FRESH CUT ROSES

Report to the President on
Investigation No. TA-201-42
Under Section 201 of the
Trade Act of 1974

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--The whole of the Commission's report to the President may not be made public since it contains certain information that would result in the disclosure of the operations of individual concerns. This published report is the same as the report to the President, except that the above-mentioned information has been omitted. Such omissions are indicated by asterisks.

REPORT TO THE PRESIDENT

United States International Trade Commission,
April 15, 1980.

To the President:

On the basis of the information developed in investigation No. TA-201-42, the Commission unanimously determined that fresh cut roses, provided for in item 192.19 1/ of the Tariff Schedules of the United States (TSUS), are not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

In accordance with section 201(d)(1) of the Trade Act of 1974 (19 U.S.C. 2251(d)(1)), the United States International Trade Commission herein reports the results of investigation No. TA-201-42, Fresh Cut Roses. The Commission instituted the investigation on November 29, 1980, under section 201(b) of the Trade Act to determine whether fresh cut roses, provided for in item 192.20 2/ of the Tariff Schedules of the United States, are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

The investigation was instituted following receipt of a petition filed on November 15, 1979, by Roses, Inc., a trade association representing U.S. rose growers. Notice of the institution of the investigation and the public hearing

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1/ Presently dutiable under item 192.18. On Mar. 30, 1980, the class of articles provided for in item 192.19 was subdivided into two new items, items 192.18 and 192.21. Fresh cut roses are now provided for in item 192.18.

2/ On Jan. 1, 1980, as a result of trade agreements entered into by the United States in 1979, the class of articles provided for in item 192.20 was subdivided into two new items, items 192.17 and 192.19. Fresh cut roses were provided for in item 192.19.

to be held in connection therewith was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's office in New York City and by publishing the notice in the Federal Register of December 12, 1979 (44 F.R. 71916). The public hearing was held on February 25-27, 1980. All interested parties were afforded an opportunity to be present, to present evidence, and to be heard at the hearing. A transcript of the hearing and copies of briefs submitted by interested parties in connection with the investigation are attached. 1/

The information in this report was obtained from fieldwork and interviews by members of the Commission's staff, other Federal agencies, responses to the Commission's questionnaires, information presented at the public hearing, briefs submitted by interested parties, the Commission's files, and other sources.

1/ Attached to the original report sent to the President, and available for inspection at the U.S. International Trade Commission, except for material submitted in confidence.

Views of Chairman Catherine Bedell and Commissioners Bill Alberger, George Moore, Paula Stern, and Michael Calhoun

Section 201(b)(1) of the Trade Act of 1974 requires that each of the following conditions be met before an affirmative determination can be made:

(1) There are increased imports (either actual or relative to domestic production) of an article into the United States;

(2) The domestic industry producing an article like or directly competitive with the imported article is being seriously injured, or threatened with serious injury; and

(3) Such increased imports of an article are a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

We find that neither the second nor the third condition under this subsection has been met and therefore make a negative determination in this case.

The domestic industry

In considering whether increased imports of fresh cut roses are a substantial cause of serious injury, or the threat thereof, to the domestic industry, it is first necessary to define the relevant domestic industry that may be suffering the requisite injury. The Trade Act does not define the term "domestic industry," but rather provides guidelines and permits the Commission to use its judgment in light of these guidelines and the relevant economic factors in a given case. Section 201(b)(1) provides that the domestic industry must produce "an article like or directly competitive with the imported article." Section 201(b)(3)(C) also provides that the Commission may

treat a regional segment of the national industry as the domestic industry if (a) domestic producers are producing the like or directly competitive article in a major geographic area of the United States; (b) their production facilities constitute a substantial proportion of the domestic industry and primarily serve the market in that area; and (c) imports are concentrated in that area. Although the petitioner did not base its claim for relief on the existence of a regional market within the meaning of section 201, we have considered whether the criteria are met in this case and have concluded that the domestic industry producing an article "like or directly competitive with" fresh cut roses covered by TSUS item 192.18 cannot appropriately be subdivided into a distinct geographic region. Specifically, although the growers in the eastern two-thirds of the United States may technically meet the above statutory conditions, approximately one-half of consumption in that region is supplied by domestic growers outside the geographic area. 1/ The impact of imports, therefore, is not isolated on growers in just the eastern region, since imports also compete with roses grown in the western one-third of the United States. 2/ We find, therefore, that the appropriate domestic industry

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1/ Billings Group, Inc., pp. 58-66, "The Cut Rose Market in the United States," filed Feb. 25, 1980, at the Commission's public hearing; the Florists' Review, Feb. 21, 1980, p. 27.

2/ Commissioner Stern notes that the purpose of geographically segmenting an industry is to achieve an economically meaningful unit of analysis for examining the impact of imports on the domestic industry in question. The concept behind a subnational analysis depends on two aspects of regional isolation: (1) the producer's in question must make most of their sales within the geographic area's market and (2) the market must not be served to any substantial degree by domestic producers from other areas. If on the one hand area producers can effectively market on a national scale, they must protect themselves against injury from imports concentrated in their area by diverting sales to other areas. If on the other hand, as in the present case, domestic producers from outside the area meet a substantial part of the area's demand, then there is no true isolation and these other producers are impacted as well by the subject imports. If either aspect of isolation of the subnational market from the national one is missing, the concept of segmentation loses its value and the only appropriate level of analysis remaining is the national one.

consists of all the facilities in the United States devoted to the production of fresh cut roses.

Increased imports

The statute requires the Commission to consider increases in imports "either actual or relative to domestic production." 1/ In this case, imports of fresh cut roses have increased in both absolute and relative terms. Imports of fresh cut roses increased steadily from 4.2 million blooms in 1975 to 35 million blooms in 1979. The ratio of imports to domestic production of fresh cut roses increased from 0.9 percent in 1975 to 7.5 percent in 1979.

Serious injury or threat of serious injury

Subsections 201(b)(2)(A) and (B) of the Trade Act of 1974 provide guidelines for determining whether a domestic industry is being seriously injured or is threatened with serious injury. The Commission must consider, among other economic factors, whether there is a significant idling of productive facilities in the industry, the inability of a significant number of firms to operate at a reasonable level of profit, significant unemployment or underemployment within the industry, declining sales, growing inventory, 2/ or a downward trend in production or wages. In addition, we have analyzed the possible effect of imports on prices in the U.S. cut rose market and lost sales by domestic producers.

Underutilization of productive capacity.--From our investigation we found that the U.S. fresh cut rose industry has not experienced a significant idling of productive facilities. For the 77 fresh cut rose growers, accounting for

1/ Sec. 201(b)(2)(c).

2/ Because of the perishable nature of fresh cut roses, growers or sellers maintain no appreciable inventories.

49 percent of U.S. production, which responded to the Commission's questionnaire, the number of rose plants in production increased from 8.5 million in 1975 to 10.2 million in 1979. The area devoted to fresh cut rose production for these growers also increased in 1975-79, from 13.7 million square feet to 16.4 million square feet. The petitioner claimed that a small decline between 1975 and 1979 in the average annual number of blooms per rose plant indicates underutilization of capacity. However, this decline is attributable to the industry's successful attempts to attain peak production in the high-demand Valentine's Day period, when prices are much higher. While this tradeoff of blooms per plant for profit makes economic sense, it does not indicate injury.

Significant unemployment or underemployment in the industry.--The average annual number of production and related workers employed by the 74 growers which supplied employment data in response to the Commission's questionnaire increased by 13 percent from 1,679 in 1975 to 1,903 in 1979. Total man-hours worked also increased during 1975-79, from 3.3 million hours to 3.7 million hours.

Wages.--The hourly wage rate for fresh cut rose workers increased from $4.15 in 1976 to $5.28 in 1979. 1/

U.S. production.--The quantity of U.S. production of fresh cut roses remained relatively stable during 1975-79 at about 464 million blooms annually. However, the estimated value of U.S. production increased steadily from $76 million in 1975 to $98 million in 1979.

1/ Commissioners Alberger and Stern note that wages for rose workers grew more slowly than those for general farm workers during recent years. This difference may, however, reflect the greater effect of unionization on general agricultural labor.

Prices.--Average unit values for U.S. growers' shipments of domestic hybrid tea and sweetheart roses trended upward during 1976-79. During the period the average annual increases in unit values for domestic hybrid tea and sweetheart roses were 6.7 percent and 6.0 percent, respectively, compared with an average annual increase of 4.3 percent in crop prices received by farmers. From 1978 to 1979, the average unit value of U.S. wholesalers' purchases of domestic hybrid tea roses increased from 36.1 cents to 39.9 cents, and the average unit value of sweetheart roses increased from 16.2 cents to 17.7 cents. Moreover, during 1976-79, domestic rose prices were higher and rose more rapidly in the Boston market, where imports are concentrated, than in the San Francisco market, where import competition was not a factor.

Sales and profitability.--The evidence regarding profitability of the domestic fresh cut rose industry does not support a finding of serious injury or the threat thereof. Questionnaire responses show that sales increased every year during 1976-79, growing from $46.7 million in 1976 to $60.8 million in 1979. During this period net profit increased from $3.7 million to $4.7 million. In 1979, aggregate profit before deductions for income taxes and officers' salaries would have been substantially higher if one firm had not suffered an extraordinary loss due to a fire.

The financial data for 34 growers which produced no greenhouse products other than fresh cut roses show that their sales increased by 32 percent, from $13.7 million in 1976 to $18.1 million in 1979. Their aggregate ratio of net operating profit to net sales similarly increased, from 14.5 percent in 1976 to 15.1 percent in 1979.

U.S. producers' investment.--Nearly 25 percent of the growers responding to the Commission's questionnaire, representing close to 50 percent of U.S.

rose production, reported investment in producing facilities. Such investment (based on original cost) increased by 18 percent, from $32.9 million in 1976 to $38.9 million in 1979. The ratio of net operating profit to original cost for these growers increased from 11.3 percent in 1976 to 12.1 percent in 1979.

Lost sales.--The Commission requested fresh cut rose growers to report any sales lost to imports. The growers' customers were contacted by the Commission in an attempt to verify the allegedly lost sales and the reasons therefor. The majority of the firms that reported that they had started to purchase imported roses said they did so because they found domestic growers unable to meet demand during peak selling periods. Only a small proportion of these firms indicated that lower price was the principal reason for the purchase of imports.

Causation

The Commission's investigation revealed that this industry is not seriously injured or threatened with serious injury. Thus, it is unnecessary to reach the issue of causation. However, our analysis of pricing data strongly suggests that areas affected by imports seem to be doing better (receiving higher and more rapidly increasing prices) than areas not so affected.

Conclusion

On the basis of the information gathered in this investigation and our analysis of the issues discussed above, we have determined that imports of fresh cut roses provided for in item 192.19 1/ of the Tariff Schedules of the

1/ Presently dutiable under item 192.18. On Mar. 30, 1980, the class of articles provided for in item 192.19 was subdivided into two new items, items 192.18 and 192.21. Fresh cut roses are now provided for in item 192.18.

United States are not a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

SUMMARY

On November 15, 1979, the United States International Trade Commission received a petition from Roses, Inc., a trade association of the U.S. rose-growing industry, for import relief under section 201(a)(1) of the Trade Act of 1974. The petition requested that the Commission institute an investigation to determine whether fresh cut roses are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. On November 29, 1979, the Commission instituted investigation No. TA-201-42.

Approximately 250 firms in the United States produce fresh cut roses. The principal producing States are California, Colorado, Pennsylvania, Indiana, and New York. Rose growers vary in size, in terms of number of plants in production, from firms with as few as 2,000 rose plants to one firm with nearly 1.3 million plants.

