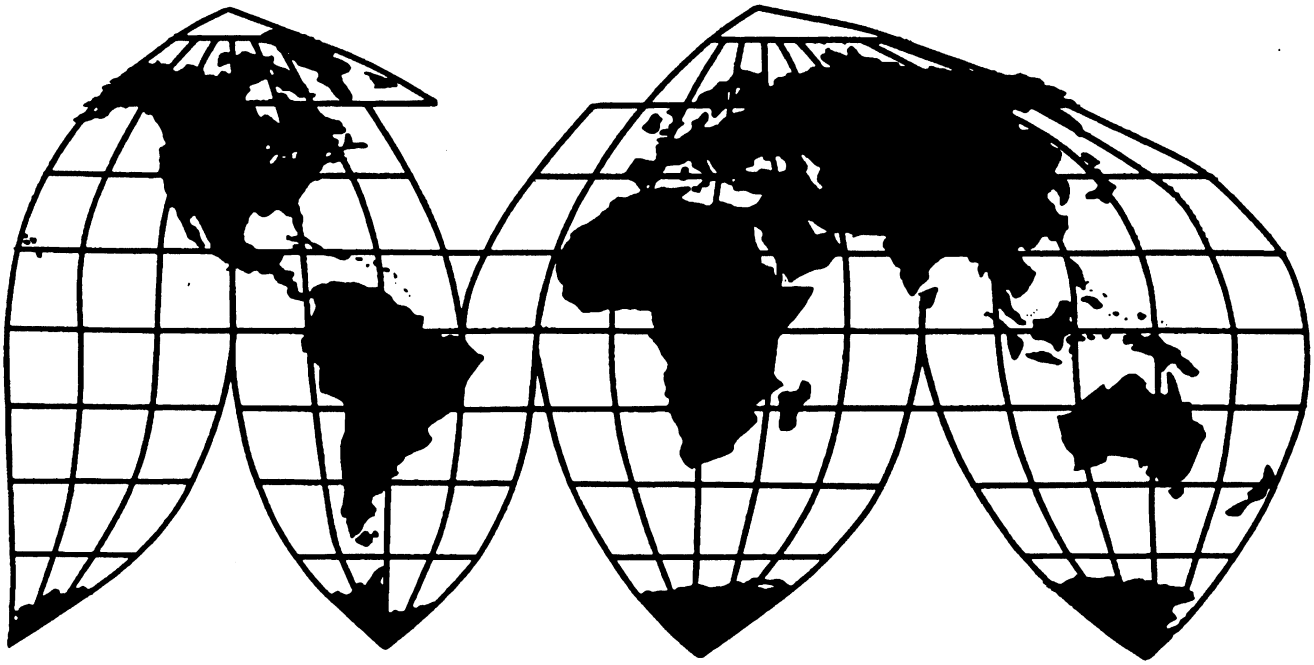
Durum and Hard Red Spring Wheat From Canada

Investigations Nos. 701-TA-430A and 430B
and 731-TA-1019A and 1019B (Preliminary)

Publication 3563 **December 2002**

U.S. International Trade Commission



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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 701-TA-430A and 430B and 731-TA-1019A and 1019B (Preliminary)[1]

DURUM AND HARD RED SPRING WHEAT FROM CANADA

DETERMINATIONS

On the basis of the record[2] developed in the subject investigations, the United States International Trade Commission (Commission) determines,[3] pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a) and 1673b(a)) (the Act), that there is a reasonable indication that industries in the United States are materially injured by reason of imports from Canada of durum and hard red spring wheat, provided for in subheadings 1001.10.00, 1001.90.10, and 1001.90.20 of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized by the Government of Canada and sold in the United States at less than fair value (LTFV).

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from Commerce of affirmative preliminary determinations in the investigations under sections 703(b) and 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) and 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

BACKGROUND

On September 13, 2002, a petition was filed with the Commission and Commerce by the North Dakota Wheat Commission (hard red spring wheat), Bismarck, ND; the Durum Growers Trade Action Committee (durum wheat), Bismarck, ND;[4] and the U.S. Durum Growers Association (durum wheat),

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[1] Subsequent to the Commission's institution of these investigations, the Department of Commerce (Commerce) initiated separate countervailing duty investigations on durum wheat (C-122-846) and hard red spring wheat (C-122-848), and separate antidumping investigations on durum wheat (A-122-845) and hard red spring wheat (A-122-847). For consistency, the Commission is further delineating its investigation numbers for the duration of the investigations as follows: investigations Nos. 701-TA-430A and 731-TA-1019A will cover durum wheat and investigations Nos. 701-TA-430B and 731-TA-1019B will cover hard red spring wheat.

[2] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

[3] Commissioner Stephen Koplan dissenting.

[4] In a petition supplement dated September 24, 2002, the petitioners informed Commerce that, with respect to the petition on durum wheat, the petitioners were replacing the North Dakota Wheat Commission with the Durum

(continued...)

Bismarck, ND, alleging that industries in the United States are materially injured and are threatened with material injury by reason of subsidized and LTFV imports of durum and hard red spring wheat from Canada. Accordingly, effective September 13, 2002, the Commission instituted countervailing duty and antidumping duty investigations Nos. 701-TA-430 and 731-TA-1019 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of September 25, 2002 (67 FR 60256). The conference was held in Washington, DC, on October 4, 2002, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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[4] (...continued)
Growers Trade Action Committee.

VIEWS OF THE COMMISSION

Based on the record in these investigations, we find that there is a reasonable indication that industries in the United States are materially injured by reason of imports of durum wheat and hard red spring wheat from Canada that are alleged to be subsidized and sold in the United States at less than fair value.[1]

The petition in these investigations was filed on September 13, 2002, by the North Dakota Wheat Commission, the Durum Growers Trade Action Committee, and the U.S. Durum Growers Association (collectively "Petitioners").[2] Other participants in these investigations include the Canadian Wheat Board (the "CWB"), a respondent interested party that opposes the petition; and the North American Millers' Association ("NAMA"), an association of purchasers of both the subject imported and domestically produced wheat, which also opposes the petition.

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[3] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[4]

II. DOMESTIC LIKE PRODUCT

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[5] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant domestic industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[6] In turn, the Act defines

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[1] Commissioner Koplan dissenting. See his Dissenting Views. He joins sections I-III, IV.A, and IV.B of these views.

[2] The Durum Growers Trade Action Committee became a petitioner by a supplement to the petition.

[3] 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354-55 (1996). No party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

[4] American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[5] 19 U.S.C. § 1677(4)(A).

[6] Id.

"domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation ... ."[7]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[8] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[9] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[10] Although the Commission must accept the determination of the Department of Commerce ("Commerce") as to the scope of the imported merchandise allegedly sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.[11] The Commission must base its domestic like product determination on the record in these investigations. The Commission is not bound by prior determinations, pertaining even to the same imported products, but may draw upon previous determinations in addressing pertinent like product issues.[12]

B. Product Description

Commerce initiated investigations as to two kinds of imported merchandise. Commerce defined the subject durum wheat as:

> all varieties of durum wheat from Canada. This includes, but is not limited to, a variety commonly referred to as Canada Western Amber Durum. This merchandise is currently classifiable under the following [HTSUS]

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[7] 19 U.S.C. § 1677(10).

[8] See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case' "). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455, n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[9] See, e.g., S. Rep. No. 96-249, at 90-91 (1979).

[10] Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249, at 90-91 (1979) (Congress has indicated that the domestic like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

[11] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single domestic like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission's determination of six domestic like products in investigations where Commerce found five classes or kinds).

[12] See also Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp.2d 1298, 1304-05 (Ct. Int'l Trade 2000); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169, n.5 (Ct. Int'l Trade 1988) (particularly addressing like product determination); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int'l Trade 1988).

subheadings: 1001.10.00.10, 1001.10.00.91, 1001.10.00.92, 1001.10.00.95, 1001.10.00.96 and 1001.10.00.99.[13]

Commerce defined the subject hard red spring wheat as:

> all varieties of hard red spring wheat from Canada. This includes, but is not limited to, varieties commonly referred to as Canada Western Red Spring, Canada Western Extra Strong, and Canada Prairie Spring Red. The merchandise subject to this investigation is currently classifiable under . . . HTSUS subheadings: 1001.90.10.00, 1001.90.20.05, 1001.90.20.11, 1001.90.20.12, 1001.90.20.13, 1001.90.20.14, 1001.90.20.16, 1001.90.20.19, 1001.90.20.21, 1001.90.20.22, 1001.90.20.23, 1001.90.20.24, 1001.90.20.26, 1001.90.20.29, 1001.90.20.35, and 1001.90.20.96.[14]

C. Domestic Like Product

1. Product Description

Wheat is the seed of an annual cereal grass.[15] There are five primary classes of wheat grown in the United States. Hard red winter wheat ("HRW wheat") accounts for 39 percent of domestic wheat production, hard red spring wheat ("HRS wheat") for 24 percent, soft red winter wheat for 20 percent, white wheat (hard and soft) for 12 percent, and durum wheat for 4 percent. A "hard" wheat has a kernel that is high in protein and gluten content. Flour made from hard wheats generally is used to make bread and similar products. A "soft" wheat has a kernel with a relatively low protein content, and it generally is used for making cakes, crackers, biscuits, and pastries. Durum wheat is used to make semolina, which in turn is used to make pasta. White wheats are used to make breakfast cereals, crackers, donuts, layer cakes, and foam cakes.[16] In the preliminary phase of these investigations we must define the domestic like product or products that correspond to the subject durum wheat and the subject HRS wheat.

2. Like Product for Subject Durum Wheat

No party disputed the Petitioners' contention that the domestic like product for the subject durum wheat should include durum wheat only, and should exclude all non-durum wheats. We find that the record supports a like product consisting of only durum wheat. Based on their differing physical characteristics, including their vitreous kernel content,[17] durum and non-durum wheats have distinctly different uses. Durum wheat is milled into semolina, which is used to make pasta.[18] Non-durum wheats are milled into flour, which is milled more finely than semolina, and used to make baked goods such as

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[13] 67 Fed. Reg. 65947, 65948 (Oct. 29, 2002).

[14] 67 Fed. Reg. 65947, 65948 (Oct. 29, 2002).

[15] Preliminary phase staff report, confidential report ("CR") at I-4, and public report ("PR") at I-3. "Spring" wheats are planted in the spring, and harvested in the late summer or early fall. "Winter" wheats are planted in the fall, lie dormant during the winter, and are harvested in the mid- to late summer. CR at I-4, PR at I-3.

[16] CR at I-5 to I-7, PR at I-3 to I-5.

[17] Transcript of October 4, 2002 conference, revised and corrected copy ("Tr.") at 29, 43 (testimony of Neal Fisher, Administrator, North Dakota Wheat Commission).

[18] CR at I-5, PR at I-4.

bread, rolls, cake, and cookies.[19] Although it appears that durum and non-durum wheats are sold through the same or similar channels of distribution, purchasers reported that durum wheat is not interchangeable with non-durum wheats, and they are not blended together.[20]

Durum wheat is riskier to grow than non-durum wheats, and durum wheat traditionally has commanded a higher price, although the premium has diminished or disappeared in recent years.[21] Durum wheat production is concentrated in North Dakota, with smaller amounts in Montana and South Dakota, and still smaller amounts in Arizona and California.[22] Non-durum wheats are produced in much larger areas, including, in addition to areas of durum production, the Central Plains south to Texas, as well as Michigan, New York, and the Pacific Northwest.[23] In those areas of overlap, farmers can switch between the production of durum and some types of non-durum wheat, but switching to durum wheat is considered more difficult than switching to non-durum wheat.[24] Prices for durum wheat were higher than prices for non-durum wheat during most, but not all, of the period examined.[25] [26] On these bases we conclude that the domestic product "like" the subject durum wheat consists of durum wheat only, and excludes all non-durum wheats.

3. Like Product for Subject HRS Wheat

As discussed below, we define HRS wheat as a separate like product that does not include HRW wheat; we note, however, that this is a close issue which we intend to explore further in any final phase investigation. The parties disagree, and the record is more mixed, on the domestic like product corresponding to the subject HRS wheat. Petitioners argue that the domestic like product should include HRS wheat only,[27] whereas the CWB argues that it should include HRW wheat as well as all other non-durum wheats.[28] NAMA provided information relevant to the issue but did not expressly adopt a

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[19] CR at I-5, PR at I-4.

[20] NAMA's October 10, 2002 Postconference Submission at 3; CR at II-14, II-16, PR at II-8, II-10. Non-durum wheat has not been used since the early 1980's to make pasta due to poor results. Tr at 162-63 (Glen Zearfoss, Vice President-Logistics, New World Pasta Co.). Since then, consumers' quality expectations for pasta have risen, such that any current use of non-durum wheat flour in pasta is not acceptable to consumers; such use creates labeling problems as well. Id.

[21] Tr. at 18 (Fisher), 36 (Andrew Wechsler, economic consultant for Petitioners), and 48-49 (Fisher).

[22] Tr. at 91 (Fisher).

[23] Tr. at 91-92 (Fisher).

[24] Tr. at 49 (Fisher). The record in these preliminary investigations does not indicate the extent to which farmers have in fact switched between the production of durum and non-durum wheats. We will further explore this issue in any final phase investigation.

[25] CR and PR at Figure V-3.

[26] Commissioner Bragg notes that the period of investigation ("POI") for these preliminary phase investigations encompasses the 1999/00, 2000/01, and 2001/02 marketing years (also referred to as crop years). The U.S. marketing year for both durum wheat and HRS wheat begins June 1 and ends May 31. CR/PR at Table III-5. As noted below, however, Commissioner Bragg concurs with Petitioners that the Commission's traditional three-year period of data coverage may not offer sufficient perspective and that a longer POI may be necessary in any final phase investigation in order to establish an historical context against which the most recent data may best be compared. See infra n.85.

[27] Petitioners' Postconference Brief at 1-3.

[28] The CWB provided extensive argument in support of including HRW wheat in the domestic like product (CWB's Postconference Brief at 11-21, Tr. at 114-21 (Matthew Yeo, counsel for CWB) but made only passing statements in support of the inclusion of other non-durum wheats (CWB's Postconference Brief at 12 and Tr. at 120

position.[29] Because HRW wheat is more similar to HRS wheat than are other non-durum wheats, our analysis begins with a comparison of HRW wheat and HRS wheat.[30]

a. Physical Characteristics and Uses

Important physical characteristics of harvested wheat include its color, the consistency of the kernel size and quality, protein and gluten content, and the presence of disease-created toxins.[31] The parties addressed most of their argument to the protein and gluten content of the two wheat classes.[32] Commercial contracts frequently specify protein content for wheat and wheat flour, and millers and bakers typically require specific and constant protein levels.[33] Bakers can adjust their equipment and procedures to account for fluctuations, but because the process is time-consuming they prefer a consistent input, year after year.[34]

Although purchasers desire wheat with a protein content that is consistent, the protein content of wheat varies, both within a given crop year but more particularly from year to year.[35] Farmers can influence protein content to some extent, but the primary determinant is weather, because wheat grown in dry conditions has a significantly higher protein content than wheat grown in normal or wet conditions.[36]

Both Petitioners and the CWB agree that the protein content of HRS wheat ranges from 12 to 16 percent, whereas the protein content of HRW wheat ranges from 10 to 14 percent.[37] On average, protein content is 14 percent for HRS wheat and 11.5 percent for HRW wheat.[38] Although separated in protein

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(Yeo)).

[29] E.g., NAMA's Postconference Brief at 1-5.

[30] The record indicates that HRS wheat commonly is blended with HRW wheat. The record does not, however, indicate that HRS wheat commonly is blended with other non-durum wheats. The record indicates also that other non-durum wheats are lower in protein than either HRS wheat or HRW wheat, and that non-durum wheats are used to make different products than are HRS wheat and HRW wheat. CR at I-7, PR at I-5.

[31] Tr. at 150-51 (David Potter, Executive Vice President of American Italian Pasta Company, on behalf of NAMA).

[32] The parties did not clearly distinguish protein from gluten content perhaps because, as one witness testified, the term "gluten" as commonly used is not well-defined. Tr. at 181 (Randy Marten, Vice President, Miller Milling Co.).

[33] CR at I-6, PR at I-4. It was not clear from the record whether such contracts typically call for minimum protein content or a fixed protein content. In any final phase investigation we will seek additional information on this question.

[34] Tr. at 143 (Marten).

[35] CR at I-6, PR at I-4. Record evidence with regard to consistent protein levels is somewhat inconclusive. On the one hand there was evidence that the levels must be consistent. CR at I-6, PR at I-4. On the other hand, it was not clear whether it was acceptable to exceed specified protein levels. In any final phase investigation we will seek additional information on this question.

[36] Tr. at 57-58 (Fisher), 86 (Wechsler), 88 (Fisher), 100 (Wechsler).

[37] Petition at 28, CWB's Postconference Brief at 12.

[38] Petition at 28 and Petitioners' October 15, 2002 responses to supplemental questions at 3. The CWB does not dispute these figures. In addition, see the third and thirteenth pages of Tab 5 to Petitioners' September 24, 2002 responses to supplemental questions, showing a five-year average of 14.4 percent protein content for HRS wheat and 11.8 percent for HRW wheat. The figures from Tab 5 are based on samples taken from wheat for export. The Commission received testimony that the quality of HRS wheat that is exported is approximately the same as the quality of HRS wheat that is sold domestically. Tr. at 64-66 (Jim Peterson, Marketing Director of Petitioner the North Dakota Wheat Commission), 67 (Fisher). In any final phase investigation, the Commission will seek

content by only a few percentage points on average, the difference frequently, but not always, results in either distinct or complementary uses, as discussed below.

About one quarter of HRS wheat and HRW wheat are used in specific baked goods requiring a protein content that is higher or lower than average. Baked goods requiring a high protein content – including yeast breads, multigrain breads, croissants, bagels, frozen dough, and some pizza dough – typically are made with HRS wheat only.[39] Other goods require a relatively low protein content -- including pan breads and Asian noodles -- and typically are made with HRW wheat only.[40]

While about one quarter of HRS wheat and HRW wheat are directed to these distinct uses, the remainder of each is blended together to make flour for use by large bakeries.[41] Even when used in blends, however, it appears that HRW wheat cannot always be substituted one-for-one for HRS wheat due to protein content. Millers blend the higher-protein HRS wheat with the lower-protein HRW wheat to deliver the required consistent protein levels, and adjust the ratio of HRS wheat to HRW wheat from shipment to shipment and from year to year as needed to deliver a product that meets the protein level required under the contract. Therefore, the record suggests that the protein content of HRS wheat can be a distinctive physical characteristic, even where HRS wheat and HRW wheat are blended for the same use.[42] In crop year 2002/03, however, the protein content for HRW wheat may be much higher than the historical average, which would allow many millers to use HRW wheat almost exclusively to deliver a flour protein content that previously could not be attained without a significant HRS wheat content.[43]

There is also, however, evidence that HRW wheat can be substituted for HRS wheat in at least some applications. While HRS wheat is higher than HRW wheat in average protein content, the protein content for each varies within respective ranges that overlap. The record indicates that when HRS wheat and HRW wheat have the same protein content they generally are substitutable.[44] The record indicates that approximately 14 percent of HRW wheat and 20 percent of HRS wheat in the 2001/02 U.S. crop had a 13-percent protein level, but there was little HRW wheat with high protein (14 and 15 percent), and

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additional data on the average protein content of domestically produced HRS wheat and HRW wheat.

[39] Petition at 27; Tr. at 11 (Fisher), 141 (Marten); CR at I-9 n.27, PR at I-6 n.27. The record also contains a conflicting indication, however, that some HRW wheat is used in the production of bagels. NAMA's Postconference Brief at 2.

[40] Petitioners' October 15, 2002 responses to supplemental questions at 7.

[41] NAMA estimates that 75 percent of both HRS wheat and HRW wheat are sold for blending into pan breads, with the remainder devoted to specialty products. NAMA's Postconference Brief at 1.

[42] Additionally, as discussed below (see, infra, section II.C.3.f) HRS wheat tends to be higher priced than HRW wheat. We note, however, that while the parties agreed that HRS wheat generally is higher priced than HRW wheat (Petitioners' Sept. 24, 2002 responses to supplemental questions at 11, CWB's Postconference Brief at 12, 16), certain price series on the record indicated similar pricing. USDA, Economic Research Service, "Wheat: Situation and Outlook Yearbook," March 2002 at 91, 95. In any final phase investigation, we intend to gather additional data on the prices of HRS wheat and HRW wheat. The fact that millers use substantial quantities of HRS wheat, despite the fact that it generally is higher priced than HRW wheat, supports the conclusion that millers cannot fully substitute HRW wheat for HRS wheat. The difference in price suggests that millers do not substitute HRS wheat for HRW wheat, even if it is a technical possibility. Substitution of HRS wheat for HRW wheat generally would result in protein levels higher than specified. As mentioned previously, in any final phase investigation we intend to seek additional information regarding whether such substitution is technically and commercially feasible and, if so, whether it occurred during the period examined.

[43] Tr. at 142, 182 (Marten), NAMA's Postconference Brief at 2.

[44] CR at II-14, II-17; PR at II-8, II-10; Tr. at 116-17 (Yeo), 141-42, 156 (Marten); CWB's Postconference Brief at 18 n.35.

little HRS wheat with low protein (12 percent or less).[45] The record does not establish the extent to which millers seeking higher protein wheat are able to use HRW wheat that is at the high end of its protein range instead of HRS wheat.[46]

The CWB argued that protein content varies along a continuum with no clear dividing line between HRW wheat and HRS wheat. The record indicates an overlap in protein content, but it also indicates that HRW wheat in many instances cannot be substituted for HRS wheat in most years because millers must use HRS wheat in order to fulfill protein content specifications. In any final phase investigation, we will consider any new data on this contention.[47]

b. Interchangeability

It appears that interchangeability is significantly limited for the approximately one quarter of HRS wheat and HRW wheat respectively that are used to make the various high-protein or low-protein products described above. In their primary use in blended flours, however, there appears to be at least moderate technical one-way interchangeability, with HRW wheat substituting for HRS wheat in some instances.[48] As noted above, HRW wheat and HRS wheat with the same protein content generally are interchangeable. As a practical matter, however, there are significant limitations on a miller's ability to substitute HRS wheat for HRW wheat in blending. HRS wheat generally is higher in price, and millers seek the lowest cost grist. Moreover, in most years, except where they overlap in protein, HRW wheat cannot be substituted for the HRS wheat used in blends because the HRS wheat is needed to reach the minimum protein content required by customers for a particular flour.[49] Thus, the extent to which there is meaningful commercial overlap is not clearly established on this record.

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[45] Samples taken from wheat to be exported indicate that in crop year 2001 about 20 percent of HRS wheat had a protein content of 13.0 to 13.9 percent, as did about 14 percent of HRW wheat. Petitioners' September 24, 2002 responses to supplemental questions at the second and twelfth pages of Tab 5. We do not know whether figures for 2001 are representative for other years, particularly crop year 2002/03, when drought conditions were represented to have increased the protein content of both HRS wheat and HRW wheat significantly. It is also unclear whether samples taken from wheat sold for export are an accurate proxy for wheat sold domestically. See also CWB's Postconference Brief at Exhibit 2.

[46] In any final phase investigation, we intend to seek more information on this question.

[47] Petitioners asserted that in addition to differences in the quantity of protein in HRS wheat and HRW wheat, there are also qualitative differences in the protein and gluten of HRS wheat and HRW wheat. Petition at 29, Tr. at 45-46, 60, 104 (Peterson). These qualities impart strength, water absorption, and stability characteristics to the dough made from wheat flour. Id. The CWB asserted that these characteristics have no significance independent of protein content because they fluctuate in tandem with protein content. Petitioners submitted data for the closest available match (HRS wheat of 13.5 percent protein or less and HRW wheat of 12.5 percent protein or more) showing that differences in strength, absorption, and stability persist. Petitioners' October 15, 2002 responses to supplemental questions at 13-14. A miller testified that millers sometimes use HRS wheat in blends in order to obtain better results in these measures. Tr. at 141 (Marten). On the other hand, there appears to be little or no price differential in HRS wheat and HRW wheat with the same protein content. CWB's Postconference Brief at Exhibit 6. Additionally, a miller testified that it used very little HRS wheat in its blends in 2002, because the protein content of HRW wheat was sufficient to meet its needs. That suggests that, at least for this miller, the qualitative differences between HRS wheat and HRW wheat were not significant. Tr. at 141-42 (Marten).

[48] It is unclear whether HRS wheat technically could be substituted for HRW wheat in blends.

[49] Eight of eleven responding purchasers indicated that they blend HRS wheat with lower-protein HRW wheat in order to meet customer requirements. CR at II-17, PR at II-10.

This ambiguity is reflected in responses from producers and customers. A representative of producers stated that HRS wheat and HRW wheat are not substitutable but complementary.[50] Several purchasers indicated that HRW wheat can substitute for HRS wheat in some cases and a miller stated that, when the two classes have the same protein content, similar usage can occur.[51] One miller reported that the addition of HRS wheat improves dough handling, mixing characteristics, and water absorption.[52] When asked if HRS wheat and HRW wheat were comparable for producing flour to be used in baked goods, six of ten millers said yes, but four said no.[53] Although HRS wheat generally is priced higher than HRW wheat, eight of eleven millers said they blend HRS wheat with HRW wheat to increase gluten content.[54] That suggests that HRW wheat was not interchangeable with HRS wheat for the majority of these millers.

c. Channels of Distribution

Typically, wheat from the farm is trucked to a grain elevator, although some farmers truck their wheat directly to an export terminal.[55] From grain elevators, wheat typically is moved on rail cars or barges to domestic mills, feedlots, or export ports.[56] A significant portion of HRS wheat is traded at the Minneapolis Grain Exchange, and it appears that a large portion of HRW wheat is traded at the Kansas City Board of Trade.[57] These parallel channels of distribution are otherwise the same or very similar.[58]

d. Production Processes, Facilities, and Employees

HRS wheat is grown primarily in the Northern Plains: North Dakota (48 percent of production), South Dakota, Montana, Minnesota and Idaho.[59] HRW wheat is grown in the Central Plains in Nebraska, Kansas, Oklahoma, Texas, and Colorado. Several states produce both HRS wheat and HRW wheat, but the overlap is small because southern growers have poor results with spring wheat and northern growers have poor results with winter wheat.[60] HRS wheat is planted in April through May and is harvested in August through September.[61] HRW wheat is planted in September through November and harvested in

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[50] Tr. at 195 (Fisher).

[51] CR at II-13 to II-14, II-17; PR at II-8, II-10.

[52] CR at II-17, PR at II-10.

[53] CR at II-17, PR at II-10.

[54] CR at II-17, PR at II-10.

[55] CR at I-10, II-1; PR at I-7, II-1.

[56] CR at I-10, II-1; PR at I-7, II-1. Between one eighth and one quarter of the annual wheat crop is sold for feed, although, due to lower prices, feed sales are a less important market segment. CR at II-2, PR at II-1. See CR at II-12, PR at II-7 to II-8.

[57] CR at II-1 to II-2, PR at II-1. See CR at I-8 and PR at I-6 and Petitioners' October 15, 2002 responses to supplemental questions at 11.

[58] CR at I-10, PR at I-7.

[59] CR at VI-7, PR at VI-3, Tr. at 91-92 (Fisher), Petitioners' October 15, 2002 response to supplemental questions at 3.

[60] Exhibit 11 to Petitioners' Postconference Brief (map of wheat production by class) CR at I-8, II-4; PR at I-6, II-2 (one type is usually dominant in a given area), Tr. at 91-92 (Fisher).

[61] CR at I-8, PR at I-6; Tr. at 93 (Fisher).

June through July.[62] Accordingly, the farms used to produce HRS wheat and HRW wheat do not overlap to a significant degree.[63] Equipment, labor, and other inputs are roughly similar for all classes of wheat, although fertilizer use varies depending on soil, moisture, and other factors.[64]

e. Producer and Customer Perceptions

A representative of producers testified that HRS wheat and HRW wheat are not substitutable.[65] Customer perceptions, however, are mixed. Some customers regard HRS wheat and HRW wheat to be substitutes if protein levels are the same. Six out of ten millers reported that HRS wheat and HRW wheat are comparable for use in baked goods, but four said they were not comparable. Although HRS wheat is usually higher in price, eight of eleven millers reported that they use HRS wheat to increase gluten content.

f. Price

Prices for HRS wheat and HRW wheat vary according to their protein content and other factors, making comparisons difficult. As a general indication of typical prices, the simple average price for marketing year 2001/02 of HRS wheat (Minneapolis 13 percent protein) and HRW wheat (Kansas City #1 ordinary) were $3.53 and $3.25 per bushel, respectively.[66] Both Petitioners and the CWB agreed (except when protein levels are the same) that prices for HRS wheat usually are higher than for HRW wheat.[67] The CWB contended that the difference disappears for HRS wheat and HRW wheat that have the same protein content, while Petitioners asserted that a small premium remains.[68]

g. Conclusion

On balance, based on the record in these investigations, we find that the domestic like product corresponding to the subject HRS wheat should include HRS wheat only.[69]

HRS wheat is on average higher in protein content than HRW wheat, although the ranges observed overlap. The differences in protein content generally result in distinct or complementary uses for HRS wheat and HRW wheat. One or the other is used exclusively in the production of various products requiring a high or low protein content. When blended together, they appear to be complementary because the higher priced HRS wheat is used to boost protein content to required levels. On the other hand, when HRS wheat and HRW wheat overlap in protein content, they appear largely

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[62] CR at I-8, PR at I-6; Tr. at 93 (Fisher).

[63] The record does not establish whether there is a significant overlap in production employees. In any final phase investigation we will seek information on this question.

[64] CR at II-4, PR at II-2.

[65] Tr. at 194-96 (Fisher).

[66] CR at I-10, PR at I-7.

[67] Petitioners' Sept. 24, 2002 responses to supplemental questions at 11, 18; CWB's Postconference Brief at 16-17 and Tr. at 116 (Yeo).

[68] CWB's Postconference Brief at 16-17 and Tr. at 116 (Yeo) and Petitioners' October 15, 2002 responses to supplemental questions at 9.

[69] The record in the preliminary phase of these investigations does not resolve several important questions relevant to our analysis, and in any final phase investigation we intend to seek additional information as indicated above.

substitutable. There is at least some interchangeability between HRS wheat and HRW wheat, but there are significant limits on interchangeability as well. Differences in price also indicate limits to interchangeability, and in fact, millers use the least amount of HRS wheat required in order to reduce the cost of their grist. Because they generally are produced in different regions, producers are less likely to regard HRS wheat and HRW wheat as substitutes, while customers' perceptions are mixed. Also, due to the generally differing areas in which they are produced, HRS wheat and HRW wheat are sold through different distributors, but other than their location the channels are the same or similar. Prices for HRS wheat are higher than for HRW wheat in most years. Accordingly, we find that the domestic like product corresponding to subject HRS wheat is limited to domestic HRS wheat and should not include HRW wheat.

Because HRW wheat is more similar to HRS wheat than are other non-durum wheats, we also conclude that the domestic like product should not include other non-durum wheats, which are more dissimilar to HRS wheat than HRW wheat.[70]

III. DOMESTIC INDUSTRIES

The domestic industry is defined as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[71] In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[72] We find two domestic industries in these investigations, one consisting of all growers of durum wheat and another consisting of all growers of HRS wheat.

IV. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY SUBSIDIZED AND LESS THAN FAIR VALUE IMPORTS

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[73] [74] In making

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[70] As noted, the record indicates that HRW wheat is commonly blended with HRS wheat, but it does not indicate that other non-durum wheats are commonly blended with HRS wheat. Moreover, other non-durum wheats are lower in protein than either HRS wheat or HRW wheat, and non-durum wheats have different end uses as well. CR at I-7, PR at I-5.

[71] 19 U.S.C. § 1677(4)(A).

[72] See United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

[73] 19 U.S.C. § 1673b(a).

[74] By statute, imports from a subject country corresponding to a domestic like product that account for less than three percent of all such merchandise imported into the United States during the most recent twelve months for which data are available preceding the filing of the petition shall be deemed negligible. 19 U.S.C. § 1677(24)(A)(i)(I). The statute also provides that, even if imports are found to be negligible for purposes of present material injury, they shall not be treated as negligible for purposes of a threat analysis should the Commission determine that there is a potential that imports from the country concerned will imminently account for more than three percent of all such merchandise imported into the United States. 19 U.S.C. § 1677(24)(A)(iv). The Commission is authorized to make "reasonable estimates on the basis of available statistics" of pertinent import levels for purposes of deciding negligibility. 19 U.S.C. § 1677(24)(C); see also Uruguay Round Agreements Act

this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[75] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[76] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[77] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[78]

For the reasons discussed below, we determine that there is a reasonable indication that the domestic industry producing durum wheat is materially injured by reason of subject imports of durum wheat from Canada that are allegedly subsidized and sold at less than fair value. We determine also that there is a reasonable indication that the domestic industry producing HRS wheat is materially injured by reason of subject imports of HRS wheat from Canada that are allegedly subsidized and sold at less than fair value.

A. Information Available in the Preliminary Phase of These Investigations

The statute directs the Commission to make its preliminary determinations of whether there is a reasonable indication that an industry in the United States is materially injured by reason of imports of subject merchandise "based on the information available to it at the time of the determination . . ."[79] The domestic durum and HRS wheat industries are extremely large and collectively comprise tens of thousands of individual producers.[80] Accordingly, forwarding questionnaires to all producers of the domestic like products or developing a sampling methodology was impractical.[81]

In these investigations the Commission has reliable secondary sources for domestic producer data.[82] In addition, the Commission has obtained some information on the domestic industry from associations of producers of the domestic like products. The Commission also obtained data (including

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("URAA") Statement of Administrative Action ("SAA") at 856. By operation of law, a finding of negligibility terminates the Commission's investigations with respect to such imports. 19 U.S.C. § 1673b(a)(1).

Negligibility is not an issue in these investigations because the subject imports from Canada accounted for 95.5 percent of durum imports and 99.9 percent of HRS wheat imports into the United States in marketing year 2001/02, the most recent twelve month period preceding the filing of the petition for which data are available. CR and PR at Tables IV-1 and IV-2.

[75] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[76] 19 U.S.C. § 1677(7)(A).

[77] 19 U.S.C. § 1677(7)(C)(iii).

[78] 19 U.S.C. § 1677(7)(C)(iii).

[79] 19 U.S.C. §§ 1671b(1) & 1673b(1).

[80] According to the 1997 Census of Agriculture, there were 6,887 farms growing durum wheat; and according to Petitioners, there are 40,407 U.S. producers of HRS wheat. CR and PR at III-1 & n.2.

[81] The Court of International Trade (CIT) in Chung Ling acknowledged that it would be "impractical given the time constraints for completing its investigation" for the Commission to attempt to obtain absolute coverage utilizing questionnaires for "an industry comprised of more than 1,000 producers," even in a final investigation. Chung Ling Co. v. United States, 805 F. Supp. 45, 49 (Ct. Int'l Trade 1992).

[82] The Commission staff report cites Commerce statistics, Statistics Canada, and publications by the Commission, USDA, academia, economists, and industry groups.

prices) from purchasers through questionnaires, though official statistics were used for import data. The parties have not suggested an alternative to these sources of data.

B. Conditions of Competition and the Business Cycle

Because many conditions of competition pertain both to the domestic durum wheat and HRS wheat industries, we discuss both in the following section, but indicate various distinctions as well.

1. Period Examined[83]

In the preliminary phase of these investigations we examine data from the three most current marketing years, 1999/00, 2000/01, and 2001/02.[84] In response to Petitioners' request for additional data to provide historical context, the Commission collected some data for the last five marketing years. However, the focus of our analysis is on the three most recent marketing years, for which our data set is most complete. In short, without undertaking a more thorough examination of the longer period we are unable to be confident that conclusions we might draw from information from prior years is accurate and representative. We conclude that reasonable findings can be made regarding the factors we must examine in our analysis based on data from the three most recent marketing years, the period we investigate in the vast majority of Title VII investigations. We do, however, exercise caution in comparing data from one marketing year to another. Conditions in the wheat markets may fluctuate significantly from year to year owing to weather conditions that affect production, supply, product characteristics (such as protein content), and price.[85]

2. Demand and Apparent U.S. Consumption

Approximately three quarters of wheat generally is used to produce food, while the balance is used for seed, feed, and other residual applications.[86] Demand trends for wheat are mixed, as per capita consumption has declined in recent years. Over the past three years, however, food use of durum wheat has increased by 12.7 percent and food use of HRS wheat has increased by 5.4 percent.[87] Durum wheat faces few substitute products in its primary application (pasta), either from other grains or other forms of

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[83] Commissioner Bragg refers to note 26, supra., and note 85, infra.

[84] The wheat marketing year runs from June 1 through May 31. Tr. at 39 (Fisher).

[85] Commissioner Bragg finds that with respect to HRS wheat, the probative value of comparisons of time series data on the preliminary record is, in general, limited because year-to-year fluctuations in weather conditions impact the relative protein content of HRS wheat vis-a-vis HRW wheat, which in turn may impact the demand in the U.S. market for HRS wheat. Thus, for example, the price per bushel of HRS wheat in year 1 may have little relation to the price per bushel in year 2 or year 3. Commissioner Bragg therefore concurs with Petitioners that the Commission's traditional three-year period of data coverage may not offer sufficient perspective and that a longer period of investigation may be necessary in order to establish an historical context against which the most recent data may best be compared. Another option for addressing concerns regarding such comparisons in any final phase investigation may be to construct a price per unit of protein for both subject imports of HRS wheat and the domestic like product in order to permit more complete "apples-to-apples" comparisons over time. In any event, for purposes of these preliminary investigations and with respect to both durum wheat and HRS wheat, Commissioner Bragg has focused primarily on the impact of subject imports during the 2000/01 and 2001/02 marketing years in finding a reasonable indication of present material injury to the domestic industries.

[86] CR at II-12, PR at II-7.

[87] Calculated from CR at II-13, PR at II-8.

wheat. HRS wheat is used in bread, where it faces substitute products in the form of HRW wheat and potentially other grains. Other grains are adequate substitute products for wheat in non-food applications such as animal feed.

Apparent U.S. consumption of both durum wheat and HRS wheat fluctuated but increased irregularly overall over the period examined. For durum wheat, apparent U.S. consumption was 91 million bushels in 1999/00, 81 million bushels in 2000/01, and 94 million bushels in 2001/02.[88] For HRS wheat, apparent U.S. consumption was 297 million bushels in 1999/00, 347 million bushels in 2000/01, and 329 million bushels in 2001/02.[89]

Variations in apparent U.S. consumption do not appear to be a function of changes in price. Farm prices for HRS wheat were relatively stable during the period examined, and thus would not appear to account for a fluctuation in apparent U.S. consumption. Similarly, an increase in the farm price of durum wheat in 2001/02 did not correspond to a decrease in apparent U.S. consumption.[90] Evidence on the record indicates that demand for both durum wheat and HRS wheat is relatively price inelastic.[91]

3. Supply

The domestic market is supplied by domestic production, existing inventories, and subject imports from Canada. The volume of imports from third countries is very small.[92] We discuss the actual volumes of subject durum wheat and HRS wheat imports from Canada in our analyses of volume later in these views.

a. Domestic Production

Production is in part a function of the number of acres of durum wheat and HRS wheat that are harvested. Harvested acreage is in turn influenced by a number of factors. Planted acreage sets a ceiling on harvested acreage. Acreage planted with durum wheat was essentially the same in 1999/00 and 2000/01, at 4.0 and 3.9 million acres respectively.[93] In marketing year 2001/02, however, acres planted with durum wheat fell to 2.9 million.[94] The difference between planted acreage and harvested acreage also varies. For durum wheat, acres planted but not harvested declined from approximately 0.4 million in 1999/2000, to 0.3 million in 2000/01 and to 0.1 million in 2001/02.[95] The decline in the number of planted acres not harvested was not enough to offset the decline in acres planted in 2001/02, however, with the result that acres of durum wheat harvested was the same at 3.6 million in marketing years 1999/00 and 2000/01, but was 2.8 million in 2001/02.[96]

For HRS wheat, acres planted increased from 14.3 million in 1999/00 to 14.4 million in 2000/01 and to 14.8 million in 2001/02.[97] There was also an increase in the number of acres planted but not

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[88] CR and PR at Table IV-5.

[89] CR and PR at Table IV-6.

[90] Compare CR and PR at Figure V-2 with Table IV-5.

[91] CR at II-21 to II-22, PR at II-13 to II-14.

[92] CR and PR at Tables IV-1 and IV-2.

[93] CR and PR at Table III-5.

[94] CR and PR at Table III-5.

[95] CR and PR at Table III-5.

[96] CR and PR at Table III-5.

[97] CR and PR at Table III-5.

harvested. In 1999/2000, there were approximately 0.5 million acres of HRS wheat planted but not harvested, compared to 0.8 million in 2000/01 and 1.0 million in 2001/02.[98] Acres harvested for HRS wheat were essentially stable during the period within a range of 13.6 to 13.8 million.[99] In any final phase investigation we will seek information on what factors account for the differences between planted acreage and harvested acreage for both durum wheat and HRS wheat.

Various factors influence the number of acres planted with durum wheat and HRS wheat. The areas of production of durum and HRS wheat overlap substantially. Some farmers therefore can switch from the production of one to the other, although changing from the production of HRS wheat to durum wheat is considered more difficult than changing from the production of durum to HRS wheat.[100] Switching from the production of durum to HRS wheat or vice versa does not account for all the observed changes, however, because the aggregate acres planted were lower in 2001/02 at 17.7 million acres than in 1999/00 or 2000/01, at 18.3 million acres each. Also competing for plantings are other crops, including soybeans, and oilseeds such as canola and flaxseed. The CWB asserts that acres planted with these crops have increased from 1996 to 2002, thereby displacing durum wheat.[101]

As farmers decide what crops to plant, they must consider various federal programs including production flexibility contract payments, marketing assistance, and crop insurance.[102] [103] Other government programs also have the potential to influence farmers' decisions.[104]

Apart from harvested acreage, production is driven by yield, which in turn is largely a function of weather and disease.[105] For durum wheat, average yields were 27.8 bushels per acre harvested in 1999/00, compared to yields of 30.7 and 30.0 for marketing years 2000/01 and 2001/02 respectively.[106] For HRS wheat, average yields in bushels per acre harvested were 32.5 in 1999/00, compared to 36.9 in 2000/01 and 34.5 in 2001/02.[107] The parties did not, however, argue that these differences were significant to our analyses.[108] [109]

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[98] CR and PR at Table III-5.

[99] CR and PR at Table III-5.

[100] Tr. at 48-49 (Fisher).

[101] CWB's Postconference Brief at 39 & n.73 (citing the NASS Statistical Database).

[102] Wheat Trading Practices: Competitive Conditions Between U.S. and Canadian Wheat, Inv. No. 332-429, USITC Pub. 3465 (Dec. 2001) ("Wheat Trading Practices") at 2-11 to 2-13.

[103] The CWB asserts that changes in the federal Crop Revenue Coverage program significantly affected U.S. acreages planted with durum wheat during the period examined, contending that the extension of CRC coverage to durum wheat in 1999 resulted in more acres planted with durum wheat than in previous years, and that the program's removal in 2001 resulted in fewer acres planted with durum wheat. CWB's Postconference Brief at 34-36. See Wheat Trading Practices at 2-13.

[104] The record does not contain sufficient information to permit us to draw conclusions as to the effects of these programs during the period examined. In any final phase investigation, we will seek further information on their effects on farmers' production decisions.

[105] Fusarium Head Blight or "scab" adversely impacted durum wheat and HRS wheat harvests during the period examined. Scab resulted both in lower production and lower prices due to lower quality. CWB's Postconference Brief at 36-38, 41-42.

[106] CR and PR at Table III-5.

[107] CR and PR at Table III-5.

