CERTAIN TABLE WINE FROM THE FEDERAL REPUBLIC OF GERMANY, FRANCE, AND ITALY

Determinations of the Commission in Investigations Nos. 701-TA-258-260 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

Determinations of the Commission in Investigations Nos.731-TA-283-285 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

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Note.—Data which would disclose confidential operations of individual concerns may not be published and therefore have been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigations Nos. 701-TA-258-260 (Preliminary)
and 731-TA-283-285 (Preliminary)

CERTAIN TABLE WINE FROM THE FEDERAL REPUBLIC OF GERMANY, FRANCE, AND ITALY

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from the Federal Republic of Germany, France, and Italy of certain table wine 2/, provided for in item 167.30 of the Tariff Schedules of the United States (TSUS), which are alleged to be subsidized by the Governments of the Federal Republic of Germany (investigation No. 701-TA-258 (Preliminary)), France (investigation No. 701-TA-259 (Preliminary)), and Italy (investigation No. 701-TA-260 (Preliminary)).

The Commission also determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from the Federal Republic of

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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/ "Certain table wine" is defined as still wine produced from grapes, containing not over 14 percent of alcohol by volume, in containers each holding not over 1 gallon, other than wines categorized by the appropriate authorities in the Federal Republic of Germany as "Qualitatswein mit Pradikat," in France as "Appellation d'Origine Controlee" or "Vins Delimites de Qualite Superieure," and in Italy as "Denominazione di Origine Controllata."

Germany (investigation No. 731-TA-283 (Preliminary)), France (investigation No. 731-TA-284 (Preliminary)), and Italy (investigation No. 731-TA-285 (Preliminary)) of certain table wine, provided for in TSUS item 167.30, which are alleged to be sold in the United States at less than fair value (LTFV).

Background

On September 10, 1985, petitions were filed with the Commission and the Department of Commerce by counsel on behalf of the American Grape Growers Alliance for Fair Trade, alleging that imports of the subject merchandise are being subsidized and are being sold in the United States at less than fair value. Accordingly, effective September 10, 1985, the Commission instituted preliminary countervailing duty and antidumping investigations under sections 703(a) and 733(a), respectively, of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise.

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of September 18, 1985 (50 F.R. 37919). The conference was held in Washington, DC, on October 1, 1985, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

On the basis of the record in investigations Nos. 701-TA-258-260 and 731-TA-283-285 (Preliminary), we determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of ordinary table wine from the Federal Republic of Germany (FRG), France or Italy allegedly subsidized and allegedly sold at less than fair value (LTFV). 1/

Summary

There is a reasonable indication that some domestic producers of ordinary table wine and growers of grapes used to produce ordinary table wine are experiencing material injury. 2/ However, we do not find a reasonable indication of a causal connection between any such problems and the subject imports. The total volume and market penetration of the subject imports has remained relatively flat during the period of investigation. Furthermore, we have found no indication of significant underselling and no indications of significant price suppression, price depression or lost sales by reason of the subject imports. Consequently, we find that the subject imports have had no adverse impact on the domestic industry. 3/

1/ Material retardation of an industry is not an issue in these investigations and will not be discussed further.

2/ Chairwoman Stern does not believe it necessary or desirable to make a determination on the question of material injury separate from the consideration of causality. She joins her colleagues by concluding that the domestic industry is experiencing economic problems.

3/ *See* Vice Chairman Liebeler's Additional Views, *infra*.

The Commission has made its determinations on the entire record for the period under investigation, 1982-84 and partial year 1985, based upon the best information available to it. 19 U.S.C. §§ 1671b(a), 1673b(a). 4/ 5/ 6/

I. Definition of domestic industry

Section 771(4)(A) of the Tariff Act of 1930, as amended by the Trade and Tariff Act of 1984, defines the term "industry" in countervailing duty and antidumping duty investigations as:

4/ Some respondents have argued that the Commission need only consider that information which "updates" the information of record in Certain Table Wine from France and Italy, Invs. Nos. 701-TA-210-211 and 731-TA-167-168 (Preliminary), USITC Pub. 1502 (Mar. 1984) (Table Wine I), i.e., the information relating to the condition of the industry and the effect of imports since the end of the period that was the subject of that investigation. We reject this argument. In making these determinations, the Commission considered the full record before it.

5/ Some respondents have argued that the petitions should be dismissed because they were not filed "on behalf of an industry" within the meaning of 19 U.S.C. §§ 1671a, 1673a. These respondents refer to the recent decision of the Court of International Trade in Gilmore Steel Corp. v. United States, 585 F. Supp. 670 (CIT 1984), where the Court affirmed the Department of Commerce's (Commerce) dismissal of an antidumping petition (insofar as it related to LTFV sales and injury to a national industry) which was not supported by a majority of the industry. Id. at 675-77.

We note that the wineries which support the petitions constitute significantly less than one-fifth of domestic shipments. Some wineries oppose the petitions. A few wineries, including Gallo, the largest, had to be subpoenaed to supply information. Further, Gallo had to be ordered by the U.S. District Court to furnish information. However, while the degree of support for a petition is a fact which is a part of the record being considered by the Commission, the authority to dismiss a petition on the grounds that it is not "on behalf of an industry" belongs to Commerce, not the Commission.

6/ Chairwoman Stern notes that the logic behind her determinations in the present investigations is similar to that underlying her findings in Certain Table Wine from France and Italy, Invs. Nos. 701-TA-210-211 and 731-TA-167-168 (Preliminary), USITC Pub. 1502 (Mar. 1984) (Table Wine I). All information in the present case was examined de novo. Certain differences from its predecessor are present: (1) the statutory provisions regarding domestic products and cumulation have been amended; (2) the imports being investigated include those from the FRG; (3) the period of investigation covers a different 18-month period; and (4) the wine cooler market has expanded. Each of these points was seriously considered in reaching her determination.

Table Wine I is currently on appeal; American Grape Growers Alliance for Fair Trade v. United States, Ct. No. 84-04-00575 (CIT), Appeal No. 85-2717 (CAFC).

> 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; except that in the case of wine and grape products subject to investigation under this title, the term also means the domestic producers of the principal raw agricultural product (determined on either a volume or value basis) which is included in the like domestic product, if those producers allege material injury, or threat of material injury, as a result of imports of such wine and grape products. 7/

In this particular case, then, the industry would be composed of the wineries producing the like product and the grape growers whose grapes are used in the like product.

a. Like product

Section 771(10) defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to [the] investigation." 8/

The "article subject to [the] investigation" under 19 U.S.C. § 1677(10) is that which is defined in the notice of initiation by Commerce. The product covered by Commerce's investigations is "ordinary table wine, defined as still wine produced from grapes containing not over 14 percent alcohol by volume, and in containers each holding not over 1 gallon." 9/ The product is "currently classifiable in the Tariff Schedules of the United States,

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7/ 19 U.S.C. § 1677(4)(A).
8/ 19 U.S.C. § 1677(10).
9/ 50 Fed. Reg. 40580-86 (Oct. 4, 1985). Appendix B of the Report of the Commission (Report) contains Commerce's notices at B-5-B-14.

Annotated (TSUSA), under items 167.3005, 167.3015, 167.3025, 167.3030, 167.3045, and 167.3060." 10/

The imported products from France and Italy which are the subject of these investigations are the same products which were the subject of the Commission's previous determinations in Table Wine I. In those investigations, the Commission defined the "like product" as all ordinary table wine, a classification which includes generic, semi-generic, and nonpremium varietal wines. 11/ That "like product" definition included wine coolers. 12/

In the present investigations, several questions have been presented with respect to the appropriate definition of "like product." First, in the present case, petitioners have sought to exclude nonpremium varietal wines from the definition of "like product." This is inconsistent with the petitioners' prior position and the Commission's decision in Table Wine I. The reason petitioners give for this change in position is that "lower quality 'appellation' wines from Italy, France and the FRG are not a subject of this Petition." 13/ It is clear, however, that there are imports of nonpremium

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10/ Id. In its notice initiating investigations with respect to the FRG, Commerce states that in Germany such wines are commonly denominated as "Tafelwein" or "Qualitaetswein," but do not include wines designated as "Qualitaetswein mit Praedikat." 50 Fed. Reg. at 40583. In its notice initiating investigations with respect to France, Commerce states that such wines are commonly denominated as "vins de pays" (country wine), "vins de table," (table wine) and "vin ordinaire" (ordinary wine), but do not include wine categorized as "Appelation d'Origine Controlee" or "Vins Delimites de Qualite Superieure." 50 Fed. Reg. at 40581. In its notice initiating investigations with respect to Italy, Commerce states that such wines do not include wine categorized as "Denominazione di Origine Controllata." 50 Fed. Reg. at 40584. While Commerce does not specifically so state, its investigations also appear to cover noncontrolled Lambrusco and Lambrusco-type wines, at least as far as Italy is concerned.

11/ Table Wine I at 4-6.

12/ Id. at 6-7, n. 11.

13/ Petition at 17.

varietal wines that are not "appellation" wines and are encompassed by these investigations. We, therefore, cannot accept petitioners' argument.

Second, petitioners have argued that wine coolers should not be included in that definition, a position contrary to the Commission's decision in Table Wine I. However, as mentioned, the Commission's decision in the present cases is based on the present record which details the considerable development of the wine cooler market.

Wine coolers are generally a mixture of ordinary table wine (50 percent, usually white), carbonated water, and non-grape fruit juices. They are sweeter than most table wines and contain from 4 to 6 percent alcohol (compared to 10 to 14 percent for most table wines). 14/ The imported merchandise (at least as far as imports from Italy are concerned) includes Lambrusco-type wines. These are sweet wines of relatively low alcoholic content (about 9 percent) and lightly carbonated (semi-sparkling). However, wine coolers have an even lower alcoholic content than Lambrusco-type wines, and include other, non-grape, fruit juices. Furthermore, wine coolers are marketed in 12-oz. bottles in 4- or 6-packs, whereas Lambrusco-type wines are normally sold in 750 ml. or 1.5 l. bottles (although Banfi has recently begun to promote a 187 ml. (6.3 oz.), 4-pack version of Riunite, known as the "Cutie"). 15/

14/ Report at A-5.

15/ At least one respondent has argued that the Commission "exclude" Lambrusco-type wines and wine coolers from the investigation or that the Commission analyze them as a distinct industry. The Commission, of course, cannot exclude Lambrusco-type wines from the class or kind of imported merchandise which is subject to these investigations. Respondent's argument may be taken as one for defining wine coolers as a separate "like product" on the basis that wine coolers are not sufficiently similar in characteristics and uses with traditional still table wines, a point conceded by petitioners. The premise of this argument is that wine coolers can be treated as a like product that is like the imported product, namely, Lambrusco. We have concluded that wine coolers are not "like" the imported products.

Based on the distinctions noted above, we determine that wine coolers are not "like" the imports from the FRG, France, or Italy. 16/

Third, there is the question of defining the domestic products which are "like" the imports from the FRG, a question which is considered in these cases for the first time. Imports from Germany were not the subject of the Commission's previous investigations and, therefore, the question of "like product" is raised with respect to such imports for the first time in these cases.

Nearly all imports from Germany are of still, white wine, most of which is designated as "Qualitatswein" under the German wine law, and thus covered by the subject investigations. 17/ Under the German wine law, wines are categorized (in ascending order of quality) as Tafelwein, Qualitatswein, and Qualitatswein mit Pradikat. Few conclusions can be safely drawn about the subject FRG imports on the basis of what is known about the FRG wine law. 18/ Therefore, for purposes of this preliminary investigation, we determine that the product "like" the subject FRG imports is ordinary table wine as defined above.

16/ The definition of "wine" in Title 9 of the Trade and Tariff Act of 1984 is not controlling. This is because the starting point for the definition of a "like product" depends on the class or kind of imported merchandise which may be defined differently (and more narrowly) than the Title 9 definition of wine.

17/ Many respondents representing German wine interests have argued that German "Qualitatswein" should not be included in these investigations. The Commission cannot alter the class or kind of imported merchandise subject to these investigations because such determinations are within the purview of Commerce. It can, however, decide that those domestic products "like" the imported Qualitatswein are sufficiently distinct from ordinary table wine to justify finding a separate like product.

18/ <u>See</u> Report at A-12.

b. Domestic producers

Several domestic wineries produce nonpremium table wine. 19/ The principal raw agricultural product for nonpremium table wine is grapes. In this case, which involves nonpremium table wine, the principal agricultural product would be those grapes which are actually used or grown primarily for the purpose of making nonpremium table wine. 20/ There are thousands of grape growers whose grapes are used in the production of nonpremium table wine. 21/

Related parties

Some U.S. firms which produce ordinary table wine also import this product. At the conference, petitioners argued that such firms should be excluded under the "related parties" provision. 22/ The question therefore arises whether any of these firms should be excluded from the "industry" under the "related parties" provision of the statute, 19 U.S.C § 1677(4)(B):

> When some producers are related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped merchandise, the term 'industry' may be applied in appropriate circumstances by excluding such producers from those included in that industry.

The provision calls for exercise of the Commission's discretion. The Commission is not to include domestic producers if their relation to the importers protects them from injury and if their inclusion would skew the

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19/ The major companies are listed in the Report at A-11.

20/ The Report states that "in California, the trade excludes from the class of wine varieties those grown primarily for raisins or for the table (fresh)." *Id*. at A-6, n. 1.

21/ These are not listed in the Report because of their large numbers, but statistical data about them are analyzed. *Id*. at A-8-A-10.

22/ Transcript of the conference (Tr.) at 259-60.

economic data. Nor are domestic producers to be excluded if they constitute such a major proportion of the total industry that their exclusion would severely distort industry data. The Commission did not apply the related parties doctrine in Table Wine I, because the producer in question was a major producer and its imports were relatively small. In the present investigation, we are aware of three domestic wineries which also import. Two of these wineries are major producers of nonpremium table wine, and their imports are small relative to their production. The third is a very small winery; its inclusion in the domestic industry would not skew the aggregate data.

II. Condition of the domestic industry

In making a determination as to the condition of the domestic industry, the Commission considers, among other factors, whether there are declines in consumption, production, capacity, domestic shipments, inventories, employment, and financial data. 23/

Wineries--Apparent U.S consumption of nonpremium table wine declined from 345.5 million gallons in 1982 to 333.8 million gallons in 1984, or by 3.4 percent. 24/ 25/

23/ 19 U.S.C. § 1677(7)(C)(iii).

24/ Report at A-17.

25/ These numbers do not include wine coolers, for which consumption rose from about 7.7 million gallons in 1983 to 36.7 million gallons in 1984. Id. at A-16. Although the Commission has not defined the like product to include wine coolers, given the importance of this product to the domestic industry which also produces the like product under investigation, no discussion of the industry would be complete without a discussion of wine coolers. We did not consider wine coolers in considering whether there is a reasonable indication that the nonpremium table wine industry is experiencing material injury.

Domestic production of all wine declined irregularly from 1982 to 1984 from 550 million gallons to 438 million gallons. 26/ 27/

Capacity, defined in terms of total storage capacity for all wine, increased from 1,007 million gallons in 1982 to 1,059 million gallons in 1984. 28/

Domestic shipments of nonpremium table wine declined nearly 7 percent during 1982-84, from 262.6 million gallons in 1982 to 245.1 million gallons in 1984. The level of shipments for January-June 1985 declined 6.3 percent when compared to shipment levels for January-June 1984. 29/ 30/

Inventories of all table wine, in both bottled and bulk form, rose irregularly from 1982 to 1984. 31/ However, questionnaire data from producers accounting for 61 percent of shipments of nonpremium table wine indicate that their year-end inventories of bottled nonpremium table wine declined from 28.0 million gallons in 1981 to 23.4 million gallons in 1984. Inventory levels as of June 30, 1985, declined 2.6 percent from June 30, 1984. 32/

The number of workers employed in the production of nonpremium table wine by these firms declined by 7.2 percent between 1982 and 1984, and then

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26/ Id. at A-23. These figures are based on the amount of standard wine removed from fermenters (as reported by the BATF) and include all grape wine. The Commission was unable to obtain meaningful data on the production of ordinary table wine.

27/ In marked contrast, questionnaire data indicate that production of wine coolers multiplied spectacularly from 1982 to 1984. Id. Specific numbers for wine coolers are confidential because of the limited number of producers. Therefore, much of the discussion is necessarily general.

28/ Id. at A-24. These figures are for California, which accounts for approximately 90 percent of total U.S. storage capacity.

29/ Id. at A-25.

30/ Industry sources estimate that domestic shipments of wine coolers grew from 7.7 million gallons in 1983 to 36.7 million gallons in 1984. Id. This trend is similar to that indicated by responses to the Commission's questionnaire.

31/ Id. at A-27.

32/ Id.

decreased by 2.5 percent in the first half of 1985 over the corresponding period of 1984. 33/ A similar trend occurred in the number of hours worked. 34/ Wages paid and total compensation both declined overall between 1982 and 1984; data for January-June 1985 also show a decline when compared to January-June 1984. 35/

Ten wineries, accounting for approximately 83 percent of domestic shipments of nonpremium table wine in 1984, furnished useable financial data. 36/ Net sales of nonpremium table wine declined from $947 million to $843 million, or by 11 percent, between 1982 and 1983, and then rose 3 percent to $869 million in 1984. 37/ Net sales fell 8 percent to $436 million during interim 1985, compared with net sales of $476 million during the corresponding period of 1984. 38/ The 10 wineries sustained an aggregate operating loss of $5.4 million, or 0.6 percent of net sales during 1984, compared with operating incomes of $34.2 million, or 3.6 percent of net sales, and $29.0 million, or 3.4 percent of net sales, during 1982 and 1983, respectively. 39/ Operating income declined slightly to $27.2 million, or 6.2 percent of net sales, during interim 1985, compared with an operating income of $29.8 million, or 6.3 percent of net sales, during the corresponding period of 1984. 40/ Six of the 10 reporting firms sustained operating losses in 1982. 41/ Seven wineries sustained such a loss in 1983, as did eight wineries in 1984, and six in each

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33/ *Id*. at A-28.
34/ *Id*.
35/ *Id*.
36/ Two other companies, accounting for nearly 5 percent of shipments, responded to the Commission questionnaire, but did not provide financial data in the form requested.
37/ Report at A-29.
38/ *Id*.
39/ *Id*.
40/ *Id*.
41/ *Id*.

of the interim periods. 42/ Together, the 10 wineries had aggregate positive cash flows in each of the reporting periods. 43/

Grape growers 44/--During 1982-84, U.S. production of grapes declined steadily from a record high 6.6 million tons in 1982 to 5.2 million tons in 1984. 45/ In California, the quantity of all grapes crushed decreased from 3.1 million tons in 1982 to 2.3 million tons in 1983, or by 26.0 percent, and then increased by 10.7 percent to 2.6 million tons in 1984. 46/ Bearing acreage for all California grapes and for wine grapes increased from 1982 to 1984. 47/

Employment during the January pruning season increased 2.6 percent from 1983 to 1984 and then declined 14.4 percent from 1984 to 1985. 48/ Pruning season wages rose steadily from $3.82 per hour in January 1983 to $4.17 per hour in January 1985. 49/ Employment during the September harvest season rose 27.3 percent from 1983 to 1984 and 0.3 percent from 1984 to 1985. 50/ Harvest season wages were virtually unchanged during 1983-85. 51/

In assessing the financial experience of wine grape growers, the Commission reviewed questionnaires of more than 1,000 grape growers who

42/ Id.
43/ Id.
44/ The Commission has made every effort to segregate the data on producers of grapes which are used for wine from other grapes used for other purposes. Information on the financial condition of the grape growers is taken from questionnaires submitted by growers that derived the majority of their revenues during 1982-84 from grapes used to produce wine. Id. at A-21. Information on other injury factors was derived from statistics of the Wine Institute and the California Crop and Livestock Reporting Service.
45/ Id. at A-17.
46/ Id. at A-18.
47/ Id. at A-9.
48/ Id. at A-21.
49/ Id.
50/ Id.
51/ Id.

responded to a survey conducted by petitioners and aggregated the responses of 73 growers that indicated that they derived a majority of their revenues from grapes used in wine. 52/ Gross revenue declined from $37.8 million in 1982 to $28.4 million in 1983, then dropped to $25.9 million in 1984. 53/ While the gross revenue decline from 1982 to 1983 amounted to 24.9 percent, expenses decreased by only 3.7 percent, from $48.1 million in 1982 to $46.3 million in 1983. 54/ In 1984, gross revenue was down 8.9 percent to $25.9 million while expenses remained virtually unchanged at $46.3 million. 55/ The aggregate loss doubled from 1982 to 1984, from $10.3 million to $20.5 million. 56/ The ratio of loss to revenue deteriorated sharply from 27.3 percent in 1982 to 79.1 percent in 1984. 57/ In 1982, 40 of the 73 growers reported income after expenses while only 10 of the 73 did so in 1984. 58/

In summary, the foregoing data provide a reasonable indication that the domestic industry is experiencing material injury. 59/ However, the Commission is required to determine whether or not there is a reasonable indication that any such material injury is caused by the subject imports. The following discussion will show that there is no reasonable indication that any material injury experienced by the domestic industry has been caused by the subject imports or that such imports threaten any such material injury.

52/ Id. at A-21-A-22.
53/ Id.
54/ Id.
55/ Id.
56/ Id.
57/ Id.
58/ Id.
59/ See note 2, supra.

III. No reasonable indication of material injury or threat thereof by reason of the subject imports

a. Cumulation

In Table Wine I, the Commission decided not to cumulate the impact of imports from France and Italy. Since the time of the earlier investigation, the statute has been amended to specifically provide for cumulation as follows:

> (iv) Cumulation.--For purposes of clauses (i) and (ii), the Commission shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United States market.

The imports from the FRG, France and Italy are all before us at the same time and have been in the market at the same time and, therefore, the last two criteria have been met. The best information available indicates that there is sufficient competition among the imported products and between those imported products and the imported like product. 60/ Therefore, we have cumulated the impact of imports for purposes of this preliminary investigation.

b. Causation 61/

The statute directs the Commission to assess the effects of imports on the domestic industry according to the significance of the following factors, among others: (1) volume; (2) effect on pricing; and (3) the impact of the imports on the domestic industry.

The cumulated volume of imports of all table wine from the FRG, France and Italy rose from 94.3 million gallons in 1982 to 106.7 million gallons in

60/ Chairwoman Stern and Vice Chairman Liebeler note that they have cumulated only for the purposes of this preliminary investigation and emphasize that should this industry be examined again, the question of cumulation would be an open one.

61/ Vice Chairman Liebeler joins in this section to the extent that it is consistent with the analysis set forth in her Additional Views, infra.

1984. In contrast, the cumulated volume of imports of ordinary table wine from the three countries, reported by questionnaire respondents, decreased slightly from 39.7 million gallons in 1982 to 39.2 million gallons in 1984. In the interim period January-June 1985, imports totaled 19.9 million gallons, up slightly from the same period in 1984. The cumulated market penetration rose somewhat from 21.5 percent in 1982 to 24.1 percent in 1984. In the interim period January-June 1985, import penetration was 24.6 percent, compared to 22.6 percent in the same period in 1984. 62/

High inventories of table wine at the beginning of the 1984 grape growing season and an 11 percent increase in the quantity of grapes crushed in 1984 accompanied the 1984 decrease in the price of grapes crushed. In addition, the approximately 1 million gallon increase in nonpremium table wine from France, Italy, and the FRG during 1984 could have displaced no more than approximately 6,000 tons of domestic grapes, which is about 0.2 percent of the 1984 California grape crop that was crushed. Although table wine inventories were even higher at the beginning of the 1983 growing season compared to the 1984 growing season, prices of grapes crushed in 1983 dipped only about 2 percent below their 1982 level as the quantity of grapes crushed dropped approximately 26 percent below the 1982 crush level. During 1983, imports of the subject wine from France, Italy, and the FRG increased by about 5 million gallons. Such an increase could have displaced only about 29,000 tons of

62/ In 1984, imports of ordinary table wine from the FRG accounted for approximately 3.6 percent of domestic consumption. In 1983, imports of ordinary table wine from Italy accounted for approximately 14.6 percent of domestic consumption. However, these imports have held a relatively flat share of the domestic market during the 1982-84 period which is the focus of our investigation. The ratio of imports of ordinary table wine from France increased from 4.1 percent in 1982 to 6.3 percent in 1984.

domestic grapes which is equivalent to approximately 1.3 percent of the 1983 California grape crop which was crushed. Assuming this tonnage could have been sold to domestic wineries, domestic grapes sold in 1983 to be crushed would still be about 25 percent less than in 1982.

The petitioners presented an econometric model entitled, "The Impact of Wine Imports on the U.S. Wine Industry." According to the petitioners, the model demonstrates that:

> the primary factor leading to reduced domestic wine sales [since the mid-1970's] has been wine imports. As a result of reduced domestic sales due to imports, earnings on long-term investments . . . have turned into huge losses, led to depreciation in asset values, resulted in increased debt, and financial failure.

Petitioners state that total table wine imports from 1980-84 "reduced returns to grape producers by $1.8 billion, of which $1.3 billion was caused by imports from France, Germany, and Italy."

The Commission has considered the petitioners' model. This model contains several weaknesses which limit its usefulness to the Commission. These weaknesses include: (1) use of price measures that led to an upward bias in domestic prices and a downward bias on import prices; (2) use of unit values as proxies for actual prices; (3) use of import data without specifying the country source; (4) not explicitly accounting for significant competitive factors in the U.S. wine market, like product promotion, and competition between domestic producers; and (5) lack of tests of the model's validity during periods of alleged injury given that the model estimated with data during 1947-83. 63/ The model is thus too speculative and biased and its results unreliable.

63/ Economics memorandum EC-I-395 (Oct. 21, 1985), Econometric Model of the U.S. Wine Industry, Certain Table Wine, Invs. Nos. 701-TA-258-260 and 731-TA-282-285 (Preliminary).

Wine prices

Price comparisons 64/

We have compared the prices of the imports from each of the countries to determine if there are any instances of underselling or price suppression. Price comparisons were based on sales to distributors, where competition between the domestic and imported table wine first occurs. 65/ Domestic wineries quote prices of wine sold to distributors f.o.b. their winery, including the Federal excise tax. Some importers sell their wine to distributors f.o.b. their U.S. warehouse or f.o.b. the port of entry, also including the Federal excise tax. Distributors that import directly, however, pay a price f.o.b. the foreign winery or port (including a commission to the foreign winery's U.S. agent) and must pay the Federal excise tax and other charges to bring the foreign wine to their U.S. location.

The Commission's price comparisons were based on prices to distributors provided in response to the Commission's questionnaire by both domestic producers and importers. 66/ This information is more complete and precise

64/ Vice Chairman Liebeler does not join in this subsection. See her Additional Views for a discussion of the probative value of data on "underselling" and "overselling," infra.

65/ While we agree with petitioners that price is a significant factor in this investigation, we note that the particular price comparisons suggested by petitioners comport neither with Commission precedent nor the realities of the marketplace, as discussed herein.

66/ The Commission requested f.o.b. selling price data in the United States from domestic wineries and importers of the French, Italian, and FRG nonpremium table wines. In instances where the distributor imported directly, typically through the foreign winery's U.S. agent, price data obtained were the c.i.f. landed, duty-paid, port-of-entry cost plus the Federal excise tax and any brokerage or handling fees. Such a landed cost price is comparable to U.S. f.o.b. selling prices reported by domestic wineries and by some importers that sell the foreign wine out of their U.S. warehouses.

than the affirmation price data provided by petitioners. 67/ The questionnaire price data were based on actual sales of specified wine brands to specific customers. The price data supplied by petitioners were affirmation prices from Massachusetts and Kansas, which were not based on actual sales data; wine prices in the other 48 states were not presented by the petitioners.

Petitioners showed price comparisons based on the "affirmed" f.o.b. domestic winery price and the "affirmed" f.o.b. foreign port price. Such foreign f.o.b. prices are not comparable to domestic f.o.b. winery prices for purposes of comparing price levels on sales in the U.S. market. Petitioners also showed "delivered" price comparisons based on a constructed landed cost for the imported wine and a constructed delivered price to the customer's location for the domestic wine. 68/ The constructed delivered price of the foreign wine was the petitioners' estimated landed port-of-entry price plus

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67/ Four states are currently affirmation states for wine and 18 are control states for wine. In selling wine to distributors in any of these 22 states, suppliers must "affirm" with the state liquor boards that they are offering their lowest f.o.b. prices for the size sales they make. Affirmation prices, however, do not account for any freight absorbed by the suppliers. The remaining 28 states do not control the price of wine.

Because affirmation price data do not include any sales volumes, only simple average prices were calculated by petitioners using these data, giving the same market weight to each of the included wine brands. Such average prices could result in misleading price comparisons between the domestic and imported wine, because of a high concentration of domestic wine producers. The top 6 U.S. wineries accounted for more than 70 percent of domestic shipments of nonpremium table wine in 1984, with Gallo accounting for an estimated 39 percent of the total.

68/ The petitioners' comparisons of constructed delivered prices are apparently based only on long distance sales of the domestic wine and direct imports by distributors. The petitioners do not appear to consider in their comparisons the substantial volume of local sales by domestic wineries or distributors' purchases of the foreign wine from importers.

Federal excise tax, 69/ but did not include U.S. inland freight costs to the customers' locations. The constructed delivered price of the domestic wine, however, included the petitioners' estimate of U.S. inland freight costs to the customers' locations. As a result, comparisons of these constructed delivered prices of the foreign and domestic wine tend to overstate any underselling based on delivered prices from the distributors' viewpoint. 70/

The Commission compared quarterly prices of the domestic and imported wine based on reported f.o.b. selling prices in the United States during January 1983-June 1985. 71/ To account for significant U.S. inland freight costs for some domestic wine sales, the Commission also compared prices by adding the maximum U.S. inland freight charge, as supplied by petitioners, to all the reported domestic f.o.b. selling prices and compared this constructed delivered price with the reported f.o.b. prices of the imported wine. 72/ In addition to these two methods of comparisons, the Commission also compared quarterly affirmation prices of Gallo and Heublein, supplied by the

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69/ Petitioners added their estimates of ocean freight, duty, and excise taxes to the f.o.b. foreign port price to approximate an in bond price, c.i.f. U.S. East and Gulf ports. These estimates do not necessarily reflect actual costs incurred. In addition to these costs, distributors who purchase the foreign wine from importers rather than importing directly also pay the importers' markup and for their inventory costs; these latter costs are not included in the petitioners' price comparisons.