Estimated U.S. production of fresh cut roses increased from 463 million blooms in 1975 to 467 million blooms in 1976, before falling to 464 million blooms in each year during 1977-79. The number of U.S. exports of roses are believed to be small, averaging about 10 million blooms per year in recent years. Apparent U.S. consumption of fresh cut roses increased steadily from 460 million blooms in 1975 to an estimated 489 million blooms in 1979. Imports increased their share of the U.S. market from 0.9 percent in 1975 to 3.5 percent in 1978, and then jumped to an estimated 7.2 percent in 1979.

Principal sources of fresh cut rose imports in 1979 were Colombia, Israel, and the Netherlands. Imports increased from 4.2 million blooms in 1975 to 35.0 million blooms in 1979.

Data from Commission questionnaires indicate that employment increased from 1,679 workers in 1976 to 1,903 workers in 1979 for the 74 firms providing employment and wage information. However, the number of man hours worked per worker declined in 1979 to 1,924 hours, the lowest level during the period 1975-79.

From 1976 to 1978, operating expenses increased slower than the value of sales for the reporting U.S. growers of fresh cut roses; however, in 1979, operating expenses increased faster than sales, resulting in the aggregate profit of these firms declining sharply to about three quarters of the level in 1978.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On November 15, 1979, the U.S. International Trade Commission received a petition from Roses, Inc., a trade association of the U.S. rose-growing industry, for import relief under section 201(a)(1) of the Trade Act of 1974. Accordingly, on November 29, 1979, the Commission instituted an investigation under section 201(b) of the Trade Act of 1974 to determine whether fresh cut roses, provided for in item 192.20 (now 192.18) 1/ of the Tariff Schedules of the United States (TSUS), are being imported into the United States in such increased quantities as to be a substantial cause of serious injury or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

Notice of the institution of the investigation and the public hearing to be held in connection therewith was duly given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the New York City Office of the U.S. International Trade Commission, located at 6 World Trade Center, and by publishing the notice in the Federal Register on December 12, 1979 (44 F.R. 71916). 2/

Description and Uses

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

U.S. Industry

During 1950-79 there was a marked shift in the composition of the fresh cut rose industry in the United States, from many small local growers near eastern and midwestern population centers to large and efficient growers primarily in California and Colorado. While California growers are situated in a favorable climate for producing cut roses, Colorado also has a great deal of sunshine--a requisite for growing good quality roses--in spite of cold winter weather, with its attendant high fuel costs. Pennsylvania, Indiana, and New York also are important rose-producing States owing in part to their proximity to eastern and midwestern population centers.

1/ On Mar. 30, 1980, fresh cut roses became dutiable under TSUS item 192.19. From Jan. 1, 1980 through Mar. 29, 1980, fresh cut roses were dutiable under TSUS item 192.19.

2/ A copy of the Commission's notice of its investigation and public hearing is presented in the appendix.

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

Table 1.—Fresh cut roses: Number of U.S. commercial growers of hybrid tea and sweetheart roses in leading producing States, 1975-78

Year	Hybrid tea roses			Sweetheart (miniature) roses		
	Calif. and Colo.	Other States	Total	California	Other States	Total
1975	86	170	256	52	153	205
1976	85	145	230	51	141	192
1977	85	152	237	52	146	198
1978	87	134	221	55	125	180

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

In 1978 there were 221 growers of hybrid tea roses in the 14 major producing States, 2/ representing a 14-percent decline from the number of growers in 1975. The number of producers of sweetheart roses in the 13 major producing States 2/ also declined over the period 1975-78, from 205 to 180, or by 12 percent. However, the number of growers of hybrid tea roses in California and Colorado remained relatively stable during the period, as did the number of growers of sweetheart roses in California. Hence, most of the decline in the number of growers occurred in the other major producing States located primarily in the Eastern United States.

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

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

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

Data compiled from responses to Commission questionnaires indicate that the industry is highly concentrated. In 1979 the 10 largest hybrid tea and sweetheart rose producers responding to the questionnaires accounted for 26 percent and 22 percent, respectively, of the estimated total salable blooms produced for these two types of roses.

Many U.S. rose growers are diversified in their output, producing other types of cut flowers, potted flowering plants, or other floricultural products. The importance of cut rose production to their overall operations varies significantly by firm. An average size U.S. rose-growing operation would have about 88,000 rose plants in production, requiring about 135,000 square feet of greenhouse space. The grower would sell about 2.1 million rose blooms from these plants and would have total rose sales of about $400,000 annually.

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

The production of roses is a long-term investment. A typical rose plant will be in production for 4 to 6 years and will produce between 80 and 150 blooms during that time, depending on the rose variety. The sweetheart varieties are usually more prolific than the average rose plant, while some of the hybrid tea varieties are far less fruitful. A grower must also contract in advance for new rose plants that will be used to either replace existing plants or for additional plants. This lead time is usually between 9 months and 1 year, but for some varieties, the lead time may be nearly 2 years. Also, once the plants are placed in the greenhouse, it is about 120 days before the first rose bloom is cut. In addition, rose plants are normally leased from the propagator. The lease usually stipulates that cuttings to produce more plants cannot be taken from the plants, and once the plants are removed from the growing area, they cannot be sold but must be destroyed. The conditions also apply to outright sales of the rose plants. Hence, a grower has to produce cut roses if he is to recover his investment in the rose plants.

Channels of Distribution

The channels of distribution used to market fresh cut roses, shown in figure 1, are the same as those used to market other types of fresh cut flowers. Most fresh cut rose production moves through the traditional market channels, from the grower to the wholesaler to the retail florist, and then to the consumer.

Wholesalers generally carry a full line of fresh cut flowers along with various other plant materials and supplies used by retailers. These wholesalers receive the flowers in their warehouses and distribute them in the major markets. There are over 2,000 wholesalers in the United States.

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

In recent years, grower-shippers have gained an important role in the distribution channel. Grower-shippers initially were flower producers exclusively, but have subsequently expanded operations to include shipping flowers produced by other growers. In many cases, grower-shippers also have expanded product lines to cover a full line of fresh cut flowers to satisfy the needs of mass merchandisers and retail florists.

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

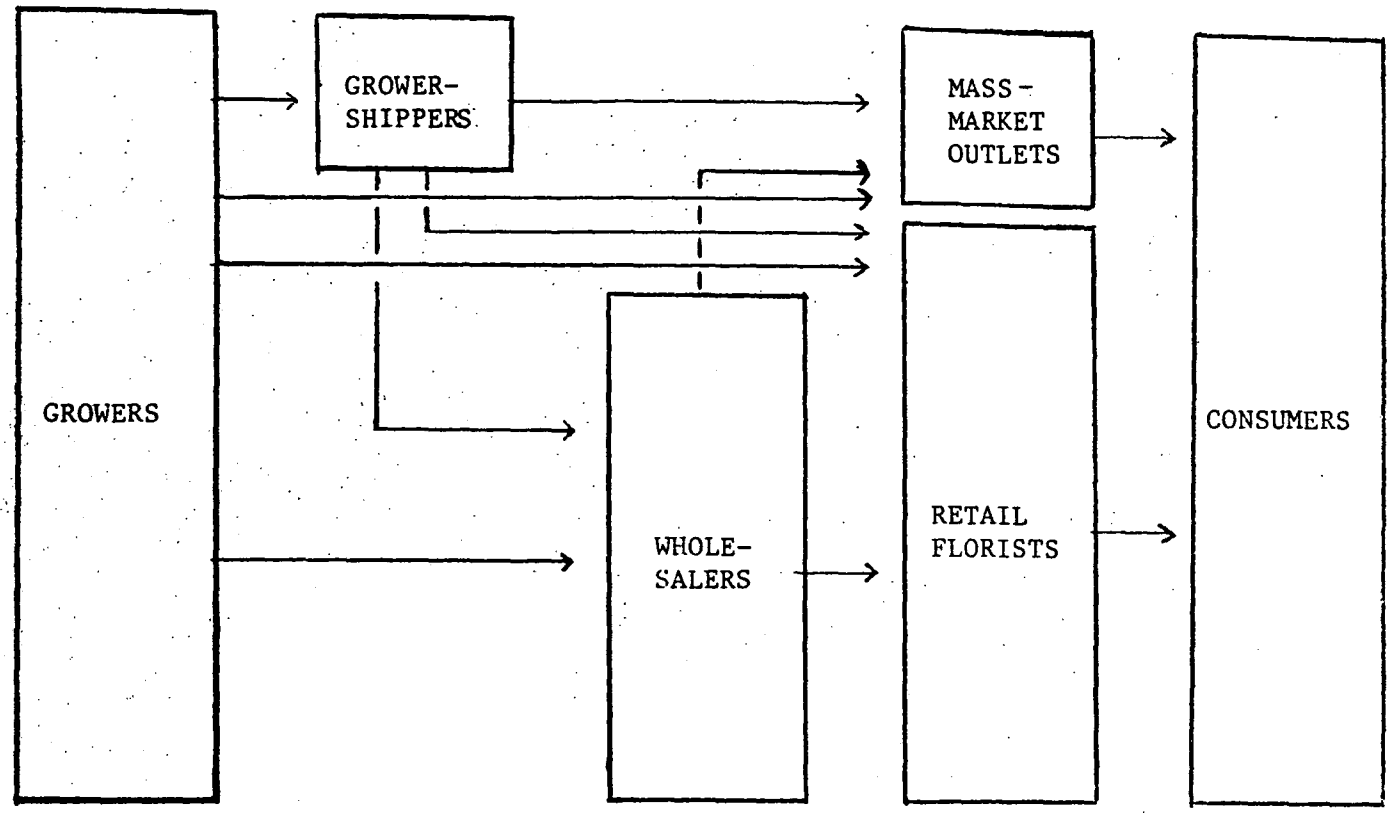
Importers of fresh cut roses normally enter the distribution channel at the same level as the grower or grower-shipper. However, some importers have expanded their operations to include wholesaling functions in major U.S. markets.

U.S. Tariff Treatment

Fresh cut roses are classified for tariff purposes under item 192.18 of the Tariff Schedules of the United States (TSUS). 1/ Prior to January 1, 1980, fresh cut roses were classified under item 192.20 of the TSUS. The rates of duty currently applicable to imports of fresh cut roses are 8 percent ad valorem in column 1 and 40 percent ad valorem in column 2. The column 1 rate reflects a concession granted by the United States in the Tokyo round of the General Agreement on Tariffs and Trade effective January 1, 1980; that rate is not subject to further reductions under the Tokyo round. Fresh cut roses are

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

Figure 1.--U.S. channels of distribution for marketing fresh cut roses in the United States.



Source: U.S. International Trade Commission.

not eligible for duty-free treatment under the Generalized System of Preferences.

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

It is difficult for the U.S. Customs Service to arrive at the dutiable value of fresh cut flowers based on their value in the exporting country if the flowers are imported from sources in Latin America; very little of the commercial production is sold in the domestic market of the countries in that area. In addition, part of the imports from that area enter on consignment for subsequent sale. At present, consignment shipments and related-party entries are valued monthly by the Customs Service for duty purposes, and as of December 1979, the rate of duty was based on the following fixed valuations:

Hybrid tea roses----------	$0.20 per stem
Sweetheart roses----------	.10 per stem

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

Other Investigations Concerning Fresh Cut Roses

In 1974, the U.S. Department of Treasury conducted a countervailing duty proceeding pursuant to section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303), to determine whether certain payments granted by the Government of Colombia upon the exportation of cut flowers constituted a bounty or grant within the meaning of section 303. At the conclusion of that proceeding, the Treasury Department announced 1/ that it had ascertained that payments had been made to cut flower producers by the Government of Colombia upon the exportation of cut flowers. Such payments would have constituted a bounty or grant of 10.2 percent of the dutiable value of the flowers except that the Government of Colombia had taken action, effective July 17, 1974, to require that such payments be paid instead to an agency that assists producers. The payments thereby remain within the sole control of the Government of Colombia

1/ See 39 F.R. 26922.

and consequently are not countervailable. The Treasury Department therefore determined that there was no violation of U.S. countervailing duty law present.

