152.4	
2 1/8 equals.....	165.1	
2 1/4 equals.....	177.8	
2 3/8 equals.....	190.5	
2 1/2 equals.....	203.2	
2 5/8 equals.....	215.9	
3 equals.....	228.6	
3 1/8 equals.....	241.3	
3 1/4 equals.....	254.0	
3 3/8 equals.....	266.7	
3 1/2 equals.....	279.4	
3 5/8 equals.....	292.1	
4 equals.....	304.8	
4 1/8 equals.....	317.5	
4 1/4 equals.....	330.2	
4 3/8 equals.....	342.9	
4 1/2 equals.....	355.6	
4 5/8 equals.....	368.3	
5 equals.....	381.0	
5 1/8 equals.....	393.7	
5 1/4 equals.....	406.4	
5 3/8 equals.....	419.1	
5 1/2 equals.....	431.8	
5 5/8 equals.....	444.5	
6 equals.....	457.2	
6 1/8 equals.....	469.9	
6 1/4 equals.....	482.6	
6 3/8 equals.....	495.3	
6 1/2 equals.....	508.0	
6 5/8 equals.....	520.7	
7 equals.....	533.4	
7 1/8 equals.....	546.1	
7 1/4 equals.....	558.8	
7 3/8 equals.....	571.5	
7 1/2 equals.....	584.2	
7 5/8 equals.....	596.9	
8 equals.....	609.6	
8 1/8 equals.....	622.3	
8 1/4 equals.....	635.0	
8 3/8 equals.....	647.7	
8 1/2 equals.....	660.4	
8 5/8 equals.....	673.1	
9 equals.....	685.8	
9 1/8 equals.....	698.5	
9 1/4 equals.....	711.2	
9 3/8 equals.....	723.9	
9 1/2 equals.....	736.6	
9 5/8 equals.....	749.3	
10 equals.....	762.0	
10 1/8 equals.....	774.7	
10 1/4 equals.....	787.4	
10 3/8 equals.....	800.1	
10 1/2 equals.....	812.8	
10 5/8 equals.....	825.5	
11 equals.....	838.2	
11 1/8 equals.....	850.9	
11 1/4 equals.....	863.6	
11 3/8 equals.....	876.3	
11 1/2 equals.....	889.0	
11 5/8 equals.....	901.7	
12 equals.....	914.4	
12 1/8 equals.....	927.1	
12 1/4 equals.....	939.8	
12 3/8 equals.....	952.5	
12 1/2 equals.....	965.2	
12 5/8 equals.....	977.9	
13 equals.....	990.6	
13 1/8 equals.....	1003.3	
13 1/4 equals.....	1016.0	
13 3/8 equals.....	1028.7	
13 1/2 equals.....	1041.4	
13 5/8 equals.....	1054.1	
14 equals.....	1066.8	
14 1/8 equals.....	1079.5	
14 1/4 equals.....	1092.2	
14 3/8 equals.....	1104.9	
14 1/2 equals.....	1117.6	
14 5/8 equals.....	1130.3	
15 equals.....	1143.0	
15 1/8 equals.....	1155.7	
15 1/4 equals.....	1168.4	
15 3/8 equals.....	1181.1	
15 1/2 equals.....	1193.8	
15 5/8 equals.....	1206.5	
16 equals.....	1219.2	
16 1/8 equals.....	1231.9	
16 1/4 equals.....	1244.6	
16 3/8 equals.....	1257.3	
16 1/2 equals.....	1270.0	
16 5/8 equals.....	1282.7	
17 equals.....	1295.4	
17 1/8 equals.....	1308.1	
17 1/4 equals.....	1320.8	
17 3/8 equals.....	1333.5	
17 1/2 equals.....	1346.2	
17 5/8 equals.....	1358.9	
18 equals.....	1371.6	
18 1/8 equals.....	1384.3	
18 1/4 equals.....	1397.0	
18 3/8 equals.....	1409.7	
18 1/2 equals.....	1422.4	
18 5/8 equals.....	1435.1	
19 equals.....	1447.8	
19 1/8 equals.....	1460.5	
19 1/4 equals.....	1473.2	
19 3/8 equals.....	1485.9	
19 1/2 equals.....	1498.6	
19 5/8 equals.....	1511.3	
20 equals.....	1524.0	

These standards shall become effective on September 1, 1971 and will thereupon supersede the United States Standards for Grades of Potatoes which have been in effect since July 15, 1958 (7 CFR 51.1540-51.1556).

Dated: November 23, 1970.

G. R. GRANGE,
Deputy Administrator,
Marketing Services.

[F.R. Doc. 70-15938; Filed, Nov. 27, 1970; 8:45 a.m.]

ATTORNEY: The provisions of this subpart issued under sec. 508, 205, 60 Stat. 1087, as amended, 1090 as amended; 7 U.S.C. 1622, 1624.

§ 551.1561 Serious damage.

"Serious damage" means any defect, or any combination of defects, which seriously detracts from the edible or marketing quality, or the internal or external appearance of the potato, or any external defect which cannot be removed without a loss of more than 10 percent of the total weight of the potato. See Tables III and IV.

§ 551.1562 Freezing.

"Freezing" means that the potato is frozen or shows evidence of having been frozen.

TABLE III—EXTERNAL DEFECTS

Defect	Damage	Serious damage
Air cracks.....	When materially detracting from appearance of potato	When removal causes loss of more than 10 percent of total weight of potato
Bruiases.....	When removal causes loss of more than 5 percent of total weight of potato	When removal causes loss of more than 10 percent of total weight of potato
Enlarged lentils.....	When removal causes loss of more than 5 percent of total weight of potato	When removal causes loss of more than 10 percent of total weight of potato
External discoloration.....	When removal causes loss of more than 5 percent of total weight of potato	When removal causes loss of more than 10 percent of total weight of potato
Flea Beetle injury.....	When removal causes loss of more than 5 percent of total weight of potato	When removal causes loss of more than 10 percent of total weight of potato
Greening.....	When removal causes loss of more than 5 percent of total weight of potato	When removal causes loss of more than 10 percent of total weight of potato
Rhizoctonia.....	When removal causes loss of more than 5 percent of total weight of potato	When removal causes loss of more than 10 percent of total weight of potato
Scab, pitted.....	When removal causes loss of more than 5 percent of total weight of potato	When removal causes loss of more than 10 percent of total weight of potato
Scab, russet.....	When removal causes loss of more than 5 percent of total weight of potato	When removal causes loss of more than 10 percent of total weight of potato
Scab, surface.....	When removal causes loss of more than 5 percent of total weight of potato	When removal causes loss of more than 10 percent of total weight of potato
Sunburn.....	When removal causes loss of more than 5 percent of total weight of potato	When removal causes loss of more than 10 percent of total weight of potato
Second growth.....	When removal causes loss of more than 5 percent of total weight of potato	When removal causes loss of more than 10 percent of total weight of potato
Growth cracks.....	When removal causes loss of more than 5 percent of total weight of potato	When removal causes loss of more than 10 percent of total weight of potato

TABLE IV—INTERNAL DEFECTS

Defect	Damage	Serious damage
Wireworm or grass damage.....	When any hole in a potato $\frac{3}{4}$ inches in diameter or 6 ounces in weight is more than $\frac{1}{4}$ inch long, or when the aggregate length of all holes is more than 2 inches, or correspondingly shorter or longer holes in smaller or larger potatoes.	When any hole in a potato $\frac{3}{4}$ inches in diameter or 6 ounces in weight is more than $\frac{1}{4}$ inch long, or when the aggregate length of all holes is more than 2 inches, or correspondingly shorter or longer holes in smaller or larger potatoes.
Insects or worms.....	When any insect or worm is present in a potato, or when any defect causing damage or removal causes loss of more than 5 percent of total weight of potato.	When any insect or worm is present in a potato, or when any defect causing damage or removal causes loss of more than 10 percent of total weight of potato.
Artificial coloring.....	When any artificial coloring is present in a potato, or when any defect causing damage or removal causes loss of more than 5 percent of total weight of potato.	When any artificial coloring is present in a potato, or when any defect causing damage or removal causes loss of more than 10 percent of total weight of potato.
Sprouts.....	When any sprout is present in a potato, or when any defect causing damage or removal causes loss of more than 5 percent of total weight of potato.	When any sprout is present in a potato, or when any defect causing damage or removal causes loss of more than 10 percent of total weight of potato.

The following defects are considered serious damage when present in any degree:

1. Freezing.
2. Late blight.
3. Ring rot.
4. Southern bacterial wilt.
5. Soft rot.

APPENDIX H

**CANADIAN POTATO GRADES AS PROVIDED FOR IN THE
CANADA AGRICULTURAL PRODUCTS STANDARDS ACT**



CANADA

OFFICE CONSOLIDATION

CODIFICATION ADMINISTRATIVE

Canada Agricultural Products Standards Act **Loi sur les normes des produits agricoles du Canada**

R.S., c. A-8

S.R., c. A-8

Fresh Fruit and Vegetable Regulations **Règlement sur les fruits et les légumes frais**

C.R.C., c. 285

C.R.C., c. 285

amended by

modifié par

P.C. 1979-287
P.C. 1980-733
P.C. 1980-1675
P.C. 1981-474
P.C. 1981-1161

C.P. 1979-287
C.P. 1980-733
C.P. 1980-1675
C.P. 1981-474
C.P. 1981-1161

September 1981

Septembre 1981



CHAPTER A-8

CHAPITRE A-8

An Act to establish national standards for agricultural products and to regulate international and interprovincial trade in agricultural products

Loi établissant des normes nationales pour les produits agricoles et réglementant le commerce international et interprovincial de ces produits

SHORT TITLE

TITRE ABRÉGÉ

Short title

1. This Act may be cited as the *Canada Agricultural Products Standards Act*, 1955, c. 27, s. 1.

1. La présente loi peut être citée sous le titre: *Loi sur les normes des produits agricoles du Canada*, 1955, c. 27, art. 1.

Titre abrégé

INTERPRETATION

INTERPRÉTATION

Definitions

"agricultural product"
«produit...»

"analyst"
«analyste»

"grade"
«qualité...»

"grade name"
«nom...»

"grader"
«préposé...»

"inspector"
«inspecteur»

"Minister"
«Ministre»

"package"
«emballage...»