[108] It was asserted that drought conditions in marketing year 2002/03 lowered the supply of durum and HRS wheat, and resulted in higher protein content for HRW wheat. See Tr. at 35 (Wechsler), 56-57 (Fisher), 142-43 (Marten). Because that marketing year has not yet ended, however, data on the record pertaining to it is limited, and thus our analyses center on the prior three marketing years. Even without additional data, however, we decline the

As a result of the factors discussed above, production of durum wheat was 99.3 million bushels in 1999/00, 109.8 million bushels in 2000/01, and 83.6 million bushels in 2001/02.[110] Because average yields for durum wheat were relatively constant, lower production in 2001/02 is a result of lower acres harvested, which is a result of lower acres planted. Production of HRS wheat was 447.9 million bushels in 1999/00, 502.3 million bushels in 2000/01, and 475.7 million bushels in 2001/02.[111] Because acres harvested varied little for HRS wheat, differences in production were largely a function of changes in average yields.

b. Inventories

In these industries, inventories are also a significant source of domestic supply. Inventories can be held for several years and may influence farmers' price expectations and decisions on which crops to plant and on how many acres.[112] The data available indicate that U.S. producers' ending inventories of durum wheat were 37 million bushels for 1999/00, 46 million bushels for 2000/01, but only 5 million bushels for 2001/02.[113] U.S. producers' ending inventories of HRS wheat also declined, but not to the same extent; such inventories were 187 million bushels for 1999/00, 179 million bushels for 2000/01, and 169 million bushels for 2001/02.[114]

c. Export Sales

In addition to production and inventories, a third major factor that affected the supply of domestically produced durum and HRS wheat in the U.S. market are the volumes of domestic durum or HRS wheat that are exported rather than sold or inventoried domestically. For durum wheat, export shipments accounted for 33 percent of total shipments by the domestic industry in 1999/00, 38 percent in 2000/01, and 35 percent in 2001/02.[115] For HRS wheat, export shipments accounted for an even higher proportion of total shipments for the domestic industry: 47 percent in 1999/00, 43 percent in 2000/01,

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suggestion of the CWB that we treat the drought as a "watershed" event similar to our treatment of section 201 relief in our analysis in Cold-Rolled Steel Products from Australia, India, Japan, Sweden, and Thailand, Inv. No. 731-TA-965, 971-72, 981 (Final), USITC Pub. 3536 (Sept. 2002). Droughts and other extremes in weather conditions commonly affect the production of agricultural products. See Petitioners' Postconference Brief at 36-38. Domestic agricultural producers presumably expect such conditions. Additionally, such occurrences rarely affect the market for an extended period of time, and we find no evidence that the drought conditions mentioned here would be different. See Petitioners' Postconference Brief at 36-38. In short, nothing similar to the fundamental change in market conditions we observed in Cold-Rolled Steel has occurred during the period examined in the present investigations.

[109] Commissioner Bragg notes that she did not treat the imposition of 201 relief as a "watershed" event in the recent cold-rolled steel investigations. See Dissenting Views of Commissioner Lynn M. Bragg in Cold-Rolled Steel Products from Australia, India, Japan, Sweden, and Thailand, Inv. Nos. 731-TA-965, 971-972, 979, and 981 (Final), USITC Pub. 3536 at 57, 72-73 (September 2002). Commissioner Bragg concurs that droughts and other extremes in weather conditions commonly affect the production of agricultural products such as durum wheat and HRS wheat.

[110] CR and PR at Table III-5.

[111] CR and PR at Table III-5.

[112] CR at II-7, PR at II-4 to II-5.

[113] CR and PR at Table C-1.

[114] CR and PR at Table C-2.

[115] CR and PR at Table III-6.

and 44 percent in 2001/02.[116] For both durum and HRS wheat, the quality of volumes exported is approximately the same as the quality of that shipped domestically.[117]

4. The Canadian Wheat Board

An additional condition of competition unique to these industries is the activity of the Canadian Wheat Board. The CWB is the sole exporter of wheat grown in the prairie provinces of Canada, which account for more than 90 percent of Canadian durum and western red spring wheat production.[118] The CWB is the largest seller of wheat in the world, and its sales account for 20 percent of the international market for wheat, and 60 percent of traded durum wheat worldwide.[119] Its status as a quasi-government entity allows it to enter into transactions at reduced risk.[120] For example, it has virtually no acquisition risk when entering into futures contracts because most Canadian producers have no option but to sell through the CWB (except in the less important case of sales of wheat for use as livestock feed).[121] The CWB returns all sales revenues except marketing costs to Canadian farmers in exchange for their wheat.[122] However, the CWB's system for price determination and remuneration is complex.[123] It is alleged on the one hand that the CWB strongly influences prices, and on the other that the CWB follows the prices set at grain exchanges in the United States.[124]

5. Substitutability

a. General

U.S. and Canadian durum wheat are interchangeable, as are U.S. and Canadian HRS wheat. Purchasers agree that U.S. and Canadian durum wheat are used in the same applications and that U.S. and Canadian HRS wheat are used in the same applications, with only 4 of 18 responding purchasers specifically ordering wheat from one country in particular over other possible sources of supply.[125] Most purchasers reported that U.S. and Canadian durum wheat were comparable in terms of primary purchasing factors, as they also did with regard to U.S. and Canadian HRS wheat, although 6 of 13

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[116] CR and PR at Table III-6.

[117] Tr. at 64-66 (Peterson) and 66-67 (Fisher).

[118] CR at II-11, PR at II-7. Farmers in the prairie provinces can market wheat for feed use. In other provinces, farmers or cooperatives can market wheat to any marketing channel. CR at II-11, PR at II-7.

[119] CR at II-12, PR at II-7.

[120] CR at II-12, PR at II-7.

[121] CR at II-11, PR at II-7 and Tr. at 62 (Wechsler).

[122] CR at II-12, PR at II-7.

[123] CR at II-9, PR at II-6.

[124] Tr. at 13 (Fisher), 152 (Potter). See CR at II-9 to II-11, PR at II-5 to II-7. In any final phase investigation, we will seek more information on how the CWB sets prices and the extent to which the CWB influences prices in the U.S. market.

[125] CR at II-19, PR at II-11. Most of the companies with specific preferences appeared to be durum wheat purchasers that favor Canadian quality and/or consistency.

reporting purchasers rated U.S. wheat inferior to Canadian wheat in terms of product consistency, and 4 of 12 in terms of product quality.[126] [127]

b. Price

Purchasers of durum wheat and HRS wheat report that price is one of three primary factors considered in purchasing decisions, along with quality and availability.[128] Durum and HRS wheat are commodity products, classified into five established grades distinguished by quality.[129] There are global markets for durum and HRS wheat and price information is rapidly disseminated throughout these markets.[130]

Information bearing on domestic prices is readily available. With regard to HRS wheat, the Minneapolis Grain Exchange (MGE) reports that acres planted and weather conditions while the crop is in the ground, and export demand and international supply during other times of the year are important determinants of price.[131] For both durum wheat and HRS wheat, daily market quotes from the MGE and the USDA's Agricultural Marketing Service are available online.[132] [133]

Transportation costs are an important factor in the price of wheat. As a percentage of total delivered price, transportation costs averaged 10.7 percent for domestic durum wheat and 7.9 percent for

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[126] CR and PR at Table II-3. All 14 reporting purchasers characterized product quality as a "very important" purchase factor; 13 of 14 reporting purchasers characterized product consistency, along with availability and reliability of supply, as "very important." CR and PR at Table II-2.

[127] The Commission received testimony that, even in comparisons of domestic and Canadian wheat of the same grade, there is both a perception and a reality that Canadian product is more consistent and contains less "dockage" or non-wheat content. Tr. at 152-53, 164-66 (Potter). Based on these differences, at least some purchasers appear willing to pay a premium for Canadian durum and HRS wheat compared to domestic durum and HRS wheat. Tr. at 164-66 (Potter). Despite these alleged differences, with regard to both durum and HRS wheat, Canadian subject imports and the domestic products are, within classes, highly, although not perfectly, interchangeable. CR at II-17 to II-18, PR at II-10. *See also* CR at II-11, PR at II-6 to II-7 ("it is commonly believed that the CWB with its control over marketing and planted varieties is more consistently able to guarantee quality and special characteristics.")

[128] CR and PR at Table II-2.

[129] CR at I-5, PR at I-4.

[130] Tr. at 131-35 (Daniel Sumner, economic witness for the CWB).

[131] CR and PR at V-1.

[132] CR and PR at V-1.

[133] Farmers typically sell to grain elevators. CR at V-4, PR at V-3. The Commission's purchaser information comes largely from wheat millers, rather than elevators. At least one miller, however, operates various grain elevators as part of its business. Tr. at 168 (James Meyer, Executive Vice President, Italgrani, USA, Inc. for NAMA). Purchasers reported that purchase prices frequently were determined by soliciting offers and the use of counteroffers. CR at V-3, PR at V-2. They variously reported making bids based on posted grain elevator prices, prices indicated on exchange futures or flat board prices, and prices indicated at the MGE or the Chicago Board of Trade, as adjusted for transportation costs. CR at V-3, PR at V-2. Purchasers reported making 11.6 percent of wheat purchases on the spot market and 88.4 percent by contract. CR at V-3, PR at V-2. Compared to contracts for the purchase of subject Canadian durum, a greater proportion of contracts for the purchase of domestic durum were for a term of less than 30 days, but there was also a substantial number of contracts for between 30 and 90 days, and over 90 days. CR and PR at Table V-2. Compared to contracts for the purchase of subject Canadian HRS wheat, contracts for the purchase of domestic HRS wheat were more concentrated in those for less than 30 days and in those for more than 90 days, but there was also a substantial number of contracts for between 30 and 90 days. CR and PR at Table V-2.

domestic HRS wheat.[134] For the subject imports, transportation costs account for an average of 7.7 percent of delivered cost in the case of subject imported durum, and 9.6 percent for subject imported HRS wheat.[135] [136]

There is record evidence that other factors affect prices, and that such factors are especially relevant to comparisons of prices for the domestic product and subject imports. The term "protein overdelivery" refers to the practice of supplying wheat with a protein content that is higher than that specified in the contract. Protein overdelivery is common in sales of both subject and domestic HRS wheat, but was more common for sales of wheat imported from Canada.[137] The record does not establish, however, the extent to which protein overdelivery resulted in lower prices for sales of subject imports than if the higher protein content had been included in those contracts.

c. Quality and Availability

Quality and availability are important purchasing factors in addition to price. Compared to HRS wheat, the quality of durum wheat is less a function of protein content, because once a minimum level is achieved, excess protein content has little or no value.[138] The most desireable characteristics for durum are a high vitreous kernel content, a golden color, consistent sizing, and a lack of damage and contamination.[139] There was also testimony that domestic and subject imported durum have complementary characteristics, and that the best pasta is made from a blend of the two.[140]

Pasta makers reported that their customers' quality expectations are very high, and they require high quality durum as an input.[141] They also reported that there is an insufficient supply of high quality domestic durum to meet their needs.[142] Petitioners disagreed, stating that the volume of high quality domestic durum was more than sufficient to meet U.S. millers' needs.[143] Petitioners also argued that only about half of subject durum imports were of high quality, a fact they maintain rebuts the millers' claims that imports of subject durum are driven by the need for a higher quality product.[144] [145]

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[134] CR and PR at Table V-1.

[135] CR and PR at Table V-1.

[136] There are allegations that the subject imports are transported to the United States at preferential rail rates (CR at V-2, PR at V-1), but whether those rates constitute a subsidy is a determination to be made by Commerce.

[137] Wheat Trading Practices at 5-15 to 5-17.

[138] Tr. at 153 (Potter), 197 (Fisher).

[139] Tr. at 29, 43 (Fisher), 150 (Potter).

[140] Tr. at 156 (Potter).

[141] Tr. at 161-63 (John Miller, President, Miller Milling Co.) & (Zearfoss).

[142] Tr. at 147-50 (Potter).

[143] Tr. at 28-29 (Fisher).

[144] Tr. at 28-29 (Fisher).

[145] None of the parties addressed how the substantial exports of durum wheat (addressed above in the discussion of the conditions of competition) were relevant to this question. In any final phase investigation, we will seek more information regarding the supply of high quality durum and how substantial exports by the U.S. industry may affect the supply of the product in the United States.

C. Reasonable Indication of Material Injury to the Domestic Durum Wheat Industry

1. Volume of Subject Imports of Durum Wheat

Section 771(C)(i) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[146]

From 1999/00 to 2000/01, apparent U.S. consumption of durum wheat fell 10.8 percent from 91 million bushels to 81 million bushels.[147] From 2000/01 to 2001/02 apparent U.S. consumption rose 16.5 percent from 81 million bushels to 94 million bushels.[148] Over the entire period, from 1999/00 to 2001/02, apparent U.S. consumption rose 3.9 percent.[149]

Compared to apparent U.S. consumption, the volume of subject imports grew at a faster rate from 2000/01 to 2001/02 and during the period overall. From 1999/00 to 2000/01, the volume of subject durum wheat imports fell 20 percent from 16 million to 13 million bushels.[150] From 2000/01 to 2001/02, however, the volume of subject durum wheat imports rose 54.1 percent from 13 million to 19 million bushels.[151] Over the entire period, the volume of subject imports rose 23.3 percent.[152] The higher rate of increase in subject durum imports compared to apparent U.S. consumption resulted in increased market share. Subject durum imports accounted for 17.3 percent of the domestic market in 1999/00, 15.5 percent in 2000/01, and 20.5 percent in 2001/02.[153]

As subject durum wheat imports increased both absolutely and relative to U.S. consumption, and as apparent U.S. consumption grew, U.S. producers lost U.S. market share, declining from 82.7 percent in 1999/2000 to 78.5 percent in 2001/02.[154]

Based on the record available in these preliminary determinations, we find that the substantial volume of subject imports that is increasing both in absolute terms and relative to consumption in the United States is significant.[155]

2. Price Effects of the Subject Durum Wheat Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

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[146] 19 U.S.C. § 1677(7)(C)(i).

[147] CR and PR at Table C-1.

[148] CR and PR at Table C-1.

[149] Figure derived from staff working paper entitled "Table C-1(*)."

[150] CR and PR at Table C-1.

[151] CR and PR at Table C-1.

[152] Figure derived from CR and PR at Table IV-1.

[153] CR and PR at Table C-1. Import volume relative to domestic production is lower than import volume relative to apparent U.S. consumption, due to the considerable percentage of domestic durum production that is exported. The volume of domestic durum production that is exported increased over the period examined. CR and PR at Table C-1. We intend to examine in any final phase investigation the role of exports in the performance of the domestic industry.

[154] CR and PR at Table IV-9.

[155] CR and PR at Table C-1.

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[156]

As discussed above in regard to the conditions of competition, durum wheat is a commodity product for which price is an important factor in purchasing decisions. Most sales are by contracts of varying duration, but there are sales on the spot market as well. Information is available for prices in the international market and in the United States, although less information is available on durum prices than HRS wheat prices because of the lack of an organized futures market in durum.[157] Demand for durum wheat is relatively price inelastic, such that changes in price do not substantially change demand.

Out of twenty-two available price comparisons, there were no instances of underselling by the subject durum imports.[158] The subject imports oversold the domestic durum by margins ranging from 1.6 to 53.4 percent for No. 1 hard western amber durum and from 3.9 to 14.4 percent for No. 2 hard western amber durum.[159]

Petitioners argue that these price comparisons are invalid because they occur at different levels of trade, and are due to the subtle differences in quality discussed above.[160] Indeed, in a commodity market in which price is an important purchasing factor, we would not ordinarily expect subject imports to oversell the domestic like product consistently. In an effort to evaluate Petitioners' assertion, prices for domestic and imported subject merchandise were compared on a purchaser by purchaser basis, and there was an attempt to account for differences in vitreous kernel content, protein content, and other variables.[161] [162]

The results of that analysis show that prices paid by various purchasers for domestic and subject imported durum wheat were very close. [163] That analysis shows that the margins of overselling may be due at least in part to factors such as differences in levels of trade and quality.[164] That analysis does not, however, indicate that significant underselling occurred but rather that prices were very close.[165] In any final phase investigation, we will seek additional information on this issue, and also on the extent to which, in a commodity market in which prices are published on a daily basis, we should expect prices to be comparable.

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[156] 19 U.S.C. § 1677(7)(C)(ii).

[157] CR at II-2 n.3, PR at II-1 n.3.

[158] CR and PR at Tables V-5 and V-6.

[159] CR and PR at Tables V-5 and V-6.

[160] Petitioners' Postconference Brief at 41. Petitioners note that some firms reporting pricing data may purchase wheat directly from farmers while others may purchase wheat from elevators or the CWB. Id.

[161] CR at D-3 to D-4, D-8 to D-10, PR at D-3, D-5 to D-7.

[162] Commissioner Bragg notes that quarterly data on the record demonstrate predominant underselling of the domestic product by subject durum wheat imports, when differences in the level of protein are accounted for in part. See Petition at Exhibit I-35.

[163] CR at D-8 to D-10, PR at D-5 to D-7.

[164] CR at D-8 to D-10, PR at D-5 to D-7.

[165] CR at D-8 to D-10, PR at D-5 to D-7.

Prices for domestic durum wheat fluctuated during 1999/00 and 2000/01, before rising to higher levels in 2001/02.[166] We do not find that subject imports depressed prices for domestic durum wheat to a significant degree. Record evidence indicates, however, that subject imports may have reduced the amount of price increases in 2001/02 below what would have occurred otherwise.[167] Higher prices were expected considering that domestic production fell from 109.8 million bushels in 2000/01 to 83.6 million bushels in 2001/02, while apparent U.S. consumption rose from 81 million bushels in 2000/01 to 94 million bushels in 2001/02.[168] The volume of subject durum wheat imports increased more than 50 percent from 2000/01 to 2001/02, gaining in market share, while the domestic durum industry experienced higher direct and overhead expenses in 2001/02 than in 2000/01, leading to lower returns.[169] In any final phase investigation, we intend to examine further whether subject durum imports had significant price suppressing or depressing effects.

3. Impact of the Subject Durum Wheat Imports

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.[170] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[171] [172] [173]

We evaluate the condition of the industry based on available public data. Domestic production was sharply lower in 2001/02 at 83.6 million bushels than in 2000/01 at 109.8 million bushels, and lower also than in 1999/00 at 99.3 million bushels.[174] Declines in production were the result of sharply lower

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[166] CR and PR at Figure V-2.

[167] Tr. at 17-18 (Fisher). The closeness in price levels discussed supra is corroborative of price suppression by reason of subject imports.

[168] CR and PR at Table C-1.

[169] CR and PR at Table VI-3. Table VI-3 is based on farmers of durum wheat located in North Dakota only. The data appear to be a reasonable proxy for the entire industry, however, because North Dakota accounts for 73 percent of U.S. durum wheat production. CR at VI-5, PR at VI-3.

[170] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." Id. at 885).

[171] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 and Live Cattle from Canada and Mexico, Invs. Nos. 701-TA-386 and 731-TA-812 to 813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25, n.148.

[172] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its notice of initiation, Commerce reported estimated antidumping margins ranging from 3.2 to 48.2 percent for subject durum wheat imports from Canada. 67 Fed. Reg. 65947, 65950 (Oct. 29, 2002).

[173] Commissioner Bragg notes that she does not ordinarily consider the magnitude of the margin of dumping to be of particular significance in evaluating the effects of subject imports on the domestic producers. See Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996); Anhydrous Sodium Sulfate from Canada, Inv. No. 731-TA-884 (Preliminary), USITC Pub. 3345 (Sept. 2000) at 11, n.63.

[174] CR and PR at Table C-1.

acres harvested, which totaled 2.8 million in 2001/02, compared to 3.6 million in both 1999/00 and 2000/01.[175] As subject imports increased both in volume and U.S. market share over the period, U.S. producers lost market share from 82.7 percent in 1999/2000 to 78.5 percent in 2001/02.[176]

The domestic industry experienced slightly higher direct and overhead expenses per acre in 2001/02 than in 2000/01 for all three types of land tenures: owned, cash rented, and share rented.[177] However, the farmers' net returns (without government payments) dropped more sharply, resulting in losses at the end of the period for cash rented and share rented tenures, and in smaller returns for owned tenures.[178] Net returns with government payments were also lower in 2001/02 than in 2000/01 for all types of land ownership.[179] Despite higher prices in 2001/02 than in the earlier years of the period examined, the industry also experienced gross returns that were lower in 2001/02 than in the previous year for production on cash rented land, and only slightly higher than the previous year for production on land that was owned or share rented.[180] [181]

As required by the Act, we also consider any additional burden on government income or price support programs relating to this agricultural product.[182] On a per acre basis, government payments, including decoupled payments under the Agricultural Market Transition Act and market loss assistance payments, appear to have declined over the period examined.[183] Rising prices during the period

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[175] CR and PR at Table C-1. As indicated in our discussion of the conditions of competition, lower domestic production of durum wheat in 2001/02 is principally the result of lower acreages planted and harvested, not yield per acre. In any final phase investigation we will seek additional information on the extent to which other factors contributed to this decline, including changes in government programs.

[176] CR and PR and Table IV-9.

[177] From 2000/01 to 2001/02, producers on land they owned experienced a per acre increase in total direct and overhead expenses from $95.40 to $99.54; for producers on cash rented land, those per acre expenses increased from $106.07 to $107.29; and, for producers on share rented land, those per acre expenses increased from $74.61 to $78.58. CR and PR at Table VI-3.

[178] From 2000/01 to 2001/02, farmers' average per acre net returns without government payments decreased from $3.21 to $1.09 for owned land, and net losses increased from ($2.83) to ($8.09) for cash rented land, and from ($3.12) to ($5.20) for share rented land. CR and PR at Table VI-3.

[179] From 2000/01 to 2001/02, farmers' average per acre net returns with government payments decreased from $24.00 to $17.16 for owned land, from $18.03 to $8.07 for cash rented land, and from $11.53 to $6.10 for share rented land. CR and PR at Table VI-3.

[180] From 2000/01 to 2001/02, the domestic industry's per acre gross returns rose from $98.61 to $100.62 for owned land, from $71.49 to $73.38 for share rented land, and declined from $103.24 to $99.21 for cash rented land. CR and PR at Table VI-3.

[181] Commissioner Bragg notes that between 2000 and 2001, total and direct overhead expenses for the domestic industry (owned land) increased by $4.14 per acre, while U.S. producers' gross return (which includes both total product return as well as miscellaneous income in such form as crop insurance payments, for example) increased by only $2.01 per acre; similarly, total and direct overhead expenses
for the domestic industry (share rented land) increased by $3.97 per acre, while U.S. producers' gross return increased by only $1.89 per acre; finally, total and direct overhead expenses for the domestic industry (cash rented land) increased by $1.22 per acre, while U.S. producers' gross return actually declined by $4.03 per acre. See CR/PR at Table IV-3. Based upon the foregoing, Commissioner Bragg finds that the record is consistent in indicating that the domestic industry producing durum wheat is experiencing a cost/price squeeze.

[182] 19 U.S.C. § 1677(7)(D).

[183] CR and PR at Table VI-3. Crop revenue insurance payments are indicated not under the "Government payments" lines but rather under the "Miscellaneous income" lines. Loan deficiency payments were subsumed under "total product return." Thus, total government payments are not separately reported in Table VI-3.

examined may have reduced price-triggered government payments.[184] This apparent decline in burden is greater considering that planted acreage of durum wheat declined in the last year of the period examined.

Given the increased volume of and market share held by subject durum imports, evidence suggesting those imports may have had price suppressing effects during a time of rising industry costs, declines in the domestic industry's market share, acres planted and production during a time of increased apparent U.S. consumption, and lower returns, we conclude under the standard applicable to these preliminary investigations[185] that subject imports are having a significant adverse impact on the domestic durum wheat industry. In any final phase investigation, we will seek additional information on why domestic producers have reduced the acreage of durum planted, and other factors that bear on the state of the industry, including relevant shortages, quality concerns, and diseases.

CONCLUSION

For the reasons stated above, we determine that there is a reasonable indication that the domestic industry producing durum wheat is materially injured by reason of subject durum wheat imports from Canada that allegedly are subsidized and sold in the United States at less than fair value.

D. Reasonable Indication of Material Injury to the Domestic HRS Wheat Industry

1. Volume of Subject Imports of HRS Wheat

Section 771(C)(i) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[186]

From 1999/00 to 2000/01, apparent U.S. consumption of HRS wheat rose 16.7 percent from 297 million bushels to 347 million bushels.[187] From 2000/01 to 2001/02 apparent U.S. consumption fell 5.3 percent to 329 million bushels.[188] Over the entire period, from 1999/00 to 2001/02, apparent U.S. consumption rose 10.5 percent.[189]

While apparent U.S. consumption declined from 2000/01 to 2001/02, the volume of subject HRS wheat imports increased. From 1999/00 to 2000/01, the volume of subject HRS wheat imports fell slightly from 50 to 49 million bushels.[190] In 2001/02, however, the volume of subject HRS wheat rose 9.1 percent over the previous year to 54 million bushels.[191] Over the entire period, the volume of subject HRS wheat imports rose 6.4 percent.[192] The increase in the volume of subject HRS wheat imports in 2001/02, a year with lower apparent U.S. consumption than in 2000/01, resulted in increasing market penetration by the subject merchandise. Market share held by subject HRS wheat not only indicated a significant presence in the U.S. market but also increased from 14.1 percent in 2000/01 to 16.3 percent in

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[184] See CR at Figure V-3 and VI-10, PR at Figure V-3 and at VI-7.

[185] American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[186] 19 U.S.C. § 1677(7)(C)(i).

[187] CR and PR at Table C-2.

[188] CR and PR at Table C-2.

[189] Figure derived from staff working paper entitled "Table C-2(*)."

[190] CR and PR at Table C-2.

[191] CR and PR at Table C-2.

[192] Figure derived from CR and PR at Table IV-2.

2001/02.[193] U.S. producers' U.S. market share decreased during this same period, from 85.8 percent in 2000/01 to 83.7 percent in 2001/02.[194]

Based on the record available and the standard we apply in these preliminary determinations, we find a reasonable indication that the volume of subject HRS wheat imports, which have maintained a steady and significant presence in the U.S. market, and the increase in volume, both absolutely and relative to consumption in the United States in the most recent period, are significant.[195]

2. Price Effects of the Subject HRS Wheat Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
>
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[196]

As discussed above in regard to the conditions of competition, HRS wheat is a commodity product for which price is an important factor in purchasing decisions. Most sales are by contracts of varying duration, but there are sales on the spot market as well. Information is readily available for prices in the international market and in the United States. Demand for HRS wheat is relatively price inelastic, such that changes in price do not substantially change demand.

Out of thirty-eight available price comparisons, there was one instance of underselling by the subject HRS wheat imports, in the amount of 1.4 percent.[197] The other 37 comparisons showed price overselling, by margins ranging from 0.2 to 42.7 percent for No. 1 HRS wheat and from 0.7 to 38.6 percent for No. 2 HRS wheat.[198]

As noted previously in our discussion pertaining to durum wheat, Petitioners argue that such overselling is the result of price comparisons that are invalid because they occur at different levels of

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[193] CR and PR at Table C-2. Although subject HRS wheat held a higher market share in 1999/2000, at 16.9 percent, we consider the increase in market share from 14.1 percent in 2000/01 to 16.3 percent in 2001/02 to be important. Market share held by subject HRS wheat fell from 1999/2000 to 2000/01 not due to a significant drop in the volume of subject imports, but instead due to higher apparent U.S. consumption. The increase both in absolute volume and in market penetration from 2000/01 to 2001/02 occurred even as apparent U.S. consumption declined. CR and PR at Table C-2.

[194] CR and PR at Table IV-10.

[195] CR and PR at Table C-2. Import volume relative to domestic production is lower than import volume relative to apparent U.S. consumption, due to the considerable percentage of domestic HRS wheat production that is exported. The volume of domestic HRS wheat production remained relatively constant during the period examined. CR and PR at Table C-2. We intend to examine in any final phase investigation the role of exports in the performance of the domestic industry.

[196] 19 U.S.C. § 1677(7)(C)(ii).

[197] CR and PR at Tables V-3 and V-4. The Commission report incorrectly identifies the overselling to have occurred in a comparison of prices for the sale of durum wheat. CR at V-10, PR at V-7.

[198] CR and PR at Tables V-3 and V-4.

trade, and due to the subtle differences in quality.[199] As also discussed previously, we would not ordinarily expect subject imports to oversell the domestic like product consistently in a commodity market in which price is an important factor in purchasing decisions. As we did with regard to durum wheat, we have attempted to evaluate Petitioners' assertion by comparing prices paid for domestic and imported HRS wheat on a purchaser by purchaser basis, with attempts to account for differences in vitreous kernel content, protein content, and other variables.[200] [201]

The results of that analysis show that prices paid by various purchasers for domestic and subject imported HRS wheat were very close.[202] That analysis appears to show that the margins of overselling may be due at least in part to factors such as differences in levels of trade and other factors. That analysis does not, however, indicate that significant underselling occurred but rather that prices were very close. In any final phase investigation, we will seek additional information on this question, and also the extent to which, in a commodity market in which prices are published on a daily basis, we should expect prices to be comparable.

Prices for domestic HRS wheat fluctuated within a relatively narrow range during the period examined, but were somewhat lower at the end of the period examined than at the beginning.[203] These small price declines occurred even though apparent U.S. consumption increased 10.5 percent over the period examined.[204] Although prices were essentially flat or slightly lower, the domestic HRS wheat industry experienced higher direct and overhead expenses during each successive year of the period examined.[205] Moreover, prices for No. 2 HRS wheat were often higher than prices for No. 1 HRS wheat, contrary to expectations given that No. 1 HRS wheat is higher in quality.[206] The unexpected lower prices for No. 1 HRS wheat may be due to competition with subject imports. While there were substantial volumes of Canadian No. 1 western HRS wheat sold in competition with domestic No. 1 HRS wheat, the volumes of Canadian No. 2 western HRS wheat sold in competition with domestic No. 2 HRS wheat were very small.[207] We intend to examine further whether subject HRS wheat imports had significant price suppressing or depressing effects in any final phase investigation.[208]

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[199] Petitioners' Postconference Brief at 41. Petitioners note that some firms reporting pricing data may purchase wheat directly from farmers while others may purchase wheat from elevators or the CWB. Id.

[200] CR at D-3 to D-8, PR at D-3 to D-5.

[201] Commissioner Bragg notes that quarterly data on the record demonstrate predominant underselling of the domestic product by subject HRS wheat imports, when differences in the level of protein are accounted for in part. See Petition at Exhibit I-34.

[202] CR at D-3 to D-8 and PR at D-3 to D-5.

[203] CR and PR at Figure V-2 and Tables V-3 and V-4.

[204] CR and PR at Table IV-8.

[205] CR and PR at Table VI-4. Table VI-4 is based on farmers of HRS wheat located in North Dakota only. The data appear to be a reasonable proxy for the entire industry, however, because North Dakota accounts for 48 percent of U.S. HRS wheat production. CR at VI-7, PR at VI-3.

[206] CR and PR at Tables V-3 to V-4.

[207] CR and PR at Table V-3 and V-4.

[208] The closeness in price levels discussed supra is corroborative of price suppression by reason of subject imports.

3. Impact of the Subject HRS Wheat Imports

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.[209] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[210] [211] [212]

We evaluate the condition of the industry based on available public data. Domestic production rose from 447.9 million bushels in 1999/2000 to 502.3 million bushels in 2000/01 and then declined to 475.7 million bushels in 2001/02.[213] Because the number of acres harvested fluctuated little over the period examined, variations in production were the result of changes in average yields. As the volume and market share of subject imports increased from 2000/01 to 2001/02, U.S. producers lost market share.

The domestic HRS wheat industry experienced higher gross returns per acre in 2000/01 than in 1999/00, but gross returns fell in 2001/02, for all types of land tenure: owned, cash rented, and share rented.[214] In addition, net returns (without government payments) per acre dropped sharply, resulting in losses at the end of the period for cash rented and share rented tenures, and sharply reduced net returns for cash owned tenures.[215] Net returns per acre including government payments likewise showed losses

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[209] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." Id. at 885).

[210] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 and Live Cattle from Canada and Mexico, Invs. Nos. 701-TA-386 and 731-TA-812 to 813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25, n.148.

[211] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its notice of initiation, Commerce noted that Petitioners estimated antidumping duties on subject HRS wheat ranging from zero to 86.6 percent using price-to-price comparisons based on home market prices and using price-to-price comparisons using third country prices. 67 Fed. Reg. 65947, 65950 (Oct. 29, 2002). Using price-to-constructed value comparisons, Commerce calculated a margin of 13.26 percent. 67 Fed. Reg. 65947, 65950 (Oct. 29, 2002).

[212] Commissioner Bragg notes that she does not ordinarily consider the magnitude of the margin of dumping to be of particular significance in evaluating the effects of subject imports on the domestic producers. See Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996); Anhydrous Sodium Sulfate from Canada, Inv. No. 731-TA-884 (Preliminary), USITC Pub. 3345 (Sept. 2000) at 11, n.63.

[213] CR and PR at Table C-2.

[214] For each successive year of the period examined, per acre gross returns were $96.92, $123.89, and $104.43 for owned land; $98.29, $123.00, and $101.84 for cash rented land; and $66.42, $77.98, and $66.87 for share rented land. CR and PR at Table VI-4.

[215] From 2000/01 to 2001/02, per acre net returns without government payments fell from $26.23 to $0.08 for owned land, from a net return of $9.35 to a net loss of ($18.58) for cash rented land, and from a net return of $1.36 to a net loss of ($15.25) for share rented land. CR and PR at Table VI-4.

in 2001/02 for cash rented and share rented tenures, and reduced returns for owned tenures.[216] As previously noted, the domestic industry experienced slightly higher direct and overhead expenses per acre during each successive year of the period examined, and for all three types of land tenures.[217] However, net returns showed a sharper decline, resulting in the industry's losses.[218]

We also consider any additional burden on government income or price support programs relating to this agricultural product.[219] On a per acre basis, government payments, including decoupled payments under the Agricultural Market Transition Act and market loss assistance payments, apparently declined over the period examined.[220]

Given the significant volume and market share of subject HRS wheat imports, the increases in volume and market share in the most recent period, declines in domestic production and market share, rising industry costs, and declining returns, at least in 2001/02, we conclude that under the standard applicable[221] to these preliminary investigations, subject imports are having a significant adverse impact on the domestic HRS wheat industry. In any final phase investigation, we will seek additional information on other factors that may affect the condition of the industry, including government programs, product quality and availability issues.

CONCLUSION

For the reasons stated above, we determine that there is a reasonable indication that the domestic industry producing HRS wheat is materially injured by reason of subject HRS wheat imports from Canada that are allegedly subsidized and sold in the United States at less than fair value.

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[216] From 2000/01 to 2001/02, per acre net returns with government payments fell from $45.79 to $17.96 for owned land, from a net return of $29.72 to a net loss of ($1.43) for cash rented land, and from a net return of $15.99 to a net loss of ($2.99) for share rented land. CR and PR at Table VI-4.

[217] For the successive years examined, the domestic industry experienced increasing per acre total direct and overhead expenses, from $91.72 to $97.66 and to $104.35 for owned land, from $111.22 to $113.65 and to $120.42 for cash rented land, and from $71.51 to $76.62 and to $82.12 for share rented land. CR and PR at Table VI-4.

[218] Commissioner Bragg notes that between 2000 and 2001, total and direct overhead expenses for the domestic industry (owned land) increased by $6.69 per acre, while U.S. producers' gross return (which includes both total product return as well as miscellaneous income in such form as crop insurance payments, for example) actually declined by $19.46 per acre; similarly, total and direct overhead expenses for the domestic industry (share rented land) increased by $5.50 per acre, while U.S. producers' gross return actually declined by $11.11 per acre; finally, total and direct overhead expenses for the domestic industry (cash rented land) increased by $6.77 per acre, while U.S. producers' gross return actually declined by $21.16 per acre. See CR/PR at Table IV-4. Based upon the foregoing, Commissioner Bragg finds that the record is consistent in indicating that the domestic industry producing HRS wheat is experiencing a cost/price squeeze.

[219] 19 U.S.C. § 1677(7)(D).

[220] CR and PR at Table VI-4, CR at VI-10, PR at VI-7. In Table VI-4, crop revenue insurance payments are indicated not under the "Government payments" lines but rather under the "Miscellaneous income" lines. Loan deficiency payments were subsumed under "total product return." Thus, total government payments are not separately reported in Table VI-4.

[221] American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

DISSENTING VIEWS OF COMMISSIONER STEPHEN KOPLAN

On the basis of the record developed in the subject investigations, I determine that the industries in the United States producing durum wheat and hard red spring wheat are not materially injured nor threatened with material injury by reason of imports of durum wheat and hard red spring wheat from Canada that are alleged to be subsidized by the Government of Canada and sold in the United States at less than fair value.

LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard in preliminary antidumping and countervailing duty investigations requires the Commission to find, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[1] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of material injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[2] For the reasons stated below, I find that the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury to the domestic industries, and no likelihood exists that contrary evidence will arise in any final investigations.

I concur with the Commission's findings with respect to the domestic like product, the domestic industry, and conditions of competition, unless otherwise noted. However, for the reasons discussed below, I dissent from the Commission's determinations that there is a reasonable indication that the durum wheat and the hard red spring wheat industries in the United States are materially injured by reason of the subject imports.

NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LESS THAN FAIR VALUE IMPORTS

As noted above, in the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation. In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[3] The statute defines "material injury" as harm which is not inconsequential, immaterial, or unimportant.[4] In assessing whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of the subject imports, the Commission considers all relevant economic factors that bear on the state of the industry in

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[1] 19 U.S.C. Section 1671b(a), 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-1004 (Fed Cir. 1986); Artistech Chemical Corp. v. United States, 20 CIT 353, 354 (1996).

[2] American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3rd 1535, 1543 (Fed Cir. 1994).

[3] 19 U.S.C. Section 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor...[a]nd explain in full its relevance to the determination." 19 U.S.C. Section 1677(7)(B). See also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[4] 19 U.S.C. Section 1677(7)(A).

the United States.[5] No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[6]

For the following reasons, I determine that there is no reasonable indication that the domestic industries in these investigations are materially injured or threatened with material injury by reason of the subject imports that are allegedly subsidized by the Government of Canada and sold in the United States at less than fair value. For ease of analysis, whenever appropriate, I will combine my discussion of the durum wheat and hard red spring wheat industries generally followed by my specific material injury and threat of material injury analysis of the durum industry and that of the hard red spring wheat industry.

VOLUME OF SUBJECT IMPORTS

The Tariff Act of 1930 as amended (Act) provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant."[7]

Durum

The volume of subject imports of durum wheat was 15.6 million bushels in 1999/00, 12.5 million bushels in 2000/01 and 19.3 million bushels in 2001/02.[8] Over the three-year period of investigation (POI), these subject imports increased by 23.3 percent.[9] Apparent consumption in the U.S. increased by 3.9 percent over the period, decreasing from 91 million bushels in 1999/00, to 81 million bushels in 2000/01, and then increasing to 94 million bushels in 2001/02. The subject imports' share of domestic consumption decreased from 17.3 percent in 1999/00 to 15.5 percent in 2000/01, and then increased to 20.5 percent in 2001/02, an increase of 3.2 percentage points over the POI.[10]

While the volume of subject imports of durum wheat increased between marketing years 2000/01 and 2001/02, I do not find this increase to be significant. Importantly, between 2000/01 and 2001/02, the number of acres of durum wheat planted by U.S. producers fell by 26.1 percent, from 3.9 million acres to 2.9 million acres, and the U.S. producers' production declined by 23.9 percent from 109.8 million bushels to 83.6 million bushels.[11] Although U.S. producers' U.S. shipments increased by 8.8 percent between these two years, they drew down their inventories by 89.1 percent.[12] I also note that U.S. producers' exports increased by 11.1 percent over the POI.[13]

I find the principal cause of the decline in the number of acres of durum wheat planted, as well as the decline in production and inventories, to be the result of the USDA's decision to drop Crop Revenue Coverage (CRC) for durum wheat in 2001. Under the Federal Crop Insurance Program, farmers can purchase yield insurance or crop revenue insurance through private companies at 40-50 percent of the total cost, and the remainder is paid by the U.S. government. One study estimates that in 1999, 3.3

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[5] 19 U.S.C. Section 1677(7)(C)(iii).

[6] Id.

[7] 19 U.S.C. Section 1677(7)(C)(i).

[8] CR and PR at Table IV-1.

[9] CR and PR at Table C-1.

[10] Id.

[11] Id.

[12] Id.

[13] Id.

million acres of durum wheat were covered by this program.[14] In 1999, U.S. durum wheat production increased as guaranteed higher durum wheat prices under CRC induced increased planting in North Dakota. However, in 2001, the USDA dropped CRC coverage for durum wheat because of the government's difficulty in determining an accurate durum wheat price for the program.[15] Thus, I find the domestic producers' loss in market share between 2000/01 and 2001/02 is principally the result of the producers' responses to a change in the CRC U.S. government support program and not as a result of the presence of subject imports.

Additionally, I find several other factors, such as the impact of disease and trends in favor of planting other crops, which had nothing to do with the subject imports, and contributed importantly to the shift away from durum wheat planting during the POI. Respondent, in examining the decline in durum wheat acreage in 2001, cited a USDA report that suggested/concluded that in addition to removal of incentives provided by the CRC program, concerns about Fusarium Head Blight (FHB) or scab problems, "which ravaged the durum crop across a wide area last year–further dampened incentives" {to plant durum}.[16]

I note that domestic durum and hard red spring wheat farmers, like all growers, must take several factors into consideration when deciding whether to maintain or reduce acreage of wheat in a given year based on expected future returns and subject to the limitations of climate and soil.[17] In addition to these traditional factors, exacerbated by the loss of insurance initiatives and the apparent increased risk from disease, during the POI, I find that durum wheat farmers shifted toward other crops such as soybeans, canola and flaxseed because these offered promising, renumerative alternatives to planting the same or additional acres of durum. The parties acknowledge that switching crops is fairly easy, and as the respondent noted, while durum plantings in North Dakota have declined, soybean plantings have increased from 850,000 acres in 1996 to a projected 2.45 million acres in 2002, whereas canola has increased from 800,000 acres in 1998 to a projected 1.35 million acres in 2002, and flaxseed has increased tenfold, from 80,000 acres in 1996 to a projected 800,000 acres in 2002.[18] I find this has occurred because these crops offer stronger financial incentives including better prices and lower risk. I do not find that the change in volume of the subject imports was large enough to have caused the large change in domestic production. This is particularly true because farmers reduced their acres planted before the increase in the volume of subject imports occurred in 2001 and 2002.

In the context of these conditions of competition, and importantly the absence of significant negative price effects discussed below, I find the volume of subject imports, and the increase in that volume (particularly the increase in 2001/02) is not significant.

Hard Red Spring

The volume of subject imports of hard red spring wheat from Canada was 50.4 million bushels in marketing year 1999/00, 49.1 million bushels in 2000/01, and 53.6 million bushels in 2001/02.[19] Thus,

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[14] Respondent's Post Conference Brief of October 10, 2002 at 35, citing Monte L. Vandeveer and C. Edwin Young, " The Effects of the Federal Crop Insurance Program on Wheat Coverage," USDA/ERS, *Wheat Yearbook* 2001(March 2001).

[15] CR at II-6, PR at II-4.

[16] Respondent's Post Conference Brief of October 10, 2002 at 36, citing USDA/ERS *Agricultural Outlook* (April 18, 2002) at 13.

[17] CR at II-3.

[18] Respondent's Post Conference Brief (October 10, 2002) at 39.

[19] CR and PR at Table IV-2.

over the POI, subject imports of hard red spring wheat increased by 6.4 percent.[20] Apparent consumption of hard red spring wheat in the U.S. increased by 10.5 percent over the POI, increasing from 297 million bushels in 1999/00 to 347 million bushels in 2000/01, before decreasing to 329 million bushels in 2001/02.[21] Although subject imports of hard red spring wheat increased over the POI, domestic apparent consumption increased by a larger amount, causing the share of the U.S. market accounted for by subject imports to decrease by 0.6 percentage points.[22] Subject imports of hard red spring wheat accounted for 16.9 percent of U.S. apparent consumption in 1999/00, 14.1 percent in 2000/01, and 16.3 percent in 2001/02.[23]

Coincident with the increase in subject imports over the period, U.S. producers increased the number of acres of hard red spring wheat planted by 3.5 percent, increased production by 6.2 percent, and increased U.S. shipments by 11.3 percent.[24]

In the context of the conditions of competition, including U.S. government farm support programs, the increasing U.S. production, shipments, and market share, and importantly, the absence of significant negative price effects discussed below, I find the volume of subject imports, and the increase in that volume, is not significant.

THE EFFECT OF SUBJECT IMPORTS ON DOMESTIC PRICES

> The Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether,
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> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
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> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[25]

The Commission requested U.S. purchasers and importers of durum and hard red spring wheat to provide monthly price data for certain products that were purchased between June 1999 and May 2002.[26] Eleven U.S. purchasers or importers provided usable pricing data for purchases of hard red spring wheat, and eight firms provided data for durum wheat.[27] The Commission supplemented its questionnaire price data with public price data collected by USDA. I find the price data collected by the Commission is the best data currently, and likely to be, available.