In 1977, the U.S. International Trade Commission conducted an investigation under section 201(b)(1) of the Trade Act of 1974 (19 U.S.C. 2251(b)(1)) to determine whether fresh cut flowers, provided for in TSUS item 192.20, were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. The Commission reached a negative determination in this case. 1/

Following receipt of a petition on January 3, 1980, filed on behalf of Roses, Inc., the Commission, on January 11, 1980, instituted a preliminary countervailing duty investigation under section 703(a) 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 that the establishment of an industry in the United States is materially retarded, by reason of allegedly subsidized imports from the Netherlands of fresh cut roses provided for in TSUS item 192.19. On February 19, 1980, the Commission made a negative determination in that investigation. 2/

On February 1, 1980, the U.S. Department of Commerce gave notice (45 F.R. 7273) that a petiton, filed by Roses, Inc., had been received, and as a result, an investigation had been started to determine whether or not benefits are granted by the Government of Israel to manufacturers, producers, or exporters of fresh cut roses which constitute a bounty or grant within the meaning of section 303, Tariff Act of 1930, as amended (19 U.S.C. 1303). The alleged bounties or grants arise from various programs which provide incentives for capital investment and exportation of capital goods in general, as well as programs designed to aid the flower industry in particular. A preliminary determination will be made in this investigation not later than May 30, 1980.

The Question of Increased Imports

U.S. imports

Imports of fresh cut roses have trended sharply upward since the beginning of the 1970's. Prior to that time, imports were insignificant, consisting primarily of border trade with Canada. Imports increased steadily from less than 1 million blooms in 1970 to 35 million blooms in 1979. Almost

1/ Fresh cut flowers: Report to the President on Investigation No. TA-21-22 Under Section 201 of the Trade Act of 1974, USITC Publication 827, August 1977.

2/ Fresh cut roses from the Netherlands, Determination of No Reasonable Indication of Material Injury or Threat Thereof in Investigation No. 701-TA-21 . . ., USITC Publication 1041, February 1980.

all varieties of imported fresh cut roses have domestic counterparts which are comparable in quality with the imports. The rapid growth in the imports of roses has been facilitated by the development of reliable transoceanic airline schedules and the use of sophisticated receiving and shipping facilities in the United States, particularly in New York City and Miami.

Fresh cut rose imports for 1975-79 increased substantially each year, rising from just over 4 million blooms in 1975 to nearly 35 million blooms in 1979 (table 2). Imports more than doubled in 1979 compared with the level of 1978. During the 8-week period ending February 23, 1980, imports increased 31 percent to 7.7 million blooms compared with the 5.9 million blooms that were entered during the 8-week period ending February 24, 1979. As a percentage of the total imports of the six major types of cut flowers imported into the United States, imports of roses increased from 1.5 percent in 1975 to 5.0 percent in 1979.

Table 3 shows data on U.S. rose imports, by months, for 1975-79. U.S. imports of roses are heaviest during January-June and October-December and tend to be concentrated in the months of February, May, and December, followed by the months of April and November. All of these months contain major U.S. holidays which create a strong demand for fresh cut roses.

Ratio of imports to production

U.S. fresh cut rose imports have increased both absolutely and relative to domestic production. The ratio of imports to production increased from less than 1 percent in 1975 to 7.5 percent in 1979.

Leading suppliers of U.S. imports

During 1976-79 the leading suppliers of U.S. imports of fresh cut roses were Colombia, Israel, and the Netherlands. These three sources accounted for 95 percent or more of total U.S. fresh cut rose imports annually during this 4-year period.

Colombia.--Imports of fresh cut roses from Colombia have shown steady and sustained growth during 1975-79. From a level of 2.6 million blooms in 1975, imports from Colombia increased to 27.1 million blooms in 1979 (table 2). Imports of roses from Colombia as a share of total U.S. rose imports increased from 61 percent in 1975 to 77 percent in 1979. During the 8-week period ending February 23, 1980, imports from Colombia increased 83 percent to 5.8 million blooms compared with imports during the 8-week period ending February 24, 1979.

Israel.--Rose imports from Israel increased in 1976 from 286,000 blooms to 5.5 million blooms in 1979. During this period, Israel increased its share of the import market from 5 percent to 16 percent. Imports from Israel during the 8-week period ending February 23, 1980, declined by 62 percent to 718,000 blooms compared with imports during the corresponding period of the prior year.

Netherlands.--Imports of fresh cut roses from the Netherlands more than doubled from 816,000 blooms in 1975 to over 1.7 million blooms in 1978, before

Table 2.--Fresh cut roses: U.S. imports of fresh cut roses, by principal sources, 1975-79, 8-week period ending Feb. 24, 1979, and 8-week period ending Feb. 23, 1980

(In thousands of blooms)

Source	1975	1976	1977	1978	1979	8-week period ending Feb. 24, 1979	8-week period ending Feb. 23, 1980
Colombia	2,554	4,513	7,711	12,099	27,066	3,139	5,756
Israel	1/	286	838	1,713	5,629	1,895	718
Netherlands	816	1,257	1,277	1,656	1,353	179	225
All other	822	189	520	979	915	734	1,004
Total	4,192	6,245	10,346	16,447	34,963	5,947	7,703

1/ Not separately reported but included in "All other."

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

Table 3.--Fresh cut roses: U.S. imports, by months, 1975-79

Month	1975		1976		1977		1978		1979	
	Quantity	Share of total quantity	Quantity	Share of total quantity	Quantity	Share of total quantity	Quantity	Share of total quantity	Quantity	Share of total quantity
	1,000 blooms	Percent	1,000 blooms	Percent	1,000 blooms	Percent	1,000 blooms	Percent	1,000 blooms	Percent
January	535	12.8	345	5.5	609	5.9	1,130	6.9	1,623	4.6
February	603	14.4	673	10.8	1,138	11.0	2,038	12.4	2,755	7.9
March	237	5.7	360	5.8	820	7.9	1,238	7.5	4,794	13.7
April	274	6.5	510	8.2	1,383	13.4	1,428	8.7	2,975	8.5
May	558	13.3	1,045	16.7	1,107	10.7	1,582	9.6	4,604	13.2
June	384	9.2	453	7.3	546	5.3	1,064	6.5	2,200	6.2
July	383	9.1	398	6.4	564	5.5	1,028	6.3	1,558	4.5
August	156	3.7	334	5.3	502	4.9	927	5.6	1,601	4.6
September	184	4.4	374	6.0	515	5.9	1,257	7.6	1,114	3.2
October	294	7.0	622	9.9	824	8.0	1,072	6.5	2,712	7.8
November	298	7.1	495	7.9	914	8.8	1,461	8.9	5,496	15.7
December	286	6.8	636	10.2	1,424	13.8	2,222	13.5	3,531	10.1
Total	4,192	100.0	6,245	100.0	10,346	100.0	16,447	100.0	34,963	100.0

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

Table 4.--Fresh cut roses: U.S. production, exports, imports, and apparent consumption, 1975-79

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

Year	U.S. production	Exports 1/	Imports 2/	Apparent consumption	Ratio (percent) of imports to consumption
	Quantity				
1975	463.4	8.0	4.2	459.6	0.9
1976	466.6	10.0	6.2	462.8	1.3
1977	464.0	10.0	10.3	464.3	2.2
1978	464.0	10.0	16.4	470.4	3.5
1979	1/ 464.0	10.0	35.0	1/ 489.0	7.2
	Value				
1975	76.0	1.2	3/	4/	4/
1976	82.1	1.9	1.0	4/	4/
1977	87.2	1.8	1.7	4/	4/
1978	96.5	2.3	2.9	4/	4/
1979	98.3	2.3	7.5	4/	4/
	Unit value				
1975	16.4	15.2	3/	4/	4/
1976	17.6	18.0	15.7	4/	4/
1977	18.8	18.5	16.3	4/	4/
1978	20.8	23.1	17.7	4/	4/
1979	21.4	22.5	21.3	4/	4/

1/ Estimated by the U.S. International Trade Commission.
2/ Includes some imported roses that are reexported.
3/ Not available.
4/ Not meaningful.

Source: Production based on data from Floriculture Crops of the United States Department of Agriculture, with adjustments to include all 50 States. Imports from U.S. Department of Agriculture plant quarantine entry data.

declining to 1.4 million blooms in 1979. However, imports of roses from the Netherlands as a share of total U.S. rose imports declined from about 19 percent in 1975 to less than 4 percent in 1979. During the 8-week period ending February 23, 1980, imports from the Netherlands increased 27 percent to 225,000 blooms compared to those during the 8-week period ending February 24, 1979.

Foreign production and trade

Fresh cut roses are produced throughout the world for local consumption. Prior to the 1970's most of the international movement of fresh cut roses was border trade, especially in Europe, where per capita consumption of fresh cut flowers is high. Paralleling the advent of successful air transport of large quantities of fresh cut flowers from Latin America to the United States, there has been increased movement from Latin America to Europe and Japan, and from countries such as the Netherlands, South Africa, and Israel to distant overseas markets.

Netherlands 1/.--The Netherlands is the world's leading producer of fresh cut roses. Rose growers in the Netherlands produce more than 1 billion rose blooms annually. The Netherlands also is the world's leading fresh cut flower exporter, followed by Colombia and Israel. In 1978, rose exports from the Netherlands were valued at $106 million. The U.S. share of those exports totaled $550,000 or about 0.5 percent of the Netherlands rose exports. The Netherlands Flower Marketing Board anticipates at least a 2-percent expansion in rose shipments to the United States in 1980.

Colombia 2/.--Colombia is one of the world's largest producers of roses for exports; however, it does not begin to compare with exports of the Netherlands or Israel. In 1979, it is estimated that 250 Colombia rose growers produced about 37 million roses. About 86 percent of their total production in that year, or nearly 32 million blooms, were exported. The United States was the destination for about 83 percent of such exports (27 million blooms) in that year. It is estimated that rose production in Colombia will increase by about 40 percent in 1980, with about one-third of the increased production (5 million blooms) being exported to the United States. Colombia has a production cost advantage over most other major rose-producing countries because the growing facilities in that country do not need to be heated.

Israel 3/.--Israel is also one of the world's largest producers and exporters of roses. In 1979, it is estimated that 1,200 rose growers in Israel produced between 150 million and 190 million rose blooms. Over 80 percent of their total production in that year was exported. The U.S. share of these exports totaled about 5.5 million blooms (including roses that were reexported), or about 4 percent of the total. It is estimated that the U.S. share of exports from Israel will be at about the same level in 1980.

1/ Information in this section was developed from exhibit 21, presented by the Association of Netherlands Flower Auctions.

2/ Data were obtained from information provided by the Colombian Flower Exporters Association to the U.S. Agricultural Attache in Bogata, Colombia.

3/ Data were obtained from telephone conversations with Mr. Gideon Goren and counsel for Agrexco.