70/ The purpose of the Commission's price analysis is to examine the allegations of injury resulting from sales of the imported product. The comparison must therefore be made between prices at the point where the products compete from the perspective of those persons who make market decisions. Petitioners' comparisons do not comport with this precedent. Once the proper basis for comparison is chosen, the analysis is straightforward.

71/ Where the reporting importer was the distributor, his reported landed cost price was used.

72/ Such a comparison, however, may overstate any actual underselling by the imported wine because a significant volume of domestic wine is sold locally and because some of the imported foreign wines incur substantial freight costs as they are sold throughout the United States.

petitioners, with the reported prices of the imported wine during January 1983-December 1984. 73/

Based on reported prices of domestic wineries and importers, all 40 f.o.b. price comparisons 74/ between the domestic product and these imports showed that the imported FRG wine was consistently priced well above the domestic wine, with average margins of overselling ranging from 35 to 250 percent. 75/ Because Gallo and Heublein did not report any questionnaire price data by the time the report was sent to the Commission, comparisons of the reported prices were made initially without their input. Such data were subsequently reported by Gallo and Heublein and considered by the Commission prior to the vote. 76/ 77/ Regardless of how the reported domestic price data are viewed, however, prices of the FRG wine remain substantially above prices of the domestic wine. 78/ Based on the affirmation prices for Gallo and

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73/ These latter comparisons were made because at the time the report was sent to the Commission, these two domestic producers, the largest and third largest domestic wineries, had not reported any useable price data on their domestically produced nonpremium table wines. These price data comparisons were made in a separate submission to the Commission prior to the vote.

74/ Domestic producers typically quote prices on an f.o.b. basis from their winery, thus allowing the customers to bear inland freight charges. These charges are often substantial. See Report at A-53. Thus, comparison on a delivered basis is more appropriate.

75/ Id. at A-61.

76/ These late data submissions and the discussion of price trends and price comparisons that included these data are shown in the Report as appendix items.

77/ Gallo provided their price data based on total sales for the largest sales month in each of the quarters instead of the largest single sale in the quarters as requested. Because Gallo's total monthly sales of wine are far larger than individual shipments of other producers, Gallo's prices generally overwhelm the other data by much more than its estimated 39 percent share of domestic shipments would suggest proper. Accordingly, Gallo's price data are also shown in the report and discussed separately from that of the other reporting domestic wineries.

78/ These high prices of the FRG wine also remained even when the maximum freight estimate was added to reported prices of the domestic wine and compared with the reported f.o.b. prices of the imported wine.

Heublein's wines, all 16 quarterly price comparisons between these domestic nonpremium table wines and the imported FRG imports showed that the foreign wine was priced consistently well above the domestic wine, with average margins of overselling ranging from 41 to 169 percent. 79/ 80/ There were no specific allegations of lost sales or lost revenues regarding the imported FRG wine. 81/

Based on reported prices of domestic wineries (including late submissions of Heublein and Gallo) and importers, all 47 f.o.b. price comparisons between the domestic product and these imports showed that the imported French wine was priced consistently above the domestic wine, with average margins of overselling ranging from 6 to 77 percent. 82/ If the late submissions of Heublein and Gallo are not included, the fact remains that 45 of the 47 price comparisons showed overselling by the French wine. 83/

Based on the affirmation prices for Heublein and Gallo's wines, all 16 quarterly price comparisons between these domestic nonpremium table wines and the imported French wine showed that the imported wine was priced consistently

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79/ Report at A-61.

80/ Such consistently high prices of the imported FRG wine remained even when the maximum freight estimate was added to the affirmation prices of the Gallo and Heublein wine and compared with the reported f.o.b. prices of the imported wine.

81/ Report at A-66.

82/ If the maximum freight estimate were added to the f.o.b. prices reported by domestic wineries (including Gallo and Heublein), 3 of the 47 price comparisons would show underselling by the imported French wine ranging from 4 to 6 percent.

83/ In one of the only two instances of underselling, the French wine sold to control States in January-March 1985 undersold the domestic wine by 11 percent. In the other comparison showing underselling, the French wine sold to open States during October-December 1984 undersold the domestic wine by 12 percent. When the maximum freight estimate was added to the f.o.b. prices reported by domestic wineries, 9 of the 47 price comparisons would show underselling by the imported French wine ranging from 1 to 23 percent.

above the domestic wine, with average margins of overselling ranging from 15 to 57 percent. 84/ 85/ No specific allegations of lost sales or lost revenues regarding the imported French wine were received from domestic wineries in response to the Commission's questionnaire.

Based on reported prices of domestic wineries (including late submissions of Heublein and Gallo) and importers, all 58 f.o.b. price comparisons between the domestic product and these imports showed that the imported Italian wine were priced consistently above the domestic wine, with average margins of overselling ranging from 3 to 66 percent. 86/ If the late submissions of Heublein and Gallo are not included, the fact remains that 57 of the 58 price comparisons showed overselling by the Italian wine. 87/ Based on the affirmation prices for Gallo and Heublein's wines, all 16 quarterly price comparisons between these domestic nonpremium table wines and the imported Italian wine showed that the imported wine was priced consistently above the domestic wine, with average margins of overselling ranging from 19 to 65 percent. 88/ 89/ No specific allegations of lost sales or lost revenues

84/ Report at A-58-A-59.

85/ If the maximum freight estimate were added to the affirmation prices of the Gallo and Heublein wine, 1 of the 16 price comparisons would show underselling by the imported French wine of approximately 2 percent.

86/ If the maximum freight estimate were added to the f.o.b. prices reported by domestic wineries (including Gallo and Heublein), 3 of the 58 price comparisons would show underselling by the imported Italian wine ranging from 3 to 15 percent.

87/ In the single instance of underselling, the Italian wine sold in cases of 1.5 liter bottles to control states in July-September 1984 undersold the domestic wine. When the maximum freight estimate was added to the f.o.b. prices reported by domestic wineries, 11 of the 58 price comparisons would show underselling by the imported Italian wine ranging from 0.5 to 19 percent.

88/ Report at A-59.

89/ Such consistently high prices of the imported Italian wine remained even when the maximum freight estimate was added to the affirmation prices of the Gallo and Heublein wine and compared with the reported f.o.b. prices of the imported wine.

regarding the imported Italian wine were received from domestic wineries in response to the Commission's questionnaire. 90/

Price trends

Reported prices of the domestic nonpremium table wine generally fell, and these price decreases were generally greater than price declines of the imported ordinary table wine. Based on domestic wineries' reported net selling prices to distributors (including Gallo's and Heublein's reported prices), quarterly prices fluctuated but fell in all six product categories from 8 to 19 percent during January 1983-June 1985. If the late submissions of Gallo and Heublein are not included, domestic prices fell from 5 to 33 percent in four of the product categories where the largest domestic volumes were reported, but rose from 5 to 14 percent in two other categories.

Based on importers' reported net selling prices to distributors, however, quarterly prices of the subject imported nonpremium table wines either increased during January 1983-June 1985 or decreased, but generally by less than the domestic price declines. In the four product categories where price trends of the imported FRG wine and the imported French wine could be calculated, prices rose during this period in two categories, from 26 to 34 percent for the German wine and by about 7 percent in each instance for the French wine. These increases correspond to the domestic price increases noted above. Prices of the foreign wine in two other product categories fell during this period, from 6 to 7 percent for the German wine and 5 to 11 percent for the French wine. Prices of the French wine strengthened in all four of these product categories in recent quarters, however, rising from about 9 to 17 percent during October 1984-June 1985. Prices of the imported Italian

90/ Report at A-66.

nonpremium table wine fell in all six product categories from 3 to 17 percent during January 1983-June 1985. Average prices of the imported Italian wine are heavily influenced by sales of Lambrusco-type wines, and the price declines across all product categories indicate some degree of competition between the Italian Lambrusco wines and domestic wine coolers. Despite declines in prices of the Italian wine, sales of the domestic wine coolers have increased dramatically in the last two years.

Grape prices 91/

Many specific grape varieties in California are grown either to be crushed, used as raisins, or as table grapes, although some varieties go to more than one use. Increases in grape production generally lag increases in demand for grape products as it takes from 3 to 5 years between the time of planting the vines and commercial production of the grapes. As a result, the increase in production of grapes could occur when demand has changed markedly from that anticipated at the time of planting. Such changes could result in excess supplies leading to lower grape prices in the end-use market where demand softened. 92/ With excess supplies of the multi-use grape varieties, a

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91/ Most of the price data for grapes that are discussed here are for California-grown grapes. Grapes grown in California account for about 90 percent of the domestic grape crop.

92/ Conference testimony by Dr. Kenneth Farrell, an agricultural economist, indicated that the coincidence of a cyclical overproduction of grapes in the United States and a slowdown in the total demand for grape products largely account for the low prices received by domestic grape growers. He cited growers of the Thompson Seedless grapes, a multi-purpose variety, as being particularly hard hit as inventories of raisins and wine remain high and demand by wineries has softened for these grapes due to increased production of wine grapes, some of which have displaced Thompson Seedless grapes in the production of nonpremium table wine. In the production of varietal (premium) table wine, domestic wineries are also using fewer Thompson Seedless grapes. Since Jan. 1, 1983, domestic wineries must meet the requirement that 75 percent or more of the varietal wine must be derived from grapes of that variety grown in the labeled appellation-of-origin area. Prior to 1983, only 51 percent of the varietal wines had to be derived from grapes of that variety, using wine from other grape varieties, like the Thompson Seedless, to make up the remaining 49 percent. Tr. at 174 and 183-86.

downturn in their primary end-use market can be transmitted to other markets as the excess multi-use grapes are sold in several end-use markets and not just their primary market.

Prices received by California growers for grapes crushed, 93/ grapes used as raisins, and those sold as table grapes generally fell during 1979-84, but at significantly different rates. During this period, grower selling prices of grapes crushed fell by approximately 20 percent, those used as raisins fell by approximately 64 percent, and those used as table grapes fell by approximately 13 percent. 94/ Grower prices of grapes crushed and those used as raisins declined each year during 1979-84, except in 1981 when they soared to a period high. Prices of grapes used as table grapes, however, peaked in 1980 and fell each year thereafter.

During 1979-84, most of the decline in prices of grapes that were crushed occurred in 1984, when grower prices fell to about $155 per ton in 1984 or by approximately 18 percent from the level in 1983. For grapes used as raisins, most of the full period decline in prices occurred in 1983 and 1984, when prices fell to about $91 per ton by 1984 or approximately 59 percent below the level in 1982. For grapes used as table grapes, most of the full period decline in prices occurred in 1984, when average grower returns fell to about $349 per ton or approximately 17 percent below the 1983 level.

93/ These grapes were crushed by California wineries for wine, concentrate, juice, vinegar, and beverage brandy; most of the crush, however, was used for wine, including both the nonpremium table wine subject to these investigations and varietal table wines which are largely excluded. Nonpremium table wine accounts for about 86 percent of total domestic table wine consumed.

94/ During 1979-84, grapes crushed accounted for approximately 56 percent of total California grapes utilized, grapes used as raisins accounted for about 31 percent of the total, and those used as table grapes accounted for about 12 percent of the total. Wines and Vines--42nd Statistical Review (July 1985).

The foregoing indicates that there is no reasonable indication that any of the present problems in the industry are caused by the subject imports.

c. <u>No threat of material injury by reason of allegedly unfairly traded imports</u>

We determine that there is no reasonable indication of threat of material injury by reason of the subject imports from the FRG, France or Italy. Findings of a reasonable indication of threat of material injury must be based on a showing that the likelihood of harm is real and imminent, and not based on mere supposition, speculation, or conjecture. 95/

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission must consider, among other relevant economic factors--

> (I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),
> (II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,
> (III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,
> (IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,
> (V) any substantial increase in inventories of the merchandise in the United States,

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95/ S. Rep. No. 249, 96th Cong., 1st Sess. 88-89 (1979); S. Rep. No. 1298, 93rd Cong., 2d Sess. 180 (1974); Alberta Gas Chemicals, Inc. v. United States, 515 F. Supp. 780, 790 (USCIT 1981).

> (VI) the presence of underutilized capacity for producing the merchandise in the exporting country,
> (VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury, and
> (VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 [19 U.S.C. §§ 1671 or 1673] or to find orders under section 706 or 736 [19 U.S.C. §§ 1671e or 1673e], are also used to produce the merchandise under investigation. 96/

With regard to these factors, the Commission made the following findings. There has been a downward trend in recent years in acreage devoted to wine grape production in France and Italy, with acreage up only slightly in the FRG through 1983. Indeed, in 1984, the EC prohibited the plantings of new vines through August of 1990. 97/ Consumption of table wine in France and Italy has also decreased slightly, whereas consumption in the FRG is up. Inventories of table wine in France and Italy declined from 1981 to 1983. Although data on inventories of table wine and quality wine in the FRG showed an increase over the same period, such inventory data include an unknown portion of products not subject to these investigations. Although some excess capacity for producing ordinary table wine may exist in the subject countries, there is no indication that a significant increase in exports to the United States would result.

96/ 19 U.S.C. § 1677(7)(F).
97/ Report at A-35.

ADDITIONAL VIEWS OF VICE CHAIRMAN LIEBELER

I join in my colleagues' discussion of like product, material injury, and cumulation. Because I cannot rest my negative determination on the evidence that the imported wines are more expensive than the domestic like product, as do my colleagues, I have written these additional views explaining why I find an insufficient causal link between the allegedly dumped and subsidized imports of ordinary table wine and the condition of the domestic industry producing the like product.

In Certain Red Raspberries from Canada, I developed a framework for examining causation in Title VII investigations.[1] In Raspberries, I described that approach as follows:

> The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers to entry to other foreign producers (low elasticity of supply of other imports).[2]

These factors, when viewed together, serve as proxies for the inquiry that Congress has directed the Commission to

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[1] Inv. No. 731-TA-196 (Final), USITC Pub. 1680, (1985) Additional Views of Vice Chairman Liebeler.

[2] Id. at 16.

undertake: whether foreign firms are engaging in unfair price discrimination practices that materially injure a domestic industry.[3]

The starting point for the five factor approach is import penetration data. This factor is relevant because unfair price discrimination, has as its goal, and cannot take place in the absence of, market power. A moderate and stable market share over time is inconsistent with this quest for market power. Imports of ordinary table wine from the Federal Republic of Germany (Germany) were 3.0 percent of domestic consumption in 1982 and rose to 3.6 percent in 1984. The figures for France were 4.1 in 1982 and 6.3 percent in 1984. For Italy, which is the largest source of imported wine, imports declined slightly from 14.4 percent of consumption in 1982 to 14.2 percent in 1984. Cumulated imports of ordinary table wine from these three countries were 21.5 percent in 1982 and 24.1 percent in 1984.[4] The cumulated imports of the three countries subject to investigation show a moderate import penetration ratio, but only a slowly increasing one.

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[3]Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

[4]Report at table 19.

The second factor is a high margin of dumping or subsidization. Margins of dumping and subsidization are determined by the Department of Commerce, but only after the Commission has made an affirmative preliminary determination. Consequently, in a preliminary investigation, no computed margins are available. Thus, in order to make my determination, I have used the margins alleged by the petitioners in preliminary investigations.[5] Petitioners have alleged that German wine receives a 17.1 percent subsidy, French wine, a 29.3 percent subsidy, and Italian wine, a 19.4 percent subsidy.[6] With respect to the antidumping duty petitions, petitioners allege that the dumping margins were from 63 to 119 percent for Germany. The alleged margins for France were from 3 to 44 percent. For Italy, the alleged dumping margins were from 85 to 121 percent.[7] Although there is substantial variation in the alleged margins, they are in general relatively large.

The third factor is the homogeneity of the products. The more homogeneous are the products, the greater will be the

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[5] See, e.g., Certain Steel Wire Nails from the People's Republic of China, Poland, and Yugoslavia, Inv. Nos. 731-TA-266-268 (preliminary), USITC Pub. No. 1730, 22 (1985) (Views of Vice Chairman Liebeler).

[6] Report at A-2.

[7] Id. at A-3.

effect of any allegedly unfair practice on domestic producers. The wine market, even limiting consideration only to ordinary table wine, is composed of wines with many different characteristics. There are white wines and red wines, dry wines and sweet wines. In addition, there are a number of different varieties of wine, each of which uses a different variety of grape. The pricing data show persistent differences in prices and large variances in relative prices among ordinary table wines.[8] All of these facts support the conclusion that there are substantial differences among wines from different countries.

The fourth factor is declining domestic prices. Evidence of declining domestic prices, cetaris parabis, might indicate that domestic producers were lowering their prices to maintain market share. The evidence on the trend of domestic prices is mixed. In some categories the price rose, while in others the price fell.[9] In the absence of such evidence, I have looked at the trend in the relative prices of imported and domestic wines. An increase in this ratio would be inconsistent with the data one would expect to see if a foreign firm were

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[8]Report, Appendices D and E.

[9]Appendices D and E. Much of the data are confidential.

engaging in unfair price discrimination. The information gathered during this investigation indicates that just such an increase occurred.[10]

The fifth factor is barriers to entry. The presence of barriers to entry makes it more likely that a producer can gain market power. Less than 3 percent of U.S. consumption of ordinary table wine is provided for by imports from countries other than those under investigation. Thus, there do not appear to be alternative sources for wine readily available to deter the respondents from engaging in unfair price discrimination.

The determination must be made on a case by case basis. Two of the factors in the instant case favor an affirmative determination: alleged dumping margins and barriers to entry. However, the data with respect to the other factors persuade me to find an insufficient causal link to the problems of the industry. In light of the heterogeneous nature of the product, the relatively stable market share of the cumulated imports, and the presence of a rise in the relative price of imported to domestic wine, I conclude that imports of ordinary table wines from Germany, France, and Italy that are allegedly being

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[10] Report at Appendices D and E.

subsidized and sold at less than fair value do not cause or threaten to cause material injury to the domestic industry.

The views of the Commission majority emphasize that the price of foreign wine is consistently above the prices of domestic wine.[11] In a number of opinions I have stated that I do not consider evidence of underselling or overselling to be probative on the question of causation.[12]

Wine is a heterogeneous product; consequently, it is not sold in a commodity market. A commodity market, such as the market for wheat, sugar, or gold, is a market where all of the goods are identical. Economists refer to such goods as fungible goods or perfect substitutes. For example, in the market for gold, a purchaser would be indifferent among coins of an ounce of gold. As a result, there can only be one price for gold in the market. If a seller raised his price, then he would be unable to sell any gold coins, as every buyer would go to other sellers. Similarly, if a seller lowered his price, he would be flooded with buyers, as every buyer would turn to him.

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[11] See Views of the Commission in these investigations, supra at 18-23.

[12] See, e.g., Certain Welded Carbon Steel Pipes and Tubes from Thailand and Venezuela, Invs. Nos. 701-TA-242 and 731-TA-252-253 (preliminary), USITC Pub. No. 1680 (1985) (Separate Views of Vice Chairman Liebeler).

As we move from commodity markets to markets composed of differentiated goods, then it is possible for prices to vary. Goods with identical characteristics must sell for the same price, but goods with different characteristics can sell for different prices.[13] If consumers are buying two products that have different characteristics and prices, then the different prices must relate to the different characteristics; otherwise, consumers would purchase only one of the products, and the other would disappear from the market.

When one thinks about the products one buys, this is obvious. Some people who buy luxury cars buy Mercedes-Benz automobiles and others buy Cadillac automobiles. No one, to my knowledge, has ever said Cadillac undersells Mercedes. Rather, people say that the cars are different, and depending on whether a consumer values the differences between the two cars enough to justify the additional cost of the Mercedes, he will purchase one car or the other. When the differences relate to obvious differences in qualities, this point is easy to see. When the differences relate to intangibles, such as services, warranties, or delivery lags, this is much more

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[13]See generally G. Stigler, The Theory of Price 1 (3d ed. 1968).

difficult to see but still true. Consequently, it makes no sense to say the price of a Mercedes does not affect sales of Cadillacs simply because a Mercedes costs more than a Cadillac. This, however, is the approach of the Commission majority, which assumes that the prices of German, French, and Italian wines have no effect on the demand for domestic wine, because imported wine is more expensive than domestic wine. If this were true, no one would buy imported wine, which has a market share of approximately 25 percent.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On September 10, 1985, countervailing duty and antidumping petitions were filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel on behalf of the American Grape Growers Alliance for Fair Trade (the Alliance), a nonprofit association that represents certain grape growers and wineries. 1/ The petitions allege that an industry in the United States is materially injured and is threatened with material injury by reason of imports of certain table wine (hereinafter referred to as "ordinary table wine") 2/ from the Federal Republic of Germany (FRG), France, and Italy that are being subsidized and that are also being sold in the United States at less than fair value (LTFV). Accordingly, effective September 10, 1985, the Commission instituted investigations Nos. 701-TA-258-260 (Preliminary) and 731-TA-283-285 (Preliminary) under the provisions of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States. The statute directs that the Commission make its determination within 45 days of its receipt of the petitions, or in these cases, by October 25, 1985.

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register on September 18, 1985 (50 F.R. 37919). 3/ The public conference was held in Washington, DC, on October 1, 1985. 4/ The briefing and votes in these investigations were held on October 21, 1985.

Previous Commission Investigations

On March 6, 1984, the Commission unanimously determined in investigations Nos. 701-TA-210 and 211 (Preliminary) and 731-TA-167 and 168 (Preliminary), that there was no reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of imports

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1/ The petition is supported by the California Association of Wine Grape Growers and a number of grape grower cooperatives and wineries.

2/ "Certain table wine," which is provided for in item 167.30 of the Tariff Schedules of the United States (TSUS), is defined for purposes of these investigations as still wine produced from grapes, containing not over 14 percent of alcohol by volume, in containers each holding not over 1 gallon, other than wines categorized by the appropriate authorities in the FRG as "Qualitatswein mit Pradikat," in France as "Appellation d'Origine Controlee" or "Vins Delimites de Qualite Superieure," and in Italy as "Denominazione di Origine Controllata."

3/ A copy of the Commission's notice of institution is presented in app. A. Copies of Commerce's institution notices are also presented in app. A.

4/ A list of witnesses appearing at the conference is presented in app. B.

of certain table wine from France and Italy, which were alleged to be subsidized and sold at LTFV. These earlier investigations, also filed by the Alliance, covered the same products from France and Italy that are included in the current investigations. 1/ Imports of ordinary table wine from the FRG were not included in the prior investigations.

Nature and Extent of the Alleged Subsidies

The countervailing duty petition alleges that producers of ordinary table wine in the FRG, France, and Italy benefit from subsidies provided by the European Community (EC), as well as by national and regional governments. The major subsidies provided by the EC through the European Agricultural Guidance and Guarantee Fund include (1) payments for distillation of surplus wine and byproducts, (2) payments for wine storage, and (3) export refunds. The distillation program authorizes producers of certain table wine to sell their surplus wine and byproducts for conversion to alcohol at artificially high prices. The private distillers who receive this wine are then reimbursed. The storage subsidy enables producers to receive payments for storage of wine when market prices fall below a certain level or "intervention price." Export refunds are provided to permit EC wine to sell at competitive prices in foreign markets. Other EC subsidy programs named in the petition are aids for must use, research and development grants, structural aids for marketing, modernizing, and restructuring, regional schemes and special aids, and grants for capital structures.

On a national level, the petition names two subsidy programs provided by the Government of France: preferential financing and export promotion. The Government of Italy provides subsidies in the form of preferential financing, grants, and export promotion. Additionally, the regional governments of Sicily and Emilia-Romagna provide several subsidies to grape growers and wine producers in those regions. The petition does not name any specific programs offered by the Government of the FRG.

According to the petitioners, not all benefits received from the EC and the three national Governments involved are readily quantifiable. Their "conservative" estimate of the total amount of the subsidies received by producers of certain table wine in the FRG, France, and Italy is 17.1 percent, 29.3 percent, and 19.4 percent, respectively.

Nature and Extent of the Alleged Sales at LTFV

The antidumping petition alleges that sales of ordinary table wine from the FRG, France, and Italy are made at prices below the applicable cost of

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1/ The Alliance subsequently appealed the Commission's determinations. In August 1985, the Court of International Trade remanded the determinations, holding that the Commission had applied too stringent a standard in making its decisions. The Court also held it erroneous that the Commission did not cumulate imports from France and Italy (American Grape Growers Alliance v. United States, Slip Op. 85-84 (Aug. 8, 1985). The Commission is appealing the Court's decision.

production. The petitioners' calculations of foreign market value included expenses incurred in the growing of grapes, the vinification process, bottling operations, and marketing in each of the three countries. In determining the dumping margins for the FRG, the U.S. price (f.o.b.) was based on 1984 Bureau of Census statistics and official EC export data for January-June 1984, resulting in dumping margins ranging from 63 percent to 119 percent. For France, the U.S. price was based on Bureau of Census and official French export data for 1984; the dumping margins range from 3 percent to 44 percent. For Italy, 1983 and 1984 Bureau of Census data and official 1983 Italian export and Eurostat statistics were used to determine the U.S. price. The resulting dumping margins range from 85 percent to 121 percent.

The Product

Description and uses

The term "wine" usually refers to the fermented juice of grapes, although wine may also be made from other fruits, such as apricots, peaches, and blackberries. These investigations only deal with grape wine, which the Bureau of Alcohol, Tobacco, and Firearms (BATF) of the U.S. Department of the Treasury 1/ defines (27 CFR 4.21) as "wine produced by the normal alcoholic fermentation of the juice of sound, ripe grapes (including restored or unrestored pure condensed grape must 2/), with or without the addition, after fermentation, of pure condensed grape must, and with or without added grape brandy or alcohol, but without other addition or abstraction except as may occur in cellar treatment." "Cellar treatment" as defined by statute (26 U.S.C. 5382) refers to practices and procedures used to make an acceptable wine. These practices include certain additions of sugar and water as amelioration before, during, or after fermentation.

The major category of grape wine produced and consumed in the United States is table wine, which accounted for close to 70 percent of domestic shipments of wine in 1984. 3/ Table wine is defined by the BATF as still grape wine having an alcoholic content not in excess of 14 percent by volume. Such wine is used to complement meals and in cooking, entertaining, and religious ceremonies. Among other designations, it may be referred to as "light wine," "red table wine," or "sweet table wine."

Although some domestic table wines are sold under generic names such as red, white, or rose, most are sold under semigeneric names such as Burgundy, Rhine, Riesling, Claret, Chablis, Sauterne, or Chianti—nomenclature adopted from types of European wines that the U.S. wines resemble in color and general

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1/ Wine produced and/or sold in the United States must comply with the standards of identity and with the labeling and packaging regulations of the BATF.

2/ Must is the unfermented juice, as pressed from the grape.

3/ The Impact American Wine Market Review and Forecast, 1985 edition, p. 5. Among the other types of wine produced in the United States are dessert wine, vermouth, sparkling wine (champagne), and other natural wines.

taste. In accordance with the labeling regulations of the BATF (27 CFR 4.24), designations of semigeneric types must bear the name of the true place of origin in addition to the type of wine, e.g., "California Burgundy," "New York Chablis," "California Sauterne," "California Claret," "New York Riesling," or "California Chianti." The grapes used in the domestic production of the semigeneric types of wine and the type of soil on which the grapes are grown have a definite bearing on flavor and are seldom those associated with the foreign wine prototypes.

The most expensive domestic brands of table wine are varietal wines bearing the name of the type of grape used in their production. Examples include Pinot Noir, Chardonnay, Cabernet Sauvignon, Merlot, Sauvignon Blanc, Semillon, Sylvaner, Gerwurztraminer, Barbera, Riesling, and Grignolino. All of these types of grapes are associated with the production of particular European wines. Varietal wines designated as Catawba, Concord, Delaware, Niagara, and Scuppernong are identified with native American grapes not associated with European wine prototypes. Since January 1, 1983, the name of a single grape variety may be used as the type designation only if 75 percent or more of the wine is derived from grapes of that variety, and only if all such grapes were grown in the labeled appellation-of-origin area. 1/

The imported product covered by these investigations is ordinary table wine, which is classified by the EC as Vins de Table (Council Regulation 817/70). 2/ In France and Italy, these wines may be referred to as noncontrolled wines. 3/ The German wines included are classified as "Tafelwein" (table wine) and "Qualitatswein" (quality wine). 4/

Nonpremium table wine is the domestic product most similar to the imported ordinary table wine and includes any and all of the following types

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1/ Prior to Jan. 1, 1983, the name of a single grape variety could be used if 51 percent of the wine was derived from grapes of that variety.

2/ The other class of wine established by the EC is "Vins de Qualite Produits dans une Region Determinee" (VQPRD).

3/ French wines classified as "Vins a Appellation d'Origine Controlee" (AOC) and "Vins Delimites de Qualite Superieure" (VDQS) are excluded, as are Italian wines classified as "Denominazione di Origine Controllata" (DOC).

4/ The category of German wine known as "Qualitatswein mit Pradikat" is excluded from the scope of these investigations. Respondents on behalf of the German wine industry believe that the "Qualitatswein" class of German wines, which accounts for over 90 percent of U.S. imports of German wine (Transcript of the conference, p. 240), should also be excluded from these investigations because it meets the same EC standards for quality wines as France and Italy. Petitioners state that, because German categorization of wines is more akin to a measurement of the sugar content than to the region of production, type of grape, and yield (as in France and Italy), inclusion of the quality wines was necessary to achieve comparability with the noncontrolled wines imported from France and Italy (Transcript of the conference, pp. 91-92). Commerce defined the scope of its investigations in the same manner as the Commission in initiating its investigations.

of table wine: (a) generic wine (such as red, white, or rose); (b) semi-generic wine as defined in BATF regulations (27 CFR 4.24); and (c) nonpremium varietal wine (that is, varietal wine priced at less than $18.00 per equivalent 9-liter case, f.o.b. winery). Approximately 86 percent of domestic shipments of table wine in 1984 were composed of nonpremium table wine. 1/ Ordinary (nonpremium) table wine (along with premium table wine) is classified in TSUS items 167.30 and 167.32. 2/

A new product in the wine market is the wine cooler, a market factor since 1983. "Cooler" is a trade name referring to a beverage generally consisting of a blend of wine (usually white wine, although there are coolers using a neutral spirit or malt liquor as the alcohol base instead of wine), 3/ carbonated water, and nongrape fruit juices. Wine coolers are sweeter than most table wines, usually contain from 4 to 6 percent alcohol (compared with 10 to 14 percent for most table wines), are typically served chilled, and are packaged in 12-ounce bottles in 4 or 6-packs. The BATF classifies coolers as wine other than standard; imports of coolers are classified under TSUS item 167.50, "Other fermented alcoholic beverages." 4/

Manufacturing process

Some of the chief uses of grapes are (1) for manufacturing wine, (2) for drying into raisins and currants, and (3) for consuming as fresh fruit. Two basic species of grape varieties are grown in the United States: *Vitis vinifera* (the family primarily grown in Europe), which makes up nearly 100 percent of California production, and *Vitis labrusca*, the primary species of the native American grape varieties that are grown in most other states.