Durum

The price data collected by the Commission evidences no underselling by the imported merchandise as compared with the price of the domestic durum wheat. In fact, in each instance the

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[20] CR and PR at Table C-2.

[21] Id.

[22] Id.

[23] Id.

[24] Id.

[25] 19 U.S.C. Section 1677(7)(C)(ii).

[26] CR at V-8, PR at V-6.

[27] CR at V-9, PR at V-7.

subject import price exceeds the price of the domestic like product. Out of the 22 comparisons of monthly weighted average net contract prices of U.S. hard amber durum and Canadian western amber durum wheat, there was not a single instance of Canadian wheat underselling the U.S. product.[28] The margins of overselling by the subject imports ranged between 1.6 percent and 53.4 percent.[29]

The public data mirror the Commission data and show that the monthly prices of durum wheat generally increased over the POI, were at their lowest point in mid to late 1999 and then generally increased and reached their highest levels by the end of the POI.[30]

Given the lack of underselling by the subject imports, the increasing prices of durum wheat over the POI, and the global nature of competition for wheat, I find no evidence that the subject imports have depressed or suppressed prices of this domestic like product to a significant degree.

Hard Red Spring

The price data for hard red spring wheat collected by the Commission follows a similar pattern to that of durum wheat and evidences no significant underselling by the imported merchandise as compared with the price of the domestic like product.[31] In 38 comparisons of monthly weighted average net contract prices of U.S. hard red spring wheat and Canadian western red spring wheat, there was only one instance of Canadian wheat underselling the U.S. product.[32] The margin of underselling in that one instance was only 1.4 percent. The margins of overselling by the subject imports in the other 37 price comparisons ranged between 0.2 and 42.7 percent.[33]

The public data contained in the Staff Report can not be used to compare prices of U.S. and Canadian wheat in head to head competition. However, they supplement importantly the Commission's data by showing the trends in prices and confirm that the Commission's data are representative of the market prices. The public data mirror the Commission's data and show that the monthly prices of hard red spring wheat fluctuated over the POI, reaching their lowest point in August 2000, increasing in early 2001, and then softening into early 2002.[34] However, prices increased significantly in July 2002, reaching their highest level of the POI.[35]

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[28] CR and PR at Tables V-5 and V-6.

[29] Id.

[30] CR and PR at Figures V-2 and V-3, and Tables V-5 and V-6.

[31] Petitioners allege that the level of trade and lack of transportation data limit the usefulness of the pricing data and that the Canadian Wheat Board is a price leader in the U.S. market. Petitioners' Postconference Brief at 43-45. The Commission's price data in these investigations contain information on attributes, such as dockage, test weight, vitreous kernel count, protein level, and transportation costs. A statistical analysis of this data was completed by Staff and is reported in Appendix D of the Staff Report. Controlling for these various factors did not change the results observed in the raw price data. CR at D-8, PR at D-5. In other words, taking into account these various factors did not result in evidence of underselling by the imported Canadian hard red spring wheat.

[32] CR at Tables V-3 and V-4.

[33] Id.

[34] Compare CR at Figure V-2 at V-5 and Figure V-3 at V-6 with CR at Table V-3 at V-12 and Table V-4 at V-13.

[35] CR and PR at Figures V-2 and V-3. Figure V-2 reports farm prices of hard red spring wheat, by month, between June 1997 and July 2002. Figure V-3 reports monthly cash prices from the Minneapolis Grain Exchange for No. 1 hard red spring wheat with 13 percent protein, and No. 1 hard red spring wheat with 15 percent protein between June 1997 and February 2002. While Figure V-2 presents an average price of all hard red spring, and Figure V-3 presents price data for more specific products, the trends in the two figures are the same. Since only Figure V-2 presents data for March through July 2002, the recent increase in prices is only evidenced in that figure.

Wheat is traded worldwide, and the United States and Canada are both major exporters of wheat to third countries.[36] Figure V-4 of the Staff Report shows the prices of U.S. hard red spring wheat with 14 percent protein at Rotterdam and prices of Canadian western red spring wheat with 13.5 percent protein at St. Lawrence. The price trends of these two products mirror the prices of U.S. hard red spring wheat reported in Figures V-2 and V-3, evidencing that wheat prices are transmitted from country to country.[37] Many factors across the world impact the price of hard red spring wheat. The Minneapolis Grain Exchange reports that the number of acres planted, the weather, and other crop news drive the market from April to September while the crop is in the ground, and that export demand and international supply are important during other times of the year.[38] The USDA reports wheat production worldwide and the impact on prices.[39] Certainly, the supply and demand of wheat on the world market has a strong influence on the prices of wheat in the U.S. market.

At the end of the POI, given the lack of underselling by the subject imports, the fluctuating and increasing prices of hard red spring wheat, and the global nature of competition for wheat, I find no evidence that the subject imports have depressed or suppressed prices of this domestic like product to a significant degree.

THE IMPACT OF SUBJECT IMPORTS ON THE DOMESTIC INDUSTRY

In examining the impact of the subject imports on the domestic industry, the Commission considers all relevant economic factors that bear on the state of the industry in the United States.[40] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[41]

Durum

As discussed earlier, the Commission did not, and it appears that it will not, collect data from individual producers of durum wheat, and therefore it did not, and will not, collect the type of financial data it typically collects in Title VII investigations. I concurred with the majority of the Commission in recognizing that attempts to collect such data in any final investigations is not feasible. The public data reported in the Staff Report for durum wheat show that the net return to durum farmers was small or negative over the POI.[42] The record also shows that acres planted decreased by 27.9 percent, production

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[36] "Over the past 5 years, the United States was the leading world wheat exporter, with its share of world exports averaging about 27 percent annually. Canada was the second leading wheat exporter with an average 17-percent share during the period." *Wheat Trading Practices: Competitive Conditions Between U.S. and Canadian Wheat*, USITC Publication 3465 (December 2001).

[37] CR at V-7, PR at V-5.

[38] CR at V-1, PR at V-1.

[39] See, e.g., *Wheat Outlook: Droughts are Having Major Impacts on U.S. Wheat Sector.* USDA, WAS-0902, September 16, 2002.

[40] 19 U.S.C. Section 1677(7)(C)(iii). See also Statement of Administrative Action (SSA) at 851 and 855.

[41] Id., and Live Cattle from Canada Mexico, Inv. Nos. 701-TA-386 and 731-TA-812-813, (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25, n.148.

[42] CR and PR at Table VI-3.

decreased by 15.9 percent, and U.S. shipments decreased by 1.3 percent.[43] However, as discussed above, I find that these declines in acres planted, production, and shipments were caused primarily by changes in the government support program for durum wheat producers.

While the domestic producers may be currently experiencing financial injury, because I find that the volume of subject imports was not significant and that the subject imports did not suppress or depress domestic prices during the POI to any significant degree, I determine that subject imports did not materially injure the domestic industry producing durum wheat.

Hard Red Spring

As with durum, the Commission did not collect financial data from the producers of hard red spring wheat. Again, I concurred with the Commission in finding that it is not feasible to collect such data in any final investigations. The Staff Report contains limited public data concerning the financial condition of the domestic producers, and this data shows that the domestic producers' net returns are small or are losses.[44]

However, while the financial condition of the domestic producers is not strong, other data collected by the Commission show that several impact factors improved over the period of investigation. U.S. producers' share of domestic apparent consumption remained at or above 83.1 percent over the POI, and was slightly higher in 2001/02 compared to 1999/00.[45] Over the period, the number of acres of hard red spring wheat planted increased by 3.5 percent, production increased by 6.2 percent, ending inventories decreased by 9.6 percent, and U.S. shipments increased by 11.3 percent.[46]

While the domestic producers may be currently experiencing financial injury, because I find that the volume of subject imports was not significant and that the subject imports did not suppress or depress domestic prices during the POI to any significant degree, I determine that subject imports did not materially injure the domestic industry producing hard red spring wheat.

Therefore, based on the record in these investigations, I find that there is no reasonable indication that an industry in the United States that is the subject of these investigations is materially injured by reason of the imports of durum wheat or hard red spring wheat from Canada that are alleged to be subsided by the Government of Canada and sold in the United States at less than fair value.

NO REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF THE IMPORTS THAT ARE ALLEGED TO BE SUBSIDIZED BY THE GOVERNMENT OF CANADA AND SOLD IN THE UNITED STATES AT LESS THAN FAIR VALUE

The Act directs the Commission to determine whether a domestic industry or industries are threatened with material injury by reason of the subject imports by analyzing whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."[47] The Commission may not make such a determination 'on the basis of mere conjecture or supposition' and considers the threat factors 'as a

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[43] CR and PR at Table C-1.

[44] CR and PR at Table VI-4.

[45] CR and PR at Table C-2.

[46] Id.

[47] 19 U.S.C. Section 1673b(a) and 1677(7)(F)(ii).

whole'.[48] In making my decision I have considered all factors relevant to these investigations. Based on an evaluation of the statutory factors, I find that there is no reasonable indication that either of the industries in the United States that are the subject of these investigations are threatened with material injury by reason of imports of durum wheat and hard red spring wheat from Canada that are alleged to be subsidized by the Government of Canada and sold in the United States at less than fair value. While I find that the domestic industries are in a somewhat weakened condition, I do not find them to be vulnerable. Specifically, and for the following reasons, I do not find that further dumped and subsidized imports from Canada are imminent or that material injury by reason of the subject imports of durum wheat or hard red spring wheat from Canada will occur unless an order is issued or a suspension agreement is accepted.

First, I find no evidence that Canadian wheat crops are forecast to increase in the forthcoming crop year. Moreover, it is clear from the evidence in this case that the weather has had a major impact on reducing supplies of both subject products in Canada for 2002/2003 production. The National Agricultural Statistics Service has recently reported that projected wheat imports have been reduced substantially because of drought in Canada. USDA estimates that imports (2002/2003) of hard red spring wheat were reduced by between 27 million to 35 million bushels, the smallest level of hard red spring imports since the 1995/1996 market year.[49] They further note that wheat production in Canada has been slashed to the lowest level in over 25 years and that significant wheat areas have been harvested for hay instead of grain. "Recently, excessive rains have delayed harvest and reduced quality."[50] The Canadian projections for export shipments of durum wheat to the U.S. for 2002/2003 are substantially below shipments for 2001/2002, while internal consumption and shipments to other markets are expected to increase.[51] There are no projections for hard red spring wheat, but Canadian production had declined steadily over the POI, while exports to the U.S. have remained steady or declined slightly.[52]

As discussed above, I do not find that subject imports are entering the market at prices that are likely to depress or suppress domestic prices to any significant degree. Further, I find the subject imports were selling at prices higher than the domestic like products. It is equally clear that average prices being received by farmers in 2002/2003 for both durum wheat and hard red spring wheat are higher than at any period during the POI.[53] Therefore, subject imports are not entering the U.S. at prices that are likely to have a significant depressing or suppressing effect on domestic prices, or to increase demand for Canadian durum and hard red wheat.

Inventories for Canadian durum wheat are down substantially in the 2001/2002 crop year and are projected to decrease further in 2002/2003.[54]

As I discussed above, the volume of subject imports is not significant. While the quantity of hard red spring wheat increased over the POI, the share of the market accounted for by these subject

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[48] 19 U.S.C. Section 1677(7(F)(ii). An affirmative threat determination must be based upon positive evidence tending to show an intention to increase the levels of importation. Metallverken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990), citing American Spring Wire Corp. v. United States, 690 F. Supp. 1273, 1280 (Ct. Int'l Trade 1984). See also Calabrian Corp. v. United States, 794 F. Supp. 377, 387-88 (Ct. Int'l Trade 1992) citing H.R. Rep. No. 98-1156 at 174 (1984).

[49] USDA, Economic Research Service, *Wheat Outlook* /WHS-0902, September 16, 2002 at 2.

[50] Id., at 4.

[51] CR Table VII-1, PR Table at VII-1.

[52] CR Table VII-2, PR Table at VII-2.

[53] CR at Figure V-2 at V-5.

[54] CR Table VII-1 and VII-2.

imports decreased by 0.6 percentage points.[55] Thus, there has not been an increase in the market penetration of subject imports of hard red spring wheat that would indicate the likelihood of substantially increased imports. Imports of durum wheat did increase at the end of the POI, but as discussed above, this increase occurred as U.S. producers dramatically decreased the number of acres planted. Given the projections of acreage planted and production in Canada for 2002/2003, I find it unlikely that there will be substantially increased imports of durum wheat, and given the demand for these agricultural products, I do not see evidence of likely product shifting.

I find no other evidence that competitive conditions will change in this market to such a degree that subject imports will increase significantly in the imminent future or that they will have an adverse effect on domestic prices.[56] Consequently, I conclude that the domestic industries producing durum wheat and hard red spring wheat are not threatened by the subject imports from Canada.

Finally, while I note that the Commission indicated in its opinion that it intends to collect some additional information, I note that the parties and the Commission rely almost entirely on publicly available data, primarily from the United States Department of Agriculture (USDA) and the U.S. Department of Commerce.[57] Also, the Commission has collected additional data from responses to purchasers' questionnaires, and from the Canadian Wheat Board regarding the purchases of durum and hard red spring wheat and the wheat industry in Canada. The coverage for purchasers is generally good for several products.[58] Additionally, the Canadian Wheat Board has been cooperative, and to the extent possible, has provided all the information requested by the Commission staff to date in these investigations.

The last time the USDA published its agricultural census, it reported that there were approximately 46,300 spring wheat farms in the United States. (*1997 Agricultural Census of Agriculture*, Vol. 5, part 51, table 26).[59] According to the Canadian Wheat Board, for the marketing year 2001/02 there were 58,788 permit holders who indicated they planned to grow hard red spring wheat and an additional 16,368 permit holders who stated they planned to grow durum wheat.[60] Therefore, I find that the methodology undertaken in these investigations was the only practical way to obtain data that are

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[55] CR at Table C-2.

[56] I have considered, pursuant to 19 U.S.C. Sections 1677(7)(F)(i)(VIII) and (IX), whether there are any actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and whether any other demonstrable adverse trends indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time), and determined that these provisions are not applicable to my threat analysis.

[57] In an effort to determine whether there were any additional sources of employment data, petitioners' were asked at the Staff Conference for the source used to gather data regarding U.S. employment and labor. Mr. Neal Fisher, Administrator of the North Dakota Wheat Commission, indicated that the information came from USDA data that reflected income levels, cost of labor, capital and land. When asked if any other data were collected by the North Dakota Wheat Commission, the witness indicated that they typically do not. Staff Conference Tr. 40-41. In their Supplemental Submission of Answers to Questions following the Conference, petitioners indicated that they have not been able to locate any other data sources regarding wheat employment data other than the USDA data sources cited. "The North Dakota State University did conduct a producer survey in 1995, but that data is clearly dated. Calls to other agricultural statistical services indicates that such data is not being currently collected." Petitioners' Responses to Questions from Commission's Staff Conference, (October 10, 2002) at 2.

[58] CR at V-9, PR at V- 7.

[59] See, *Wheat Trading Practices: Competitive Conditions Between U.S. and Canadian Wheat*, USITC Publication 3465 (December 2001).

[60] CR at VII-1, PR at VII-1.

reliable and representative for these producers, importers, and purchasers of the like products in these investigations. No one has offered any alternative source of data. I concur with the Commission that it would be impractical to attempt to obtain a sampling of additional data from the many thousands of individual domestic producers.

CONCLUSION

Therefore, for the above stated reasons, I find that the record as a whole contains clear and convincing evidence that there is no reasonable indication of material injury or threat of material injury to the domestic industries in these subject investigations by reason of the imports of durum wheat and hard red spring wheat from Canada that are alleged to be subsidized by the Government of Canada and sold in the United States at less than fair value, and that there is no likelihood that contrary evidence will be available in any final investigations.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed by counsel on behalf of the North Dakota Wheat Commission (hard red spring wheat), Bismarck, ND; the Durum Growers Trade Action Committee (durum wheat), Bismarck, ND; and the U.S. Durum Growers Association (durum wheat), Bismarck, ND on September 13, 2002, alleging that industries in the United States are materially injured and threatened with material injury by reason of subsidized and less-than-fair-value (LTFV) imports of durum and hard red spring wheat[1] from Canada. Information relating to the background of the investigations is provided below.[2]

Date	*Action*
September 13, 2002 .	Petitions filed with Commerce and the Commission; institution of Commission investigations (67 FR 60256, September 25, 2002)
October 4, 2002	Commission's conference[3]
October 29, 2002 . . .	Commerce's notices of initiation (67 FR 65947 and 67 FR 65951)[4]

[1] For purposes of these investigations, durum wheat includes all varieties of durum wheat from Canada. This includes, but is not limited to, a variety commonly referred to as Canada Western Amber Durum. Durum wheat is provided for in subheading 1001.10.00 of the Harmonized Tariff Schedule of the United States (HTS) with a special free rate of duty, applicable to eligible imports from Canada. For purposes of these investigations, hard red spring wheat includes all varieties of hard red spring wheat from Canada. This includes, but is not limited to, varieties commonly referred to as Canada Western Red Spring, Canada Western Extra Strong, and Canada Prairie Spring Red. Hard red spring wheat is provided for in subheadings 1001.90.10 and 1001.90.20 of the HTS with a special free rate of duty, applicable to eligible imports from Canada. Although the HTS subheadings are provided for convenience and custom purposes, the written description of the merchandise is dispositive. Where an importer fails to claim a special duty rate or the article fails to meet North American Free Trade Agreement (NAFTA) requirements, the general duty rate applies; these rates are 65 cents per kilogram for 1001.10.00, 2.8 percent *ad valorem* for 1001.90.10, and 35 cents per kilogram for 1001.90.20.

[2] *Federal Register* notices cited in the tabulation are presented in app. A.

[3] A list of witnesses appearing at the conference is presented in app. B.

[4] Commerce postponed initiation of its investigations in order to determine whether the petitions contained adequate evidence of industry support. Commerce has indicated that it will investigate the following programs alleged in the petitions to have provided a countervailable subsidy to the Canadian Wheat Board (CWB): Railcar Lease Subsidy; Provision of Government-owned Railcars; Rail Freight Revenue Cap Subsidy; Maintenance of Uneconomic Branch Lines and Short Line Subsidies; and Government Guarantee of Borrowing and Lending. At this time, Commerce is not investigating the following programs alleged to benefit producers and exporters of the subject merchandise in Canada: Railcar Allocation Subsidy; Shipper of Record; and Noncommercial Provision of Forward Contracts. See initiation notice in app. A for details. Based on export price to home market price comparisons, the petitioners calculated dumping margins for durum wheat ranging from 3.2 to 23.2 percent, with a weighted-average margin of 13.3 percent. The petitioners calculated dumping margins for hard red spring wheat ranging from 0 to 25.6 percent, with a weighted-average margin of 7.6 percent. Based on export price to third country price comparisons, the petitioners calculated dumping margins for durum wheat ranging from 26.5 to 48.2 percent, with a weighted-average margin of 40.2 percent. The petitioners calculated dumping margins for hard red spring wheat ranging from 18.2 to 86.6 percent, with a weighted-average margin of 44.8 percent. The petitioners also alleged dumping when normal value is based on constructed value. Based on a comparison of export price to adjusted constructed value, Commerce calculated a margin of 13.26 percent for hard red spring wheat, but found no

(continued...)

November 19, 2002 . Commission's vote
November 25, 2002 . Commission determinations transmitted to Commerce

SUMMARY DATA

A summary of data collected in the investigations is presented in appendix C, tables C-1 to C-4. Except as noted, U.S. industry data are based on publicly available data concerning U.S. production of durum, hard red spring, and hard red winter wheat. U.S. imports are based on official Commerce statistics. U.S. industry and U.S. import data are presented for the most recent 5 marketing years to the extent such data are publicly available.[5]

PREVIOUS INVESTIGATIONS

The Commission has conducted a number of investigations on wheat and wheat products. In 1941, in an investigation under section 22 of the Agricultural Adjustment Act of 1933 (inv. No. 22-3), the U.S. Tariff Commission determined in effect that wheat and wheat flour fit for human consumption were practically certain to be imported under such conditions and in such quantities as to interfere materially with USDA price support programs for wheat. After reviewing the Commission's findings, on May 29, 1941, President Roosevelt issued Presidential Proclamation No. 2489 establishing, effective on that date, absolute annual global import quotas of 800,000 bushels of wheat fit for human consumption and 4 million pounds of milled wheat products fit for human consumption.[6] These quotas essentially remained in effect through 1974, although they were modified three times to provide certain exemptions in extenuating circumstances.[7]

Global quotas effective during this period were allocated among countries on the basis of average annual U.S. imports of the covered products during the period 1929-40. Canada received 99.4 percent of the quota for wheat and 95.4 percent of the quota for milled wheat products.

At the request of President Nixon, the Tariff Commission, in 1974, conducted an investigation under section 22 of the Agricultural Adjustment Act of 1933 (inv. No. 22-38) on wheat and milled wheat products.[8] The Commission recommended that the President issue a proclamation suspending the import quotas on wheat and milled wheat products for a 1-year period, July 1, 1974, to June 30, 1975, inclusive. The President adopted the Commission's recommendation, and decided to suspend the quotas. No action was taken to reinstate the quotas until 1994.

In 1990, the Commission conducted an investigation regarding durum wheat under section 332 of the Tariff Act of 1930.[9]

At the request of President Clinton, the Commission, in 1994, conducted an investigation under section 22 of the Agricultural Adjustment Act of 1933 to determine whether wheat classified under HTS

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[4] (...continued)
evidence to support the petitioners' claim that durum wheat from Canada is being dumped in the United States. See app. A for details.

[5] Petitioners state that production and other economic factors in the wheat industry vary significantly from year to year. Petition, p. 55.

[6] These included wheat flour, semolina, crushed or cracked wheat, and similar products.

[7] These exceptions were made for distress shipments of experimental or seed wheat, for puchases by the War Food Administrator, and for certain wheat flour used for religious and ritual purposes in Passover matzo production.

[8] *Wheat and Milled Wheat Products*, inv. No. 22-38, TC Pub. 675, May 1974.

[9] *Durum Wheat: Conditions of Competition Between the U.S. and Canadian Industries*, inv. No. 332-285, USITC Pub. 2274, June 1990.

heading 1001, wheat flour classified under HTS heading 1101, and semolina classified under HTS subheading 1103.11.00 are being or practically certain to be imported into the United States under such conditions or in such quantities as to render or tend to render ineffective, or materially interfere with, the price support, payment, and production adjustment program conducted by the U.S. Department of Agriculture (USDA) for wheat.[10] The Commission determined that imports had materially interfered with the U.S. wheat programs,[11] and the President imposed a tariff-rate quota on wheat, wheat flour, and semolina imports for the duration of marketing year 1994/95.

At the request of the United States Trade Representative, the Commission, in 2001, conducted an investigation under section 332 of the Tariff of Act of 1930, concerning the conditions of competition between U.S. and Canadian wheat in the United States, and in certain third country markets.[12]

THE PRODUCT

Wheat (genus *Triticum*), the seed of an annual cereal grass, is the leading food grain of the temperate regions of the world; among U.S. grains, wheat ranked second only to corn in terms of the value of production. Wheat is generally categorized as "hard" or "soft" wheat on the basis of kernel characteristics. Then, wheat varieties are distinguished depending on when the wheat is planted–spring or fall. Spring wheat is sown in the spring as soon as the ground can be worked, and grows until harvested in late summer and early fall. Winter wheat is sown in the fall and germinates before cold weather halts growth. After lying dormant during the winter, the wheat plant resumes growth until maturation, in mid to late summer.

The USDA recognizes eight classes of wheat in the United States: hard red winter, hard red spring, durum, soft red winter, soft white, hard white, unclassed, and mixed wheat.[13] For the 2001/02 marketing year, the USDA reported the composition of the U.S. wheat crop, as follows:[14]

Wheat class	Volume	Share
	Million bushels	*Percent*
Hard Red Winter	767	39
Hard Red Spring	476	24
Soft Red Winter	400	20
White (Soft and Hard)	232	12
Durum	84	4
Total	1,959	100

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

[10] *Wheat, Wheat Flour, and Semolina*, inv. No. 22-54, USITC Pub. 2794, July 1994.

[11] Chairman Watson, Vice Chairman Nuzum, and Commissioner Crawford dissented, finding that wheat, wheat flour, and semolina are not being imported under such conditions and in such quantities as to render, or tend to render, ineffective the USDA wheat program; and that the evidence of the recent impact of increased wheat imports, which were concentrated in one region of the United States and two segments of the wheat market, could support the President finding either material interference, or no material interference.

[12] *Wheat Trading Practices*, inv. No. 332-429, USITC Pub. 3465, December 2001.

[13] Under the United States Grain Standards Act, as amended, 7 U.S.C. Part 810.2204, and 57 CFR 58966, December 14, 1992.

[14] USDA, Economic Research Service (ERS), *Wheat Outlook*, September 16, 2002, table 2. The marketing year begins June 1.

Durum wheat is a hard wheat, grown mainly in the spring, and is generally milled into a coarser meal (called semolina) rather than flour, though durum flour is an inevitable by-product of semolina. Semolina is used chiefly for making macaroni, spaghetti, vermicelli, and similar pasta products.

Hard wheat has a kernel that is high in protein and gluten content. It is produced in areas with hot summers and moderate rainfall. The flour made from hard wheat readily absorbs water and produces an elastic and tenacious dough well-suited to commercial bread baking. Wheat cereal breakfast foods to be prepared by the consumer, such as farina, are also generally made from hard wheat. The two principal classes of hard wheat grown in the United States are hard red winter wheat and hard red spring wheat. Hard white wheat is a hard wheat grown in small commercial volumes in the United States.

Soft wheat has a kernel relatively low in protein content, and is grown in areas of abundant rainfall and moderate temperature. The flour made from soft wheat is used primarily for baking cakes, crackers, biscuits, and pastry. Prepared breakfast food, such as wheat flakes, are made from soft wheat. Soft red winter wheat is the leading soft wheat, and soft white wheat the second-leading soft wheat.

The classes of hard red spring wheat, soft white wheat, and durum wheat are further divided into subclasses. Each USDA class and subclass is divided into five U.S. numerical grades and U.S. sample grade, with grade No. 1 being the highest quality and sample grade the lowest.[15] The five USDA numerical grades are distinguished by test weight per bushel, and the percentage of damaged kernels, foreign material, shrunken and broken kernels, defects, and wheat of other classes.[16]

Protein content levels are frequently specified in commercial contracts. Millers and bakers usually need specific and constant protein levels, depending on their customers' needs. The protein level of wheat produced varies greatly depending on growing conditions.[17] In years when the protein level or the quantity available of either hard red winter or hard red spring wheat is lower than normal, flour millers frequently purchase hard red spring wheat to "blend-up" the average protein level of the flour. The price premium that millers pay (the "protein premium") can be quite high in years when crop protein levels are low. After receiving the wheat, millers typically perform their own quality tests, and may blend wheats together before milling in order to meet customer specifications.

For the most recent marketing year, 2001/02, total domestic consumption of wheat was 1,208 million bushels, of which the principal uses were:[18]

	All wheat		Hard red spring		Durum	
Use	Bushels	Share	Bushels	Share	Bushels	Share
	Millions	*Percent*	*Millions*	*Percent*	*Millions*	*Percent*
Food (milling)	928	77	250	82	81	104
Seed	81	7	24	8	4	5
Feed and residual	199	16	34	11	-7	-9
Total	1,208	100	308	101	78	100

Note.–The negative number reported under durum wheat for "feed and residual" use occurred because of under-reporting of durum stocks, imports, and/or exports.

[15] Under the United States Grain Standards Act, as amended, 7 U.S.C. Part 810.2204, and 57 CFR 58966, December 14, 1992.

[16] Special grades may be further provided to emphasize special qualities or conditions affecting the value of wheat. Special grades are added to and made a part of the USDA grade designation, but do not affect the numerical grade designation. The protein level (as a percentage of the total grain weight) may be used to distinguish a special grade.

[17] Walter Heid, USDA, ERS, *U.S. Wheat Industry*, August 1979, p. 13.

[18] USDA, ERS, *Wheat Outlook*, September 16, 2002, table 2.

Food use accounted for 77 percent of all wheat consumed in the United States in 2001/02, for nearly all of durum wheat, for 82 percent of hard red spring wheat, and for 79 percent of hard red winter wheat. In the United States, most wheat used in food is first milled into flour and meal and further processed to make products for human consumption.

Wheat is also used in significant quantities for seeding and as livestock feed, and in small amounts for the manufacture of starch, gluten, and some industrial products. The "feed and residual" use of wheat has been quite volatile, with animal feeding of wheat rising during years when wheat quality is low or when large crops render wheat feeding cost-competitive to such alternative feedgrains as sorghum or corn.

The five primary U.S. wheat classes shown below vary considerably in the end uses to which they are put. In general, all wheat (with the exception of wheat grown expressly for seed for planting) is planted with the goal of being milled and used in food, although often an eighth or more of each year's crop ends up being fed to livestock. Therefore, desirable milling qualities strongly influence wheat characteristics. The primary food uses of these five wheat classes are shown below:[19]

Classes	Qualitative factors	Primary food use
Hard red winter	Good milling and baking characteristics, wide range of protein levels	All flours, but primarily bread flour, blended with weaker wheats for bread flour, whole wheat breads
Hard red spring	Excellent protein level and milling qualities	All flours, primarily bread flour, white bakers' bread and rolls
Durum	Highest protein level	Semolina for pasta products
Soft white	Low protein	Breakfast cereals, noodles, crackers, donuts, layer cakes, foam cakes
Soft red winter	Low protein	Flour for cakes, pastries, quick breads, crackers, snack foods

In previous investigations, the Commission has found evidence that wheat of comparable classes from the United States and Canada tend to be perfect or near perfect substitutes on the basis of the various physical characteristics of the wheats.[20] In the 2001 section 332 investigation, U.S. wheat millers reported few qualitative differences between Canadian hard red spring and domestic hard red spring wheat, or between Canadian and domestic durum wheat within the same grade.[21] Thus, #1 Canada Western Red Spring wheat was found to be directly substitutable for #1 U.S. hard red spring wheat, and #1 Canadian Western Amber Durum directly substitutable for #1 U.S. Hard Amber Durum.

[19] *The Wheat Grower: Wheat Facts, 1998*, p. 9; and Joy Harwood, Mack Leath, and Walter Heid, USDA, ERS, *The U.S. Milling and Baking Industries*, December 1989, p. 17.

[20] *Wheat, Wheat Flour, and Semolina,* inv. No. 22-54, USITC Pub. 2794, July 1994, p. II-83, and app. M; and *Wheat Trading Practices,* inv. No. 332-429, USITC Pub. 3465, December 2001, pp. 2-10.

[21] *Wheat Trading Practices,* inv. No. 332-429, USITC Pub. 3465, December 2001, pp. 4-9 to 4-26.

DOMESTIC LIKE PRODUCT ISSUES

Petitioners argue that there are two domestic like products consisting of durum and hard red spring wheat.[22] They argue that hard red spring wheat is distinguished from other types of wheat based on physical qualities, geographical origin, planting and harvest periods, end use, and pricing factors. The CWB argues that hard red spring and hard red winter wheat are highly substitutable and constitute a single domestic like product.[23] The CWB does not dispute that durum wheat is a separate like product.

Hard red spring wheat is grown primarily in the Northern Plains, whereas hard red winter wheat is grown primarily in the Southern Plains. While several states produce both hard red spring and hard red winter wheat, there was testimony that the actual overlap was small.[24] Hard red spring wheat is planted during April and May and harvested during August and September. Hard red winter wheat is planted during September through November and harvested during June and July. Flour from hard red spring wheat produced in the Minneapolis area is traded mainly as "Spring Short Patent" or "Spring Standard Patent" flour.[25] Flour from hard red winter wheat produced in the Kansas City area is marketed as "Bakers Short Patent" or "Bakers Standard Patent" flour. Minneapolis Spring Standard Patent flour and Kansas City Bakers Standard Patent flour sold at close to or nearly the same price during the past five years.[26]

Hard red spring wheat may be used alone[27] or blended with hard red winter wheat. Wheat mills in New York and the Great Lakes states typically switch between hard red spring and hard red winter wheat, or blend the two wheats together to produce a "winter/spring blend" flour.[28] These millers blend or switch between hard red spring and hard red winter wheat to achieve both the desired protein characteristics and a lower cost of the flour. Notwithstanding the variations in quantity and protein levels of hard red spring and hard red winter wheat from crop year to crop year,[29] typical blends for some major product categories are the following: 75 percent hard red winter wheat and 25 percent hard red spring wheat for white pan bread; 50 percent hard red winter wheat and 50 percent hard red spring wheat for English muffins; and 20 percent hard red winter wheat and 80 percent hard red spring wheat for bagels.[30] Hard red winter wheat is often supplemented with hard red spring wheat to elevate the protein level to

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[22] Petition, pp. 26-30 and petitioners' postconference brief, pp. 2-3.

[23] CWB's postconference brief, pp. 11.

[24] Conference transcript, pp. 91-92 (Fisher). The following states were identified as having produced hard red spring and hard red winter wheat in 2001: Colorado, Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming. See Part III for further information.

[25] See *Milling and Baking News*, September 17, 2002, p. 46.

[26] USDA, ERS, *Wheat Situation and Outlook Yearbook*, March 2002, table B-12, p. B-9.

[27] Hard red spring wheat is used for products requiring high protein levels such as yeast breads, croissants, bagels, multi-grain breads, frozen dough, high quality pizza dough, hard rolls, French bread, English muffins, and tortillas. Petition, p. 27 and North American Millers' Association's (NAMA) postconference brief, p. 1.

[28] In mid-September 2002, winter/spring blend flour at New York was quoted at $14.90 per hundredweight (bulk, f.o.b. car lot), *Milling and Baking News*, September 17, 2002, p. 46.

[29] The protein content of hard red spring and hard red winter wheat ranges from 12 to 16 percent and 10 to 14 percent, respectively. Petition, p. 28 and CWB's postconference brief, p. 12. Petitioners claim that the protein quality of hard red spring wheat performs differently than that of hard red winter wheat in terms of strength and absorption properties of a flour as it is being mixed into a dough. They state that the flours that have equivalent levels of gluten or protein can have different "strength" qualities. Petition, p. 29. The CWB argues that the absorption and strength properties of hard red spring wheat are largely functions of its relatively higher gluten content, which corresponds to its relatively higher protein content. CWB's postconference brief, p. 15.

[30] NAMA's postconference brief, p. 2.

specific customer requirements.[31] However, higher protein levels do not always command higher prices.[32] Due to the high level of protein in this year's hard red spring and hard red winter wheat crops, prices of higher protein hard red spring and hard red winter wheat have been discounted relative to lower protein level hard red spring and hard red winter wheat, respectively, in major Grain Exchanges in the United States.[33]

Channels of distribution are similar for hard red spring and hard red winter wheat. Wheat from farms is normally trucked to country elevators, although some farmers truck their wheat directly to an export terminal. From country elevators, wheat then moves typically on rail cars or barges to domestic mills or to export ports.[34]

Prices for hard red spring and hard red winter wheat can vary according to protein level, vitreous kernel count, moisture level, and other factors, making comparisons between these classes problematic. However, as a general indication of typical prices, the simple average marketing year 2001/02 prices of hard red spring wheat (Minneapolis 13 percent protein) and hard red winter wheat (Kansas City #1 ordinary) were $3.53 and $3.25 per bushel, respectively.[35]

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[31] Petition, pp. 28-29 and conference transcript, p. 156.

[32] On September 26, 2002, 13 percent protein hard red spring wheat traded at a 2 cent per bushel premium relative to 15 percent protein hard red spring wheat. On October 2, 2002, 11 percent protein hard red winter wheat traded at a 10 cent per bushel premium relative to 14 percent protein hard red winter wheat. NAMA's postconference brief, p. 3.

[33] "Protein Anomaly Affects This Year's Wheat Crop," *Milling and Baking News*, October 8, 2002, p. 9.

[34] *Industry and Trade Summary: Grain (Cereals)*, USITC Pub. 3350, September 2000, pp. 4 and 22-23.

[35] 13 percent protein level hard red spring wheat is believed to be the most commonly traded type of hard red spring wheat in the Minneapolis Grain Exchange. #1 ordinary hard red winter wheat is believed to be the most commonly traded hard red winter wheat in the Kansas City Board of Trade.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

MARKET CHARACTERISTICS AND DISTRIBUTION CHANNELS

The United States is the third leading producer of wheat and the world's largest exporter and has a substantial home market. Canada is also a large producer; it is the world's second largest exporter but has a relatively small home market. Australia, the European Union, and Argentina are also large exporters. World wheat trade is substantial, although volatile, and prices in the leading markets affect domestic prices. China is the world's largest producer of wheat but consumes virtually all of its production internally. India and countries of the former Soviet Union are important producers and emerging exporters.

Farmers typically truck their production and sell it to country elevators. From there, the wheat is weighed, cleaned, graded, and stored and then sold to a miller or a feedlot or exported. Also, a merchandiser may store, transport, and trade grain.

In the United States, there are many wheat farmers[1] who compete with each other and with importers to sell wheat. The grain trading sector and the wheat milling sector are concentrated, although the grain-trading sector could be characterized as competitive. The four largest flour companies held about two-thirds of flour milling capacity in 2000, but milled relatively little durum wheat; the four largest durum wheat millers held about 60 percent of capacity in 2000.[2]

Futures contracts and cash sales are made in several commodity markets, such as the Minneapolis Grain Exchange, the Kansas City Board of Trade, or the Chicago Board of Trade. These markets fill the important roles of providing price information and transferring risk from producers to speculators. A significant amount of U.S. durum and hard red spring wheat is traded at Minneapolis because of location.[3] Between an eighth and a quarter of the annual wheat crop is sold for feed, depending upon crop quality and price. Although this volume is substantial, feed prices are substantially less than wheat used for milling, and feed sales are a less important market segment.

SUPPLY OF U.S.-PRODUCED WHEAT

Available information indicates that U.S. durum and hard red spring wheat producers are likely to respond to changes in demand with small to moderate changes in the quantity of shipments of U.S.-grown durum and hard red spring wheat to the U.S. market. Important factors in this supply response are marginal production costs, available crop land suitable for cultivating more than one type of crop, inventories, export markets, and government programs.

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[1] See tables III-1 through III-4.

[2] *Wheat Trading Practices*, inv. No. 332-429, USITC Pub. 3465, December 2001, p. 2-9.

[3] The Minneapolis Grain Exchange states that hard red spring wheat is its "flagship" commodity and that it is the only authorized contract market for hard red spring wheat, durum wheat, and white wheat (*www.mgex.com/about/history/history.htm*). However, Neal Fisher of the North Dakota Wheat Commission and James Meyer of Italgrani reported that recently there has been little activity in the durum wheat cash market and no activity in the futures market at the Minneapolis Grain Exchange (conference transcript, pp. 35 and 171). The Kansas City Board of Trade, the world's leading market for hard red winter wheat, has futures and options contracts available for hard red winter wheat (*www.kcbt.com/wheat.htm*). The Chicago Board of Trade has futures and options contracts for more than one type of wheat. On November 9, 2002, it had contracts available for soft red winter wheat, hard red winter wheat, and hard red spring wheat (*www.cbot.com/cbot/www/page/0,1398,14+58+138,00.html*). Exchanges do not always report volumes, and when they do it indicates the number of times the contract changed hands, not the quantity of the commodity that passed through the exchange.

Domestic Production

Five major types of wheat are grown in the United States.[4] The area planted in all types of wheat in the United States peaked in the early 1980s at approximately 80 million acres per year.[5] During 1996/97 to 2001/02, U.S. wheat acreage declined from 75 million acres to 60 million acres. Farmers have taken some land out of production through the Conservation Reserve Program or switched to other crops with higher returns. With the declining area, per-acre yields have increased and offset somewhat the decline in production.[6]

In crop year 2001/02, about 14.8 million acres were planted in hard red spring wheat with a projected yield of 34.6 bushels per acre; 2.9 million acres were planted in durum wheat with a projected yield of 30 bushels per acre, and 29.0 million acres were planted in hard red winter wheat with a projected yield of 36.7 bushels per acre.[7] From 1973 to 1999, an average of 15.9 million acres were planted in hard red spring wheat, and an average of 3.7 million acres were planted in durum wheat.[8] Growers decide how many acres to plant in durum and hard red spring wheat versus other varieties of wheat and other crops based on expected future returns and subject to the limitations of climate and soil. Hard red spring and durum wheats are grown primarily in North Dakota, Montana, Minnesota, and South Dakota, although some durum is also grown in Arizona and California. In North Dakota, alternatives include other grains, such as barley and oats, alfalfa, and oilseeds.[9] Petitioners reported that North Dakota has about 20 million acres of actively tilled land and about half of that has traditionally been planted in wheat, although the percentage has recently declined.[10]

Government policy may have favored cultivation of other crops at times, but some corrections have been made in the 2002 Farm Bill, as discussed in the next subsection. Although constrained by environmental factors, wheat farmers have some options between production of wheat and other crops. The supply response of hard red spring wheat is believed to be less than that of durum wheat because less acreage can be shifted into hard red spring production, whereas farmers can more easily shift into durum production.[11]

Purchasers stated that hard red wheats and durum are often grown in the same general area. Soft red wheat is normally grown in areas with more rainfall but can compete for hard red winter acres. Winter wheat is mainly grown in Kansas, Oklahoma, and Texas. *** alleges that southern growers have poor results with spring wheat and that northern growers have poor results with winter wheat. Equipment, labor, and other inputs are roughly similar for all classes of wheat. Fertilizer use varies depending upon soil, moisture, and other factors. *** reported that there is some overlap of producing regions, but one class is usually dominant in a certain area. Purchasers reported that farmers in the northern United States often grow both durum and hard red spring wheat in the same year with the same

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[4] Gary Vocke, *Wheat: Background and Issues for Farm Legislation*, July 2001, USDA, p. 1. The United States produces five major classes of wheat: hard red winter (about 40 percent of total production), hard red spring (about 25 percent of the total), soft red winter (15 to 20 percent of the total), white (10 to 15 percent of the total), and durum (3 to 5 percent of the total).

[5] Gary Vocke, *Wheat: Background and Issues for Farm Legislation*, July 2001, USDA, p. 2.

[6] Gary Vocke; genetic improvement in wheat is reported to be slower than in some other crops.

[7] Gary Vocke and Edward Allen, *Wheat Outlook*, September 16, 2002, p. 12.

[8] Calculated from Wheat Situation and Outlook Yearbook, USDA WHS-2002, March 2002, app. table 3.

[9] *Wheat Trading Practices*, inv. No. 332-429, USITC Pub. 3465, December 2001, p. 8. Many wheat farms also produce multiple products. The USDA estimated that the value of wheat production averaged $31,900 per farm in 1998 and that this was about 18 percent of the total value of production on farms growing wheat. Mir B. Ali, *Characteristics and Production Costs of U.S. Wheat Farms*, USDA Stat. Bul. 974-5, July 2002, p. 8.

[10] Neal Fisher, conference transcript, p. 73.

[11] *Wheat Trading Practices*, inv. No. 332-429, USITC Pub. 3465, December 2001, p. 2-8.

equipment. *** reported that in the Northern Plains both durum and hard red spring wheat are grown, and *** reported that farmers switch based on expected returns per acre. *** reported that durum is vulnerable to weather and grows best in a cool dry climate.

Costs

Marginal costs of production are an important determinant of supply. The USDA estimates that 50 percent of farms in 1998 incurred operating and ownership costs of $2.50 or less per bushel and total costs of $4.10 or less per bushel.[12] About 75 percent of farms incurred operating and ownership costs of $3.65 or less. Operating costs increase sharply as the 15 percent of farms with the highest cost is included. The average farm-level wheat price in marketing year 1998/99 was $2.65 per bushel, which was enough to cover operating costs for the median farm but not total costs. Although short-run production may proceed if only operating costs are covered, farmers will not continue to produce wheat if total costs are not covered. This suggests that marginal costs are likely to slope upward as more high-cost farms continue to produce at higher price levels.

There is considerable variability in costs among farmers in different regions and with different sizes of operations. Low-cost farms[13] had operating costs of $1.86 per bushel or less and accounted for a third of total U.S. production.[14] High-cost farms had operating and ownership costs of $3.62 per bushel and accounted for 12 percent of U.S. wheat production. About 10 percent, 60 percent, and 30 percent of the wheat farms in the Northern Great Plains[15] were, respectively, in the low-cost group, the mid-cost group, and the high-cost group.