The Question of Serious Injury or the Threat Thereof to the Domestic Industry

U.S. production

U.S. production (total salable blooms produced) of fresh cut roses remained relatively stable in terms of quantity during 1975-79 (table 4). In 1975, domestic production was estimated at 463 million blooms. Production increased to 467 million blooms in 1976 and then declined to 464 million blooms in 1977, and remained at that level through 1979. In terms of value, U.S. production increased significantly over the period. Table 5 shows U.S. production of hybrid tea and sweetheart roses in major producing States during 1975-78. The value of production in the major producing States increased steadily over the period from $68 million to $87 million, or by over 25 percent, while the volume of production in those States increased only slightly from 418.5 million blooms to 419.3 million blooms, representing an increase of less than 1 percent. The major producing States account for at least 90 percent of U.S. production.

Data on the seasonality of U.S. production were obtained from responses to the Commission questionnaires (table 6). The data indicate that in 1979 the bulk of U.S. production of hybrid tea roses was scheduled during January-June and October-December, when demand for fresh cut roses is high. This is in contrast to the situation in 1975, when the periods of high production were April-September and October-December. Although growing conditions are ideal in July-September, it usually is not a period of high domestic production because the demand for fresh cut roses is low owing to the availability of roses from home gardens, fewer holidays, and many people pursuing outdoor activities during the summer months. U.S. growers use this period to trim back their rose plants, which allows the plants to rejuvenate. Thus, the rose plant can produce more blooms during January-June and September-December (when growing conditions are not ideal) than would otherwise be possible.

The bulk of U.S. production of sweetheart roses is scheduled during April-September of each year. In 1979, this period accounted for nearly 60 percent of U.S. production. The demand for sweetheart roses is very good during this period owing to the popularity of the sweetheart rose for use in weddings.

Table 5.--Fresh cut roses: U.S. production of hybrid tea and sweetheart roses in major producing States, 1975-78

Type	1975	1976	1977	1978
	Quantity (1,000 blooms)			
Hybrid tea	306,279	307,584	307,107	306,806
Sweetheart	112,221	114,689	118,023	112,449
Total	418,500	422,273	419,130	419,255
	Value (1,000 dollars)			
Hybrid tea	54,256	58,854	62,177	69,069
Sweetheart	13,753	15,661	16,604	18,005
Total	68,009	74,515	78,781	87,074
	Unit value (cents per bloom)			
Hybrid tea	17.7	19.1	20.6	22.5
Sweetheart	12.3	13.7	14.1	16.0
Average	16.3	17.6	18.8	20.8

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

Table 6.--Fresh cut roses: Percentage distribution of U.S. production, by quarters, 1975-79

Period	1975	1976	1977	1978	1979
	Hybrid tea				
Jan.-Mar	20.7	20.9	21.3	23.1	23.4
April-June	28.3	29.6	29.5	28.3	29.8
July-Sept	27.6	24.4	23.8	24.0	20.2
Oct.-Dec	23.4	25.1	25.4	24.6	26.6
Total	100.0	100.0	100.0	100.0	100.0
	Sweetheart				
Jan.-Mar	19.5	19.3	20.2	21.0	19.8
April-June	32.0	30.8	31.5	28.8	28.2
July-Sept	24.5	26.8	25.9	26.6	30.2
Oct.-Dec	24.0	23.1	22.4	23.6	21.8
Total	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission by U.S. growers of fresh cut roses.

Production data from responses to Commission questionnaires 1/

The responses to Commission questionnaires indicated that the area devoted to the production of fresh cut roses increased steadily from 13.7 million square feet in 1975 to 16.4 million in 1979 (table 7). 1/ The increase in 1979 of 394,000 square feet was the second smallest increase during 1975-79. (The smallest was 226,000 square feet in 1977). During the same period, rose growers decreased the area in production devoted to other cut flowers from 3.3 million square feet in 1975 to 2.2 million in 1979; however, they increased the area in production of other greenhouse products from 1.2 million square feet to 1.6 million.

1/ The Commission requested data from 250 U.S. growers on their operations involving fresh cut roses. Responses were received from 91 growers, of which 77 provided usable data on production and sales of fresh cut roses for 1975-79, as shown in table 7. These 77 growers accounted for 49 percent of U.S. production in 1978 compared with 41 percent of such production in 1975 as calculated by the Commission. Hence, any extrapolation of the questionnaire data to U.S. industry totals must be done with extreme caution.

Table 7.--Operations of 77 fresh cut rose growers: Area in production, plants in production, total salable blooms produced, and value of sales, 1975-79

Item	1975	1976	1977	1978	1979
Area in production:					
Fresh cut roses:					
Hybrid tea-----1,000 sq ft--	10,964	12,038	12,166	12,730	12,925
Sweetheart----------do----	2,758	2,995	3,093	3,254	3,453
Subtotal----------do----	13,722	15,033	15,259	15,984	16,378
Other cut flowers-------do----	3,264	2,936	2,770	2,425	2,207
Other greenhouse products 1,000 sq ft--	1,151	1,052	1,397	1,519	1,570
Total----------do----	18,137	19,021	19,426	19,928	20,155
Plants in production:					
Hybrid tea------1,000 plants--	6,795	7,421	7,402	7,739	8,001
Sweetheart----------do----	1,734	1,869	1,876	1,974	2,199
Total----------do----	8,529	9,290	9,278	9,713	10,200
Total salable blooms produced:					
Hybrid tea------1,000 blooms--	133,740	148,916	154,609	157,666	156,297
Sweetheart----------do----	57,552	64,996	67,263	69,428	70,485
Total----------do----	191,292	213,912	221,872	227,094	226,782
Value of sales:					
Fresh cut roses:					
Hybrid tea---1,000 dollars--	23,993	29,671	33,112	37,236	38,008
Sweetheart----------do----	7,638	8,530	9,488	11,079	11,458
Subtotal----------do----	31,631	38,201	42,600	48,315	49,466
Other cut flowers-------do----	6,391	6,771	5,783	5,675	6,410
Other greenhouse products 1,000 dollars--	2,418	3,741	4,592	6,282	5,839
Total----------do----	40,440	48,713	52,975	60,272	61,715

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission by U.S. growers of fresh cut roses.

The value of fresh cut rose sales increased steadily during 1975-79, from $31.6 million to $49.5 million as did rose growers' sales of other cut flowers and greenhouse products, which increased from $8.8 million to $12.2 million.

The number of salable rose blooms produced by the responding U.S. growers increased at an annual rate of 6.0 percent during 1975-78, from 191.3 million blooms to 227.1 million blooms. The number of salable blooms produced in 1979 declined by 312,000 blooms to 226.8 million blooms (a decrease of about 0.2 percent). Given the number of plants in production in 1979, it is estimated that the number of salable blooms produced should have reached 238 million blooms; hence, the number of salable blooms produced was nearly 5 percent lower than the number anticipated on the basis of blooms produced per plant in 1978. According to data provided in response to Commission questionnaires and data submitted by the petitioner, many of the sales reported by the growers in 1979 were made at prices below or equal to prices they received in 1978. The petitioner alleged that if the growers had not made these sales at distressed prices, the number of salable blooms produced would have been much lower in 1979.

During 1975-79, the number of salable blooms produced per plant increased from an average of 22.4 blooms in 1975 to a peak of 23.9 blooms in 1977. By 1979 the average declined to 22.2 blooms per plant, the lowest level in the period. It is believed that this decrease reflects the growers' attempts to regulate their production in the face of increased import competition. If the concept of capacity utilization were applied to the fresh cut rose industry, the number of blooms produced per plant could be used as a proxy for measuring capacity utilization. However, it must be remembered that natural occurrences such as smog and the number of cloudy or sunny days also influence the number of blooms produced per plant, as does the year-to-year change in the number of plants of the various rose types grown.

U.S. exports

Data on U.S. exports of fresh cut roses are not available for recent years. It is estimated that exports amounted to 8 million blooms in 1975 and 10 million blooms per year in 1976-79 (table 4). About two-thirds of U.S. exports of all fresh cut flowers go to Canada; it is believed that about the same or a slightly higher share of rose exports go to Canada. The United States has a transportation cost advantage in the Canadian market compared with costs of more distant suppliers. However, the lack of growth by U.S. exports in the Canadian market during recent years is believed to be attributable to increased competition from other foreign suppliers of fresh cut roses such as Colombia, Israel, and the Netherlands.

U.S. employment

U.S. employment data for commercial rose growers are not regularly developed by any Government or industry sources. The information in this section was obtained from questionnaires sent by the U.S. International Trade Commission to fresh cut rose growers.

The data obtained from the 74 firms providing usable employment and wage information are probably representative of overall trends in employment and wages among all fresh cut rose growers. Although total industry data are not available, the information obtained from the questionnaires suggests that about 4,000 persons were employed in the industry in 1979. The number of employees within each firm varies widely. The firms vary from one-person operations to businesses employing 120 persons. For many small- and medium-size firms, it is believed that family labor is a major part of total employment.

The annual average number of employees reported for the 74 respondents' fresh cut rose growing operations increased steadily from 1975 to 1979, as shown in table 8. 1/ This increase in the number of production workers reflects the increase in the growing area devoted to rose production and the increase in the number of rose plants in production. The total number of man-hours also increased in each of the years 1975-78, before declining slightly in 1979. In 1979, the annual average number of man-hours worked per worker was 1,924 hours, the lowest level during 1975-79. The number of man-hours per worker peaked in 1977 at 2,001 hours.

1/ It should be noted that the increase in the number of employees is probably overstated inasmuch as only data from rose growers that were in business during 1979 were utilized. Hence, the data do not reflect any decline in employment that would have resulted from firms departing the rose growing industry during 1975-79.

Table 8.--Operations of 74 fresh cut rose growers: Average number of employees, man-hours worked, wages paid, total salable blooms produced, and sales, 1975-79

Item	1975	1976	1977	1978	1979
Annual average number of production workers	1,679	1,745	1,777	1,895	1,903
Man-hours worked 1,000 man-hours	3,346	3,425	3,556	3,695	3,662
Average man-hours worked per production worker	1,993	1,963	2,001	1,950	1,924
Wages paid 1,000 dollars	1/	14,302	15,546	17,338	19,352
Total salable blooms produced 1,000 blooms	189,448	212,345	220,069	225,383	225,541
Sales 1,000 dollars	31,297	37,845	42,228	47,900	49,017
Total salable blooms produced per production worker	112,834	121,688	123,843	118,936	118,519
Total salable blooms produced per man-hour worked	56.6	62.0	61.9	61.0	61.8
Wages as a percent of sales percent	1/	37.8	36.8	36.2	39.5
Wages per man-hour dollars	1/	4.18	4.37	4.69	5.28

1/ Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S International Trade Commission, by U.S. growers of fresh cut roses.

The number of salable blooms produced per man-hour worked has remained relatively stable since 1976 at about 62 (table 8). However, if worker productivity is measured as the total salable blooms produced per worker, worker productivity in the fresh cut rose industry has declined since 1977. In 1977, for every 123,843 salable blooms produced, one production worker was required; by 1979, the number of salable blooms produced per worker was only 118,519 blooms.

The fresh cut rose industry is characterized by high production costs in relation to value of sales. Wages averaged 38 percent of the value of fresh cut rose sales during 1976-79. Wages per man-hour averaged $5.28 in 1979. Fresh cut rose growers employ a large percentage of semiskilled labor, but average hourly wages in the industry are substantially higher than hourly wages paid to hired farm workers as a group. Wage increases roughly paralleled the increase obtained by other agricultural workers during 1976-79. On the basis of 1976=100, an index of hourly wage rates for fresh cut rose workers measured 126.3 in 1979. This compares with estimated indexes of 127.8 for all hired farm workers and 128.4 for farm workers paid at other than piece-work rates, as shown in table 9.