In California (which annually accounts for about 90 percent of U.S. grape production), more than 150 varieties of *Vitis vinifera* are grown commercially.

1/ The remaining 14 percent consisted of premium table wine.

2/ TSUS item 167.32 covers still wine imported in containers each holding over one gallon. Such wine is not within the scope of these investigations.

3/ According to testimony presented at the conference, coolers are 50 percent wine (Transcript of the conference, pp. 147, 227, and 235).

4/ Respondents contend that wine coolers are a part of the like product produced by the domestic industry. They argue that if wine coolers are excluded from the domestic like product, lambrusco-type wines from Italy should be excluded from the scope of the investigation. Respondents contend that lambrusco-type wines, like wine coolers, are low in alcohol content, have a slightly sweet and fruity taste, are slightly carbonated, and can be served chilled (Postconference briefs of Banfi Products Corp., pp. 17-21, and Brown-Forman Corp., pp. 6-8). Petitioners argue that wine coolers should be excluded from the domestic like product because, unlike ordinary table wines, including lambrusco-type wines, they contain approximately 50 percent nongrape fruit juices, and retain the pulp of their fruit base, making for a cloudy character. In addition, petitioners assert that wine coolers are even lower in alcohol content than lambruscos, are for the most part packaged differently, and are a highly seasonal drink, with consumption skewed heavily to the summer months (Petitioner's postconference brief, p. 56).

These varieties are distinguished by the trade into three groups or classes—wine grapes, raisin grapes, and table grapes. 1/

In planting wine grapes, varieties are chosen with reference to the kind of wine to be made, i.e., for desired color, sweetness, acidity, and flavor. Red wines require grapes with some color in the skin; dry wines require grapes of varying degrees of acidity and moderate sugar content; and sweet wines require grapes of high sugar content and low acidity. Wine grapes may be subdivided into the categories of black and white—that is, those for red wines and those for white wines, respectively.

Raisin grapes have characteristics that include suitability for drying, pleasing flavor, high sugar content, meatiness, and lack of seeds. It is essential that raisin grapes ripen early in order to permit drying before the fall rains begin. The principal commercial types are the Thompson Seedless and Muscats. Table grapes of the vinifera type are distinguished from the other classes by their pleasing flavor, attractive appearance, and good shipping qualities. Principal commercial types include Tokay, White Malaga, Emperor, and Ribier.

Although, as stated, vinifera grapes are grown for special uses and are designated as such (wine, raisin, and table), many are used for more than one purpose. Raisin grapes are the type most adaptable to other uses and may serve as table grapes or may be crushed for making wine. For example, large quantities of Thompson Seedless, the chief variety for drying into raisins, are crushed for wine 2/ or used as table grapes. Although both raisin and table grapes are often diverted to the manufacture of wine and brandy, wine grapes, as such, are almost always used commercially for wine production only.

The eastern and southern types of American grapes are not readily classifiable according to use. However, none are suitable for drying into raisins. The Concord, the most popular and abundant of all eastern grapes, is suitable for table use and wine, and is also the best variety for grape juice.

Grapes ripen in late summer and early autumn. The harvest or vintage is accomplished by either mechanical harvesters or manual labor. Immediately after harvest, the fresh grapes are delivered to the winery where they are examined, tested, weighed, and crushed. In the crushing operation, a mechanical crusher removes the stems, breaks the skins and frees the juice. The crushed grapes and their juice, or must, are pumped into large fermenting vats within the winery. In fermentation, the natural grape sugar is

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1/ Although all types of grapes may be used for making wine, certain varieties are considered more suitable than others and are grown expressly for that purpose. Thus, in California, the trade excludes from the class of wine varieties those grown primarily for raisins or for the table (fresh).

2/ The California Crop & Livestock Reporting Service reports that the Thompson Seedless variety is the largest single grape variety (of all types of grapes) crushed in California (except in 1983) and accounted for the following shares of total grapes crushed in California during 1981-84: 18 percent, 22 percent, 12 percent, and 21 percent, respectively.

transformed by action of wine yeast into equal parts of carbon dioxide gas and wine alcohol. Complete fermentation, which converts the grape sugar and makes the wine dry, takes from a few days to a few weeks. 1/ White wine is made from the fermentation of the juice alone, drawn off from the grapes immediately after crushing. Pink or Rose wines are made by allowing the juice to ferment with the grape skins for a short time. Red wines have a stronger flavor and astringency than whites, because substances, principally tannin, are imparted to the fermenting juice by grape skins, seeds, and sometimes grape stems.

After fermentation, the juice is drawn off or pressed from the solids and the new wine is immediately placed in storage cooperage (containers) to begin aging. Aging generally begins in large, upright tanks, usually made of concrete, stainless steel, or redwood, and wine is drawn off periodically from the sediment (which collects in the bottom) into clean cooperage. As wines mature, many producers complete the aging in smaller, wood containers, generally made of oak or redwood. Most wines are blended with other wines for a combination of characteristics viewed as desirable by the producer. Blending can take place during the crush, immediately after fermentation, or after the wines mature. Before bottling, the wine is cleaned by using filters and centrifuges to remove sediment. To improve quality, most wineries keep their bottled wines in storage from a few months to several years before shipment. In general, red wines are bottle-aged longer than whites, and dryer and more expensive wines receive longer bottle-aging than sweeter, less expensive wines. 2/

Wine may leave the winery in bottles, barrels, railroad tank cars, or tank trucks. Often, wine is shipped from one winery to another for blending and aging, and trade sources indicate a small amount is also shipped in bulk to consuming centers, where it is bottled by wholesalers.

U.S. tariff treatment

U.S. imports of ordinary table wine are classified in item 167.30 of the TSUS, which covers still wines produced from grapes and containing not over 14 percent of alcohol by volume, in containers each holding not over 1 gallon. Imports from the FRG, France, and Italy and all other countries receiving the column 1 rate of duty 3/ are dutiable at 37.5 cents per gallon (6.8 percent ad valorem equivalent in 1984). This rate of duty, which is not scheduled for

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1/ Complete fermentation of ripe California grapes usually results in a table wine of 10 to 14 percent alcohol content by volume.

2/ According to testimony presented at the conference, white wines covered by these investigations are usually ready for market 4 months after crushing; red wines are shipped to market approximately 9 months following harvest (Transcript of the conference, p. 130).

3/ The rates of duty in col. 1 are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. The People's Republic of China, Hungary, Romania, and Yugoslavia are the only Communist countries eligible for MFN treatment.

reduction, reflects a concession under the General Agreement on Tariffs and Trade (GATT) and has been in effect since June 6, 1951.

Imports under TSUS item 167.30 are also subject to Federal Excise Tax (26 U.S.C. 5051) at the rate of 17 cents per wine gallon on still wines containing not more than 14 percent of alcohol by volume.

U.S. Producers

Grape growers

The majority of U.S. grape growers are located in California, New York, and Washington. According to the 1982 Census of Agriculture, of the 17,419 farms in the United States which harvested grapes, 8,777 were located in California, 1,875 were in New York, and 833 were in Washington. 1/ In recent years, California growers have annually accounted for about 90 percent of total U.S. grape production. In 1984, about 56 percent (compared with 48 percent in 1983 and 58 percent in 1982) of California grape production was crushed for wine, with most of remaining production being utilized for raisins and fresh table grapes. The U.S. Department of Agriculture (USDA) reports that during 1982-84, California grapes supplied 97 percent, 95 percent, and 96 percent, respectively, of all grapes processed for wine in the United States.

Although some growers produce a particular grape (such as a wine varietal) for a specific use, others produce several different types of grapes for various uses (wine, raisins, or table stock). In addition, there are certain varieties (especially Thompson Seedless) that may be diverted to different uses (wine, raisins, or table stock), depending on demand or price considerations.

At the present time, the average established vineyard (for all types of California grapes) is about 70 acres in size and costs $5,000 to $25,000 per acre to purchase, depending upon the type and quality of grape that can be produced in the vineyard. Additionally, it takes approximately 3 or 4 years for a new vine to produce fruit and 6 to 7 years for it to reach maturity.

In 1984, total grape-bearing acreage in California was 670,848 acres, 12 percent more than the 596,630 bearing acres reported in 1980 (table 1). Wine grapes, occupying 47 percent of the total acreage in 1984, and raisin grapes, occupying 42 percent, accounted for most of the acreage, with table varieties accounting for a much lower share (11 percent).

1/ The petitioners estimate that there are presently 6,000 growers of all types of wine grapes in California (Transcript of the conference, p. 104).

Table 1.—California grapes: Bearing acreage, by classes, 1980–84

(In acres)

Year	Wine	Table	Raisin	Total
1980	290,686	62,506	243,438	596,630
1981	278,935	63,481	249,665	592,081
1982	291,413	67,783	260,780	619,976
1983	300,644	72,041	271,828	644,513
1984 1/	313,626	76,227	280,995	670,848

1/ Preliminary.

Source: Economic Research Department, Wine Institute; California Crop & Livestock Reporting Service, Crop Reporting Board; and U.S. Department of Agriculture.

Wine grape growers may choose to sell their grapes by one of three methods: through a cooperative, through long-term contracts, or on the spot (cash) market. 1/ Growers that are members of a cooperative deliver their grapes to a cooperative-owned processing plant, where the grapes are processed and marketed as the finished product. 2/ The members generally receive an initial payment immediately after harvest and then progress payments based on net returns from the marketed wine. Returns to the grower are also based on such factors as sugar content and the demand for a specific type of grape.

Certain wineries use long-term contracts with set prices by grape variety for the duration of the contract, 3/ whereas other wineries negotiate price on an annual basis. A representative of one winery testified at the conference that under his firm's long-term contracts with growers, a third of the contract price is paid upon delivery, with the rest paid in two installments within six months. 4/ Cash market sales may be made directly to

1/ It is estimated that, in 1985, approximately 65 percent of grapes sold for crushing were sold on a cash basis. Long-term contracts accounted for another 15 percent, and the remaining 20 percent was accounted for by cooperatives (Transcript of the conference, p. 111).

2/ Major winery cooperatives include ISC Wines of California, Inc., Guild Wineries and Distilleries, and Gibson Wine Company, all of which are petitioners. Raisin producers may also belong to cooperatives, the largest being Sun Diamond Growers of California, which is also a petitioner in these investigations.

3/ The duration of contracts varies from a few years to several. In recent years, there has been a decline in the number of contracts made available to growers. One witness at the conference stated that, currently, only 10 percent of grapes purchased by his winery are under contract, versus 60 percent 4 years ago (Transcript of the conference, pp. 102–103, 111–112, and 132).

4/ Transcript of the conference, p. 132.

a processor, with various purchasing methods used. 1/ Some wineries use no written contract with growers, but indicate through a field representative before harvest whether they will purchase a grower's production. Consequently, they determine a price after harvest that is generally paid within 30 days.

Wineries

The structure of domestic wineries varies, and includes privately held firms, publicly held firms, and cooperatives. In addition, some wineries are part of large conglomerates for which wine is only a small part of total operations. Although the number of bonded wine cellars as reported by the BATF increased annually (as of September 1) from 1,021 in 1981 to 1,246 in 1984, trade sources indicate that the majority of the new cellars are very small in terms of production and specialize in premium varietal wines. California, with a 55 percent share, claims the largest percentage of the number of bonded wine cellars, followed by New York, at 7 percent, and Washington, Ohio, Oregon, and Pennsylvania, each with a 4 percent share. In recent years, California has annually accounted for about 90 percent of U.S. wine production; New York has contributed another 7 percent. 2/

The following tabulation shows the top 10 domestic wineries producing nonpremium table wine and their estimated share of 1984 domestic shipments. 3/ While several of these companies produce other types of wine, table wine constitutes the major portion of wine production for many of them, including * * *.

1/ A witness at the conference indicated that when his winery makes spot market purchases of grapes, one-third of the estimated final price is paid upon delivery of the grapes. The rest is paid when the California Agriculture Commission determines the average price for that particular growing area.

2/ Production is defined as that quantity of standard wine removed from fermenters plus increases after fermentation by amelioration, sweetening, and addition of wine spirits, less withdrawals of wine for distillation. Data supplied by Economic Research Department, Wine Institute.

3/ Based on data prepared for petitioners by Gomberg, Frederikson & Associates, Wine Industry Consultants (Antidumping petition, p. 103, as updated to include nonpremium varietal wines).

Producers	1984 share of domestic shipments (in percent)
E. & J. Gallo	39.0
Almaden Vineyards 1/	9.9
Heublein Wines 2/	7.5
Wine Spectrum 3/	7.2
Paul Masson 3/	6.4
Italian Swiss Colony Wines 4/	3.8
Franzia	3.2
Guild Wineries	3.1
Sebastiani 5/	2.4
Geyser Peak Winery	1.7
All others	15.8
Total	100.0

1/ Owned by National Distillers and Chemical Corp.
2/ Owned by R. J. Reynolds, Inc.
3/ Owned by Joseph E. Seagram & Sons, Inc. Seagram acquired The Wine Spectrum (consisting of The Taylor Wine Company, Inc., Sterling Vineyards, and Gonzales & Co., Inc.) from the Coca-Cola Company in November 1983. Seagram's collective share of domestic shipments is close to 15 percent.
4/ Purchased by the Allied Grape Growers from Heublein in September 1983.
5/ * * *.

Of the top 10 wineries producing nonpremium table wine, 4 of them—Gallo, Heublein, Seagram, and Guild—also produce wine coolers. Indeed, the rapid growth of the wine cooler market since 1983 has brought not only wineries but breweries, tea, and water and soda companies into the field as well. The leading wine cooler producer, however, is the California Cooler Company, which was founded in 1981 for the sole purpose of producing wine coolers; its estimated share of domestic shipments of wine coolers in 1984 was almost * * * percent. 1/ By yearend 1984, 37 cooler brands were being marketed; many more were introduced in 1985 (including Gallo's "Bartles and Jaymes"). 2/

U.S. Importers

Imported wine is generally bottled in containers ready for retail sale in the country of production. The largest importers are located on the east coast. According to industry sources, 17 brands of table wines imported from the FRG, France, and Italy by 13 companies accounted for about 52 percent of total U.S. imports of table wine. 3/ It is estimated that one importer alone,

1/ The Brown-Forman Corp. recently purchased California Cooler for over $100 million. Brown-Forman, located in Louisville, KY, is a diversified consumer products company producing domestic whiskeys and distributing both domestic and imported wines, champagnes, and brandies (Transcript of the conference, pp. 198, 204).
2/ "Coolers Quench America's Thirst," Market Watch, Jan.-Feb. 1985, p. 6.
3/ Impact, Mar. 1, 1985, p. 3.

Villa Banfi, U.S.A., accounted for close to 25 percent of imported table wine. The largest U.S. importers of table wine from the FRG, France, and Italy, their brands or lines, and shares of imports for 1984 are shown (in percent) in the following tabulation:

Importer	Country of origin	Brand or line	Estimated share of total imported table wine-1984
Villa Banfi	Italy	Riunite, Bell'Agio	22, 1
Jos. Garneau Co. (Brown-Forman)	Italy	Cella, Bolla	5, 3
Star Industries	Italy	Canei	4
"21" Brands (Mc Kesson)	Italy	Folonari	4
Schieffelin & Co	Germany	Blue Nun	3
Renfield	Italy	Giacobazzi	2
Seagram Wine Co. (Seagram)	France	Partager	1

Foreign Producers

The EC, where wine is produced in five of the member states (Italy, France, the FRG, Greece, and Luxembourg), accounts for almost half of total world production. Italy and France are the major EC producers, followed by the FRG. The output of Italy or France alone is more than four times U.S. production. Information supplied by the USDA indicates that a total of 1.8 million farms cultivate wine grapes in the FRG, France, and Italy; each farm has an average of 3 acres devoted to wine grapes. The average yield is approximately 3 metric tons per acre.

The FRG.—German wines 1/ are primarily produced in the valleys of the Rhine and Moselle Rivers, as well as the valleys of their tributaries. Other major producing areas are Baden and Wurttemburg. There are approximately 20,000 wineries processing and bottling wine, of which 200 are considered large processors. German production of table wine increased overall from 4.7 million gallons in 1979/80 to 28.9 million gallons in 1982/83 (table 2). Foreign Agriculture Service (FAS) officials report that, based on official German statistics, the level of table wine production in 1983 was 13.9 million gallons and 30.1 million gallons in 1984. Production of German quality wine, which includes both the Qualitatswein and Qualitatswein mit Pradikat categories, reached a high of 397.2 million gallons in 1982/83, according to the EC report data. 2/.

1/ German wines, the majority of which are white, are divided into three categories: Tafelwein (table wine), Qualitatswein (quality wine), and Qualitatswein mit Pradikat (quality wine with special attributes). Over 95 percent of German wine production is classified as quality wine (Antidumping petition, p. 12); various geographic and oenologic requirements determine classification.

2/ FAS data show that production of German quality wine peaked at 310.1 million gallons in 1982, then fell to 217.8 million gallons in 1983 and 188.7 million gallons in 1984.

Table 2.—Wine: Production by certain European Community countries, by types, 1/ crop years 1979-84

(In thousands of gallons)

Member states	1979/80	1980/81	1981/82	1982/83	1983/84 2/
	Table wine				
FRG	4,676	3,804	3,725	28,901	3/ 51,515
France	1,365,441	1,240,219	1,003,699	1,178,771	1,000,265
Italy	1,922,042	1,926,955	1,595,938	1,624,073	1,689,431
Luxembourg	581	53	53	2,272	–
Greece	130,188	131,667	132,090	111,933	109,450
Other	132	159	159	260	343
Total	3,423,060	3,302,858	2,735,663	2,946,210	2,851,004
	Quality wine 4/				
FRG	224,157	124,772	193,882	397,168	3/ 291,919
France	496,104	391,488	368,267	590,574	515,336
Italy	261,010	237,339	188,334	228,304	239,083
Luxembourg	1,057	1,268	2,510	4,491	4,887
Greece	7,344	6,420	7,925	5,548	9,801
Total	989,671	761,288	760,918	1,226,085	1,061,026
	Other wine 5/				
FRG	–	–	–	–	–
France	360,342	206,932	142,076	320,133	283,201
Italy	44,963	53,496	57,063	48,345	87,179
Greece	977	4,438	5,284	793	5,812
Total	406,282	264,867	204,422	369,271	376,192

1/ Officials at the USDA have indicated that, for France and Italy, the category "table wine" is approximately equivalent to "non-controlled" wine, and the category "quality wine" is approximately equivalent to "controlled" wine. German "Qualitatswein" is included in the quality wine category.

2/ Preliminary forecasts.

3/ Information from the Foreign Agriculture Service, USDA, indicates that, based on official German statistics for 1983, production of table wine in the FRG was about 13.9 million gallons and production of quality wine was 217.8 million gallons.

4/ Produced in a specific region (psr).

5/ Believed to primarily consist of vermouth.

Source: Commission of the European Communities, Commission Report to the Council, COM (84) 531 Final, except as noted.

Note.—Because of rounding, numbers may not add to the totals shown.

France.—Information supplied by the FAS indicates that about two-thirds of French production originates in three regions in southern France: Languedoc-Rousillon, Provence-Cote D'Azur, and the Midi-Pyrenees. About 60 percent of French production (excluding wine distilled into cognac) of wine is estimated to be ordinary table wine. 1/ FAS officials report that cooperatives are playing an increasingly important role in French wine production, largely as a result of the EC's policy of encouraging their formation and development. About 50 percent of total French production of wine comes from cooperatives, with a much higher percentage applicable to the production of ordinary table wine. French production of ordinary table wine during 1979/80 to 1983/84 declined irregularly, from 1.4 billion gallons in 1979/80 to an estimated 1.0 billion gallons in 1983/84. According to FAS officials, French production of ordinary table wine for 1984/85 was estimated by the French Ministry of Agriculture at 1.0 billion gallons. The majority of table wine produced in France in 1983/84 was red or rose.

Italy.—The major wine producing areas in Italy are Emilia-Romagna, Puglia, Veneto, and Sicily. Combined, these areas are responsible for over one-half of Italian wine output. 2/ Emilia-Romagna is the source of the so-called "Lambrusco" wines. 3/ In 1983/84, about 84 percent of Italy's wine production consisted of ordinary table wine. FAS officials report that in Emilia-Romagna and southern Italy, table wines account for 94 percent or more of total output. Cooperatives are also reported to be playing an increasingly important role in Italian wine production and 40 percent of Italian production is estimated to come from cooperatives (again, this percentage is believed to be much higher for ordinary table wine). Italian production of ordinary table wine declined overall from 1.9 billion gallons in 1979/80 to 1.7 billion gallons in 1983/84.

Other countries.—Major wine producing countries in addition to France, Italy, and the FRG include Spain, the Soviet Union, Argentina, and the United

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1/ Such wine imported from France may be referred to as vins de pays (country wine), vins de table (table wine), or vin ordinaire (ordinary wine). The other classifications of French wine, which are not subject to these investigations, are "Appellations d'Origine Controlee" (AOC), which signify quality wines, and "Vins Delimites de Qualite Superieure" (VDQS), a second classification of quality wines subject to regulations similar to AOC wines.

2/ The Italian wine classification system is similar to the French system. Italian quality wines are classified under a system of regulations called the "Denominazione di Origine Controllata" (DOC). Top quality wines are classified as "Denominazione di Origine Controllata Garantita." The noncontrolled (or non-DOC) wines under investigation are not subject to these regulations.

3/ Lambrusco is a red varietal wine made from Lambrusco grapes grown in this region. The major lambrusco wine brand imported into the United States is "Riunite," which is described as slightly sparkling, vinified to be drunk chilled, and slightly sweeter, fruitier, and lower in alcohol content than traditional table wines (Transcript of the conference, p. 187). The alcohol content of Lambruscos is in the 8 to 10 percent range (post-conference brief of Schieffelin & Co., p. 11). White and rose wines that share many of the characteristics of the Lambrusco varietal are known in the trade as Lambrusco "type" or "style" (postconference brief of Banfi Products, p. 1).

States. The following tabulation, compiled from data of the Food & Agriculture Organization of the United Nations, shows the world's top wine producers and their production in 1983/84:

Country	Wine production in 1983/84 (millions of gallons)
Italy	2,172
France	1,799
USSR	925
Spain	835
Argentina	555
United States	425
West Germany	351
Others	1,918
Total	8,980

The Domestic Market

Channels of distribution

Wine distribution in the United States involves a three-tier system: wineries (or importers), wholesalers/distributors, and retailers. Wholesalers usually carry both imported and domestic brands and often the wholesaler directly imports foreign wines. 1/

Distribution of wine on a retail level varies throughout the United States because of differing State regulations regarding the sale of alcoholic beverages. In many States, wine is sold by private retail stores, including food and drug stores; however, a few states restrict sales to state-operated stores, and others limit sales to state-regulated (but privately-owned) liquor stores. Wine packaged for retail sale is usually in bottles, with the 750 ml and 1.5 liter sizes the most dominant for the wines under investigation. 2/ Recent packaging innovations include wine in kegs or "bag-in-box" containers, though these containers are geared primarily to the hotel and restaurant markets.

Apparent U.S. consumption

Apparent U.S. consumption of all table wine increased from 396.1 million gallons in 1982 to 404.3 million gallons in 1984, or by 2.1 percent (table 3).

1/ It was noted at the conference that approximately 85 percent of imports of Seagram's Partager brand (Partager was the top imported ordinary table wine from France in 1984) are imported directly by distributors (Transcript of the conference, p. 169). Conference testimony also indicated that, in some States, wholesalers that import may also function as retailers; however, there are believed to be very few such wholesalers (Transcript, p. 237).
2/ Antidumping petition, p. 16.

Consumption of all table wine during January-June 1985 decreased 5.9 percent compared with that during January-June 1984.

Table 3.—Table wine: Taxable withdrawals, 1/ imports, and apparent consumption, 1982-84, January-June 1984, and January-June 1985

(1,000 gallons)

Year	Taxable withdrawals	Imports	Apparent consumption
1982	291,391	104,732	396,123
1983	292,401	110,841	403,242
1984	286,269	118,013	404,282
January-June—			
1984	141,975	53,735	195,710
1985 2/	130,148	53,968	184,116

1/ Taxable withdrawals are withdrawals of domestically produced wine from bonded wine cellars (premises established for the production, blending, cellar treatment, storage, bottling, packaging or repackaging of untax-paid wine, pursuant to BATF regulations), at which time Internal Revenue taxes are paid. These data include taxable withdrawals of both bulk and bottled still wine containing not over 14 percent alcohol by volume (table wine). Other special natural wines and wine coolers, as estimated from BATF statistics, are excluded from these data.

2/ Estimated.

Source: Compiled from official statistics of the Bureau of Alcohol, Tobacco, and Firearms, official statistics of the U.S. Department of Commerce, and data compiled by the Wine Institute.

Apparent U.S. consumption of nonpremium table wine, which accounted for approximately 86 percent of 1984 shipments of table wine in 1984, declined during 1982-84, from 345.5 million gallons to 333.8 million gallons, or by 3.4 percent (table 4). Data for January-June 1985 show a similar decline over the corresponding period of 1984. These numbers do not include wine coolers. Trade sources indicate that consumption of wine coolers was negligible prior to 1983. Consumption of wine coolers was probably close to the shipments levels of 7.7 million gallons in 1983 and 36.7 million gallons in 1984. 1/

1/ Impact, 1985 Review, p. 5.

Table 4.—Nonpremium table wine: U.S. producers' shipments, imports for consumption, and apparent consumption, 1982-84, January-June 1984, and January-June 1985

(1,000 gallons)

Year	Producers' shipments 1/	Imports 2/	Apparent consumption
1982	262,633	82,843	345,476
1983	257,278	87,786	345,064
1984	245,140	88,628	333,768
January-June—			
1984	124,236	41,806	166,042
1985	116,382	43,876	160,258

1/ Shipments data prepared by Gomberg, Frederikson & Associates, Wine Industry Consultants (Antidumping petition, p. 103, as updated to include nonpremium varietal wines).

2/ These data were estimated by deriving the ratios of ordinary table wine imports to table wine imports for 1982-84, January-June 1984, and January-June 1985, as obtained from responses to Commission questionnaires, and applying these ratios to official import statistics of the U.S. Department of Commerce for the same years.

Consideration of Alleged Material Injury to an Industry in the United States

U.S. grape growers

U.S. production.—During 1982-84, U.S. production of grapes declined steadily from a record-high 6.6 million tons in 1982 to 5.2 million tons in 1984 (table 5).

Table 5.—Grapes: U.S. production, 1/ by States, 1982-84

(1,000 tons)

State	1982	1983	1984
California	6,076	4,919	4,640
New York	157	191	198
Washington	169	227	169
Pennsylvania	47	63	60
Michigan	59	60	49
All other	47	46	48
Total	6,555	5,506	5,164

1/ Includes unharvested production plus harvested but not sold grapes, totaling 690,200 tons in 1982, 145,500 tons in 1983, and 13,000 tons in 1984.

Source: U.S. Department of Agriculture, Noncitrus Fruits and Nut Production, Use, and Value, Midyear Supplement, July 1985.

California accounted for 91 percent of total annual U.S. grape production during 1982-84. Production in that State declined each year from the record crop in 1982 of 6.1 million tons to 4.6 million tons in 1984. Combined production of all other producing States increased overall, from 479,000 tons in 1982 to 524,000 tons in 1984.

Utilization.—Table 6 shows California's utilization of its three grape types: wine grapes, raisin grapes, and table grapes. Overall, California's utilization of grapes decreased from 5.4 million tons in 1982 to 4.6 million tons in 1984 (table 6). The quantity of all grapes crushed decreased from 3.1 million tons in 1982 to 2.3 million tons in 1983, or by 26.0 percent, and then increased by 10.7 percent to 2.6 million tons in 1984. For all grape types, the quantities used as fresh fruit decreased from 1982 to 1984, and quantities canned and dried declined irregularly over the period.

During 1982-84, data published by the Wine Institute indicate that the quantity of California raisin-type grapes utilized as dried grapes increased as a share of total utilization of raisin-type grapes. 1/ In 1982, about 58 percent of raisin-type grapes were utilized as dried grapes, compared with 74 percent in 1983 and 62 percent in 1984. The petitioner states that the significant increase in utilization as dried grapes was due to the wineries' decreased demand for raisin-type grapes for crushing. 2/ Respondents argue that the decreased utilization of raisin-type grapes (primarily Thompson Seedless) for crushing reflects a growing consumer preference for more complex, varietal wines and the increased availability of wine grapes. These factors allegedly resulted in decisions by Gallo and other wineries to curtail or eliminate their purchases of Thompson Seedless grapes. 3/

1/ Raisins are covered by a marketing order issued by the Secretary of Agriculture, which legally obligates all raisin handlers to abide by the order's terms. Before harvest, a "free" or "salable" percentage is determined from the size of the crop and other market conditions. Every handler is required to apply the stated percentage to his total handlings to determine the quantity of raisins that may be marketed without restriction. Sales in excess of the "free" or "salable" allocation must be made in "noncompetitive" markets (exports, livestock feed, etc.). The restricted portion of the crop is held in a reserve pool, out of which sales can be made on the primary market if demand strengthens or if supplies fall short of initial expectations. The order also specifies the desirable level of carry-over reserves, which for the 1984 marketing year (beginning Aug. 1) was 60,000 sweatbox tons.

2/ Antidumping petition, p. 77.

3/ Postconference brief on behalf of Banfi Products Corp., pp. 46-47.

Table 6.—Grapes: California utilization, by types, 1982-84

(1,000 tons)

Item	1982	1983	1984 1/
Wine:			
Fresh	66	93	75
Canned	—	—	—
Dried 2/	—	—	—
Crushed	2,086	1,787	1,815
Total	2,152	1,880	1,890
Raisin:			
Fresh	303	252	230
Canned	35	35	30
Dried 2/	1,530	1,774	1,387
Crushed	774	330	580
Total	2,642	2,391	2,227
Table:			
Fresh	311	301	300
Canned	—	—	—
Dried 2/	18	11	3
Crushed	265	193	162
Total	592	504	465
All grapes:			
Fresh	681	646	605
Canned	35	35	30
Dried 2/	1,548	1,785	1,390
Crushed	3,123	2,310	2,557
Total	5,386	4,775	4,582

1/ Preliminary.
2/ Includes fresh weight equivalent of substandard raisins used for wine spirits production and fruit lost in the field because of weather.