"place"
«endroit»

2. In this Act

"agricultural product" means livestock (including fur-bearing animals raised in captivity), eggs, poultry, milk, vegetables, fruit, honey and maple syrup, and products thereof, and leaf tobacco;

"analyst" means an analyst designated for the purposes of the *Food and Drugs Act* or an analyst employed under the Government of Canada or the government of a province and having authority to make analyses for public purposes;

"grade" includes standard;

"grade name" includes any mark, description or designation of a grade;

"grader" means a person appointed or designated as a grader pursuant to section 7;

"inspector" means a person appointed or designated as an inspector pursuant to section 7;

"Minister" means the Minister of Agriculture;

"package" means an inner or outer receptacle or covering used for containing, packing, wrapping or covering an agricultural product;

"place" includes any vehicle, vessel, railway car, or aircraft;

2. Dans la présente loi

«analyste» signifie un analyste désigné aux fins de la *Loi sur les aliments et drogues* ou un analyste employé sous l'autorité du gouvernement du Canada ou du gouvernement d'une province et ayant qualité pour faire des analyses à des fins publiques;

«emballage» ou «contenant» signifie une enveloppe ou un récipient, intérieur ou extérieur, employé pour contenir, emballer, emballer ou recouvrir un produit agricole;

«endroit» comprend tout véhicule, navire, wagon de chemin de fer ou aéronef;

«inspecteur» signifie une personne nommée ou désignée au poste d'inspecteur selon l'article 7;

«Ministre» désigne le ministre de l'Agriculture;

«nom de qualité» comprend toute marque, description ou désignation d'une qualité ou classe;

«préposé au classement» signifie une personne nommée ou désignée au poste de préposé au classement en vertu de l'article 7;

«prescrit» ou «requis» signifie prescrit par un règlement du gouverneur en conseil;

Définitions

«analyste»
«analyst»

«emballage» ou
«contenant»
«package»

«endroit»
«place»

«inspecteur»
«inspector»

«Ministre»
«Minister»

«nom de qualité»
«grade...»

«préposé au classement»
«grader»

«prescrit» ou
«requis»
«prescribed»

REGULATIONS RESPECTING THE GRADING, PACKING AND MARKING OF FRESH FRUIT AND VEGETABLES

Short Title

1. These Regulations may be cited as the *Fresh Fruit and Vegetable Regulations*.

Interpretation

2. In these Regulations,

“Act” means the *Canada Agricultural Products Standards Act*; (*Loi*)

“Canadian unit” means a unit of measurement set out in Schedule II to the *Weights and Measures Act*; (*unité canadienne*)

“catch-weight product” means produce that because of its nature cannot normally be portioned to a predetermined quantity and is, as a result, usually sold in containers of varying quantity; (*produit à poids variable*)

“condition defect” means any defect that may develop in produce during storage or transit; (*défaut d'état*)

“container” means a receptacle, package, wrapper or confining band; (*emballage*)

“declaration of net quantity” means the net quantity of produce marked on a container pursuant to section 10 of these Regulations; (*déclaration de quantité nette*)

“Director” means the Director of the Fruit and Vegetable Division, Department of Agriculture; (*directeur*)

“District Director” means the District Director of the Fruit and Vegetable Division, Department of Agriculture; (*directeur de district*)

“firm ripe” means that stage of the ripening process of an apple when the flesh is crisp and does not yield to slight pressure; (*mûries à point*)

“inspection certificate” means a certificate in such form as the Minister approves; (*certificat d'inspection*)

“inspection point” means any place normally serviced by an inspector or at which, in the opinion of the Director, an inspection can be conveniently provided; (*endroit d'inspection*)

“label” means any mark, sign, device, imprint, stamp, brand, ticket or tag; (*étiquette*)

“lot” means that quantity of produce that for any reason is considered separately from other produce as a subject of an inspection; (*lot*)

RÈGLEMENT CONCERNANT LE CLASSEMENT, L'EMBALLAGE ET LE MARQUAGE DES FRUITS ET DES LÉGUMES FRAIS

Titre abrégé

1. Le présent règlement peut être cité sous le titre: *Règlement sur les fruits et les légumes frais*.

Interprétation

2. Dans le présent règlement,

«certificat d'inspection» signifie un certificat préparé selon la formule prescrite par le Ministre; (*inspection certificate*)

«déclaration de quantité nette» signifie la quantité nette marquée sur un emballage selon l'article 10 du présent règlement; (*declaration of net quantity*)

«défaut d'état» signifie un défaut qui peut se développer durant l'entreposage ou en cours de transport; (*condition defect*)

«directeur» désigne le directeur de la Division des fruits et légumes du ministère de l'Agriculture; (*Director*)

«directeur de district» désigne le directeur de district de la Division des fruits et légumes du ministère de l'Agriculture; (*District Director*)

«emballage» comprend un récipient, un emballage, une enveloppe ou une bande; (*container*)

«endroit d'inspection» désigne un endroit normalement desservi par un inspecteur ou un endroit où, de l'avis du directeur, une inspection peut être facilement effectuée; (*inspection point*)

«espace principal» signifie la partie de l'étiquette apposée entièrement ou en partie sur la principale surface exposée; (*principal display panel*)

«étiquette» comprend une marque, un signe, un dessin, une impression, un cachet, un label ou une carte; (*label*)

«Loi» signifie la *Loi sur les normes des produits agricoles du Canada*; (*Act*)

«lot» désigne les produits qui, pour une raison quelconque, sont considérés séparément des autres pour inspection; (*lot*)

«mûries à point» signifie, quant aux pommes, ce stade de maturité où la chair est ferme et croquante et ne cède pas à une légère pression; (*firm ripe*)

«principale surface exposée» signifie dans le cas où l'emballage a) a un côté ou une surface exposée ou visible dans les conditions normales ou habituelles de vente ou d'utilisation, la superficie totale de ce côté ou de cette surface, à l'exclusion du dessus,

POTATOES

60. The grades for potatoes are Canada No. 1, Canada No. 1 Large, Canada No. 1 Small and Canada No. 2.

Canada No. 1 Grade

61. (1) Canada No. 1 is the grade name for potatoes that
- (a) have similar varietal characteristics;
 - (b) are firm;
 - (c) are not materially pointed, materially dumb-bell shaped or otherwise materially deformed;
 - (d) have skins that will not loosen readily during ordinary handling;
 - (e) have not more than 10 per cent of a lot that has more than 10 per cent of the surface flesh exposed;
 - (f) are reasonably clean;
 - (g) are free from dumb-bells, specimens from which knobs have been removed, blight, sprain, bacterial ring rot or other decay;
 - (h) are free from damage;
 - (i) have
 - (i) in the case of round varieties, a minimum diameter of 2 1/4 inches and a maximum diameter of 3 1/2 inches, and
 - (ii) in the case of long varieties, a minimum diameter of 2 inches and a maximum diameter of 3 1/2 inches except in the case of specimens 3 1/2 inches or more in length, which may have a minimum diameter of 1 3/4 inches, provided that in either case 60 per cent of the specimens have a diameter of at least 2 1/4 inches; and
 - (j) are properly packed.

(2) In this section, "free from damage" means the potatoes are free from

- (a) scab that
 - (i) is pitted and
 - (A) affects an aggregate area per potato of more than 1/4 inch in diameter, or
 - (B) affects more than five per cent of the potatoes in the lot,
 - (ii) affects more than five per cent of the surface area of an individual potato, or
 - (iii) affects more than 50 per cent of the potatoes in the lot;
- (b) hollow heart that exceeds 1/4 inch in length or width or is discoloured;
- (c) sunburn that
 - (i) affects more than five per cent of the surface area of an individual potato, or
 - (ii) penetrates the flesh of a potato to a depth of more than 1/4 inch;
- (d) greening that

POMMES DE TERRE

60. Les catégories des pommes de terre sont Canada n° 1, Canada n° 1 grosses, Canada n° 1 petites et Canada n° 2.

Catégorie Canada n° 1

61. (1) Canada n° 1 est le nom de la catégorie des pommes de terre qui
- a) possèdent des caractéristiques variétales analogues;
 - b) sont fermes;
 - c) ne sont pas sensiblement pointues, ni sensiblement en forme d'haltère ni sensiblement déformées de toute autre façon;
 - d) ont une peau qui ne se détache pas facilement au cours de la manutention ordinaire;
 - e) ont plus de 10 pour cent de la chair superficielle exposée sur au plus 10 pour cent des spécimens;
 - f) sont raisonnablement propres;
 - g) sont exemptes de tubercules en forme d'haltère, de tubercules dont les excroissances ont été enlevées, de brûlure, de tacheture interne, de flétrissement bactérien ou d'autres décompositions;
 - h) sont exemptes d'avaries;
 - i) ont
 - (i) dans le cas des variétés rondes, un diamètre minimum de 2 1/4 pouces et un diamètre maximum de 3 1/2 pouces, et
 - (ii) dans le cas des variétés longues, un diamètre minimum de 2 pouces et un diamètre maximum de 3 1/2 pouces, à l'exception des tubercules d'une longueur de 3 1/2 pouces ou plus qui peuvent avoir un diamètre minimum de 1 3/4 pouce à la condition que, dans chaque cas, 60 pour cent des tubercules aient un diamètre d'au moins 2 1/4 pouces; et
 - j) sont convenablement emballées.
- (2) Dans le présent article, «exemptes d'avaries» signifie que les pommes de terre sont exemptes
- a) de gale qui
 - (i) est picotée et qui
 - (A) couvre une superficie globale ayant plus de 1/4 de pouce de diamètre sur chaque tubercule, ou
 - (B) altère plus de cinq pour cent des pommes de terre dans le lot,
 - (ii) couvre plus de cinq pour cent de la surface de chaque tubercule, ou
 - (iii) altère plus de 50 pour cent des pommes de terre dans le lot;
 - b) de cœur creux qui mesure plus de 1/4 de pouce de longueur ou de largeur ou qui est décoloré;
 - c) d'insolation qui
 - (i) altère plus de cinq pour cent de la superficie de chaque tubercule, ou
 - (ii) pénètre dans la chair d'un tubercule à une profondeur de plus de 1/4 de pouce;
 - d) verdissement qui

- (i) affects more than 15 per cent of the surface area of an individual potato, or
- (ii) penetrates the flesh of a potato to a depth that would not be removed by ordinary peeling;
- (e) wireworm or grass root holes that
 - (i) exceed two per potato,
 - (ii) individually exceed 1/2 inch in depth or in the aggregate exceed 3/4 inch in depth, or
 - (iii) affect more than 10 per cent of the potatoes in the lot;
- (f) sprouts that at shipping point exceed 1/2 inch in length or at a place other than shipping point exceed 1 inch in length when more than 10 per cent of the potatoes in any lot are so affected;
- (g) any injury or defect or a combination thereof that materially affects the appearance of the potato, including healed-over flesh, rhizoctonia or silver scurf; and
- (h) any injury or defect or a combination thereof, other than an injury or defect referred to in paragraphs (a) to (g), that
 - (i) affects the flesh of the potato and cannot be removed without a waste of more than five per cent by weight of a potato, or
 - (ii) affects the edibility or shipping quality of the potato.

SOR/81-186, s. 22.

Canada No. 1 Large Grade

62. Canada No. 1 Large is the grade name for potatoes that have a minimum diameter of 3 inches and a maximum diameter of 4 1/2 inches but that in all other respects comply with the requirements of Canada No. 1 grade.