Table 9.—Hourly wage rates for all hired farm workers, farm workers paid by other than piece rates, and cut rose workers, and indexes of such wages, 1976-79

Year	Hourly wages		
	All hired farm workers	Farm workers paid at other than piece-work rates	Cut rose workers
1976	$2.66	$2.61	$4.18
1977	2.87	2.82	4.35
1978	3.07	3.02	4.69
1979	1/ 3.40	1/ 3.35	5.28
	Index (1976=100)		
	All hired farm workers	Farm workers paid at other than piece-work rates	Cut rose workers
1976	100.0	100.0	100.0
1977	107.9	108.0	104.5
1978	115.4	115.7	112.2
1979	1/ 127.8	1/ 128.4	126.3

1/ Estimated.

Source: Compiled from official statistics of the U.S. Department of Commerce and from data submitted in response to questionnaires of the U.S. International Trade Commission.

Profit-and-loss experience

The Commission mailed a total of 250 questionnaires requesting profit-and-loss information to fresh cut rose growers. Usable data were received from 64 growers for the 1976-79 period on the overall operations of their establishments in which fresh cut roses were produced. These firms represented about 48 percent of total U.S. production of fresh cut roses in 1978 and 50 percent of such production in 1979.

Aggregated profit-and-loss data for the 64 growers, by years and by regions, are presented in table 10. The data show that total sales of all products increased from $46.7 million in 1976 to $60.8 million in 1979, or by 30 percent. Sales of fresh cut roses, which are approximately 80 percent of total sales in each year, increased from $37.6 million in 1976 to $49.5 million in 1979, or by 32 percent. The contribution of each region to the

increase from 1976 to 1979 in total sales of fresh cut roses, as well as the percentage increase or decrease from 1976 to 1979 in sales of fresh cut roses in each region, is shown in the following tabulation:

Region	Sales of fresh cut roses		Share of total sales		Increase or decrease(-) in contribution of each region, 1979 over 1976
	1976	1979	1976	1979	
	1,000 dollars	1,000 dollars	Percent	Percent	Percentage points
California	11,082	17,069	29	34	+5
Colorado	3,064	2,938	8	6	-2
Northeast	11,671	14,177	31	29	-2
Other States east of the Mississippi	8,507	10,775	23	22	-1
Other States west of the Mississippi	3,252	4,582	9	9	0
Total	37,576	49,541	100	100	0

Table 10.--Profit-and-loss experience of U.S. growers on the overall operations of their establishments growing fresh cut roses, by regions, 1976-79

Year and region	Sales 1/			Other income 2/	Total sales and other income	Total growing and operating expenses	Net profit or (loss) before income taxes	Officers' or partners' salaries	Total expenses excluding officers' or partners' salaries	Net profit or (loss) before income taxes and officers' or partners' salaries	Ratio of net profit or (loss) before income taxes to total sales	Ratio of net profit or (loss) before income taxes and officers' or partners' salaries to total sales
	Cut roses	Other greenhouse products	Total sales									
1976:												
California	11,082	2,255	13,337	117	13,454	12,925	529	670	12,255	1,199	4.0	9.0
Colorado	3,064	2,838	5,902	30	5,932	5,618	314	112	5,506	426	5.3	7.2
Northeast 3/	11,671	1,432	13,103	144	13,247	12,898	349	1,121	11,777	1,470	2.7	11.2
Other States east of the Mississippi	8,507	1,563	10,070	299	10,369	10,316	53	461	9,855	514	.5	5.1
Other States west of the Mississippi	3,252	1,045	4,297	188	4,485	4,541	(56)	165	4,376	109	(1.3)	2.5
Total	37,576	9,133	46,709	778	47,487	46,298	1,189	2,529	43,769	3,718	2.5	8.0
1977:												
California	12,964	2,459	15,423	139	15,562	14,477	1,085	683	13,794	1,768	7.0	11.5
Colorado	3,276	2,784	6,060	2	6,062	5,999	63	61	5,938	124	1.0	2.0
Northeast 3/	12,752	1,434	14,186	141	14,327	14,101	226	1,306	12,795	1,532	1.6	10.8
Other States east of the Mississippi	9,441	1,701	11,142	277	11,419	11,106	313	425	10,681	738	2.8	6.6
Other States west of the Mississippi	3,838	1,470	5,308	190	5,498	5,122	376	215	4,907	591	7.1	11.1
Total	42,271	9,848	52,119	749	52,868	50,805	2,063	2,690	48,115	4,753	4.0	9.0
1978:												
California	15,818	2,765	18,583	144	18,727	16,994	1,733	855	16,139	2,588	9.3	13.9
Colorado	3,701	3,429	7,130	12	7,142	7,148	(6)	91	7,057	85	-	1.2
Northeast 3/	13,620	1,649	15,269	187	15,456	14,801	655	1,474	13,327	2,129	4.3	13.9
Other States east of the Mississippi	9,689	1,520	11,209	345	11,554	11,358	196	447	10,911	643	1.7	5.7
Other States west of the Mississippi	4,015	1,805	5,820	172	5,992	5,793	199	195	5,598	394	3.4	6.8
Total	46,843	11,168	58,011	860	58,871	56,094	2,777	3,062	53,032	5,839	4.8	10.1
1979:												
California	17,069	3,379	20,448	265	20,713	19,024	1,689	861	18,163	2,550	8.3	12.5
Colorado 4/	***	***	***	***	***	7,428	***	252	7,176	***	***	***
Northeast 3/	14,177	2,036	16,213	177	16,390	15,677	713	1,397	14,280	2,110	4.4	13.0
Other States east of the Mississippi	10,775	1,506	12,281	528	12,809	12,190	619	440	11,750	1,059	5.0	8.6
Other States west of the Mississippi	***	***	***	***	***	6,030	***	290	5,740	***	***	***
Total	49,541	11,233	60,774	1,043	61,817	60,349	1,468	3,240	57,109	4,708	2.4	7.7

1/ Some growers reported gross sales, and other growers reported net sales (less commissions paid).

2/ Consists of interest income, sales of supplies, capital gains, plant royalties, gasoline credits and refunds, etc.

3/ Includes Connecticut, Rhode Island, Maine, Massachusetts, New Hampshire, Vermont, New Jersey, New York, and Pennsylvania.

4/ The profit margin for this region was seriously affected by a large loss of 1 grower due to a major fire in December 1978. The profit margin for the region without this firm would have been 8.5 percent in 1979. The average profit margin for the total in 1979 would have been 11.1 percent.

Source: Compiled from data submitted by 64 U.S. growers of fresh cut roses in response to questionnaires of the U.S. International Trade Commission.

Selected items of growing and operating expenses, by regions, are presented in table 11. Total growing and operating expenses, excluding officers' salaries, increased 30 percent between 1976 and 1979, the same percentage increase as total sales.

A comparison of selected growing and operating expenses for 1976 and 1979 is shown in the following tabulation (in percent):

Item	1976	1979
Hired labor and wages	33	33
Plants, bulbs, seeds, fertilizers, and other growing supplies	15	13
Depreciation	6	6
Gasoline, oil, fuel, and other utilities	16	19
Repairs and maintenance	3	3
Taxes and insurance	6	6
Other expenses	21	20

Aggregate net profit (before deducting income taxes and officers' salaries) (table 10), for all regions increased from $3.7 million in 1976 to $5.8 million in 1978, before declining to $4.7 million in 1979. The decline in 1979 was in major part due to a substantial fire loss suffered by a division of one firm, * * *. * * *.

Average profit margins (table 10), before deduction of income taxes and officers' salaries, for all regions, increased from 8.0 percent in 1976 to 10.1 percent in 1978, and then declined to 7.7 percent in 1979. Average profit margins for all regions before deducting income taxes but with officers' salaries treated as expenses, followed a trend similar to that of the average profit margins before deductions for income taxes and officers' salaries, increasing from 2.5 percent in 1976 to 4.8 percent in 1978, and then declining to 2.4 percent in 1979. Eighteen of the 64 responding firms did not report any officers' salaries. If those firms had had salaried officers, the average profit margins before income taxes would have been lower than shown in table 10.

* * * * * * *

The 16 largest firms of the 64 responding firms accounted for between 50 and 60 percent of total sales of fresh cut roses during each of the years 1976-79. All of these firms reported profits (before deductions for income taxes and officers' salaries) for each of the years 1976-79, except for three firms that each suffered one-time losses, and one firm that would have reported losses in 1976-78 if it had not had other income.

Table 11.—Selected growing and operating expenses of U.S. growers on the overall operations of their establishments growing fresh cut roses, by regions, 1976-79

Year and region	Hired labor and wages	Plants, bulbs, seeds, fertilizers, and other supplies	Depreciation	Gasoline, oil, fuel, and other utilities	Repairs and maintenance	Taxes and insurance	Interest expenses	Other expenses 1/	Total growing and operating expenses excluding officers' salaries	Total sales	Ratio of total growing and operating expenses to total sales
1976:											
California	4,716	1,602	879	1,503	434	944	226	1,951	12,255	13,337	91.9
Colorado	1,875	1,121	382	900	137	327	135	629	5,506	5,902	93.3
Northeast 2/	3,531	2,209	772	2,101	414	718	140	1,892	11,777	13,103	89.9
Other States east of the Mississippi	2,722	1,162	329	1,923	280	518	103	2,818	9,855	10,070	97.8
Other States west of the Mississippi	1,649	453	255	754	124	238	267	636	4,376	4,297	101.8
Total	14,493	6,547	2,617	7,181	1,389	2,745	871	7,926	43,769	46,709	93.7
1977:											
California	5,398	1,761	896	2,073	353	979	234	2,100	13,794	15,423	89.4
Colorado	1,982	1,349	398	1,072	149	351	175	462	5,938	6,060	98.0
Northeast 2/	3,746	2,148	815	2,840	459	829	137	1,821	12,795	14,186	90.2
Other States east of the Mississippi	2,898	1,075	342	2,418	267	560	76	3,045	10,681	11,142	95.9
Other States west of the Mississippi	1,796	587	281	796	152	267	255	773	4,907	5,308	92.4
Total	15,820	6,920	2,732	9,199	1,380	2,986	877	8,201	48,115	52,119	92.3
1978:											
California	6,288	2,437	1,048	2,184	491	891	277	2,523	16,139	18,583	86.9
Colorado	2,310	1,459	407	1,426	204	451	149	651	7,057	7,130	99.0
Northeast 2/	3,984	2,284	881	2,787	432	955	143	1,861	13,327	15,269	87.3
Other States east of the Mississippi	2,878	1,007	338	2,433	346	642	57	3,210	10,911	11,209	97.3
Other States west of the Mississippi	2,025	768	321	831	165	321	259	908	5,598	5,820	96.2
Total	17,485	7,955	2,995	9,661	1,638	3,260	885	9,153	53,032	58,011	91.4
1979:											
California	7,045	2,133	1,266	2,958	521	998	352	2,890	18,163	20,448	88.8
Colorado	2,389	1,500	400	1,294	169	457	153	814	7,176	***	***
Northeast 2/	4,259	2,236	981	3,102	583	998	128	1,993	14,280	16,213	88.1
Other States east of the Mississippi	3,029	1,049	358	2,557	435	748	68	3,506	11,750	12,281	95.7
Other States west of the Mississippi	2,105	523	310	1,023	161	356	282	980	5,740	***	***
Total	18,827	7,441	3,315	10,934	1,869	3,557	983	10,183	57,109	60,774	93.9

1/ Consists mainly of shipping, selling (including sales commissions), and general overhead expenses.
2/ Includes Connecticut, Rhode Island, Maine, Massachusetts, New Hampshire, Vermont, New Jersey, New York, and Pennsylvania.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission by 64 U.S. growers of fresh cut roses.