Source: Compiled from official statistics of the Wine Institute and the California Crop & Livestock Reporting Service.

U.S. exports.—U.S. exports of grapes are either in the form of fresh grapes or raisins. 1/ As shown in the following tabulation, exports of fresh grapes declined from 246.2 million pounds valued at $95.2 million in 1982 to 244.3 million pounds valued at $86.4 million in 1983. In 1984, although the quantity exported increased only slightly, to 244.4 million pounds, the value rose to $88.6 million. Major 1984 export markets were Canada and Hong Kong.

Year	U.S. exports of fresh grapes: Quantity (1,000 pounds)	Value (1,000 dollars)
1982	246,213	95,169
1983	244,318	86,401
1984	244,391	88,571

Exports of raisins increased by nearly 8 percent, from 113.6 million pounds valued at $105.5 million in 1982 to 122.4 million pounds valued at $90.2 million in 1983. In 1984, the quantity of raisin exports fell to 120.9 million pounds with a value of $80.1 million. 2/ The quantity of raisin exports for the first half of 1985 rose 18 percent over the corresponding period of 1984, as shown below:

Year	U.S. exports of raisins: Quantity (1,000 pounds)	Value (1,000 dollars)
1982	113,579	105,509
1983	122,430	90,243
1984	120,864	80,124
January-June—		
1984	51,591	32,185
1985	61,090	35,941

Inventories.—As shown in the following tabulation compiled from data of the USDA, inventories of raisins (as of July 31) dropped from 118,267 sweatbox tons in 1982 to 115,560 sweatbox tons in 1983, then climbed to 192,497 sweatbox tons in 1985:

1/ Grapes may also be crushed and exported in the form of must; however, such exports are believed to be negligible.
2/ The primary export markets for raisins in 1984 were the EC, Japan, and Canada.

Year	U.S. raisin inventories Quantity (sweatbox tons)
1982	118,267
1983	115,560
1984	186,560
1985	192,497

Employment.—Employment during the January pruning season increased 2.6 percent from 1983 to 1984 and then declined 14.4 percent from 1984 to 1985. Pruning season wages rose steadily from $3.82 per hour in January 1983 to $4.17 per hour in January 1985. Employment during the September harvest season rose 27.3 percent from 1983 to 1984 and 0.3 percent from 1984 to 1985. Harvest season wages were virtually unchanged during 1983–85, as shown in the following tabulation: 1/

	Employment		Wages	
	January	September	January	September
			Per hour	
1983	21,900	51,750	$3.82	$3.87
1984	22,480	65,860	3.92	3.86
1985	19,240	66,080	4.17	3.86

Financial experience of grape growers.—The petitioners conducted a survey of gross revenues and expenses of grape growers in California. Questionnaires were sent to major cooperatives and to the California Association of Wine Grape Growers, which in turn mailed the questionnaires to their member producers. Respondents were requested to separate their revenues by grape use, i.e., wine, raisin, table, and other, but were not asked to provide similar breakdowns for expenses because of the presumed difficulty in providing such data. Touche Ross & Co. analyzed the results of the survey, using responses from 494 growers 2/ that provided data for all time periods. The Commission staff obtained copies of all of the questionnaire responses (over 1,000), and selected 73 responses 3/ submitted by growers that derived

1/ Data on employment and wages of laborers engaged in work related to the growing and harvesting of grapes were obtained from monthly farm labor reports issued by the State of California. These data are for the months of January and September, which are peak months for pruning and harvesting, respectively. The data shown are somewhat understated because counties that did not report for all three years are excluded. Wages shown are weighted-average rates for those counties that reported hourly rather than piecemeal rates.

2/ These 494 growers accounted for 9.1 percent of the tonnage of all grapes crushed in 1984.

3/ These 73 growers accounted for 7.1 percent of the tonnage of all grapes crushed in 1984.

the majority of their revenues during 1982-84 from grapes used to produce wine. The aggregate gross revenue, expenses, and income or loss experienced by these 73 growers are presented in the following tabulation:

	1982	1983	1984
Gross revenue--------1,000 dollars--	37,809	28,400	25,866
Expenses 1/--------do--	48,116	46,332	46,327
Income (loss)--------do--	(10,307)	(17,932)	(20,461)
Ratio of income (loss) to gross revenue percent--	(27.3)	(63.1)	(79.1)
Number of growers 2/--------	73	73	73
Number of growers reporting a loss--------	33	52	63

1/ Includes materials and supplies (including contracting fees and harvest), labor, interest (operating and debt service), depreciation, and other expenses (including salaries of owner, property taxes, utilities, irrigation, etc.).
2/ The 73 growers include 64 for which grapes produced for wine accounted for 100 percent of gross revenue and 9 for which grapes produced for wine accounted for more than 50 percent of gross revenue.

Gross revenue declined from $37.8 million in 1982 to $28.4 million in 1983, then dropped to $25.9 million in 1984. While the gross revenue decline from 1982 to 1983 amounted to 24.9 percent, expenses decreased by only 3.7 percent, from $48.1 million in 1982 to $46.3 million in 1983. In 1984, gross revenue was down 8.9 percent to $25.9 million while expenses remained virtually unchanged at $46.3 million. The aggregate loss doubled from 1982 to 1984, from $10.3 million to $20.5 million. The ratio of loss to revenue deteriorated sharply from 27.3 percent in 1982 to 79.1 percent in 1984. In 1982, 40 of the 73 growers reported income after expenses while only 10 of the 73 did so in 1984.

The financial experience of the 494 growers of grapes for all uses (as analyzed by Touche Ross & Co.) was better than that of the predominantly wine grape growers but worsened in a similar manner during 1982-84, as shown in the following tabulation:

	1982	1983	1984
Gross revenue--------1,000 dollars--	110,715	86,672	75,221
Expenses 1/--------do--	108,752	107,047	101,837
Income (loss)--------do--	1,963	(20,375)	(26,616)
Ratio of income (loss) to gross revenue percent--	1.8	(23.5)	(35.4)

1/ Includes materials and supplies (including contracting fees and harvest), labor, interest (operating and debt service), depreciation, and other expenses (including salaries of owner, property taxes, utilities, irrigation, etc.).

Gross revenue earned by the 494 growers declined from $110.7 million in 1982 to $75.2 million in 1984, or by 32.1 percent. During the same period, expenses fell by only 6.4 percent, from $108.8 million in 1982 to $101.8 million in 1984. As a result, the growers, which earned an aggregate income of $2.0 million, or 1.8 percent of gross revenue in 1982, sustained aggregate losses of $20.4 million, or 23.5 percent of gross revenue in 1983 and $26.6 million, or 35.4 percent of gross revenue in 1984.

U.S. wineries

In the course of these investigations, questionnaires were sent to 23 wineries that are believed to have accounted for approximately 97 percent of U.S. shipments of nonpremium table wine in 1984. The 12 questionnaire respondents represent an estimated 87.6 percent of nonpremium table wine shipments in 1984. Questionnaires were also sent to six major producers of wine coolers; the three respondents to these questionnaires accounted for approximately * * * percent of shipments in 1984. 1/ This section of the report also includes, as a supplement to questionnaire data, information based on official statistics published by the USDA, the California Crop & Livestock Reporting Service, the Wine Institute, and other sources.

U.S. production.—U.S. wine production, as measured by the amount of standard wine removed from fermenters (as reported by the BATF), increased 2.1 percent to 438 million gallons in 1984, compared with 429 million gallons in 1983. However, the 1984 production level was 20 percent below the record level of 550 million gallons reached in 1982, as shown below:

Year	Production 1/ (million gallons)
1980	509
1981	467
1982	550
1983	429
1984	438

1/ These data reflect standard wine removed from fermenters and used in production of table wine, still wines containing over 14 percent of alcohol, vermouth, other special natural wines, and other wine such as wine coolers.

* * * * * * *

1/ In addition, three other domestic producers of nonpremium table wine, accounting for * * * percent of domestic shipments of coolers in 1984, provided usable data on their shipments of wine coolers.

Capacity.—Published data on capacity in the wine industry relates to total storage capacity of California wineries. 1/ It includes all tanks, barrels, fermenters, and casks that are usable for the storage of crushed products such as wine and wine concentrates. 2/ Total storage capacity on December 31 increased by 5 percent from 1982 to 1984, as shown in the following tabulation:

Year	Total storage capacity 1/ (million gallons)
1982	1,007
1983	1,043
1984	1,059

1/ These data were obtained from the Wine Institute. California capacity is estimated to account for about 90 percent of total U.S. storage capacity.

Domestic shipments.—Domestic shipments of all table wine, as reported by the BATF as taxable withdrawals, 3/ declined overall during 1982-84, from 291 million gallons in 1982 to 286 million gallons in 1984. The level of table wine shipments in January-June 1985 showed a decline of 8.3 percent compared to January-June 1984, as shown in the following tabulation:

Year	Taxable withdrawals of table wine (1,000 gallons)
1982	291,391
1983	292,401
1984	286,269
January-June—	
1984	141,975
1985	130,148

Domestic shipments of nonpremium table wine declined nearly 7 percent during 1982-84, from 262.6 million gallons in 1982 to 245.1 million gallons in 1984. The level of shipments for January-June 1985 declined 6.3 percent when compared with shipment levels for January-June 1984, as shown in the following tabulation:

1/ Data on utilization of such capacity are not available.

2/ Total storage capacity is generally not in use at any one point in time.

3/ Taxable withdrawals are considered by the trade to be a good indication of domestic shipments of table wine, since wine is generally stored in bonded premises until acquired by a purchaser in order to delay payment of applicable Internal Revenue taxes.

Year	Domestic shipments of nonpremium table wine 1/ (1,000 gallons)
1982	262,633
1983	257,278
1984	245,140
January-June--	
1984	124,236
1985	116,382

1/ Based on data prepared by Gomberg, Frederikson & Associates, (Antidumping petition, p. 103, as updated to include nonpremium varietal wines).

Industry sources estimate that domestic shipments of wine coolers grew from 7.7 million gallons in 1983 to 36.7 million gallons in 1984. 1/ Data provided by six domestic producers of wine coolers show shipments rising from * * * gallons in 1982 to * * * gallons in 1983 and * * * gallons in 1984. During January-June 1985, the level of shipments was * * * gallons, compared to the * * * gallons shipped in the first half of 1984.

U.S. exports.--Exports of table wine declined from 7.7 million gallons, valued at $31.4 million, in 1982 to 5.1 million gallons, valued at $21.2 million in 1984 (table 7). Canada, the primary export market during this period, accounted for nearly 52 percent of the quantity and 28 percent of the value of total exports in 1984. The majority of exports to Canada are believed to be in bulk form, as reflected by the average unit values reported for such exports.

Exports of nonpremium table wine reported by four questionnaire respondents 2/ also declined, from * * * million gallons in 1982 to * * * million gallons in 1984. Exports for January-June 1985 were down * * * percent from January-June 1984. Export markets included Canada, Europe, Japan, and South America.

1/ Impact, 1985 Review, p. 5.
2/ These companies accounted for almost * * * percent of domestic shipments of nonpremium table wine in 1984.

Table 7.—Table wine: U.S. exports, by principal markets, 1982-84, January-June 1984, and January-June 1985

Market	1982	1983	1984	January-June— 1984	January-June— 1985
	Quantity (1,000 gallons)				
Canada	4,112	3,314	2,655	1,422	1,105
United Kingdom	1,148	1,146	904	437	280
Japan	218	382	395	234	318
Bahamas	213	203	191	94	23
Belgium	212	201	159	129	90
All other	1,824	1,151	821	401	375
Total	7,727	6,398	5,125	2,718	2,191
	Value (1,000 dollars)				
Canada	9,643	7,529	5,990	3,058	2,487
United Kingdom	7,164	6,737	5,370	2,551	1,624
Japan	1,542	2,302	2,561	1,468	1,507
Bahamas	1,049	957	804	393	176
Belgium	1,101	1,399	991	807	607
All other	10,863	7,558	5,509	2,747	2,403
Total	31,362	26,477	21,226	11,024	8,804
	Unit value (per gallon)				
Canada	$2.35	$2.27	$2.26	$2.15	$2.25
United Kingdom	6.24	5.88	5.94	5.84	5.81
Japan	7.09	6.02	6.48	6.26	4.74
Bahamas	4.93	4.72	4.22	4.19	7.74
Belgium	5.20	6.95	6.22	6.24	6.76
All other	5.96	6.56	6.71	6.85	6.41
Average	4.06	4.14	4.14	4.06	4.02

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

U.S. inventories.—Inventories of table wine held at bonded wineries and wine cellars 1/ have risen irregularly in recent years, as shown in the following tabulation compiled from data provided by the Wine Institute:

	Inventories 1/ (1,000 gallons)
As of April 30—	
1981	415,787
1982	432,653
1983	519,470
1984	481,305
1985 2/	449,068

1/ Excludes substandard wine produced as distilling material.
2/ Wine Institute officials indicate this figure may be slightly understated.

The inventory level achieved in 1983 was the largest in history and reflects, in part, the effects of the record harvest and crush in 1982.

Five firms, accounting for 61 percent of 1984 shipments of nonpremium table wine, provided data on their inventories of bottled nonpremium table wine. Such inventories declined overall during 1981-84 from 28.0 million gallons in 1981 to 23.4 million gallons in 1984. Inventory levels as of June 30, 1985 declined 2.6 percent from June 30, 1984, as shown in the following tabulation: 2/

	Inventories of nonpremium table wine 1/ (1,000 gallons)
As of Dec. 31—	
1981	28,008
1982	25,663
1983	26,632
1984	23,411
As of June 30—	
1984	31,574
1985	30,753

1/ * * *.

1/ These data include inventories of both bulk and bottled wine.
2/ Five domestic producers, representing about 18 percent of 1984 shipments, reported inventory data for both bottled and bulk wine. Such inventories fell steadily from 95.7 million gallons in 1982 to 83.6 million gallons in 1984. Inventories as of June 30, 1985 were down 12.7 percent from June 30, 1984.

Imports by producers.—Three U.S. wineries, * * *, * * *, and * * *, import ordinary table wine from the FRG, France, and Italy. Each firm's domestic shipments and imports from these countries, as reported in response to the Commission's questionnaire, are compared below:

*   *   *   *   *   *   *

Employment.—Eight firms that accounted for almost 64 percent of U.S. shipments of nonpremium table wine in 1984 provided data on employment of workers producing nonpremium table wine. 1/ As shown in table 8, the number of workers employed in the production of nonpremium table wine by these firms declined by 7.2 percent between 1982 and 1984, and then decreased by 2.5 percent in the first half of 1985 over the corresponding period of 1984. A similar trend occurred in the number of hours worked. Wages paid and total compensation both declined overall between 1982 and 1984; data for January-June 1985 also show a decline when compared with that of January-June 1984.

Twelve firms provided information regarding union representation. Of these, two firms had no union employees, while workers at the other firms were represented by the Distillery, Wine, & Allied Workers, AFL-CIO.

Financial experience of U.S. wineries.—Ten wineries, accounting for approximately 83 percent of domestic shipments of nonpremium table wine in 1984, furnished usable income-and-loss data concerning both their overall establishment operations and their operations producing table wine.

Overall establishment operations.—Net sales of all products produced in the establishments within which table wine is produced averaged close to $2.1 billion a year during 1982-84 (table 9). Net sales rose to $1.2 billion during the interim period ended June 30, 1985, compared with net sales of $1.1 billion during the corresponding period of 1984. During 1982-84, operating income ranged from a low of $116 million, or 5.6 percent of net sales, in 1982 to a high of $134 million, or 6.6 percent of net sales in 1983. Operating income was $94.7 million, or 8.0 percent of net sales, during the interim period ended June 30, 1985, compared with an operating income of $101 million, or 9.0 percent of net sales, during the corresponding period of 1984. These wineries reported a positive cash flow for each of the reporting periods.

Table wine operations.—Net sales of table wine during 1982-84 ranged from a low of $886 million in 1983 to a high of $977 million in 1982 (table 10). Net sales were $468 million during interim 1985, compared with net sales of $503 million during the corresponding period of 1984. In the aggregate, the 10 reporting wineries operated profitably in each of the reporting periods. During 1982-84, operating income ranged from a high of

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1/ Two firms, * * * and * * *, provided data for all table wine. One firm, * * *, provided data on employment for wine and brandy production.

Table 8.—Average number of production and related workers engaged in the manufacture of nonpremium table wine, hours worked by such workers, wages paid, and total compensation, 1982-84, January-June 1984, and January-June 1985 1/

Period	Number of workers	Hours worked	Wages paid	Total compensation
		Thousands	1,000 dollars	
1982	2,116	4,151	48,189	57,489
1983	1,966	3,954	47,223	56,518
1984	1,964	3,854	46,592	56,609
January-June:				
1984	1,826	1,785	21,177	25,781
1985	1,781	1,753	20,741	25,468

1/ Based on data provided by 8 firms accounting for about 64 percent of domestic shipments of nonpremium table wine in 1984. Two firms, * * * and * * *, provided data for all table wine. * * * provided data on employment for wine and brandy production.

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

$38.5 million, or 4.3 percent of net sales, in 1983 to a low of $7.3 million, or 0.8 percent of net sales, in 1984. Operating income was $35.3 million, or 7.5 percent of net sales, during interim 1985, compared with an operating income of $36.3 million, or 7.2 percent of net sales, during the corresponding period of 1984. Seven of the 10 wineries sustained operating losses in 1982 and 1983, 8 wineries sustained such a loss in 1984, as did 5 wineries in each of the interim periods. These wineries reported a positive cash flow in each of the reporting periods.

Nonpremium table wine.—Net sales of nonpremium table wine slipped from $947 million to $843 million, or by 11 percent, between 1982 and 1983, and then rose 3 percent to $869 million in 1984 (table 11). Net sales fell 8 percent to $436 million during interim 1985, compared with net sales of $476 million during the corresponding period of 1984. The 10 wineries sustained an aggregate operating loss of $5.4 million, or 0.6 percent of net sales during 1984, compared with operating incomes of $34.2 million, or 3.6 percent of net sales, and $29.0 million, or 3.4 percent of net sales, during 1982 and 1983, respectively. Operating income declined slightly to $27.2 million, or 6.2 percent of net sales, during interim 1985, compared with an operating income of $29.8 million, or 6.3 percent of net sales, during the corresponding period of 1984. Six of the 10 reporting firms sustained operating losses in 1982. Seven wineries sustained such a loss in 1983, as did eight wineries in 1984, and six in each of the interim periods. These wineries reported positive cash flows in each of the reporting periods.

Table 9.--Income-and-loss experience of 10 U.S. wineries on the overall operations of their establishments within which table wine is produced, 1982-84 and interim periods ended June 30, 1984 and June 30, 1985 1/

Item	1982	1983	1984	Interim period ended June 30--	
				1984	1985
Net sales------1,000 dollars--	2,052,974	2,026,336	2,122,116	1,123,381	1,182,749
Cost of goods sold------do----	1,435,730	1,372,786	1,451,410	746,762	798,162
Gross income------do----	617,244	653,550	670,706	376,619	384,587
General, selling, and administrative expenses----1,000 dollars--	501,488	519,211	543,483	275,148	289,887
Operating income------do----	115,756	134,339	127,223	101,471	94,700
Depreciation and amortization 1,000 dollars--	25,916	43,868	54,993	29,087	30,965
Cash flow from operations---do----	141,672	178,207	182,216	130,558	125,665
Ratio to net sales:					
Gross income------percent--	30.1	32.3	31.6	33.5	32.5
Operating income------do----	5.6	6.6	6.0	9.0	8.0
Cost of goods sold------do----	69.9	67.7	68.4	66.5	67.5
General, selling, and administrative expenses----percent--	24.4	25.6	25.6	24.5	24.5
Number of firms reporting operating losses----------	7	7	7	4	5

1/ Interim data are for 8 wineries.

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

Table 10.—Income-and-loss experience of 10 U.S. wineries on their operations producing table wine, 1982-84 and interim periods ended June 30, 1984 and June 30, 1985 1/

Item	1982	1983	1984	Interim period ended June 30— 1984	Interim period ended June 30— 1985
Net sales——1,000 dollars—	976,641	886,367	922,403	502,639	467,648
Cost of goods sold——do——	691,043	597,432	644,443	335,712	296,877
Gross income——do——	285,598	288,935	277,960	166,927	170,771
General, selling, and administrative expenses——1,000 dollars—	249,004	250,427	270,681	130,619	135,473
Operating income——do——	36,594	38,508	7,279	36,308	35,298
Depreciation and amortization 1,000 dollars—	18,741	27,976	35,770	19,579	19,844
Cash flow from operations——do——	55,335	66,484	43,049	55,887	55,142
Ratio to net sales:					
Gross income——percent—	29.2	32.6	30.1	33.2	36.5
Operating income——do——	3.7	4.3	0.8	7.2	7.5
Cost of goods sold——do——	70.8	67.4	69.9	66.8	63.5
General, selling, and administrative expenses——percent—	25.5	28.3	29.3	26.0	29.0
Number of firms reporting operating losses——	7	7	8	5	5

1/ Interim data are for 8 wineries.

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

Table 11.—Income-and-loss experience of 10 U.S. wineries on their operations producing nonpremium table wine, 1982-84 and interim periods ended June 30, 1984 and June 30, 1985 1/

Item	1982	1983	1984	Interim period ended June 30— 1984	Interim period ended June 30— 1985
Net sales—1,000 dollars	947,324	842,595	868,502	476,055	436,063
Cost of goods sold—do	671,015	578,708	618,361	323,522	282,870
Gross income—do	276,309	263,887	250,141	152,533	153,193
General, selling, and administrative expenses—1,000 dollars	242,082	234,916	255,569	122,744	126,032
Operating income or (loss)—do	34,227	28,971	(5,428)	29,789	27,161
Depreciation and amortization 1,000 dollars	16,253	24,516	31,127	17,491	17,507
Cash flow from operations—do	50,480	53,487	25,699	47,280	44,668
Ratio to net sales:					
Gross income—percent	29.2	31.3	28.8	32.0	35.1
Operating income or (loss) percent	3.6	3.4	(.6)	6.3	6.2
Cost of goods sold—do	70.8	68.7	71.2	68.0	64.9
General, selling, and administrative expenses—percent	25.6	27.9	29.4	25.8	28.9
Number of firms reporting operating losses	6	7	8	6	6

1/ Interim data are for 8 wineries.

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

One reporting firm, * * *. However, this firm * * *. Another reporting firm, * * *. A comparison of operating results of * * * nonpremium table wine operations with that of * * * is shown in the following tabulations:

* * * * * * *

<u>Investment in productive facilities</u>.—U.S. producers' investment in productive facilities employed in the production of nonpremium table wine, valued at cost, rose from $176 million as of the end of 1982 to $272 million as of June 30, 1985; the book value of such assets was $171 million as of June 30, 1985 (table 12).

<u>Capital expenditures</u>.—U.S. producers made capital expenditures of $9.3 million in 1982 for facilities used in the production of non-premium table wine; capital expenditures in 1983 were $12.5 million, those in 1984 were $6.3 million, and those during January-June 1985 were * * *, compared with * * * during the corresponding period of 1984 (table 12).

<u>Capital and investment</u>.—U.S. producers were asked to describe any actual or potential negative effects of imports of nonpremium table wine from the FRG, France, and Italy on their firm's growth, investment, and ability to raise capital. Excerpts from their replies follow.

* * * * * * *

Consideration of the Alleged Threat of Material Injury to an Industry in the United States

In its examination of the question of a reasonable indication of the threat of material injury to an industry in the United States, the Commission may take into consideration among other relevant factors the following: any information on the nature of the subsidies, 1/ any increases in production capacity or existing unused capacity in the exporting country likely to result in an increase in imports of the subject merchandise to the United States, any rapid increase in imports of the subject merchandise to the United States, any increase in U.S. market penetration and the likelihood that the penetration will increase to an injurious level, the probability that the price of the subject imported product will have a depressing or suppressing effect on the

1/ Allegations concerning subsidies are presented in the section of this report on the nature and extent of the alleged subsidies. The administering authority has no made no determination of subsidies at this time.

Table 12.—Investment in productive facilities and capital expenditures related to table wine, 1982-84 and interim periods ended June 30, 1984 and June 30, 1985 1/

(In thousands of dollars)

Item	1982	1983	1984	January-June—	
				1984	1985
Investment in productive facilities:					
All products: 2/					
Original cost	261,814	303,507	413,801	361,477	381,564
Book value	180,302	210,631	263,390	240,325	242,872
Non-premium table wine: 3/					
Original cost	176,458	183,525	270,769	258,072	272,331
Book value	121,362	122,256	170,025	167,534	170,882
Capital expenditures:					
All products: 4/					
Land	2,408	3,465	1,727	536	1,132
Buildings	2,182	8,577	914	399	2,917
Machinery and equipment	11,192	35,558	9,059	2,806	3,942
Total	15,782	47,600	11,700	3,741	7,991
Non-premium table wine: 5/					
Land	102	227	783	***	***
Buildings	1,040	580	558	***	***
Machinery and equipment	8,109	11,731	4,917	***	***
Total	9,251	12,538	6,258	***	***

1/ Data concerning investment in productive facilities are on an accounting year basis, and data concerning capital expenditures are on a calendar year basis.

2/ The 1982-84 data are for 8 firms and the interim data are for 6 firms.

3/ The 1982-84 data are for 6 firms and the interim data are for 5 firms.

4/ The 1982-84 data are for 8 firms and the interim data are for 5 firms.

5/ The 1982-84 data are for 5 firms and the interim data are for 3 firms.

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

domestic prices of the merchandise, any substantial increase in inventories of the merchandise in the United States, underutilized capacity for producing the merchandise in the exporting country, any other demonstrable trends that indicate that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury, and the potential for product-shifting, if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation under section 701 or section 731, or to final orders under section 706 or section 736, are also used to produce the merchandise under investigation.

Information on the market penetration of the subject products is presented in the market penetration section of this report. Information on the depressing or suppressing effect on domestic prices of the prices of the imported products is presented in the pricing section of this report. Foreign production is discussed in the foreign producers section of this report. Available information on the other factors listed above are discussed in this section of the report.

The EC reports annually on its wine industry. The 1984 report (COM (84) 531 final) indicated that since 1976, there has been a general decline in producing vineyard area in most of the wine-producing member states, especially France and Italy. The reduction in production potential is linked to various Commission regulations (beginning in 1976) relating to aid for voluntary conversion of vineyards to other uses. 1/ Data on producing vineyard area for the FRG, France, and Italy for 1980-83 are shown in the tabulation that follows:

	Area devoted to wine grape production (1,000 hectares)		
	1980/81	1981/82	1982/83
FRG	96	98	98
France	1,139	1,121	1,102
Italy	1,158	1,142	1,123

The 1984 EC report also noted that production of wine in the EC fluctuates considerably from one wine year to another as well as between regions, making it very difficult to arrive at reliable production forecasts. However, the report estimates table wine production and consumption in the year 1990:

1/ Council Regulation (EEC) No. 337/79, as amended by Council Regulation (EEC) No. 1208/84, forbids the plantings of new vines until Aug. 31, 1990. The prohibition against new vines for table wine has been in effect since 1980, and has been in effect for all categories of wine since 1984 (Postconference brief of German Wine Institute, p. 18).

> If the trends described above, i.e., the continuing fall in table wine consumption in France and Italy and the limited increase in table wine consumption in the other Member States are extrapolated, it can be estimated that total demand for wine in the Community in 1990 would be somewhere around 130 million hl. Production could thus exceed consumption by some 25 to 30 million hl, and, unless consumption picks up in Member States where it is low at present and exports increase—which does not look all that likely—very large quantities of wine would still have to be distilled.

In contrast to production, the report indicates that EC wine consumption in all forms has been falling by 0.75 percent a year since 1971/72. This decline in direct human consumption is attributable mainly to the decline in the two main wine-producing member states, France and Italy, as shown below.

	Direct human consumption (million gallons)			
	1980/81	1981/82	1982/83	1983/84
FRG	402	405	442	464
France	1,316	1,271	1,240	1,230
Italy	1,318	1,263	1,223	1,254

In contrast to France and Italy, consumption of wine in the FRG increased from 402 million gallons in 1980/81 to 464 million gallons in 1983/84. Consumption in Germany on a per person basis, which averaged 25 liters per person during 1976-80, is reported as having increased to 27 liters in 1982/83, and is forecast at 29 liters for 1983/84. In France, direct human consumption fell 6.5 percent during 1980-84. On a per person basis, consumption of wine in France (which averaged 97 liters in 1976-80) fell to 86 liters in 1981/82 and is forecast at 85 liters for 1983/84. In Italy, where overall consumption declined from 1980 to 1982/83, then picked up slightly in 1983/84, per person consumption of wine (which averaged 91 liters per person in 1976-80), was 82 liters in 1982/83, and is forecast at 83 liters for 1983/84.

Data relating to table wine inventory levels on September 1 for the FRG, France, and Italy are available only for 1981-83 (table 13). During 1981-83, table wine inventories in the FRG increased slightly overall, while inventories of quality wine in 1983 were nearly double the 1981 level. Both French and Italian table wine inventories declined from 1981 to 1983.

Information pertaining to table wine exports are only available for the FRG and France. Exports of wine other than Qualitatswein from the FRG to the United States * * * from * * * gallons in 1983 to * * * gallons in 1984, a * * * of * * * percent (table 14). In 1983, * * * gallons, or nearly * * *

Table 13.—Wine: Inventories for the FRG, France, and Italy as of Sept. 1 of 1981-83 1/

(In millions of gallons)

Country	1981	1982	1983
	Table wine		
FRG	18	16	21
France	631	561	595
Italy	693	441	403
	Quality wine 2/		
FRG	162	156	314
France	538	490	648
Italy	158	142	162
	All wines		
FRG	273	262	409
France	1,172	1,054	1,247
Italy	852	584	566

1/ Data for 1984 were not available.
2/ Produced in a specific region.

Source: Commission of the European Communities, Commission Report to the Council, COM (84) 531 final, Oct. 10, 1984.

percent of total exports to the United States, consisted of quality wines (both Qualitatswein and Qualitatswein mit Pradikat); this percentage share * * * to * * * percent in 1984, when * * * gallons of Qualitatswein were exported to the United States.

The United States was Germany's * * * export market in 1984, accounting for * * * percent of total exports of * * * gallons. The United Kingdom accounted for nearly * * * percent of exports, with * * * gallons. The Netherlands, with * * * gallons, * * *. Overall, quality wines represented almost * * * percent of German wine exports in 1984.