Government Programs

Government programs have aided wheat farmers during times of low prices and adverse growing conditions. The 2002 Farm Bill supports wheat growers through direct payments, counter-cyclical payments, marketing loans, and crop insurance.[16] Direct payments, which replaced production flexibility contracts, provide payments to farmers that are determined by the farmers' base acres, historical yields, and a fixed payment rate, which is $0.52 per bushel for wheat. The payments are fixed and allow the farmer to produce crops other than those for which direct payments are received. Counter-cyclical payments are made whenever the effective price is less than the target price, which is $3.86 per bushel for wheat in 2002 and 2003. The 2002 Farm Bill extended nonrecourse commodity loans and increased the loan rates for wheat from $2.58 to $2.80 per bushel and lowered the loan rates for soybeans and other oilseeds. Changes in the loan rates may shift some production out of soybeans and oilseeds and into wheat and feed grains.

Under the Federal Crop Insurance Program, farmers can purchase yield insurance or crop revenue insurance through private companies at 40 to 50 percent of the total cost, and the Government

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[12] Mir B. Ali, *Characteristics and Production Costs of U.S. Wheat Farms*, USDA Stat. Bul. 974-5, July 2002, p. 5.

[13] The low-cost group was the 25 percent of farms with the lowest operating and ownership costs; the high-cost group was the 25 percent of farms with the highest operating and ownership costs; and the mid-cost group was the middle 50 percent.

[14] Mir B. Ali, *Characteristics and Production Costs of U.S. Wheat Farms*, USDA Stat. Bul. 974-5, July 2002, p. 17.

[15] The Northern Great Plains consists of all of North Dakota, most of South Dakota, and portions of Minnesota, Montana, Wyoming, and Nebraska.

[16] *www.ers.usda.gov/Features/FarmBill/Titles/TitleICommodities.*

pays the remainder.[17] In 2000, about 45 million acres of wheat were insured. The net effect from 1996/97 to 2000/01 amounted to less than a 0.5 percent increase in output. However, in 1999, U.S. durum production rose as guaranteed higher durum prices under crop revenue coverage induced increased planting in North Dakota. In 2001, the USDA dropped crop revenue coverage for durum wheat because of its difficulty in determining an accurate durum price for the program.

Many wheat producers received production flexibility contract payments and emergency assistance; farmers did not have to produce wheat to be eligible for these payments. Government payments from production flexibility contracts, marketing loan gains, and loan deficiency payments are shown on page VI-7. The average flexibility contract payment rate was 66.3¢ per bushel in 1998. The USDA estimates that these payments likely enabled about 75 percent of producers to cover their operating and ownership costs in 1998.[18] Total USDA support to the wheat farmers was $2.8 billion in 1999, or about $1.10 per bushel grown in the United States.[19] This government assistance may have permitted some farmers whose revenues do not cover total costs to remain in business and thus increased overall production.

Export Markets

The United States is the world's largest exporter of wheat, and exports have accounted for almost half of the U.S. wheat crop in recent years.[20] Two important destinations for exports are Japan and Egypt. Exports are projected to continue to be an important source of income, although the domestic industry faces increasing competition from Canada, the European Union, and Australia. The strong dollar relative to many other currencies has decreased the competitiveness of U.S. exports relative to exports from Canada, the European Union, and Australia during 1997 to early 2002. The USDA forecasts that intense competition will erode the U.S. export share in 2002/03.[21] The European Union, India, Turkey, and Kazakhstan are expected to increase exports.

Some government programs assist wheat producers in exporting. Title III of the 2002 Farm Bill authorizes assistance to the domestic industry for making sales abroad. The most significant features are re-authorizations of the Export Credit Guarantee programs, the Export Enhancement Program, and the Public Law 480 food aid programs through 2007.[22]

The Canadian government has stated that U.S.-grown wheat can freely enter Canada, but some non-tariff barriers exist.[23] Although Canada does not formally restrict wheat imports from the United States, requirements, such as varietal registration, largely preclude U.S.-grown wheat from entering Canada except for a small amount of feed wheat.[24]

Inventories

Because wheat can be stored for several years, both production and stored inventories comprise supply. Inventory levels likely influence farmers' price expectations and therefore their decision on how

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[17] *Wheat Trading Practices*, inv. No. 332-429, USITC Pub. 3465, December 2001, p. 2-13.

[18] Mir B. Ali, *Characteristics and Production Costs of U.S. Wheat Farms*, USDA Stat. Bul. 974-5, July 2002, p. 6.

[19] Gary Vocke, *Wheat: Background and Issues for Farm Legislation*, July 2001, USDA, p. 8.

[20] *Wheat Trading Practices*, inv. No. 332-429, USITC Pub. 3465, December 2001, tables II-2 and II-4.

[21] USDA, ERS, "U.S. Wheat Output and Exports to Decline in 2002/03," August 2002.

[22] *www.ers.usda.gov/Features/farmbill/titles/titleIIItrade.htm#a.*

[23] *Wheat Trading Practices*, inv. No. 332-429, USITC Pub. 3465, December 2001, pp. 2-31 to 2-33.

[24] Ibid.

many acres to plant in different crops. Between the 1997/98 marketing year and the 2001/02 marketing year, the stocks-to-use ratio varied between 31.4 percent (1997/98) and 39.7 percent (1999/00), although it is projected to decline in marketing year 2002/03.[25] Ending stocks for hard red spring wheat appear to have declined from 1998/99 to 2000/01, are estimated to have increased slightly between 2000/01 and 2001/02, and are projected to increase in 2002/03. Ending stocks for durum wheat declined from 1998/99 to 2001/02.

Wheat Quality

Respondents alleged that the United States does not produce enough quality durum and that U.S. durum inventories have declined, despite U.S. efforts to grow more durum and increased levels of Canadian imports.[26] Respondents stated that, although total U.S. durum production may appear sufficient, less than half of domestic durum production falls in grades 1 and 2, the grades typically used for food production. They conclude that the U.S. market needs imports of Canadian durum in grades 1 and 2.

Petitioners stated that quality is not the issue because two-thirds of the imports of spring wheat and half of the imports of durum wheat during the past three years were less than top quality.[27] Petitioners add that the U.S. durum supply and U.S. hard red spring supply have exceeded domestic consumption each year for the past 15 years.[28]

IMPORT SUPPLY OF CANADIAN WHEAT

Production conditions in Canada, the relative attractiveness of different markets, and any government interventions affect the supply of Canadian wheat in the U.S. market. Information on these factors indicates that the Canadian producers are likely to respond to changes in the U.S. demand for wheat with moderate changes in the quantity of shipments of durum and hard red spring wheat to the U.S. market.

Production in Canada

Canadian farmers harvested approximately 26 to 28 million acres of wheat per year between marketing year 1997/98 and marketing year 2000/01.[29] Most Canadian production is in the prairie provinces of Alberta, Saskatchewan, and Manitoba. More crop land is planted in wheat than in any other crop, although the area in wheat has been irregularly decreasing. Canadian farms planted 20.6 million acres in spring wheat, excluding durum, in 2001, which was 16.7 percent less than was planted in spring wheat in 1996.[30] A cold climate and soil conditions limit crop production primarily to hard red spring wheat, durum, barley, canola, and flaxseed. As the area planted in wheat has decreased, the area in canola and alfalfa has increased. A small area is planted in hard red winter wheat in the prairie provinces and other provinces of Canada.

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[25] Gary Vocke and Edward Allen, *Wheat Outlook*, USDA, September 16, 2002, p. 11. A marketing year begins in June and ends the following May.

[26] Dave Potter, American Italian Pasta Company, conference transcript, pp. 150-151.

[27] Neal Fisher, conference transcript, p. 28.

[28] Petitioners' postconference brief, exh. 10.

[29] *Wheat Trading Practices*, inv. No. 332-429, USITC Pub. 3465, December 2001, p. 2-37.

[30] *www.statcan.ca/english/Pgdb/econ100a.htm.*

Canadian producers respond to prices, and low prices in one year result in farmers turning to alternative crops in the next. The CWB returns payments to producers for their wheat; however, the system for price determination is complex.[31] Some information indicates that the producers themselves respond to prices in a similar way as U.S. producers.[32]

During 1999/2000 to 2001/02, Canadian wheat production declined by 22 percent from 27 million metric tons (MMT) to about 21 MMT.[33] Low rainfall and adverse growing conditions in the summer of 2002 cut Canada's wheat crop by another 6 MMT to an expected 15 MMT in 2002/03, the lowest Canadian output in the past 30 years.

Alternative Markets

From marketing year 1999/2000 to marketing year 2001/02 from 15.3 percent to 24.3 percent of Canadian production was consumed internally or shipped to the home market. This grain is subject to various regulations to assure quality and consistent marketing. The CWB (discussed in the next section) markets all wheat produced in the prairie provinces for food use in Canada. It bases wheat prices for Canadian use on prices in the Minneapolis Grain Exchange. The CWB does not market wheat for feed.

In 2000, Canada reported exports of 15 MMT of wheat (except durum) to all countries, of which 1.5 MMT went to the United States.[34] With respect to durum wheat, Canada reported exports of 3.5 MMT, of which 0.3 MMT was sold to the United States. During 1999/2000 to 2001/02, Canada exported 73 percent of its average wheat production to foreign markets including the United States. Adverse growing conditions during 2002 are projected to cut Canadian wheat exports by 9.5 MMT, a drop of nearly 43 percent and their lowest level in 28 years.[35]

About three quarters of Canadian western red spring wheat exports are shipped from ports on its West Coast; the rest is shipped via the Great Lakes or to Minneapolis.[36] Most durum is shipped through the Great Lakes because foreign purchasers are located mainly in North Africa, South America, and Europe, although some is directed southward. Some Canadian durum passes through Minneapolis.

Almost 80 percent of Canadian hard red spring wheat production is located over 700 miles from Minneapolis, the main trading center for hard red spring wheat. For example, central Saskatchewan, a western red spring wheat area, is located over 850 miles from Minneapolis. Differences between the Vancouver export price and the Minneapolis price determine which direction this wheat will flow. If the Minneapolis price equals the Vancouver price, exports to Minneapolis would be justified from a distance of approximately 700 miles.[37] The CWB does not make sale prices public. U.S. prices in Portland, OR are a possible proxy for the Vancouver export price; Minneapolis prices have generally been well below those in Portland. However, Canadian exports out of Vancouver may compete in soft export markets at lower prices. Also, although Canadian wheat may not be of better quality than U.S. wheat, it is commonly believed that the CWB with its control over marketing and planted varieties is more

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[31] *Wheat Trading Practices*, inv. No. 332-429, USITC Pub. 3465, December 2001, pp. 3-18 to 3-20.

[32] Walter Gardiner, Vernon Roningen, and Karen Liu, "Elasticities in the Trade Liberalization Database," USDA, ERS, May 1989, table 21. The USDA study found the own-price supply elasticity of Canadian wheat farmers to be 0.5 and that of U.S. wheat farmers to be 0.6.

[33] USDA, FAS, *Grain: World Markets and Trade*, September 2002, p. 11.

[34] Data compiled from official statistics of Statistics Canada and cited in *Wheat Trading Practices*, inv. No. 332-429, USITC Pub. 3465, December 2001, p. 2-40.

[35] USDA, FAS, *Grain: World Markets and Trade*, September 2002, p. 11.

[36] USDA, ERS, "U.S.-Canada Wheat Trade: the Intersection of Geography and Economics," *Agricultural Outlook*, June-July 1999.

[37] Ibid.

consistently able to guarantee quality and special characteristics.[38] Therefore, higher quality, and therefore higher priced, Canadian wheat may have flowed into the United States, with lower quality wheat exported to other markets.

Government Intervention

Canada's federal and provincial governments fund a variety of programs to assist the agricultural sector. The Net Income Stabilization Account is designed to protect farmers from income fluctuations and to enhance long-term farm income.[39] There are crop insurance programs to protect producers against natural disasters and weather events. Programs vary from province to province. For example, the Saskatchewan Crop Insurance Corporation administers insurance programs to protect grain and livestock producers from failures due to natural hazards and also compensates producers for crop damage caused by big game and migratory waterfowl.[40] The effect of these programs is to increase production beyond the point that it would be without these subsidies.

The CWB is the sole exporter and marketer for home-market food sales of wheat grown in the prairie provinces, which account for over 90 percent of total Canadian durum and western red spring wheat production. Farmers in the prairie provinces can market wheat for feed use. In other provinces, farmers or cooperatives can market wheat to any market channel. The CWB is the largest single seller of wheat and barley in the world and holds more than 20 percent of the international market.[41] Its market power in durum is even stronger and accounts for approximately 60 percent worldwide of traded durum. Its 15-member board of directors is composed of 10 directors elected by western grain growers with the others appointed by the Canadian government. It returns all sales revenue except marketing costs to Canadian farmers. The CWB uses its market power to attempt to realize a better sales price. Its status as a quasi-government entity allows it to enter transactions at reduced risk. Petitioners have alleged that the CWB enters into forward contracts on a non-commercial basis, is immune from commercial threats, does not act a producers' cooperative, and has the power to distort trade.[42]

U.S. DEMAND

Demand Characteristics

As indicated earlier, three-quarters or more of the wheat in the United States is used to produce food. Other uses include seed, animal feed, and other residual uses. Wheat is usually ground into various types of flour, such as bread flour, pastry flour, or into semolina, a coarser ground product. USDA data also indicate that consumption of products made from wheat is relatively little affected by changes in wheat prices or in disposable income. Feed use of wheat increases when the prices of corn and wheat are close to each other. Feed use also increases when wheat is damaged and more difficult to

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[38] Ibid.

[39] *www.ers.usda.gov/briefing/canada/policy.htm.*

[40] *www.gov.sk.ca/deptsorgs/overviews/?41.*

[41] *www.cwb.ca/en/index.jsp.* Retrieved September 26, 2002.

[42] Petition, pp. 41-48.

mill. In recent years, about a quarter of U.S. wheat production has been allocated to feed and other residual uses.[43]

U.S. Census and industry data indicate that U.S. per capita flour consumption has been increasing during the past three decades and reached 147 pounds per person in 1996/97. Thereafter, per capita consumption fell and was 141 pounds in 2001.[44] Industry observers credited the lower per capita consumption to diet fads that avoid carbohydrates including bread and pasta. Others, however, attribute the decline to the absence of product and marketing innovations, such as the lack of extended shelf life for bread.

Despite the reported drop in per capita flour consumption during 1997-2001, overall wheat consumption (including imports) in all food uses rose slightly during the last three years according to the USDA. Total use of wheat in food increased from 921 million bushels in 1999/2000 to 928 million bushels in 2001/02.[45] Feed and residual use of wheat fell from 288 million bushels to 193 million bushels between 1997 and 2001. Between 1986 and 1996, food use of durum wheat grew by an average of almost 5 percent per year. Food use of durum wheat rose from 71 million bushels in 1999/2000 to 80 million bushels in 2001/02.[46] Food use of hard red spring wheat rose from 242 million bushels to 255 million bushels in 2001/02 according to USDA data.

Although some purchasers reported that demand for their products incorporating wheat was unchanged, others reported that demand had grown. *** reported that the demand for pasta had increased, which had thereby increased the demand for quality durum.

Substitute Products

Potential substitutes include other grains (e.g., corn, barley, rye) and other types of wheat. Some purchasers reported that there were no substitutes. *** reported in their questionnaire responses that hard red winter wheat could substitute for hard red spring wheat in some cases, and *** added that it had heard of hard red winter substituting for durum, but not in the U.S. market. *** reported that some hard red winter wheat can replace hard red spring wheat, but that durum wheat had no substitute.

The petitioners assert that hard red spring wheat is not substitutable with hard red winter,[47] and cited the example that Pillsbury uses only hard red spring wheat to make its best bread flour. Also, the higher protein level and unique baking properties of hard red spring wheat make it well suited for baking yeast breads, hearth breads, hard rolls, croissants, and bagels.[48] Respondents assert that hard red spring wheat and hard red winter wheat are substitutes if protein levels are similar. Respondents stated that hard red spring wheat is commonly mixed with hard red winter wheat to bring a multipurpose flour up to some target protein level. Protein levels of wheat vary from season to season based on weather and

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[43] Gary Vocke, *Wheat Background and Issues for Farm Legislation*, USDA, ERS, WHS-0701-01, July 2001, p. 5.

[44] Based on data of the U.S. Census Bureau, reported in "Is the Flour Consumption Bubble also Being Burst?" and "Flour Production Decrease in 2001 Largest in 50 Years," *Milling and Baking News*, August 13, 2002, pp. 1 and 7.

[45] USDA, ERS, *Wheat Outlook*, October 16, 2002, p. 7. The USDA includes the wheat-equivalent value of imported pasta and other wheat-based foods in its consumption data.

[46] USDA, ERS, *Wheat Situation and Outlook Yearbook*, March 2002, tables 3 and 6.

[47] Neal Fisher, conference transcript, p. 11.

[48] Ibid., p. 10.

inputs used. Miller Milling reported that this year hard red winter wheat has a high protein level and that it was able to meet its protein requirement almost exclusively with hard red winter wheat.[49]

Barnes and Shields estimated U.S. food demand by class of wheat.[50] They conclude that hard red spring wheat is more substitutable for hard red winter wheat than hard red winter wheat is for hard red spring wheat, although the evidence is inconclusive.[51] There appears to be some substitution between soft red winter wheat and hard red spring wheat, and there appears to be some limited substitution between hard red spring wheat and durum wheat.

Respondents presented exhibits that purport to show that hard red spring wheat and hard red winter wheat are substitutes. For example, distributions of hard red spring wheat had a consistently higher protein level than hard red winter wheat, but there were some distributions of hard red winter wheat with protein levels as high as 15 percent and some hard red spring wheat distributions as low as 11 percent.[52] Distributions of hard red spring wheat were consistently larger than those of hard red winter wheat at protein levels of 13 percent or higher, with the reverse being true for protein levels at 12 percent or below. Although hard red spring wheat generally has higher protein levels and is consequently higher priced, hard red winter wheat and hard red spring wheat are similarly priced when both are at the 13 percent protein level.[53] Respondents also presented data on average prices of hard red spring wheat and hard red winter wheat between June 1999 and May 2002 that show that the price gap between hard red spring wheat and hard red winter wheat had narrowed in crop year 2001/02.[54] Respondents assert that a strong protein premium exists when protein levels are low, such as in crop year 1999/2000 and that the protein advantage of hard red spring wheat is less valuable when protein levels are high, such as in crop year 2001/02.

Petitioners allege that the same data do not show a continuum.[55] The only comparable protein level is at 13 percent, and hard red spring wheat, even there, maintains a price premium because of other quality attributes like absorption. Petitioners also point out that only a small portion of each crop is at the 13-percent protein level, that hard winter wheat averages 12-percent protein or less, and hard red spring is 14-percent protein or more.

Several purchasers asserted that there are three different broad uses of wheat: hard red winter wheat and hard red spring wheat are used for bread and yeast-raised baked goods; soft red winter is used in cookies, crackers, and cake flour; and durum is used for pasta. *** reported that there is very little competition among classes, and that interchangeability depends upon the characteristics of each crop and that price can be a consideration.

In non-food uses, wheat appears to be a close substitute with other grains.

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[49] Randy Marten, Miller Milling, conference transcript, pp. 142-143.

[50] James N. Barnes and Dennis A. Shields, "The Growth in U.S. Wheat Food Demand," *Wheat Yearbook*, March 1998, USDA, pp. 18-26.

[51] In the ordinary least squares estimates, the cross-price elasticity for hard red winter wheat in the demand for hard red spring wheat equation is 0.19, and the cross-price elasticity for hard red spring wheat in the demand for hard red winter wheat equation is 0.75. A larger positive cross price elasticity generally implies a greater degree of substitutability. However, when an estimation method other than ordinary least squares is used, the magnitudes of these coefficients are reversed. Although the total R squares for this research are at acceptable levels, many individual parameters estimates are not significant at conventional confidence levels and limit the generality of this study.

[52] Respondents' postconference brief, exh. 2.

[53] Ibid., exh. 3, 6, and 7. The designation of DNS (dark northern spring) is synonymous with hard red spring wheat.

[54] Ibid., exh. 4.

[55] Petitioners' postconference brief, answers to staff questions, p. 13.

Durum

Importers and purchasers were asked to compare durum and hard red spring wheat. Both durum and hard red spring wheat are planted in the spring and yield relatively high protein levels. Hard red spring wheat is red-colored, shorter and rounder than durum; durum has yellow endosperm in contrast to hard red spring wheat's white endosperm. Durum is the hardest class of wheat and is virtually the only wheat for making semolina, the course flour used to make pasta. Hard red spring wheat is used to make bread and other yeast-raised baked goods. *** stated that durum is valued for its gluten content and high endosperm, whereas hard red spring wheat is valued for its protein level. *** stated that durum wheat is very high in gluten strength and would make a very heavy, brick-like loaf of bread. *** stated that durum retains less water during cooking but that some varieties may be used to make bread, especially when one wants the bread to have a golden color.

Purchasers reported that durum and hard red spring wheat are not generally interchangeable. *** stated some hard red spring wheat could be added to durum but the quality of the pasta would decline. *** stated that durum would make bread flat, while hard red spring wheat would make noodles soft and mushy. *** reported that hard red spring wheat could be used in cheap pasta products. *** stated that when durum prices are higher, some customers switch to hard red spring wheat for lower quality pasta and that a small volume of durum may be used in specialty breads.

Hard Wheats

*** reported that hard red spring wheat normally has a higher protein level and greater water absorption than hard red winter wheat. If hard red winter wheat and hard red spring wheat have the same protein content, similar usage can occur. Both types of wheat are used in baked goods. The addition of hard red spring wheat improves dough handling, mixing characteristics, and water absorption. *** alleged that hard red spring wheat and hard red winter wheat compete for sales based on price and quality and that the least expensive wheat finds its way into the mills' grist if quality is comparable. ***, a miller, stated that hard red spring wheat and hard red winter wheat frequently have overlapping protein ranges and that it does not use hard red spring wheat in its products. *** stated that hard red spring wheat is used more for artisan breads, crusty hearth breads, and pizza dough and that hard red winter wheat is used more for white pan breads and general purpose flours.

Purchasers were asked if hard red spring wheat and hard red winter wheat were comparable for producing flour to be used in baking similar goods. Out of 10 responding purchasers, six responded in the affirmative and four in the negative. *** said that it depended upon the baked good being made, the other ingredients, and the overall quality of the wheat, not just the protein quantity.

Mills often blend hard red spring wheat with lower protein wheat to increase the gluten content, and purchasers were also asked if they blended hard red spring wheat and hard red winter wheat to make flour to meet certain customer requirements. Out of 11 responding purchasers, eight responded in the affirmative and three in the negative.

SUBSTITUTABILITY ISSUES

The substitution between domestic and imported durum and hard red spring wheat depends upon relative prices, quality, and the conditions of sale. Available data on these factors suggests that imported Canadian western red spring wheat is highly, although not perfectly, substitutable with U.S.-grown hard red spring wheat and, similarly, that imported Canadian durum wheat is highly, although not perfectly, substitutable with U.S.-grown durum wheat.

Factors Affecting Purchasing Decisions

Purchasers were asked to list, in order of importance, the three factors that their firm considers most important in selecting a supplier. Quality, price, and availability were listed most frequently, followed by delivery and credit terms (table II-1).

Table II-1
Durum and hard red spring wheat: Ranking of factors used in purchasing decisions as reported by U.S. purchasers

Factor	Number of firms reporting		
	First factor	Second factor	Third factor
Availability	2	1	3
Delivery	0	2	2
Dependability	1	0	2
Price	2	8	6
Quality	12	5	0
Other	1	2	5

Source: Compiled from data submitted in response to Commission questionnaires.

Purchasers were asked to rate the importance of 14 factors in their wheat purchase decision. Purchasers reported that availability, product consistency, product quality, and reliability of supply were very important (table II-2). Minimum quantity requirements were not important. Discounts offered and price tended to be somewhat important.

Comparisons of Domestic Products and Subject Imports

Importers and purchasers were asked if imported Canadian wheat and domestically grown wheat could be used in the same applications. All responding purchasers replied in the affirmative. *** qualified its response by stating that they could be used in the same applications if the U.S. and Canadian wheat crops were comparable for a given year.

Purchasers were asked if they specifically ordered durum or hard red spring wheat from one country in particular over other possible sources of supply. Out of 18 responding importers/purchasers, 14 responded negatively and four responded positively. *** reported that some government programs require that wheat be of U.S. origin. *** reported that some customers prefer Canadian wheat because of its greater consistency. *** stated that it tries to maintain a blend of 30 to 40 percent Canadian durum due to its positive attributes of lower ash, good color, and less damage from shrinkage and dockage. *** remarked that it prefers durum from Canada because of its consistency and better varieties. *** reported that high quality Canadian durum wheat is generally better than high quality U.S. durum wheat.

Table II-2
Durum and hard red spring wheat: Importance ranking of purchase factors as reported by U.S. purchasers

Factor	Number of firms reporting		
	Very important	Somewhat important	Not important
Availability	13	1	0
Delivery terms	9	5	0
Delivery time	11	3	0
Discounts offered	2	13	0
Lowest price	6	8	0
Minimum quantity requirements	2	6	6
Packaging	3	5	3
Product consistency	13	1	0
Product quality	14	0	0
Product range	5	5	3
Reliability of supply	13	1	0
Technical support/service	2	11	1
Transportation network	6	5	3
U.S. transportation costs	8	4	2

Source: Compiled from data submitted in response to Commission questionnaires.

Purchasers and importers were asked if certain grades or types of durum and hard red spring wheat were available from only a single source. Seven importers/purchasers replied in the affirmative, and 10 replied in the negative. *** responded that the question cannot be answered categorically because it depends upon delivered costs, contract terms, and market conditions. *** stated that a spring wheat with strong gluten (Canadian western extra strong, a subclass of western red spring wheat) is available from Canada and that there is no comparable subclass in the United States. *** stated that the Canadian and U.S. grain industries use different grading systems and standards. *** reported that the quality and availability of specific varieties of wheat from Canada and the United States depends upon the weather and inputs used and varies yearly.

Purchasers and importers were asked their reasons for purchasing from only one country. *** remarked that price should not be a reason because it was the same relative to quality and shipping periods. *** stated that it bought wheat based on protein level, price, and overall quality. *** remarked that it had paid a premium for Canadian wheat due to its better quality and consistency.

Purchasers were asked to compare Canadian and U.S. durum and hard red spring wheat on the 14 purchase factors shown in table II-2. U.S.-grown and imported Canadian durum and hard red spring wheat were judged to be comparable on almost all factors, although the Canadian product was rated better with respect to product consistency (table II-3).

Table II-3
Comparisons between U.S.-produced and imported Canadian durum and hard red spring wheat as reported by U.S. purchasers

Factor	Number of firms reporting		
	U.S. superior	Comparable	U.S. inferior
Availability	2	6	3
Delivery terms	3	8	1
Delivery time	1	8	3
Discounts offered	2	9	0
Lowest price	3	9	0
Minimum quantity requirements	1	11	0
Packaging	0	9	0
Product consistency	1	6	6
Product quality	0	8	4
Product range	2	7	2
Reliability of supply	3	5	4
Technical support/service	1	8	2
Transportation network	1	9	1
U.S. transportation costs	2	9	0

Source: Compiled from data submitted in response to Commission questionnaires.

ELASTICITY ESTIMATES

U.S. Supply Elasticity

The domestic supply elasticity for durum and hard red spring wheat indicates how U.S. producers alter production in response to changes in the U.S. market price of durum and hard red spring wheat. The domestic supply elasticity depends on marginal production costs, farmers' ability to switch between cultivation of wheat and other crops, inventory levels, and the viability of export markets for U.S.-produced durum and hard red spring wheat. A USDA study indicated that the own-price supply elasticity of U.S. wheat farmers was about 0.6.[56] Research at North Dakota State University found the own-price elasticity of supply to range from 0.86 to 0.98 for durum wheat and to be about 0.3 for U.S. hard red spring wheat.[57] Analysis of supply factors indicates that the U.S. industry is likely to increase

[56] Walter Gardiner, Vernon Roningen, and Karen Liu, "Elasticities in the Trade Liberalization Database," USDA, ERS, May 1989, table 5.

[57] Won Koo, et al, "Economic Analysis of the Proposed North Dakota Wheat Pool," Department of Agricultural Economics, North Dakota State University, January 1999, p. 44.

shipments to the U.S. market by a small to moderate amount in response to an increase in demand; an estimate in the range of 0.5 to 2.5 is suggested.

U.S. Demand Elasticity

The U.S. demand elasticity for durum and hard red spring wheat measures the consumer response to a change in the U.S. market price of durum and hard red spring wheat. This estimate depends on factors discussed earlier such as consumer preferences and the ease in using substitute products. Petitioners stated that the own price elasticity of demand for wheat is extremely low, and cited research that found a demand elasticity in the range of -0.1 to -0.2.[58] Own-price demand elasticities from the study by Barnes and Shields ranged from -0.47 to -0.21 for hard red spring wheat and from -0.15 to -0.16 for durum.[59] The coefficient estimates were not significant at conventional confidence levels. Based on the available information, the aggregate demand for durum and hard red spring wheat is likely to be inelastic; a range of -0.4 to -0.1 is suggested.

Substitution Elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products. Product differentiation, in turn, depends upon such factors as quality and conditions of sale. Canadian western red spring wheat and U.S. hard red spring wheat are close substitutes. A similar statement could be made about imported Canadian durum and U.S.-grown durum. Based on available information, the elasticity of substitution between U.S.-produced durum and hard red spring wheat and imported Canadian durum and western red spring wheat is likely to be in the range of 10 to 15.

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[58] Petitioners' postconference brief, p. 4. Research by Julian Alston et al. is cited that the demand for milling wheat and durum wheat has an elasticity in the range of -0.1 to -0.2. *Canadian Journal of Agricultural Economics*, vol. 42, 1994, p. 239.

[59] James N. Barnes and Dennis A. Shields, pp. 27-28.

PART III: U.S. PRODUCER'S PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margins of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on publicly available data.

U.S. PRODUCERS

According to the *1997 Census of Agriculture*,[1] there were 243,568 farms growing all types of wheat, 46,268 farms growing spring wheat,[2] 6,887 farms growing durum wheat, 40,737 farms growing winter wheat,[3] and 161,324 farms growing non-specified wheat in 1997.[4] Table III-1 shows the number of durum wheat farms, acres harvested, and quantity grown by state in 1997. Table III-2 shows the number of spring wheat farms, acres harvested, and quantity grown by state in 1997. Table III-3 shows the number of winter wheat farms, acres harvested, and quantity grown by state in 1997. Table III-4 shows the number of farms of all types of wheat, acres harvested, and quantity grown, arrayed by size in 1997.[5]

ACREAGE PLANTED, ACREAGE HARVESTED, PRODUCTION, AND YIELD

Data on acreage planted, acreage harvested, production, and yield for durum, hard red spring, hard red winter, and hard red spring and hard red winter wheat combined are presented in table III-5. Approximately 93 percent of spring wheat (excluding durum wheat) produced in the United States was accounted for by the production of hard red spring wheat in 2001. Approximately 56 percent of winter wheat produced in the United States was accounted for by the production of hard red winter wheat in 2001.

U.S. PRODUCERS' DOMESTIC SHIPMENTS AND EXPORT SHIPMENTS

U.S. producers' shipments of durum, hard red spring, hard red winter, and hard red spring and hard red winter wheat combined are shown in table III-6.[6]

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[1] The USDA conducts a Census of Agriculture survey every five years. The 2002 Census of Agriculture is not expected to be published until 2003.

[2] The variations of spring wheat consist of hard red spring and hard white spring. The *1997 Census of Agriculture* does not present data on the number of farms growing red vs. white spring wheat. Petitioners estimate that there are 40,407 U.S. producers of hard red spring wheat. Petition, p. 5.

[3] The variations of winter wheat consist of hard red winter, hard white winter, soft red winter, and soft white winter. USDA does not present data on the number of farms by type of winter wheat.

[4] USDA, *1997 Census of Agriculture*, vol. 2, part 51, ch. 2, table 26. Non-specified wheat was shown when a type not commonly produced in a state was reported on a report form not intended for use for that State or when reporting errors were suspected.

[5] The number of farms arrayed by size is not available by type of wheat.

[6] USDA does not collect data on the value of U.S. producers' shipments. Average unit values of U.S. producers' shipments also are not available.

Table III-1
Durum wheat: Number of U.S. growers, acres harvested, and quantity grown, by state, 1997

State	Number of farms	Acres harvested	Quantity (in bushels)
Arizona	272	92,412	8,208,026
California	353	134,710	12,490,437
Minnesota	30	3,823	142,151
Montana	631	289,211	7,483,240
North Dakota	5,457	2,540,885	56,415,384
South Dakota	144	38,691	1,063,228
United States	6,887	3,099,732	85,802,466

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

Table III-2
Spring wheat: Number of U.S. growers, acres harvested, and quantity grown, by state, 1997

State	Number of farms	Acres harvested	Quantity (in bushels)
Arizona	2	([1])	([1])
California	187	32,108	2,244,963
Colorado[2]	373	49,674	3,857,762
Idaho[2]	2,708	567,369	45,270,813
Michigan	119	4,574	211,185
Minnesota[2]	9,051	2,329,490	72,702,523
Montana[2]	6,536	3,835,928	111,027,909
Nevada[2]	25	([1])	([1])
New Mexico	20	3,972	293,140
North Dakota[2]	16,915	8,270,597	202,714,112
Oregon[2]	786	117,363	6,401,636
South Dakota[2]	7,093	1,852,380	51,327,468
Utah[2]	278	18,779	910,295
Washington[2]	1,723	379,142	20,973,057
Wisconsin[2]	298	6,393	256,716
Wyoming[2]	154	14,979	487,188
United States	46,268	17,488,113	519,176,940

[1] Data withheld by USDA to avoid disclosing information for individual firms.
[2] Identified as a state producing hard red spring wheat in 2001.

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

Table III-3
Winter wheat: Number of U.S. growers, acres harvested, and quantity grown, by state, 1997

State	Number of farms	Acres harvested	Quantity (in bushels)
Arizona[1]	47	([2])	([2])
California[1]	1,554	414,253	27,636,777
Colorado[1]	5,166	2,465,426	72,798,764
Idaho[1]	3,593	843,609	63,671,036
Michigan[1]	8,896	495,168	28,220,974
Minnesota[1]	906	58,285	1,686,400
Montana[1]	3,229	1,477,197	53,703,333
Nevada	59	([2])	([2])
New Mexico[1]	694	260,218	8,311,917
North Dakota[1]	352	62,644	1,392,764
Oregon[1]	2,217	765,499	48,293,267
South Dakota[1]	4,461	1,286,456	37,080,115
Utah[1]	981	163,593	6,922,018
Washington[1]	3,677	2,043,364	130,151,086
Wisconsin	4,334	144,076	7,826,934
Wyoming[1]	571	206,062	6,033,475
United States	40,737	10,710,228	496,041,365

[1] Identified as a state producing hard red winter wheat in 2001. Illinois, Nebraska, New York, Oklahoma, and Texas were listed as states producing hard red winter wheat in 2001, but were not listed as winter-wheat-producing states in 1997.
[2] Data withheld by USDA to avoid disclosing information for individual firms.

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

U.S. PRODUCER'S INVENTORIES

U.S. producers' end-of-period inventories of durum, hard red spring, hard red winter, and hard red spring and hard red winter wheat combined are shown in table III-7.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

No reliable employment data for producers of all wheat or by types of wheat exist.[7]

[7] The petition included employment data for hired workers and wage rates for field crop and livestock workers. Petition, exh. I-42. However, such data are not specific to wheat farmers.

Table III-4
Wheat: Number of U.S. growers, acres harvested, and quantity grown, by size of farm, 1997

Farm size	Number of farms	Acres harvested	Quantity (in bushels)
1 to 14 acres	28,965	248,698	11,216,066
15 to 24 acres	24,665	465,940	21,666,119
25 to 49 acres	37,785	1,315,505	61,697,015
50 to 99 acres	39,246	2,692,636	121,738,637
100 to 249 acres	49,304	7,637,971	317,088,525
250 to 499 acres	29,308	10,206,821	389,975,533
500 to 999 acres	21,514	14,684,021	530,083,445
1,000 to 1,999 acres	9,998	13,211,391	464,776,868
2,000 to 2,999 acres	1,848	4,296,531	144,195,078
3,000 to 4,999 acres	736	2,631,362	88,925,050
5,000 acres or more	199	1,445,468	52,664,348
Total	243,568	58,836,344	2,204,026,684
Source: Compiled from official statistics of the U.S. Department of Agriculture.			

Table III-5
Durum, hard red spring, and hard red winter wheat: U.S. producers' acreage planted, acreage harvested, production, and yield, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Item	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02[2]
Durum wheat:					
Acreage planted (*million acres*)	3.3	3.8	4.0	3.9	2.9
Acreage harvested (*million acres*)	3.2	3.7	3.6	3.6	2.8
Production (*million bushels*)	87.8	138.1	99.3	109.8	83.6
Yield (*bushels per acre harvested*)	27.6	37.0	27.8	30.7	30.0
Hard red spring wheat:					
Acreage planted (*million acres*)	18.3	14.8	14.3	14.4	14.8
Acreage harvested (*million acres*)	17.5	14.4	13.8	13.6	13.8
Production (*million bushels*)	491.3	486.4	447.9	502.3	475.7
Yield (*bushels per acre harvested*)	28.1	33.8	32.5	36.9	34.5
Hard red winter wheat:					
Acreage planted (*million acres*)	34.0	32.2	30.8	30.4	29.0
Acreage harvested (*million acres*)	28.7	27.2	24.4	23.6	20.9
Production (*million bushels*)	1,098.3	1,179.5	1,050.7	846.3	766.8
Yield (*bushels per acre harvested*)	38.3	43.4	43.1	35.9	36.7
Hard red spring and hard red winter wheat:					
Acreage planted (*million acres*)[3]	52.3	47.0	45.1	44.8	43.8
Acreage harvested (*million acres*)[3]	46.2	41.6	38.2	37.2	34.7
Production (*million bushels*)[3]	1,589.6	1,665.9	1,498.6	1,348.6	1242.5
Yield (*bushels per acre harvested*)	34.4	40.0	39.2	36.3	35.8

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Marketing year 2001/02 data are projections.
[3] Because of rounding, figures may not add to the totals shown.

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

Table III-6
Durum, hard red spring, and hard red winter wheat: U.S. producers' shipments, by types, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Item	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02[2]
	Quantity (*million bushels*)				
Durum wheat:					
U.S. shipments[3]	56	86	75	68	74
Export shipments[4]	50	39	36	41	40
Total shipments	106	125	109	109	114
Hard red spring wheat:					
U.S. shipments[3]	210	240	247	298	275
Export shipments[4]	241	243	221	223	220
Total shipments	451	483	468	521	495
Hard red winter wheat:					
U.S. shipments[3]	572	594	543	503	487
Export shipments[4]	362	445	467	385	355
Total shipments	934	1,039	1,010	888	842
Hard red spring and hard red winter wheat:					
U.S. shipments[3]	782	834	790	801	762
Export shipments[4]	603	688	688	608	575
Total shipments	1,385	1,522	1,478	1,409	1,337

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Marketing year 2001/02 data are projections.
[3] USDA does not collect the quantities of U.S. producers' U.S. shipments, U.S. producers' U.S. inventories, or U.S. producers' exports. Quantities of U.S. producers' U.S. shipments were derived by subtracting U.S. export shipments and U.S. end-of-period inventories (adjusted to exclude inventories of imports) from the sum of U.S. beginning-of-period inventories (adjusted to exclude imports) and U.S. production. U.S. imports were excluded from U.S. inventories by multiplying U.S. inventories by a factor of U.S. production to U.S. production plus U.S. imports.
[4] U.S. imports for consumption of durum, hard red spring, and hard red winter wheat from all sources as well as from Canada equals U.S. general imports of durum, hard red spring, and hard red winter wheat from all sources and Canada. Therefore, it is believed that U.S. exports of durum, hard red spring, and hard red winter wheat do not contain imported wheat. However, the CWB argues that based on their examination of official Commerce import statistics and the export data maintained by the Canadian Grains Commission, U.S. imports of wheat from Canada contain transit shipments to Latin America and the Caribbean. CWB's postconference brief, exh. 8. See Part IV for details.

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

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

Table III-7
Durum, hard red spring, and hard red winter wheat: U.S. producers' end-of-period inventories,[1] marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Item	Marketing year[2]				
	1997/98	1998/99	1999/00	2000/01	2001/02
Durum wheat:					
Inventories[1] (*million bushels*)	8	36	37	46	5
Ratio to production (*percent*)	9.2	26.0	36.8	41.5	6.1
Ratio to U.S. shipments[2] (*percent*)	14.5	41.8	48.9	67.1	6.8
Ratio to total shipments[2] (*percent*)	7.5	28.8	33.3	42.2	4.4
Hard red spring wheat:					
Inventories[1] (*million bushels*)	190	202	187	179	169
Ratio to production (*percent*)	38.7	41.5	41.8	35.6	35.5
Ratio to U.S. shipments[2] (*percent*)	90.6	84.1	75.8	60.1	61.5
Ratio to total shipments[2] (*percent*)	42.1	41.8	40.0	34.4	34.1
Hard red winter wheat:					
Inventories[1] (*million bushels*)	307	447	475	416	335
Ratio to production (*percent*)	27.9	37.9	45.2	49.1	43.7
Ratio to U.S. shipments[2] (*percent*)	53.6	75.3	87.6	82.7	68.8
Ratio to total shipments[2] (*percent*)	32.9	43.0	47.0	46.8	39.8
Hard red spring and hard red winter wheat:					
Inventories[1] (*million bushels*)	497	649	662	595	504
Ratio to production (*percent*)	31.3	39.0	44.2	44.1	40.6
Ratio to U.S. shipments[2] (*percent*)	63.5	77.8	83.9	74.3	66.2
Ratio to total shipments[2] (*percent*)	35.9	42.6	44.8	42.2	37.7

[1] USDA does not collect quantities of U.S. producers' end-of-period inventories. U.S. producers' end-of-period inventories were derived by multiplying end-of-period inventories, including imports, by a factor of U.S. production to U.S. production plus U.S. imports.
[2] The U.S. marketing year begins June 1 and ends May 31.
[3] Data on U.S. shipments and total shipments used in the ratios of inventories to such shipments were also adjusted to exclude imports.

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

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

PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

Based on U.S. Customs Service data, *** accounted for *** percent of imports of durum,[1] hard red spring,[2] hard red winter,[3] and hard red spring and hard red winter wheat combined from Canada, respectively, in calendar year 2001. It was the largest importer of durum and hard red spring wheat from Canada in 2001 and the ***.

[1] Twenty-four firms imported durum wheat from Canada in 2001. The following importers accounted for more than 1 percent of imports of durum wheat from Canada in 2001: ***.

[2] Fifty-two firms imported hard red spring wheat from Canada in 2001. The following importers accounted for more than 1 percent of imports of hard red spring wheat from Canada in 2001: ***.

[3] Seven firms imported hard red winter wheat from Canada in 2001. The three largest importers, ***, accounted for more than *** percent of the hard red winter wheat imports from Canada in 2001.

U.S. IMPORTS

The quantity and value of U.S. imports of durum,[4] hard red spring,[5] hard red winter,[6] and hard red spring and hard red winter wheat combined are presented in tables IV-1, IV-2, IV-3, and IV-4, respectively. Imports of durum wheat from Canada, which accounted for over 95 percent of total imports of durum wheat in marketing year 2001/02, increased by 18.4 percent from marketing year 1997/98 to marketing year 2001/02. Imports of durum wheat from all other sources were from Germany, Italy, Mexico, Taiwan, and Thailand, with imports from Mexico accounting for the vast majority of imports from nonsubject sources. Imports of hard red spring wheat from Canada, which accounted for a minimum of 98 percent of total imports of hard red spring wheat during the period examined, increased by 11.1 percent from marketing year 1997/98 to marketing year 2001/02. The majority of imports of hard red spring wheat from all other sources were from Australia, Germany, Mexico, Spain, and Turkey. Imports of hard red winter wheat from Canada increased irregularly by 54.1 percent from marketing year 1997/98 to marketing year 2001/02.

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[4] Import data on durum wheat are based on HTS statistical reporting numbers 1001.10.0010, 1001.10.0091, 1001.10.0092, 1001.10.0095, 1001.10.0096, and 1001.10.0099.