Canada No. 1 Small Grade

63. Canada No. 1 Small is the grade name for potatoes that have a minimum diameter of 1 1/2 inches and a maximum diameter of 2 1/4 inches but that in all other respects comply with the requirements of Canada No. 1 grade.

New Potatoes

64. (1) Notwithstanding section 61 and subject to subsection (2),
- (a) new potatoes of a round variety shipped on or before September 15th in any year that do not comply with paragraphs 61(1)(d), (e) and (i), and
 - (b) new potatoes of a long variety,
 - (i) shipped on or before June 30th in any year that do not comply with paragraphs 61(1)(d), (e) and (i), and
 - (ii) shipped after June 30th and on or before September 15th in any year that do not comply with paragraphs 61(1)(d) and (e),

- (i) altère plus de 15 pour cent de la superficie de chaque tubercule, ou
- (ii) pénètre dans la chair d'un tubercule à une profondeur où il ne serait pas enlevé au cours d'un épluchage ordinaire;
- e) de trous causés par les taupins ou par des racines de graminées et qui
 - (i) sont en nombre supérieur à deux par tubercule,
 - (ii) ont plus de 1/2 pouce de profondeur chacun ou, dans l'ensemble, ont plus de 3/4 de pouce de profondeur, ou
 - (iii) altèrent plus de 10 pour cent des pommes de terre dans le lot;
- f) de germes dépassant, à un endroit d'expédition, 1/2 pouce de longueur ou à un endroit autre qu'un endroit d'expédition, 1 pouce de longueur lorsque plus de 10 pour cent des tubercules dans un lot quelconque en portent;
- g) de tout défaut ou blessure ou d'une combinaison de défauts et blessures qui en altèrent sensiblement l'apparence, y compris, mais non exclusivement, la chair cicatrisée, la rhizoctonie ou la tache argentée; et
- h) de tout défaut ou blessure ou d'une combinaison de défauts et blessures autres que ceux énumérés aux alinéas a) à g), et qui
 - (i) altèrent la chair de la pomme de terre et ne peuvent être enlevés sans gaspiller plus de cinq pour cent au poids du tubercule, ou
 - (ii) altèrent la comestibilité ou l'appétit au transport des pommes de terre.

Catégorie Canada n° 1 grosses

62. Canada n° 1 grosses est le nom de la catégorie des pommes de terre qui ont un diamètre minimum de 3 pouces et un diamètre maximum de 4 1/2 pouces mais qui à tous autres égards sont conformes aux exigences de la catégorie Canada n° 1.

Catégorie Canada n° 1 petites

63. Canada n° 1 petites est le nom de la catégorie des pommes de terre qui ont un diamètre minimum de 1 1/2 pouce et un diamètre maximum de 2 1/4 pouces mais qui à tous autres égards sont conformes aux exigences de la catégorie Canada n° 1.

Pommes de terre nouvelles (Primeurs)

64. (1) Nonobstant l'article 61 et sous réserve du paragraphe (2),
- a) les pommes de terre nouvelles d'une variété ronde expédiées au plus tard le 15 septembre de l'année de production qui ne satisfont pas aux alinéas 61(1)d), e) et i), et
 - b) les pommes de terre nouvelles d'une variété longue,
 - (i) expédiées au plus tard le 30 juin de l'année de production qui ne satisfont pas aux alinéas 61(1)d), e) et i), et
 - (ii) expédiées après le 30 juin et au plus tard le 15 septembre de l'année de production qui ne satisfont pas aux alinéas 61(1)d) et e),

but that in all other respects comply with the requirements of Canada No. 1 grade shall be deemed to meet the requirements of Canada No. 1 grade.

(2) New potatoes of Canada No. 1 grade shall meet the size requirements set out in paragraph 61(1)(i) except that those potatoes otherwise required to be of a minimum diameter of 2 inches or 2 1/4 inches may be of a minimum diameter of 1 7/8 inches. SOR/79-144, s. 19.

Canada No. 2 Grade

65. (1) Canada No. 2 is the grade name for potatoes that

- (a) have similar varietal characteristics;
- (b) are reasonably firm;
- (c) are not seriously pointed, seriously dumb-bell shaped or otherwise seriously deformed;
- (d) are free from dumb-bells, specimens from which knobs have been removed, sprain, bacterial ring rot or other decay;
- (e) are free from damage;
- (f) have a minimum diameter of 1 3/4 inches and a maximum diameter of 4 1/2 inches;
- (g) have a diameter of not less than 2 inches in at least 75 per cent of the lot;
- (h) have not more than one-third by weight of the lot seriously affected by dirt; and
- (i) are properly packed.

(2) In this section, "free from damage" means that potatoes are free from

- (a) scab that
 - (i) is pitted and cannot be removed without a waste of more than five per cent by weight of a potato, or
 - (ii) affects more than 25 per cent of the surface area of an individual potato;
- (b) hollow heart that exceeds 1/4 inch in length or width or is discoloured;
- (c) blight that
 - (i) is not dry, or
 - (ii) is dry but cannot be removed without a waste of more than five per cent by weight of a potato;
- (d) wireworm or grass root injury that affects the flesh of the potato and cannot be removed without a waste of more than five per cent by weight of a potato;
- (e) sprouts that at shipping point exceed 1/2 inch in length or at a place other than shipping point exceed 1 inch in length when more than 10 per cent of the potatoes in any lot are so affected; and
- (f) any injury or defect or a combination thereof, other than an injury or defect referred to in paragraphs (a) to (e), that
 - (i) affects the flesh of the potato and cannot be removed without a waste of more than 10 per cent by weight of a potato, or
 - (ii) seriously affects the appearance, edibility or shipping quality of a potato.

mais qui, à tous autres égards, satisfont aux exigences de la catégorie Canada n° 1, doivent être considérées comme satisfaisant aux exigences de la catégorie Canada n° 1.

(2) Le calibre des pommes de terre de la catégorie Canada n° 1 doit être conforme aux exigences de l'alinéa 61(1)i) sauf que ces pommes de terre qui autrement doivent avoir un diamètre minimum de 2 pouces ou de 2 1/4 pouces peuvent en avoir un de 1 7/8 pouce. DORS/79-144, art. 19.

Catégorie Canada n° 2

65. (1) Canada n° 2 est le nom de la catégorie des pommes de terre qui

- a) ont des caractéristiques variétales analogues;
- b) sont raisonnablement fermes;
- c) ne sont pas très pointues, ni sensiblement en forme d'haltère ni gravement déformées de toute autre façon;
- d) sont exemptes de tubercules en forme d'haltère, de tubercules dont les excroissances ont été enlevées, de tache interne, de flétrissement bactérien ou d'autres décompositions;
- e) sont exemptes d'avaries;
- f) ont un diamètre minimum de 1 3/4 pouce et un diamètre maximum de 4 1/2 pouces;
- g) ont, dans le cas d'au moins 75 pour cent du lot, un diamètre non inférieur à 2 pouces;
- h) dans le cas d'au plus un tiers, au poids, sont gravement altérées par de la terre; et
- i) sont convenablement emballées.

(2) Dans le présent article, «exemptes d'avaries» signifie que les pommes de terre sont exemptes

- a) de gale qui
 - (i) est picotée et ne peut être enlevée sans gaspiller plus de cinq pour cent au poids du tubercule, ou
 - (ii) altère plus de 25 pour cent de la superficie de chaque tubercule;
- b) de cœur creux qui mesure plus de 1/4 de pouce de longueur ou de largeur ou qui est décoloré;
- c) de brûlure ou mildiou qui
 - (i) n'est pas sec, ou
 - (ii) est sec mais ne peut être enlevé sans gaspiller plus de cinq pour cent au poids du tubercule;
- d) de blessures causées par les taupins ou des racines de graminées sur la chair du tubercule et qui ne peuvent être enlevées sans gaspiller plus de cinq pour cent au poids de chaque tubercule;
- e) de germes qui, à l'endroit d'expédition, ont plus de 1/2 pouce de longueur ou, à un endroit autre qu'un endroit d'expédition, plus de 1 pouce de longueur lorsque plus de 10 pour cent des tubercules dans un lot quelconque en portent; et
- f) de tout défaut ou blessure ou d'une combinaison de défauts et blessures autres que ceux énumérés aux alinéas a) à e), et qui
 - (i) en altèrent la chair et ne peuvent être enlevés sans gaspiller plus de 10 pour cent au poids d'un tubercule, ou

General Tolerances

66. (1) Notwithstanding anything in these Regulations, in the grading of Canada No. 1 grade, Canada No. 1 Large grade and Canada No. 1 Small grade potatoes not more than

- (a) five per cent of the potatoes by weight may be below the minimum size,
- (b) five per cent of the potatoes by weight may exceed the maximum size,
- (c) three per cent of the potatoes by weight in the case of Canada No. 1 grade and five per cent of the potatoes by weight in the case of Canada No. 1 Large grade may be affected by hollow heart,
- (d) one per cent of the potatoes by weight may be affected by decay,
- (e) five per cent of the potatoes by weight may have grade defects other than those referred to in paragraphs (a), (b) and (c) but including that referred to in paragraph (d), and
- (f) ten per cent of the potatoes by weight may have grade defects of any kind including those referred to in paragraphs (a) to (e),

and still meet the grade standards for a grade.

(2) Notwithstanding anything in these Regulations, in the grading of Canada No. 2 grade potatoes not more than

- (a) five per cent of the potatoes by weight may be below the minimum size,
- (b) five per cent of the potatoes by weight may exceed the maximum size,
- (c) ten per cent of the potatoes by weight may be affected by hollow heart,
- (d) one per cent of the potatoes by weight may be affected by decay,
- (e) five per cent of the potatoes by weight may have grade defects, other than those referred to in paragraphs (a), (b) and (c) but including that referred to in paragraph (d), and
- (f) fifteen per cent of the potatoes by weight may have grade defects of any kind including those referred to in paragraphs (a) to (e),

and still meet the grade standards for a grade.

(ii) altèrent gravement l'apparence, la comestibilité ou l'aptitude au transport des tubercules.

Tolérances générales

66. (1) Nonobstant les dispositions du présent règlement, dans le classement des pommes de terre de la catégorie Canada n° 1, Canada n° 1 grosses et de la catégorie Canada n° 1 petites, au plus

- a) cinq pour cent des tubercules au poids peuvent être de grosseur inférieure à la grosseur minimale,
- b) cinq pour cent des tubercules au poids peuvent dépasser la grosseur maximale,
- c) trois pour cent des tubercules au poids dans le cas de la catégorie Canada n° 1 et 5 pour cent des tubercules au poids dans le cas de la catégorie Canada n° 1 grosses peuvent être atteints de cœur creux,
- d) un pour cent des tubercules au poids peuvent être atteints de pourriture,
- e) cinq pour cent des tubercules au poids peuvent avoir des défauts de catégorie autres que ceux énumérés aux alinéas a), b) et c) mais y compris ceux énumérés à l'alinéa d), et
- f) dix pour cent des tubercules au poids peuvent avoir des défauts de catégorie d'une espèce quelconque y compris ceux énumérés aux alinéas a) à e),

tout en répondant aux normes de catégorie pour une catégorie.