Eight firms reported a significant amount of "Other income" which included income from rent, dividends, sale of patents, related-party transactions, cattle sales, and substantial capital gains on sales of assets. These incomes are excluded from the "Other income" reported in table 10 because there were no expenses associated with that income, and it would tend to distort the average profit margins. The remainder of the "Other income" consisted of interest income, rose patent royalties, and small gains on sales of securities and other assets. Such income added about 1.5 percentage points to the average profit margins reported in table 10 for all regions in each of the years 1976-79.

Interest expenses, being different for each company owing to their financial requirements, are treated as financing expenses rather than operating expenses. Interest expenses are included in the total growing and operating expenses reported in table 10. Such expenses depressed the average profit margin reported in table 10 for all regions about 1.7 percentage points in each of the years 1976-79.

A numerical breakdown of the 64 responding firms reporting losses, before income taxes and officers' salaries and after excluding significant other income, is shown in the following tabulation:

Year	Number of firms reporting losses	Percent of total reporting firms
1976	11	17
1977	8	13
1978	5	8
1979	9	14

Table 12 presents financial data for 34 growers which produced no other greenhouse products except fresh cut roses. 1/ The sales of these 34 growers accounted for 37 percent of the fresh cut rose sales reported by the 64 growers in table 9. Fresh cut rose sales by these 34 growers increased by 32 percent from 1976 to 1979. Such sales totaled $18.1 million in 1979. The total growing and operating expenses of these 34 growers increased by 31.5 percent over the same period and totaled $15.5 million in 1979.

The aggregate profit margins for all regions, before deductions for income taxes and officers' salaries, for these 34 growers increased from 14.5 percent in 1976 to 18.0 percent in 1978, before declining to 15.1 percent in 1979. Although their profit margins are much higher than those reported for the 64 growers, the same trend in the profit margins is apparent in both cases.

1/ Financial data are not included for * * *.

Table 12.--Selected financial data of 34 U.S. growers on their rose-growing operations only, by regions, 1978-79

Year and region	Sales of fresh cut roses 1/	Other income 2/	Total growing and operating expenses excluding officers' salaries	Net profit or (loss) before income taxes and officers' salaries	Ratio of net profit or (loss) before income taxes and officers' salaries to sales of fresh cut roses
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent
1976:					
California	4,811	38	4,190	659	13.7
Colorado	262	1	213	50	19.1
Northeast 3/	6,472	33	5,584	921	14.2
Other States east of the Mississippi	1,770	9	1,421	358	20.2
Other States west of the Mississippi	417	1	414	4	1.0
Total	13,732	82	11,822	1,992	14.5
1977:					
California	5,413	37	4,732	718	13.3
Colorado	269	-	248	21	7.8
Northeast	7,274	33	6,203	1,104	15.2
Other States east of the Mississippi	1,913	7	1,556	364	19.0
Other States west of the Mississippi	660	-	513	147	22.3
Total	15,529	77	13,252	2,354	15.2
1978:					
California	6,709	38	5,475	1,272	19.0
Colorado	358	1	281	78	21.8
Northeast	7,482	58	6,327	1,213	16.2
Other States east of the Mississippi	2,046	13	1,701	358	17.5
Other States west of the Mississippi	713	1	524	190	26.6
Total	17,308	111	14,308	3,111	18.0
1979:					
California	6,947	67	6,090	924	13.3
Colorado	345	1	298	48	13.9
Northeast	7,778	63	6,680	1,161	14.9
Other States east of the Mississippi	2,232	19	1,834	417	18.7
Other States west of the Mississippi	824	5	643	186	22.6
Total	18,126	155	15,545	2,736	15.1

1/ Some growers reported gross sales, and other growers reported net sales (less commissions paid)
2/ Consists of interest income, capital gains, plant royalties, gasoline credits, refunds, etc.
3/ Includes Connecticut, Rhode Island, Maine, Massachusettes, New Hampshire, Vermont, New Jersey, New York, and Pennsylvania.

Source: Compiled from data submitted by 34 U.S. growers of fresh cut roses in response to questionnaires of the U.S. International Trade Commission.

Investment in fresh cut rose operations

The value of net assets employed by fresh cut rose producers in the production of fresh cut roses during 1976-79 is shown in table 13. U.S. producers' investment in producing facilities increased by 18 percent, from $32.9 million in 1976 to $38.9 million in 1979, on the basis of original cost. During the same period, net book value increased by 16 percent. 1/

Capital expenditures also increased in each of the years from 1976 to 1979. Such expenditures increased by 15 percent over the period and totaled $4.3 million in 1979.

Return on investment

Calculations of return on investment during 1976-79 using net operating profit or (loss) and investment data are shown in table 13. Net operating income before income taxes and officers' salaries was used to calculate return on investment; hence, the returns are larger than the figures that would have been obtained if net profit after taxes and officers' salaries had been used. Net asset data were provided to the Commission on an original-cost and net-book-value basis for 1976-79, as well as at replacement cost for 1978-79. Original-cost and book-value calculations are somewhat distorted by the time period during which the investments were made. Regardless of which method is used, return on investment declined from 1978 to 1979.

The ratio of net operating profits to investment in productive facilities should not be construed as a return on total investment. Total investment includes, in addition to investment in productive facilities, investment in working capital, nonproductive facilities, and other related joint investments.

The Question of Imports as a Substantial Cause of Serious Injury

U.S. consumption and market penetration of imports

During 1975-79, it is estimated that U.S. consumption of fresh cut roses increased from 460 million blooms to 489 million blooms (table 4), or by just over 6 percent. Inasmuch as U.S population rose about 3 percent for the same period, the annual per capita consumption of fresh cut roses increased slightly, from 2.15 blooms to 2.2 blooms, during the period. The ratio of imports to apparent consumption, in terms of quantity, rose steadily from 0.9 percent in 1976 to 3.5 percent in 1978, and then more than doubled to 7.2 percent in 1979. It should be noted, however, that this ratio would be much higher if only the Eastern United States were considered. Almost all of the imported roses are consumed in the States east of the Mississippi, which would seem to indicate a greater impact on those firms that supply Eastern markets. The petitioner stated that in 1979 the ratio of imports to apparent consump-

1/ Some of the 64 responding companies did not report either book value or original cost or both. Hence, the ratio of net operating profit to book value and to original cost is overstated.

Table 13.--Investment in productive facilities and net operating profit, by regions, 1976-79

Year and region	Book value 1/	Original cost 1/	Net operating profit or (loss) before income taxes and officers' or partners' salaries	Ratio of net operating profit to-- Total sales	Book value 1/	Original cost 1/	Capital expenditures
	1,000 dollars			Percent			1,000 dollars
1976:							
California	6,882	11,358	1,199	9.0	17.4	10.6	2,057
Colorado	1,853	3,789	426	7.2	23.0	11.2	461
Northeast	4,889	9,437	1,470	11.2	30.1	15.6	968
Other States east of the Mississippi	2,210	4,807	514	5.1	23.3	10.7	107
Other States west of the Mississippi	2,887	3,505	109	2.5	3.8	3.1	142
Total	18,721	32,896	3,718	8.0	19.9	11.3	3,735
1977:							
California	7,240	11,468	1,768	11.5	24.4	15.4	2,380
Colorado	1,852	3,755	124	2.0	6.7	3.3	220
Northeast	5,040	10,895	1,532	10.8	30.4	14.1	741
Other States east of the Mississippi	2,342	4,919	738	6.6	31.5	15.0	196
Other States west of the Mississippi	3,109	3,658	591	11.1	19.0	16.2	368
Total	19,583	34,695	4,753	9.1	24.3	13.7	3,905
1978:							
California	7,590	13,436	2,588	13.9	34.1	19.3	2,656
Colorado	1,796	3,845	85	1.2	4.7	2.2	32
Northeast	5,407	11,753	2,129	13.9	39.4	18.1	1,086
Other States east of the Mississippi	2,575	5,790	643	5.7	25.0	11.1	57
Other States west of the Mississippi	2,791	3,804	394	6.8	14.1	10.4	241
Total	20,159	38,628	5,839	10.1	29.0	15.1	4,072
1979:							
California	9,253	14,111	2,550	12.5	27.6	18.1	2,882
Colorado	1,701	3,967	***	***	***	***	13
Northeast	5,701	12,086	2,110	13.0	37.0	17.5	986
Other States east of the Mississippi	2,296	5,050	1,059	8.6	46.1	21.0	151
Other States west of the Mississippi	2,743	3,711	***	***	***	***	279
Total	21,694	38,925	4,708	7.7	21.7	12.1	4,311

1/ Some of the 64 companies did not report either book value or original cost or both. Hence, the ratio of net operating profit to book value and to original cost is overstated.

Source: Compiled from data submitted by 64 U.S. growers of fresh cut roses in response to questionnaires of the U.S. International Trade Commission.

tion for the Eastern United States was 11 percent 50 percent higher than the ratio for all of the United States.

Lost sales

The Commission requested that the responding fresh cut rose growers report any sales lost to imports. In addition, counsel for Roses, Inc., submitted to the Commission a list of 125 firms to which growers of fresh cut roses had allegedly lost sales. The Commission attempted to contact 101 of these firms to verify allegedly lost sales but was able to obtain information from only 66. Ten of these firms stated that they had not changed their domestic supply sources recently. The remaining 56 firms that responded reported that they had either changed their supply source from one domestic grower to another (7 firms) or they had started to purchase imported roses (49 firms). The majority of the 49 firms (31) that reported that they had started to purchase imported fresh cut roses did so because of the availability of the imported roses during peak demand periods. Many of these firms indicated their belief that the domestic rose industry does not have the ability to meet demand during peak selling periods. The next most important reason given for starting to purchase imported roses was that the combination of price and the quality (by eight firms) of the imported roses was better than that of the domestic roses. Six of the firms reported that price was the principal reason they started to purchase imports, and four firms cited quality as the principal reason for substituting imported roses for domestic roses.

Prices

Long-term domestic price movements.--The annual average unit values (cents per bloom) of U.S. growers' shipments for hybrid tea and sweetheart roses, as reported by the U.S. Department of Agriculture for the period 1970-78, are presented in table 14. These values serve as an indicator of annual movements in prices received by domestic rose growers during this period.

Table 14.--Fresh cut roses: Annual average unit values of U.S. growers' shipments for hybrid tea amd sweetheart roses, 1970-78

(In cents per bloom)

Type	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979 1/
Hybrid tea	13.6	14.1	15.3	16.4	16.8	17.1	19.1	20.6	22.5	23.2
Sweetheart	9.2	9.3	10.0	10.8	11.5	12.3	13.7	14.1	16.0	16.3
Composite 2/	12.3	12.7	13.8	14.8	15.3	16.4	17.6	18.8	20.8	21.4

1/ Estimated by U.S. International Trade Commission.
2/ The composite rose value is a volume weighted average of the hybrid tea and sweetheart rose values.

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

During 1970-79, the unit value of hybrid tea roses increased at an average annual rate of 6.1 percent, while sweetheart rose unit values increased at a 6.6 percent average annual rate. In comparison, the prices received by farmers for crops rose at an average annual rate of 9.4 percent for the same period, while wholesale prices for nondurable manufactures rose at an average annual rate of 8.4 percent. However, if the period 1976-79 is used (the period of significant increases in rose imports), the average annual increases in unit values for hybrid tea roses and sweetheart roses of 6.7 percent and 6.0 percent, respectively, compare favorably with the average annual increase in crop prices received by farmers of 4.3 percent for the same period.