[5] Import data on hard red spring wheat are based on HTS statistical reporting numbers 1001.90.1000, 1001.90.2005, 1001.90.2011, 1001.90.2012, 1001.90.2013, 1001.90.2014, 1001.90.2016, 1001.90.2019, 1001.90.2021, 1001.90.2022, 1001.90.2023, 1001.90.2024, 1001.90.2026, 1001.90.2029, and 1001.90.2035. Imports of hard red spring wheat from Canada are slightly understated because HTS statistical reporting number 1001.90.2096, a basket category mostly containing nonsubject imports, was not included for purposes of calculating hard red spring imports. On an annual basis, approximately *** of wheat imported from Canada entered under HTS number 1001.90.2096 is believed to be hard red spring. Phone interview with ***, USDA, October 10, 2002. HTS number 1001.90.2096 was created when HTS classifications of hard red spring wheat were broken out in January 1999. Because no equivalent HTS classification existed prior to that time, the average level of imports under item 1001.90.2096 in marketing years 1999/00, 2000/01, and 2001/02 was used to factor out nonsubject imports in marketing years 1997/98 and 1998/99. Due to the low volumes and values of imports from all other sources, data for all other sources were not adjusted and include imports entered under HTS item 1001.90.2096. Therefore, imports from all nonsubject sources may be slightly overstated.

Like U.S. import data on durum and hard red winter wheat, U.S. import data on hard red spring wheat presented in this report are based on official Commerce statistics. Because U.S. imports for consumption of hard red spring wheat equal U.S. general imports of hard red spring wheat, it is believed that, based on official Commerce statistics, U.S. exports of hard red spring wheat do not contain imported hard red spring wheat from Canada or any other sources. However, the CWB argues that based on a comparison of U.S. import data on hard red spring wheat from Canada as reported in official Commerce statistics, and Canada's export data on hard red spring wheat to the United States maintained by the Canadian Grains Commission, U.S. imports of wheat from Canada contain transit shipments to Latin America and the Caribbean. Such transit shipments based on data maintained by the Canadian Grains Commission and reported by the CWB equal 3.8, 7.5, and 8.0 million bushels in U.S. marketing years 1999/00, 2000/01, and 2001/02, respectively. CWB's postconference brief, exh. 8.

[6] Import data on hard red winter wheat are based on HTS statistical reporting number 1001.90.2050. The HTS describes this category as "Canadian" western red winter wheat. Given its physical characteristics, all "Canadian" western red winter wheat is a hard wheat. Therefore, imports of hard red winter wheat are believed to account for all of the merchandise imported under HTS number 1001.90.2050. Since that HTS number captures imports only from western Canada, data on U.S. imports of hard red winter wheat from Canada are believed to be understated by the quantity of any imported hard red winter wheat from eastern Canada. Imports of hard red winter wheat from all sources other than western Canada (including eastern Canada) are classified under HTS number 1001.90.2096. On an annual basis, approximately *** of wheat imported from Canada under HTS number 1001.90.2096 is believed to be hard red winter. Telephone interview with ***, USDA, October 10, 2002. Therefore, HTS number 1001.90.2096, a basket category mostly containing nonsubject imports, was not included for purposes of calculating hard red winter imports.

Table IV-1
Durum wheat: U.S. imports, by sources, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Source	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02
	Quantity (*bushels*)				
Canada	16,303,145	20,491,484	15,647,901	12,521,660	19,299,291
All others	1,534	0	755	350,082	910,003
Total	16,304,678	20,491,484	15,648,656	12,871,743	20,209,295
	Value (*$1,000*)[2]				
Canada	95,801	84,991	61,333	54,697	86,028
All others	32	0	8	1,228	3,554
Total	95,832	84,991	61,341	55,924	89,582
	Unit value (*per bushel*)				
Canada	$5.88	$4.15	$3.92	$4.37	$4.46
All others	20.60	([3])	11.04	3.51	3.91
Average	5.88	4.15	3.92	4.34	4.43
	Share of quantity (*percent*)				
Canada	100.0	100.0	100.0	97.3	95.5
All others	([4])	0	([4])	2.7	4.5
Total	100.0	100.0	100.0	100.0	100.0
	Share of value (*percent*)				
Canada	100.0	100.0	100.0	97.8	96.0
All others	([4])	0	([4])	2.2	4.0
Total	100.0	100.0	100.0	100.0	100.0

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Values are landed, duty-paid.
[3] Not applicable.
[4] Less than 0.05 percent.

Note.–Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from official Commerce statistics.

Table IV-2
Hard red spring wheat: U.S. imports, by sources, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Source	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02
			Quantity (*bushels*)		
Canada	48,226,162	47,842,086	50,350,453	49,117,345	53,570,043
All others	41,456	539,135	40,157	24,813	36,563
Total	48,267,618	48,381,220	50,390,610	49,142,159	53,606,606
			Value (*$1,000*)[2]		
Canada	210,894	173,075	175,182	174,897	209,550
All others	488	1,893	326	255	325
Total	211,382	174,968	175,508	175,151	209,874
			Unit value (*per bushel*)		
Canada	$4.37	$3.62	$3.48	$3.56	$3.91
All others	11.77	3.51	8.11	10.26	8.89
Average	4.38	3.62	3.48	3.56	3.92
			Share of quantity (*percent*)		
Canada	99.9	98.9	99.9	99.9	99.9
All others	0.1	1.1	0.1	0.1	0.1
Total	100.0	100.0	100.0	100.0	100.0
			Share of value (*percent*)		
Canada	99.8	98.9	99.8	99.9	99.8
All others	0.2	1.1	0.2	0.1	0.2
Total	100.0	100.0	100.0	100.0	100.0

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Values are landed, duty-paid.

Note.–Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from official Commerce statistics.

Table IV-3
Hard red winter wheat: U.S. imports from western Canada,[1] marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Source	Marketing year[2]				
	1997/98	1998/99	1999/00	2000/01	2001/02
	Quantity (*bushels*)				
Canada	511,694	779,166	88,942	39,364	788,467
	Value (*$1,000*)[3]				
Canada	2,016	2,954	313	130	2,798
	Unit value (*per bushel*)				
Canada	$3.94	$3.79	$3.52	$3.30	$3.55

[1] HTS statistical reporting number 1001.90.2050, which was used to calculate imports of hard red winter wheat, does not contain imports from sources other than western Canada.
[2] The U.S. marketing year begins June 1 and ends May 31.
[3] Values are landed, duty-paid.

Source: Compiled from official Commerce statistics.

APPARENT U.S. CONSUMPTION

The volume and value of apparent U.S. consumption of durum, hard red spring, hard red winter, and hard red spring and hard red winter wheat combined are presented in tables IV-5, IV-6, IV-7, and IV-8, respectively.

U.S. MARKET SHARES

Shares of consumption of durum, hard red spring, hard red winter, and hard red spring and hard red winter wheat combined are presented in tables IV-9, IV-10, IV-11, and IV-12, respectively. Despite an overall increase in import quantities of durum wheat from Canada from marketing year 1997/98 to marketing year 2001/02, the market share of imports of durum wheat from Canada dropped by 2 percentage points overall while that of U.S. producers' shipments rose by 1 percentage point overall during the same period. Similarly, notwithstanding an increase in import quantities of hard red spring wheat from Canada from marketing year 1997/98 to marketing year 2001/02, the market share of imports of hard red spring wheat from Canada dropped by 2.4 percentage points overall while that of U.S. producers' shipments rose by 2.4 percentage points overall during the same period. U.S. producers' shipments accounted for more than 99 percent of the market for hard red winter wheat throughout the period examined.

Table IV-4
Hard red spring and hard red winter wheat: U.S. imports, by sources, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Source	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02
			Quantity (*bushels*)		
Canada	48,737,855	48,621,252	50,439,394	49,156,709	54,358,510
All others	41,456	539,135	40,157	24,813	36,563
Total	48,779,312	49,160,386	50,479,552	49,181,523	54,395,073
			Value (*$1,000*)[2]		
Canada	212,911	176,029	175,495	175,027	212,348
All others	488	1,893	326	255	325
Total	213,398	177,922	175,821	175,281	212,673
			Unit value (*per bushel*)		
Canada	$4.37	$3.62	$3.48	$3.56	$3.91
All others	11.77	3.51	8.11	10.26	8.89
Average	4.37	3.62	3.48	3.56	3.91
			Share of quantity (*percent*)		
Canada	99.9	98.9	99.9	99.9	99.9
All others	0.1	1.1	0.1	0.1	0.1
Total	100.0	100.0	100.0	100.0	100.0
			Share of value (*percent*)		
Canada	99.8	98.9	99.8	99.9	99.8
All others	0.2	1.1	0.2	0.1	0.2
Total	100.0	100.0	100.0	100.0	100.0

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Values are landed, duty-paid.

Note.–Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from official Commerce statistics.

Table IV-5
Durum wheat: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Item	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02
	Quantity (*million bushels*)				
U.S. producers' shipments	56	86	75	68	74
U.S. imports from--					
Canada	16	20	16	13	19
All other sources	(2)	0	(2)	(2)	1
Total imports	16	20	16	13	20
Apparent U.S. consumption	72	106	91	81	94

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Less than 500,000 bushels.

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

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

Table IV-6
Hard red spring wheat: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Item	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02
	Quantity (*million bushels*)				
U.S. producers' shipments	210	240	247	298	275
U.S. imports from--					
Canada	48	48	50	49	54
All other sources	(2)	1	(2)	(2)	(2)
Total imports	48	48	50	49	54
Apparent U.S. consumption	258	288	297	347	329

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Less than 500,000 bushels.

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

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

Table IV-7
Hard red winter wheat: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Item	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02
	Quantity (*million bushels*)				
U.S. producers' shipments	572	594	543	503	487
U.S. imports from--					
Canada	1	1	(2)	(2)	1
All other sources	0	0	0	0	0
Total imports	1	1	(2)	(2)	1
Apparent U.S. consumption	573	595	543	503	488

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Less than 500,000 bushels.

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

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

Table IV-8
Hard red spring and hard red winter wheat: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Item	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02
	Quantity (*million bushels*)				
U.S. producers' shipments	782	834	790	801	762
U.S. imports from--					
Canada	49	49	50	49	54
All other sources	(2)	1	(2)	(2)	(2)
Total imports	49	49	50	49	54
Apparent U.S. consumption	831	883	840	850	816

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Less than 500,000 bushels.

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

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

Table IV-9
Durum wheat: Apparent U.S. consumption and market shares, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Item	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02
	Quantity (*million bushels*)				
Apparent consumption	72	106	91	81	94
	Share of quantity (*percent*)				
U.S. producers' shipments	77.5	80.8	82.7	84.1	78.5
U.S. imports from--					
Canada	22.5	19.2	17.3	15.5	20.5
All other sources	(2)	0.0	(2)	0.4	1.0
Total import shipments	22.5	19.2	17.3	15.9	21.5

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Less than 0.05 percent.

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

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

Table IV-10
Hard red spring wheat: Apparent U.S. consumption and market shares, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Item	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02
	Quantity (*million bushels*)				
Apparent consumption	258	288	297	347	329
	Share of quantity (*percent*)				
U.S. producers' shipments	81.3	83.2	83.1	85.8	83.7
U.S. imports from--					
Canada	18.7	16.6	16.9	14.1	16.3
All other sources	(2)	0.2	(2)	(2)	(2)
Total import shipments	18.7	16.8	16.9	14.2	16.3

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Less than 0.05 percent.

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

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

Table IV-11
Hard red winter wheat: Apparent U.S. consumption and market shares, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Item	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02
	Quantity (*million bushels*)				
Apparent consumption	573	595	543	503	488
	Share of quantity (*percent*)				
U.S. producers' shipments	99.9	99.9	100.0	100.0	99.8
U.S. imports from--					
Canada	0.1	0.1	(2)	(2)	0.2
All other sources	0.0	0.0	0.0	0.0	0.0
Total import shipments	0.1	0.1	(2)	(2)	0.2

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Less than 0.05 percent.

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

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

Table IV-12
Hard red spring and hard red winter wheat: Apparent U.S. consumption and market shares, marketing years 1997/98, 1998/99, 1999/00, 2000/01, and 2001/02

Item	Marketing year[1]				
	1997/98	1998/99	1999/00	2000/01	2001/02
	Quantity (*million bushels*)				
Apparent consumption	831	883	840	850	816
	Share of quantity (*percent*)				
U.S. producers' shipments	94.1	94.4	94.0	94.2	93.3
U.S. imports from--					
Canada:					
Hard red spring wheat	5.8	5.4	6.0	5.8	6.6
Hard red winter wheat	0.1	0.1	(2)	(2)	0.1
Total Canada	5.9	5.5	6.0	5.8	6.7
All other sources	(2)	0.1	(2)	(2)	(2)
Total import shipments	5.9	5.6	6.0	5.8	6.7

[1] The U.S. marketing year begins June 1 and ends May 31.
[2] Less than 0.05 percent.

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

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

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

For hard red spring wheat, the Minneapolis Grain Exchange reports that the number of acres planted, the weather, and other crop news drive the market from April to September while the crop is in the ground and that export demand and international supply are important during other times of the year.[1] Producers can sell futures contracts and options contracts for hard red spring wheat or sell on a cash basis. There is no organized futures market for durum.[2] Producers of durum, therefore, have fewer options in managing risk than producers of hard red spring wheat. Daily (or even more frequent) market quotes from the Minneapolis Grain Exchange and USDA's Agricultural Marketing Service are available online for both durum and hard red spring wheat. This price information aids both the producer and miller in discovering market prices.

Transportation Costs

The costs for Canadian exporters of durum and hard red spring wheat to access the U.S. market were estimated by calculating the increment that insurance and freight add to customs value. For 2001, these access costs were estimated at 6.4 percent of the total value of imported Canadian durum wheat and 6.8 percent of the total value of imported Canadian hard red spring wheat.

Farmers usually truck their wheat to a grain elevator, where it is stored and eventually loaded onto a rail car for shipment to a miller or to a port for export.[3] Rail is the major mode of inland transport for both Canadian and U.S. wheat. Road and rail systems in the upper plains states facilitate grain marketing.[4] Railroad deregulation is more recent in Canada than in the United States, and the CWB arranges wheat shipping, sometimes at preferential rates.[5]

Purchasers reported that U.S. inland transportation costs averaged 15.7 percent of the total delivered cost of U.S.-grown wheat and 13.1 percent of the total delivered costs of Canadian-grown wheat. Transportation costs for hard red spring wheat and durum wheat as reported with the pricing data, discussed later in this part, are shown in table V-1. The data for the U.S. products appeared more variable than the data for the Canadian products.

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[1] *Hard Red Spring Wheat Futures and Options*, Minneapolis Grain Exchange, 2001.

[2] James Meyer, Italgrani, conference transcript, p. 171. Petitioners allege that the CWB bears the cost of forward contracting that the market must bear in the United States. These extra costs result in there being no forward contracting for durum in the United States. Andrew Wechsler, LEGC, conference transcript, pp. 32-33. The potential for selling durum exists through the Minnesota Grain Exchange, but there is no activity in durum futures. *http://www.mgex.com/market/quotes/quotes.htm.*

[3] *Wheat Trading Practices,* inv. No. 332-429, USITC Pub. 3465, December 2001, ch. 3.

[4] Ibid., p. 3-2. The layout of the U.S. rail system is better suited for supplying domestic markets than for shipping grain to ports for export.

[5] Ibid. See pp. 3-6 to 3-9 for a discussion of Canadian rail shipping.

Table V-1
Durum and hard red spring wheat: Transportation costs as a percentage of the total delivered price

Category	Minimum	Maximum	Mean
U.S. hard red spring wheat	1.4	18.5	7.9
U.S. durum	2.1	23.7	10.7
Canadian Western red spring wheat	8.6	10.3	9.6
Canadian durum	2.0	12.5	7.7
Source: Compiled from data submitted in response to Commission questionnaires.			

Exchange Rates

The nominal and real values of the Canadian dollar compared to the U.S. dollar were relatively steady but trended slightly downward between the first quarter of 1997 and the second quarter of 2002 (figure V-1). The nominal and real dollar values of the Canadian dollar in the second quarter of 2002 were 12.6 percent and 7.7 percent, respectively, below their values in the first quarter of 1997.

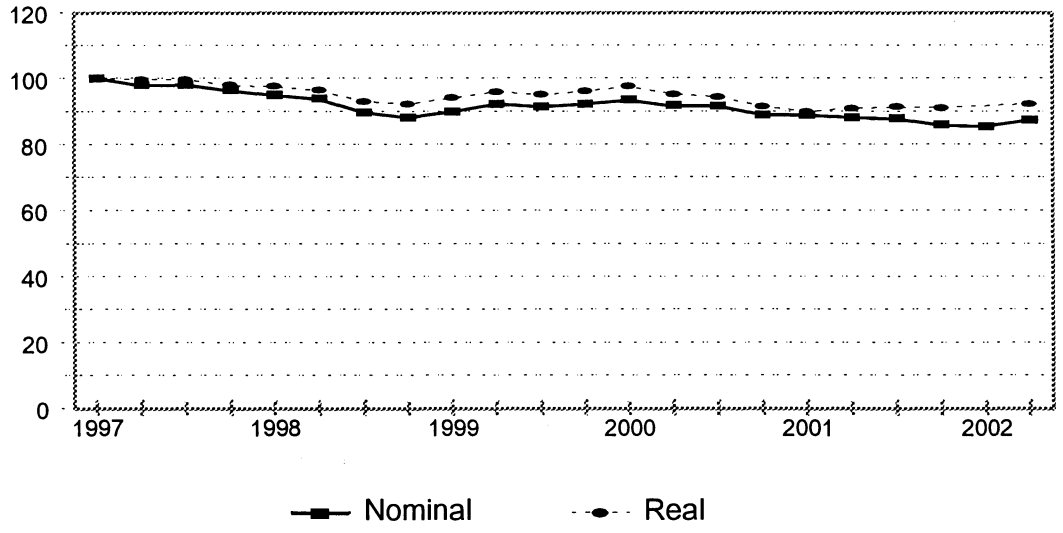
The U.S. dollar has also appreciated relative to the currencies of some other grain-exporting countries. For example, the Australian dollar has depreciated about 29 percent between the first quarter of 1997 and the second quarter of 2002. The nominal value of the euro in dollar terms declined by approximately 18 percent between the first quarter of 1999 and the second quarter of 2002.

PRICING PRACTICES

Purchasers and importers were asked to identify the usual method of establishing a transaction price for the durum and hard red spring wheat that they purchased. Soliciting offers and countering with bids was a common approach. *** stated that shippers sometimes initiated offers and that it chose a supplier based on quality, price, and delivery time. *** stated that it used elevator bids in establishing a daily board price. *** reported that it negotiated price based on exchange futures or flat board prices. Prices at the Minneapolis Grain Exchange or Chicago Board of Trade adjusted for transportation costs were sometimes used.

Purchasers reported making 11.6 percent of their wheat purchases on the spot market and 88.4 percent by contract. Purchasers buying under contracts reported the duration of those contracts (table V-2). Contracts for Canadian durum tended to have longer terms than those for U.S. durum, and contracts for Canadian hard red spring were more concentrated in the medium term.

Figure V-1
Exchange rates: Indexes of the nominal and real exchange rates (first quarter 1997=100) between the Canadian and the U.S. dollars, by quarters, first quarter 1997-second quarter 2002



Source: International Monetary Fund, *International Financial Statistics*, September 2002.

Table V-2
Durum and hard red spring wheat: Contract durations

Product	Short term[1]	Medium term[1]	Long term[1]
U.S. durum	32.8	43.2	24.0
U.S. hard red spring	27.7	47.2	25.2
Canadian durum	17.9	50.8	31.2
Canadian hard red spring	22.9	58.9	18.3

[1] Short, medium, and long term refer to contracts that are, respectively, for less than 30 days, between 30 and 90 days, and for more than 90 days.

Source: Compiled from data submitted in response to Commission questionnaires.

Typically farmers sell wheat locally to country elevators. North Dakota has about 400 country elevators that buy grain,[6] and store it with the expectation to sell at some future date. Cooperatives, independent business people, or large agricultural entities may own elevators. The elevator posts a daily price for the different products and grades that it purchases. A farmer would typically bring in a sample, which would be tested for protein level, vitreous kernel count, moisture level, vomitoxin, etc. The farmer

[6] James Meyer, conference transcript, p. 169.

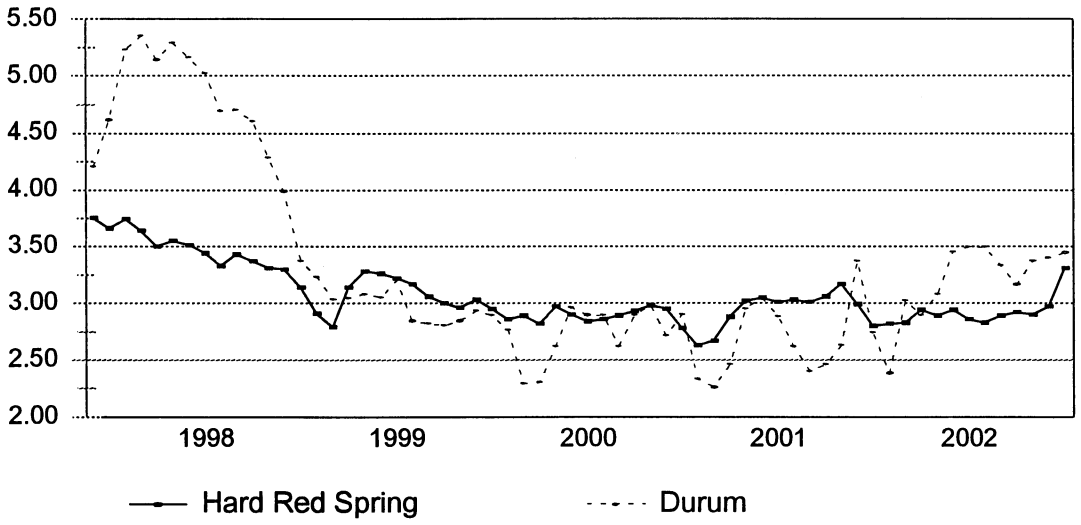
is then quoted a price, which he or she may accept. When the farmer believes the price is too low, he or she may visit other elevators to seek a better price, if the farmer judges that the chance of a better price is worth the cost of an extra trip.

Nine importers and purchasers reported that they sometimes purchase durum and hard red spring wheat at the lowest price; six reported that they usually purchase at the lowest price, and three reported that they always purchase at the lowest price.

PUBLIC PRICE DATA

Petitioners stated that durum wheat is riskier to grow than hard red spring wheat; therefore, durum growers expect to earn a premium of about 50¢ a bushel for allocating resources to the riskier commodity.[7] Petitioners added, however, that the durum premium had disappeared in recent months. Farm-level pricing data show that durum prices were at $5.35 per bushel in September 1997 and decreased during 1998. Since 1999, farm-level durum prices have frequently been below hard red spring prices (figure V-2). Hard red spring prices also trended downward between June 1997 and July 2002, although the trend has been slightly positive since mid-2000. Hard red spring wheat was priced at $3.75 per bushel at the farm level in June 1997 but dropped to $3.31 per bushel in July 2002.

Figure V-2
Durum and hard red spring wheat: Farm prices ($/bushel), by months, June 1997 to July 2002

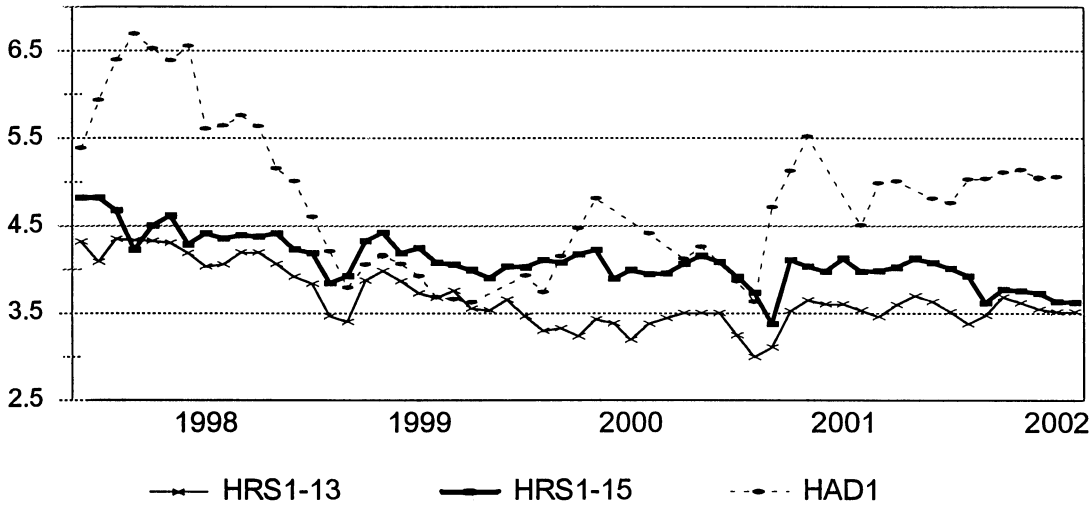


Source: *Wheat Situation and Outlook Yearbook*, March 2002, table 20.

[7] Neal Fisher, conference transcript, p. 18.

Petitioners stated that the technology exists to measure protein levels easily and that protein levels were one of the singularly most important attributes of wheat.[8] Data on cash prices at the Minneapolis Grain Exchange show that hard red spring wheat is usually priced higher, the higher the protein level. There are exceptions, however, and the gap between prices of similar wheat with different protein levels varies. Prices of hard red spring wheat with 15 percent protein are higher than those of hard red spring wheat with 13 percent protein (figure V-3), but the prices have been close in the fall of 1997 and from September 2001 through February 2002. Overall, the prices of hard red spring wheat at the 13 and 15 percent protein levels trended downward between June 1997 and February 2002, although virtually all of the decline occurred between June 1997 and August 1998. After reaching a high in September 1997, cash prices at the Minneapolis Grain Exchange for durum wheat showed the same steep decline in 1998 as the farm level prices, and durum prices were more variable than prices for hard red spring wheat. Durum prices were below those of hard red spring wheat at the 15 percent protein level in 1999. Durum prices recovered somewhat in November 2000 and remained at higher levels than prices of hard red spring wheat.

Figure V-3
No. 1 hard red spring wheat with 13 percent protein (HRS1-13), No. 1 hard red spring wheat with 15 percent protein (HRS1-15), and No. 1 hard amber durum (HAD1): Minneapolis Grain Exchange prices for cash sales ($/bushel), by months, June 1997 to February 2002

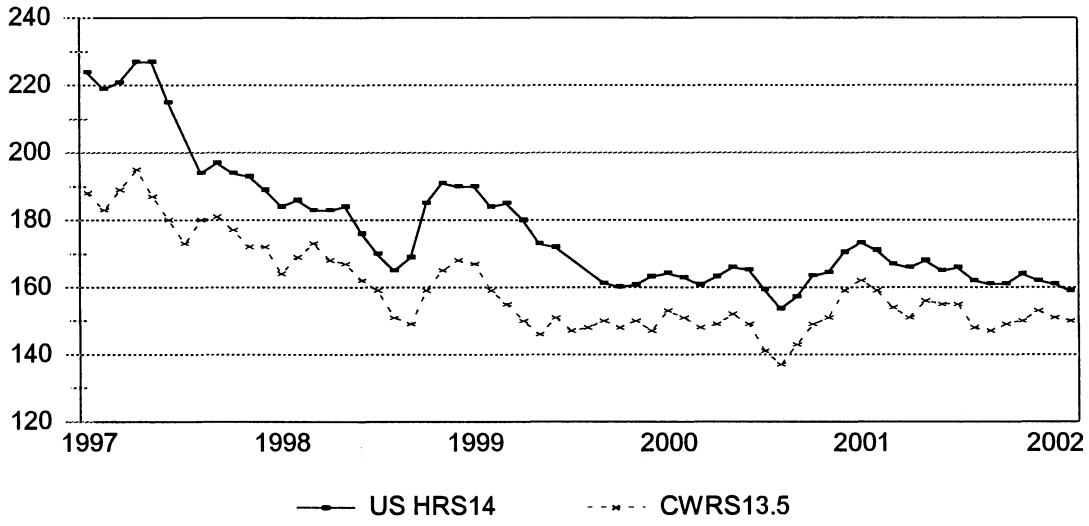


Source: *Wheat Situation and Outlook Yearbook*, March 2002, table 21.

Because wheat is widely traded, some price movements are transmitted from country to country. The United States and Canada both compete in third-country markets. Figure V-4 shows similar trends for Canadian western red spring wheat with 13.5 percent protein at St. Lawrence and U.S. hard red spring wheat with a 14 percent protein level at Rotterdam. Prices of both products in both places declined irregularly from January 1997 to August 2000 and have since been stable to slightly higher; price differences are likely due to transportation costs.

[8] Ibid., p. 43.

Figure V-4
Prices ($/metric ton) of U.S. hard red spring wheat with 14 percent protein at Rotterdam and Canadian western red spring wheat with 13.5 percent protein at St. Lawrence



Source: *Wheat Situation and Outlook Yearbook*, March 2002, table 22.

Wheat and wheat futures are traded at markets in Minneapolis, Kansas City, Chicago, and elsewhere, although futures markets may not exist for all classes of wheat. Also, some markets specialize in certain classes of wheat, such as Minneapolis specializes in hard red spring wheat and Kansas City specializes in hard red winter wheat. Futures markets allow growers to trade off some risk to speculators by selling wheat before it is ready to be marketed. Many farmers buy futures in addition to selling futures in order to hedge against market movements in either direction. These markets, as well as grain elevators and the USDA, make price information readily available. Both buyers and sellers have firm ideas of what prices to expect. Prices are adjusted for protein levels, dockage for foreign material, and other factors. Under these conditions, when price information is readily available and the relevant attributes of the commodity are priced, one would expect to find similar products in a similar place to be priced the same.

QUESTIONNAIRE PRICE DATA

The Commission requested that U.S. purchasers and importers of durum and hard red spring wheat provide monthly price data for certain products that were purchased from June 1999 to May 2002. Purchasers and importers were instructed to select their U.S. facility that received the largest quantity of each of the pricing products and to report data from only a single facility for each product. Purchasers and importers were further instructed to report data only on their firms' largest purchases of U.S.-grown and Canadian-grown wheat made during the first 10 days of each month. U.S. hard red spring and durum wheat products all have a protein content of between 13.0 and 14.5 percent at a moisture basis of 12.0 percent. The Canadian durum and western red spring wheat products all have a protein content of between 12.8 and 14.3 percent at a moisture basis of 13.5 percent. Firms were asked to report quantity, net delivered price, dockage, test weight, vitreous kernel count, and protein content, as contracted, and also to report dockage, test weight, vitreous kernel count, protein content, date of contract, date of

shipment, total quantity, transportation costs, and total delivered price for the delivered product. Many firms were unable to provide this detailed information. The products for which pricing data were requested are as follows:

Product 1: U.S. No. 1 hard red spring wheat

Product 2: U.S. No. 2 hard red spring wheat

Product 3: U.S. No. 1 hard amber durum wheat

Product 4: U.S. No. 2 hard amber durum wheat

Product 5: No. 1 Canadian western red spring wheat

Product 6: No. 2 Canadian western red spring wheat

Product 7: No. 1 Canadian western amber durum wheat

Product 8: No. 2 Canadian western amber durum wheat

Eleven U.S. purchasers or importers provided usable pricing data for purchases of hard red spring wheat, and eight firms provided data for durum wheat, although no firm reported pricing for all products for all months. Purchasers and importers reported pricing data for shipments of 3,411,964 metric tons of U.S.-grown durum and hard red spring wheat and for shipments of 604,937 metric tons of imported Canadian durum and western red spring wheat. U.S. coverage was highest for No. 1 hard red spring wheat, and coverage of the similar Canadian product was also good. Coverage of No. 2 Canadian western red spring was low. U.S. coverage was lowest for No. 2 hard amber durum while coverage of Canadian western amber durum was good in terms of quantities but not in terms of time periods.

Price Comparisons

Firms reported sale attributes somewhat sporadically. The price comparisons are based only on the net contract price. Firms reported net contract price in 604 instances compared to 545 instances for the delivered price. Also, the delivered price differed, on average, from the net contract price by less than 1 percent. An alternative approach to examining the price data that focuses on delivered price and the product attributes is shown in appendix D. The following price comparisons were made: U.S. No. 1 hard red spring wheat (product 1) to No. 1 Canadian western red spring wheat (product 5) (table V-3), U.S. No. 2 hard red spring wheat (product 2) to No. 2 Canadian western red spring wheat (product 6) (table V-4), U.S. No. 1 hard amber durum wheat (product 3) to No. 1 Canadian western amber durum wheat (product 7) (table V-5), and U.S. No. 2 hard amber durum wheat (product 4) to No. 2 Canadian Western amber durum wheat (product 8) (table V-6).[9]

Comparisons were available in 60 cases, and the imported product undersold the similar domestic product in one instance. In ***, the underselling margin for No. 1 hard western amber durum was 1.4 percent. In the other 59 cases for which comparisons were available, the Canadian product was priced higher than the comparable U.S. product. Overselling margins ranged from 0.2 to 47.2 percent for No. 1 hard western red spring wheat, from 0.7 to 38.6 percent for No. 2 hard western red spring wheat,

[9] Graphs of these data are presented in app. D.

from 1.6 to 53.4 percent for No. 1 hard western amber durum, and from 3.9 to 14.4 percent for No. 2 hard western amber durum.

Petitioners assert that the level of trade distorts the pricing data, particularly in durum wheat.[10] For example, *** stores and mills grain while *** elevates, stores, sells, ships, and mills grain. *** appears to purchase grain from the Minneapolis Grain Exchange and from elevators, and *** appears to purchase directly from farmers. Petitioners also allege that there is a wide disparity in vitreous kernel content that could distort prices.

Petitioners' analysis of the pricing data found 12 instances of Canadian No. 1 hard red spring wheat underselling the similar U.S. product.[11] Petitioners further allege that the level of trade and lack of transportation data limit the usefulness of the pricing data and that the CWB is a price leader in the U.S. market.[12]

Although many of the attributes of wheat, such as protein level, etc. are priced, it is possible that other attributes affect price, even though they are not typically stipulated in contracts. For example, if the CWB is able to provide a more consistent product, purchasers could be willing to pay a premium for the Canadian product.

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[10] Petitioners' postconference brief, p. 41.

[11] Ibid., p. 43. Petitioners did not state whether this was based on contract or delivered prices.

[12] Ibid., pp. 43-45.

Table V-3
Weighted-average net contract prices and quantities of U.S.-grown No. 1 hard red spring wheat and imported Canadian No. 1 western red spring wheat and margins of underselling/overselling, by months, June 1999-May 2002

Year	Month	United States		Canada		
		Price	Quantity (*metric tons*)	Price	Quantity (*metric tons*)	Margin
1999	June	$128.74	45,457	***	***	***
	July	121.43	39,383	***	***	***
	August	123.40	69,671	***	***	***
	September	129.51	63,399	***	***	***
	October	124.06	34,767	***	***	***
	November	124.47	44,253	***	***	***
	December	129.82	47,197	***	***	***
2000	January	121.78	43,573	***	***	***
	February	120.22	35,197	***	***	***
	March	128.43	44,485	***	***	***
	April	127.96	57,915	***	***	***
	May	142.19	60,892	***	***	***
	June	123.27	40,223	***	***	***
	July	122.11	41,749	***	***	***
	August	109.98	58,810	***	***	***
	September	116.75	39,973	***	***	***
	October	120.82	48,781	***	***	***
	November	119.05	41,253	***	***	***
	December	122.34	51,996	***	***	***
2001	January	130.74	53,878	***	***	***
	February	125.53	34,933	***	***	***
	March	120.78	52,448	***	***	***
	April	117.52	36,277	***	***	***
	May	133.34	38,314	***	***	***
	June	126.80	55,435	***	***	***
	July	125.34	67,301	***	***	***
	August	125.81	62,530	***	***	***
	September	126.13	57,369	***	***	***
	October	127.76	77,083	***	***	***
	November	127.81	57,795	***	***	***
	December	128.31	61,518	***	***	***
2002	January	120.17	61,300	***	***	***
	February	123.88	49,909	***	***	***
	March	124.49	58,077	***	***	***
	April	118.39	41,649	***	***	***
	May	123.38	74,034	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-4
Weighted-average net contract prices and quantities of U.S.-grown No. 2 hard red spring wheat and imported Canadian No. 2 western red spring wheat and margins of underselling/overselling, by months, June 1999-May 2002

Year	Month	United States		Canada		
		Price	Quantity *(metric tons)*	Price	Quantity *(metric tons)*	Margin
1999	June	-	-	***	***	***
	July	$145.87	3,592	***	***	***
	August	122.72	18	***	***	***
	September	151.63	3,613	***	***	***
	October	139.33	31	***	***	***
	November	110.23	186	***	***	***
	December	144.73	2,338	***	***	***
2000	January	122.76	2,293	***	***	***
	February	124.03	2,519	***	***	***
	March	130.82	11,456	***	***	***
	April	144.70	884	***	***	***
	May	121.62	369,504	***	***	***
	June	138.24	2,110	***	***	***
	July	-	-	***	***	***
	August	110.60	25	***	***	***
	September	140.36	2,694	***	***	***
	October	126.85	6,803	***	***	***
	November	101.41	1,361	***	***	***
	December	111.70	4,899	***	***	***
2001	January	142.51	6,354	***	***	***
	February	148.01	1,578	***	***	***
	March	117.79	12,968	***	***	***
	April	112.15	12,450	***	***	***
	May	120.61	13,608	***	***	***
	June	147.02	11,770	***	***	***
	July	129.35	7,007	***	***	***
	August	141.06	8,314	***	***	***
	September	148.15	26,924	***	***	***
	October	135.67	9,438	***	***	***
	November	139.53	2,583	***	***	***
	December	149.06	13,805	***	***	***
2002	January	136.27	9,729	***	***	***
	February	142.08	8,736	***	***	***
	March	125.18	6,895	***	***	***
	April	123.83	2,313	***	***	***
	May	123.90	9,199	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-5
Weighted-average net contract prices and quantities of U.S.-grown No. 1 hard amber durum wheat and imported Canadian No. 1 western amber durum wheat and margins of underselling/overselling, by months, June 1999-May 2002

Year	Month	United States		Canada		
		Price	Quantity *(metric tons)*	Price	Quantity *(metric tons)*	Margin
1999	June	$131.07	24,430	***	***	***
	July	121.01	33,037	***	***	***
	August	124.53	64,211	***	***	***
	September	134.79	6,684	***	***	***
	October	154.85	17,964	***	***	***
	November	147.74	41,810	***	***	***
	December	144.66	45,996	***	***	***
2000	January	146.40	20,706	***	***	***
	February	131.84	13,053	***	***	***
	March	138.73	16,360	***	***	***
	April	136.60	75,270	***	***	***
	May	155.47	36,322	***	***	***
	June	134.89	41,899	***	***	***
	July	130.94	23,084	***	***	***
	August	140.45	20,223	***	***	***
	September	158.50	36,444	***	***	***
	October	151.90	30,721	***	***	***
	November	156.12	38,880	***	***	***
	December	166.85	60,163	***	***	***
2001	January	170.09	12,791	***	***	***
	February	178.27	28,672	***	***	***
	March	137.73	40,812	***	***	***
	April	143.03	10,255	***	***	***
	May	142.26	20,487	***	***	***
	June	175.49	4,829	***	***	***
	July	180.72	8,370	***	***	***
	August	182.42	5,447	***	***	***
	September	192.20	9,937	***	***	***
	October	193.99	4,908	***	***	***
	November	189.40	7,444	***	***	***
	December	189.95	10,509	***	***	***
2002	January	197.09	15,431	***	***	***
	February	168.73	5,397	***	***	***
	March	184.73	5,617	***	***	***
	April	182.67	20,530	***	***	***
	May	181.09	34,257	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-6
Weighted-average net contract prices and quantities of U.S.-grown No. 2 hard amber durum wheat and imported Canadian No. 2 western amber durum wheat and margins of underselling/overselling, by months, June 1999-May 2002

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PART VI: FINANCIAL EXPERIENCE OF THE U.S. INDUSTRY

BACKGROUND

The financial information presented in this section is primarily derived from USDA sources for all wheat grown in the United States and the Northern Great Plains, and from the North Dakota Farm Business Management Education (NDF) Program for durum and hard red spring wheat. USDA data are projected on the basis of survey year 1998, whereas NDF data are collected on an annual basis. The Commission did not send producer questionnaires in these investigations because producers number in the thousands and any data collected would likely not be representative of the industry. The data presented differ from the typical income and loss data that the staff usually presents in the financial section. In addition, there are no data available for producers' assets, capital expenditures, or research and development expenses, and no narrative information on the impact of imports on the growers of durum and hard red spring wheat.

WHEAT OPERATIONS

Wheat is grown under a wide range of conditions in the United States. Wheat production costs vary widely across the country because of regional differences in cropping practices, yields, and costs of land, labor, and capital. The low proportion of farms covering all their costs raises concerns about the long-term sustainability of many wheat producers. Although government program payments are not included in the USDA's ERS data on costs and returns, wheat growers who participated in the program received additional receipts through the marketing assistance loan program, production flexibility contracts, and crop insurance. In addition, some wheat producers received income from secondary products such as grazing and wheat straw. While these additional revenues vary widely among wheat growers, the revenues offset some production costs. Nevertheless, if wheat prices remain low, producers may look for alternative crops that offer higher returns, such as corn, soybeans, and sorghum in areas where they can be grown. This substitution of competing crops for wheat has been facilitated by legislation passed in the 1990s, allowing crop-planting decisions to be more market oriented.[1]

The ERS publishes wheat cost and return estimates for the United States and for major production regions. The costs and returns estimation program uses surveys conducted every 5-8 years for each commodity, and methods that conform to standards endorsed by the American Agricultural Economics Association. The latest Agricultural Resource Management Study for wheat farms was done in 1998.

With respect to all wheat, the gross value of production less cash expenses of U.S. wheat producers was projected to decline each year from $44.45 per acre in 1998 to $20.00 per acre in 2001 (table VI-1). U.S. wheat producers used about 67 percent of their total acres planted for winter wheat, about 27 percent for spring wheat, and about 6 percent for durum wheat.

The Northern Great Plains region was selected because hard red spring wheat accounts for 66 percent and durum wheat accounts for 15 percent of total wheat production in that region. The Northern Great Plains region consists of all of North Dakota and portions of South Dakota, Minnesota, Nebraska, Montana, Wyoming, and Colorado. The gross value of production less cash expenses for the Northern

[1] USDA, ERS, *Wheat Situation and Outlook Yearbook/WHS-2002/March 2002*: "How Wheat Production Costs Vary," by Mir Ali and Gary Vocke, pp. 36-42.

Table VI-1
Estimated U.S. wheat production cash costs and returns, 1998-2001[1]

Item	1998	1999	2000	2001
	Dollars per planted acre			
Gross value of production:				
Primary product: Wheat grain	$110.95	$95.80	$92.57	$95.22
Secondary product: Straw/grazing	3.32	3.05	3.20	3.18
Total, gross value of production	114.27	98.85	95.77	98.40
Cash expenses:				
Seed	7.61	6.38	6.14	6.34
Fertilizer	18.61	16.95	17.28	23.90
Chemicals	7.36	7.22	7.13	7.20
Custom operations	6.77	6.47	6.50	6.37
Fuel, lube, and electricity	6.14	6.53	9.13	9.19
Repairs	9.00	9.44	9.97	10.24
Purchased irrigation water and baling	0.58	0.57	0.59	0.62
Hired labor	2.12	2.17	2.30	2.45
Total, variable cash expenses	58.19	55.73	59.04	66.31
General farm overhead	6.59	6.69	6.84	7.10
Taxes and insurance	3.70	3.74	3.82	3.91
Interest	1.34	1.26	1.64	1.08
Total, fixed cash expenses	11.63	11.69	12.30	12.09
Total, cash expenses	69.82	67.42	71.34	78.40
Gross value of production less cash expenses	44.45	31.43	24.43	20.00
Supporting information:				
Yield (bushels per planted acre)	41.40	38.63	37.63	34.50
Price (dollars per bushel at harvest)	2.68	2.48	2.46	2.76
Enterprise size (planted acres)[2]	296	296	296	296
Production practices:[2]				
Winter wheat (percent of acres)	67	67	67	67
Spring wheat (percent of acres)	27	27	27	27
Durum wheat (percent of acres)	6	6	6	6
Irrigated (percent of acres)	5	5	5	5
Dryland (percent of acres)	95	95	95	95
Fallow (percent of acres)	9	9	9	(3)
Double-cropped (percent of acres)	(4)	(4)	(4)	(3)
Straw (percent of acres)	7	7	7	7
Home-grown seed (percent of seed)	60	60	60	(3)

[1] Data are estimated and projected on the basis of a survey conducted in 1998.
[2] Developed for survey base year, 1998, and assumed to be constant during the period.
[3] Not available.
[4] 0.1 to less than 5 percent.