(2) Nonobstant les dispositions du présent règlement, dans le classement des pommes de terre de la catégorie Canada n° 2, au plus

- a) cinq pour cent des tubercules au poids peuvent être de grosseur inférieure à la grosseur minimale,
- b) cinq pour cent des tubercules au poids peuvent dépasser la grosseur maximale,
- c) dix pour cent des tubercules au poids peuvent être atteints de cœur creux,
- d) un pour cent des tubercules au poids peuvent être atteints de pourriture,
- e) cinq pour cent des tubercules au poids peuvent avoir des défauts de catégorie autres que ceux énumérés aux alinéas a), b) et c) mais y compris ceux énumérés à l'alinéa d), et
- f) quinze pour cent des tubercules au poids peuvent avoir des défauts de catégorie d'une espèce quelconque y compris ceux énumérés aux alinéas a) à e),

tout en répondant aux normes de catégorie pour une catégorie.

APPENDIX I

**SEED POTATO VARIETIES PRODUCED IN CANADIAN
PROVINCES IN 1982**

CANADA - ESTIMATE: PRODUCTION ALL GRADES SEED POTATOES - 1982 CROP IN QWT.

CANADA - PRODUCTION ESTIMATIVE: TOUTES CATEGORIES POMMES DE TERRE DE SEMENCE - 1982 EN 100 LIVRES											
VARIETY	NFLD.	P.E.I.	N.S.	N.B.	QUE.	ONT.	MAN.	SASK.	ALTA.	B.C.	TOTAL
VARIETY	T.-N.	I.-du-P.-E.	N.-E.	N.-B.					ALB.	C.-B.	
Russet Burbank....	-	4389553	3032	1208031	103	1235	296017	3649	270517	101341	6273478
Kennebec.....	224	3241308	16664	1235525	320715	119548	8674	390	4182	18289	4965519
Superior.....	-	988155	5484	566308	149730	22484	-	-	5160	-	1737321
Sebago.....	-	1522980	-	60095	70	110	-	-	-	-	1583255
Red Pontiac.....	-	285748	3252	430295	22	-	14672	2999	196	9399	746583
Norchip.....	-	25243	-	18493	99	91152	49897	71	62757	12725	260437
Shepody.....	-	146430	1227	48486	-	1764	4	-	3	-	197914
Katahdin.....	-	16293	-	149731	3194	-	-	-	-	-	169218
Norland.....	-	15955	-	412	7152	1433	49846	30899	31670	11490	148857
Chieftain.....	-	33384	-	14723	3549	4697	-	-	-	-	56353
Green Mountain..	-	44949	130	2678	5038	-	-	-	-	80	52875
Atlantic.....	133	30034	-	17243	3	-	-	-	3	-	47416
Bintje.....	-	29812	-	14355	-	-	-	-	29	2785	46981
Norgold Russet...	-	-	-	-	-	-	-	-	12352	23779	36131
White Rose.....	-	-	-	1	-	-	-	-	-	24125	24126
Irish Cobbler....	-	9936	-	10430	27	-	-	-	-	-	20393
Warba.....	-	273	2	536	17	110	3396	24	1052	12858	18268
Monona.....	-	2560	-	8529	-	6174	110	-	-	-	17373
Keswick.....	-	591	167	15719	370	209	-	-	-	-	17056
Belleisle.....	-	6811	1	8779	155	221	-	-	-	-	15967
Jemseg.....	52	5475	-	5546	133	1566	-	-	5	-	12777
Cherokee.....	-	4750	50	3702	456	110	-	-	-	-	9068
Nooksack.....	-	639	-	-	-	-	-	-	-	8370	9009
Yukon Gold.....	-	20	-	2267	-	5182	-	-	-	-	7469
Acadia Russet....	-	49	-	7171	-	-	-	-	-	-	7220
Fundy.....	-	3753	3010	293	-	-	-	-	-	-	7056
Hunter.....	-	5354	-	-	-	-	-	-	-	-	5354
Red La Soda.....	-	315	-	-	-	-	-	-	-	4190	4505
Bel Rus.....	-	4478	-	-	-	-	-	-	-	-	4478
Lemhi Russet.....	-	293	-	416	-	-	-	115	35	2590	3449
Tobique.....	-	1012	-	2224	28	-	-	-	-	-	3264
Rideau.....	-	9	-	1	-	3219	-	-	-	-	3229
York.....	-	-	-	-	2881	-	-	-	-	-	2881
Batoche.....	-	7	-	8	-	-	-	104	1816	380	2315
Mirton Pearl.....	1685	4	-	478	-	-	-	-	-	-	2167
Epicure.....	-	-	-	-	-	-	-	-	-	1910	1910
Bison.....	-	4	-	1571	-	-	-	-	-	-	1575
Raritan.....	-	1230	-	8	-	-	-	-	-	80	1318
Huron.....	-	-	-	-	-	-	-	-	-	1260	1260
Pungo.....	-	-	-	1114	56	-	-	-	-	-	1170
Blue Mac.....	815	-	-	-	-	-	-	-	-	-	815
McIntyre.....	-	787	-	-	-	-	-	-	-	-	787
Hudson.....	-	2	-	784	-	-	-	-	-	-	786
Gold Coin.....	-	-	-	-	-	-	-	-	-	740	740
Simcoe.....	-	7	-	-	-	639	-	-	-	-	646
Onaway.....	-	-	-	236	-	309	-	-	-	-	545
Sable.....	-	15	59	454	-	-	-	-	-	-	528
Viking.....	-	-	-	88	-	-	-	97	282	-	467
Urgenta.....	-	4	-	4	-	-	-	-	-	378	386
Avon.....	-	7	47	4	5	-	-	-	-	300	363
Conestoga.....	-	7	-	-	-	331	-	-	-	-	338
Trent.....	-	2	-	3	53	221	-	-	-	-	279
Wauseon.....	-	9	198	4	-	-	-	-	-	-	211
Nipigon.....	-	194	-	8	-	-	-	-	-	-	202
Abnaki.....	-	20	-	93	-	-	-	-	-	-	113
Early Rose.....	-	-	97	9	-	-	-	-	-	-	106
Columbia Russet...	-	-	-	-	-	-	-	-	-	90	90
Pink Pearl.....	67	-	-	-	-	-	-	-	-	-	67
Carleton.....	-	-	-	-	-	-	18	-	11	-	29
Anson.....	22	-	-	-	-	-	-	-	-	-	22
Oneida.....	-	2	-	9	-	-	-	-	-	-	11
Campbell - 13....	-	4	-	3	-	-	-	-	-	-	7
Arran Consul.....	-	7	-	-	-	-	-	-	-	-	7
Grand Falls Russet	-	-	-	-	-	-	-	2	-	-	2
Unlicensed Varieties.....	35	-	-	24032	74	-	-	-	9	-	24150
Total.....	3033	10818474	33420	3860899	493930	260714	422634	38350	390079	237159	16558692

APPENDIX J

**SELECTED PORTIONS OF SUBPART A, PART 8, SCHEDULE 1, OF THE
TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1983).
AND NEGOTIATED REDUCTIONS IN U.S. RATES OF DUTY.**

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1983)

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS
Part 8. - Vegetables

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1 - 8 - A
135.10 - 135.42

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
			<p>PART 8. - VEGETABLES</p> <p>Subpart A. - Vegetables, Fresh, Chilled, or Frozen</p> <p><u>Subpart A headnotes:</u></p> <p>1. In the assessment of duty on any kind of vegetables, any foreign matter or impurities mixed therewith shall not be segregated nor shall any allowance therefor be made.</p> <p>2. For the purposes of item 137.25 in this part, if for any calendar year the production of white or Irish potatoes, including seed potatoes, in the United States, according to the estimate of the Department of Agriculture made as of September 1, is less than 21,000,000,000 pounds, an additional quantity of potatoes equal to the amount by which such estimated production is less than the said 21,000,000,000 pounds shall be added to the 45,000,000 pounds provided for in the said item 137.25 for the year beginning the following September 15. Potatoes, the product of Cuba, covered by item 137.25 or 137.26 shall not be charged against the quota quantity provided for in item 137.25.</p> <hr/> <p>Vegetables, fresh, chilled, or frozen (but not reduced in size nor otherwise prepared or preserved):</p>				

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TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1983)

SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS
Part 8. - Vegetables

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136.94 - 137.26

G S P.	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDDC	2
			Vegetables, fresh, chilled, or frozen, etc. (con.):				
			Potatoes, white or Irish:				
			Seed, certified by a responsible officer or agency of a foreign government in accordance with official rules and regulations to have been grown and approved especially for use as seed, in containers marked with the foreign government's official certified seed potato tags and imported for use as seed:				
	137.20		For not over 114,000,000 pounds entered during the 12-month period beginning September 15 in any year.....	.....	36c per 100 lbs.	35c per 100 lbs.	75c per 100 lbs.
		20	In immediate containers of not over 100 pounds net weight.....	Cwt.			
		40	Other.....	Cwt.			
	137.21		Other.....	.....	55c per 100 lbs.	35c per 100 lbs.	75c per 100 lbs.
		20	In immediate containers of not over 100 pounds net weight.....	Cwt.			
		40	Other.....	Cwt.			
	137.25		Other than such certified seed:				
			For not over 45,000,000 pounds and such additional quantity as may be allowed pursuant to headnote 2 of this part, entered during the 12-month period beginning September 15 in any year.....	.....	36c per 100 lbs.	35c per 100 lbs.	75c per 100 lbs.
			In immediate containers of not over 100 pounds net weight:				
		10	Russet or netted gem varieties.....	Cwt.			
		20	Other varieties.....	Cwt.			
			Other:				
		30	Russet or netted gem varieties.....	Cwt.			
		40	Other varieties.....	Cwt.			
	137.26		If products of Cuba and entered during the period from December 1 in any year to the last day of the following February, both dates inclusive.....	30c per 100 lbs. (a)		

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TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1983)

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SCHEDULE 1. - ANIMAL AND VEGETABLE PRODUCTS
Part 8. - Vegetables