Short-term domestic and import price movements.--The Commission sent questionnaires to 50 U.S wholesalers of fresh cut roses in which they were requested to report their purchases of domestic and imported roses for the period 1976-79. 1/ From the data submitted by the responding U.S. wholesalers, average unit values were calculated for their purchases of imported and domestic hybrid tea and sweetheart roses. The average unit values of domestic hybrid tea rose purchases increased from 36.1 cents per bloom in 1978 to 39.9 cents per bloom in 1979 (table 15). In 1978 and 1979, the average unit values of wholesalers' purchases of domestic hybrid tea roses were higher than the average unit values of hybrid tea roses purchased from foreign sources. In 1979, the unit value of domestic hybrid tea roses was 32 percent higher than the unit value for imported hybrid tea roses.

In 1978, the unit value for wholesaler purchases of domestic sweetheart roses was higher than the unit value for their purchases of imported sweetheart roses. In 1979, the average unit value of 17.7 cents per bloom was the same for both sources.

1/ Data for 1976 and 1977 were not used because of the limited response covering those years.

Table 15.--U.S. wholesalers' purchases of imported and domestic hybrid tea and sweetheart roses, 1978-1979

(Quantity in blooms; value in dollars; unit value in cents per bloom)

Type and source	1978	1979
	Quantity	
Hybrid tea:		
Imported	247,115	862,505
Domestic	8,215,458	9,680,098
Sweetheart:		
Imported	287,724	456,894
Domestic	4,952,654	5,325,632
	Value	
Hybrid tea:		
Imported	68,395	260,769
Domestic	2,961,823	3,864,762
Sweetheart:		
Imported	46,131	80,950
Domestic	802,393	941,536
	Unit value	
Hybrid tea:		
Imported	27.7	30.2
Domestic	36.1	39.9
Sweetheart:		
Imported	16.0	17.7
Domestic	16.2	17.7

Source: Compiled from data submitted by 21 U.S. wholesalers in response to questionnaires of the U.S. International Trade Commission.

Table 16 shows lowest net quarterly selling prices paid by wholesalers for domestic and imported hybrid tea and sweetheart roses during 1976-79. The prices paid by wholesalers for imported hybrid tea and sweetheart roses were usually below or equal to the prices they paid for roses of the same quality from domestic sources. For example, the data show that prices paid by wholesalers for imported hybrid tea roses during April-June 1979 were 20 percent lower than the prices wholesalers paid for domestic roses.

In an attempt to find evidence of price suppression or depression, the Commission compared prices in two major wholesale markets for fresh cut roses (one believed to be impacted by imports, Boston, and one generally free of imports, San Francisco). Prices received by wholesalers were used because this was the only market level for which sufficient price data were available from other sources for comparable types of imported and domestic roses.

Table 16.--Fresh cut roses: Ranges and averages of lowest net selling prices paid by U.S. wholesalers for domestic and imported hybrid tea and sweetheart roses, by quarters, 1976-79

(In cents)

Period	Hybrid tea roses				Sweetheart roses			
	Domestic purchases		Imported purchases		Domestic purchases		Imported purchases	
	Average	Range	Average	Range	Average	Range	Average	Range
1976:								
Jan.-Mar	31	21-40	29	22-35	19	12-26	19	13-26
April-June	29	17-40	27	18-30	19	9-30	18	10-26
July-Sept	16	14-18	16	15-17	12	11-13	13	12-14
Oct.-Dec	19	15-23	17	16-17	15	14-16	17	15-18
1977:								
Jan.-Mar	46	23-75	35	22-52	22	13-27	22	14-29
April-June	35	19-55	35	20-49	21	10-30	21	11-26
July-Sept	34	16-55	26	17-35	14	14	14	14
Oct.-Dec	34	17-75	24	13-35	16	16	16	16
1978:								
Jan.-Mar	53	25-90	41	18-52	25	14-50	23	16-35
April-June	41	21-70	32	22-40	25	11-40	24	12-38
July-Sept	37	18-65	27	19-36	-	-	-	-
Oct.-Dec	37	19-75	29	22-36	18	16-21	15	15-16
1979:								
Jan.-Mar	46	22-100	39	25-62	28	17-50	26	18-40
April-June	41	22- 70	33	16-54	24	12-40	22	11-44
July-Sept	29	15- 65	30	16-45	21	13-33	17	13-25
Oct.-Dec	36	8- 85	34	18-52	18	12-26	15	12-20

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

Monthly and quarterly price series for cut roses were calculated from midweek price quotations of leading market prices reported by the USDA. Monthly and quarterly averages were then calculated. The domestic wholesale price series came from quotations for the San Francisco and Boston wholesale markets. 1/ Since the two most important commercial types of roses, hybrid teas and sweethearts, are broken down into many subtypes, it was necessary to choose a representative subtype for each. Hybrid tea roses 20-24 inches long and sweetheart roses greater than or equal to 12 inches were selected.

Monthly prices for 1978 and 1979 for domestic and imported hybrid tea and sweetheart roses as reported for the Boston wholesale market are shown in table 17. The three different prices shown are for roses grown in New England, California, and Colombia and sold on the Boston wholesale market. While the series is complete for the New England-grown roses, gaps exist for the other two sources. These gaps, which are more numerous for the sweetheart roses, reflect a lack of representative trading for the reporting period. The prices received by wholesalers for domestic and imported roses usually do not reflect an equal percentage markup over their purchase prices. There is uncontested testimony at the Commission hearing that imports were generally marked up by 25 percent, whereas the markup for domestic roses was about 20 percent.

Quarterly domestic rose prices for New England-grown roses offered on the Boston market and for the California-grown roses offered on the San Francisco market are shown in table 18 for 1976-79. In addition, average annual rates of growth for the periods 1976-79 and 1977-79 are reported along with the percentage change in price increases when moving to the shorter period calculations.

The data contained in each of the tables show that rose prices fluctuate widely from month to month and from quarter to quarter, largely because inventories cannot be maintained to soften the impact of occasional sharp shifts in demand and supply. Prices tend to rise during January-June owing to large seasonal demands created by Valentine's Day, Easter, Mother's Day, and Memorial Day. They decline during the summer as demand slackens and climatic conditions become particularly favorable for rose production. Prices rise again in the final quarter of the year as demand increases with the onset of the Jewish holidays, Thanksgiving, and Christmas. The amplitude of these price fluctuations is often strengthend or weakened by other factors. For

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1/ The price quotations for each market reflect prices received by wholesalers in that respective wholesale market. Transportation and other charges incurred by the purchaser are calculated subsequent to this transaction price.

Table 17.—Wholesale prices in the Boston market for hybrid tea and sweetheart roses produced in New England, California, and Colombia, by months, 1978 and 1979 1/

(In cents per bloom)

Month	Hybrid tea roses					
	1978			1979		
	New England	California	Colombia	New England	California	Colombia
Jan	60	-	60	74	63	56
Feb	77	-	75	82	77	77
Mar	63	35	53	70	53	53
Apr	54	40	33	71	62	58
May	67	60	52	74	61	67
June	56	46	50	66	40	52
July	43	-	-	42	18	43
Aug	51	48	-	48	33	-
Sept	52	38	45	56	46	54
Oct	51	31	46	64	55	48
Nov	54	48	51	66	-	52
Dec	66	48	55	68	44	57

Month	Sweetheart roses 2/					
	1978			1979		
	New England	California	Colombia	New England	California	Colombia
Jan	25	-		33	-	-
Feb	39	-		45	-	-
Mar	31	-		40	35	38
Apr	27	-		45	48	48
May	43	38		49	48	-
June	32	33		34	33	-
July	19	-		18	12	-
Aug	17	-		17	20	-
Sept	18	19		18	16	-
Oct	18	15		20	26	-
Nov	20	18		22	24	21
Dec	25	-		27	25	-

1/ Prices are those received by wholesalers, f.o.b. the Boston wholesale market, for offerings of either hybrid teas or sweethearts as indicated for each of the 3 sources of production--New England, California, and Colombia.

2/ There were no quotes for sweetheart roses from Colombia in 1978.

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

Note.—Price comparisons were based on hybrid teas 20-24 inches long and sweethearts 12 inches or longer. These were chosen as representative subtypes for which price comparison data could be obtained.

Table 18.--Wholesale prices in the Boston and San Francisco markets for U.S.-produced hybrid tea and sweetheart roses, by quarters, 1976-79 1/

Market, type and period	1976 (1)	1977 (2)	1978 (3)	1979 (4)	Average annual compound growth rate: 1976 to 1979 (5)	Average annual compound growth rate: 1977 to 1979 (6)	Change from (5) to (6)
	Cents per bloom				Percent	Percent	Percent
Boston:							
Hybrid tea:							
Jan.-Mar	52	59	67	75	13.0	12.7	-2
Apr.-June	40	48	59	70	21.0	21.0	0
July-Sept	32	43	49	49	15.3	6.7	-56
Oct.-Dec	36	49	57	66	22.4	16.1	-28
Sweetheart:							
Jan.-Mar	24	25	32	39	17.6	24.9	+41
Apr.-June	20	25	34	43	29.1	31.1	+7
July-Sept	12	17	18	18	14.5	2.9	-80
Oct.-Dec	15	19	21	23	15.3	10.0	-35
San Francisco:							
Hybrid tea:							
Jan.-Mar	23	25	33	38	18.2	23.3	+28
Apr.-June	22	22	24	26	5.7	8.7	+53
July-Sept	21	21	22	22	1.6	2.4	+50
Oct.-Dec	21	23	24	24	4.6	2.2	-52
Sweetheart:							
Jan.-Mar	12	13	17	20	18.6	24.0	+29
Apr.-June	13	12	15	17	9.4	19.0	+102
July-Sept	10	8	13	14	11.9	32.3	+171
Oct.-Dec	10	11	14	15	14.5	16.8	+16

1/ Prices are for locally grown roses in the two market areas.

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

instance, in early 1977 an unexpected frost in Colombia damaged the rose crop. This caused rose imports and, hence, the total rose supply in the U.S. market to be less than otherwise expected for Valentine's Day sales. As a result, rose prices increased dramatically in response to the shorter-than-expected supply.

Although the data in table 17 show that prices of domestic and imported roses generally move in the same direction over time, it is apparent from figure 2 that the prices of imported roses are generally below the prices of domestic roses of local source in the New England market. 1/ The lower import prices are at least partly attributable to the lower production costs of the Colombian roses, which, in turn, are a result of superior climatic conditions and lower labor costs. The quality of Colombian roses is comparable with those domestically grown.

As shown in table 18, domestic prices in the Boston and San Francisco markets have increased significantly. In general, prices in the Boston market have been higher and have risen more rapidly than prices in the San Francisco market throughout both the 1976-79 and the 1977-79 periods. 2/ However, it is also apparent from the table that rates of increases in prices in the Boston market were generally smaller during the 1977-79 period than they were during the 1976-79 period. Since the years 1977-79 were marked by rapidly increasing imports, and since the Boston market was heavily impacted by these imports, the slowdown in the annual rate of domestic price rises in this market seems to offer some evidence of price suppression. It is noteworthy that prices in the San Francisco market, which is virtually free of import competition, generally rose more rapidly during the 1977-79 period than during the 1976-79 period.

1/ Roses grown in California and marketed in New England are often priced lower than competing imports. However, it is believed that California-sourced roses account for only a small share of the total quantity of roses marketed in New England.

2/ Rose price increases necessary to rationalize cost increases at a stable level of production are forthcoming only when demand is growing sufficiently and/or the price elasticity of demand is sufficiently low. In the 1977 cut flowers investigation, price and income elasticities of demand were calculated for carnations. The income elasticity of demand was very high (5.281) while the price elasticity of demand was very low (-.61). Both estimates were sighnificant at the 95 percent confidence level. Assuming that the buyer response for cut flowers is generally comparable across different flower types, it appears that the accomodating demand conditions were to some extent present in this instance. Since incomes were growing during 1976-79, demand was growing in greater proportion, and price increases probably had a negligible effect on discouraging the quantity demanded. In addition to favorable demand circumstances, cheaper imports may have had only a limited impact on domestic price increases since wholesalers place a high value on receiving a full line of flowers from individual growers. Hence, unless the importer can provide this service, cheaper imported roses may not be substituted as readily for higher priced domestic roses as one might otherwise expect.

