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ASEMESA'S and Spanish Producers' Affirmative Presentation

Ripe Olives from Spain
Investigation Nos. 701-TA-582 and 731-TA-1377 (Final)
May 24, 2018

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Bell-Carter Letter (late 2015)

As the 2015 California olive harvest wraps up, we now have enough data to understand how this year's crop will impact pricing of domestic ripe olive products in the market going into 2016. Although the crop did deliver a larger fruit set than 2014, the domestic olive industry continues to be challenged by lower yields, **a supply less than annual consumption along with higher grower costs**. The increases are largely attributed to reduced acreage from growers converting their land from olives to more profitable nut crops. This is further compounded by the ongoing drought and increased labor costs. The shorter harvest continue to have a larger negative impact on the smaller sizes and slicing fruit.

Bell-Carter Letter (2014)

- “The average table olive harvest over the three year period from 2011 to 2013 was 65k tons or 24% lower than the annual consumption rate
- The most current statewide table olive harvest outlook has now been reduced by 50% from the mid-winter expectations
- The revised 2014 California table olive receipts equate to 38% of the annual ripe olive consumption rate of 85k tons”

Bell-Carter Letter (2014) (continued)

- “The statewide table olive crop erosion is due to various “Mother Nature” related factors including:
 - Severe three-year drought conditions continuing throughout the state. The winter of 2013/14 was the driest in California history.
 - A winter freeze had the most severe impact within the Southern growing areas of California, which typically represent 60% of the annual olive harvest for the state.
 - The Southern growing area also experienced a lack of pollen during the critical spring bloom period.
 - Unseasonable mixture of temperature fluctuation during the winter and spring seasons, particularly between January and March 2014.”

Underline emphasis in the original Bell-Carter Letter

Bell-Carter Letters Highlight Importance of Inventories to Insure Supply Against Crop Volatility

- “Bell-Carter will maintain adequate fruit inventories to meet the sales and marketing requirements of our customers without disruption” (2014 letter)

Bell-Carter Letters Highlight Importance of Inventories to Insure Supply Against Crop Volatility

- “California growers delivered a record olive yield of 164,984.23 tons as a result of the 2010 harvest season. Since that time fruit inventories of Pitted and Sliced Ripe olives have been in a surplus supply position. The 2010 olive crop intake, coupled with carry out inventories from the 2009 year, created on hand supply conditions that out stripped annual consumption by more than two-fold... today, Ripe olive supply conditions have changed dramatically. As a result of the smaller than anticipated statewide olive harvest this season, coupled with the re-balancing of Bell-Carter supplies overall, **our inventory imbalance has now been corrected**” (2012 letter)

(emphasis added)

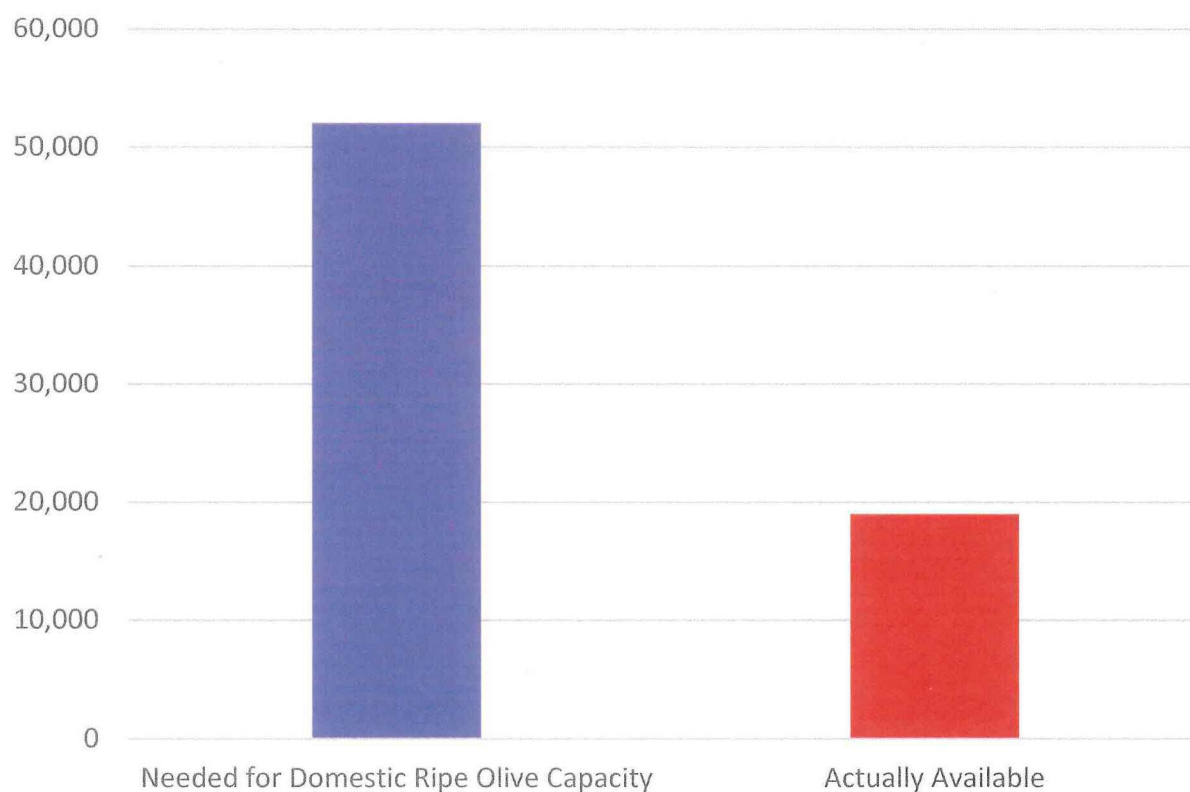
Bell-Carter Letters Highlight Price Leadership