Exports of table wine from France rose 30 percent overall from 1982 to 1984, rising from 99.3 million gallons in 1982 to 129.5 million gallons in 1984. Exports fell to 64.4 million gallons in January-June 1985 compared to 68.6 million gallons in January-June 1984. Exports to the United States rose nearly 54 percent, from 7.3 million gallons in 1982 to 11.2 million gallons in 1984. French table wine exports to the United States dropped from 5.5 million gallons in January-June 1984 to almost 5.0 million gallons in January-June 1985.

Table 14.—Ordinary table wine: Exports from the FRG and France, 1982-84, January-June 1984, and January-June 1985

(In thousands of gallons)

Item	1982	1983	1984	January-June— 1984	January-June— 1985
FRG:					
Exports of wine other than Qualitatswein to— 1/					
United States	2/	***	***	2/	2/
All others	2/	2/	***	2/	2/
Total	2/	2/	***	2/	2/
Exports of Qualitatswein to—					
United States	2/	***	***	2/	2/
All others	2/	2/	***	2/	2/
Total	2/	2/	***	2/	2/
France:					
Exports of table wine to—					
United States	7,273	9,384	11,185	5,538	4,997
All others	92,054	111,003	118,342	63,096	59,437
Total	99,327	120,387	129,527	68,634	64,434

1/ Most of the exports in this category are of Tafelwein.
2/ Not available.

Source: Germany's export data received from counsel on behalf of the German Wine Institute; French export data compiled from information received from the Department of State in response to a Commission telegram.

Consideration of the Causal Relationship Between the Allegedly Subsidized and/or LTFV Imports and the Alleged Injury

U.S. imports

Imports from all sources.—U.S. imports of table wine from all sources increased from 104.7 million gallons in 1982 to 118.0 million gallons in 1984, or by 12.7 percent (table 15). 1/ The level of imports during January-June 1985, however, at nearly 54 million gallons, was little changed from the level reported during January-June 1984. The major sources of imports throughout the period were Italy, France, and the FRG, accounting for 53.3 percent, 23.6 percent, and 13.6 percent, respectively, of the quantity of imports in 1984.

1/ These import data include both controlled and noncontrolled wine.

Table 15.—Table wine: U.S. imports for consumption of table wine, by sources, 1982-84, January-June 1984, and January-June 1985

Source	1982	1983	1984	January-June— 1984	January-June— 1985
	Quantity (1,000 gallons)				
Italy	63,023	63,428	62,887	28,046	27,927
France	18,042	22,243	27,837	13,037	12,964
West Germany	13,198	15,030	16,019	7,257	7,695
Portugal	4,979	4,418	4,632	1,972	2,130
Spain	1,499	1,330	1,774	834	648
Yugoslavia	562	780	1,130	594	547
Greece	627	577	554	303	275
Bulgaria	294	375	435	243	165
Chile	287	345	329	169	218
Hungary	286	293	314	215	148
All other	1,935	2,021	2,103	1,065	1,252
Total	104,732	110,841	118,013	53,735	53,968
	Value (1,000 dollars)				
Italy	238,827	243,400	240,020	109,220	101,414
France	188,510	211,027	259,031	123,411	131,683
West Germany	98,529	103,219	101,214	46,214	49,156
Portugal	28,479	23,288	23,959	10,304	11,877
Spain	9,181	8,234	9,961	4,615	3,791
Yugoslavia	1,846	2,407	3,304	1,731	1,550
Greece	2,838	2,520	2,266	1,167	1,123
Bulgaria	1,016	1,426	1,630	889	681
Chile	2,074	3,416	2,433	1,150	1,194
Hungary	1,441	1,588	1,670	1,080	741
All other	12,826	12,775	12,610	6,243	8,227
Total	585,568	613,298	658,099	306,024	311,436
	Unit value (per gallon)				
Italy	$ 3.79	$ 3.84	$ 3.82	$ 3.89	$ 3.63
France	10.45	9.49	9.30	9.46	10.16
West Germany	7.46	6.87	6.32	6.37	6.39
Portugal	5.72	5.27	5.17	5.23	5.58
Spain	6.12	6.19	5.62	5.53	5.85
Yugoslavia	3.28	3.08	2.92	2.91	2.83
Greece	4.52	4.37	4.09	3.85	4.09
Bulgaria	3.45	3.80	3.74	3.66	4.13
Chile	7.22	9.91	7.40	6.80	5.47
Hungary	5.03	5.42	5.33	5.02	5.02
All other	6.63	6.32	6.00	5.86	6.57
Average	5.59	5.53	5.58	5.70	5.77

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

In 1984, 55 percent of the quantity of table wine imports was valued not over $4 per gallon, up from almost 51 percent in 1982 (table 16). 1/

Imports from the FRG.—Imports of table wine from the FRG rose by 21.4 percent between 1982 and 1984, from 13.2 million gallons to 16.0 million gallons. During January-June 1985, such imports increased 6 percent over the corresponding period of 1984. Nearly 96 percent of table wine imports from Germany in 1984 consisted of white wine. In January-June 1985, 75.0 percent of table wine imports from Germany were valued over $4.00 per gallon, down from 96.4 percent in 1982 (table 17). The average unit value of imports of table wine from Germany declined steadily, from $7.46 in 1982 to $6.32 in 1984, and then increased slightly to $6.39 in the first half of 1985. The primary port of entry in 1984 was New York City, accounting for 14 percent of table wine imports from the FRG, followed by Detroit at 9.6 percent and Chicago at 8.4 percent.

Responses to the Commission's questionnaire from nine importers of ordinary table wine from the FRG are shown below:

Year	Imports from the FRG: Quantity (1,000 gallons)	Imports from the FRG: Value (1,000 dollars)
1982	1,423	10,136
1983	1,558	9,853
1984	1,455	8,448
January-June—		
1984	714	4,275
1985	555	2,724

Imports of ordinary table wine from the FRG increased from 1.4 million gallons in 1982 to 1.6 million gallons in 1983, then declined to 1.5 million gallons in 1984. Imports for January-June 1985, at 555,000 gallons, were 22.3 percent below the 714,000 gallons reported for January-June 1984.

Imports from France.—U.S. imports of table wine from France grew from 18.0 million gallons in 1982 to 27.8 million gallons in 1984. The level of imports for the first half of 1985 remained relatively unchanged from that of the previous year. Unit values declined from $10.45 in 1982 to $9.31 in 1984, but rose to $10.16 in January-June 1985. Although most of the volume of table wine imported from France is valued over $4.00 per gallon, the percentage share fell each year from 83.7 percent in 1982 to 67.5 percent in the first 6 months of 1985. White wine accounted for over 56 percent of French table wine imports in 1984. Nearly 38 percent of 1984 imports of table wine from France were imported into the United States through New York City. Other major ports of entry were Boston (6.7 percent), Baltimore (5.9 percent), Los Angeles (5.8 percent), and San Francisco (5.6 percent).

1/ It is believed that virtually all table wine imports in this category consist of ordinary table wine, whereas a significant proportion of table wine imports valued over $4.00 per gallon consists of premium table wine that is outside the scope of these investigations.

Table 16.—Table wine: U.S. imports for consumption of table wine valued not over $4 per gallon, by sources, 1982-84, January-June 1984, and January-June 1985

Source	1982	1983	1984	January-June— 1984	January-June— 1985
	Quantity (1,000 gallons)				
Italy	46,852	47,113	46,669	20,871	21,347
France	2,935	4,866	8,280	3,798	4,213
West Germany	470	2,352	4,428	1,814	1,922
All other	3,033	4,595	5,535	2,799	2,494
Total	53,291	58,926	64,912	29,281	29,976
	Value (1,000 dollars)				
Italy	133,437	133,458	127,587	57,898	55,861
France	9,131	15,181	25,185	11,894	12,360
West Germany	1,058	7,213	13,709	5,751	6,203
All other	9,550	14,533	16,488	8,291	7,482
Total	153,176	170,385	182,969	83,835	81,907
	Unit value (per gallon)				
Italy	$2.85	$2.83	$2.73	$2.77	$2.62
France	3.11	3.12	3.04	3.13	2.93
West Germany	2.25	3.07	3.10	3.17	3.23
All other	3.15	3.16	2.98	2.96	3.00
Average	2.87	2.89	2.82	2.86	2.73

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

Table 17.—Table wine: U.S. imports for consumption of table wine, valued over $4 per gallon, by sources, 1982-84, January-June 1984, and January-June 1985

Source	1982	1983	1984	January-June— 1984	January-June— 1985
	Quantity (1,000 gallons)				
France	15,106	17,376	19,557	9,239	8,750
Italy	16,171	16,315	16,219	7,175	6,580
West Germany	12,727	12,679	11,590	5,443	5,774
All other	7,436	5,545	5,735	2,597	2,888
Total	51,441	51,915	53,101	24,454	23,992
	Value (1,000 dollars)				
France	179,379	195,846	233,846	111,517	119,323
Italy	105,390	109,941	112,434	51,321	45,552
West Germany	97,471	96,005	87,505	40,463	42,954
All other	50,152	41,120	41,346	18,888	21,701
Total	432,392	442,913	475,130	222,189	229,530
	Unit value (per gallon)				
France	$11.87	$11.27	$11.96	$12.07	$13.64
Italy	6.51	6.74	6.93	7.15	6.92
West Germany	7.66	7.57	7.55	7.43	7.44
All other	6.74	7.42	7.21	7.27	7.52
Average	8.40	8.53	8.95	9.09	9.57

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

Imports of ordinary table wine from France, as reported by 10 questionnaire respondents, are shown below:

Year	Imports from France: Quantity (1,000 gallons)	Imports from France: Value (1,000 dollars)
1982	2,888	14,396
1983	4,298	20,056
1984	4,922	21,734
January-June—		
1984	2,654	11,752
1985	2,719	11,352

These responses show an increase of 70.4 percent in imports of ordinary table wine from France between 1982 and 1984. A slight increase occurred in the first half of 1985 compared with the first half of 1984.

Imports from Italy.—U.S. imports of table wine from Italy were relatively constant, ranging from a low of 62.9 million gallons in 1984 to a high of 63.4 million gallons in 1983. In the first half of 1985, the level of imports, at 27.9 million gallons, was only slightly below the 28.0 million gallons reported in the corresponding period of 1984. The average unit value was $3.82 in 1984, up from $3.79 in 1982; however, during January-June 1985, the average unit value dropped to $3.63. Approximately 75 percent of the table wine imports from Italy during 1982-84 were valued not over $4.00 per gallon, and over 50 percent consisted of white wine in 1984. Over 55 percent of Italian table wine imports entered the United States through east coast ports. New York City was the primary port of entry with a 33.5 percent share; next was Baltimore, with 11.4 percent, followed by Boston, 5.2 percent, and Philadelphia, 5.0 percent.

The Wine Center of the Italian Trade Commission in New York maintains data on U.S. imports of non-DOC wines. These data show that close to 80 percent of U.S. imports of Italian, non-DOC wines were from the Emilia-Romagna region (This represents a steady decline from Emilia-Romagna's share of over 90 percent in 1980). Lambrusco and lambrusco-type wines are the primary exports from this region, accounting for an estimated 37.7 million gallons, or 77.5 percent of 1984 U.S. imports of non-DOC Italian wines in 1984. 1/ According to the Wine Center's statistics, lambrusco and lambrusco-type wines represented approximately 60 percent of Italian wine exports to the United States in 1984.

1/ According to Mr. Vincent Giampaola, Marketing and Research Director of the Wine Center, the Center's published statistics on U.S. imports of non-DOC lambrusco wines from Emilia-Romagna only include red wines. Under the Italian classification system, the term "lambrusco" refers only to red wine made from Lambrusco grapes. White or rose wine from Emilia-Romagna that is fruity, bubbly, and low in alcohol content, or "lambrusco-style," is classified as "other wines" and accounts for over * * * percent of that group's exports to the United States.

Responses to the Commission's questionnaire from 11 importers of ordinary table wine from Italy are shown in the following tabulation:

Year	Imports from Italy: Quantity (1,000 gallons)	Imports from Italy: Value (1,000 dollars)
1982	35,340	138,385
1983	35,502	136,041
1984	32,822	130,146
January-June--		
1984	15,819	55,396
1985	16,584	63,883

The quantity of ordinary table wine imports fell from its peak of 35.5 million gallons in 1983 to 32.8 million gallons in 1984, or by 7.5 percent. Imports increased by 4.8 percent during January-June 1985 over the corresponding period of 1984.

Market penetration

Imports of all table wine as a share of apparent consumption increased from 26.4 percent in 1982 to 29.2 percent in 1984, and 29.3 percent in the first half of 1985 (table 18). Imports from the FRG as a share of apparent consumption increased from 3.3 percent in 1982 to 4.0 percent in 1984, and 4.2 percent in the first half of 1985. France increased its market share from 4.6 percent in 1982 to 7.0 percent in January-June 1985. The market share held by Italy remained at about the same level during 1982-84; data for January-June 1985 show an increase in market share over January-June 1984.

The market share held by U.S. imports of ordinary table wine from the FRG increased from 3.0 percent in 1982 to 3.6 percent in 1984 and then to 3.9 percent in January-June 1985 (table 19). Market penetration of such imports from France rose annually from 4.1 percent in 1982 to 6.3 percent in 1984. A further rise to 6.5 percent occurred in the first half of 1985. Imports from Italy as a share of apparent consumption increased slightly, from 14.4 percent in 1982 to 14.6 percent in 1983, then decreased to 14.2 percent in 1984 and January-June 1985. The U.S. producers' share of apparent consumption fell from 76.0 percent in 1982 to 72.6 percent in the first half of 1985.

Table 18.—Table wine: Ratios of imports and U.S. producers' domestic shipments to consumption, 1982-84, January-June 1984, and January-June 1985

(In percent)

Item	1982	1983	1984	January-June— 1/	
				1984	1985
Imports from—					
FRG	3.3	3.7	4.0	3.7	4.2
France	4.6	5.5	6.9	6.7	7.0
Italy	15.9	15.7	15.6	14.3	15.2
All other imports	2.6	2.6	2.7	2.8	2.9
Total	26.4	27.5	29.2	27.5	29.3
U.S. producers' domestic shipments	73.6	72.5	70.8	72.5	70.7
Total	100.0	100.0	100.0	100.0	100.0

1/ Not available.

Source: Imports, compiled from official statistics of the U.S. Department of Commerce; domestic shipments from taxable withdrawals data of the BATF.

Grape prices 1/

Many specific grape varieties in California are grown either to be crushed, used as raisins, or as table grapes, although some varieties go to more than one use. Increases in grape production generally lag increases in demand for grape products as it takes from 3 to 5 years between the time of planting the vines and commercial production of the grapes. As a result, the increase in production of grapes could occur when demand has changed markedly from that anticipated at the time of planting. Such changes could result in excess supplies leading to lower grape prices in the end-use market where

1/ The price data for grapes discussed in this section of the report are for California-grown grapes; these data were developed by (1) the California Crop and Livestock Reporting Service and Crop Reporting Board, U.S. Department of Agriculture, and (2) the Economic Research Department, Wine Institute. Grapes grown in California account for about 90 percent of the domestic grape crop. The Commission did not send questionnaires to growers during these preliminary investigations because of the large number of domestic grape growers.

Table 19.—Nonpremium (ordinary) table wine: Ratios of imports and U.S. producers' domestic shipments to consumption, 1982-84, January-June 1984, and January-June 1985 1/

(In percent)

Item	1982	1983	1984	January-June— 1/ 1984	January-June— 1/ 1985
Imports from—					
FRG	3.0	3.4	3.6	3.4	3.9
France	4.1	5.1	6.3	6.1	6.5
Italy	14.4	14.6	14.2	13.1	14.2
All other imports	2.4	2.3	2.5	2.5	2.8
Total	23.9	25.4	26.6	25.1	27.4
U.S. producers' domestic shipments	76.0	74.6	73.4	74.8	72.6
Total	100.0	100.0	100.0	100.0	100.0

1/ Producers' shipments based on data prepared by Gomberg, Frederikson & Associates, Wine Industry Consultants (Antidumping petition, p. 103, as updated to include nonpremium varietal wines). Import data were estimated by deriving the ratios of ordinary table wine imports to table wine imports for 1982-84, January-June 1984, and January-June 1985, as obtained from responses to Commission questionnaires, and applying these ratios to official import statistics of the U.S. Department of Commerce for the same years.

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

Note.—Because of rounding, numbers may not add to the totals shown.

demand softened. 1/ With excess supplies of the multi-use grape varieties, a downturn in their primary end-use market can be transmitted to other markets as the excess multi-use grapes are sold in several end-use markets and not just their primary market.

Grape growers sell their grapes both on contract and in the spot market, usually on a delivered-price basis. Some grape growers have formed cooperatives that process their members' grapes into the various grape products including wine, raisins, and table grapes. Prices received by co-op grower members for their grapes sent to the co-op's winery are often directly tied to the wholesale prices of the final products. In this situation, the grape growers receive a partial payment at the time they deliver their grapes and the remainder several months later when the final products, such as wine, are sold. Such payment practices also occur to some extent with non-coop growers selling to wineries on contract or in the spot market.

Prices of all grapes for all uses.—During 1979-84 the average grower price of all grape varieties in California generally fell, by approximately 32 percent. The major exception was in 1981, when the price of most grapes jumped as adverse weather conditions sharply limited the output of many grape varieties. Table 20 shows total annual sales of California grapes and average annual prices received by growers during 1979-1984. The average price of grapes increased by about 2 percent, from $236 per ton in 1979 to $240 per ton in 1980, as the quantity increased from 4.5 million tons to 5.1 million tons. In 1981, however, the price soared to $302 per ton as the size of the crop plummeted to about 4 million tons. In 1982 a record crop of 5.4 million tons was sold at an average price of $231 per ton, sharply lower than the price in the previous year. Total grape sales declined to 4.7 million tons in 1983 and to 4.6 million tons in 1984, although the price received by growers declined in each of these years, to $199 per ton in 1983 and $161 per ton in 1984. Some industry sources report that the huge 1982 grape crop resulted in large inventories of bulk wine and raisins that persisted into 1983 and 1984 and contributed to soft grape prices to growers in these latter years. 2/

1/ Conference testimony by Dr. Kenneth Farrell, an agricultural economist, indicated that the coincidence of a cyclical overproduction of grapes in the U.S. and a slowdown in the total demand for grape products largely account for the low prices received by domestic grape growers. He cited growers of the Thompson Seedless grapes, a multi-purpose variety, as being particularly hard hit as inventories of raisins and wine remain high and demand by wineries has softened for these grapes because of increased production of wine grapes, some of which have displaced Thompson Seedless grapes in the production of nonpremium table wine. In the production of varietal (premium) table wine, domestic wineries are also using fewer Thompson Seedless grapes. Since Jan. 1, 1983, domestic wineries must meet the requirement that 75 percent or more of the varietal wine must be derived from grapes of that variety grown in the labeled appellation-of-origin area. Prior to 1983 only 51 percent of the varietal wines had to be derived from grapes of that variety, using wine from other grape varieties, like the Thompson Seedless, to make up the remaining 49 percent (Transcript of the conference, pp. 174 and 183-186).

2/ Transcript of the conference, pp. 174 and 183-186.

Prices of all grapes by use. 1/—Prices received by California growers for grapes crushed, 2/ grapes used as raisins, and those sold as table grapes generally fell during 1979-1984, but at significantly different rates (table 20). During this period, grower selling prices of grapes crushed fell by approximately 20 percent, those used as raisins fell by approximately 64 percent, and those used as table grapes fell by approximately 13 percent. 3/ Grower prices of grapes crushed and those used as raisins declined each year during 1979-84, except in 1981 when they soared to a period high. Prices of grapes used as table grapes, however, peaked in 1980 and fell each year thereafter.

During 1979-1984, most of the decline in prices of grapes that were crushed occurred in 1984, when grower prices fell to about $155 per ton in 1984 or by approximately 18 percent from the level in 1983. 4/ For grapes used as raisins, most of the full period decline in prices occurred in 1983 and 1984, when prices fell to about $91 per ton by 1984, or approximately 59 percent below the level in 1982. For grapes used as table grapes, most of the full period decline in prices occurred in 1984, when average grower returns fell to about $349 per ton or approximately 17 percent below the 1983 level.

Prices of the "raisin-grape" varieties crushed and used as table grapes.—Although virtually all raisins are produced from these "raisin-grape" varieties, such varieties, especially the Thompson Seedless variety, also are used in significant amounts for crushing and as table grapes. 5/ Table 21

1/ Not included in this discussion of grape prices by use are canned grapes that account for less than 1 percent of the total California grapes sold.

2/ These grapes were crushed by California wineries for wine, concentrate, juice, vinegar, and beverage brandy; most of the crush, however, was used for wine, including both the nonpremium table wine subject to these investigations and premium varietal table wines that are excluded. Nonpremium table wine accounts for about 86 percent of total table wine consumption.

3/ During 1979-84, grapes crushed accounted for approximately 56 percent of total California grapes utilized, grapes used as raisins accounted for about 31 percent of the total, and those used as table grapes accounted for about 12 percent of the total. Wines and Vines-42nd Statistical Review, July 1985.

4/ Historically high inventories of table wine at the beginning of the 1984 grape growing season and an 11 percent increase in the quantity of grapes crushed in 1984 accompanied the 1984 decrease in the price of grapes crushed. Although table wine inventories were even higher at the beginning of the 1983 growing season compared with those in the 1984 growing season, prices of grapes crushed in 1983 dipped only about 2 percent below their 1982 level as the quantity of grapes crushed dropped approximately 26 percent below the 1982 crush level.

5/ The Thompson Seedless grapes are the predominant "raisin-grape" variety crushed, accounting for about 90 percent of the "raisin" grapes crushed during 1979-1984. Crush levels of the Thompson seedless grapes fluctuated widely during this period, ranging from approximately 706,000 tons in 1980 to 157,000 tons in 1983.

Table 20.—California growers' weighted-average selling prices and quantities of all grapes sold, by major use categories, 1979-1984

Period	All grapes in all uses 1/	All grapes crushed	All grapes used as raisins	All grapes used as table grapes
	Per ton			
1979	$236	$194	$253	$402
1980	240	188	230	548
1981	302	248	329	513
1982	231	191	220	442
1983	199	188	132	422
1984 2/	161	155	91	349
	Thousands of tons			
1979	4,498	2,617	1,381	500
1980	5,061	2,896	1,620	545
1981	3,951	2,416	1,032	503
1982	5,351	3,123	1,548	680
1983	4,741	2,310	1,785	646
1984 2/	4,552	2,557	1,390	605

1/ The total figures for all grapes in all uses do not include a small quantity of grapes used for canning, which would add less than 1 percent to the total quantity figures shown.

2/ Preliminary.

Source: Wines and Vines—42nd Statistical Review, July 1985 issue, Economic Research Department, Wine Institute; California Crop and Livestock Reporting Service and Crop Reporting Board, U.S. Department of Agriculture. Final Grape Crush Report, various issues, California Crop and Livestock Reporting Service and Crop Reporting Board, U.S. Department of Agriculture.

shows, for 1979 through 1984, total annual sales of California grapes and average annual prices received by growers for the different categories of grapes used in crushing; and table 22 shows these data for grapes used as table stock. As shown in both tables, prices of the "raisin" grapes declined further than those of the other varieties. Of the types of grapes used for crushing, grower prices of "raisin" grapes that were crushed fell by about 44 percent during 1979-84 (table 21). This price decline was much greater than the 16 percent drop in the price of the "wine" varieties crushed or the 23 percent fall in price of the "table-grape" varieties crushed during this period. As shown in table 22, of the types of grapes used as table grapes, grower prices of "raisin" grapes that were used as table grapes fell by about 28 percent during 1979-84. In contrast, average grower returns for varietal types sold as table grapes declined by about 7 percent for the "table-grape" varieties and by about 5 percent for the "wine" varieties.

Table 21.—California growers' weighted-average selling prices and quantities of grapes crushed, 1/ by grape categories, 1979-84

Period	All grapes crushed	Wine grapes crushed	Raisin grapes crushed	Table grapes crushed
	Per ton			
1979	$194	$215	$151	$155
1980	188	210	144	144
1981	248	268	199	195
1982	191	220	127	149
1983	188	209	104	134
1984 2/	155	180	85	120
	Thousands of tons			
1979	2,617	1,733	700	184
1980	2,896	1,922	778	196
1981	2,416	1,725	509	182
1982	3,123	2,086	774	263
1983	2,310	1,787	330	193
1984 2/	2,557	1,815	580	162

1/ Although the grapes that are crushed are used primarily to make wine, some portion of the crushed grapes may be used to make concentrate, juice, vinegar, and beverage brandy.

2/ Preliminary.

Source: Wines and Vines—42nd Statistical Review, July 1985 issue, Economic Research Department, Wine Institute; California Crop and Livestock Reporting Service and Crop Reporting Board, U.S. Department of Agriculture. Final Grape Crush Report, various issues, California Crop and Livestock Reporting Service and Crop Reporting Board, U.S. Department of Agriculture.

Table 22.—California growers' weighted-average selling prices and quantities of grapes used as table grapes, by grape categories, 1979-1984

Period	All grapes used as table grapes	Table grapes used as table grapes	Raisin grapes used as table grapes	Wine grapes used as table grapes
	Per ton			
1979	$402	$436	$464	$184
1980	548	649	571	203
1981	513	639	467	228
1982	442	515	431	144
1983	422	494	413	213
1984 1/	349	405	332	175
	Thousands of tons			
1979	500	228	184	88
1980	545	224	239	82
1981	503	230	204	69
1982	680	311	303	66
1983	646	301	252	93
1984 1/	605	300	230	75

1/ Preliminary.

Source: Wines and Vines—42nd Statistical Review, July 1985 issue, Economic Research Department, Wine Institute; California Crop and Livestock Reporting Service and Crop Reporting Board, U.S. Department of Agriculture. Final Grape Crush Report, various issues, California Crop and Livestock Reporting Service and Crop Reporting Board, U.S. Department of Agriculture.

Prices of grape varieties crushed to produce nonpremium table wine.—Data on grower prices of grapes crushed in California are available by grape variety and producing districts. The Commission staff calculated weighted-average grower returns of grapes sold for crushing for 10 major grape varieties harvested in 5 growing districts in California that petitioners assert account for the bulk of the nonpremium table wine produced in the United States. 1/ One of these 10 varieties is the Thompson Seedless, the major grape variety used to produce raisins, which accounted for about 30 percent of the total volume of the 10 varieties crushed during 1979-84. Accordingly, the total price of the 10 varieties of grapes crushed are significantly affected by the price of the Thompson Seedless, which, in turn is affected by conditions in the wine and raisin markets. Table 23 shows

1/ The predominant grape varieties used for nonpremium table wine production are the following: Barbera, Carignane, Chenin Blanc, Emerald Riesling, French Colombard, Grenache, Rubired, Ruby Cabernet, Thompson Seedless, and Zinfandel. The major districts in California where these varieties are grown for nonpremium table wine are located in the Monterey area and the San Joaquin Valley. By number these districts are 7, 11, 12, 13, and 14.

total annual sales for crushing of the 10 grape varieties in the 5 districts and the average annual prices received by growers during 1979-84. As shown, the total price of the 10 grape varieties fell by approximately 31 percent, from $159 per ton in 1979 to $109 per ton in 1984. 1/ The price of the Thompson Seedless grapes that were sold for crushing in the five districts declined by about 51 percent, from $151.39 per ton in 1979 to $74.47 per ton in 1984. During this period, prices of all California-grown grapes sold for raisins fell by approximately 63 percent.

Table 23.—California growers' total weighted-average selling prices and quantities of grapes sold for nonpremium table wine production, 1979-1984 1/

Period	California growers' sales of grapes for ordinary table wine production	
	Per ton	Thousands of tons
1979	$159	1,434
1980	156	1,560
1981	206	1,363
1982	143	1,586
1983	140	1,145
1984	109	1,421

1/ The pricing data for grapes sold for nonpremium table wine were based on sales of the 10 predominant grape varieties that petitioners assert are used for nonpremium table wine production. These varieties are as follows: Barbera, Carignane, Chenin Blanc, Emerald Riesling, French Colombard, Grenache, Rubired, Ruby Cabernet, Thompson Seedless, and Zinfandel. In addition, these price data were based only on production in the five major districts in California where, according to the petitioners, these varieties are grown for nonpremium table wine. The five districts, which are located in the Monterey area and the San Joaquin Valley, are by number 7, 11, 12, 13, and 14.

Source: Final Grape Crush Report, various issues, California Crop and Livestock Reporting Service and Crop Reporting Board, U.S. Department of Agriculture.

1/ Prices of the subject grapes crushed fell in every year during this period except in 1981, when they rose to $206 per ton as sales fell to about 1.4 million tons.

Wine prices and sales practices

U.S. wineries and some importers of wine generally sell their wine to distributors, who then sell to retailers. Some U.S. wineries also sell wine in bulk to other wineries that blend wines from several sources and package the wine for sale to distributors. About 80 percent of distributors' sales are to "off-premise" retail stores, such as retail wine and liqour stores, and the remainder are to "on-premise" outlets, 1/ such as restaurants. In addition to purchasing from domestic wineries and importers, many large distributors also directly import their wine, ordering it through the U.S. agents of the foreign wineries. In the latter instance, the distributor becomes the importer of record, usually taking title of the foreign wine either at the foreign winery or at the foreign port.

Domestic wineries who sell to distributors quote prices f.o.b. their winery. These prices include the federal excise tax of 17 cents per gallon paid by the winery. U.S. importers who sell to distributors generally quote prices either f.o.b. their warehouse or f.o.b. the port of entry, including the federal excise tax paid by the importer. Distributors that import directly pay a price f.o.b. the foreign winery or port (including a commission to the foreign winery's U.S. agent) and must pay the federal excise tax and other charges to bring the foreign wine to their U.S. locations.

The distributor generally must pay the U.S. inland freight charges for either domestic or foreign wine. 2/ The cost of shipping a container load of wine from California to major east coast markets, such as Boston, New York, and Philadelphia, can range from $1.80 to $2.45 per case, which often exceeds 10 percent of the f.o.b. price. 3/ Because imported wine may be shipped directly to a port close to its final destination, U.S. inland freight on imports sold in the major east coast markets is generally less than that for domestic wine. The most common shipping modes for wine in the United States are rail and truck, with the California wineries typically shipping their wine to the east coast markets by truck-and-rail piggyback.

Many of the domestic and foreign wines sold in the United States carry nationally advertised winery labels. Approximately 20 percent of wine sold, however, carries private labels of distributors and retailers, and receives only limited advertising.