1 - 8 - A

137.28 - 137.95

G S P	Item	Stat. Suf- fix	Articles	Units of Quantity	Rates of Duty		
					1	LDC	2
	137.28	00	Vegetables, fresh, chilled, or frozen, etc. (con.): Potatoes, white or Irish (con.): Other than such certified seed (con.): Other.....	.....	55c per 100 lbs.	35c per 100 lbs.	75c per 100 lbs.
		10	In immediate containers of not over 100 pounds net weight:				
		20	Russet or netted gem varieties.	Cwt.			
			Other varieties.....	Cwt.			
		30	Other: Russet or netted gem varieties.....	Cwt.			
		40	Other varieties.....	Cwt.			
	137.29		If products of Cuba and entered during the period from December 1 in any year to the last day of the following February, both dates inclusive.....	.....	30c per 100 lbs. (a)		

Potatoes, white or Irish: U.S. rates of duty, present and negotiated

TSUS item	Commodity	Rate prior to Jan. 1, 1980	Rates of duty, effective with respect to articles entered, or withdrawn from warehouse, for consumption on and after—									
			Jan. 1, 1980	Jan. 1, 1981	Jan. 1, 1982	Jan. 1, 1983	Jan. 1, 1984	Jan. 1, 1985	Jan. 1, 1986	Jan. 1, 1987		
	Potatoes, white or Irish:											
	Seed, certified by a responsible officer or agency of a foreign government in accordance with official rules and regulations to have been grown and approved especially for use as seed in containers marked with the for- eign government's official											
137.20	certified seed potato tags: For not over 114,000,000 pounds entered during the 12-month period beginning September 15 in: any year.	37.5¢/100 lbs.	37¢/100 lbs.	37¢/100	36.5¢/100 lbs.	36¢/100 lbs.	36¢/100	35.5¢/100 lbs.	35¢/100 lbs.	35¢/100		
137.21	Other	75¢/100 lbs.	70¢/100 lbs.	65¢/100 lbs.	60¢/100 lbs.	55¢/100 lbs.	50¢/100 lbs.	45¢/100 lbs.	40¢/100 lbs.	35¢/100 lbs.		
137.25	Other than certified seed: For not over 45,000,000 pounds and such additional quantity as may be allowed pursuant to head- note 2 of this part, entered during the 12-month period beginning September 15 in any year.	37.5¢/100 lbs.	37¢/100 lbs.	37¢/100	36.5¢/100 lbs.	36¢/100 lbs.	36¢/100	35.5¢/100 lbs.	35¢/100 lbs.	35¢/100		
137.28	Other	75¢/100 lbs.	70¢/100 lbs.	65¢/100 lbs.	60¢/100 lbs.	55¢/100 lbs.	50¢/100 lbs.	45¢/100 lbs.	40¢/100 lbs.	35¢/100 lbs.		

APPENDIX K

UNITED STATES POTATO IMPORT REQUIREMENTS FOR SIZE, GRADE,
AND MATURITY

Order & \$ No.	Area	Minimum Regulatory Provisions	Effective From	Through
948	Colorado Area No. 1 (Western Slope)	None		
948.384	Area No. 2 (San Luis Valley)	<u>Round varieties</u> - U. S. No. 2, 2 in. <u>Long Varieties</u> except Russet Burbank - U. S. Commercial, 2 in. or 4 oz.; or U. S. No. 2, 1 7/8 in. Russet Burbank - U. S. No. 2, 1 7/8 in. <u>All varieties</u> - Size B, if U. S. No. 1. For export - 1 1/2 in. <u>Maturity</u> - All varieties - During September and October - for U. S. No. 2 grade, "moderately skinned," and for all other grades, "slightly skinned."	11/1/81	
948.385	Area No. 3 (Northern Colo.)	<u>All varieties</u> - U. S. No. 2, 1 7/8 in. or 4 oz. Size B if U. S. No. 1. <u>Maturity</u> - All varieties - Through 12/31/81, for U. S. No. 2 grade, "moder- ately skinned," and for all other grades, "slightly skinned"; thereafter no maturity requirements.	7/31/81	7/31/82
950	Maine	None		
(953.321	Southeastern (VA-NC)	<u>All varieties</u> - U. S. No. 2 grade, 1 1/2 inches. <u>Maturity</u> - None.	6/5/81	7/31/81)

Part 980.1 - Potato Import Requirements - Based on following:

Long Varieties	Jan. 1 - Dec. 31	945 - Idaho-Oregon
Round Varieties (except Reds)	Aug. 1 - June 4 June 5 - July 31	948 - Colorado - Area 3 953 - Southeastern
Red Varieties	Sept. 1 - June 30 July 1 - Aug. 31	948 - Colorado - Area 2 946 - Washington

Part No. 1207	Potato Research & Promotion Plan (48 States)	One cent per cwt. assessment from designated handlers on potatoes used for human food and seed.	9/15/72 - 6/30/82
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Veg. Br., F&V Div., AMS

32910 **Federal Register / Vol. 47, No. 147 / Friday July 30, 1982 / Rules and Regulations**

7 CFR Part 948

**Irish Potatoes Grown in Colorado,
Area No. 3; Handling Regulation**

AGENCY: Agricultural Marketing Service.
USDA.

ACTION: Final rule.

A-127

SUMMARY: This continuing regulation
requires fresh market shipments of
potatoes grown in Colorado—Area No. 3
to be inspected and meet minimum
grade, size and maturity requirements.

The regulation will promote orderly marketing of such potatoes and keep less desirable qualities and sizes from being shipped to consumers.

EFFECTIVE DATE: August 1, 1982.

FOR FURTHER INFORMATION CONTACT: Charles W. Porter, Chief, Vegetable Branch, F&V, AMS, USDA, Washington, D.C. 20250 (202) 447-2615. The Final Impact Statement relating to this rule is available upon request from Mr. Porter.

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

Information collection requirements contained in this regulation (7 CFR Part 948) have been approved by the Office of Management and Budget under the provisions of 44 U.S.C. Chapter 35 and have been assigned OMB #0581-0111.

This rule has been reviewed under Secretary's Memorandum 1512-1 and Executive Order 12291 and has been designated a "nommajor" rule. William T. Manley, Deputy Administrator, Agricultural Marketing Service, has determined that this action will not have a significant economic impact on a substantial number of small entities because it would not significantly affect costs for the directly regulated handlers.

Marketing Agreement No. 97 and Order No. 948, both as amended, regulate the handling of potatoes grown in designated counties of Colorado Area No. 3. The program is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674). The Colorado Area No. 3 Potato Committee, established under the order, is responsible for its local administration.

This regulation is based upon recommendations made by the committee at a public meeting in Greeley, Colorado, on June 10, 1982.

The grade, size, maturity and inspection requirements specified herein are similar to those which have been issued during past seasons. They are necessary to prevent potatoes of poor quality or undesirable sizes from being distributed to fresh market outlets. They will also benefit consumers and producers by standardizing and improving the quality of the potatoes shipped from the production area.

Again the minimum quantity exemption will be 1,000 pounds. This should relieve the burden on handling noncommercial quantities of potatoes and allow direct marketing outlets to operate in greater freedom.

Exceptions are provided to certain of these requirements to recognize special situations in which such requirements would be inappropriate or unreasonable.

Shipments are permitted to certain special purpose outlets without regard to the grade, size, maturity and inspection requirements, provided that safeguards are met to prevent such potatoes from reaching unauthorized outlets. Certified seed is exempt because requirements for this outlet differ greatly from those for fresh market. Shipments for use as livestock feed are likewise exempt. Since no purpose would be served by regulating potatoes used for charity purposes, such shipments are exempt. Also potatoes for most processing uses are exempt under the legislative authority for this part.

Potatoes for prepeeling will be handled without regard to maturity - requirements since skinning of such potatoes would be of no consequence. Also, the maturity requirements terminate on December 31 because at that stage of the marketing season potatoes are generally mature with skins firmly set.

This regulation promotes efficiency by standardizing marketing practices and will have no measurable effect on the quantity of potatoes shipped from Colorado Area No. 3, or upon U.S. retail potato prices. The regulation should enable the Colorado Area No. 3 potato industry to better compete with other potato producing areas in the U.S. by ensuring the use of grades and sizes acceptable to buyers.

Requirements contained in this handling regulation, effective August 1, 1982, will continue in effect from marketing season to marketing season indefinitely unless modified, suspended, or terminated by the Secretary upon recommendation and information submitted by the committee or other information available to the Secretary. Heretofore, regulations issued under the marketing order were made effective for a single marketing season. The change to issue regulations which will continue in effect from marketing season to marketing season reflects the fact that regulations change infrequently from season to season and it is believed unnecessary to issue them for only a single season. In addition, this action could result in a reduction in operational costs to the committee and the government. Although the final regulation will be effective for an indefinite period, the committee will continue to meet prior to or during each season to consider recommendations for modification, suspension, or termination of the regulation. Prior to making any such recommendations, the committee will submit to the Secretary a marketing policy for the season in accordance with § 948.20 of the order, including an analysis of supply and demand factors

having a bearing on the marketing of the crop. Committee meetings are open to the public and interested persons may express their views at these meetings or may file comments with the Fruit and Vegetable Division before July 1 each year. The Department will evaluate committee recommendations and information submitted by the committee, comments filed, and other available information, and determine whether modification, suspension, or termination of the regulations on shipments of Colorado Area 3 potatoes would tend to effectuate the declared policy of the act.

Findings

After consideration of all relevant matter presented, including the proposal set forth in the notice, it is hereby found that the following handling regulation will tend to effectuate the declared policy of the act by setting the minimum grade, size, maturity and inspection requirements which the Secretary has found should be maintained for orderly marketing.

It is hereby further found that good cause exists for not postponing the effective date of this section until 30 days after its publication in the **Federal Register** (5 U.S.C. 553) in that (1) shipments of potatoes grown in the production area will have begun by the effective date specified herein, (2) to maximize benefits to producers, this regulation should apply to as many shipments as possible during the marketing season, (3) notice was given in the June 30, 1982 **Federal Register** (47 FR 28400) allowing interested persons until July 15, 1982 to file written comments and none was received, and (4) compliance with this regulation, which is similar to regulations issued during previous seasons, requires no special preparation on the part of persons subject thereto which cannot be completed by the effective date herein.

List of Subjects in 7 CFR Part 948

Marketing agreements and orders, Potatoes, Colorado.

PART 948—IRISH POTATOES GROWN IN COLORADO

Section 948.385 (46 FR 39118, July 31, 1981) is removed and a new § 948.387 is added as follows:

§ 948.387 Handling regulation.

On and after August 1, 1982, no person shall handle any lot of potatoes grown in Area No. 3 unless such potatoes meet the requirements of paragraphs (a), (b) and (c) of this section, or unless such potatoes are handled in accordance with

paragraphs (d) and (e), or (f) of this section.

(a) *Grade and size requirements—All varieties*—U.S. No. 2 or better grade, 1½ inches minimum diameter or 4 ounces minimum weight. However, Size B may be handle if U.S. No. 1 grade.