- “Therefore, Pitted and Sliced Ripe olive market selling prices will be adjusted to reflect the current supply situation. The increased pricing levels will impact both the Retail and Foodservice business segments”
(2012 letter)
- “Bell-Carter will experience higher ‘fruit acquisition’ costs this season on both the Manzanillo and Sevillano olive varieties. These increased costs will impact selling price levels for all Brand and Private Label ripe olive products.”
(2014 letter)

Bell-Carter Letters Highlight Price Leadership

- “As a result of the challenges related to lower overall tonnage and increased grower pricing, Bell-Carter Foods must advance prices on California ripe olive products effective January 18th, 2016” (late 2015 letter)

Domestic Acreage Dedicated to Table Olive Production



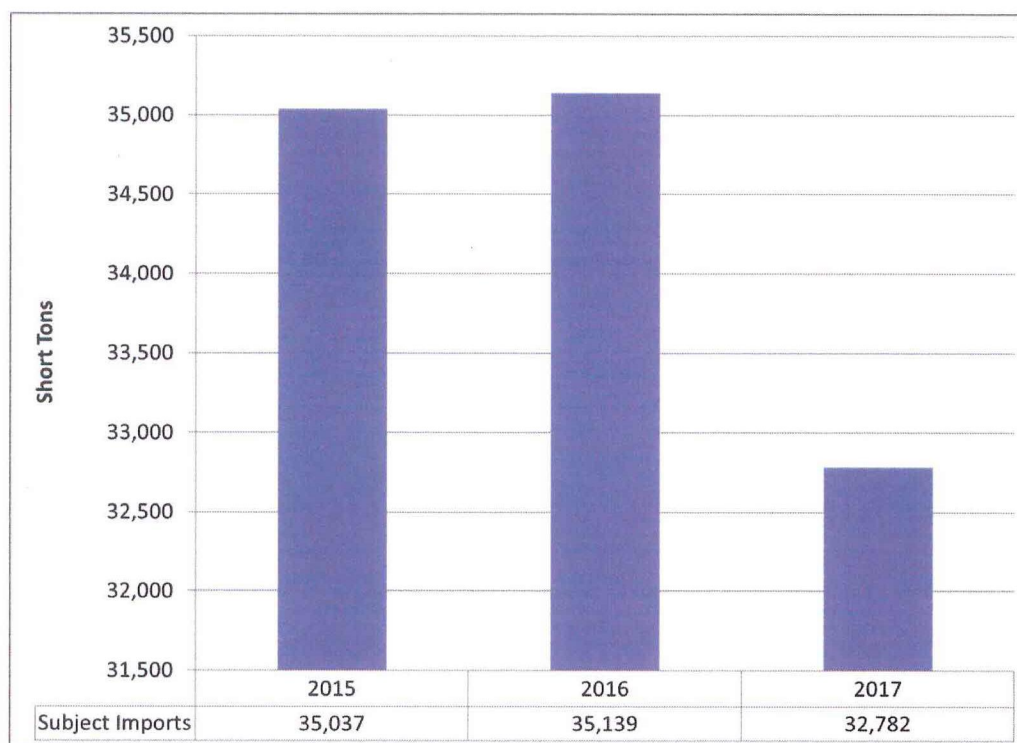
Domestic Industry Statements on The Viability of Importing Raw Olives