Price data.—Quarterly f.o.b. selling price data were requested from U.S. wineries and importers on their sales to leading distributor customers for their largest selling brands of nonpremium red and white table wines during

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1/ The "on-premise" trade is reportedly very price sensitive. To increase their share of this market, some U.S. wineries have introduced tap-delivery systems, similar to those for beer, which enable the restauranteur to realize higher returns on his wine sales; Market Watch, July/August 1985 issue.

2/ Based on questionnaire responses, some California wineries and, to a lesser extent, importers sometimes absorb freight charges to remain price competitive.

3/ Respondents estimate the freight costs at $1.80 per case, whereas petitioners estimate freight costs at $2.45 per case.

January 1983-June 1985. 1/ These data were requested for sales of popular case sizes—9 liter cases of twelve 750 ml bottles, 9 liter cases of six 1-1/2 liter bottles, and 12 liter cases of four 3 liter bottles. In addition, the Commission requested that sales to leading customers in affirmation and controlled States (control States) be reported separately from sales to leading customers in nonaffirmation or noncontrolled states (open States). 2/ Because such prices are controlled by State liquor boards in the control States, the price structure in these States is believed to be different than that of the open States. 3/

Eight U.S. wineries, six importers of the French wine, nine importers of the Italian wine, and six importers of the German wine reported usable price data as requested. Reporting U.S. wineries accounted for approximately 28 percent of total domestic producers' shipments of nonpremium table wine in 1984. 4/ During the same period, the reporting importers accounted for about 21 percent of estimated total imports of French ordinary table wine, 68 percent of estimated total imports of Italian ordinary table wine, and 20 percent of estimated total imports of German ordinary table wine. 5/ Because prices of their red and white wine generally do not differ, individual respondents' price data were aggregated for the two wine colors. The weighted average prices and quantities of the domestic and subject foreign nonpremium table wine are shown in appendix tables D-1 through D-4.

Trends in prices.—Based on domestic wineries' reported net selling prices to distributors, quarterly prices in four of the six domestic nonpremium table wine categories fluctuated downward by 5 to 33 percent during January-March 1983 through April-June 1985 (appendix table D-1). These price declines occurred in the product categories where the largest sales volumes were reported by domestic wineries—the 3 liter bottle cases sold in the

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1/ In several instances the importers, acting as agents of the foreign wineries, reported selling prices f.o.b. foreign port or foreign winery. These data were adjusted by respondents to reflect a landed, c.i.f., duty-paid cost, including federal excise taxes. These prices are comparable with importers' f.o.b. U. S. selling prices to distributors and with domestic wineries' f.o.b. selling prices to distributors.

2/ The list of affirmation and control States is shown in appendix C.

3/ In the affirmation and control States, U.S. wineries and importers of wine are required to affirm to the State liquor boards that their f.o.b. selling prices in these States are the lowest they offer nationwide. If prices reflect quantity discounts or other factors related to the size of orders, lower prices may be found in open States.

4/ Because questionnaire responses from Gallo and Heublein were received late, pricing data which include these two firms are presented in Appendix F.

5/ The Commission staff estimated total imports of ordinary table wine by taking the ratio of ordinary table wine imports to total table wine imports, as reported in questionnaires, and applying that ratio to total table wine imports reported by the U.S. Department of Commerce.

affirmation or control States (control States) and all three case sizes sold in nonaffirmation or noncontrolled states (open States). Prices of cases of the 750 ML bottles and cases of the 1.5 liter bottles sold in control States generally increased from quarter to quarter, rising by approximately 14 and 5 percent, respectively, during this period.

Representative of price trends of the reporting domestic wineries are prices of cases of 1.5 liter bottles and cases of 3 liter bottles sold to distributors in open States. Prices of cases of the 1.5 liter bottles decreased by approximately 16 percent, from $11.44 per case in January-March 1983 to $9.63 per case in April-June 1985. Although prices of this product fluctuated during the period, much of this decrease occurred in January-June 1985 when prices ended 17 percent below their level of $11.91 per case in October-December 1984. Prices of cases of the 3 liter bottles decreased by approximately 33 percent, from $12.86 per case in January-March 1983 to $8.63 per case in April-June 1985. Much of this decrease occurred during October 1984-June 1985, when prices ended about 26 percent below their level of $11.62 per case in July-September 1984.

France.—Based on importers' reported net selling prices to distributors, quarterly prices of cases of 750 ML bottles and cases of 1.5 liter bottles of the imported French ordinary table wine sold in control States increased by approximately 7 percent for each product category during January-March 1983 through April-June 1985, but fell from 5 to 11 percent on sales in open States (appendix table D-2). Prices in these categories strengthened in recent quarters, rising from about 9 to 17 percent during October 1984-June 1985. Insufficient price data were obtained to develop price trends for cases of 3 liter bottles.

Representative of price trends of the imported French ordinary table wine are prices of cases of the 1.5 liter bottles sold to both control and open States. Prices of this product sold to control States increased by approximately 7 percent, from $16.54 per case in January-March 1983 to $17.62 per case in April-June 1985. Prices of the imported French wine in cases of 1.5 liter bottles sold in open States, however, declined by about 11 percent during this period, from $19.57 per case in January-March 1983 to $17.52 per case in April-June 1985. During this period, U.S. winery prices for these categories followed similar patterns, increasing by 5 percent for sales in control States and decreasing by 16 percent in open States.

Italy.—Based on importers' reported net selling prices to distributors, quarterly prices of Italian ordinary table wine in all the case products sold in either control or open States decreased from approximately 3 to 17 percent during January-March 1983 through April-June 1985 (appendix table D-3). 1/

1/ Average prices of Italian wines are heavily influenced by sales of lambrusco-type wines; the price declines across all product categories may indicate the strength of the price competition between Italian lambrusco wines and domestic wine coolers. Some respondents argued at the conference that domestic wine coolers compete directly with imported the Italian lambrusco wines which are subject to these investigations. These respondents further stated that wine coolers have made serious inroads into the sales of lambrusco and lambrusco-style wines (Transcript of the conference, pp. 190-192).

Representative of price trends of the imported Italian ordinary table wine are prices of cases of the 750 ML bottles and cases of the 1.5 liter bottles sold to open States. Prices of cases of the 750 ML bottles decreased by approximately 10 percent, from $18.98 per case in January-March 1983 to $17.15 per case in April-June 1985. During this period, U.S. winery prices fell by almost 30 percent for this product category. Prices of the imported Italian wine in cases of 1.5 liter bottles sold to open States declined by about 3 percent during this period, from $16.15 per case in January-March 1983 to $15.66 per case in April-June 1985. During this period, U.S. winery prices decreased by about 16 percent for this product category.

The FRG.—Based on importers' reported net selling prices to distributors, quarterly control State prices of the imported ordinary table wine from the FRG increased by approximately 26 percent for cases of the 750 ML bottles and 34 percent for cases of the 1.5 liter bottles during January-March 1983 through April-June 1985 (appendix table D-4). In contrast, open State prices of the FRG wine in these case sizes fluctuated but declined by about 7 and 6 percent, respectively. No price data were received for sales of the German wine sold in cases of 3 liter bottles.

Representative of price trends of the imported German ordinary table wine are prices of cases of the 750 ML bottles sold in control and open States. Prices of this product sold to control States increased by approximately 26 percent, from $21.35 per case in January-March 1983 to $26.80 per case in April-June 1985. During this period, U.S. winery prices increased by about 14 percent for this product category. Prices of the imported German wine in cases of 750 ML bottles sold in open States declined by about 7 percent, from $37.42 per case in January-March 1983 to $34.79 per case in April-June 1985. During this period, U.S. winery prices decreased by about 30 percent for this latter product category.

Comparisons of domestic and import prices.—The reported f.o.b. selling price data resulted in 145 quarterly price comparisons between domestic nonpremium and imported ordinary table wine from France, Italy, and the FRG sold to distributors during January 1983-June 1985 (tables 24-26). Only 3 of the f.o.b. price comparisons showed underselling by the imported wine, ranging from 4 to 12 percent below domestic wine prices. Two instances of underselling involved the imported French wine and one involved the imported Italian wine. All f.o.b. price comparisons between the domestic nonpremium and imported German ordinary table wine showed that the German wine was consistently priced well above the domestic wine.

Quarterly f.o.b. price comparisons were made between Gallo's and Heublein's affirmation prices and the weighted average prices of the imported wine during January 1983-December 1984 (appendix tables E-1 through E-3). 1/

1/ The affirmation price data, which were for cases of 1.5 liter bottles of a single leading brand from each of the two domestic wineries, were supplied by the petitioners. These price comparisons were made prior to receiving questionnaire pricing data from these two firms. The usefulness of affirmation prices for comparison purposes is limited because (1) no quantities are associated with affirmation prices so every price gets an equal weight, and (2) affirmation prices do not reflect prices in open States.

All 48 comparisons of these two firms' affirmation prices with the weighted-average prices of the imported ordinary table wine from France, Italy, and the FRG showed that the foreign wines were consistently priced above these domestic wines.

Because the reported f.o.b. prices do not include U.S. inland freight to the customers' locations, f.o.b. price comparisons may understate the extent of any underselling by the foreign wines from the purchaser's viewpoint. A significant volume of the domestic price data was reported for sales from California wineries to east coast States, where freight costs reportedly range from $1.80 to $2.45 per case. 1/ If the maximum freight estimate of $2.45 per case were added to the U.S. producers' prices reported on questionnaires, 2/ only 20 of the 145 possible comparisons would show underselling, ranging from less than 0.5 to 23 percent below prices of the domestic wine. Under this scenario, 9 of the 20 comparisons that would have shown underselling involved imported French wine, and 11 involved imported Italian wine. Prices of the imported German wine remained consistently above prices of the domestic wine. Adding $2.45 per case to Gallo's and Heublein's affirmation prices would show, with one exception, that the foreign wines were still consistently priced above these domestic wines. This single instance of underselling involved the imported French wine.

France.—The f.o.b. selling price data reported on questionnaires by domestic wineries and importers of the French wine resulted in 47 quarterly price comparisons between the domestic and French nonpremium table wine sold to distributors during January 1983–June 1985 (table 24). Only two of these comparisons showed underselling by the French wine, both involving cases of

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1/ Estimates of freight costs from California to the east coast States were supplied by Seagram and the petitioners in their postconference briefs. The petitioners had previously used a $2.00 per case freight charge when making price comparisons in their petition.

2/ By using the maximum freight estimate and applying it only to domestic wineries' f.o.b. prices, the actual amount of any underselling by the foreign wines may be overstated. Estimated freight costs were reported for shipments of various case sizes by truck, by insulated piggyback, and by refrigerated piggyback. Accordingly, depending on the typical mix of case sizes and predominant mode of transportation, the average freight cost may lie somewhere between the minimum and maximum estimates. In addition, although not included, inland freight costs may be significant on some of the importers' sales, as their reported price data were based on sales to distributors in several States, including Colorado, Massachusetts, New York, Ohio, and Texas.

Table 24.—Average margins of underselling (overselling) between the domestic nonpremium and imported French ordinary table wine, 1/ by case categories, by quarters, January 1983–June 1985

Period of shipment	Cases of twelve-750 ML bottles		Cases of six-1-1/2 liter bottles		Cases of four-3 liter bottles	
	Sales in affirmation or controlled States for wine					
	Dollars/case	Percent	Dollars/case	Percent	Dollars/case	Percent
1983:						
Jan.-Mar	($4.11)	(26)	($3.16)	(24)	–	–
Apr.-June	(2.47)	(15)	(5.15)	(42)	–	–
July-Sept	(4.65)	(29)	(3.02)	(23)	–	–
Oct.-Dec	(2.92)	(18)	(3.88)	(30)	–	–
1984:						
Jan.-Mar	(2.97)	(19)	(3.47)	(26)	–	–
Apr.-June	(1.33)	(8)	(2.52)	(18)	–	–
July-Sept	(1.74)	(10)	(3.42)	(25)	–	–
Oct.-Dec	(1.96)	(11)	(2.82)	(21)	–	–
1985:						
Jan.-Mar	1.99	11	(1.34)	(10)	($7.93)	(66)
Apr.-June	(3.39)	(19)	(3.61)	(26)	(7.19)	(56)
	Sales in nonaffirmation or noncontrolled States for wine					
	Dollars/case	Percent	Dollars/case	Percent	Dollars/case	Percent
1983:						
Jan.-Mar	($2.29)	(14)	($8.12)	(71)	–	–
Apr.-June	(7.23)	(63)	(7.04)	(65)	–	–
July-Sept	(0.12)	(1)	(5.63)	(53)	($11.35)	(91)
Oct.-Dec	(2.97)	(21)	(6.27)	(56)	–	
1984:						
Jan.-Mar	(4.57)	(36)	(7.69)	(74)	(10.67)	(81)
Apr.-June	(5.79)	(50)	(5.78)	(55)	–	–
July-Sept	(0.39)	(3)	(7.13)	(60)	–	–
Oct.-Dec	2.14	12	(3.85)	(32)	(18.12)	(221)
1985:						
Jan.-Mar	(7.58)	(67)	(5.98)	(57)	(16.71)	(206)
Apr.-June	(6.35)	(54)	(7.89)	(82)	(16.19)	(187)

1/ The average margins of underselling or overselling were based on the differences in the importers' weighted average price and the domestic producers' weighted average price. Any average margins of overselling, which indicate that U.S. producers were not undersold by the imported French wine, are shown in parentheses.

Note: Price data for the following brands of domestic nonpremium and imported French ordinary table wine were used in making the above price comparisons:

Domestic wine: * * *.

Imported French wine: * * *.

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

750 ML bottles. 1/ In one instance of underselling, the French wine sold to control States in January-March 1985 undersold the domestic wine by 11 percent. In the other comparison showing underselling, the French wine sold to open States during October-December 1984 undersold the domestic wine by 12 percent. In 45 comparisons, prices of the French wine ranged from 1 to 221 percent above prices of the domestic wine.

Based on the affirmation prices for Gallo's and Heublein's wines, 16 quarterly price comparisons were possible between these domestic nonpremium table wines and the imported French ordinary table wine during January 1983-June 1985 (appendix table E-1). In all 16 comparisons, the French wine was priced above the domestic wine, with average margins of overselling ranging from 15 to 57 percent. 2/

Italy.—The f.o.b. selling price data reported on questionnaires by domestic wineries and importers of the Italian wine resulted in 58 quarterly price comparisons between the domestic and Italian nonpremium table wine sold to distributors during January 1983-June 1985 (table 25). Only one of these comparisons showed underselling by the Italian wine. 3/ In this single instance of underselling, the Italian wine sold in cases of 1.5 liter bottles to control States in July-September 1984 undersold the domestic wine by 2 percent.

Based on the affirmation prices for Gallo's and Heublein's wines, 16 quarterly price comparisons were possible between these domestic nonpremium table wines and the imported Italian ordinary table wine during January 1983-June 1985 (appendix table E-2). In all 16 comparisons, the Italian wine was priced above the domestic wine, with average margins of overselling ranging from 19 to 65 percent. 4/

1/ If the maximum freight estimate of $2.45 per case were added to the f.o.b. prices reported by the domestic wineries, 9 of the 47 price comparisons would show average margins of underselling by the imported French wine, ranging from 1 to 23 percent. Eight of these comparisons showing underselling involved cases of 750 ML bottles and one involved cases of 1.5 liter bottles.

2/ If the maximum freight estimate of $2.45 per case were added to the affirmation prices of Gallo and Heublein, only 1 of the 16 price comparisons would show underselling (of approximately 2 percent) by the imported French wine, involving Heublein's Inglenook Navalle Chablis in October-December 1985.

3/ If the maximum freight estimate of $2.45 per case were added to the f.o.b. prices reported by the domestic wineries, 11 of the 58 price comparisons would show average margins of underselling by the imported Italian wine, ranging from less than .5 to 19 percent. Eight of these comparisons showing underselling involved cases of 750 ML bottles and 3 involved cases of 1.5 liter bottles.

4/ The imported Italian wine remained consistently priced above the domestic wine after the maximum freight estimate of $2.45 per case was added to the affirmation prices of Gallo and Heublein.

Table 25.—Average margins of underselling (overselling) between the domestic nonpremium and imported Italian ordinary table wine, 1/ by case categories, by quarters, January 1983–June 1985

Period of shipment	Cases of twelve-750 ML bottles		Cases of six-1-1/2 liter bottles		Cases of four-3 liter bottles	
	Sales in affirmation or controlled States for wine					
	Dollars/case	Percent	Dollars/case	Percent	Dollars/case	Percent
1983:						
Jan.-Mar	($5.43)	(35)	($4.42)	(33)	($8.94)	(66)
Apr.-June	(4.73)	(29)	(6.81)	(55)	(8.41)	(68)
July-Sept	(4.38)	(27)	(4.03)	(30)	(10.29)	(85)
Oct.-Dec	(4.14)	(26)	(2.87)	(22)	(5.51)	(45)
1984:						
Jan.-Mar	(2.79)	(17)	(4.16)	(31)	(7.18)	(58)
Apr.-June	(1.78)	(10)	(3.09)	(22)	(5.26)	(43)
July-Sept	(2.39)	(14)	(3.13)	(23)	(4.27)	(35)
Oct.-Dec	(1.59)	(9)	(4.67)	(35)	(5.81)	(49)
1985:						
Jan.-Mar	(1.71)	(10)	(3.30)	(24)	(9.53)	(79)
Apr.-June	(1.99)	(11)	(3.29)	(23)	(5.88)	(46)
	Sales in nonaffirmation or noncontrolled States for wine					
	Dollars/case	Percent	Dollars/case	Percent	Dollars/case	Percent
1983:						
Jan.-Mar	($2.14)	(13)	($4.71)	(41)	-	-
Apr.-June	(7.37)	(64)	(5.05)	(47)	($6.10)	(48)
July-Sept	(1.33)	(8)	(3.35)	(32)	(6.35)	(51)
Oct.-Dec	(4.31)	(30)	(1.77)	(16)	-	-
1984:						
Jan.-Mar	(4.33)	(34)	(4.61)	(44)	(5.17)	(39)
Apr.-June	(5.92)	(52)	(3.00)	(29)	(2.78)	(22)
July-Sept	(4.16)	(31)	0.23	2	(7.41)	(64)
Oct.-Dec	(0.03)	2/	(1.56)	(13)	(7.69)	(94)
1985:						
Jan.-Mar	(6.74)	(59)	(3.67)	(35)	(10.64)	(131)
Apr.-June	(5.33)	(45)	(6.04)	(63)	(8.87)	(103)

1/ The average margins of underselling or overselling were based on the differences in the importers' weighted average price and the domestic producers' weighted average price. Any average margins of overselling, which indicate that U.S. producers were not undersold by the imported Italian wine, are shown in parentheses.

2/ Less than 0.5 percent.

Note: Price data for the following brands of domestic nonpremium and imported Italian ordinary table wine were used in making the above price comparisons:

Domestic wine: * * *.

Imported Italian wine: * * *.

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

The FRG.—The f.o.b. selling price data reported on questionnaires by domestic wineries and importers of the German wine resulted in 40 quarterly price comparisons between the domestic nonpremium and German ordinary table wine sold to distributors during January 1983–June 1985 (table 26). In all 40 comparisons, the German wine was consistently priced well above the domestic wine, with average margins of overselling ranging from 35 to 250 percent.

Based on the affirmation prices for Gallo and Heublein's wines, 16 quarterly price comparisons were possible between these domestic nonpremium table wines and the imported German ordinary table wine during January 1983–June 1985 (appendix table E-3). In all 16 comparisons, the German wine was priced well above the domestic wine, with average margins of overselling ranging from 41 to 169 percent. 1/

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during January 1983–June 1985 the nominal value of the French franc, the Italian lira, and the German mark generally depreciated relative to the U.S. dollar during this period by approximately 27 percent, 29 percent, and 22 percent, respectively (tables 27-29). 2/ The high inflation rates in France and Italy relative to inflation in the United States over the 10-quarter period resulted in the devaluation of their currencies in real terms by only about 10 percent and 16 percent, respectively, relative to the U.S. dollar. In contrast, the rate of inflation in the FRG was similar to that in the United States over the same period such that the mark devalued in real terms by 19.5 percent against the U.S. dollar, or only slightly less than its nominal devaluation of 22 percent. 3/

1/ Such consistently high prices of the imported German wine vis-a-vis prices of the domestic wine remained even when the maximum freight estimate of $2.45 per case were added to the f.o.b. prices reported by the domestic wineries and to the affirmation prices of Gallo and Heublein.

2/ Toward the end of this period all three foreign currencies appreciated somewhat against the U.S. dollar. This appreciation of the foreign currencies against the dollar may continue as the United States and some of its major trading partners recently agreed to intervene in the foreign exchange markets to reduce the value of the U.S. dollar. Such foreign currency appreciations could reduce the relative competitiveness of the subject foreign wine sold in the U.S. market.

3/ The real depreciation of the subject foreign currencies against the U.S. dollar from the reference period January-March 1983 indicates the maximum amount that a foreign producer or its agent can reduce its dollar prices of foreign wine in the U.S. market without increasing its profits assuming it has no dollar-denominated costs or contracts. A foreign producer, however, may choose to increase its profits by not reducing its dollar prices or by reducing its dollar prices by less than the depreciation would allow.

Table 26.--Average margins of underselling (overselling) between the domestic nonpremium and imported West German ordinary table wine, 1/ by case categories, by quarters, January 1983-June 1985

Period of shipment	Cases of twelve- 750 ML bottles		Cases of six- 1-1/2 liter bottles		Cases of four- 3 liter bottles	
	Sales in affirmation or controlled States for wine					
	Dollars/case	Percent	Dollars/case	Percent	Dollars/case	Percent
1983:						
Jan.-Mar	($5.80)	(37)	($7.31)	(55)	-	-
Apr.-June	(5.56)	(34)	(13.96)	(113)	-	-
July-Sept	(9.02)	(56)	(10.27)	(77)	-	-
Oct.-Dec	(9.64)	(59)	(11.64)	(89)	-	-
1984:						
Jan.-Mar	(5.98)	(37)	(15.59)	(116)	-	-
Apr.-June	(4.08)	(23)	(5.00)	(35)	-	-
July-Sept	(10.69)	(61)	(12.02)	(88)	-	-
Oct.-Dec	(9.86)	(57)	(10.94)	(82)	-	-
1985:						
Jan.-Mar	(7.09)	(40)	(13.25)	(96)	-	-
Apr.-June	(9.12)	(52)	(13.67)	(98)	-	-
	Sales in nonaffirmation or noncontrolled States for wine					
	Dollars/case	Percent	Dollars/case	Percent	Dollars/case	Percent
1983:						
Jan.-Mar	($20.57)	(122)	($24.29)	(212)	-	-
Apr.-June	(25.24)	(219)	(19.12)	(177)	-	-
July-Sept	(15.55)	(88)	(20.85)	(198)	-	-
Oct.-Dec	(19.23)	(136)	(20.96)	(186)	-	-
1984:						
Jan.-Mar	(26.29)	(205)	(22.06)	(213)	-	-
Apr.-June	(19.63)	(171)	(23.62)	(227)	-	-
July-Sept	(24.61)	(185)	(22.46)	(190)	-	-
Oct.-Dec	(19.63)	(111)	(22.46)	(189)	-	-
1985:						
Jan.-Mar	(23.67)	(208)	(23.12)	(219)	-	-
Apr.-June	(22.97)	(194)	(24.05)	(250)	-	-

1/ The average margins of underselling or overselling were based on the differences in the importers' weighted average price and the domestic producers' weighted average price. Any average margins of overselling, which indicate that U.S. producers were not undersold by the imported West German wine, are shown in parentheses.

Note: Price data for the following brands of domestic nonpremium and imported German ordinary table wine were used in making the above price comparisons:

Domestic wine: * * *.

Imported West German wine: * * *.

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

Table 27.--Indexes of the nominal and real exchange rates between the U.S. dollar and the French franc, 1/ and indexes of producer prices in the United States and France, 2/ by quarters, January 1983-June 1985

(January-March 1983=100)

Period	Nominal exchange rate index	Real exchange rate index 3/	U.S. producer price index	French producer price index
1983:				
January-March	100.0	100.0	100.0	100.0
April-June	92.2	95.6	100.3	103.9
July-September	86.5	92.2	101.3	107.9
October-December	84.3	92.6	101.8	111.8
1984:				
January-March	82.9	93.2	102.9	115.6
April-June	82.7	95.0	103.6	118.9
July-September	76.9	90.5	103.3	121.6
October-December	73.6	88.2	103.0	123.5
1985:				
January-March	69.1	84.4	102.9	125.5
April-June	73.2	89.9	103.0	126.5

1/ Based on exchange rates expressed in U.S. dollars per French franc.

2/ The producer price indexes are aggregate measures of inflation at the wholesale level in the subject countries. As a result, these indexes may only approximate actual price changes of wine in the subject countries.

3/ The real value of a currency is the nominal value adjusted for the difference between inflation rates as measured by the producer price index in the United States and in the foreign country. Producer prices in the United States increased by 3.0 percent during the period January 1983-June 1985 compared to a 26.5-percent increase in France during the same period.

Source: International Monetary Fund, International Financial Statistics, September 1985.

Table 28.—Indexes of the nominal and real exchange rates between the U.S. dollar and the Italian lira, 1/ and indexes of producer prices in the United States and Italy, 2/ by quarters, January 1983-June 1985

(January-March 1983=100)

Period	Nominal exchange rate index	Real exchange rate index 3/	U.S. producer price index	Italian producer price index
1983:				
January-March	100.0	100.0	100.0	100.0
April-June	94.7	96.0	100.3	101.6
July-September	88.9	91.3	101.3	104.0
October-December	86.1	90.9	101.8	107.4
1984:				
January-March	84.2	90.7	102.9	110.8
April-June	83.5	91.4	103.6	113.3
July-September	77.8	86.4	103.3	114.7
October-December	74.0	84.0	103.0	116.9
1985:				
January-March	69.2	80.8	102.9	120.1
April-June	71.0	84.4	103.0	122.4

1/ Based on exchange rates expressed in U.S. dollars per Italian lira.

2/ The producer price indexes are aggregate measures of inflation at the wholesale level in the subject countries. As a result, these indexes may only approximate actual price changes of wine in the subject countries.

3/ The real value of a currency is the nominal value adjusted for the difference between inflation rates as measured by the producer price index in the United States and in the foreign country. Producer prices in the United States increased by 3.0 percent during the period January 1983-June 1985 compared to a 22.4-percent increase in Italy during the same period.

Source: International Monetary Fund, International Financial Statistics, September 1985.

Table 29.—Indexes of the nominal and real exchange rates between the U.S. dollar and the German mark, 1/ and indexes of producer prices in the United States and the FRG, 2/ by quarters, January 1983–June 1985

(January–March 1983=100)

Period	Nominal exchange rate index	Real exchange rate index 3/	U.S. producer price index	West German producer price index
1983:				
January–March	100.0	100.0	100.0	100.0
April–June	96.9	97.0	100.3	100.3
July–September	91.1	91.0	101.3	101.1
October–December	89.9	89.9	101.8	101.7
1984:				
January–March	89.1	89.0	102.9	102.7
April–June	88.9	88.8	103.6	103.5
July–September	82.5	83.0	103.3	103.9
October–December	78.9	80.1	103.0	104.7
1985:				
January–March	73.9	76.0	102.9	105.7
April–June	78.0	80.5	103.0	106.2

1/ Based on exchange rates expressed in U.S. dollars per West German mark.

2/ The producer price indexes are aggregate measures of inflation at the wholesale level in the subject countries. As a result, these indexes may only approximate actual price changes of wine in the subject countries.

3/ The real value of a currency is the nominal value adjusted for the difference between inflation rates as measured by the producer price index in the United States and in the foreign country. Producer prices in the United States increased by 3.0 percent during the period January 1983–June 1985 compared to a 6.2-percent increase in West Germany during the same period.

Source: International Monetary Fund, International Financial Statistics, September 1985.

Lost sales and price suppression/depression

No specific allegations of lost sales or lost revenue regarding imports of ordinary table wine from the FRG, France or Italy were received from domestic wineries in reponse to questionnaires. * * * and * * *, however, provided the names of their customers who allegedly buy the imported wine or to whom they allegedly reduced prices to curtail declining shipments. In addition, the petition contained the names of nine purchasers who allegedly bought imported wine instead of domestic wine. 1/ The Commission was able to contact three purchasers from the names supplied by these parties.

One of the purchasers contacted was * * * in * * *. According to * * *, his firm purchases both domestic and imported nonpremium table wines and is a major customer of * * *. He stated, however, that price competition is between domestic wineries and not between the domestic and imported French, Italian, and German wines. 2/ Citing an example of this domestic rivalry, * * * stated that * * *, another California winery, offered * * * a price of $2.00 per case less than that of * * * during October 1985. * * * refused the offer because he is satisfied with * * *'s quality and because of the longtime relationship with * * *. According to * * *, national advertising and, to a less extent, point-of-sale promotional material are competitive factors, but are done about equally by both the domestic and imported wines.

* * *, a distributor and retailer in * * *, was also contacted. * * *, a buyer for the firm, stated that some of the smaller brands of nonpremium table wine from France and Italy have been sold below some domestic brands and taken sales away from these producers. * * *, another buyer for the firm, stated that the West German wines never got into the jug market and probably have not hurt domestic wines. * * *. He states, however, that * * * has lost some of its on-premise business to these imports in the * * * market but not because of underpricing. According to * * *, * * * priced its wine so low in the off-premise market, including drug stores and grocery stores, that some restaurants and other on-premise establishments find it difficult to sell a glass of * * * wine when the customer is readily aware that it can be bought for home consumption at a much lower price. * * * states that domestic wines have an upbeat future in this market area because of a weakening U.S. dollar and because the 1984 vintage in Europe, now hitting this country, is of medium quality and was produced from a short crop. 3/

The Commission staff also contacted * * * in * * *. * * *, an attorney for the firm, stated that the largest domestic brand that his firm carries is * * *, and imports do not affect his firm's purchases of this domestic wine. He refused to discuss the market any further, but stated that he would be willing to respond to written inquiries.

1/ No domestic wineries or the identities of the specific brands of domestic and imported wine were mentioned in connection with these nine purchasers.

2/ * * *.

3/ * * * says that, in the early 1980's, appreciation of the U.S. dollar resulted in very attractive prices of the imported wines, but since April of 1985 the prices he pays for the foreign wine have increased by 25 percent because of the depreciation of the dollar during this period.