Note.--Data do not include direct government payments. 1997 data are not presented because they were prepared on the basis of a different survey, and are not comparable.

Source: USDA, ERS, Commodity costs and returns at *http://www.ers.usda.gov/data/costsandreturns/data.*

Great Plains region wheat producers was projected to decline each year from $39.54 per acre in 1998 to $10.70 per acre in 2001 (table VI-2).

DURUM WHEAT OPERATIONS

Durum production is geographically concentrated in North Dakota and the surrounding area because it demands a special agronomic environment. North Dakota produces 73 percent of the U.S. durum crop. Many international and domestic millers prefer North Dakota durum for its color and strong gluten characteristics.[2]

The NDF Program of the North Dakota State University (NDSU) publishes data collected from all farms across North Dakota, excluding Red River Valley, for durum wheat production on an average per-acre basis for (1) all farms, (2) farms in the low 20 percent based on return, and (3) farms in the high 20 percent based on return. These detailed data are presented by type of land tenure in appendix E. The key data for all farms extracted from these detailed data are shown in table VI-3. Total product return (dollars per acre), which includes loan deficiency payments from the Federal government, declined from 1997 to 1999 and then rose in 2000 and again in 2001 for each type of land tenure. Miscellaneous income, which includes crop insurance and/or disaster payments for crops, was much higher in 1999, and also higher in 2000 and 2001 compared with 1997 and 1998 for each type of land tenure. Net return including government payments was highest in 1999 and lowest in 1998 for owned land and share rented land. Such return was highest in 1997 and lowest in 2001 for cash rented land.

HARD RED SPRING WHEAT OPERATIONS

Hard red spring wheat, grown mostly in North Dakota, Montana, South Dakota, and Minnesota, stands out as the aristocrat of wheat for baking bread. North Dakota leads the nation in the production hard red spring wheat. The state's farmers grow 48 percent of the nation's hard red spring wheat. Hard red spring has the highest protein content of all U.S. wheats (usually 13 to 16 percent) which, in turn, corresponds with greater gluten content.[3]

The NDF Program of the NDSU publishes data collected from all farms across North Dakota, excluding Red River Valley, for hard red spring wheat production on an average per-acre basis for (1) all farms, (2) farms in the low 20 percent based on return, and (3) farms in the high 20 percent based on return. These detailed data are presented by type of land tenure in appendix E. The key data for all farms extracted from these detailed data are shown in table VI-4.[4] Total product return (dollars per acre), which includes loan deficiency payments from the Federal government, was higher in 1998 and 2000 compared with the previous year for each type of land tenure. Total product return was higher in 2001 compared with 1997, 1998, and 1999 for owned and share rented land. Net return with government payments was highest in 2000 for each type of land tenure. Such return was lower in 2001 compared with 2000 for each type of land tenure and was negative for cash rented and share rented land.

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[2] North Dakota Wheat Commission, *Durum Wheat at http://www.ndwheat.com/wi/durum/index.asp.*

[3] North Dakota Wheat Commission, *Hard Red Spring Wheat at http://www.ndwheat.com/wi/hrs/index.asp* and *Wheat Information at http://www.ndwheat.com/wi/index.asp.*

[4] Such data for 1998-2001 from the NDF Program are also available for production of hard red winter wheat. However, the sample size for these data is very small, and therefore not representative of hard red winter wheat production. These data are not presented in this section but are shown in app. E.

Table VI-2
Estimated wheat production cash costs and returns for the Northern Great Plains, 1998-2001[1]

Item	1998	1999	2000	2001
	Dollars per planted acre			
Gross value of production:				
Primary product: Wheat grain	$100.10	$85.49	$83.98	$77.94
Secondary product: Straw/grazing	1.74	1.42	1.67	1.85
Total, gross value of production	101.84	86.91	85.65	79.79
Cash expenses:				
Seed	7.64	6.36	6.19	6.34
Fertilizer	14.78	13.46	13.91	19.66
Chemicals	10.61	10.28	10.15	10.14
Custom operations	4.04	3.82	4.00	3.77
Fuel, lube, and electricity	4.25	4.16	6.06	6.03
Repairs	8.10	8.85	9.85	9.66
Purchased irrigation water and baling	0.16	0.16	0.16	0.17
Hired labor	1.45	1.48	1.60	1.67
Total, variable cash expenses	51.03	48.57	51.92	57.44
General farm overhead	6.32	6.42	6.49	6.76
Taxes and insurance	3.76	3.81	3.85	3.95
Interest	1.19	1.11	1.45	0.94
Total, fixed cash expenses	11.27	11.34	11.79	11.65
Total, cash expenses	62.30	59.91	63.71	69.09
Gross value of production less cash expenses	39.54	27.00	21.94	10.70
Supporting information:				
Yield (bushels per planted acre)	34.40	31.90	33.59	29.30
Price (dollars per bushel at harvest)	2.91	2.68	2.50	2.66
Enterprise size (planted acres)[2]	527	527	527	527
Production practices:[2]				
Winter wheat (percent of acres)	19	19	19	19
Spring wheat (percent of acres)	66	66	66	66
Durum wheat (percent of acres)	15	15	15	15
Irrigated (percent of acres)	[3]	[3]	[3]	[3]
Dryland (percent of acres)	99	99	99	99
Fallow (percent of acres)	22	22	22	[4]
Double-cropped (percent of acres)	0	0	0	[4]
Straw (percent of acres)	8	8	8	8
Home-grown seed (percent of seed)	70	70	70	[4]

[1] Data are estimated and projected on the basis of a survey conducted in 1998.
[2] Developed for survey base year, 1998, and assumed to be constant during the period.
[3] Not available.
[4] 0.1 to less than 5 percent.

Note.--Data do not include direct government payments. 1997 data are not presented because they were prepared on the basis of a different survey, and are not comparable.

Source: USDA, ERS, Commodity costs and returns at *http://www.ers.usda.gov/data/costsandreturns/data.*

Table VI-3
Net return on production of durum wheat, by land tenure in North Dakota, 1997-2001

Item	1997	1998	1999	2000	2001
	Per acre				
Owned:					
Total product return[1]	$108.32	$89.17	$56.08	$80.18	$90.68
Miscellaneous income	7.91	1.69	49.83	18.43	9.95
Gross return	116.23	90.87	105.91	98.61	100.62
Total direct and overhead expenses	98.07	93.43	93.67	95.40	99.54
Net return	18.16	(2.57)	12.24	3.21	1.09
Government payments[2]	10.93	16.55	22.24	20.79	16.07
Net return with government payments	29.09	13.98	34.48	24.00	17.16
Cash rented:					
Total product return[1]	122.03	92.79	53.62	66.32	82.04
Miscellaneous income	5.12	1.72	53.54	36.92	17.17
Gross return	127.14	94.51	107.16	103.24	99.21
Total direct and overhead expenses	114.86	101.86	110.42	106.07	107.29
Net return	12.28	(7.35)	(3.26)	(2.83)	(8.09)
Government payments[2]	10.97	16.61	21.58	20.86	16.16
Net return with government payments	23.25	9.26	18.32	18.03	8.07
Share rented:					
Total product return[1]	75.36	59.11	41.87	53.87	58.60
Miscellaneous income	4.91	2.97	27.78	17.62	14.78
Gross return	80.27	62.08	69.65	71.49	73.38
Total direct and overhead expenses	73.57	70.33	69.68	74.61	78.58
Net return	6.70	(8.26)	(0.04)	(3.12)	(5.20)
Government payments[2]	7.70	11.66	15.15	14.65	11.30
Net return with government payments	14.40	3.40	15.11	11.53	6.10

[1] Includes loan deficiency payments.

[2] Government payments include decoupled payments known as production flexibility contract or Agricultural Market Transition Act payments and market loss assistance payments. For each type of land tenure, 1997-99 government payments were estimated by multiplying the ratio of total decoupled payments in each of those years to total decoupled payments in 2000 by the amount of government payments per acre, by type of land tenure, for this product in 2000, as per telephone conversation with and email from Dr. Andy Swenson, economist, NDSU.

Source: Compiled from data derived from North Dakota Farm Business Management Education Program, Crop Enterprise Analysis; 1997-98 from NDSU Extension Agricultural Economics, and 1999-2001 at *http://www.ag.ndsu.nodak.edu/aginfo/farmmgmt/ndfbm/fbm.htm.*

Table VI-4
Net return on production of hard red spring wheat, by land tenure in North Dakota, 1997-2001

Item	1997	1998	1999	2000	2001
	Per acre				
Owned:					
Total product return[1]	$93.78	$96.86	$91.47	$118.53	$100.87
Miscellaneous income	5.86	8.08	5.45	5.36	3.56
Gross return	99.64	104.94	96.92	123.89	104.43
Total direct and overhead expenses	100.84	97.98	91.72	97.66	104.35
Net return	(1.20)	6.96	5.20	26.23	0.08
Government payments[2]	10.28	15.57	20.23	19.56	17.88
Net return with government payments	9.08	22.53	25.43	45.79	17.96
Cash rented:					
Total product return[1]	98.64	101.69	92.85	113.58	95.49
Miscellaneous income	6.90	7.20	5.44	9.42	6.35
Gross return	105.54	108.89	98.29	123.00	101.84
Total direct and overhead expenses	128.34	121.76	111.22	113.65	120.42
Net return	(22.80)	(12.87)	(12.93)	9.35	(18.58)
Government payments[2]	10.71	16.22	21.07	20.37	17.15
Net return with government payments	12.09	3.35	8.14	29.72	(1.43)
Share rented:					
Total product return[1]	62.69	64.02	61.39	73.98	64.59
Miscellaneous income	3.46	3.96	5.02	4.00	2.28
Gross return	66.15	67.98	66.42	77.98	66.87
Total direct and overhead expenses	80.92	77.22	71.51	76.62	82.12
Net return	(14.77)	(9.24)	(5.09)	1.36	(15.25)
Government payments[2]	7.69	11.65	15.13	14.63	12.26
Net return with government payments	(7.08)	2.41	10.04	15.99	(2.99)

[1] Includes loan deficiency payments.

[2] Government payments include decoupled payments known as production flexibility contract or Agricultural Market Transition Act payments and market loss assistance payments. For each type of land tenure, 1997-99 government payments were estimated by multiplying the ratio of total decoupled payments in each of those years to total decoupled payments in 2000 by the amount of government payments per acre, by type of land tenure, for this product in 2000, as per telephone conversation with and email from Dr. Andy Swenson, economist, NDSU.

Source: Compiled from data derived from North Dakota Farm Business Management Education Program, Crop Enterprise Analysis; 1997-98 from NDSU Extension Agricultural Economics, and 1999-2001 at *http://www.ag.ndsu.nodak.edu/aginfo/farmmgmt/ndfbm/fbm.htm.*

PRICE SUPPORT FOR WHEAT FARMERS[5]

The 1996 Farm Bill programs include nonrecourse marketing assistance loans and loan deficiency payments (LDPs) to assist farmers facing low market prices for the 1996-2002 wheat crops. Producers who enrolled in 7-year production flexibility contracts (PFCs) with USDA during the one-time signup held in 1996 are eligible to participate in these programs.

For each of the 1996-2002 crops, the 1996 Farm Bill allotted a fixed amount of funds to holders of wheat PFCs. Wheat PFC payment rates are based on the eligible contract quantities that are computed by multiplying a producer's wheat contract acres times the wheat program yield on the farm times 0.85. Additional payments for 1998-2000 were provided by special statute.

Nonrecourse marketing assistance loans provide interim financing to eligible producers of wheat. Producers pledge their wheat as collateral and obtain a loan equivalent to the loan rate established in their county by the Farm Service Agency of USDA. The loan proceeds can cover short-term cash needs.

The loans may be forfeited to the Commodity Credit Corporation (CCC) at maturity or repaid at the loan repayment rate at, or before, maturity. The loan repayment rate may actually be less than the loan rate if the posted county price (PCP), a proxy for the local price, falls below the local loan rate. The PCP, calculated each day the Federal government is open, is based on terminal market prices and fixed differential to each county, largely reflecting transportation and other marketing factors. When a farmer repays the loan at a lower PCP, the difference between the loan rate and the PCP is called a "marketing loan gain."

If the PCP is below the county loan rate, eligible producers may opt for an LDP on part or all of the crop in lieu of securing a loan. The LDP rate is the amount by which the county loan rate exceeds the PCP on the date the application is made. The wheat cannot be placed under loan once an LDP is paid. If producers take the LDPs and immediately sell their crop, and if the PCP accurately reflects local prices, producers effectively receive a per-unit revenue equal to the loan rate, partly from the market and partly from the government. After an LDP is accepted, the farmer can sell the crop and avoid storage expense or hold it in the expectation of a price rally later in the marketing season.

The following tabulation shows the types of government payments per bushel of wheat on a crop year basis:

Item	1997	1998	1999	2000	2001
Production flexibility contracts	$0.631	$0.663	$0.637	$0.588	$0.474
Marketing loan gain	0.274	0.276	0.420	0.430	0.170
Loan deficiency payments	0.240	0.300	0.470	0.440	0.240
Source: Commodity estimates book, FY 2001 & 2002 President's Budget.					

For detailed information on government support programs, a fact sheet on wheat prepared by USDA, Farm Service Agency, dated February 2001, is presented in appendix F.

[5] USDA, Farm Service Agency, *Fact Sheet, Wheat, February 2001;* and USDA, ERS, *Wheat Situation and Outlook Yearbook/WHS-2002/March 2002*, p. 12.

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the nature of the alleged subsidies was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE INDUSTRY IN CANADA

The number of growers of durum, hard red spring, and hard red winter wheat in Canada is unknown. However, the CWB collects information concerning the number of individuals who hold permits to deliver grain to CWB elevators. In the Canadian marketing year 2001/02,[1] there were 58,788 permit holders who indicated that they planned to grow spring wheat and 16,368 permit holders who indicated that they planned to grow durum wheat. There were a total of 90,932 permit holders for all types of wheat. More than one person at a particular farm can hold a permit. Also, there is some overlap of permit holders among the different types of wheat (e.g., durum, spring, and winter wheat). Therefore, the number of permit holders do not equal the actual number of farms growing wheat.[2]

Aggregated data on acreage planted, acreage harvested, production, shipments, and inventories of durum wheat in Canada[3] and hard red spring, hard red winter, and hard red spring and hard red winter wheat combined in western Canada,[4] are presented in tables VII-1, VII-2, VII-3, and VII-4, respectively.

Table VII-1
Durum wheat: Canada's acreage planted, acreage harvested, production, shipments, and inventories, marketing years 1999/00, 2000/01, and 2001/02 and projections for marketing year 2002/03

* * * * * * *

Table VII-2
Hard red spring wheat: Western Canada's acreage planted, acreage harvested, production, shipments, and inventories, marketing years 1999/00, 2000/01, and 2001/02

* * * * * * *

Table VII-3
Hard red winter wheat: Western Canada's acreage planted, acreage harvested, production, shipments, and inventories, marketing years 1999/00, 2000/01, and 2001/02

* * * * * * *

[1] The Canadian marketing year is from August 1 to July 31.

[2] CWB's response to staff questions, October 24, 2002.

[3] The CWB reported that production of durum wheat for all of Canada and for western Canada were equal.

[4] Western Canada is defined by the CWB as including Manitoba, Saskatchewan, Alberta, and the Peace River region of British Columbia. CWB's postconference brief, exh. 28, p. 3.

Table VII-4
Hard red spring and hard red winter wheat: Western Canada's acreage planted, acreage harvested, production, shipments, and inventories, marketing years 1999/00, 2000/01, and 2001/02

* * * * * * *

DUMPING IN THIRD-COUNTRY MARKETS

The CWB reported no knowledge of import relief investigations regarding the subject product in any country other than the United States.

APPENDIX A

FEDERAL REGISTER NOTICES

disclosure, as allowable by law. If you wish us to withhold your name and/or address, you must state this prominently at the beginning of your comment. We will make all submissions from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, available for public disclosure in their entirety.

Gary Palmeter,

Manager, Property and Office Services Division.

[FR Doc. 02–24305 Filed 9–24–02; 8:45 am]

BILLING CODE 4310–MN–M

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701–TA–430 and 731–TA–1019 (Preliminary)]

Durum and Hard Red Spring Wheat From Canada

AGENCY: International Trade Commission.

ACTION: Institution of countervailing duty and antidumping investigations and scheduling of preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase countervailing duty investigation No. 701–TA–430 (Preliminary) and antidumping investigation No. 731–TA–1019 (Preliminary) under sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a) and 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Canada of durum and hard red spring wheat, provided for in subheadings 1001.10.00, 1001.90.10, and 1001.90.20 of the Harmonized Tariff Schedule of the United States that are allegedly subsidized by the Government of Canada and the Canadian Wheat Board and sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to sections 702(c)(1)(B) and 732(c)(1)(B) of the Act (19 U.S.C. 1671a(c)(1)(B) and 1673a(c)(1)(B)), the Commission must reach preliminary determinations in countervailing duty and antidumping investigations in 45 days, or in this case by October 28, 2002. The Commission's views are due at Commerce within five business days thereafter, or by November 4, 2002.

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

EFFECTIVE DATE: September 13, 2002.

FOR FURTHER INFORMATION CONTACT: D.J. Na (202–708–4727), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for these investigations may be viewed on the Commission's electronic docket (EDIS–ON–LINE) at *http://dockets.usitc.gov/eol/public.*

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to petitions filed on September 13, 2002, by counsel for the North Dakota Wheat Commission, Bismarck, ND and the U.S. Durum Growers Association, Bismarck, ND.

Participation in the Investigations and Public Service List

Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register.** Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission countervailing duty and antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigations under the APO issued in the investigations, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register.** A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on October 4, 2002, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact D.J. Na (202–708–4727) not later than October 1, 2002, to arrange for their appearance. Parties in support of the imposition of countervailing and antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before October 9, 2002, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by

either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

Issued: September 20, 2002.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 02–24335 Filed 9–24–02; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF JUSTICE

Drug Enforcement Administration

[Docket No. 02–34]

Raphael Arwas, D.D.S., Revocation of Registration

On February 21, 2002, the Deputy Assistant Administrator, Office of Diversion Control, Drug Enforcement Administration (DEA), issued an Order to Show Cause to Raphael Arwas, D.D.S. (Respondent), proposing to revoke his DEA Certificate of Registration, BA3513050, pursuant to 21 U.S.C. 824(a)(3) and deny any pending applications for renewal or modification of such registration under 21 U.S.C. 823(f). As a basis for revocation, the Order to Show Cause alleged that the Respondent is not currently authorized to practice dentistry or handle controlled substances in Florida, the state in which he practices.

By letter dated March 20, 2002, the Respondent, through counsel, requested a hearing in this matter. On March 27, 2002, the Government filed Government's Motion for Summary Disposition. On March 28, 2002, the presiding Administrative Law Judge Mary Ellen Bittner (Judge Bittner) issued a Memorandum to Counsel providing Respondent until April 18, 2002, to respond to the Government's Motion. However, the Respondent did not file a response.

On April 29, 2002, Judge Bittner issued her Opinion and Recommended Decision of the Administrative Law Judge (Opinion and Recommended Decision) in which she granted the Government's motion for summary disposition and found that the Respondent lacks authorization to handle controlled substances in the State of Florida. In granting the Government's motion, Judge Bittner also recommended that the Respondent's DEA registration be revoked and any pending applications for modification or renewal be denied. Neither party filed exceptions to her Opinion and Recommended Decision, and on May 29, 2002, Judge Bittner transmitted the record of these proceedings to the Office of the Deputy Administrator.

The Deputy Administrator has considered the record in its entirety, and pursuant to 21 CFR 1316.67, hereby issues his final order based upon findings of fact and conclusions of law as hereinafter set forth. The Deputy Administrator adopts, in full, the Opinion and Recommended Decision to the Administrative Law Judge.

The Deputy Administrator finds that the Respondent currently possesses DEA Certificate of Registration BA3513050, issued to him at an address in Aventura, Florida. The Deputy Administrator further finds that on December 12, 2001, the State of Florida Department of Health (Department of Health) issued an Order of Emergency Suspension of License suspending the Respondent's license to practice dentistry. In addition, a Continuing Education Providers Information document provided by the Government with its Motion for Summary Disposition reveals that the Respondent's dental license remained suspended as of January 29, 2002. There is no evidence before the Deputy Administrator that the suspension has been stayed or lifted. In her Opinion and Recommended Decision, Judge Bittner found that the Respondent is without state authority to handle controlled substances.

Therefore, the Deputy Administrator finds that the Respondent is not currently authorized to practice dentistry in the State of Florida and as a result, it is reasonable to infer that he is also without authorization to handle controlled substances in that state.

DEA does not have statutory authority under the Controlled Substances Act to issue or maintain a registration if the applicant or registrant is without state authority to handle controlled substances in the state in which he conducts business. *See* 21 U.S.C. 802(21), 823(f) and 824(a)(3). This prerequisite has been consistently upheld. *See Muttaiya Darmarajeh, M.D.*, 66 FR 52936 (2001); *Dominick A. Ricci, M.D.*, 58 FR 51104 (1993); *Bobby Watts, M.D.*, 53 FR 11919 (1988).

Here, it is clear that Respondent is not licensed to handle controlled substances in Florida. Since Respondent lacks such authority, he is not entitled to a DEA registration in that state.

In light of the above, Judge Bittner properly granted the Government's Motion for Summary Disposition. The parties do not dispute the fact that Respondent is currently without authorization to handle controlled substances in Florida. Therefore, it is well-settled that when no question of material fact is involved, a plenary, adversary administrative proceeding involving evidence and cross-examination of witnesses is not obligatory. *See Gilbert Ross, M.D.*, 61 FR 8664 (1996); *Philip E. Kirk, M.D.*, 48 FR 32,887 (1983), *aff'd sub nom Kirk* v. *Mullen*, 749 F.2d 297 (6th Cir. 1984); *NLRB* v. *International Association of Bridge, Structural and Ornamental Ironworkers, AFL–CIO*, 549 F.2d 634 (9th Cir. 1977).

Accordingly, the Deputy Administrator of the Drug Enforcement Administration, pursuant to the authority vested in him by 21 U.S.C. 823 and 824 and 28 CFR 0.100(b) and 0.104, hereby orders that DEA Certificate of Registration BA3513050, issued to Raphael Arwas, D.D.S. be, and it hereby is, revoked. The Deputy Administrator further orders that any pending applications for renewal of such registration be, and they hereby are, denied. This order is effective October 25, 2002.

Dated: September 18, 2002.

John B. Brown III,

Deputy Administrator.

[FR Doc. 02–24275 Filed 9–24–02; 8:45 am]

BILLING CODE 4910–09–M

DEPARTMENT OF JUSTICE

Drug Enforcement Administration

Manufacturer of Controlled Substances; Notice of Registration

By Notice dated April 6, 2001, and published in the **Federal Register** on April 17, 2001, (66 FR 19796), Gateway Specialty Chemicals Company, 4170 Industrial Drive, St. Peters, Missouri 63376, made application to the Drug Enforcement Administration (DEA) to be registered as a bulk manufacturer of phenylacetone (8501), a basic class of controlled substance listed Schedule II.

The firm plans to manufacture the controlled substance for its customers.

No comments or objections have been received. DEA has considered the factors in Title 21, United States Code, Section 823(a) and determined that the registration of Gateway Specialty Chemicals Company to manufacture is consistent with the public interest at this time. DEA has investigated Gateway Specialty Chemicals Company to ensure that the company's continued registration is consistent with the public

be assessed on all (1) unliquidated entries of carbon and certain alloy steel wire rod from Mexico, Moldova, Trinidad and Tobago, and Ukraine entered, or withdrawn from warehouse, for consumption on or after April 10, 2002, and before October 7, 2002, and from Brazil on or after April 15, 2002, and before October 12, 2002; and (2) merchandise entered, or withdrawn from warehouse, for consumption on or after the date of publication of these antidumping duty orders in the **Federal Register**. The Department terminated the suspension of liquidation, pursuant to section 733(d)(3) of the Act on October 7, 2002, for Mexico, Moldova, Trinidad & Tobago, and Ukraine, and on October 12, 2002, for Brazil. Entries of carbon and certain alloy steel wire rod made between October 12, 2002, for Brazil and between October 7, 2002, for Mexico, Moldova, Trinidad and Tobago, and Ukraine and the day preceding the date of publication of this notice in the **Federal Register**, are not liable for the assessment of antidumping duties. Regarding the negative critical circumstances determination, we will instruct the Customs service to lift suspension and to release any bond or other security, and refund any cash deposit made, to secure the payment of antidumping duties with respect to entries of the merchandise entered, or withdrawn from warehouse, for consumption on or after January 10, 2002, but before April 10, 2002. January 10, 2002, is 90 days prior to April 10, 2002, the date of publication of the preliminary determinations in the **Federal Register**. The Department suspended liquidation of entries of carbon and certain alloy steel wire rod from Indonesia on August 30, 2002, the **Federal Register** publication date of the final affirmative antidumping duty determination.

On or after the date of publication of this notice in the **Federal Register**, Customs must require, at the same time as importers would normally deposit estimated duties on this merchandise, a cash deposit equal to the estimated weighted-average antidumping duty margins as noted below. In the case of Brazil, we will adjust the deposit requirements to account for any export subsidies found in the amended final determination in the companion countervailing duty investigation. The "all others," "Moldova-wide," and "Ukraine-wide" rates apply to all exporters of subject merchandise not specifically listed. The weighted-average dumping margins are as follows:

Exporter/Manufacturer	Weighted-Average Margin
Brazil.	
Companhia Siderúrgica Belgo Mineira and Belgo-Mineira Participão Indústria e Comércio S.A. (BMP)	94.73%
All Others	74.35%
Indonesia.	
P.T. Ispat Indo	4.06%
All Others	4.06%
Mexico.	
Siderurgica Lazaro Cardenas Las Truchas, S.A. de C.V. (SICARTSA)	20.11%
All Others	20.11%
Moldova.	
Moldova-wide rate	369.10%
Trinidad and Tobago.	
Caribbean Ispat Ltd	11.40%
All Others	11.40%
Ukraine.	
Krivorozhstal State Mine-Metallurgical Works	116.37%
Ukraine-wide rate	116.37%

This notice constitutes the antidumping duty orders with respect to carbon and certain alloy steel wire rod from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine pursuant to section 736(a) of the Act. Interested parties may contact the Department's Central Records Unit, Room B–099 of the Main Commerce Building, for copies of an updated list of antidumping duty orders currently in effect.

These orders are issued and published in accordance with section 736(a) of Act and 19 CFR 351.211.

Dated: October 21, 2002.

Faryar Shirzad,

Assistant Secretary for Import Administration.

[FR Doc. 02–27513 Filed 10–28–02; 8:45 am]

BILLING CODE 3510–DS–S

DEPARTMENT OF COMMERCE

International Trade Administration

[A–122–845, A–122–847]

Notice of Initiation of Antidumping Duty Investigations: Certain Durum Wheat and Hard Red Spring Wheat From Canada

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Initiation of antidumping duty investigations.

EFFECTIVE DATE: October 29, 2002.

FOR FURTHER INFORMATION CONTACT: Jarrod Goldfeder at (202) 482–0189 or Judith Wey Rudman at (202) 482–0192, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

Initiation of Investigations

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 ("the Act") by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department of Commerce's ("the Department's") regulations are references to the provisions codified at 19 CFR part 351 (2002).

The Petitions

On September 13, 2002, the Department received petitions filed in proper form by the North Dakota Wheat Commission (hard red spring wheat), the Durum Growers Trade Action Committee (durum wheat), and the U.S. Durum Growers Association (durum wheat) (collectively, "the petitioners").[1] The Department received petition supplements from September 24 through October 21, 2002.

In accordance with section 732(b)(1) of the Act, the petitioners allege that imports of durum wheat and hard red spring wheat from Canada are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act and that such imports are materially injuring, or threatening material injury to, an industry in the United States.

The Department finds that the petitioners filed these petitions on behalf of the respective domestic industries because they are interested parties as defined in section 771(9)(E) and (F) of the Act, and they have demonstrated sufficient industry support with respect to each of the antidumping investigations that they are requesting the Department to initiate. *See infra,* "Determination of Industry Support for the Petitions."

[1] In the September 13, 2002 petitions, the petitioners identified the North Dakota Wheat Commission as a petitioner for both the durum wheat and hard red spring wheat petitions. However, in a petition supplement dated September 24, 2002, the petitioners informed the Department that, with respect to the petition on durum wheat, the petitioners were replacing the North Dakota Wheat Commission with the Durum Growers Trade Action Committee.

Scope of Investigations

For purposes of these investigations, the products covered are (1) durum wheat and (2) hard red spring wheat.

1. Durum Wheat

Imports covered by this investigation are all varieties of durum wheat from Canada. This includes, but is not limited to, a variety commonly referred to as Canada Western Amber Durum. The merchandise subject to this investigation is currently classifiable under the following Harmonized Tariff Schedule of the United States ("HTSUS") subheadings: 1001.10.00.10, 1001.10.00.91, 1001.10.00.92, 1001.10.00.95, 1001.10.00.96, and 1001.10.00.99. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

2. Hard Red Spring Wheat

Imports covered by this investigation are all varieties of hard red spring wheat from Canada. This includes, but is not limited to, varieties commonly referred to as Canada Western Red Spring, Canada Western Extra Strong, and Canada Prairie Spring Red. The merchandise subject to this investigation is currently classifiable under the following HTSUS subheadings: 1001.90.10.00, 1001.90.20.05, 1001.90.20.11, 1001.90.20.12, 1001.90.20.13, 1001.90.20.14, 1001.90.20.16, 1001.90.20.19, 1001.90.20.21, 1001.90.20.22, 1001.90.20.23, 1001.90.20.24, 1001.90.20.26, 1001.90.20.29, 1001.90.20.35, and 1001.90.20.96. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

As discussed in the preamble to the Department's regulations (*see Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for parties to raise issues regarding product coverage. The Department encourages all parties to submit such comments within 20 days of publication of this notice. Parties should submit any comments on the file of each (durum wheat and hard red spring wheat) investigation. Comments should be addressed to Import Administration's Central Records Unit, Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of our preliminary determinations.

Determination of Industry Support for the Petitions

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that the Department's industry support determination, which is to be made before the initiation of an investigation, be based on whether a minimum percentage of the relevant industry supports the petition. A petition meets this requirement if the domestic producers or workers who support the petition account for: (1) At least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall either poll the industry or rely on other information in order to determine if there is support for the petition.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the Act directs the Department to look to producers and workers who account for production of the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the domestic like product, such differences do not render the decision of either agency contrary to the law.[2]

Section 771(10) of the Act defines the domestic like product as "a product that is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

The domestic like products referred to in these petitions are the domestic like products defined in the *Scope of Investigations* section, above. Based upon our review of the petitioners' claims, we have accepted the petitioners' definitions of the domestic like products. For further discussion, *see* the October 23, 2002, Memorandum from the Team to Richard W. Moreland, "Domestic Like Product and Industry Support" ("*Like Product/Industry Support Memo*"), which is on file in the Central Records Unit ("*CRU*"), Room B–099 of the main Department of Commerce building.

On October 3, 2002, the Department extended the deadline for the initiation determinations to no later than October 23, 2002, in order to establish whether the petitions are supported by the respective domestic industries, pursuant to section 732(c)(1)(B) of the Act. *See* October 3, 2002, Memorandum to Faryar Shirzad from Richard W. Moreland, "Extension of Deadline for Determining Industry Support." The Department has determined that, pursuant to section 732(c)(4)(A) of the Act, the petitions contain adequate evidence of industry support. *See* the October 23, 2002, Import Administration AD/CVD Enforcement Initiation Checklist ("*Initiation Checklist*") and the *Like Product/Industry Support Memo*, both of which are on file in the CRU.

We determine that the petitioners have demonstrated industry support representing over 50 percent of total production of the domestic like products. Therefore, the domestic producers or workers who support the petitions account for at least 25 percent of the total production of the domestic like products, and the requirements of section 732(c)(4)(A)(i) of the Act are met. The Department received no opposition to the petitions.

Accordingly, we determine that these petitions are filed on behalf of the respective domestic industries within the meaning of section 732(b)(1) of the Act.

[2] *See Algoma Steel Corp. Ltd.*, v. *United States*, 688 F. Supp. 639, 642–44 (CIT 1988); High Information Content Flat Panel Displays and Display Glass Therefore from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition, 56 FR 32376, 32380–81 (July 16, 1991).

Export Price ("EP") and Normal Value ("NV")

The following are descriptions of the allegations of sales at less than fair value upon which the Department based its decision to initiate these investigations. A more detailed description of these allegations is provided in the *Initiation Checklist.* Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determinations, we may re-examine the information and revise the margin calculations, as appropriate.

Export Price

For export price ("EP") comparisons to home market prices and third country prices, the petitioners based EP on monthly average unit values ("AUVs") of durum wheat and hard red spring wheat derived from official U.S. import data for the period July 1, 2001 through June 30, 2002. We adjusted the petitioners' calculations of EP for comparisons to CV to include the entire period July 2001 through June 2002. We further adjusted the calculation of EP for hard red spring wheat to correct for certain errors in the petitioners' calculations.

For EP comparisons to home market prices, the petitioners based EP on AUVs for Canadian western amber durum wheat with vitreous kernel content greater than 84 percent (HTSUS 1001.10.00.91) for durum wheat, and AUVs for #1 red spring wheat with a protein content of greater than 13.9 percent but less than or equal to 14.2 percent (HTSUS 1001.90.2016) for hard red spring wheat. For EP comparisons to third country prices, the petitioners based EP on AUVs for Canadian western amber durum wheat with vitreous kernel content greater than 84 percent (HTSUS 1001.10.00.91) for durum wheat, and AUVs for Canadian western red spring wheat with a protein level greater than 14.2 percent (HTSUS 1001.90.20.10) for hard red spring wheat. For EP comparisons to CV, the petitioners included in their calculation of EP AUVs for all of the HTSUS categories included in the scope listed above.[3] The petitioners made no adjustments to EP. For further discussion, *see Initiation Checklist.*

Normal Value

Section 773(a)(1)(C)(iii) of the Act provides that the Department will use third-country prices for purposes of calculating NV if "the particular market situation in the exporting country does not permit a proper comparison with the export price or constructed export price." The petitioners assert that the markets for durum wheat and hard red spring wheat in Canada constitute a "particular market situation" within the meaning of section 773(a)(1)(C)(iii) and, therefore, prices in the home market are inappropriate for purposes of calculating NV. The petitioners cite to the Statement of Administrative Action which states that, while "particular market situation" is not defined, the Department may be satisfied that one exists "where * * * there is government control over pricing to such an extent that home market prices cannot be considered to be competitively set." SAA at 822.

The petitioners contend that, as a monopoly seller, the CWB conducts a nonmarket operation. In support of its argument, the petitioners cite to the ITC's Section 332 Investigation report which stated that "all wheat destined for either domestic human consumption or for export must be marketed by or through the CWB." (*See Wheat Trading Practices: Competitive Conditions Between U.S. and Canadian Wheat,* Investigation No. 332–429, USITC Publication No. 3465 at 3–1 (Dec. 2001) ("*ITC Report*")). The petitioners further cite to the statement by the ITC that "although the CWB states that it is a 'commercial entity,' it is immune from the usual commercial threats to a corporation's survival." (*See ITC Report* at Chapter 3, pp. 13–16). According to the ITC's findings, "the Board is in all significant respects an arm of the Government of Canada, with government approval and backing of its borrowing and other financing, which reduces its costs and insulates it from the commercial risks faced by large and small U.S. grain traders." (*See ITC Report* at Chapter 3, pp. 13–16) The petitioners assert that the ITC has found that the CWB is a government-backed entity with powers conferred upon it by the Canadian Government under the Canadian Wheat Board Act.

In further support of its claim that the CWB operates as a monopoly, the petitioners cite to the findings of the U.S. Trade Representative ("USTR") in its 301 investigation. In that investigation, USTR stated that "the Government of Canada grants the Canadian Wheat Board (CWB) special monopoly rights and privileges which disadvantage U.S. wheat farmers and undermine the integrity of the trading system." *See USTR Affirmative Finding in Response to North Dakota Wheat Commission Petition ("USTR Report"),* (February 15, 2002) at 2. Like the ITC, USTR also found that the CWB is "insulated from commercial risks because the Canadian government guarantees its financial operations, including its borrowing, credit sales to foreign buyers and initial payments to farmers." *See USTR Report* at 2.

According to the petitioners, because the CWB operates as a monopoly in the Canadian market without effective competition from imports, the CWB administratively sets prices for durum wheat and hard red spring wheat in Canada, rendering the home market inappropriate for purposes of determining an actual market price. In short, as the only seller in Canada, the CWB operates in Canada free from any competition from domestic sellers. The Canadian Government restricts imports of durum wheat and red spring wheat into Canada, thereby exercising complete control over the Canadian market and insulating the CWB from foreign competition as well.

Finally, the petitioners cite to prior cases in which the Department has used third-country sales as the basis for normal value due to a particular market situation. (*See Initiation of Antidumping Duty Investigations: Spring Table Grapes from Chile and Mexico,* 66 FR 26831, 26834 (May 15, 2001) and *Notice of Final Determination of Sales at Less Than Fair Value: Fresh Atlantic Salmon from Chile* 63 FR 31411 (June 9, 1988)). The petitioners assert that, in making its particular market situation determination in those cases, the Department relied on factors, some of which are also present in this case, such as: the home market industry is export oriented, the home market is incidental to the Canadian wheat industry, and domestically-sold wheat has perfunctory marketing and distribution.

Based on the above, we have determined information reasonably available to the petitioners indicates the existence of a particular market situation which renders price comparisons between home market and U.S. prices inappropriate for purposes of determining whether to initiate the antidumping investigations on durum wheat and hard red spring wheat. In the course of these investigations, the Department will examine further the issue of particular market situation and, if necessary, the proper comparison market to be examined in each investigation.

While asserting the existence of a particular market situation which renders price comparisons between home market and U.S. prices

[3] The petitioners excluded seed wheats from the U.S. price calculation. These wheats are classified by the HTSUS subheadings: 1001.90.10.00 and 1001.10.00.10. In addition they excluded a broader HTSUS category which includes other non-hard red spring wheats (*i.e.,* 1001.90.20.96).

inappropriate, the petitioners have, as a possible alternative, provided EP to home market price comparisons.

Price-to-Price Comparisons Based on Home Market Prices

For durum wheat, the petitioners based NV on average monthly domestic prices of the CWB's sales of #1 milling grade Canadian western amber durum. For hard red spring wheat, the petitioners based NV on average monthly domestic prices of the CWB's sales of milling grade #1 Canadian western red spring, 14 percent protein. These prices were derived from a publicly available source on the internet. The home market prices were then converted from Canadian dollars to U.S. dollars and compared to U.S. AUVs.

Based on EP to home market price comparisons, the petitioners calculated dumping margins for durum wheat ranging from 3.2 to 23.2 percent, with a weighted-average margin of 13.3 percent. The petitioners calculated dumping margins for hard red spring wheat ranging from 0 to 25.6 percent, with a weighted-average margin of 7.6 percent.

Price-to-Price Comparisons Based on Third Country Prices

The petitioners calculated NV based on AUVs of Japanese imports of the subject merchandise from Canada. The AUVs were obtained from the Japanese Customs Agency's Web site, *http://www.customs.go.jp*. Since the AUVs reported by the Japanese Customs Agency were reported in yen per metric ton, the petitioners converted the prices from yen to U.S. dollars by applying the average POI exchange rate found at *http://ia.ita.doc.gov/exchange/Japan.txt*. After converting the Japanese prices to U.S. dollars per metric ton, the petitioners subtracted amounts for insurance and freight. Freight rates were obtained from the USDA's *Grain Transportation Prospects* and from discussions with an official at the USDA. A quote for insurance rates was obtained from an insurance company, Marsh, Inc. The net Japanese AUVs were then compared to U.S. AUVs.

Based on EP to third country price comparisons, the petitioners calculated dumping margins for durum wheat ranging from 26.5 to 48.2 percent, with a weighted-average margin of 40.2 percent. The petitioners calculated dumping margins for hard red spring wheat ranging from 18.2 to 86.6 percent, with a weighted-average margin of 44.8 percent.

Price-to-CV Comparisons

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, the petitioners also based NV on CV. In accordance with section 773(e) of the Act, the petitioners calculated CV as the cost of manufacture ("COM"), selling, general and administrative ("SG&A") expenses and profit. To calculate COM, the petitioners based direct expenses and depreciation expenses on publicly available data.

1. Durum Wheat

We revised the petitioners' calculation of COM for Alberta by applying yields that were from the same public source as the production expenses for that province. For Saskatchewan, we revised the COM by applying calculated, weighted-average yields by soil type based on additional, publicly available information. To calculate SG&A, the petitioners relied upon amounts reported in the CWB's 2001 annual report. Consistent with 773(e)(2) of the Act, the petitioners included in CV an amount for profit. For profit, the petitioners relied upon publicly available data.

Comparing EP to the adjusted CV, we found no additional evidence to support the petitioners' claim that durum wheat from Canada is being dumped in the United States.

2. Hard Red Spring Wheat

To calculate COM, the petitioners based direct expenses and depreciation expenses on publicly available data. We revised the petitioners' calculation of COM for Alberta by applying yields that were from the same public source as the production expenses for that province. For Saskatchewan, we revised COM by applying calculated, weighted-average yields by soil type based on additional, publicly available information. To calculate SG&A, the petitioners relied upon amounts reported in the CWB's 2001 annual report. Consistent with 773(e)(2) of the Act, the petitioners included in CV an amount for profit. For profit, the petitioners relied upon publicly available data.

Based on a comparison of EP to the adjusted CV, we calculated a margin of 13.26 percent for hard red spring wheat.

Fair Value Comparisons

Based on the data provided by the petitioners, there is reason to believe that imports of durum wheat and hard red spring wheat from Canada are being, or are likely to be, sold at less than fair value.

Allegations and Evidence of Material Injury and Causation

The petitioners allege that the U.S. industries producing the domestic like products are being materially injured, or are threatened with material injury, by reason of the imports of the subject merchandise sold at less than NV. The petitioners contend that each industry's injured condition is evident in the declining trends in domestic prices, production volume and value, market share, income and wages, net sales volume and value, and, for durum wheat, the increasing U.S. inventory levels. The petitioners further allege threat of injury due to increased import volumes and import penetration, because of excess production capacity in Canada, and because inventory levels in Canada exceed its demand for wheat. The allegations of injury and causation are supported by relevant evidence including U.S. Customs import data, reports from the ITC and United States Department of Agriculture, statistics compiled by the Canadian Wheat Board and *Statistics Canada*, as well as independent academic and economic studies.

We have assessed the allegations and supporting evidence regarding material injury and causation, and we have determined that these allegations are properly supported by accurate and adequate evidence and meet the statutory requirements for initiation (*see Initiation Checklist*).

Initiation of Antidumping Investigations

Based upon our examination of the petitions on durum wheat and hard red spring wheat from Canada, we have found that they meet the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of durum wheat and hard red spring wheat from Canada are being, or are likely to be, sold in the United States at less than fair value. Unless this deadline is extended pursuant to section 733(c)(1) of the Act, we will make our preliminary determinations no later than 140 days after the date of this initiation.

Distribution of Copies of the Petitions

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of each petition has been provided to the representatives of the Government of Canada. We will attempt to provide a copy of the public version of each petition to each exporter named in the petitions, as provided for under 19 CFR 351.203(c)(2).

ITC Notification

We have notified the ITC of our initiations, as required by section 732(d) of the Act.

Preliminary Determinations by the ITC

The ITC will determine no later than November 18, 2002, whether there is a reasonable indication that imports of durum and hard red spring wheat from Canada are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination will result in the investigations being terminated; otherwise, these investigations will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: October 23, 2002.

Faryar Shirzad,

Assistant Secretary for Import Administration.

[FR Doc. 02–27514 Filed 10–28–02; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[C–122–846 and C–122–848]

Notice of Initiation of Countervailing Duty Investigations: Durum Wheat and Hard Red Spring Wheat From Canada

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Initiation of countervailing duty investigations.

SUMMARY: The Department of Commerce is initiating countervailing duty investigations to determine whether manufacturers, producers, or exporters of durum wheat and hard red spring wheat from Canada receive countervailable subsidies.

EFFECTIVE DATE: October 29, 2002.