- “US processors can import raw olives to make up the difference” (Petitioner Prehearing Brief, p. 10)
- Their own words suggest imports can only augment
- “Imported raw olives cost about 30% more than California-sourced raw olives due to costs of transportation and packaging” (Petition, p. 29)

Domestic Industry Statements on The Viability of Importing Raw Olives

- “the reality that to succeed, the **industry must rely on a cohesive quality-oriented line of production from grower to processor**” (Ms. Gleason, p. 21)
- “It's a much higher cost, the people that we buy from overseas, whether it's Spain or other countries, they have a markup, and they know that our hands are tied... there's extra freight involved. There's double-handling involved. There's extra packaging involved. **It's really a stop-gap from our perspective just to get us to the next big crop.**” (Mr. Carter, p. 71)
- “The processors will not be able to maintain a viable U.S. ripe olive processing business if we come to the point where we depend heavily or solely on foreign-sourced raw olives for our supply” (Mr. Musco, pp. 40-41)
- “But depending on the year, we've had to supplement our supply from overseas product, raw product being brought over in brine and then fully processing in California and canning it. And that product can come from different countries, including Spain, and it's **exorbitantly priced** to do it.” (Mr. Musco, p. 71)

Subject Import Volume (2015-2017)



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Subject Import Market Share (2015-2017)



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Domestic Industry Prices Increasing Over the Period

Underselling at Pricing Product Level Inconsistent with Causality

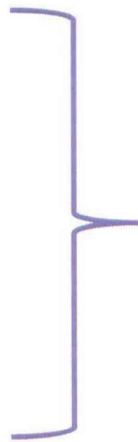
- Prices for all 4 pricing products increased over the POI
- Prices charged by the domestic industry increased quite significantly for products 3 & 4 – where the volume of imports from Spain was the greatest and which were characterized by underselling
- Volume of imports for product 2 is minuscule
- Product 1 – Spain predominantly oversells

Role of Non-Subject Imports

- Morocco is a big player; poised to fill any void
- Aggressive pricing by Morocco for the two products it sells
 - And these two products are where the volume is

No Injury

- Capacity
- Production
- Shipments
- Average Unit Values
- Productivity
- Gross profit



All contradict the Petitioner claim of injury

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Any Loss of Profit Due to Acreage

- “what if” acreage during the period had been at the level it was the year prior?

Operating Income Margin

Capacity Utilization

- Increased over the period
- Level of capacity utilization is determined by olive acreage

Inventories

- 2015-17
 - Flat (measured in tons)
 - Decreased (measured relative to production)
- Look back at Preliminary Phase Staff Report
- 2013-17
 - Decreased (measured in tons)
 - Decreased (measured relative to production)
- Recall Bell Carter 2012 letter
 - “our inventory imbalance has now been corrected”
 - Compare 2012 with current inventory levels

Lost sales and revenue allegations rejected by purchasers

- 1) Customers chose to buy Spanish ripe olives instead of U.S. produced ripe olives, they did so for reasons unrelated to price

“Purchasers identified availability, reliability of supply, product packaging, customer request, and quality as non-price reasons for purchasing imported rather than U.S. produced product.”

- 2) Look at responses and consider the VOLUME purchased
 - Of customers who stated they purchased Spanish ripe olives instead of U.S., [] of the volume were by customers who indicated price was NOT the primary reason

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Threat

- Ripe olive imports from Spain has been falling over the recent past.
 - Compared to the prior year, imports from Spain in 2017 decreased in absolute terms, and as a share of the U.S. market.
 - Supply decision made in Fall for following year
 - 2017 supply decisions determined in Fall 2016

Threat

- The inventory levels of imported Spanish olives were lower at the end of the period.
- The available capacity in Spain is modest, and has never led to import surges in the past and therefore is not likely to lead to surges in the future.
- Markets outside the United States for Spanish olives are growing faster than the U.S. market, creating less of an incentive to ship ripe olives to the U.S. market.



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