(b) *Maturity (Skinning) requirements—All Varieties*—During the period beginning August 1 and ending December 31 each season, for U.S. No. 2 grade, not more than "moderately skinned," and for all other grades, not more than "slightly skinned"; thereafter no maturity requirements.

(c) *Inspection.* (1) No handler shall handle any potatoes for which inspection is required unless an appropriate inspection certificate has been issued with respect thereto and the certificate is valid at the time of shipment. For purpose of operation under this part it is hereby determined pursuant to paragraph (d) of § 948.40, that each inspection certificate shall be valid for a period not to exceed five days following the date of inspection as shown on the inspection certificate.

(2) No handler may transport or cause the transportation by motor vehicle of any shipment of potatoes for which an inspection certificate is required unless each shipment is accompanied by a copy of the inspection certificate applicable thereto and the copy is made available for examination at any time upon request.

(d) *Special purpose shipments.* (1) The grade, size, maturity and inspection requirements of paragraphs (a), (b), and (c) of this section shall not be applicable to shipments of potatoes for:

- (i) Livestock feed;
- (ii) Charity;
- (iii) Canning, freezing, and "other processing" as hereinafter defined; and
- (iv) Certified seed potatoes (§ 948.6).

(2) The maturity requirements set forth in paragraph (b) of this section shall not be applicable to shipments of potatoes for prepeeling.

(e) *Safeguards.* Each handler making shipments of potatoes pursuant to paragraph (d) of this section shall:

(1) Prior to shipment, apply for and obtain a Certificate of Privilege from the committee;

(2) Furnish the committee such reports and documents as required, including certification by the buyer or receiver on the use of such potatoes; and

(3) Bill each shipment directly to the applicable buyer or receiver.

(f) *Minimum quantity.* For purpose of regulation under this part, each person may handle up to but not to exceed 1,000

pounds of potatoes per shipment without regard to the requirements of paragraphs (a) and (b) of this section, but this exception shall not apply to any shipment of over 1,000 pounds of potatoes.

(g) *Definitions.* The terms "U.S. No. 1," "U.S. No. 2," "Size B," "moderately skinned" and "slightly skinned" shall have the same meaning as when used in the United States Standards for Grades of Potatoes (7 CFR 51.1540–51.1566) including the tolerances set forth therein. The term "prepeeling" means the commercial preparation in a prepeeling plant of clean, sound, fresh potatoes by washing, peeling or otherwise removing the outer skin, trimming, sorting, and properly treating to prevent discoloration preparatory to sale in one or more of the styles of peeled potatoes described in § 52.2422 United States Standards for Grades of Peeled Potatoes (7 CFR 52.2421–52.2433). The term "other processing" has the same meaning as the term appearing in the act and includes, but is not restricted to, potatoes for dehydration, chips, shoestrings, starch, and flour. It includes only that preparation of potatoes for market which involves the application of heat or cold to such an extent that the natural form or stability of the commodity undergoes a substantial change. The act of peeling, cooling, slicing, dicing, or applying material to prevent oxidation does not constitute "other processing." All other terms used in this section shall have the same meaning as when used in Marketing Agreement No. 97, as amended, and this part.

(h) *Applicability to imports.* Pursuant to section 8e of the act and § 980.1, "Import regulations" (7 CFR 980.1), round white varieties of Irish potatoes, except certified seed potatoes, imported into the United States during the period beginning August 1 and ending June 4 each season, shall meet the minimum grade, size, quality, and maturity requirements specified in paragraphs (a) and (b) of this section.

(Secs. 1–19, 48 Stat. 31, as amended; 7 U.S.C. 601–674)

Dated: July 28, 1982, to become effective August 1, 1982.

D. S. Kuryloski,
Deputy Director, Fruit and Vegetable
Division, Agricultural Marketing Service.

[FR Doc. 82–20741 Filed 7–29–82; 8:45 am]

BILLING CODE 3410–02–M

APPENDIX L

**POTATOES: EXPORTS TO THE UNITED STATES OF ROUND WHITE AND OTHER
THAN ROUND WHITE, SEED AND TABLESTOCK, FROM PRINCE EDWARD ISLAND
AND NEW BRUNSWICK, CROP YEARS 1980/81 THROUGH 1982/83**

Table L-1.--Potatoes: Exports to the United States of round white and other than round white, seed and tablestock, from Prince Edward Island and New Brunswick, crop years 1980/81 through 1982/83 1/

(In thousands of hundredweight)							
Crop year and Province of origin	Certified seed potatoes			Tablestock potatoes			Total
	Round white	Other than round white	Total	Round white	Other than round white	Total	
1980/81:							
PEI-----	497	101	598	524	343		866
New Brunswick----	318	26	344	76	256		332
Total-----	815	127	942	600	598		1,198
1981/82:							
PEI-----	330	94	424	267	540		807
New Brunswick----	497	30	527	270	407		677
Total-----	827	124	951	537	947		1,484
1982/83:							
PEI-----	85	44	130	460	527		986
New Brunswick----	351	2/	2/	301	2/		2/
Total-----	437	2/	2/	761	2/		2/

1/ The data appearing in this table do not cover total exports of potatoes to the United States from Prince Edward Island and New Brunswick as reported by official statistics of Agriculture Canada.

2/ Not available.

Source: Prehearing and posthearing submissions of Williams and Ince.

APPENDIX M
STATISTICAL TABLES

Table M-1.--Potatoes: NE Region acreage harvested of fall-harvested round white potatoes, other fall-harvested potatoes, total fall-harvested potatoes, and non-fall-harvested potatoes, for crops harvested in 1979-83 1/

Year and State	Fall-harvested potatoes			Non-fall-harvested potatoes	Total
	Round white	Other	Total		
Acreage (In thousands of acres)					
1979:					
Maine-----	<u>2/</u> 76.8	36.2	113.0	0.0	113.0
New York-----	45.3	0.0	45.3	0.0	45.3
Pennsylvania-----	24.0	0.0	24.0	0.0	24.0
Other NE					
Region 3/-----	9.5	0.0	9.5	15.6	25.1
Total-----	155.6	36.2	191.8	15.6	207.4
1980:					
Maine-----	<u>2/</u> 68.6	35.4	104.0	0.0	104.0
New York-----	43.8	0.0	43.8	0.0	43.8
Pennsylvania-----	22.0	0.0	22.0	0.0	22.0
Other NE					
Region 3/-----	9.0	0.0	9.0	15.1	24.1
Total-----	143.4	35.4	178.8	15.1	193.9
1981:					
Maine-----	<u>2/</u> 74.9	29.1	104.0	0.0	104.0
New York-----	43.5	0.0	43.5	0.0	43.5
Pennsylvania-----	21.0	0.0	21.0	0.0	21.0
Other NE					
Region 3/-----	9.0	0.0	9.0	14.9	23.9
Total-----	148.4	29.1	177.5	14.9	192.4
1982:					
Maine-----	<u>2/</u> 71.0	35.0	106.0	0.0	106.0
New York-----	45.5	0.0	45.5	0.0	45.5
Pennsylvania-----	23.5	0.0	23.5	0.0	23.5
Other NE					
Region 3/-----	8.9	0.0	8.9	14.9	23.8
Total-----	148.9	35.0	183.9	14.9	198.8
1983: 4/					
Maine-----	<u>2/</u> 62.3	30.7	93.0	0.0	93.0
New York-----	40.8	0.0	40.8	0.0	40.8
Pennsylvania-----	21.5	0.0	21.5	0.0	21.5
Other NE					
Region 3/-----	7.9	0.0	7.9	15.0	22.9
Total-----	132.5	30.7	163.2	15.0	178.2

See footnotes at end of table.

Table M-1.--Potatoes: NE Region acreage harvested of fall-harvested round white potatoes, other fall-harvested potatoes, total fall-harvested potatoes, and non-fall-harvested potatoes, for crops harvested in 1979-83 1/--Continued

Year and State	Fall-harvested potatoes			Non-fall-harvested potatoes	Total
	Round white	Other	Total		
Percent of total acreage					
1979:					
Maine-----	68	32	100	0	100
New York-----	100	0	100	0	100
Pennsylvania-----	100	0	100	0	100
Other NE					
Region 3/-----	38	0	38	62	100
Average-----	75	17	92	8	100
1980:					
Maine-----	66	34	100	0	100
New York-----	100	0	100	0	100
Pennsylvania-----	100	0	100	0	100
Other NE					
Region 3/-----	37	0	37	63	100
Average-----	74	18	92	8	100
1981:					
Maine-----	72	28	100	0	100
New York-----	100	0	100	0	100
Pennsylvania-----	100	0	100	0	100
Other NE					
Region 3/-----	38	0	38	62	100
Average-----	77	15	92	8	100
1982:					
Maine-----	67	33	100	0	100
New York-----	100	0	100	0	100
Pennsylvania-----	100	0	100	0	100
Other NE					
Region 3/-----	37	0	37	63	100
Average-----	75	18	93	7	100
1983: 4/					
Maine-----	5/ 67	5/ 33	100	0	100
New York-----	100	0	100	0	100
Pennsylvania-----	100	0	100	0	100
Other NE					
Region 3/-----	34	0	34	66	100
Average-----	74	17	92	8	100

1/ Responses to Commission questionnaires and other information indicate that some potatoes grown in the States of Maine, New York, and Pennsylvania are harvested during the summer, i.e., before the "fall-harvested" period beginning September 1. Nevertheless, for the purpose of developing the data in this table, it has been assumed that all potato acreage in these States is "fall-harvested," in accordance with the USDA's designation of these States as fall-harvested growing areas. Likewise, the same sources indicate that some

Footnotes for table M-1--Continued

potatoes grown in New Jersey and Maryland were harvested or marketed after September 1. Nevertheless, for the purpose of developing the data in this table, it has been assumed that all potato acreage in New Jersey and Maryland is non-fall-harvested, in accordance with the USDA's designation of these States as summer-harvested growing areas.

2/ Derived by applying the annual percentages of round white acreage planted in Maine, as reported by the USDA, to total fall-harvested acreage harvested in Maine.

3/ Data for Connecticut, Massachusetts, Rhode Island, and Vermont combined appear as fall-harvested potatoes, and data for New Jersey, Maryland, and Delaware appear as non-fall-harvested potatoes. Actual data for New Hampshire and the District of Columbia, which are also part of the NE Region, are not available.

4/ Preliminary.

5/ Estimated.