FOR FURTHER INFORMATION CONTACT: Craig W. Matney, AD/CVD Enforcement, Group I, Office 1, Import Administration, International Trade Administration, U.S. Department of Commerce, Room 3099, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 482–1778.

Initiation of Investigations

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 ("the Act") by the Uruguay Round Agreements Act. In addition, unless otherwise indicated, all citations to the Department of Commerce's ("the Department") regulations are references to the provisions codified at 19 CFR part 351 (April 2002).

The Petitions

On September 13, 2002, the Department received petitions filed in proper form by the North Dakota Wheat Commission (hard red spring wheat), Durum Growers Trade Action Committee (durum wheat), and the U.S. Durum Growers Association (durum wheat) (collectively, "the petitioners").[1] The Department received petition supplements from September 24 through October 21, 2002.

In accordance with section 702(b)(1) of the Act, the petitioners allege that manufacturers, producers, or exporters of durum wheat and hard red spring wheat, the subject merchandise, from Canada receive countervailable subsidies within the meaning of section 701 of the Act, and that such imports are materially injuring, or threatening material injury to, an industry in the United States.

The Department finds that the petitioners filed these petitions on behalf of the respective domestic industries because they are interested parties as defined in sections 771(9)(E) and (F) of the Act and they have demonstrated sufficient industry support with respect to each of the countervailing duty investigations that they are requesting the Department to initiate. *See infra*, "Determination of Industry Support for the Petitions."

Scope of Investigations

For purposes of these investigations, the products covered are (1) durum wheat and (2) hard red spring wheat.

1. Durum Wheat

Imports covered by this investigation are all varieties of durum wheat from Canada. This includes, but is not limited to, a variety commonly referred to as Canada Western Amber Durum. The merchandise subject to this investigation is typically classified in the following Harmonized Tariff Schedule of the United States ("HTSUS") subheadings: 1001.10.00.10, 1001.10.00.91, 1001.10.00.92, 1001.10.00.95, 1001.10.00.96, and 1001.10.00.99.

2. Hard Red Spring Wheat

Imports covered by this investigation are all varieties of hard red spring wheat from Canada. This includes, but is not limited to, varieties commonly referred to as Canada Western Red Spring, Canada Western Extra Strong, and Canada Prairie Spring Red. The merchandise subject to this investigation is typically classified in the following HTSUS subheadings: 1001.90.10.00, 1001.90.20.05, 1001.90.20.11, 1001.90.20.12, 1001.90.20.13, 1001.90.20.14, 1001.90.20.16, 1001.90.20.19, 1001.90.20.21, 1001.90.20.22, 1001.90.20.23, 1001.90.20.24, 1001.90.20.26, 1001.90.20.29, 1001.90.20.35, and 1001.90.20.96.

Although the HTSUS subheadings provided for durum wheat and hard red spring wheat are for convenience and customs purposes, our written description of the scope of these proceedings is dispositive.

As discussed in the preamble to the Department's regulations (*see Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for parties to raise issues regarding product coverage. The Department encourages all parties to submit such comments within 20 days of publication of this notice. Parties should submit any comments on the file of each (durum wheat and hard red spring wheat) case. Comments should be addressed to Import Administration's Central Records Unit, Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of our preliminary determinations.

Consultations

Pursuant to section 702(b)(4)(A)(ii) of the Act, the Department invited representatives of the Government of Canada ("GOC") for consultations with respect to the petitions filed in these proceedings. The Department held consultations with the GOC on October 1, 2002. The points raised in the consultations are cited in the Memorandum to the File, "CVD Consultations with Officials from the Government of Canada," dated October 2, 2001, which is on file in the Department's Central Records Unit,

[1] In the September 13, 2002 petitions, the petitioners identified the North Dakota Wheat Commission as a petitioner for both the durum wheat and hard red spring wheat petitions. However, in a petition supplement dated September 24, 2002, the petitioners informed the Department that, with respect to the petition on durum wheat, the petitioners were replacing the North Dakota Wheat Commission with the Durum Growers Trade Action Committee.

Room B–099 of the main Department of Commerce building ("CRU").

Determination of Industry Support for the Petitions

Section 702(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 702(c)(4)(A) of the Act provides that the Department's industry support determination, which is to be made before the initiation of an investigation, be based on whether a minimum percentage of the relevant industry supports the petition. A petition meets this requirement if the domestic producers or workers who support the petition account for: (1) At least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 702(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall either poll the industry or rely on other information in order to determine if there is support for the petition.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the Act directs the Department to look to producers and workers who account for production of the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the domestic like product, such differences do not render the decision of either agency contrary to the law.[2]

[2] *See Algoma Steel Corp. Ltd., v. United States*, 688 F. Supp. 639, 642–44 (CIT 1988); *High Information Content Flat Panel Displays and Display Glass Therefore from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*, 56 FR 32376, 32380–81 (July 16, 1991).

Section 771(10) of the Act defines the domestic like product as "a product that is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

The domestic like products referred to in these petitions are the domestic like products defined in the *Scope of Investigations* section, above. Based upon our review of the petitioners' claims, we have accepted the petitioners' definitions of the domestic like products. For further discussion, *see* October 23, 2002 Memorandum from Team to Richard W. Moreland, "Domestic Like Product and Industry Support" ("*Like Product/Industry Support Memo*"), which is on file in the CRU.

On October 3, 2002, the Department extended the deadline for the initiation determinations to no later than October 23, 2002 in order to establish whether the petitions are supported by the respective domestic industries, pursuant to section 702(c)(1)(B) of the Act. *See* October 3, 2002 Memorandum to Faryar Shirzad from Richard W. Moreland, "Extension of Deadline for Determining Industry Support." The Department has determined that, pursuant to section 702(c)(4)(A) of the Act, the petitions contain adequate evidence of industry support. *See* October 23, 2002 Import Administration AD/CVD Enforcement Initiation Checklist ("*Initiation Checklist*") and *Like Product/Industry Support Memo*, both of which are on file in the CRU.

We determined that the petitioners have demonstrated industry support representing over 50 percent of total production of the domestic like products. Therefore, the domestic producers or workers who support the petitions account for at least 25 percent of the total production of the domestic like products, and the requirements of section 702(c)(4)(A)(i) of the Act are met. The Department received no opposition to the petitions. Accordingly, we determine that these petitions are filed on behalf of the respective domestic industries within the meaning of section 702(b)(1) of the Act.

Injury Test

Because Canada is a "Subsidies Agreement Country" within the meaning of section 701(b) of the Act, section 701(a)(2) applies to these investigations. Accordingly, the ITC must determine whether imports of the subject merchandise from Canada materially injure, or threaten material injury to, a U.S. industry.

Allegations and Evidence of Material Injury and Causation

The petitioners allege that the U.S. industries producing the domestic like products are being materially injured, or are threatened with material injury, by reason of the imports of subject merchandise. The petitioners contend that each industry's injured condition is evident in the declining trends in domestic prices, production volume and value, market share, income and wages, net sales volume and value, and, for durum wheat, increasing U.S. inventory levels. The petitioners further allege threat of injury due to increased import volumes and import penetration, excess production capacity in Canada, and because inventory levels in Canada exceed its demand for wheat. The allegations of injury and causation are supported by relevant evidence including U.S. Customs import data, reports from the ITC and United States Department of Agriculture, statistics compiled by the Canadian Wheat Board ("CWB") and Statistics Canada, as well as independent academic and economic studies.

We have assessed the allegations and supporting evidence regarding material injury and causation, and we have determined that these allegations are properly supported by accurate and adequate evidence, and meet the statutory requirements for initiation (*see Initiation Checklist*).

Initiation of Countervailing Duty Investigations

The Department has examined the countervailing duty petitions on durum wheat and hard red spring wheat from Canada and found that they comply with the requirements of section 702(b) of the Act. Therefore, in accordance with section 702(b) of the Act, we are initiating countervailing duty investigations to determine whether manufacturers, producers, or exporters of certain durum wheat and hard red spring wheat from Canada receive countervailable subsidies.

We are including in our investigations the following programs alleged in the petitions to have provided a countervailable subsidy to the CWB:

1. Railcar Lease Subsidy
2. Provision of Government-owned Railcars
3. Rail Freight Revenue Cap Subsidy
4. Maintenance of Uneconomic Branch Lines and Short Line Subsidies

5. Government Guarantee of Borrowing and Lending

A discussion of evidence supporting our initiation determination on these programs is contained in the *Initiation Checklist.*

At this time, we are not including in our investigations of certain durum wheat and hard red spring wheat the following programs alleged to benefit producers and exporters of the subject merchandise in Canada:

1. Railcar Allocation Subsidy

The petitioners allege that the GOC has given the CWB the power to allocate railcars for the transportation of its grain, thereby eliminating the risk premium that grain companies would otherwise charge to cover the impact of competing with non-Board users for railcars. The petitioners assert that this railcar allocation subsidy is a financial contribution because the railroads are providing their transportation services at less than adequate remuneration.

However, the petitioners have not identified the financial contribution being made (directly or indirectly) by the government. In the petitions, the petitioners state that the allocation authority granted to the CWB "is a financial contribution in the form of the provision of a service at less than adequate remuneration." However, the GOC is not providing rail service. Instead, this service is provided by the private railway companies.

Instead, it appears that the GOC has bestowed on the CWB certain authority with respect to the transportation of CWB grains. This authority originates in the CWB Act, which states that "no person other than the Corporation [Board] shall transport or cause to be transported from one province wheat or products owned by a person other than the Board," and is further addressed in a June 2000 memorandum of understanding ("MOU") between the GOC and the CWB.

The MOU, refers to the CWB's railcar allocation power and states, inter alia, that the authority will be used only with respect to the grain that the CWB markets. Also, in describing this provision in the MOU, the petitioners have characterized this provision as permitting the CWB to negotiate car supply requirements with the railways.

Although we do not have a clear understanding of what the CWB's authority is with respect to the allocation of railcars, the information provided by the petitioners appears to indicate that CWB negotiates the number of cars it will receive with the railways and that its allocation authority pertains only to cars for the grains it markets, so that it is not allocating cars away from non-Board users.

Therefore, because the petitioners have not identified a financial contribution or a benefit, we recommend not including this alleged subsidy in our investigation.

2. Shipper of Record

The petitioners allege that in November 2000 the CWB declared itself the "shipper of record," enabling the CWB to receive multi-car discounts on freight movement, instead of the grain companies. The petitioners allege that the GOC accorded the right to the CWB to act as the "shipper of record" and, therefore, transferred the right to claim such discounts from the grain companies to the CWB.

The petitioners have not identified the financial contribution being made (directly or indirectly) by the government. As with the allegation regarding railcar allocation, the petitioners point to authority granted to the CWB, which allows it to declare itself shipper of record. According to the petitioners, this results in the CWB being able to negotiate multi-car discounts with the railways, discounts that would otherwise be paid to the grain companies. If these discounts are the financial contribution, then they appear to be bestowed by the railways.

Therefore, because the petitioners have not identified a financial contribution, we recommend not including this alleged subsidy in our investigation.

3. Noncommercial Provision of Forward Contracts

The petitioners allege that, by establishing the CWB as the only legal purchaser of western Canadian wheat and by guaranteeing CWB's initial payments to producers, the GOC has removed all acquisition risks from the CWB. Accordingly, in the absence of such risk, the CWB is able to provide forward contracts to U.S. buyers at a lower price. The petitioners allege that the financial contribution "is in the form of a government guarantee (which is equivalent to the cost of insurance that a private firm would have to pay to replicate the CWB's risk position) and the value of the CWB's monopsony status."

The petitioners have not provided sufficient evidence to support its contention that the GOC provided a financial contribution in the form of a guarantee that benefits the CWB. Additionally, the petitioners have not explained how the GOC grant of monoposony status to the CWB falls within the definitions of a "financial contribution" enumerated in section 771(5)(D) of the Act. Therefore, we recommend not investigating this alleged subsidy.

Distribution of Copies of the Petitions

In accordance with section 702(b)(4)(A)(i) of the Act, a copy of the public versions of the petitions have been provided to the GOC. We will attempt to provide a copy of the public versions of the petitions to each exporter named in the petition, as provided for under section 351.203(c)(2) of the Department's regulations.

ITC Notification

We have notified the ITC of our initiations, as required by section 702(d) of the Act.

Preliminary Determination by the ITC

The ITC will determine no later than November 18, 2002, whether there is a reasonable indication that imports of durum and/or hard red spring wheat are causing material injury, or threatening to cause material injury to, a U.S. industry. A negative ITC determination will result in the investigation(s) being terminated; otherwise, the investigation(s) will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: October 23, 2002.

Faryar Shirzad,

Assistant Secretary for Import Administration.

[FR Doc. 02–27515 Filed 10–28–02; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

National Institute of Standards and Technology

Inventions, Government-Owned; Availability for Licensing

AGENCY: National Institute of Standards and Technology, Commerce.

ACTION: Notice of Government-owned inventions available for licensing.

SUMMARY: The inventions listed below are owned in whole by the U.S. Government, as represented by the Department of Commerce. The inventions are available for licensing in accordance with 35 U.S.C. 207 and 37 CFR part 404 to achieve expeditious commercialization of results of federally funded research and development.

FOR FURTHER INFORMATION CONTACT: Technical and licensing information on these inventions may be obtained by writing to: National Institute of

APPENDIX B

CALENDAR OF THE COMMISSION'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference:

Subject:	Durum and Hard Red Spring Wheat from Canada
Invs. Nos.:	701-TA-430 and 731-TA-1019 (Preliminary)
Date and Time:	October 4, 2002 - 9:30 a.m.

Sessions were held in connection with these investigations in the Commission's Main Hearing Room, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping and Countervailing Duties:

Robins, Kaplan, Miller & Ciresi LLP,
Washington, DC
on behalf of

North Dakota Wheat Commission
U.S. Durum Growers Association
Durum Growers Trade Action Committee

Neal Fisher, Administrator, North Dakota Wheat Commission
Jim Peterson, Marketing Director, North Dakota Wheat Commission
Andrew Wechsler, Managing Director, LECG, LLC
Andrew Szamosszegi, Managing Consultant, LECG, LLC

Charles A. Hunnicutt--OF COUNSEL

In Opposition to the Imposition of Antidumping and Countervailing Duties:

Steptoe & Johnson LLP
Washington, DC
on behalf of

Canadian Wheat Board

Daniel A. Sumner, Professor, University of California, Davis
Richard Boltuck, Charles River Associates, Inc.

Richard O. Cunningham)
Edward J. Krauland)--OF COUNSEL
Matthew Yeo)

In Opposition to the Imposition of Antidumping and Countervailing Duties--*Continued*

North American Millers' Association
Washington, DC

Jim Bair, Vice President, North American Millers' Association
Randy Marten, Vice President, Miller Milling Co.
David Potter, Executive Vice President, American Italian Pasta Co.
James Meyer, Executive Vice President, Italgrani USA, Inc.
John Miller, President, Miller Milling Co.
Greg Viers, Wheat Purchasing Manager, Barilla America, Inc.
Glen Zearfoss, Vice President-Logistics, New World Pasta Co.

APPENDIX C

SUMMARY DATA

Table C-1
Durum wheat: Summary data concerning the U.S. market, marketing years 1997/98 - 2001/02 (1)

(Quantity=million bushels, value=million dollars, unit values are per bushel; period changes=percent, except where noted)

Item	Reported data					Period changes				
	1997/98	1998/99	1999/2000	2000/01	2001/02	1997/98 - 2001/02	1997/98 - 1998/99	1998/99 - 1999/00	1999/00 - 2000/01	2000/01 - 2001/02
U.S. consumption quantity:										
Amount	72	106	91	81	94	30.3	47.3	-14.9	-10.8	16.5
Producers' share (2)	77.5	80.8	82.7	84.1	78.5	1.1	3.3	2.0	1.3	-5.5
Importers' share (2):										
Canada	22.5	19.2	17.3	15.5	20.5	-2.1	-3.3	-2.0	-1.8	5.0
All other sources	(3)	0.0	(3)	0.4	1.0	1.0	0.0	0.0	0.4	0.5
Total imports	22.5	19.2	17.3	15.9	21.5	-1.1	-3.3	-2.0	-1.3	5.5
U.S. imports from:										
Canada:										
Quantity	16	20	16	13	19	18.4	25.7	-23.6	-20.0	54.1
Value	96	85	61	55	86	-10.2	-11.3	-27.8	-10.8	57.3
Unit value	$5.88	$4.15	$3.92	$4.37	$4.46	-24.1	-29.4	-5.5	11.4	2.0
All other sources:										
Quantity	0.002	0	0.001	0.350	0.910	(4)	-100.0	(5)	(4)	159.9
Value	0.032	0	0.008	1.228	3.554	(4)	-100.0	(5)	(4)	189.5
Unit value	$20.60	(5)	$11.04	$3.51	$3.91	-81.0	-100.0	(5)	-68.2	11.4
All sources:										
Quantity	16	20	16	13	20	23.9	25.7	-23.6	-17.7	57.0
Value	96	85	61	56	90	-6.5	-11.3	-27.8	-8.8	60.2
Unit value	$5.88	$4.15	$3.92	$4.34	$4.43	-24.6	-29.4	-5.5	10.8	2.0
U.S. producers':										
Acreage planted (million acres)	3.3	3.8	4.0	3.9	2.9	-12.1	15.0	6.0	-2.4	-26.1
Acreage harvested (million acres)	3.2	3.7	3.6	3.6	2.8	-12.2	17.3	-4.3	0.1	-21.9
Production	87.8	138.1	99.3	109.8	83.6	-4.8	57.3	-28.1	10.6	-23.9
Yield (bushels/acre harvested) (2)	27.6	37.0	27.8	30.7	30.0	2.3	9.4	-9.2	2.9	-0.8
Shipment quantity:										
U.S. shipments	56	86	75	68	74	32.1	53.6	-12.8	-9.3	8.8
Export shipments	50	39	36	41	40	-20.0	-22.0	-7.7	13.9	-2.4
Total shipments	106	125	111	109	114	7.5	17.9	-11.2	-1.8	4.6
Ending inventory quantity	8	36	37	46	5	-37.5	350.0	2.8	24.3	-89.1
Inventories/total shipments (2)	7.5	28.8	33.3	42.2	4.4	-3.2	21.3	4.5	8.9	-37.8

(1) June-May.
(2) "Reported data" are in percent and "period changes" are in percentage points.
(3) Less than 0.05 percent.
(4) Increase greater than 1,000 percent.
(5) Not applicable.

Note.--Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from USDA and Commerce data.

Table C-2
Hard red spring wheat: Summary data concerning the U.S. market, marketing years 1997/98 - 2001/02 (1)

(Quantity=million bushels, value=million dollars, unit values are per bushel; period changes=percent, except where noted)

Item	Reported data					Period changes				
	1997/98	1998/99	1999/2000	2000/01	2001/02	1997/98 - 2001/02	1997/98 - 1998/99	1998/99 - 1999/00	1999/00 - 2000/01	2000/01 - 2001/02
U.S. consumption quantity:										
Amount	258	288	297	347	329	27.2	11.7	3.1	16.7	-5.3
Producers' share (2)	81.3	83.2	83.1	85.8	83.7	2.4	1.9	-0.2	2.8	-2.2
Importers' share (2):										
Canada	18.7	16.6	16.9	14.1	16.3	-2.4	-2.1	0.3	-2.8	2.2
All other sources	(3)	0.2	(3)	(3)	(3)	0.0	0.2	-0.2	0.0	0.0
Total imports	18.7	16.8	16.9	14.2	16.3	-2.4	-1.9	0.2	-2.8	2.2
U.S. imports from:										
Canada:										
Quantity	48	48	50	49	54	11.1	-0.8	5.2	-2.4	9.1
Value	211	173	175	175	210	-0.6	-17.9	1.2	-0.2	19.8
Unit value	$4.37	$3.62	$3.48	$3.56	$3.91	-10.5	-17.3	-3.8	2.3	9.9
All other sources:										
Quantity	0.041	0.539	0.040	0.025	0.037	-11.8	(4)	-92.6	-38.2	47.4
Value	0.488	1.893	0.326	0.255	0.325	-33.4	288.0	-82.8	-21.8	27.6
Unit value	$11.77	$3.51	$8.11	$10.26	$8.89	-24.5	-70.2	131.0	26.5	-13.4
All sources:										
Quantity	48	48	50	49	54	11.1	0.2	4.2	-2.5	9.1
Value	211	175	176	175	210	-0.7	-17.2	0.3	-0.2	19.8
Unit value	$4.38	$3.62	$3.48	$3.56	$3.92	-10.6	-17.4	-3.7	2.3	9.8
U.S. producers':										
Acreage planted (million acres)	18.3	14.8	14.3	14.4	14.8	-19.1	-19.1	-3.4	0.7	2.8
Acreage harvested (million acres)	17.5	14.4	13.8	13.6	13.8	-21.1	-17.7	-4.2	-1.4	1.5
Production	491.3	486.4	447.9	502.3	475.7	-3.2	-1.0	-7.9	12.1	-5.3
Yield (bushels/acre harvested) (2)	28.1	33.8	32.5	36.9	34.5	6.4	5.7	-1.3	4.5	-2.5
Shipment quantity:										
U.S. shipments	210	240	247	298	275	31.0	14.3	2.9	20.6	-7.7
Export shipments	241	243	221	223	220	-8.7	0.8	-9.1	0.9	-1.3
Total shipments	451	483	468	521	495	9.8	7.1	-3.1	11.3	-5.0
Ending inventory quantity	190	202	187	179	169	-11.1	6.3	-7.4	-4.3	-5.6
Inventories/total shipments (2)	42.1	41.8	40.0	34.4	34.1	-8.0	-0.3	-1.9	-5.6	-0.2

(1) June-May.
(2) "Reported data" are in percent and "period changes" are in percentage points.
(3) Less than 0.05 percent.
(4) Increase greater than 1,000 percent.

Note.--Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from USDA and Commerce data.

Table C-3
Hard red winter wheat: Summary data concerning the U.S. market, marketing years 1997/98 - 2001/02 (1)

(Quantity=million bushels, value=million dollars, unit values are per bushel; period changes=percent, except where noted)

	Reported data					Period changes				
Item	1997/98	1998/99	1999/2000	2000/01	2001/02	1997/98 - 2001/02	1997/98 - 1998/99	1998/99 - 1999/00	1999/00 - 2000/01	2000/01 - 2001/02
U.S. consumption quantity:										
Amount	573	595	543	503	488	-14.8	3.9	-8.7	-7.4	-3.0
Producers' share (2)	99.9	99.9	100.0	100.0	99.8	-0.1	-0.0	0.1	0.0	-0.2
Importers' share (2):										
Canada	0.1	0.1	(3)	(3)	0.2	0.1	0.0	-0.1	0.0	0.2
All other sources	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total imports	0.1	0.1	(3)	(3)	0.2	0.1	0.0	-0.1	0.0	0.2
U.S. imports from:										
Canada:										
Quantity	0.512	0.779	0.089	0.039	0.788	54.1	52.3	-88.6	-55.7	(4)
Value	2.016	2.954	0.313	0.130	2.798	38.8	46.5	-89.4	-58.5	(4)
Unit value	$3.94	$3.79	$3.52	$3.30	$3.55	-9.9	-3.8	-7.2	-6.3	7.6
All other sources:										
Quantity	0	0	0	0	0	(5)	(5)	(5)	(5)	(5)
Value	0	0	0	0	0	(5)	(5)	(5)	(5)	(5)
Unit value	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
All sources:										
Quantity	0.512	0.779	0.089	0.039	0.788	54.1	52.3	-88.6	-55.7	(4)
Value	2.016	2.954	0.313	0.130	2.798	38.8	46.5	-89.4	-58.5	(4)
Unit value	$3.94	$3.79	$3.52	$3.30	$3.55	-9.9	-3.8	-7.2	-6.3	7.6
U.S. producers':										
Acreage planted (million acres)	34.0	32.2	30.8	30.4	29.0	-14.7	-5.3	-4.3	-1.3	-4.6
Acreage harvested (million acres)	28.7	27.2	24.4	23.6	20.9	-27.2	-5.2	-10.3	-3.3	-11.4
Production	1,098.3	1,179.5	1,050.7	846.3	766.8	-30.2	7.4	-10.9	-19.5	-9.4
Yield (bushels/acre harvested) (2)	38.3	43.4	43.1	35.9	36.7	-1.6	5.1	-0.3	-7.2	0.8
Shipment quantity:										
U.S. shipments	572	594	543	503	487	-14.9	3.8	-8.6	-7.4	-3.2
Export shipments	362	445	467	385	355	-1.9	22.9	4.9	-17.6	-7.8
Total shipments	934	1,039	1,010	888	842	-9.9	11.2	-2.8	-12.1	-5.2
Ending inventory quantity	307	447	475	416	335	9.1	45.6	6.3	-12.4	-19.5
Inventories/total shipments (2)	32.9	43.0	47.0	46.8	39.8	6.9	10.2	4.0	-0.2	-7.1

(1) June-May.
(2) "Reported data" are in percent and "period changes" are in percentage points.
(3) Less than 0.05 percent.
(4) Increase greater than 1,000 percent.
(5) Not applicable.

Note.--Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from USDA and Commerce data.

Table C-4
Hard red spring and hard red winter wheat: Summary data concerning the U.S. market, marketing years 1997/98 - 2001/02 (1)

(Quantity=million bushels, value=million dollars, unit values are per bushel; period changes=percent, except where noted)

Item	Reported data					Period changes				
	1997/98	1998/99	1999/2000	2000/01	2001/02	1997/98 - 2001/02	1997/98 - 1998/99	1998/99 - 1999/00	1999/00 - 2000/01	2000/01 - 2001/02
U.S. consumption quantity:										
Amount	831	883	840	850	816	-1.7	6.3	-4.8	1.2	-4.0
Producers' share (2)	94.1	94.4	94.0	94.2	93.3	-0.8	0.3	-0.4	0.2	-0.9
Importers' share (2):										
Canada:										
Hard red spring wheat	5.8	5.4	6.0	5.8	6.6	0.8	-0.4	0.6	-0.2	0.8
Hard red winter wheat	0.1	0.1	(3)	(3)	0.1	0.0	0.0	-0.1	0.0	0.1
Total	5.9	5.5	6.0	5.8	6.7	0.8	-0.4	0.5	-0.2	0.9
All other sources	(3)	0.1	(3)	(3)	(3)	0.0	0.1	-0.1	0.0	0.0
Total imports	5.9	5.6	6.0	5.8	6.7	0.8	-0.3	0.4	-0.2	0.9
U.S. imports from:										
Canada (hard red spring wheat):										
Quantity	48	48	50	49	54	11.1	-0.8	5.2	-2.4	9.1
Value	211	173	175	175	210	-0.6	-17.9	1.2	-0.2	19.8
Unit value	$4.37	$3.62	$3.48	$3.56	$3.91	-10.5	-17.3	-3.8	2.3	9.9
Canada (hard red winter wheat):										
Quantity	0.512	0.779	0.089	0.039	0.788	54.1	52.3	-88.6	-55.7	(4)
Value	2.016	2.954	0.313	0.130	2.798	38.8	46.5	-89.4	-58.5	(4)
Unit value	$3.94	$3.79	$3.52	$3.30	$3.55	-9.9	-3.8	-7.2	-6.3	7.6
Canada (total):										
Quantity	49	49	50	49	54	11.5	-0.2	3.7	-2.5	10.6
Value	213	176	175	175	212	-0.3	-17.3	-0.3	-0.3	21.3
Unit value	$4.37	$3.62	$3.48	$3.56	$3.91	-10.6	-17.1	-3.9	2.3	9.7
All other sources:										
Quantity	0.041	0.539	0.040	0.025	0.037	-11.8	(4)	-92.6	-38.2	47.4
Value	0.488	1.893	0.326	0.255	0.325	-33.4	288.0	-82.8	-21.8	27.6
Unit value	$11.77	$3.51	$8.11	$10.26	$8.89	-24.5	-70.2	131.0	26.5	-13.4
All sources:										
Quantity	49	49	50	49	54	11.5	0.8	2.7	-2.6	10.6
Value	213	178	176	175	213	-0.3	-16.6	-1.2	-0.3	21.3
Unit value	$4.37	$3.62	$3.48	$3.56	$3.91	-10.6	-17.3	-3.8	2.3	9.7
U.S. producers':										
Acreage planted (million acres)	52.3	47.0	45.1	44.8	43.8	-16.3	-10.1	-4.0	-0.7	-2.2
Acreage harvested (million acres)	46.2	41.6	38.2	37.2	34.7	-24.9	-10.0	-8.2	-2.6	-6.7
Production	1,589.6	1,665.9	1,498.6	1,348.6	1,242.5	-21.8	4.8	-10.0	-10.0	-7.9
Yield (bushels/acre harvested) (2)	34.4	40.0	39.2	36.3	35.8	1.4	5.6	-0.8	-3.0	-0.4
Shipment quantity:										
U.S. shipments	782	834	790	801	762	-2.6	6.6	-5.3	1.4	-4.9
Export shipments	603	688	688	608	575	-4.6	14.1	0.0	-11.6	-5.4
Total shipments	1,385	1,522	1,478	1,409	1,337	-3.5	9.9	-2.9	-4.7	-5.1
Ending inventory quantity	497	649	662	595	504	1.4	30.6	2.0	-10.1	-15.3
Inventories/total shipments (2)	35.9	42.6	44.8	42.2	37.7	1.8	6.8	2.1	-2.6	-4.5

(1) June-May.
(2) "Reported data" are in percent and "period changes" are in percentage points.
(3) Less than 0.05 percent.
(4) Increase greater than 1,000 percent.

Note.--Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from USDA and Commerce data.

APPENDIX D

ADDITIONAL PRICE DATA

The first part of this appendix consists of a statistical analysis of questionnaire price data. It uses the delivered prices and quantities and their associated delivered attributes. The second part of the appendix presents graphs of the contract pricing data that were presented in tables V-3 through V-6.

STATISTICAL ANALYSIS

The Commission's price data contain information on attributes, such as dockage, test weight, vitreous kernel count, protein level, and transportation costs that it does not usually have access to in Title VII cases. Petitioners alleged that companies represented in the pricing data do not purchase wheat at the same point in the distribution chain, which distorts the pricing data. This analysis examines the company effects and the effects of the additional attributes on price.[1]

Many firms were unable to provide all of the data requested, and missing values frequently occur in the data and limit the type of analysis that can be undertaken. For example, transportation costs were reported in less than half of the data for both hard red spring wheat and durum wheat purchases and are therefore not used in the statistical analysis.[2] Because different numbers of observations are available on some attributes than others, the data are called unbalanced. The analysis was performed in the GLM procedure in SAS, which is a flexible procedure that performs both analysis of variance and regression and can be used with unbalanced data.

The analysis focuses on the means of pricing products at the firm level because each firm may have unique costs, location, and other considerations that affect its purchase price. The firm-level analysis is a way of accounting for transportation costs and the level of trade. The analysis proceeds by calculating the means of each product and company combination in the data. Product attributes are added to the model, and the GLM procedure, which has a feature called least-squares means, recalculates the means after incorporating the effects of the product attributes. Separate analyses were performed for hard red spring wheat and durum wheat.

Hard Red Spring Wheat

First the effects of company, product, and the combination of company and product on the price of hard red spring wheat were examined. The data for the analysis contained 342 observations. The F value is 20.58 with 28 degrees of freedom, which provides strong evidence that the means of price when partitioned by the variables in the model are different. The p value, or the probability of observing an F value this large by chance, is less than 0.0001. The overall mean of hard red spring wheat was $142.52 per metric ton, and the R-square was 0.648. The p values for the main effects, company and product, and the interaction between company and product are significant and indicate that there is evidence that the mean prices of the companies differ from each other, and the mean prices of the products differ from each other (table D-1).

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[1] No attempt was made to estimate a supply and demand model or a price equation that might result from a profit maximization procedure. Such an exercise would entail supplementing the Commission's price data with other information. It is likely that other variables, such as costs, inventory levels, and expected future prices are affecting price. In these types of analyses, it is customary to assume that the error term accounts for any omitted variables.

[2] The reported transportation costs are summarized in table V-1 of the report.

Table D-1
Hard red spring wheat: Analysis of variance for main effects and interaction

Source	Degrees of freedom	F value	P value Prob > F
Company	10	28.37	< 0.0001
Product	3	5.03	0.0020
Company-product combination	15	6.28	< 0.0001
Source: Staff work.			

The means for the individual company-product combinations (a company's average price for an individual product over the time periods for which it presented data) for the 11 companies that are in the data set are shown in table D-2. The least-squares means in this case are the same as the straight arithmetic means for each category. Some anomalies appear in the data. *** reported paying higher prices for U.S. grade 2 than for grade 1, and *** reported paying more for the Canadian grade 2 than for grade 1. *** had very different quantities purchased of grades 1 and 2, which could account for some of the unusualness of their price data by grades. *** have the expected relations between prices for the grades for the U.S. product, and *** have the expected relationship for Canada. *** prices of grade 1 were similar for both the Canadian and U.S. products. Comparing products 1 and 5, *** paid, on average, more for Canadian western red spring wheat than for U.S. hard red spring wheat; by contrast, *** paid more for the U.S. product. The differences in means for *** were within one standard error of each other. Comparing products 2 and 6, *** paid more for the Canadian product, and *** paid less for the Canadian product. *** prices for the U.S. and Canadian product were within one standard error of each other.

Table D-2
Hard red spring wheat: Least-squares means (and standard errors) with no other variables in the model, by product and by company

* * * * * * *

The continuous covariates of dockage, weight, protein, and quantity were added to the model. Data on vitreous kernel count were reported for hard red spring wheat purchases less than a quarter of the time, so it was not included in the equation. Due to missing values, only 271 observations could be used. The F value for the model with 27 degrees of freedom was still highly significant at 24.93, with a p value of less than 0.0001. The R-square improved to 0.735. The only added covariate that was statistically significant was the protein level (table D-3). The positive parameter estimate for protein (6.698) and highly significant p value indicate that the protein level was important in increasing the price of hard red spring wheat.

Table D-3
Hard red spring wheat: Analysis of variance for main effects, interaction, and continuous covariates

Source	Degrees of freedom	Parameter estimate	F value	P value Prob > F
Company	10	-	32.13	<.0001
Product	3	-	1.44	0.2328
Company-product combination	9	-	8.87	<.0001
Dockage	1	1.5667	0.49	0.4858
Weight	1	0.2626	1.08	0.2925
Protein	1	6.7162	32.78	<.0001
Quantity	1	-0.00026	0.93	0.3357
Time	1	0.0061	0.01	0.9246
Source: Staff work.				

Inclusion of the covariates resulted in the means among the product types no longer being significantly different from each other. The company-product interaction term is still significant, and the least-squares means are shown in table D-4. The least-squares means now take into account the covariates in the model. The extra data requirements resulted in more missing data in some cells. Anomalies in grade pricing only occurred in the cases of ***. Comparing products 1 and 5, *** paid more for the Canadian product, and *** paid less for the Canadian product. *** paid more for Canadian grade 2 than for U.S. grade 2. In each case, the similar U.S. and Canadian products were approximately within one standard error of each other. Inclusion of the continuous covariates resulted in price changes but did not result in a change from a Canadian price being higher to a U.S. price being higher, or vice versa. Generally, inclusion of the covariates resulted in all of a firm's prices moving either up or down, which suggests that firms try to purchase products with similar characteristics.

Table D-4
Hard red spring wheat: Least-squares means (and standard errors) with covariates, by product and by company

* * * * * * *

Durum Wheat

A similar analysis was undertaken for durum wheat. For the company, product, and combination country-product effects, 202 observations were used in analysis. An F value of 28.7 with 18 degrees of freedom had a p value of <0.0001, which indicates that there are substantial differences among the means of the model components. The overall mean price of durum was $172.63 per metric ton, and the R-square was 0.738. The analysis of variance indicates there is considerable difference in the means of companies, not as much difference in the means of the products, and the means of the combinations of company and product are significantly different at the 5 percent level (table D-5).

Table D-5
Durum wheat: Analysis of variance for main effects and interaction

Source	Degrees of freedom	F value	P value Prob > F
Company	7	58.94	< 0.0001
Product	3	2.29	0.0802
Company-product combination	8	2.01	0.0479
Source: Staff work.			

Least-squares means are shown in table D-6. There is only one anomaly in grade pricing; *** paid more for Canadian grade 2 than for grade 1, but the difference was less than one standard error. *** paid more for Canadian No. 1 hard amber durum wheat than for U.S. hard amber durum wheat. *** paid less for imported No. 1 hard amber durum wheat than for the similar domestic product, although the difference was small for *** considering their standard errors. *** paid more for Canadian No. 2 hard amber durum wheat than for the domestic product, but again the difference was small considering the standard errors.

Table D-6
Durum wheat: Least-squares means with no other variables in the model, by product and by company

* * * * * * *

The continuous covariates of vitreous kernel content, test weight, protein level, quantity, and a linear time trend were added to the model. Vitreous kernel content was reported frequently enough to include in durum analysis, but dockage was left out because of much missing data. Due to missing observations, 137 observations were used. The F value with 18 degrees of freedom was 23.88 and was highly significant with a p value of less than 0.0001. The R-square improved to 0.785. Of the added covariates, only quantity and time were clearly significant, and vitreous kernel content was on the borderline of significance at the 10 percent level (table D-7). The positive coefficient on vitreous kernel count indicated that a higher vitreous kernel count increases price. The protein level had no effect on durum prices, which suggests that protein differences among durum shipments are not important. The negative coefficient on quantity suggests that large purchases may have been made at a small per-unit discount. There was also a small positive monthly time trend.

Table D-7
Durum wheat: Analysis of variance for main effects, interaction, and continuous covariates

Source	Degrees of freedom	Parameter estimate	F value	P value Prob > F
Company	4	-	9.25	<0.0001
Product	3	-	1.17	0.3258
Company-product combination	6	-	2.61	0.0208
Vitreous	1	0.4745	2.73	0.1013
Weight	1	1.6642	0.65	0.4212
Protein	1	0.0004	0.00	0.9768
Quantity	1	-0.0008	5.75	0.0180
Time	1	0.5942	14.98	0.0002
Source: Staff work.				

Inclusion of the covariates resulted in differences in the means among the product types no longer being significant. The company-product interaction term is still significant, and the least-squares means are shown in table D-8. The greater data requirements of covariate analysis increased the number of missing cells. Inclusion of the covariates resulted in ***'s purchase price of product 3 falling below its price for product 7, although the difference between the two prices with the covariates is not significant. U.S. prices of *** for grade 1 hard amber durum wheat remained above those of the Canadian product, and those of *** remained below that of the Canadian product. The difference between the prices of *** is not statistically significant, while the difference between ***'s prices is significantly different. *** paid more for grade 2 hard amber durum wheat from Canada than from the United States, but the difference is within one standard error of each price. Except for ***, each company's price movements were the same for all products.

Table D-8
Durum wheat: Least-squares means with covariates, by product and by company

* * * * * * *

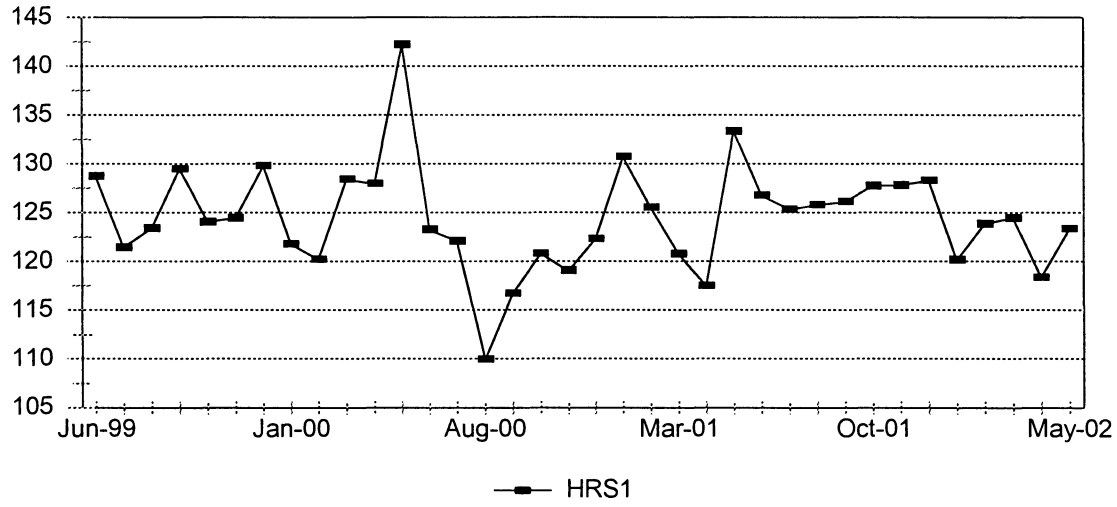
Conclusion

In the cases of both durum wheat and hard red spring wheat, inclusion of the covariates improved the explanatory power of the model. However, the covariates as a group were not highly significant statistically (although some individual covariates were significant) and did not have a large effect on the means of the combinations of company and product. Except for one case, they changed all of the means of each company in the same direction. Also, missing data constrained the analysis and limited the number of comparisons that could be made.

PRICING GRAPHS

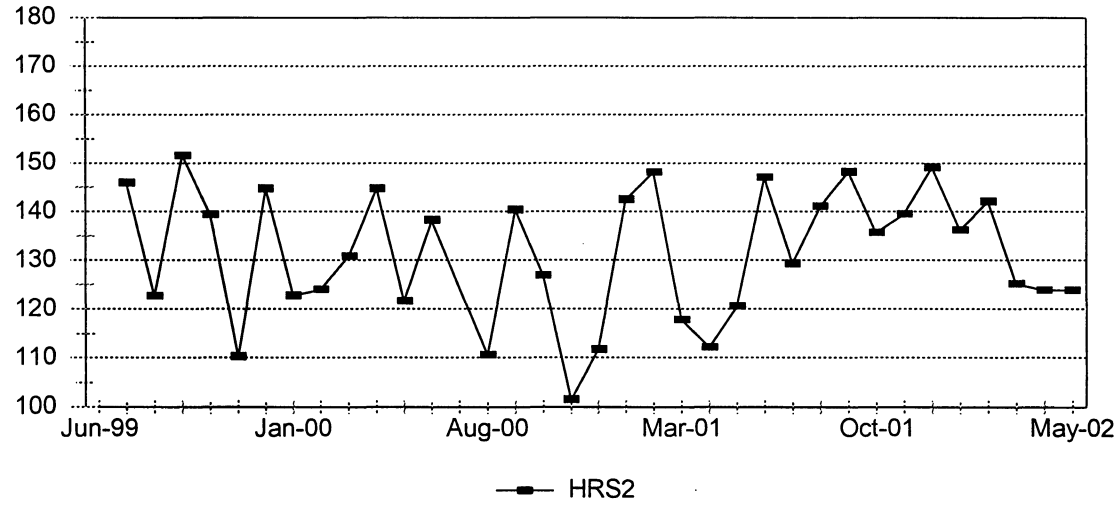
Graphs of the contract prices are presented on the following pages. All Canadian prices are business proprietary.

Figure D-1
Weighted-average prices ($/metric ton) of U.S. No. 1 hard red spring wheat (HRS1) and Canadian No. 1 western red spring wheat (CWRS1), June 1999 to May 2002



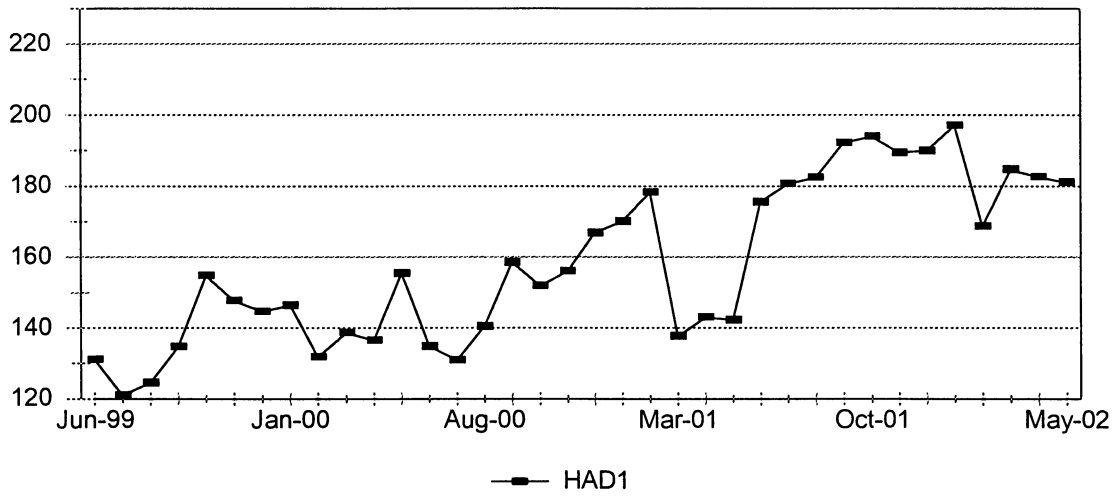
Source: Compiled from data submitted in response to Commission questionnaires.