APPENDIX A

FEDERAL REGISTER NOTICES

Federal Register / Vol. 50, No. 181 / Wednesday, September 18, 1985 / Notices 37919

[Investigations Nos. 701-TA-258-260 (Preliminary) and 731-TA-283-285 (Preliminary)]

Certain Table Wine From the Federal Republic of Germany, France, and Italy

AGENCY: United States International Trade Commission

ACTION: Institution of preliminary countervailing duty and antidumping investigations and scheduling of a conference to be held in connection with these investigations.

SUMMARY: The Commission hereby gives notice of the institution of preliminary countervailing duty investigations Nos. 701-TA-258-260 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from the Federal Republic of Germany, France, and Italy of certain table wine,[1] provided for in item 167.30 of the Tariff Schedules of the United States, which are alleged to be subsidized by the Governments of the Federal Republic of Germany, France, and Italy. As provided in section 703(a) the Commission must complete preliminary countervailing duty investigations in 45 days, or in these cases by October 25, 1985.

The Commission also gives notice of the institution of preliminary antidumping investigations Nos. 731-TA-283-285 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from the Federal Republic of Germany, France, and Italy of certain table wine, provided for in item 167.30 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in these cases by October 25, 1985.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

EFFECTIVE DATE: September 10, 1985.

FOR FURTHER INFORMATION CONTACT: Cynthia Wilson (202-523-0291), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to petitions filed on September 10, 1985, by the American Grape Growers Alliance for Fair Trade, a non-profit association that represents growers which produce grapes that are crushed for ordinary table wine production and wineries which produce ordinary table wine.

Participation in the Investigation

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

Service List

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigations must be served on all other parties to the investigations (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.

Conference

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on October 1, 1985, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Cynthia Wilson (202-523-0291) not later than September 27, 1985, to arrange for their appearance. Parties in support of the imposition of countervailing and/or antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written Submissions

Any person may submit to the Commission on or before October 3, 1985, a written statement of information pertinent to the subject of the investigations, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the 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 must 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 § 201.6 of the Commission's rules (19 CFR 201.6).

Authority: These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

By order of the Commission.

[1] For purposes of these investigations "certain table wine" is defined as still wine produced from grapes, containing not over 14 percent of alcohol by volume, in containers each holding not over 1 gallon, other than wines categorized by the appropriate authorities in the Federal Republic of Germany as "Qualitätswein mit Prädikat"; in France as "Appelation d'Origine Controlee" or "Vins Delimites de Qualite Superieure"; and in Italy as "Denominazione di Origine Controllata".

Issued September 12 1985
Kenneth R Mason,
Secretary
[FR Doc. 85-22351 Filed 9-17-85, 8:45 am]
BILLING CODE 7020-02-M

International Trade Administration

[C-427-505]

Initiation of Countervailing Duty Investigation; Certain Table Wine From France

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in France of certain table wine, as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of this action, so that it may determine whether imports of the subject merchandise from France materially injure, or threaten material injury to, a U.S. industry. The ITC will make its preliminary determination on or before October 25, 1985. If our investigation proceeds normally, we will make our preliminary determination on or before December 4, 1985.

EFFECTIVE DATE: October 4, 1985.

FOR FURTHER INFORMATION CONTACT: Laura Winfrey or Barbara Tillman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-0160 or 377-2438.

SUPPLEMENTARY INFORMATION:

The Petition

On September 10, 1985, we received a petition in proper form filed by the American Grape Growers Alliance for Fair Trade (the "Alliance") and the following members of the alliance who are individually co-petitioners: The California Association of Wine Grape Growers, Allied Grape Growers, Italian Swiss Colony, Sun Diamond Growers of

Distilleries, and Gibson Winery filing on behalf of the U.S. industry producing wine grapes and ordinary table wine. In compliance with the filing requirements of § 355.26 of the Commerce regulations (19 CFR 355.26), the petition alleges that manufacturers, producers, or exporters in France of certain table wine receive subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act).

Since France is a "country under the Agreement" within the meaning of section 701(b) of the Act, Title VII of the Act applies to this investigation and the ITC is required to determine whether imports of the subject merchandise from France materially injure, or threaten material injury to, a U.S. industry.

On September 26, 1985, in the exercise of their consultation rights under Article 3:1 of the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade, representatives of the European Community presented a Note Diplomatique. We have carefully considered their arguments relating to the Department of Commerce in making this determination to initiate.

Initiation of Investigation

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of a countervailing duty investigation, and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on certain table wine from France and have found that it meets the requirements of section 702(b) of the Act. Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in France of certain table wine (as described in the "Scope of Investigation" section of this notice) receive benefits which constitute subsidies. If our investigation proceeds normally, we will make our preliminary determination on or before December 4, 1985.

Scope of Investigation

The product covered by this investigation is ordinary table wine, defined as still wine produced from grapes containing not over 14 percent alcohol by volume, and in containers each holding not over 1 gallon. Such wines are commonly denominated as "vins de pays" (country wine), "vins de table" (table wine) and "vin ordinaire" (ordinary wine). This does not include wine categorized by the appropriate authorities as "Appelation d'Origine Controlee" or "Vins Delimites de Qualite Superieure." The product covered by this investigation is currently classifiable in the *Tariff Schedules of the United States, Annotated* (TSUSA), under items 167.3005, 167.3015, 167.3025, 167.3030, 167.3045, and 167.3060.

Allegations of Subsidies

The petition lists a number of practices by the EC and the government of France which allegedly confer subsidies on manufacturers, producers, and exporters of certain table wine. Petitioners also have alleged that subsidies to grape growers benefit the production of wine. This raises the question of whether grapes are considered an "input" into wine, and as such, whether we should consider this an upstream issue.

Petitioners claim that grapes are not an input into wine, citing the "Final Affirmative Countervailing Duty Determination: Live Swine and Fresh, Chilled and Frozen Pork Products from Canada" (50 FR 20597) which was published in the June 17, 1985, issue of the Federal Register. In that case, the Department determined that live swine were not inputs into pork products, and that section 771A was not applicable in determining whether subsidies on swine production conferred benefits on the production of pork products. Petitioners claim that grapes bear the same relationship to wine as live swine do to pork products.

We disagree with petitioners' conclusions. Our decision in "Live Swine" was based primarily on two factors: (1) Pork packers added little value (roughly 10 percent) to the value of a live swine; and (2) a determination that live swine were inputs into pork products would have allowed for easy circumvention of any countervailing duty order. These factors do not appear to be present in the instant case. Materials submitted by petitioners indicate that the value added in converting grapes to wine is at least 20 percent, and there is little likelihood that foreign grape growers would begin to export wine grapes to the United States in order to circumvent any order on wine. Therefore, petitioners have not persuaded us that grapes are not an input into wine. Thus, the effect of any subsidies to grape growers must be analyzed under section 771A. Under section 771A, petitioners must allege that a subsidy

(1) is paid or bestowed by that government with respect to a product (hereafter referred to as an "input product") that is used in the manufacture or production in that country of merchandise which is the subject of a countervailing duty proceeding;

(2) in the judgment of the administering authority bestows a competitive benefit on the merchandise; and

(3) has a significant effect on the cost of manufacturing or producing the merchandise.

Since petitioners have not made these allegations, we are not initiating an upstream investigation.

However, information submitted by petitioners indicates that there may be situations where the producers of wine are also grape growers within a single economic entity. In those instances where the producers of wine are also grape growers, we will investigate the alleged subsidies received for grape growing activities.

Based on the foregoing, we are initiating an investigation on the following programs.

European Community Programs:

Petitioners allege that the EC provides production and financial subsidies to manufacturers, producers, and exporters of certain table wine in France. The following EC programs are made available through the European Agricultural Guidance and Guarantee Fund (EAGGF), with member states' participation.

- Distillation Subsidies.

—Preventive Distillation
—Compulsory Distillation
—Support Distillation
—Special Price Support Distillation

- Member States' Distillation Expenditures
- Storage Subsidies.
- Aids for Grape Must Use.

—Commission Regulation No. 2393/84
—Aid to Processors Who Use Grape Must
—Commission Regulation No. 2034/84

- Research and Development Grants.

—Article 1 of Commission Regulation 861/83
—Article 2 of Commissiosn Regulation 861/83

- Structural Aids.

—Marketing and Processing Subsidies
—Vineyard Modernization, Restructuring and Reconversion

- Regional Schemes and Special Aids.

—Mountain and Hill Farming
—Integrated Mediterranean Programs

- EC Investment Aid
- Grants for Capital Structures

Government of France Programs:

Petitioners allege that the government of France provides countervailable benefits to certain table wine producers under the following programs.

- Preferential Financing.
- Export Promotion.

We are not initiating an investigation of the following EC programs:

A. Export Refunds

Petitioners allege that certain table wine producers in France receive export refunds that compensate them for the difference between the price for wine produced in the European Community and lower prices prevailing in certain export markets other that the United States. In the "Initiation of Countervailing Duty Investigation: Certain Table Wine from France" which was published in the February 23, 1984 issue of the **Federal Register** (49 FR 6779), we determined that, since we assess countervailing duties on merchandise entering the United States, we must measure subsidies on the same basis. Therefore, we did not initiate an investigation on this program. Because petitioners have not presented any new information or alleged changed circumstances with respect to the export refund program, we are not initiating on this program.

B. EC Assistance to Young Farmers

Petitioners allege that the EC provides special assistance to young farmers in the form of installation premiums and investment aid. Section 771(5) of the Act, in describing governmental benefits which should be viewed as domestic subsidies under the law, clearly limits such subsidies to those provided "to a specific enterprise on industry, or group of enterprises or industries." We have followed this statutory standard consistently, finding countervailable only the benefits from those programs which are applicable and available to any company or industry, a limited group of companies or industries companies or industries located within a limited region, or regions, within a country.

In the "Final Affirmative Countervailing Duty Determination: Live Swine and Fresh Chilled and Frozen Pork Products from Canada," which was published in the June 17, 1985 issue of the **Federal Register** (50 FR 25097), we determined that assistance which is provided to and used by producers of all agricultural commodities is not limited to a specific group of enterprises or industries. Petitioners have not alleged, nor have they provided any information to suggest, that this program operates in such a way as to favor producers of specific agricultural products or establishes differing terms for specified products, or for producers in specified regions. Therefore, we are not initiating on this program.

Notification of ITC

Section 702(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all non-privileged and non-confidential information. We also will allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by October 25, 1985, whether there is a reasonable indication that imports of certain table wine from France materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, this investigation will terminate; otherwise, it will proceed according to statutory procedures.

Dated: September 30, 1985.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

[FR Doc. 85-23825 Filed 10-3-85; 8:45 am]

BILLING CODE 3510-DS-M

[C-428-502]

Initiation of Countervailing Duty Investigation; Certain Table Wine From the Federal Republic of Germany

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petiton filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in the Federal Republic of Germany (FRG) of certain table wine, as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of this action, so that it may determine whether imports of the subject merchandise from the FRG materially injure, or threaten material unjury to, a U.S. industry. The ITC will make its preliminary determination on or before October 25, 1985. If our investigation proceeds normally, we will make our preliminary determination on or before December 4, 1985.

EFFECTIVE DATE: October 4, 1985.

FOR FURTHER INFORMATION CONTACT: Barbara Tillman or Roy Malmrose, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 377-2438 or 377-8320.

The Petition

On September 10, 1985, we received a petition in proper form filed by the American Grape Growers Alliance for Fair Trade (the "Alliance") and the following members of the Alliance who are individually co-petitioners: the California Association of Wine Grape Growers, Allied Grape Growers, Italian Swiss Colony, Sun Diamond Growers of California, Guild Wineries and Distilleries, and Gibson Winery filing on behalf of the U.S. industry producing wine grapes and ordinary table wine. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petiton alleges that manufacturers, producers, or exporters in the FRG of certain table wine receive subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act).

Since the FRG is a "country under the Agreement" within the meaning of section 701(b) of the Act, Title VII of the Act applies to this investigation and the ITC is required to determine whether imports of the subject marchandise from the FRG materially injure, or threaten material injury to, a U.S. industry.

On September 26, 1985, in the exercise of their consultation rights under Article 3:1 of the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade, representatives of the European Community presented a Note Diplomatique. On September 25 and 26, 1985, the government of the FRG also exercised their consultation rights under the above agreements. We have carefully considered their arguments relating to the Department of Commerce in making this determination to initiate.

Initiation of Investigation

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of a countervailing duty investigation, and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on certain table wine from the FRG and have dound that it meets the requirements of section 702(b) of the Act. Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in the FRG of certain table wine (as described in the "Scope of Investigation" section of this notice) receive benefits which constitute subsidies. If our investigation proceeds normally, we will make our preliminary determination on or before December 4, 1985.

Scope of Investigation

The product covered by this investigation is ordinary table wine, defined as still wine produced from grapes containing not over 14 percent alcohol by volume, and in containers each holding not over 1 gallon. Such wines are commonly denominated as "Tafelwein" or "Qualitaetswein" in the FRG. This does not include wine categorized by the appropriate authorities as "Qualitaetswein mit Praedikat". The product covered by this investigation is currently classifiable in the *Tariff Schedules of the United States, Annotated* (TSUSA), under items 167.3005, 167.3015, 167.3025, 167.3030, 167.3045, and 167.3060.

Allegations of Subsidies

The petition lists a number of practices by the EC which allegedly confer subsidies on manufacturers, producers, and exporters in the FRG of certain table wine. Petitioners also have alleged that subsidies to grape growers benefit the production of wine. This raises the question of whether grapes are considered an "input" into wine, and as such, whether we should consider this an upstream issue.

Petitioners claim that grapes are not an input into wine, citing the "Final Affirmative Countervailing Duty Determination: Live Swine and Fresh, Chilled and Frozen Pork Products from Canada" (50 FR 20597) which was published in the June 17, 1985, issue of the **Federal Register**. In that case, the Department determined that live swine were not inputs into pork products, and that section 771A was not applicable in determining whether subsidies on swine production conferred benefits on the production of pork products. Petitioners claim that grapes bear the same relationship to wine as live swine do to pork products.

We disagree with petitioners' conclusions. Our decision in "Live Swine" was based primarily on two factors: (1) Pork packers added little value (roughly 10 percent) to the value of a live swine; and (2) a determination that live swine were inputs into pork products would have allowed for easy circumvention of any countervailing duty order. These factors do not appear to be present in the instant case. Materials submitted by petitioners indicate that the value added in converting grapes to wine is at least 20 percent, and there is little likelihood that foreign grape growers would begin to export wine grapes to the United States in order to circumvent any order on wine. Therefore, petitioners have not persuaded us that grapes are not an input into wine. Thus, the effect of any subsidies to grape growers must be analyzed under section 771A. Under section 771A, petitioners must allege that a subsidy—

(1) Is paid or bestowed by that government with respect to a product (hereafter referred to as an "input product") that is used in the manufacture or production in that country of merchandise which is the subject of a countervailing duty proceeding;

(2) In the judgment of the administering authority bestows a competitive benefit on the merchandise; and

(3) Has a significant effect on the cost of manufacturing or producing the merchandise.

Since petitioners have not made these allegations, we are not initiating an upstream investigation.

However, information submitted by petitioners indicates that there may be situations where the producers of wine are also grape growers within single economic entity. In those instances where the producers of wine are also grape growers, we will investigate the alleged subsidies received for grape growing activities.

Based on the foregoing, we are initiating an investigation on the following programs.

European Community Programs

Petitioners allege that the EC provides production and financial subsidies to manufacturers, producers, and exporters of certain table wine in the FRG. The following EC programs are made available through the European Agricultural Guidance and Guarantee Fund (EAGGF) with member states' participation:

- Distillation Subsidies.
  —Preventive Distillation
  —Compulsory Distillation
  —Support Distillation
  —Special Price Support Distillation
  —Member States' Distillation Expenditures
- Storage Subsidies.
- Aids for Grape Must Use.
  —Commission Regulation No. 2393/84
  —Aid to Processors Who Use Grape Must
  —Commission Regulation No. 2034/84
- Research and Development Grants
  —Article 1 of Commission Regulation 861/83
  —Article 2 of Commission Regulation 861/83
- Structural Aids
  —Marketing and Processing Subsidies
  —Vineyard Modernization and Restructuring
- Regional Schemes and Special Aid for Mountain and Hill Farming
- EC Investment Aid
- Grants for Capital Structures.

We are not initiating an investigation on the following EC programs:

A. Export Refunds

Petitioners allege that certain table wine producers in the FRG receive export refunds that compensate them for the difference between the price for wine produced in the community and lower prices prevailing in certain export markets other than the United States. In the "Initiation of Countervailing Duty Investigation: Certain Table Wine from France" which was published in the February 23, 1984 issue of the **Federal Register** (49 FR 6779), we determined that, since we assess countervailing duties on merchandise entering the United States, we must measure subsidies on the same basis. Therefore, we did not initiate an investigation on this program. Because petitioners have not presented any new information or alleged changed circumstances with respect to the export refund program, we are not initiating on this program.

B. EC Assistance to Young Farmers

Petitioners allege that the EC provides special assistance to young farmers in the form of installation premiums and investment aid. Section 771(5) of the Act, in describing governmental benefits which should be viewed as domestic subsidies under the law, clearly limits such subsidies to those provided "to a specific enterprise or industry, or group of enterprises or industries." We have followed this statutory standard consistently, finding countervailable only the benefits from those programs which are applicable and available to one company or industry, or companies or industries located within a limited region, or regions, within a country.

In the "final Affirmative Countervailing Duty Determination: Live Swine and Fresh, Chilled and Frozen Pork Products from Canada" which was published in the June 17, 1985, issue of the **Federal Register** (50 FR 25097), we determined that assistance which is provided to and used by producers of all agricultural commodities is not limited to a specific enterprise or industry, or group of enterprises or industries. Petitioners have not alleged, nor have they provided an information to suggest, that this program operates in such a way as to favor producers of specific agricultural products, or establishes differing terms for specified products, or for producers in specified regions. Therefore, we recommend not initiating on this program.

Notification of ITC

Section 702(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all non-privileged and non-confidential information. We also will allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by October 25, 1985, whether there is a reasonable indication that imports of certain table wine from the FRG materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, this investigation will terminate; otherwise, it will proceed according to statutory procedures.

Dated: September 30, 1985.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

[FR Doc. 85-23826 Filed 10-3-85; 8:45 am]

BILLING CODE 3510-DS-M

[(C-475-502)]

Initiation of Countervailing Duty Investigation; Certain Table Wine from Italy

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we re initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Italy of certain table wine, as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of this action, so that it may determine whether imports of the subject merchandise from Italy materially injure, or threaten material injury to, a U.S. industry. The ITC will make its preliminary determination on or before October 25, 1985. If our investigation proceeds normally, we will make our preliminary determination on or before December 4, 1985.

EFFECTIVE DATE: October 4, 1985.

FOR FURTHER INFORMATION CONTACT: Ellie Shea or Barbara Tillman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 377-1784 or 377-2438.

SUPPLEMENTARY INFORMATION:

The Petition

On September 10, 1985, we received a petition in proper form filed by the American Grape Growers Alliance for Fair Trade (the "Alliance") and the following members of the Alliance who are individually co-petitioners: The California Association of Wine Grape Growers, Allied Grape Growers, Italian Swiss Colony, Sun-Diamond Growers of California, Guild Wineries and Distilleries, and Gibson winery filing on behalf of the U.S. industry producing wine grapes and ordinary table wine. In compliance with the filing requirements of § 335.26 of the Commerce regulations (19 CFR 355.26), the petition alleges that manufacturers, producers, or exporters in Italy of certain table wine receive subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act).

Since Italy is a "country under the Agreement" within the meaning of section 701(b) of the Act, Title VII of the Act applies to this investigation and the ITC is required to determine whether imports of the subject merchandise from Italy materially injure, or threaten material injury to, a U.S. industry.

On September 26, 1985, in the exercise of their consultation rights under Article 3:1 of the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade, representatives of the European Community presented a Note Diplomatique. We have carefully considered their arguments relating to the Department of Commerce in making this determination to initiate.

Initiation of Investigation

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of a countervailing duty investigation, and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on certain table wine from Italy and have found that it meets the requirements of section 702(b) of the Act. Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Italy of certain table wine (as described in the "Scope of Investigation" section of this notice) receive benefits which constitute subsidies. If our investigation proceeds normally, we will make our preliminary determination on or before December 4, 1985.

Scope of Investigation

The product covered by this investigation is ordinary table wine, defined as still wine produced from grapes containing not over 14 percent alcohol by volume, and in containers each holding not over 1 gallon. This does not include wine categorized by the appropriate authorities as "Denominazione di Origine Controllata". The product covered by this investigation is currently classifiable in the *Tariff Schedules of the United States, Annotated* (TSUSA), under items 167.3005, 167.3015, 167.3025, 167.3030, 167.3045, and 167.3060.

Allegations of Subsidies

The petition lists a number of practices by the EC, the government of Italy, and Italian regional governments which allegedly confer subsidies on manufacturers, producers, and exporters in Italy of certain table wine. Petitioners also have alleged that subsidies to grape growers benefit the production of wine. This raises the question of whether grapes are considered an "input" into wine, and as such, whether we should consider this an upstream issue.

Petitions claim that grapes are not an input into wine, citing the "Final Affirmative Countervailing Duty Determination: Live Swine and Fresh, Chilled and Frozen Pork Products from Canada" (50 FR 20597) which was published in the June 17, 1985 issue of the Federal Register. In that case, the Department determined that live swine were not inputs into pork products, and that section 771A was not applicable in determining whether subsidies on swine production conferred benefits on the production of pork products. Petitioners claim that grapes bear the same relationship to wine as live swine do to pork products.

We disagree with petitioners' conclusions. Our decision in "Live Swine" was based primarily on two factors: (1) Pork packers added little value (roughly 10 percent) to the value of a live swine; and (2) a determination that live swine were inputs into pork products would have allowed for easy circumvention of any countervailing duty order. These factors do not appear to be present in the instant case. Materials submitted by petitioners indicate that the value added in converting grapes to wine is at least 20 percent, and there is little likelihood that foreign grape growers would begin to export wine grapes to the United States in order to circumvent any order on wine. Therefore, petitioners have not persuaded us that grapes are not an input into wine. Thus, the effect of any subsidies to grape growers must be analyzed under section 771A. Under section 771A, petitioners must allege that a subsidy—

(1) Is paid or bestowed by that government with respect to a product (hereafter referred to as an "input product") that is used in the manufacture or production in that country of merchandise which is the subject of a countervailing duty proceeding;

(2) In the judgment of the administering authority bestows a competitive benefit on the merchandise; and

(3) Has a significant effect on the cost of manufacturing or producing the merchandise.

Since petitioners have not made these allegations, we are not initiating an upstream investigation.

However, information submitted by petitioners indicates that there may be situations where the producers of wine are also grape growers within a single economic entity. In those instances where the producers of wine are also grape growers, we will investigate the alleged subsidies received for grape growing activities.

Based on the foregoing, we are initiating an investigation on the following programs.

European Community Programs

Petitioners allege that the EC provides production and financial subsidies to manufacturers, producers, and exporters of certain table wine in Italy. The following EC programs are made available through the European Agricultural Guidance and Guarantee Fund (EAGGF) with member state's participation:

• Distillation Subsidies.
—Preventive Distillation
—Compulsory Distillation
—Support Distillation
—Special Price Support Distillation
—Member States' Distillation Expenditures
• Storage Subsidies.
• Aids for Grape Must Use
—Commission Regulation No. 2393/84
—Aid to Processors Who Use Grape Must
—Commission Regulation No. 2034/84
• Research and Development Grants
—Article 1 of Commission Regulation 861/83
—Article 2 of Commission Regulation 861/83
• Structural Aids
—Marketing and Processing Subsidies
—Vineyard Modernization and Restructuring
• Regional Schemes and Special Aids
—Mountain and Hill Farming
—Integrated Mediterranean Programs
• EC Investment Aid
• Grants for Capital Structures

Government of Italy Programs

Petitioners allege that the government of Italy provides countervailable benefits to manufacturers, producers, and exporters of certain table wine under the following programs:

• Preferential Financing
• Grants
• Export Promotion

Italian Regional Government Programs

Petitioners allege the provision of regional government assistance under authority of both local law and EC programs. The regional programs cited by the petitioners are principally those identified by the EC Commission in its investigations of possible breaches of the Treaty of Rome. Petitioners also indicate the Italian government's claim that these specific programs have been eliminated, as called for by the EC Commission. However, since the programs provided long-term loans and grants, we intend to investigate them in order to determine whether countervailable benefits are accruing during the review period.

• Sicily
—Preferential Financing
—Grants
—Marketing
• Emilia-Romagna
—Preferential Financing
—Grants

We are including in this investigation the Cassa per il Mezzogiorno regional development programs which were previously determined to confer subsidies in the "Administrative Review in the Countervailing Duty Order: Float Glass from Italy" (48 FR 25255) and the "Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Italy" (47 FR 39356).

• Cassa per il Mezzogiorno
—Grants
—Preferential Financing
—Income Tax Reductions and Exemptions
—Social Security Tax Reductions

We are not initiating and investigation on the following EC programs:

A. Export Refunds

Petitioners allege that certain table wine producers in Italy receive export refunds that compensate them for the difference between the price for wine produced in the community and lower prices prevailing in certain export markets other than the United States. In the "Initiation of Countervailing Duty Investigation: Certain Table Wine from France" which was published in the February 23, 1984 issue of the **Federal Register** (49 FR 6779), we determined that, since we assess countervailing duties on merchandise entering the United States, we must measure subsidies on the same basis. Therefore, we did not initiate an investigation on this program. Because petitioners have not presented any new information or alleged changed circumstances with respect to the export refund program, we are not initiating on this program.

B. EC Assistance to Young Farmers

Petitioners allege that the EC provides special assistance to young farmers in the form of installation premiums and investment aid. Section 771(5) of the Act, in describing governmental benefits which should be viewed as domestic subsidies under the law, clearly limits such subsidies to those provided "to a specific enterprise or industry or group of enterprises or industries." We have followed this statutory standard consistently, finding countervailable only the benefits from those programs which are applicable and available to one company or industry, a limited group of companies or industries, or companies or industries located within a limited region, or regions, within a country.

In the "Final Affirmative Countervailing Duty Determination: Live Swine and Fresh, Chilled and Frozen Pork Products from Canada" which was published in the June 17, 1985, issue of the **Federal Register** (50 FR 25097), we determined that assistance which is provided to and used by producers of all agricultural commodities is not limited to a specific enterprise or industry, or group of enterprises or industries. Petitioners have not alleged, nor have they provided any information to suggest, that this program operates in such a way as to favor producers of specific agricultural products, or establishes differing terms for specified products, or for producers in specified regions. Therefore, we are not initiating on this allegation.

Notification of ITC

Section 702(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all non-privileged and non-confidential information. We also will allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by October 25, 1985, whether there is a reasonable indication that imports of certain table from Italy materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, this investigation will terminate; otherwise, it will proceed according to statutory procedures.

Dated: September 30, 1985.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

[FR Doc. 85-23827 Filed 10-3-85; 8:45 am]

BILLING CODE 3510-DS-M

[A-428-501]

Certain Table Wine from the Federal Republic of Germany; Initiation of Antidumping Duty Investigation

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether certain table wine from the Federal Republic of Germany is being, or is likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of these products are causing material injury, or threaten material injury, to a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination or or before October 25, 1985, and we will make ours on or before February 18, 1986.

EFFECTIVE DATE: October 10, 1985.

FOR FURTHER INFORMATION CONTACT: William D. Kane, Office of Investigations, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-1766.

SUPPLEMENTARY INFORMATION:

The Petition

On September 10, 1985, we received a petition in proper form filed by the American Grape Growers Alliance for Fair Trade (the "Alliance") and the following members of the Alliance who are individual co-petitioners: California Association of Wine Grape Growers, Allied Grape Growers, Italian Swiss Colony, Sun-Diamond Growers of California, Guild Wineries and Distilleries, and Gibson Winery filing on behalf of the U.S. industry producing wine grapes and ordinary table wine. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise 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 causing material injury, or threaten material injury, to a United States industry. The petition also alleges that sales of the subject merchandise are being made at less than the cost of production.

The petitioners based the United States price alternatively on U.S. Bureau of Census 1984 import statistics for still wines produced from grapes containing not more than 14 percent alcohol by volume and valued at not over four dollars per gallon, and on European Community export statistics for table wine in the first six months of 1984.

Petitioners state that home market prices are not available, and that third country prices, based on European Community export statistics for 1984, are below the cost of producing the merchandise. They base foreign market value on an estimated constructed value of the merchandise which includes material, labor and fabrication costs, all of which are derived from published studies of West German viniculture, and statutory minimums of 10 percent of these costs for general expenses and 8 percent of general expenses and cost for profit.

Based onthe comparison of constructed value to U.S. Bureau of Census statistics, petitioners alleged dumping margins of from 63 to 115 percent. Based on the comparison of constructed value to European Community statistics, petitioners alleged dumping margins of from 66 to 119 percent.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on ordinary table wine and found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether certain table wine from the Federal Republic of Germany is being, or is likely to be, sold in the United States at less than fair value.

Petitioners also allege that sales in the home market are at less than the cost of production. However, since they have failed to provide home market sales data to substantiate their allegation of sales at less than the cost of production in the home market, we are not adopting that allegation as part of our investigation. If, during the course of our investigation, we determine that there is not a viable home market, we will commence a cost of production investigation relative to third country sales which we determine have been demonstrated to be at prices below cost of production. If our investigation proceeds normally, we will make our preliminary determination by February 18, 1986.

Scope of Investigation

The product covered by this investigation is ordinary table wine, defined as still wine produced from grapes containing not over 14 percent alcohol by volume, and in containers each holding not over 1 gallon. Such wines are commonly denominated as "Tafelwein" or "Qualitaetswein" in the FRG. This does not include wine categorized by the appropriate authorities as "Qualitaetswein mit Praedikat". The product covered by this investigation is currently classifiable in the Tariff Schedules of the United States, Annotated (TSUSA), under items 167.3005, 167.3015, 167.3025, 167.3030, 167.3045, and 167.3060.

Notification of ITC

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

Preliminary Determination by ITC

The ITC will determine by October 25, 1985, whether there is a reasonable indication that imports of ordinary table wine from the Federal Republic of Germany causing material injury, or threaten material injury, to a United States industry. If its determination is negative the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

September 30, 1985.

[FR Doc. 24326 Filed 10-9-85; 8:45 am]

BILLING CODE 3510-DS-M

[A-427-504]

Certain Table Wine From France; Initiation of Antidumping Duty Investigation

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether certain table wine from France is being, or is likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product are causing material injury, or threaten material injury, to a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before October 25, 1985, and we will make ours on or before February 18, 1986.