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

Table M-2.--Potatoes: NE Region production of fall-harvested round white potatoes, other fall-harvested potatoes, total fall-harvested potatoes, and non-fall-harvested potatoes, for crops harvested in 1979-83 1/

Year and State	Fall-harvested potatoes			Non-fall-harvested potatoes	Total
	Round white	Other	Total		
Production (In thousands of hundredweight)					
1979:					
Maine-----	2/ 21,041	6,644	27,685	0	27,685
New York-----	3/ 12,894	0	12,894	0	12,894
Pennsylvania-----	4/ 6,000	0	6,000	0	6,000
Other NE					
Region 5/-----	2,116	0	2,116	3,594	5,710
Total-----	42,051	6,644	48,695	3,594	52,289
1980:					
Maine-----	2/ 18,970	5,990	24,960	0	24,960
New York-----	3/ 11,044	0	11,044	0	11,044
Pennsylvania-----	4/ 4,180	0	4,180	0	4,180
Other NE					
Region 5/-----	2,009	0	2,009	3,243	5,252
Total-----	36,203	5,990	42,193	3,243	45,436
1981:					
Maine-----	2/ 18,829	7,691	26,520	0	26,520
New York-----	3/ 12,240	0	12,240	0	12,240
Pennsylvania-----	4/ 5,250	0	5,250	0	5,250
Other NE					
Region 5/-----	2,215	0	2,215	3,626	5,841
Total-----	38,534	7,691	46,225	3,626	49,851
1982:					
Maine-----	2/ 21,083	5,947	27,030	0	27,030
New York-----	3/ 12,015	0	12,015	0	12,015
Pennsylvania-----	4/ 5,758	0	5,758	0	5,758
Other NE					
Region 5/-----	2,007	0	2,007	3,948	5,955
Total-----	40,863	5,947	46,810	3,948	50,758
1983: 6/					
Maine-----	2/ 17,047	4,808	21,855	0	21,855
New York-----	3/ 10,118	0	10,118	0	10,118
Pennsylvania-----	4/ 4,300	0	4,300	0	4,300
Other NE					
Region 5/-----	1,712	0	1,712	2,928	4,640
Total-----	33,177	4,808	37,985	2,928	40,913

See footnotes at end of table.

Table M-2.--Potatoes: NE Region production of fall-harvested round white potatoes, other fall-harvested potatoes, total fall-harvested potatoes, and non-fall-harvested potatoes, for crops harvested in 1979-83 1/--Continued

Year and State	Fall-harvested potatoes			Non-fall-harvested potatoes	Total
	Round white	Other	Total		
Percent of total production					
1979:					
Maine-----	76	24	100	0	100
New York-----	<u>3/</u> 100	0	100	0	100
Pennsylvania-----	<u>4/</u> 100	0	100	0	100
Other NE					
Region <u>5/</u> -----	37	0	37	63	100
Average-----	80	13	93	7	100
1980:					
Maine-----	76	24	100	0	100
New York-----	<u>3/</u> 100	0	100	0	100
Pennsylvania-----	<u>4/</u> 100	0	100	0	100
Other NE					
Region <u>5/</u> -----	38	0	38	62	100
Average-----	80	13	93	7	100
1981:					
Maine-----	71	29	100	0	100
New York-----	<u>3/</u> 100	0	100	0	100
Pennsylvania-----	<u>4/</u> 100	0	100	0	100
Other NE					
Region <u>5/</u> -----	38	0	38	62	100
Average-----	77	15	93	7	100
1982:					
Maine-----	78	22	100	0	100
New York-----	<u>3/</u> 100	0	100	0	100
Pennsylvania-----	<u>4/</u> 100	0	100	0	100
Other NE					
Region <u>5/</u> -----	34	0	34	66	100
Average-----	81	12	92	8	100
1983: <u>6/</u>					
Maine-----	<u>7/</u> 78	<u>7/</u> 22	100	0	100
New York-----	<u>3/</u> 100	0	100	0	100
Pennsylvania-----	<u>4/</u> 100	0	100	0	100
Other NE					
Region <u>5/</u> -----	37	0	37	63	100
Average-----	81	12	93	7	100

1/ Responses to Commission questionnaires and other information indicate that some potatoes grown in the States of Maine, New York, and Pennsylvania are harvested during the summer, i.e., before the "fall-harvested" period beginning September 1. Nevertheless, for the purpose of developing the data in this table, it has been assumed that all potato production in these States

Footnotes for table M-2--Continued

is "fall-harvested," in accordance with the USDA's designation of these States as fall-harvested growing areas. Likewise, the same sources indicate that some potatoes grown in New Jersey and Maryland were harvested or marketed after September 1. Nevertheless, for the purpose of developing the data in this table, it has been assumed that all potato production in New Jersey and Maryland is non-fall-harvested, in accordance with the USDA's designation of these States as summer-harvested growing areas.

2/ Derived by applying the annual percentages of round white potato stocks (which may also include less than 5 percent of round red stocks) in Maine on December 1 of each crop year, as reported by the USDA, to total fall-harvested potato production in Maine in that crop year.

3/ May include some round red potatoes and some russet potatoes.

4/ May include some round red potatoes.

5/ Data for Connecticut, Massachusetts, Rhode Island, and Vermont appear as fall-harvested potatoes, and data for New Jersey, Maryland, and Delaware combined appear as non-fall-harvested potatoes. Data for New Hampshire and the District of Columbia, which are also part of the NE Region, are not available.

6/ Preliminary.

7/ Estimated.

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

Table M-3.--Potatoes: NE Region production sold of fall-harvested round white potatoes, other fall-harvested potatoes, total fall-harvested potatoes, and non-fall-harvested potatoes, crop years 1979/80 to 1982/83

Year and State	Fall-harvested potatoes			Non-fall-harvested potatoes	Total
	Round white	Other	Total		
Production sold (In thousands of hundredweight)					
1979/80:					
Maine-----	2/ 17,821	5,628	23,449	0	23,449
New York-----	3/ 11,694	0	11,694	0	11,694
Pennsylvania-----	4/ 5,268	0	5,268	0	5,268
Other NE					
Region 5/-----	1,832	0	1,832	3,448	5,280
Total-----	36,615	5,628	42,243	3,448	45,691
1980/81:					
Maine-----	2/ 16,443	5,192	21,635	0	21,635
New York-----	3/ 10,107	0	10,107	0	10,107
Pennsylvania-----	4/ 3,773	0	3,773	0	3,773
Other NE					
Region 5/-----	1,858	0	1,858	3,122	4,980
Total-----	32,181	5,192	37,373	3,122	40,495
1981/82:					
Maine-----	2/ 16,618	6,787	23,405	0	23,405
New York-----	3/ 11,140	0	11,140	0	11,140
Pennsylvania-----	4/ 4,778	0	4,778	0	4,778
Other NE					
Region 5/-----	2,059	0	2,059	3,491	5,550
Total-----	34,595	6,787	41,382	3,491	44,873
1982/83:					
Maine-----	2/ 17,573	4,957	22,530	0	22,530
New York-----	3/ 10,995	0	10,995	0	10,995
Pennsylvania-----	4/ 5,384	0	5,384	0	5,384
Other NE					
Region 5/-----	1,775	0	1,775	3,800	5,575
Total-----	35,727	4,957	40,684	3,800	44,484

See footnotes at end of table.

Table M-3.--Potatoes: NE Region production sold of fall-harvested round white potatoes, other fall-harvested potatoes, total fall-harvested potatoes, and non-fall-harvested potatoes, crop years 1979/80 to 1982/83--Continued

Year and State	Fall-harvested potatoes			Non-fall-harvested potatoes	Total
	Round white	Other	Total		
Percent of total production sold					
1979/80:					
Maine-----	76	24	100	0	100
New York-----	3/ 100	0	100	0	100
Pennsylvania-----	4/ 100	0	100	0	100
Other NE					
Region 5/-----	35	0	35	65	100
Average-----	80	12	92	8	100
1980/81:					
Maine-----	76	24	100	0	100
New York-----	3/ 100	0	100	0	100
Pennsylvania-----	4/ 100	0	100	0	100
Other NE					
Region 5/-----	37	0	37	63	100
Average-----	79	13	92	8	100
1981/82:					
Maine-----	71	29	100	0	100
New York-----	3/ 100	0	100	0	100
Pennsylvania-----	4/ 100	0	100	0	100
Other NE					
Region 5/-----	37	0	37	63	100
Average-----	77	15	92	8	100
1982/83:					
Maine-----	78	22	100	0	100
New York-----	3/ 100	0	100	0	100
Pennsylvania-----	4/ 100	0	100	0	100
Other NE					
Region 5/-----	32	0	32	68	100
Average-----	80	11	91	9	100

1/ Responses to Commission questionnaires and other information indicate that some potatoes grown in the States of Maine, New York, and Pennsylvania are harvested during the summer, i.e., before the "fall-harvested" period beginning September 1. Nevertheless, for the purpose of developing the data in this table, it has been assumed that all potato production sold in these States is "fall-harvested," in accordance with the USDA's designation of these States as fall-harvested growing areas. Likewise, the same sources indicate that some potatoes grown in New Jersey and Maryland were harvested or marketed after September 1. Nevertheless, for the purpose of developing the data in this table, it has been assumed that all potato production sold in New Jersey and Maryland is non-fall-harvested, in accordance with the USDA's designation of these States as summer-harvested growing areas.

Footnotes for table M-3--Continued

2/ Derived by applying the annual percentages of round white potato stocks (which may also include less than 5 percent of round red stocks) in Maine on December 1 of each crop year, as reported by the USDA, to total fall-harvested potato production in Maine in that crop year.

3/ May include some round red potatoes and some russet potatoes.

4/ May include some round red potatoes.

5/ Data for Connecticut, Massachusetts, Rhode Island, and Vermont appear as fall-harvested potatoes, and data for New Jersey, Maryland, and Delaware appear as non-fall-harvested potatoes. Data for New Hampshire and the District of Columbia, which are also part of the NE Region, are not available.

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

Table M-4.--Potatoes: NE Region storage stocks of fall-harvested round white potatoes, fall-harvested russet potatoes, and total fall-harvested potatoes, by principal States, December 1 and February 1 of crop years 1979/80 to 1982/83

(In millions of hundredweight)								
Item and State	Crop year--							
	1979/80		1980/81		1981/82		1982/83	
	Dec. : 1	Feb. : 1	Dec. : 1	Feb. : 1	Dec. : 1	Feb. : 1	Dec. : 1	Feb. : 1
Fall-harvested round white potatoes:								
Maine <u>1</u> /-----	17.7	14.1	14.4	11.3	15.1	10.9	17.2	11.5
New York <u>1</u> / <u>2</u> /-----	6.5	2.9	5.0	2.2	5.8	2.4	6.7	3.1
Pennsylvania <u>1</u> /-----	4.2	2.4	3.3	1.9	3.7	2.1	4.6	2.8
Other NE Region-----	1.0	0.1	3/	3/	3/	3/	3/	3/
Total-----	29.4	19.5	22.7	15.4	24.6	15.4	28.5	17.4
Fall-harvested russet potatoes:								
Maine-----	5.6	4.4	4.5	2.6	6.2	4.2	4.8	3.4
New York-----	0	0	0	0	0	0	0	0
Pennsylvania <u>1</u> /-----	0	0	0	0	0	0	0	0
Other NE Region-----	0	0	3/	3/	3/	3/	3/	3/
Total-----	5.6	4.4	4.5	2.6	6.2	4.2	4.8	3.4
Total fall-harvested potatoes:								
Maine-----	23.3	18.5	18.9	13.9	21.3	15.1	22.0	14.9
New York-----	6.5	2.9	5.0	2.2	5.8	2.4	6.7	3.1
Pennsylvania <u>1</u> /-----	4.2	2.4	3.3	1.9	3.7	2.1	4.6	2.8
Other NE Region-----	1.0	0.1	3/	3/	3/	3/	3/	3/
Total-----	35.0	23.9	27.2	18.0	30.8	19.6	33.3	20.8

1/ Includes small quantities (less than 5 percent) of round red potatoes.

