

UNITED STATES TARIFF COMMISSION

INSTANT POTATO GRANULES FROM CANADA

Determination of Likelihood of Injury in  
Investigation No. AA1921-97  
Under the Antidumping Act, 1921,  
as Amended



TC Publication 509  
Washington, D. C.  
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UNITED STATES TARIFF COMMISSION

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Determination of Likelihood of Injury

September 7, 1972

On June 7, 1972, the Tariff Commission received advice from the Treasury Department that instant potato granules from Canada are being, or are likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act, 1921, as amended. 1/ In accordance with the requirements of section 201(a) of the Antidumping Act (19 U.S.C. 160(a)), the Tariff Commission instituted investigation No. AA1921-97 to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established by reason of the importation of such merchandise into the United States.

A public hearing was held on July 26 and 27, 1972. Notice of the investigation and hearing was published in the Federal Register of June 29, 1972 (37 F.R. 12876). 2/

In arriving at a determination in this case, the Commission gave due consideration to all written submissions from interested parties, evidence adduced at the hearing, and all factual information obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

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1/ Notice of the Treasury Department's determination of sales at less than fair value and the reasons therefor were published in the Federal Register of June 7, 1972 (37 F.R. 11361).

2/ The notice of June 29, 1972, announced that the hearing would be held on July 25. The date of hearing was subsequently postponed to July 26 and a notice of postponement was published in the Federal Register of July 14, 1972 (37 F.R. 13840).

On the basis of the investigation, the Commission 1/ has determined unanimously that an industry in the United States is likely to be injured by reason of the importation of instant potato granules from Canada which are being, or are likely to be sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

#### Statement of Reasons

The imported Canadian instant potato granules sold at less than fair value to purchasers in the United States are exactly like those produced domestically and are used for the same purposes. By the addition of water and/or milk, the granules are reconstituted into ready-to-serve mashed potatoes, which are used in homes and in mass-feeding outlets such as restaurants, schools, and hospitals. In making its determination, the Commission has considered the domestic industry to consist of the facilities of the domestic producers devoted to the production of instant potato granules.

The evidence in this case does not support a finding of material injury to the domestic industry. Market penetration achieved by the Canadian product has been minimal, and any adverse price effects on the U.S. industry have not been significant.

The U.S. imports of Canadian instant potato granules at their peak--in 1971--amounted to only 2 percent of domestic consumption; they generally have accounted for a much smaller share.

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1/ Commissioners Leonard, Young, and Ablondi, did not participate in the decision.

The Canadian instant potato granules found by the Treasury Department to have been sold in the United States at less than fair value first began to enter the United States in October 1970. 1/ At that time, prices quoted by three of the four domestic producers had recently been increased from their lowest level in more than a year. Three of the four producers increased their prices again in October 1970 or shortly thereafter. The net result was that prices quoted by domestic producers in late 1970 were substantially above the prices that had prevailed for some months prior to that time. These substantially higher prices, moreover, have been maintained by the domestic producers from the late fall of 1970 until the present. The prices held constant during that period even though imports of Canadian instant potato granules amounted to nearly one million pounds in 1970--all sold at less than fair value--and reached a historic high of more than 4 million pounds in 1971--most of which sold at less than fair value. Moreover, the bulk of the imported instant potato granules from Canada were intracompany transfers from a Canadian subsidiary to its parent U.S. firm; these granules were sold in the U.S. market at the same price as domestic granules marketed by the firm.

While industry sources indicate that a majority of domestic instant potato granules are sold on the basis of regularly quoted prices, a substantial quantity of the product is sold to public institutions on the basis of competitive bidding. In the course of the investigation, a number of bid transactions where both domestic and Canadian granules

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1/ Some Canadian potato granules had entered the United States as early as April 1970 but Treasury's investigation did not cover entries prior to October 1970.

had been offered by bidders were examined by the Commission. It is clear that no generalization can be made that bids offering Canadian granules were regularly lower than bids offering domestic granules. It was found that in some transactions the imported granules were offered at a price substantially below domestic granules, but in others, the domestic granules were offered at substantially lower prices than the Canadian granules and some of the latter bids were substantially below bids offering granules of other domestic producers.

On the basis of the information available to it, the Commission has concluded that the sale of imported Canadian instant potato granules at less than fair value has not resulted in any general price depression in the U.S. market, that the price impact of such sales has been small, and that any injury to the domestic industry by reason of such imports has been de minimis.

Having found that a domestic industry has not been injured as a result of the sales of the imported instant potato granules in question, it is necessary to determine whether an industry in the United States is likely to be injured by reason of any sales at less than fair value which the Treasury Department has advised the Commission are being, or are likely to be made in the United States.

As to likelihood of injury, we note that the Canadian instant potato granule industry has a large unutilized annual productive capacity and is faced with the possible loss of a substantial part of its major export market in the United Kingdom. Estimates of the annual capacity of the three Canadian firms to produce instant potato granules

vary widely, but the lowest estimate amounts to 37 million pounds. Canadian potato granule consumption is estimated to total 6 million pounds annually. Thus if the Canadian industry were to operate at full capacity, foreign markets would have to absorb, at the least, 30 million pounds of Canadian instant potato granules. At the present time, the Canadian producers export substantial quantities of instant potato granules to the United Kingdom. Such exports are not separately reported but in 1970 they may have amounted to nearly 20 million pounds. These exports now enter the United Kingdom free of duty under a Commonwealth preferential arrangement. In 1974, however, such Canadian exports will become subject to a duty of 7.6 percent ad valorem, as a result of the United Kingdom's accession to the European Community. This rate will be revised upward annually until 1977, when a rate of 19 percent ad valorem will be levied. On the other hand, beginning in 1973, potato granules from Community members, such as Germany and France, will enter the United Kingdom at 8 percent ad valorem; the current United Kingdom duty on such imports is 10 percent. By 1977, after successive annual reductions, granules imported into the United Kingdom from other Community members will be duty-free.

These tariff changes will handicap Canadian potato granules in the United Kingdom market, where their sale is already burdened by high transportation costs. It has also been reported that the potato granule industry in the United Kingdom has a substantial amount of unutilized productive capacity. All of these factors indicate that the Canadian instant potato granule industry may seek to market a

larger portion of its output in the United States. The Canadian industry has demonstrated that it has the management expertise to mount such a major marketing effort in the United States, and all three major producing companies in Canada have at some time engaged in less than fair value sales to the United States.

At the present time the U.S. industry has an unutilized productive capacity of about 90 million pounds--equal to more than 50 percent of domestic output in 1971. While it has been reported that the introduction of certain new food items in the United States will require large quantities of instant potato granules, we do not find sufficient evidence to conclude that such new usage in the near future will begin to utilize all of the present excess capacity that exists in the United States and Canada. With substantial excess capacity in the United States, any material sales of Canadian granules at less than fair value would likely result in marked disruption of the U.S. market.

We conclude that an industry in the United States is likely to be injured by reason of the importation of instant potato granules from Canada which are being or are likely to be sold at less than fair value.