Cost factors associated with growing roses in the New England region combined with the general inability of local growers to meet demand in the region have probably caused rapid increases in Boston local prices relative to San Francisco local prices.

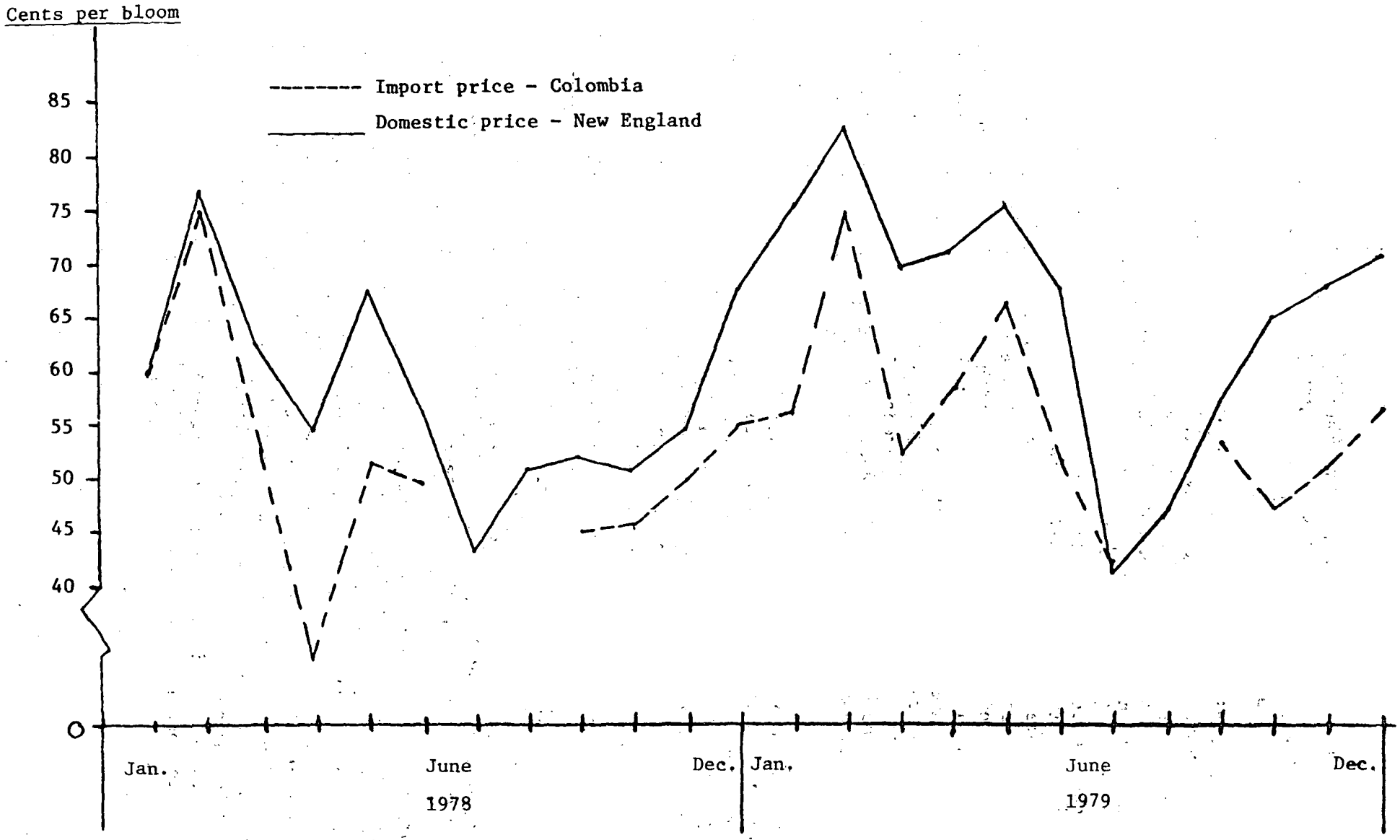
Another indication of price suppression/depression may be found in the decreasing interregional price disparity also shown in table 18 for 1976-79. It can readily be observed that domestic prices of both hybrid tea roses and sweetheart roses locally grown and sold are consistently lower on the San Francisco market than on the Boston market. This relationship is strongest during January-June (roses sold on the San Francisco market are generally priced at least 50 percent lower than roses sold in the Boston market) compared with the situation in July-December (when rose prices on the San Francisco market are generally closer to rose prices on the Boston market). The lower level of San Francisco market prices is attributed partially to lower grower costs of production. The more favorable growing conditions on the west coast (both with respect to days of sunshine and a warm, nonhumid climate) not only increases productivity relative to that of east coast producers, but also results in a less-energy-intensive production process than that required in the east coast producing areas. In addition, lower California prices as shown in the San Francisco market are also attributed to demand forces less dominant relative to supply than generally exists on the east coast.

Evidence of lower California grower costs (California rose production is about double northeast production) can be found in a comparison of the cost data obtained from returned grower questionnaires for northeast and California growers engaged exclusively in the production of roses. Unit costs (cents per bloom) for total 1979 operating and growing expenses (including officers'/partners' salaries) are about 32 percent lower for California growers compared with such expenses for northeast growers.

The data also suggest that the unit cost differences between California and northeast growers have not been declining over the period 1976-79. Hence, the earlier observation, based on the price data, that price disparities are generally declining does not appear to be linked to cost differences. In fact, questionnaire data show that the average annual increase in unit costs for total growing and operating expenses is greater in the northeast than in California over the 1976-79 period (8.9 percent contrasted with 6.2 percent).

In summary, both Boston and San Francisco prices have been rising, but Boston prices have generally risen faster. However, the price evidence suggests that east coast rose prices, as reported in the Boston market, grew at a slower rate over the period of rapidly increasing imports than they grew over a somewhat longer period that encompassed years when import penetration was insignificant. In contrast, west coast rose prices (as reported in the San Francisco market, where import competition is not a factor) grew at a faster rate during the period of significant import penetration when compared with rose price increases in that market over a similar longer period. Also, the general decline in price dispartities between the two markets does not appear linked to cost factors. Thus, the price data show that although there is no evidence of price depression in this case, there is an indication that

Figure 2.--New England domestic and import prices, by months, 1978-1979. 1/



1/ Hybrid tea roses only.

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

U.S. producers' prices, especially in east coast markets, may have been suppressed. The cost data collected from questionnaire responses also support this impression. In the period 1977-79, north east growers which produce only roses experienced a 5.6-percent annual average increase in unit cost while their average unit values increased only 5.3 percent annually. However, the extent to which imports may have contributed to the above-suggested price suppression must be weighed against the extent to which demand factors may have limited price increases. For instance, buyer resistance to rapidly rising prices may have also moderated price increases during the recent period.

Efforts of U.S. growers to compete with imports

U.S. growers of fresh cut roses reported numerous examples of their efforts to become more competitive with imports. These efforts fall into three categories--production, quality, and marketing and distribution.

Production-related activities include the adoption of automatic ventilation, watering, fertilizing, cooling, and heating as means to more efficiently control environmental factors within the greenhouse. Control of heating costs is an area of primary concern for many of the growers. They have installed insulation in the sidewalls, thermal blankets, and double-layered polyfilms over the greenhouses to cut heat loss. Same have also adopted alternative energy sources such as geothermal and wood and, where possible, many growers have converted oil-fired boilers to natural gas to cut energy costs. Growers are adopting new rose varieties that produce more blooms per plant and varieties that can produce under cooler temperature conditions.

The second category of competitive efforts include those related to quality. Growers are adopting new rose varieties that produce the longer stems desired by the consumer. The "Chain of Life," a quality improvement program of the Society of American Florists, is being adopted by fresh cut roses growers. This program is designed to educate all cut flower industry members, including rose growers, and encourage adoption of new techniques such as the use of preservatives, deionzed water, precooling of roses before shipping, and the use of refrigerated trucks. The use of preservatives and precooling of roses before shipping have extended the useful life of roses and allowed shipments to distant markets by refrigerated trucks rather than the more expensive air transport.

The third category of competitive efforts deals with marketing and distribution. Marketing improvements include increased expenditures for advertising and promotion. The American Florist Marketing Council (AFMC), established in 1969, spent $2.2 million in 1979 for advertising and promotion of all cut flowers including roses. U.S. rose growers contributed about 10 percent of this total. Foreign rose growers have also provided financial support to AFMC. During 1979, payments were made by three major grower groups, Agrexco (Israel), $12,500; Produktschop Voor Siergewassen (Netherlands), $16,300; and Ascolflores (Colombia), $40,000. These contributions however, were for all of their cut flower exports and not just for fresh cut rose exports. The U.S. Department of Agriculture and the

fresh cut flower industry have cooperated to improve marketing information by conferring on preparation of data collection systems and speeding the collection and distribution of data.

A change in floral marketing from retail florist shops to mass-market outlets has occurred in recent years. Statistic are not available, but it is known that sales through mass-market outlets have increased in recent years. The growers have also increased their sales directly to retail florist shops and mass-market outlets, thus bypassing the wholesaler. The growers feel that this allows them to have more control over their product, and it allows them to react more quickly to changes in the market place.

Possible causes of serious injury other than increased imports

Rising costs.--The major costs of producing fresh cut roses, including labor, electricity, fuel, and fertilizer, have all risen faster than prices of the flowers in recent years. The outlays required to meet U.S. Occupational Safety and Health Administration safety requirements and the added expenses occasioned by U.S. Environmental Protection Agency restrictions on certain pesticides formerly used by growers have further increased costs. The inability of domestic growers to pass on these increasing costs to consumers is a possible cause of serious injury to the domestic industry. This inability may be caused by imports, competition from other growers, or a combination of these and other factors.

Competition from other crops and urbanization for available land.--Certain crops, notably green foliage plants potted flowers, and bedding plants, compete with fresh cut roses for the same greenhouse space. In some instances, such competition has resulted in smaller production of fresh cut roses than would otherwise have been the case.

Suburban and urban expansion, especially in the populous northeast, also compete for the land needed for producing roses. Many greenhouses in the northeast that were once situated on city fringes are now in prime commercial and residential locations and therfore must compete with returns available from such uses.

APPENDIX

U.S. International Trade Commission Notice of Investigation and Public Hearing Concerning Investigation No. TA-201-42

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

ROSES

[TA-201-42]

Notice of Investigation and Hearing

Investigation instituted. Following receipt of a petition on November 15, 1979, filed on behalf of Roses Incorporated, a trade association of the U.S. rose growing industry, the United States International Trade Commission on November 29, 1979, instituted an investigation under section 201(b) of the Trade Act of 1974 to determine whether fresh cut roses (provided for in item 192.20 of the Tariff Schedules of the United States (TSUS)), are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

Public hearing ordered. A public hearing in connection with this investigation will be held in the Commission's Hearing Room, U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436 beginning at 10:00 a.m., e.s.t. on Monday, February 25, 1980. Requests for appearances at the hearing should be received in writing by the Secretary of the Commission at his office in Washington, D.C. not later than noon, February 18, 1980.

Inspection of petition. The petition filed in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission and at the New York City office of the U.S. International Trade Commission, located at 6 World Trade Center.

By order of the Commission.

Kenneth R. Mason
Secretary

Issued: December 3, 1979

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"Prepared principally by Stephen D. Burket and Gerry Benedick."

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