EFFECTIVE DATE: October 10, 1985.

FOR FURTHER INFORMATION CONTACT: Ray Busen, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-2830.

SUPPLEMENTARY INFORMATION:

The Petition

On September 10, 1985, we received a petition in proper form filed by the American Grape Growers Alliance for Fair Trade (the "Alliance") and the following members of the Alliance who are individual co-petitioners: California Association of Wine Grape Growers, Allied Grape Growers, Italian Swiss Colony, Sun-Diamond Growers of California, Guild Wineries and Distilleries, and Gibson Winery filing on behalf of the U.S. industry producing wine grapes and ordinary table wine. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from France 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 causing material injury, or threaten material injury, to a United States industry. United States price was derived from U.S. Bureau of Census import data for 1984, European Community export statistics for the first nine months of 1984, and from official French export data. These prices are reported to be f.o.b. No adjustments were made to these prices. Foreign market value was determined by calculating the cost of materials and processing expenses for the production of ordinary table wine in France and adding the statutory minimums of ten and eight percent for general expenses and profit. Based on this information, petitioners allege dumping margins ranging from 3 percent to 69 percent.

The petition also includes an allegation that sales in the home market are below the cost of production. Petitioners were unable to provide home market prices for bottled wine and consequently relied on prices for bulk wine between 1980 and 1983 as indicative of sales below the cost of bottled wine. Third country sales are also alleged to be below the cost of production based on French government export statistics for bottled wine in 1984.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and further, whether it contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on certain table wine from France and have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether certain table wine from France is being, or is likely to be, sold in the United States at less than fair value. Since petitioners were unable to provide home market prices for bottled wine, we will not at this time commence an investigation of sales in the home market below the cost of production. If, during the course of our investigation, we determine that there is not a viable home market, we will commence a cost of production investigation relative to third country sales which we determine have been demonstrated to be at prices below cost of production. If our investigation proceeds normally, we will make our preliminary determination by February 18, 1986.

Scope of Investigation

The product covered by this investigation is ordinary table wine, defined as still wine produced from grapes, containing not over 14 percent alcohol by volume, and in containers each holding not over 1 gallon. Such wines are commonly denominated as "vins de pays" (country wine), "vins de table" (table wine) and "vin ordinaire" (ordinary wine). This does not include wine categorized by the appropriate French authorities as "Appelation d'Origine Controlee" or "Vins Delimites de Qualite Superieure". The product covered by this investigation is currently classifiable in the Tariff Schedules of the United States, Annotated (TSUSA), under items 167.3005, 167.3015, 167.3025, 167.3030, 167.3045, and 167.3060.

Notification of ITC

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

Preliminary Determination by ITC

The ITC will determine by October 25, 1985, whether there is a reasonable indication that imports of certain table wine from France are causing material injury, or threaten material injury, to a United States industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

September 30, 1985.

[FR Doc. 85-24324 Filed 10-9-85; 8:45 am]

BILLING CODE 3510-DS-M

[A-475-601]

Certain Table Wine From Italy: Initiation of Antidumping Duty Investigation

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether certain table wine from Italy is being, or is likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product are causing material injury, or threaten material injury, to a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before October 25, 1985, and we will make ours on or before February 18, 1985.

EFFECTIVE DATE: November 10, 1985.

FOR FURTHER INFORMATION CONTACT: Arthur J. Simonetti, Office of Investigation, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone: (202) 377-4198.

SUPPLEMENTARY INFORMATION:

The Petition

On September 10, 1985, we received a petition in proper form filed by the American Grape Growers Alliance for Fair Trade (the "Alliance") and the following members of the Alliance who are individual co-petitioners: California Association of Wine Grape Growers, Allied Grape Growers, Italian Swiss Colony, Sun-Diamond Growers of California, Guild Wineries and Distilleries, and Gibson Winery filing on behalf of the U.S. industry producing wine grapes and ordinary table wine. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that import of the subject merchandise from Italy are being, or are likey 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 causing material injury, or threaten material injury, to a United States industry. The petition also alleges that sales of the subject merchandise are being made at less than the cost of production.

Comparisons of United States price and foreign market value were based on both 1983 and 1984 data because complete statistics were not available from the Italian government on the export value of certin table wine for 1984.

The petitioners based the United States price for certain table wine on three general sources: (1) Official U.S. Bureau of the Census statistics pertaining to wine containing no more than 14 percent alcohol and sold on an f.o.b. basis at less than $4 per gallon; (2) the official export statistics published by the Government of Italy, and (3) Eurostat statistics.

Home market prices were not available to petitioners. They provide third country prices based on European Community 1984 export statistics, and allege that these prices are below the cost of producing the merchandise. They base foreign market value on an estimate of constructed value of the merchandise which includes material, labor and fabrication costs, all of which are derived from published studies of Italian viniculture, and statutory minimums of 10 percent of these costs for general expenses, and 8 percent of general expenses and cost for profit.

Using the value assigned by Italian export statistics, petitioners allege dumping margins of approximately 95-121 percent in 1983. Using the statistics contained in 1983 Bureau of Census compilations, they allege dumping margins of between 85-109 percent of the f.o.b. price for certain table wine from Italy. Using the 1984 Bureau of Census compilations, they allege dumping margins of between 92-117 percent.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We examined the petition on certain table wine from Italy and have found it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether certain table wine from Italy is being, or is likely to be, sold in the United States at less than fair value.

Petitioners also allege that sales in the home market are at less than the cost of production. However, since they have failed to provide home market sales data to substantiate their allegation of sales at less than the cost of production in the home market, we are not adopting that allegation as part of our investigation. If, during the course of our investigation, we determine that there is not a viable home market, we will commence a cost of production investigation relative to third country sales which we determine have been demonstrated to be at prices below cost of production. If our investigation proceeds normally, we will make our preliminary determination by February 18, 1986.

Scope of Investigation

The product covered by this investigation is ordinary table wine, defined as still wine produced from grapes containing not over 14 percent alcohol by volume, and in containers each holding not over 1 gallon. This does not include wine categorized by the appropriate Italian authorities as "Denominazione di Origine Controllata." The product covered by this investigation is currently classifiable in the *Tariff Schedules of the United States Annotated* (TSUSA), under item numbers 167.3005, 167.3015, 167.3025, 167.3030, 167.3045 and 167.3060.

Notification of ITC

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

Preliminary Determination by ITC

The ITC will determine by October 25, 1985, whether there is a reasonable indication that imports of ordinary table wine from Italy are causing material injury, or threaten material injury, to a United States industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to statutory procedures.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

September 30, 1985.

[FR Doc. 85-24325 Filed 9-9-85; 8:45 am]

APPENDIX B

LIST OF WITNESSES APPEARING AT THE COMMISSON'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 701-TA-258-260 (Preliminary)
and Nos. 731-TA-283-285 (Preliminary)

CERTAIN TABLE WINE FROM THE FEDERAL REPUBLIC OF GERMANY, FRANCE, AND ITALY

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigations on October 1, 1985, in the Hearing Room of the USITC Building, 701 E Street, NW, Washington, D.C.

In support of the imposition of antidumping and/or countervailing duties

Heron, Burchette, Ruckert & Rothwell—Counsel
Washington, D.C.
on behalf of

The American Grape Growers Alliance for Fair Trade

William Hill, Vice President and Sales Manager,
LaMont Winery

Gerald Pasterick, President,
Guild Wineries and Distilleries

Richard McCombs, President,
Italian Swiss Colony Wines of California, Inc.

Marty Hanrahan, Eastern Division Sales Manager,
Gibson Winery

Charles Hetterich, President,
Widmer's Wine Cellars

Aram Kinosian, Grower and Chairman of the Board,
California Association of Wine Grape Growers

Robert McInturf, Grower and President,
Allied Grape Growers

John Martini, Grower and President,
New York State Wine Grape Growers

Charles Stamp, Grower and President,
Wine Grape Growers of America

Michael Fitch, Vice President of Agribusiness Affairs,
Wells Fargo Bank

Frank Light, President,
Sun-Diamond Growers of California

John Weidert, President,
American Grape Growers Alliance for Fair Trade

Ray Strong, Consultant

Ronald Knutson, Professor and Economic Consultant,
Texas A&M

Thomas A. Rothwell, Jr.)—OF COUNSEL
Joseph A. Vicario, Jr.)
James M. Lyons)
Alfred G. Scholle)

<u>In opposition to the imposition of antidumping and/or countervailing duties</u>

Plaia & Schaumberg—Counsel
Washington, D.C.
<u>on behalf of</u>

Joseph E. Seagrams & Sons, Inc.

Herbert C. Shelley)—OF COUNSEL
Tom M. Schaumberg)
Joel M. Kaufman)

John Reilly
Lance Graef
ICF Incorporated

Covington & Burling—Counsel
Washington, D.C.
<u>on behalf of</u>

Banfi Products Corp.

Harry Mariani, President and Chief Executive Officer

Kenneth Farrell, Director,
National Center for Food and Agricultural Policy

Harvey M. Appelbaum)—OF COUNSEL
O. Thomas Johnson, Jr.)

Shaun S. Sullivan and
Edward Wood
Wiggin & Dana, New Haven, CT

Arnold & Porter—Counsel
Washington, D.C.
<u>on behalf of</u>

Brown-Forman Corp.

John Moremen, General Counsel

Stephen B. Kauffman, President,
The Joseph Garneau Co.

Robert E. Herzstein)—OF COUNSEL
Patrick F. J. Macrory)

Max N. Berry—Counsel
Washington, D.C.
<u>on behalf of</u>

The French Federation of Wine and Spirits Exporters

William J. Deutsch, President,
William J. Deutsch Company

William Motes, Vice President,
John Murray, Economic Consultant,
Economic Perspectives, Inc.

Max N. Berry)—OF COUNSEL
Marsha A. Echols)

Coudert Brothers—Counsel
Washington, D.C.
<u>on behalf of</u>

The German Wine Institute

Peter M. F. Sichel, Chairman of the Board,
H. Sichel Soehne, GmbH

Elisabeth Salchow, Consultant

Milo G. Coerper)—OF COUNSEL
Robert A. Lipstein)

Barnes, Richardson & Colburn—Counsel
Washington, D.C.
<u>on behalf of</u>

Schieffelin & Company

Gunter von Conrad)—OF COUNSEL
Matthew J. Clark)

APPENDIX C

LIST OF THE AFFIRMATION AND CONTROLLED STATES FOR WINE

According to officials at the U.S. Department of Treasury, Bureau of Alchohol, Tobacco, and Firearms and at the Wine Institute, four States are affirmation States for wine and 18 States are control States for wine. These States are listed below. In selling wine to distributors in any of these 22 States, suppliers must "affirm" with the respective State liquour boards that they are offering their lowest prices for the size sales being made.

Affirmation States for wine:

- Massachusetts
- Rhode Island
- Kansas
- Tennessee

Control States for wine:

Alabama	Ohio
Idaho	Oregon
Iowa	Pennsylvania
Maine	Utah
Michigan	Vermont
Mississippi	Virginia
Montana	West Virginia
New Hampshire	Washington
North Carolina	Wyoming

APPENDIX D

WEIGHTED-AVERAGE NET U.S. F.O.B. SELLING PRICES AND QUANTITIES REPORTED BY U.S. PRODUCERS OF NONPREMIUM TABLE WINE AND BY U.S. IMPORTERS OF THE FRENCH, ITALIAN, AND GERMAN ORDINARY TABLE WINE

Table D-1.—Domestic nonpremium table wine: Weighted-average net selling prices and quantities of domestically produced nonpremium table wine, by case categories, by quarters, January 1983-June 1985 1/

Period of shipment	Cases of 12 - 750 ML bottles: Price	Cases of 12 - 750 ML bottles: Quantity	Cases of 6 1-1/2 liter bottles: Price	Cases of 6 1-1/2 liter bottles: Quantity	Cases of 4 3 liter bottles: Price	Cases of 4 3 liter bottles: Quantity
	Sales in affirmation or controlled States for wine					
	Per case	Cases	Per case	Cases	Per case	Cases
1983:						
Jan.-Mar	$15.55	753	$13.38	3,506	$13.45	9,888
Apr.-June	16.23	1,787	12.35	4,836	12.39	10,430
July-Sept	16.16	1,544	13.37	5,673	12.10	10,869
Oct.-Dec	16.19	1,982	13.09	6,755	12.31	13,248
1984:						
Jan.-Mar	16.05	1,919	13.48	6,666	12.46	3,321
Apr.-June	17.49	1,624	14.26	5,694	12.12	4,749
July-Sept	17.51	1,554	13.65	6,107	12.17	2,643
Oct.-Dec	17.15	1,750	13.29	6,737	11.91	2,955
1985:						
Jan.-Mar	17.60	851	13.79	5,666	12.06	2,151
Apr.-June	17.68	210	14.02	4,206	12.80	756
	Sales in nonaffirmation or noncontrolled States for wine					
	Per case	Cases	Per case	Cases	Per case	Cases
1983:						
Jan.-Mar	$16.85	2,786	$11.44	15,505	$12.86	19,299
Apr.-June	11.53	4,366	10.77	24,239	12.79	16,938
July-Sept	17.61	2,170	10.54	20,307	12.54	11,100
Oct.-Dec	14.17	2,894	11.26	23,145	12.75	7,930
1984:						
Jan.-Mar	12.83	4,072	10.37	16,019	13.22	14,311
Apr.-June	11.48	4,040	10.42	27,880	12.47	6,127
July-Sept	13.32	3,488	11.82	18,275	11.62	10,564
Oct.-Dec	17.66	1,778	11.91	17,884	8.20	7,368
1985:						
Jan.-Mar	11.37	3,596	10.58	19,357	8.11	8,300
Apr.-June	11.82	3,670	9.63	19,496	8.63	6,940

1/ The price data were developed from net f.o.b., U.S. winery, (including the federal excise tax) selling price data reported by U.S. producers of nonpremium table wine. The reported price data were for the largest sale, in each of the requested quarters, of the domestic producer's leading brand of nonpremium table wine to their largest customer of that brand. Although red and white wine price data were requested separately, the data is aggregated above because individual respondents' prices of their red and white wine generally did not differ.

Note: Useable price data were reported for the following brands of domestic nonpremium table wine: * * *.

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

Table D-2.—French ordinary table wine: Weighted-average net selling prices and quantities of imported French ordinary table wine, by case categories, by quarters, January 1983-June 1985 1/

Period of shipment	Cases of 12 750 ML bottles		Cases of 6 1-1/2 liter bottles		Cases of 4 3 liter bottles	
	Price	Quantity	Price	Quantity	Price	Quantity
	Sales in affirmation or controlled States for wine					
	Per case	Cases	Per case	Cases	Per case	Cases
1983:						
Jan.-Mar	$19.66	1,178	$16.54	2,069	-	-
Apr.-June	18.70	2,500	17.51	3,745	-	-
July-Sept	20.81	255	16.39	3,705	-	-
Oct.-Dec	19.11	2,230	16.97	5,624	-	-
1984:						
Jan.-Mar	19.01	2,905	16.95	5,965	-	-
Apr.-June	18.82	1,962	16.78	6,981	-	-
July-Sept	19.24	2,425	17.08	10,580	-	-
Oct.-Dec	19.10	3,060	16.11	9,118	-	-
1985:						
Jan.-Mar	15.61	555	15.13	3,895	$19.99	750
Apr.-June	21.07	1,814	17.62	6,050	19.99	1,450
	Sales in nonaffirmation or noncontrolled States for wine					
	Per case	Cases	Per case	Cases	Per case	Cases
1983:						
Jan.-Mar	$19.14	2,973	$19.57	8,030	-	-
Apr.-June	18.76	4,085	17.82	8,150	-	-
July-Sept	17.73	3,498	16.17	10,601	$23.89	1,200
Oct.-Dec	17.14	3,755	17.53	11,182	-	-
1984:						
Jan.-Mar	17.40	3,690	18.06	11,670	23.89	3,125
Apr.-June	17.28	3,104	16.19	11,760	-	-
July-Sept	13.71	5,420	18.95	14,621	-	-
Oct.-Dec	15.52	4,496	15.75	11,342	26.32	800
1985:						
Jan.-Mar	18.95	2,490	16.56	11,210	24.82	1,100
Apr.-June	18.17	2,640	17.52	15,402	24.82	400

1/ The price data were developed from net f.o.b. U.S. warehouse (including federal excise tax) or net landed c.i.f., duty paid (including federal excise tax) price data reported by U.S. importers of the French ordinary table wine. The reported price data were for the largest sale, in each of the requested quarters, of the importers' leading brand of French ordinary table wine to their largest customer of that brand. Although red and white wine price data were requested separately, the data are aggregated above because individual respondents' prices of their red and white wine generally did not differ.

Note: Useable price data were reported for the following brands of imported French ordinary table wine: * * *.

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

Table D-3.—Italian ordinary table wine: Weighted-average net selling prices and quantities of imported Italian ordinary table wine, by case categories, by quarters, January 1983-June 1985 1/

Period of shipment	Cases of twelve-750 ML bottles		Cases of six-1-1/2 liter bottles		Cases of four-3 liter bottles	
	Price	Quantity	Price	Quantity	Price	Quantity
	Sales in affirmation or controlled States for wine					
	Dollars/case	Cases	Dollars/case	Cases	Dollars/case	Cases
1983:						
Jan.-Mar	$20.98	14,647	$17.80	11,285	$22.39	1,068
Apr.-June	20.95	15,290	19.16	17,989	20.80	2,519
July-Sept	20.54	9,968	17.40	18,229	22.39	1,225
Oct.-Dec	20.33	11,619	15.96	13,678	17.82	4,029
1984:						
Jan.-Mar	18.84	9,375	17.64	11,432	19.64	1,706
Apr.-June	19.26	12,938	17.35	16,428	17.37	3,198
July-Sept	19.89	10,381	16.79	13,903	16.45	2,513
Oct.-Dec	18.74	18,214	17.96	12,592	17.72	3,347
1985:						
Jan.-Mar	19.31	13,020	17.09	10,959	21.59	787
Apr.-June	19.67	8,676	17.30	18,903	18.68	3,394
	Sales in nonaffirmation or noncontrolled States for wine					
	Dollars/case	Cases	Dollars/case	Cases	Dollars/case	Cases
1983:						
Jan.-Mar	$18.98	11,252	$16.15	13,615	-	-
Apr.-June	18.90	20,715	15.82	15,635	$18.89	50
July-Sept	18.94	7,460	13.89	18,135	18.89	35
Oct.-Dec	18.49	12,860	13.03	12,863	-	-
1984:						
Jan.-Mar	17.16	15,215	14.99	12,415	18.39	5,750
Apr.-June	17.40	13,555	13.42	24,090	15.24	2,405
July-Sept	17.48	14,795	11.59	18,235	19.02	2,545
Oct.-Dec	17.69	20,359	13.47	10,940	15.89	2,605
1985:						
Jan.-Mar	18.11	6,036	14.25	12,920	18.75	400
Apr.-June	17.15	5,835	15.66	18,720	17.50	1,540

1/ The price data were developed from net f.o.b. U.S. warehouse (including the federal excise tax) or net landed c.i.f., duty paid (including the federal excise tax) price data reported by U.S. importers of the Italian ordinary table wine. The reported price data were for the largest sale, in each of the requested quarters, of the importers' leading brand of Italian ordinary table wine to their largest customer of that brand. Although red and white wine price data were requested separately, the data are aggregated above because individual respondents' prices of their red and white wine generally did not differ.

Note: Useable price data were reported for the following brands of imported Italian ordinary table wine: * * *.

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

Table D-4.—German ordinary table wine: Weighted-average net selling prices and quantities of imported German ordinary table wine, by case categories, by quarters, January 1983-June 1985 1/

Period of shipment	Cases of 12 750 ML bottles		Cases of 6 1-1/2 liter bottles		Cases of 4 3 liter bottles	
	Price	Quantity	Price	Quantity	Price	Quantity
	Sales in affirmation or controlled States for wine					
	Per case	Cases	Per case	Cases	Per case	Cases
1983:						
Jan.-Mar	$21.35	3,197	$20.69	523	-	-
Apr.-June	21.79	1,842	26.31	2,219	-	-
July-Sept	25.18	4,451	23.64	4,167	-	-
Oct.-Dec	25.82	6,504	24.73	2,195	-	-
1984:						
Jan.-Mar	22.03	2,320	29.07	3,168	-	-
Apr.-June	21.56	3,813	19.27	3,012	-	-
July-Sept	28.19	3,575	25.67	6,135	-	-
Oct.-Dec	27.00	3,987	24.23	4,735	-	-
1985:						
Jan.-Mar	24.69	3,716	27.03	2,865	-	-
Apr.-June	26.80	1,443	27.69	903	-	-
	Sales in nonaffirmation or noncontrolled States for wine					
	Per case	Cases	Per case	Cases	Per case	Cases
1983:						
Jan.-Mar	$37.42	4,440	$35.73	2,688	-	-
Apr.-June	36.77	2,598	29.89	1,064	-	-
July-Sept	33.16	3,438	31.39	1,458	-	-
Oct.-Dec	33.41	3,804	32.22	4,424	-	-
1984:						
Jan.-Mar	39.12	10,250	32.44	3,794	-	-
Apr.-June	31.11	578	34.03	520	-	-
July-Sept	37.93	2,950	34.28	2,074	-	-
Oct.-Dec	37.29	3,212	34.36	1,975	-	-
1985:						
Jan.-Mar	35.04	1,413	33.70	1,776	-	-
Apr.-June	34.79	5,064	33.68	3,914	-	-

1/ The price data were developed from net f.o.b. U.S. warehouse (including federal excise tax) or net landed c.i.f., duty paid (including the federal excise tax) price data reported by U.S. importers of the German ordinary table wine. The reported price data were for the largest sale, in each of the requested quarters, of the importers' leading brand of German ordinary table wine to their largest customer of that brand. Although red and white wine price data were requested separately, only prices of white wine were reported by importers of wine from the FRG.

Note: Useable price data were reported for the following brands of imported West German ordinary table wine: * * *.

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

APPENDIX E

AFFIRMATION PRICES OF GALLO'S AND HEUBLEIN'S DOMESTIC NONPREMIUM TABLE WINE AND WEIGHTED-AVERAGE NET F.O.B. SELLING PRICES REPORTED BY U.S. IMPORTERS OF THE FRENCH, ITALIAN, AND GERMAN ORDINARY TABLE WINE

Table E-1.—Cases of six 1.5 liter bottles of nonpremium (ordinary) table wine sold to distributors in affirmation or control States: Affirmation prices of Gallo Chablis Blanc and Inglenook Navalle Chablis (Heublein), weighted-average prices of the imported French wine, and average margins by which prices of the French wine exceeded prices of the domestic wine, by quarters, January 1983-December 1984 1/

Period	Gallo Chablis Blanc 2/	French wine 3/	Average margins of overselling	
	Dollars/case	Dollars/case	Dollars/case	Percent
1983:				
January-March	$11.62	$16.54	($4.92)	(42)
April-June	12.45	17.51	(5.06)	(41)
July-September	11.37	16.39	(5.02)	(44)
October-December	11.79	16.97	(5.18)	(44)
1984:				
January-March	10.79	16.95	(6.16)	(57)
April-June	11.79	16.78	(4.99)	(42)
July-September	10.79	17.08	(6.29)	(37)
October-December	11.79	16.11	(4.32)	(37)
	Inglenook Navalle Chablis 2/	French wine 3/	Average margins of overselling	
	Dollars/case	Dollars/case	Dollars/case	Percent
1983:				
January-March	$13.44	$16.54	($3.10)	(23)
April-June	14.27	17.51	(3.24)	(23)
July-September	13.44	16.39	(2.95)	(22)
October-December	13.44	16.97	(3.53)	(26)
1984:				
January-March	13.44	16.95	(3.51)	(26)
April-June	13.64	16.78	(3.14)	(23)
July-September	14.04	17.08	(3.04)	(22)
October-December	14.04	16.11	(2.07)	(15)

1/ Prior to receiving questionnaire pricing data from Gallo and Heublein, the most recent affirmation price data available for these firms' domestically-produced wines were used to compare prices of nonpremium table wine wine from the Gallo & Heublein wineries with prices of the imported French ordinary table wine.

2/ Affirmation prices to Massachusetts, as supplied by petitioners.

3/ Weighted-average prices developed from questionnaire responses.

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

Table E-2.—Cases of six 1.5 liter bottles of nonpremium (ordinary) table wine sold to distributors in affirmation or control States: Affirmation prices of Gallo Chablis Blanc and Inglenook Navalle Chablis (Heublein), weighted-average prices of the imported Italian wine, and average margins by which prices of the Italian wine exceeded prices of the domestic wine, by quarters, January 1983-December 1984 1/

Period	Gallo Chablis Blanc 2/	Italian wine 3/	Average margins of under/overselling	
	Dollars/case	Dollars/case	Dollars/case	Percent
1983:				
January-March	$11.62	$17.80	($6.18)	(53)
April-June	12.45	19.16	(6.71)	(54)
July-September	11.37	17.40	(6.03)	(53)
October-December	11.79	15.96	(4.17)	(35)
1984:				
January-March	10.79	17.64	(6.85)	(65)
April-June	11.79	17.35	(5.56)	(47)
July-September	10.79	16.79	(6.00)	(56)
October-December	11.79	17.96	(6.17)	(52)
	Inglenook Navalle Chablis 2/	Italian wine 3/	Average margins of over/underselling	
	Dollars/case	Dollars/case	Dollars/case	Percent
1983:				
January-March	$13.44	$17.80	($4.36)	(32)
April-June	14.27	19.16	(4.89)	(34)
July-September	13.44	17.40	(3.96)	(29)
October-December	13.44	15.96	(2.51)	(19)
1984:				
January-March	13.44	17.64	(4.20)	(31)
April-June	13.64	17.35	(3.71)	(27)
July-September	14.04	16.79	(2.79)	(20)
October-December	14.04	17.96	(3.92)	(28)

1/ Prior to receiving questionnaire pricing data from Gallo and Heublein, the most recent affirmation price data available for these firms' domestically-produced wines were used to compare prices of nonpremium table wine wine from the Gallo & Heublein wineries with prices of the imported Italian ordinary table wine.

2/ Affirmation prices to Massachusetts, as supplied by petitioners.

3/ Weighted-average prices developed from questionnaire responses.

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

Table E-3.—Cases of six 1.5 liter bottles of nonpremium (ordinary) table wine sold to distributors in affirmation or control States: Affirmation prices of Gallo Chablis Blanc and Inglenook Navalle Chablis (Heublein), weighted-average prices of the imported West German wine, and average margins by which prices of the West German wine exceeded prices of the domestic wine, by quarters, January 1983-December 1984 1/

Period	Gallo Chablis Blanc 2/	West German wine 3/	Average margins of under/overselling	
	Dollars/case	Dollars/case	Dollars/case	Percent
1983:				
January-March	$11.62	$20.69	($9.07)	(78)
April-June	12.45	26.31	(13.86)	(111)
July-September	11.37	23.64	(12.27)	(108)
October-December	11.79	24.73	(12.94)	(110)
1984:				
January-March	10.79	29.07	(18.28)	(169)
April-June	11.79	19.27	(7.48)	(63)
July-September	10.79	25.67	(14.88)	(138)
October-December	11.79	24.23	(12.44)	(106)
	Inglenook Navalle Chablis 2/	West German wine 3/	Average margins of over/underselling	
	Dollars/case	Dollars/case	Dollars/case	Percent
1983:				
January-March	$13.44	$20.69	($7.25)	(54)
April-June	14.27	26.31	(12.04)	(84)
July-September	13.44	23.64	(10.20)	(76)
October-December	13.44	24.73	(11.29)	(84)
1984:				
January-March	13.44	29.07	(15.63)	(116)
April-June	13.64	17.35	(5.63)	(41)
July-September	14.04	16.79	(11.63)	(83)
October-December	14.04	17.91	(10.19)	(73)

1/ Prior to receiving questionnaire pricing data from Gallo and Heublein, the most recent affirmation price data available for these firms' domestically-produced wines were used to compare prices of nonpremium table wine wine from the Gallo & Heublein wineries with prices of the imported ordinary table wine from the FRG.

2/ Affirmation prices to Massachusetts, as supplied by petitioners.

3/ Weighted-average prices developed from questionnaire responses.

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

APPENDIX F

WEIGHTED-AVERAGE NET U.S. F.O.B. SELLING PRICES AND QUANTITIES REPORTED BY U.S. PRODUCERS (INCUDING GALLO AND HEUBLEIN) OF NONPREMIUM TABLE WINE AND AVERAGE MARGINS OF UNDERSELLING AND (OVERSELLING) BY IMPORTS OF ORDINARY TABLE WINE FROM THE FRG, FRANCE, AND ITALY

Additional price data reported by Heublein and Gallo

Price data reported by Heublein and Gallo are shown in the following tables. These data were submitted after the report was sent to the Commission. Heublein's data are shown in each table combined with other respondents. Combining Gallo's reported price data with that of the other reporting domestic wineries, however, may not be appropriate. Gallo provided their price data based on total sales of its leading brand for the largest sales month in each of the quarters requested. Because Gallo's total monthly sales of wine are far larger than individual shipments of other producers, Gallo's data tend to overwhelm the other data by much more than its estimated share of domestic shipments would suggest proper. Accordingly, Gallo's price data are shown two ways, (1) combined with all other reported domestic price data and (2) separately. Comparisons with the reported import price data are shown under both scenarios.

When Heublein's data are combined with the domestic price data previously shown in the report, the resulting average domestic price trend changes slightly, showing * * * (table 1). Based on these updated price data, the incidences of underselling remain unchanged and the degree of underselling remained similar to that shown in the report (tables 2-4).

However, when Gallo's price data are combined with Heublein's and the other reporting domestic wineries, prices * * *. Average domestic prices fell from * * * percent during January 1983-June 1985 compared to the 5 to 33 percent range of price declines shown in the report (table 5). Comparing the combined domestic prices of Gallo, Heublein, and the other reporting domestic wineries with the import prices shown in the report results in a total of 145 price comparisons (tables 6-8). All these comparisons showed * * *. When the maximum freight estimate of $2.45 is added to the domestic prices, * * *.

Gallo's reported price data alone show that their average prices * * * from * * * to * * * percent during January 1983-June 1985 compared to the 5 to 33 percent range of price declines shown in the report (table 9). A comparison of Gallo's reported prices with the import prices shown in the report resulted in a total of 145 price comparisons (tables 10-12). All these comparisons showed that * * *. * * *.

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