2/ Includes small quantities (less than 5 percent) of russet potatoes.

3/ Not available.

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

APPENDIX M

**CONCLUSIONS OF THE 1982 AGRIFAX POTATO FARM
SUMMARY--AROOSTOOK COUNTRY**

CONCLUSIONS OF THE
1982 AGRIFAX POTATO FARM SUMMARY--AROOSTOOK COUNTY

- . The 1982 Agrifax Potato Farm Summary analyzes the financial records of 33 Aroostook County potato farms subscribing to Agrifax. These farms planted an average of 173 potato acres in 1982, and obtained average yields of 289 cwt. per acre.
- . Potato prices during the 1982 crop year were significantly below 1981 levels, causing large declines in potato farm revenues.
- . Costs of Aroostook potato production remained relatively stable in 1982. These costs had been increasing at a 15 percent annual rate from 1978 through 1981.
- . Net Farm Income averaged a loss of \$85 per potato acre in 1982. This indicates that many Aroostook growers could not cover operating costs from 1982 cash revenues.
- . Although the 1982 potato crop resulted in negative cash flow, the average Aroostook potato farmer's Reserve Debt Capacity is positive when averaged over the last three years.
- . Net Earnings, the Agrifax measure of overall farm profitability, averaged a loss of \$279 per acre of potatoes in 1982. These losses were equivalent to 21 percent of farm equity for the average grower.
- . Compared to large losses for the average grower, the Top 25% most profitable farms earned a 6.7 percent Return on Equity. Their success was largely due to effective cost control and a higher than average price received for their potatoes. Greater yields per acre also played a role.
- . Farms obtaining yields of less than 250 cwt. per acre lost more than farms with higher yields. Above 250 cwt. per acre, however, there was little correlation between yield and profit in 1982.
- . Farm size was not a significant factor to differences in profitability among farms.
- . Farms selling at least part of their potatoes on contract for processing in 1982 were more likely to be profitable than farms selling potatoes for tablestock and certified seed. This situation resulted from the lower costs, stable contract prices, and higher yields associated with potatoes destined for the processing market.

APPENDIX O
THE MAINE BAG PROGRAM

THE MAINE POTATO QUALITY CONTROL BOARD

A Maine potato industry board nominated by key potato industry organizations to:

(1) Develop stricter grade standards for Maine identified potatoes -- standards more rigid than U.S. No. 1 and standards that met consumer survey result demands for closer sizing and resistance to sprouting.

(2) Implement an incentive program within the State of Maine that would encourage grower/shippers to pack and ship the new standard grades.

(3) Develop a method of quality assurance that would assure the receiver of consistent quality with the new grade standards.

The seven member board meets regularly to ensure standards are being met and to direct the work of its executive director in carrying out the program.

WHAT IS THE MAINE BAG?

Any consumer pack of potatoes (50 lbs. or less) which carries the word "Maine" in letters larger than $\frac{1}{4}$ " or the outline of the shape of the State.

THE MAINE BAG GRADES ARE:

Fancy Maine Grade

At a minimum, all potatoes except russets packed in the MAINE BAG must be $2\frac{1}{4}$ " minimum, 4" maximum, with no more than $1\frac{1}{2}$ " spread, U.S. No. 1, Size A. Potatoes in packages less than 50 lbs. must be washed and fairly clean to clean, mostly clean.* Potatoes in packages of 50 lbs. may be dry and fairly clean. All potatoes in packages of less than 50 lbs. must be treated with sprout inhibitor after February 1st.

Maine Grade

At a minimum, all potatoes except russets packed in a MAINE BAG must be 2" minimum, 4" maximum, with no more than $1\frac{3}{4}$ " spread, U.S. No. 1, Size A, FAIRLY CLEAN, WASHED OR DRY. All potatoes in packages of less than 50 lbs. must be treated with sprout inhibitor after February 1st.

Maine Russet Grade

At a minimum, all russet potatoes packed in a MAINE BAG must be fairly clean, fairly well-matured, U.S. No. 1, 2" or 4 oz., washed. All russet potatoes must be treated with sprout inhibitor. The Maine Russet Grade is packed under the specifications of the Maine State Russet Market Order currently in effect.

*"Fairly clean to clean, mostly clean" means that a minimum of 55% in any lot meets the U.S. standards for "clean" and the remaining percentage meets the standards for "fairly clean."

INSPECTED POTATOES

Inspection is the heart of the MAINE BAG program. In fact, a well-graded product is so important that the Quality Control Board and the State of Maine Legislature are cooperating to reduce the cost of inspection of MAINE BAG loads to less than half the regular inspection price. High volume packers are using full-time contract inspectors for quality assurance.



Federal/State Inspection of
Maine Potatoes

APPENDIX P
ECONOMETRIC ANALYSIS OF PRICES

The effect of changes in supply on the price of potatoes has been estimated through several studies. Although the studies were based on different data sets, they all resulted in the conclusion that if potato production increases by 1 percent, prices will fall by at least 2 percent. A 1967 USDA study estimated that a 1-percent increase in the total production of potatoes in the United States results in a 5-percent decrease in the retail price of potatoes. ^{1/} It was estimated through a 1981 USDA study that a 1-percent increase in the production of Maine potatoes lowers the real farm price ^{2/} of Maine potatoes by approximately 2 percent. ^{3/} A study as yet unpublished by Dr. Alan Kezis and Paul Fackler of the University of Maine resulted in the estimate that a 1-percent increase in the production of Maine potatoes lowers the price of Maine potatoes by 3.76 percent.

Analysis by the Commission staff found that a 1-percent increase in the supply of fall-harvested potatoes produced in the NE Region lowers the real price of Maine potatoes by 2.2 percent (a 1-percent increase is about 460,000 hundredweight). The analysis also found that a 1-percent increase in the U.S. supply of fall-harvested potatoes produced outside the NE Region (about 2,500,000 hundredweight) lowers the real price of Maine potatoes by 2.2 percent, and a 1-percent increase in U.S. imports of potatoes from Canada (about 30,000 hundredweight) lowers the real price of Maine potatoes by 0.2 percent.

The staff's econometric model is based on annual data from crop years 1957/58 through 1981/82. The analysis explains movements in the price of round white potatoes. The analysis assumes that different types of potatoes are substitutes for each other. The price received by Maine farmers for potatoes (P) was used as a proxy for the price of all round white potatoes. ^{4/} Approximately 75 percent of all potatoes produced in Maine are round white. The price of Maine potatoes was assumed to be related to the size of the potato crop in the Northeastern Region (NE), which is approximately 86 percent round white; the size of the potato crop in the rest of the United States (US), which is approximately 13 percent round white; and imports (both tablestock and seed) from Canada (M), which are approximately 60 percent round white. Larger crop sizes and higher imports should lower the price of Maine potatoes by increasing the supply of potatoes on the market. In addition, the price of potatoes was assumed to be related to U.S. gross national product (GNP). An increase in GNP should increase the price of potatoes by increasing the demand for potatoes.

^{1/} Olman Hee, Demand and Price Analysis For Potatoes, U.S. Department of Agriculture, Technical Bulletin No. 1380, July 1967.

^{2/} A real price is a price adjusted for inflation.

^{3/} Allen B. Paul, Kandice H. Kahl, and William G. Tomek, U.S. Department of Agriculture, Performance of Future Markets: The Case of Potatoes, Technical Bulletin No. 1636, January 1981.

^{4/} The correlation between the price received by Maine farmers for round white potatoes and the wholesale price of round white potatoes in Boston and New York City is about 0.97.

To eliminate the possibility of any spurious results caused by 25 years of inflation, the nominal price of Maine potatoes was divided by the GNP food deflator, and the GNP was divided by the GNP aggregate deflator. Because preliminary results indicated that the regression residuals were autocorrelated, a regression technique was used that corrected for autocorrelation. The model was specified in log-linear form. As a result, the estimated coefficients can be interpreted as elasticities.

The results of the regression are given below. The numbers in parentheses are t-values. T-values that are significant at the 5-percent level are denoted by an asterisk.

$$\ln P = 7.10 - 2.20 \ln NE - 2.16 \ln US - 0.17 \ln M + 2.01 \ln GNP$$

(1.04) (-3.02*) (-2.63*) (-1.12) (1.69) $R^2 = 0.52$

The model was able to explain about one-half of the movement of real Maine potato prices since 1957. ^{1/} The sizes of the potato crop in both the NE region and in the rest of the United States were found to be significant explanatory variables. A 1-percent increase in the output of potatoes in either region should lower the price of potatoes by about 2.2 percent. A 1-percent increase in the production of Northeastern potatoes would be an increase of about 460,000 hundredweight, whereas a 1-percent increase in the production of potatoes in the rest of the United States would be an increase of about 2,500,000 hundredweight. Thus, to have the same effect on the price of Maine potatoes, potato production in the NE Region would have to increase by 460,000 hundredweight, whereas production in the rest of the United States would have to increase by 2,500,000 hundredweight. Potato production in the rest of the United States would have to increase by more than production in the NE Region, because russet potatoes are not perfect substitutes for round white potatoes and because Northeastern potatoes are sold primarily in the NE Region, whereas potatoes from the rest of the United States are sold throughout the country.

The coefficient on the import variable was small (0.17) and not significantly different from 0. This indicates that the effect of imports on Maine potato prices was probably not very great over the past 25 years. Throughout much of this period, imported Canadian potatoes held a small share of the market. The sharp increase in imports in recent years, however, has increased the possibility that imported potatoes have affected Maine potato prices. The small coefficient on the import variable indicates that potato imports would have to increase by about 390,000 hundredweight to have the same effect on the price of Maine potatoes that a 460,000 hundredweight increase in the production of potatoes in the NE Region or a 2,500,000 hundredweight increase in the production of potatoes in the rest of the United States would have.

^{1/} Models that use real prices rather than nominal prices tend to explain much less of the variance in prices, because the upward trend of nominal prices caused by inflation is eliminated. For example, a model that used nominal prices and nominal GNP, but was otherwise identical to the model described in this section, explained about 70 percent of the variation in nominal prices.