Figure D-2
Weighted-average prices ($/metric ton) of U.S. No. 2 hard red spring wheat (HRS2) and Canadian No. 2 western red spring wheat (CWRS2), June 1999 to May 2002



Source: Compiled from data submitted in response to Commission questionnaires.

Figure D-3
Weighted-average prices ($/metric ton) of U.S. No. 1 hard amber durum wheat (HAD1) and Canadian No. 1 Western amber durum wheat (CWAD1), June 1999 to May 2002



Source: Compiled from data submitted in response to Commission questionnaires.

Figure D-4
Weighted-average prices ($/metric ton) of U.S. No. 2 hard amber durum wheat (HAD2) and Canadian No. 2 Western amber durum wheat (CWAD2), June 1999 to May 2002

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APPENDIX E

NDF PROGRAM DATA ON PER-ACRE RETURN, BY PRODUCT AND TYPE OF LAND TENURE

Explanatory Notes for Crops Tables

North Dakota Farm Business Management Education Program
2001 State Report

The "Crop Enterprise Analysis" tables show the average physical production, gross return, direct costs, overhead costs, and net returns per acre. All costs are actual costs; no opportunity costs are included. The "Net Return per Acre" is the "Gross Return per Acre" minus the direct and overhead costs. "Net Return" represents the return to the operator's and family's unpaid labor, management, and equity. It represents the return to all of the resources, which are owned by the farm family and hence, not purchased or paid a wage. The last section of each crop table contains economic efficiency measures, which provide useful standards or goals for the individual managers.

There are potentially three tables for each crop depending on the farmer's tenure on the land. The crop tables may be for (1) owned land, (2) cash rented land, and (3) share rented land. Individual farms may have data in all three tables if all three land tenure categories are represented in that farm business. When there are less than five farms with a particular crop and tenure, that table is not included in the report. Farms are classified into low 20% or high 20% on the basis of net return per acre. The classification is done separately for each table, i.e., an individual farm may be in the low 20% for one crop, the high 20% for a second, and the middle 60% for a third. When there are less than 25 total farms with any particular crop and farmer's tenure, only overall averages are presented.

Value per unit is the market price received plus any loan deficiency payment. Miscellaneous income includes crop insurance and disaster payments for crops.

Several costs items, such as "utilities," "hired labor," and "interest paid," are listed under both "direct" and "overhead" costs because some of these costs are specific to that crop whereas others are general overhead costs of the farm. For example, "Direct Lease Payments" refers to non-land inputs or resources leased and used only in that crop enterprise and not listed elsewhere under direct costs; the most common example is the lease of equipment that is crop specific. However, cost of leasing machinery that is used for the entire farm operation is listed as an overhead cost. Interest payments are likewise divided into those incurred directly for a specific crop and those that are not. "Land Rent" is listed as a separate category and is assigned as a direct cost for each crop enterprise because it is identifiable with a specific crop. In the case of double cropping, one-half of the rent is charged to each crop.

The last section of the crop tables include several cost of production calculations. "Total direct expense per unit" and "total direct and overhead expense per unit" are calculated by dividing "total direct expense per acre" and "total direct and overhead expense per acre," respectively by "yield per acre." With "labor and management" being the breakeven price after direct, overhead and a labor and management charge are considered. "Total expense less government and other income" is a breakeven price after all costs (including labor and management charge) are reduced by government payment and miscellaneous income.

Rounding of individual items for the report have caused minor discrepancies with the calculated totals.

TABLE 11 - 1
Crop Enterprise Analysis, 1997
North Dakota Farm Business Management Education Program
State Report
(Farms sorted according to Return to Overhead per Acre)

DURUM WHEAT ON OWNED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	136	32	25
Number of farms	74	15	15
Acres	123.16	178.69	92.65
Yield per acre (bushel)	20.77	12.10	30.76
Operators share of yield %	100.00	100.00	100.00
Value per bushel	5.21	4.80	5.63
Other product return per acre	0.11	0.00	0.05
Total product return per acre	108.32	58.15	173.37
Miscellaneous income per acre	7.91	17.20	4.44
Gross return per acre	116.23	75.35	177.82
Direct expenses per acre			
Seed	10.63	11.38	9.59
Fertilizer	16.77	18.17	16.41
Crop chemicals	8.86	7.85	9.15
Crop insurance	5.13	4.96	4.70
Fuel & oil	6.26	7.37	5.05
Repairs	8.68	11.35	6.39
Custom hire	2.50	1.45	2.89
Hired labor	0.03	0.04	0.11
Machinery & bldg leases	0.57	2.13	0.00
Operating interest	2.91	4.52	0.82
Miscellaneous	0.27	0.03	1.15
Total direct expenses per acre	62.63	69.26	56.28
Return over direct expenses per acre	53.60	6.10	121.54
Overhead expenses per acre			
Hired labor	2.25	1.32	2.33
Machinery & bldg leases	0.96	1.96	1.02
RE & pers. property taxes	3.67	3.53	3.06
Farm insurance	1.26	1.37	1.15
Utilities	1.35	1.72	0.76
Dues & professional fees	0.47	0.79	0.16
Interest	15.72	15.78	11.64
Mach & bldg depreciation	6.53	5.45	6.32
Miscellaneous	3.23	5.30	3.02
Total overhead expenses per acre	35.44	37.21	29.45
Total listed expenses per acre	98.07	106.46	85.73
Net return per acre	18.16	-31.11	92.09
Total direct expense per bushel	3.02	5.72	1.83
Total listed expense per bushel	4.72	8.80	2.79
Net return per bushel	0.87	-2.57	2.99
Breakeven yield per acre	17.29	18.58	14.42

TABLE 11 - 2
Crop Enterprise Analysis, 1997
North Dakota Farm Business Management Education Program
State Report
(Farms sorted according to Return to Overhead per Acre)

DURUM WHEAT ON CASH RENTED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	178	30	23
Number of farms	62	12	12
Acres	110.50	158.93	109.90
Yield per acre (bushel)	23.00	16.37	30.38
Operators share of yield %	100.00	100.00	100.00
Value per bushel	5.31	4.88	5.66
Total product return per acre	122.03	79.92	171.91
Miscellaneous income per acre	5.12	1.66	4.01
Gross return per acre	127.14	81.58	175.91
Direct expenses per acre			
Seed	11.43	11.39	12.21
Fertilizer	17.31	20.39	15.46
Crop chemicals	10.51	9.46	11.15
Crop insurance	5.25	4.56	4.78
Drying fuel	0.03	0.00	0.00
Fuel & oil	5.17	5.52	2.90
Repairs	9.64	10.21	11.22
Custom hire	4.50	6.50	3.09
Hired labor	0.10	0.00	0.08
Land rent	27.71	24.71	26.83
Machinery & bldg leases	0.32	1.70	0.00
Operating interest	3.37	3.75	3.47
Miscellaneous	0.53	0.00	0.90
Total direct expenses per acre	95.87	98.19	92.10
Return over direct expenses per acre	31.27	-16.61	83.81
Overhead expenses per acre			
Hired labor	2.20	0.62	2.25
Machinery & bldg leases	0.77	1.61	0.32
Farm insurance	1.64	2.32	1.63
Utilities	1.20	2.02	1.47
Dues & professional fees	0.40	0.60	0.09
Interest	3.07	4.09	3.67
Mach & bldg depreciation	6.87	6.48	8.80
Miscellaneous	2.83	2.98	3.64
Total overhead expenses per acre	18.99	20.73	21.88
Total listed expenses per acre	114.86	118.92	113.98
Net return per acre	12.28	-37.34	61.94
Total direct expense per bushel	4.17	6.00	3.03
Total listed expense per bushel	5.00	7.27	3.75
Net return per bushel	0.53	-2.28	2.04
Breakeven yield per acre	20.68	24.02	19.44

TABLE 11 - 3
Crop Enterprise Analysis, 1997
North Dakota Farm Business Management Education Program
State Report
(Farms sorted according to Return to Overhead per Acre)

DURUM WHEAT ON SHARE RENTED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	148	33	27
Number of farms	54	11	11
Acres	111.96	159.59	88.25
Yield per acre (bushel)	23.20	17.48	32.59
Operators share of yield %	62.02	63.75	67.64
Value per bushel	5.20	4.92	5.54
Other product return per acre	0.36	0.00	0.00
Total product return per acre	75.36	54.36	122.08
Miscellaneous income per acre	4.91	4.56	1.70
Gross return per acre	80.27	58.92	123.79
Direct expenses per acre			
Seed	8.81	10.94	9.69
Fertilizer	14.76	16.51	15.62
Crop chemicals	9.00	11.51	10.29
Crop insurance	3.49	2.58	4.64
Drying fuel	0.01	0.00	0.04
Fuel & oil	4.78	3.91	5.26
Repairs	8.60	11.89	7.24
Custom hire	1.90	0.12	3.10
Hired labor	0.03	0.00	0.09
Machinery & bldg leases	0.14	0.53	0.00
Operating interest	2.93	5.49	1.15
Miscellaneous	0.47	0.00	0.97
Total direct expenses per acre	54.91	63.50	58.09
Return over direct expenses per acre	25.36	-4.57	65.70
Overhead expenses per acre			
Hired labor	2.45	3.02	1.42
Machinery & bldg leases	0.88	1.17	1.05
Farm insurance	1.28	2.28	0.83
Utilities	1.22	2.03	0.73
Dues & professional fees	0.35	0.29	0.07
Interest	3.42	5.23	2.87
Mach & bldg depreciation	6.63	8.99	5.31
Miscellaneous	2.43	3.06	2.47
Total overhead expenses per acre	18.66	26.08	14.75
Total listed expenses per acre	73.57	89.57	72.83
Net return per acre	6.70	-30.65	50.95
Total direct expense per bushel	3.82	5.70	2.64
Total listed expense per bushel	5.11	8.04	3.30
Net return per bushel	0.47	-2.75	2.31
Breakeven yield per acre	21.18	27.10	18.99

TABLE 11 - 1
Crop Enterprise Analysis, 1998
North Dakota Farm Business Management Education Program
State Report
(Farms sorted according to Return to Overhead per Acre)

DURUM WHEAT ON OWNED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	168	29	26
Number of farms	84	17	17
Acres	128.85	205.45	114.80
Yield per acre (bushel)	28.88	23.14	38.75
Operators share of yield %	100.00	100.00	100.00
Value per bushel	3.09	3.03	3.26
Other product return per acre	0.04	0.00	0.00
Total product return per acre	89.17	70.05	126.14
Miscellaneous income per acre	1.69	0.06	2.06
Gross return per acre	90.87	70.11	128.21
Direct expenses per acre			
Seed	10.94	13.55	11.23
Fertilizer	12.92	14.03	12.31
Crop chemicals	7.83	8.07	7.14
Crop insurance	5.32	5.64	4.95
Drying fuel	0.01	0.00	0.01
Fuel & oil	5.42	7.89	5.41
Repairs	9.63	11.16	8.20
Custom hire	2.43	5.49	1.49
Machinery & bldg leases	0.30	1.16	0.00
Operating interest	2.17	1.56	1.94
Miscellaneous	0.31	0.00	0.56
Total direct expenses per acre	57.28	68.55	53.24
Return over direct expenses per acre	33.59	1.56	74.97
Overhead expenses per acre			
Hired labor	1.95	2.00	2.92
Machinery & bldg leases	1.31	0.69	2.04
RE & pers. property taxes	3.88	4.03	4.21
Farm insurance	1.34	1.14	1.06
Utilities	1.56	2.39	1.22
Hauling and trucking	0.02	0.00	0.14
Dues & professional fees	0.31	0.48	0.14
Interest	15.95	12.59	18.51
Mach & bldg depreciation	7.30	8.14	8.25
Miscellaneous	2.54	2.76	3.73
Total overhead expenses per acre	36.15	34.21	42.24
Total listed expenses per acre	93.43	102.77	95.48
Net return per acre	-2.57	-32.65	32.73
Total direct expense per bushel	1.98	2.96	1.37
Total listed expense per bushel	3.23	4.44	2.46
Net return per bushel	-0.09	-1.41	0.84
Breakeven yield per acre	29.72	33.93	28.70

TABLE 11 - 2
Crop Enterprise Analysis, 1998
North Dakota Farm Business Management Education Program
State Report
(Farms sorted according to Return to Overhead per Acre)

DURUM WHEAT ON CASH RENTED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	257	39	41
Number of farms	94	19	19
Acres	114.74	149.20	206.42
Yield per acre (bushel)	30.20	23.32	36.68
Operators share of yield %	100.00	100.00	100.00
Value per bushel	3.07	2.88	3.26
Other product return per acre	0.02	0.05	0.00
Total product return per acre	92.79	67.23	119.64
Miscellaneous income per acre	1.72	3.48	1.00
Gross return per acre	94.51	70.71	120.64
Direct expenses per acre			
Seed	10.83	12.30	10.91
Fertilizer	12.55	16.13	11.30
Crop chemicals	9.28	9.86	9.62
Crop insurance	5.57	5.63	4.53
Drying fuel	0.03	0.00	0.00
Fuel & oil	5.09	5.13	5.95
Repairs	8.23	10.16	5.99
Custom hire	3.00	3.27	1.04
Land rent	26.69	27.69	24.21
Operating interest	3.16	3.84	1.73
Miscellaneous	0.29	0.51	0.00
Total direct expenses per acre	84.72	94.52	75.29
Return over direct expenses per acre	9.79	-23.81	45.36
Overhead expenses per acre			
Hired labor	2.17	1.53	2.65
Machinery & bldg leases	1.63	0.71	2.73
Farm insurance	1.11	0.88	1.13
Utilities	1.04	1.12	1.16
Dues & professional fees	0.38	0.39	0.43
Interest	2.70	3.81	1.20
Mach & bldg depreciation	5.10	4.10	4.63
Miscellaneous	3.01	1.93	4.45
Total overhead expenses per acre	17.15	14.47	18.39
Total listed expenses per acre	101.86	108.99	93.67
Net return per acre	-7.35	-38.28	26.97
Total direct expense per bushel	2.80	4.05	2.05
Total listed expense per bushel	3.37	4.67	2.55
Net return per bushel	-0.24	-1.64	0.74
Breakeven yield per acre	32.60	36.61	28.42

TABLE 11 - 3
Crop Enterprise Analysis, 1998
North Dakota Farm Business Management Education Program
State Report
(Farms sorted according to Return to Overhead per Acre)

DURUM WHEAT ON SHARE RENTED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	180	44	29
Number of farms	61	12	12
Acres	98.32	122.32	96.59
Yield per acre (bushel)	29.99	24.58	39.03
Operators share of yield %	64.70	66.95	68.68
Value per bushel	3.02	2.76	3.21
Other product return per acre	0.04	0.21	0.00
Total product return per acre	59.11	45.74	85.98
Miscellaneous income per acre	2.97	2.83	1.30
Gross return per acre	62.08	48.58	87.28
Direct expenses per acre			
Seed	9.75	12.25	11.21
Fertilizer	11.94	14.11	12.75
Crop chemicals	8.90	12.74	8.65
Crop insurance	3.96	4.08	3.42
Drying fuel	0.02	0.06	0.00
Fuel & oil	4.57	4.60	4.70
Repairs	8.05	8.38	6.23
Custom hire	1.56	2.47	0.59
Operating interest	2.68	4.60	1.35
Miscellaneous	0.90	0.00	1.67
Total direct expenses per acre	52.33	63.29	50.57
Return over direct expenses per acre	9.75	-14.72	36.72
Overhead expenses per acre			
Hired labor	2.53	3.51	2.18
Machinery & bldg leases	1.74	1.23	1.41
Farm insurance	1.08	1.42	0.84
Utilities	1.02	0.72	0.81
Dues & professional fees	0.36	0.61	0.12
Interest	2.21	2.13	1.67
Mach & bldg depreciation	6.87	5.51	7.56
Miscellaneous	2.19	0.84	2.33
Total overhead expenses per acre	18.01	15.97	16.92
Total listed expenses per acre	70.33	79.27	67.49
Net return per acre	-8.26	-30.69	19.79
Total direct expense per bushel	2.70	3.85	1.89
Total listed expense per bushel	3.62	4.82	2.52
Net return per bushel	-0.43	-1.86	0.74
Breakeven yield per acre	34.40	41.23	30.01

Crop Enterprise Analysis, 1999
North Dakota Farm Business Management Education Program
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(Farms sorted by Return to Overhead)

DURUM WHEAT ON OWNED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	128	33	25
Number of farms	79	16	16
Acres	125.80	51.52	158.24
Yield per acre (bushel)	20.48	21.99	11.54
Operators share of yield %	100.00	100.00	100.00
Value per bushel	2.74	2.26	2.75
Other product return per acre	0.04	0.00	0.14
Total product return per acre	56.08	49.65	31.90
Miscellaneous income per acre	49.83	13.64	104.88
Gross return per acre	105.91	63.29	136.78
Direct expenses per acre			
Seed	7.05	6.05	6.55
Fertilizer	8.39	8.73	5.11
Crop chemicals	7.00	7.26	7.04
Crop insurance	9.65	7.61	12.72
Drying fuel	0.22	0.00	0.13
Fuel & oil	5.31	8.08	5.59
Repairs	9.93	13.11	7.92
Custom hire	1.74	0.15	0.15
Operating interest	3.45	4.98	3.28
Miscellaneous	0.15	0.18	0.02
Total direct expenses per acre	52.90	56.16	48.52
Return over direct expenses per acre	53.01	7.13	88.26
Overhead expenses per acre			
Hired labor	2.38	2.51	2.07
Machinery & bldg leases	0.74	0.93	1.08
RE & pers. property taxes	3.98	3.94	4.44
Farm insurance	1.51	1.88	1.47
Utilities	1.70	2.89	1.30
Hauling and trucking	0.01	0.00	0.06
Dues & professional fees	0.31	0.17	0.30
Interest	16.33	18.56	20.05
Mach & bldg depreciation	10.22	10.95	10.14
Miscellaneous	3.58	5.17	3.02
Total overhead expenses per acre	40.77	47.00	43.94
Total listed expenses per acre	93.67	103.16	92.45
Net return per acre	12.24	-39.87	44.32
Total direct expense per bushel	2.58	2.55	4.20
Total listed expense per bushel	4.57	4.69	8.01
Net return per bushel	0.60	-1.81	3.84
Breakeven yield per acre	16.01	39.65	-4.57

Crop Enterprise Analysis, 1999
North Dakota Farm Business Management Education Program

Crop Enterprise Analysis, 1999
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State Report
(Farms sorted by Return to Overhead)

DURUM WHEAT ON CASH RENTED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	226	29	47
Number of farms	81	16	16
Acres	145.49	170.61	182.37
Yield per acre (bushel)	19.02	24.45	14.91
Operators share of yield %	100.00	100.00	100.00
Value per bushel	2.82	2.49	3.27
Total product return per acre	53.62	60.93	48.73
Miscellaneous income per acre	53.54	2.32	91.80
Gross return per acre	107.16	63.25	140.52
Direct expenses per acre			
Seed	7.61	7.16	7.03
Fertilizer	8.63	12.25	4.79
Crop chemicals	8.76	10.19	7.38
Crop insurance	11.01	9.92	14.59
Drying fuel	0.12	0.00	0.00
Fuel & oil	5.70	5.72	4.38
Repairs	10.58	12.63	5.82
Custom hire	2.70	1.14	1.31
Hired labor	0.16	0.00	0.00
Land rent	28.96	28.37	27.28
Operating interest	3.74	1.90	2.83
Miscellaneous	0.07	0.31	0.01
Total direct expenses per acre	88.03	89.59	75.42
Return over direct expenses per acre	19.13	-26.34	65.10
Overhead expenses per acre			
Hired labor	3.17	4.69	3.13
Machinery & bldg leases	1.30	1.39	1.16
Farm insurance	1.42	1.79	1.30
Utilities	1.10	1.68	0.67
Hauling and trucking	0.01	0.00	0.00
Dues & professional fees	0.36	0.27	0.17
Interest	3.25	2.89	3.08
Mach & bldg depreciation	9.10	8.31	10.06
Miscellaneous	2.66	3.05	2.15
Total overhead expenses per acre	22.39	24.07	21.72
Total listed expenses per acre	110.42	113.66	97.15
Net return per acre	-3.26	-50.41	43.38
Total direct expense per bushel	4.63	3.66	5.06
Total listed expense per bushel	5.81	4.65	6.52
Net return per bushel	-0.17	-2.06	2.91
Breakeven yield per acre	20.17	44.68	1.64

Crop Enterprise Analysis, 1999
North Dakota Farm Business Management Education Program
State Report
(Farms sorted by Return to Overhead)

Crop Enterprise Analysis, 1999
North Dakota Farm Business Management Education Program

DURUM WHEAT ON SHARE RENTED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	100	19	21
Number of farms	47	9	9
Acres	94.77	98.17	108.57
Yield per acre (bushel)	22.85	26.18	17.51
Operators share of yield %	67.01	67.61	71.24
Value per bushel	2.71	2.58	2.89
Total product return per acre	41.87	45.34	36.69
Miscellaneous income per acre	27.78	1.99	56.11
Gross return per acre	69.65	47.33	92.80
Direct expenses per acre			
Seed	6.64	6.55	7.36
Fertilizer	9.24	14.74	6.96
Crop chemicals	7.99	12.34	6.08
Crop insurance	6.48	5.53	8.42
Drying fuel	0.14	0.03	0.00
Fuel & oil	5.15	5.07	4.07
Repairs	8.22	7.73	6.24
Custom hire	1.43	2.09	0.53
Operating interest	2.58	2.33	2.14
Miscellaneous	0.33	1.52	0.02
Total direct expenses per acre	48.21	57.93	41.83
Return over direct expenses per acre	21.43	-10.61	50.97
Overhead expenses per acre			
Hired labor	3.49	2.12	4.77
Machinery & bldg leases	0.41	0.64	0.50
Farm insurance	1.28	0.96	1.46
Utilities	1.20	1.22	0.91
Dues & professional fees	0.43	0.08	0.49
Interest	2.94	3.18	3.93
Mach & bldg depreciation	9.17	3.96	9.19
Miscellaneous	2.54	2.72	2.46
Total overhead expenses per acre	21.47	14.88	23.70
Total listed expenses per acre	69.68	72.81	65.53
Net return per acre	-0.04	-25.48	27.27
Total direct expense per bushel	3.15	3.27	3.35
Total listed expense per bushel	4.55	4.11	5.25
Net return per bushel	-0.00	-1.44	2.19
Breakeven yield per acre	23.06	40.55	4.58

TABLE 11 - 1
Crop Enterprise Analysis, 2000
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Durum on Owned Land

	Avg. Of All Farms	Low 20%	High 20%
Number of fields	154	25	20
Number of farms	78	15	15
Acres	128.98	63.24	178.22
Yield per acre (bushel)	29.01	28.20	37.65
Operators share of yield %	100.00	100.00	100.00
Value per bushel	2.76	1.94	3.37
Other product return per acre	0.04	-	-
Total product return per acre	80.18	54.74	127.03
Miscellaneous income per acre	18.43	13.03	26.27
Gross return per acre	98.61	67.77	153.30
Direct Expenses			
Seed	7.18	7.46	8.13
Fertilizer	10.69	11.49	11.36
Crop chemicals	10.08	16.74	13.14
Crop insurance	6.34	6.11	7.15
Fuel & oil	7.08	6.90	6.42
Repairs	9.88	12.97	10.56
Custom hire	2.09	4.73	1.55
Operating interest	3.14	3.24	1.41
Miscellaneous	0.45	0.02	0.21
Total direct expenses per acre	56.93	69.66	59.93
Return over direct exp per acre	41.67	-1.89	93.37
Overhead Expenses			
Hired labor	2.80	1.44	2.44
Machinery & bldg leases	1.31	0.30	0.48
RE & pers. property taxes	4.07	4.50	4.19
Farm insurance	1.37	1.79	1.19
Utilities	1.53	1.70	1.28
Dues & professional fees	0.47	0.62	0.64
Interest	15.26	23.90	11.38
Mach & bldg depreciation	8.32	8.12	9.67
Miscellaneous	3.34	3.31	3.80
Total overhead expenses per acre	38.47	45.67	35.07
Total dir & ovhd expenses per acre	95.40	115.33	95.00
Net return per acre	3.21	-47.56	58.30
Lbr & mgt charge per acre	13.34	16.20	14.42
Net return over lbr & mgt	-10.14	-63.76	43.88
Government payments	20.79	18.45	21.59
Net return with govt payments	10.66	-45.31	65.47
Cost of Production			
Total direct expense per bushel	1.96	2.47	1.59
Total dir & ovhd exp per bushel	3.29	4.09	2.52
With labor & management	3.75	4.67	2.91
Total exp less govt & oth income	2.40	3.55	1.64

TABLE 11 - 2
Crop Enterprise Analysis, 2000
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Durum on Cash Rent

	Avg. Of All Farms	Low 20%	High 20%
Number of fields	239	46	42
Number of farms	90	18	18
Acres	130.73	77.04	134.01
Yield per acre (bushel)	25.69	31.53	21.62
Operators share of yield %	100.00	100.00	100.00
Value per bushel	2.58	1.68	2.86
Total product return per acre	66.32	52.93	61.89
Miscellaneous income per acre	36.92	6.93	90.45
Gross return per acre	103.24	59.86	152.34
Direct Expenses			
Seed	7.58	7.43	7.31
Fertilizer	10.59	12.98	10.32
Crop chemicals	10.28	11.34	10.21
Crop insurance	9.46	7.03	14.70
Fuel & oil	6.23	5.82	6.33
Repairs	8.44	9.86	7.51
Custom hire	2.01	6.86	0.30
Land rent	28.26	28.46	31.20
Operating interest	3.54	4.85	2.66
Miscellaneous	0.55	0.05	1.15
Total direct expenses per acre	86.93	94.69	91.69
Return over direct exp per acre	16.31	-34.83	60.65
Overhead Expenses			
Hired labor	2.40	0.84	1.90
Machinery & bldg leases	1.81	0.35	3.06
Farm insurance	1.19	1.86	0.86
Utilities	1.11	1.28	1.06
Interest	3.61	3.79	3.57
Mach & bldg depreciation	6.32	5.53	5.11
Miscellaneous	2.71	2.07	1.78
Total overhead expenses per acre	19.14	15.71	17.34
Total dir & ovhd expenses per acre	106.07	110.40	109.03
Net return per acre	-2.83	-50.54	43.30
Lbr & mgt charge per acre	12.11	16.26	11.78
Net return over lbr & mgt	-14.94	-66.80	31.52
Government payments	20.86	22.60	18.55
Net return with govt payments	5.92	-44.20	50.07
Cost of Production			
Total direct expense per bushel	3.38	3.00	4.24
Total dir & ovhd exp per bushel	4.13	3.50	5.04
With labor & management	4.60	4.02	5.59
Total exp less govt & oth income	2.35	3.08	0.55

TABLE 11 - 3
Crop Enterprise Analysis, 2000
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Durum on Share Rent

	Avg. Of All Farms	Low 20%	High 20%
Number of fields	156	41	30
Number of farms	65	13	13
Acres	110.46	124.86	119.40
Yield per acre (bushel)	29.66	30.23	32.38
Operators share of yield %	66.48	65.15	69.96
Value per bushel	2.74	2.67	3.38
Total product return per acre	53.87	51.75	76.75
Miscellaneous income per acre	17.62	1.45	29.05
Gross return per acre	71.49	53.20	105.79
Direct Expenses			
Seed	7.44	8.90	6.67
Fertilizer	11.34	14.11	12.28
Crop chemicals	11.20	12.27	10.89
Crop insurance	5.42	4.16	4.83
Fuel & oil	5.95	4.97	5.51
Repairs	8.29	7.60	7.40
Custom hire	0.94	1.30	1.26
Operating interest	3.27	6.03	1.33
Miscellaneous	0.94	1.35	0.55
Total direct expenses per acre	54.79	60.69	50.72
Return over direct exp per acre	16.70	-7.49	55.07
Overhead Expenses			
Hired labor	3.53	6.73	2.65
Machinery & bldg leases	0.53	0.34	0.43
Farm insurance	1.24	1.81	1.10
Utilities	1.25	1.48	0.80
Interest	3.00	3.41	2.73
Mach & bldg depreciation	7.73	7.89	9.10
Miscellaneous	2.54	2.87	2.64
Total overhead expenses per acre	19.82	24.52	19.45
Total dir & ovhd expenses per acre	74.61	85.21	70.17
Net return per acre	-3.12	-32.01	35.62
Lbr & mgt charge per acre	11.21	8.42	11.64
Net return over lbr & mgt	-14.33	-40.43	23.99
Government payments	14.65	12.60	13.57
Net return with govt payments	0.32	-27.83	37.56
Cost of Production			
Total direct expense per bushel	2.78	3.08	2.24
Total dir & ovhd exp per bushel	3.78	4.33	3.10
With labor & management	4.35	4.75	3.61
Total exp less govt & oth income	2.72	4.04	1.73

TABLE 11 - 1
Crop Enterprise Analysis, 2001
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Durum on Owned Land

	Avg. Of All Farms	Low 20%	High 20%
Number of fields	70	16	19
Number of farms	39	7	7
Acres	158.99	70.71	135.73
Yield per acre (bushel)	25.30	19.12	32.47
Operators share of yield %	100.00	100.00	100.00
Value per bushel	3.58	2.11	4.00
Other product return per acre	0.09	-	0.18
Total product return per acre	90.68	40.25	130.17
Miscellaneous income per acre	9.95	7.71	5.70
Gross return per acre	100.62	47.96	135.87
Direct Expenses			
Seed	7.78	7.99	8.16
Fertilizer	16.04	17.00	16.75
Crop chemicals	9.93	7.95	15.22
Crop insurance	4.98	5.68	4.63
Fuel & oil	8.06	9.56	6.05
Repairs	10.71	9.84	7.03
Custom hire	1.73	0.21	1.46
Operating interest	1.68	2.54	0.98
Miscellaneous	0.11	-	0.03
Total direct expenses per acre	61.02	60.78	60.31
Return over direct exp per acre	39.60	-12.81	75.56
Overhead Expenses			
Hired labor	3.02	1.46	4.20
RE & pers. property taxes	3.71	5.22	2.94
Farm insurance	1.54	2.10	1.55
Utilities	1.41	2.15	0.70
Interest	15.47	22.75	8.01
Mach & bldg depreciation	8.70	6.82	8.26
Miscellaneous	4.67	2.50	3.50
Total overhead expenses per acre	38.51	43.00	29.16
Total dir & ovhd expenses per acre	99.54	103.78	89.47
Net return per acre	1.09	-55.81	46.40
Lbr & mgt charge per acre	13.99	18.21	9.83
Net return over lbr & mgt	-12.91	-74.02	36.57
Government payments	16.07	16.45	13.64
Net return with govt payments	3.16	-57.57	50.21
Cost of Production			
Total direct expense per bushel	2.41	3.18	1.86
Total dir & ovhd exp per bushel	3.93	5.43	2.76
With labor & management	4.49	6.38	3.06
Total exp less govt & oth income	3.46	5.12	2.46

TABLE 11 - 2
Crop Enterprise Analysis, 2001
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Durum on Cash Rent

	Avg. Of All Farms	Low 20%	High 20%
Number of fields	128	33	21
Number of farms	46	9	9
Acres	118.50	97.00	178.74
Yield per acre (bushel)	24.03	16.82	32.08
Operators share of yield %	100.00	100.00	100.00
Value per bushel	3.38	2.75	4.27
Other product return per acre	0.79	-	-
Total product return per acre	82.04	46.29	137.09
Miscellaneous income per acre	17.17	21.27	5.68
Gross return per acre	99.21	67.57	142.77
Direct Expenses			
Seed	8.16	7.43	9.81
Fertilizer	15.37	15.76	16.92
Crop chemicals	10.13	8.26	10.49
Crop insurance	6.10	5.38	4.91
Fuel & oil	6.39	7.99	5.82
Repairs	10.13	13.51	8.98
Custom hire	1.43	0.93	1.39
Land rent	28.12	30.89	23.71
Operating interest	2.19	2.67	1.82
Miscellaneous	0.06	-	0.02
Total direct expenses per acre	88.08	92.82	83.88
Return over direct exp per acre	11.12	-25.25	58.90
Overhead Expenses			
Hired labor	2.83	2.21	5.33
Machinery & bldg leases	1.33	0.85	0.80
Farm insurance	1.02	1.15	1.22
Utilities	0.99	1.73	0.82
Dues & professional fees	0.54	0.89	0.57
Interest	3.27	5.08	3.12
Mach & bldg depreciation	7.40	6.94	8.91
Miscellaneous	1.83	1.54	3.03
Total overhead expenses per acre	19.21	20.39	23.80
Total dir & ovhd expenses per acre	107.29	113.20	107.68
Net return per acre	-8.09	-45.64	35.09
Lbr & mgt charge per acre	11.26	13.02	10.45
Net return over lbr & mgt	-19.35	-58.66	24.64
Government payments	16.16	17.04	15.34
Net return with govt payments	-3.19	-41.62	39.98
Cost of Production			
Total direct expense per bushel	3.67	5.52	2.61
Total dir & ovhd exp per bushel	4.47	6.73	3.36
With labor & management	4.93	7.50	3.68
Total exp less govt & oth income	3.51	5.23	3.03

TABLE 11 - 3
Crop Enterprise Analysis, 2001
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Durum on Share Rent

	Avg. Of All Farms	Low 20%	High 20%
Number of fields	66	8	12
Number of farms	32	6	6
Acres	138.41	100.53	135.56
Yield per acre (bushel)	24.01	25.45	28.91
Operators share of yield %	67.21	67.12	69.26
Value per bushel	3.58	2.69	4.22
Total product return per acre	58.60	46.23	85.93
Miscellaneous income per acre	14.78	7.72	13.32
Gross return per acre	73.38	53.95	99.24
Direct Expenses			
Seed	8.33	8.39	7.03
Fertilizer	13.75	15.53	12.66
Crop chemicals	10.58	13.97	8.82
Crop insurance	4.18	8.44	4.73
Fuel & oil	6.73	9.32	5.38
Repairs	10.19	15.05	8.88
Custom hire	0.99	3.87	0.66
Operating interest	2.25	3.38	1.25
Miscellaneous	0.12	-	0.02
Total direct expenses per acre	57.12	77.94	49.44
Return over direct exp per acre	16.27	-23.99	49.80
Overhead Expenses			
Hired labor	4.72	4.36	3.39
Machinery & bldg leases	1.00	1.97	0.71
Farm insurance	1.25	2.68	1.30
Utilities	0.89	1.66	0.80
Interest	2.70	4.79	3.29
Mach & bldg depreciation	7.62	9.73	5.81
Miscellaneous	3.29	2.34	2.97
Total overhead expenses per acre	21.46	27.53	18.27
Total dir & ovhd expenses per acre	78.58	105.48	67.71
Net return per acre	-5.20	-51.53	31.53
Lbr & mgt charge per acre	11.42	15.20	10.59
Net return over lbr & mgt	-16.62	-66.73	20.94
Government payments	11.30	10.13	11.69
Net return with govt payments	-5.32	-56.60	32.63
Cost of Production			
Total direct expense per bushel	3.54	4.56	2.47
Total dir & ovhd exp per bushel	4.87	6.18	3.38
With labor & management	5.58	7.07	3.91
Total exp less govt & oth income	3.96	6.02	2.66

TABLE 11 - 4
Crop Enterprise Analysis, 1997
North Dakota Farm Business Management Education Program
State Report
(Farms sorted according to Return to Overhead per Acre)

SPRING WHEAT ON OWNED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	341	66	58
Number of farms	176	35	35
Acres	126.81	111.15	140.70
Yield per acre (bushel)	25.20	18.67	32.34
Operators share of yield %	100.00	100.00	100.00
Value per bushel	3.61	3.57	3.75
Other product return per acre	0.14	0.09	0.56
Total product return per acre	91.11	66.80	121.66
Miscellaneous income per acre	5.98	7.21	6.05
Gross return per acre	97.09	74.02	127.71
Direct expenses per acre			
Seed	8.56	9.26	8.52
Fertilizer	17.94	19.76	17.08
Crop chemicals	9.19	11.72	8.23
Crop insurance	5.28	7.04	6.32
Drying fuel	0.04	0.04	0.03
Fuel & oil	6.03	7.17	5.44
Repairs	9.12	9.85	8.56
Custom hire	2.05	4.64	1.51
Operating interest	3.22	3.97	2.20
Miscellaneous	0.36	0.28	1.23
Total direct expenses per acre	61.80	73.73	59.11
Return over direct expenses per acre	35.29	0.28	68.60
Overhead expenses per acre			
Hired labor	2.74	1.98	2.84
Machinery & bldg leases	0.87	0.75	1.30
RE & pers. property taxes	3.66	3.93	3.28
Farm insurance	1.51	2.38	1.53
Utilities	1.27	1.49	1.24
Hauling and trucking	0.07	0.00	0.11
Dues & professional fees	0.39	0.22	0.35
Interest	13.71	13.71	16.83
Mach & bldg depreciation	7.91	6.60	7.56
Miscellaneous	2.13	2.03	2.15
Total overhead expenses per acre	34.27	33.07	37.21
Total listed expenses per acre	96.07	106.80	96.31
Net return per acre	1.02	-32.78	31.40
Total direct expense per bushel	2.45	3.95	1.83
Total listed expense per bushel	3.81	5.72	2.98
Net return per bushel	0.04	-1.76	0.97
Breakeven yield per acre	24.92	27.85	23.95

TABLE 11 - 5
Crop Enterprise Analysis, 1997
North Dakota Farm Business Management Education Program
State Report
(Farms sorted according to Return to Overhead per Acre)

SPRING WHEAT ON CASH RENTED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	482	120	81
Number of farms	196	39	39
Acres	150.30	138.83	130.70
Yield per acre (bushel)	25.43	20.75	30.66
Operators share of yield %	100.00	100.00	100.00
Value per bushel	3.63	3.53	3.74
Other product return per acre	0.00	0.00	0.00
Total product return per acre	92.27	73.23	114.79
Miscellaneous income per acre	6.48	4.58	7.41
Gross return per acre	98.74	77.82	122.20
Direct expenses per acre			
Seed	8.93	9.84	9.27
Fertilizer	19.41	21.63	20.10
Crop chemicals	9.52	12.09	8.53
Crop insurance	5.54	6.94	4.34
Drying fuel	0.05	0.13	0.14
Fuel & oil	6.22	7.48	6.03
Repairs	9.36	12.59	8.65
Custom hire	3.93	6.25	1.79
Land rent	29.61	31.69	27.14
Machinery & bldg leases	0.11	0.23	0.00
Operating interest	3.92	5.16	3.31
Miscellaneous	0.30	0.31	0.67
Total direct expenses per acre	96.88	114.34	89.97
Return over direct expenses per acre	1.87	-36.52	32.23
Overhead expenses per acre			
Hired labor	2.99	3.22	1.78
Machinery & bldg leases	1.49	1.69	1.61
Farm insurance	1.34	1.61	1.48
Utilities	1.07	1.32	0.89
Hauling and trucking	0.02	0.00	0.10
Dues & professional fees	0.29	0.44	0.15
Interest	3.01	3.29	2.11
Mach & bldg depreciation	8.24	7.68	8.01
Miscellaneous	2.13	2.74	2.09
Total overhead expenses per acre	20.60	22.00	18.21
Total listed expenses per acre	117.47	136.34	108.18
Net return per acre	-18.73	-58.52	14.02
Total direct expense per bushel	3.81	5.51	2.93
Total listed expense per bushel	4.62	6.57	3.53
Net return per bushel	-0.74	-2.82	0.46
Breakeven yield per acre	30.59	37.33	26.92

TABLE 11 - 6
Crop Enterprise Analysis, 1997
North Dakota Farm Business Management Education Program
State Report
(Farms sorted according to Return to Overhead per Acre)

SPRING WHEAT ON SHARE RENTED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	271	53	50
Number of farms	108	22	22
Acres	113.89	115.11	84.28
Yield per acre (bushel)	25.42	21.08	29.84
Operators share of yield %	64.20	65.40	67.11
Value per bushel	3.56	3.57	3.59
Total product return per acre	57.99	48.70	71.57
Miscellaneous income per acre	3.52	1.98	6.05
Gross return per acre	61.51	50.68	77.62
Direct expenses per acre			
Seed	7.63	8.77	7.62
Fertilizer	16.31	19.96	14.46
Crop chemicals	8.96	10.30	6.99
Crop insurance	4.49	4.96	5.19
Drying fuel	0.02	0.08	0.01
Fuel & oil	5.91	6.78	5.00
Repairs	9.13	11.32	7.98
Custom hire	1.94	6.24	1.40
Machinery & bldg leases	0.03	0.00	0.00
Operating interest	2.76	3.60	2.79
Miscellaneous	0.34	0.22	0.09
Total direct expenses per acre	57.51	72.24	51.51
Return over direct expenses per acre	4.01	-21.55	26.10
Overhead expenses per acre			
Hired labor	2.21	2.87	2.22
Machinery & bldg leases	1.40	1.67	1.91
Farm insurance	1.15	1.31	1.43
Utilities	1.07	1.07	1.01
Hauling and trucking	0.04	0.00	0.11
Dues & professional fees	0.31	0.47	0.36
Interest	3.41	3.87	4.93
Mach & bldg depreciation	7.24	7.40	6.13
Miscellaneous	1.53	1.40	1.96
Total overhead expenses per acre	18.37	20.06	20.04
Total listed expenses per acre	75.87	92.30	71.56
Net return per acre	-14.36	-41.61	6.06
Total direct expense per bushel	3.52	5.24	2.57
Total listed expense per bushel	4.65	6.69	3.57
Net return per bushel	-0.88	-3.02	0.30
Breakeven yield per acre	31.67	38.71	27.18

TABLE 11 - 4
Crop Enterprise Analysis, 1998
North Dakota Farm Business Management Education Program
State Report
(Farms sorted according to Return to Overhead per Acre)

SPRING WHEAT ON OWNED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	235	51	45
Number of farms	139	28	28
Acres	133.54	97.59	130.86
Yield per acre (bushel)	29.99	20.38	39.00
Operators share of yield %	100.00	100.00	100.00
Value per bushel	3.12	3.00	3.44
Other product return per acre	0.00	0.00	0.00
Total product return per acre	93.55	61.25	134.18
Miscellaneous income per acre	5.77	5.00	2.19
Gross return per acre	99.32	66.25	136.37
Direct expenses per acre			
Seed	8.25	8.33	8.38
Fertilizer	15.35	13.05	16.00
Crop chemicals	10.25	12.54	11.95
Crop insurance	5.37	5.68	6.01
Drying fuel	0.06	0.03	0.09
Fuel & oil	4.75	4.94	4.71
Repairs	8.42	10.51	8.06
Custom hire	1.70	1.71	1.33
Operating interest	3.01	3.79	3.88
Miscellaneous	0.42	0.49	0.85
Total direct expenses per acre	57.57	61.07	61.27
Return over direct expenses per acre	41.74	5.18	75.09
Overhead expenses per acre			
Hired labor	2.54	1.26	3.04
Machinery & bldg leases	1.34	2.43	1.36
RE & pers. property taxes	3.86	4.37	4.20
Farm insurance	1.48	1.09	1.42
Utilities	1.14	0.87	1.19
Dues & professional fees	0.30	0.78	0.06
Interest	13.67	18.11	17.80
Mach & bldg depreciation	8.39	6.88	7.74
Miscellaneous	1.76	2.38	1.59
Total overhead expenses per acre	34.48	38.18	38.49
Total listed expenses per acre	92.06	99.24	99.76
Net return per acre	7.26	-33.00	36.61
Total direct expense per bushel	1.92	3.00	1.57
Total listed expense per bushel	3.07	4.87	2.56
Net return per bushel	0.24	-1.62	0.94
Breakeven yield per acre	27.66	31.36	28.36

TABLE 11 - 5
Crop Enterprise Analysis, 1998
North Dakota Farm Business Management Education Program
State Report
(Farms sorted according to Return to Overhead per Acre)

SPRING WHEAT ON CASH RENTED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	430	74	84
Number of farms	186	37	37
Acres	140.84	130.52	139.93
Yield per acre (bushel)	29.35	19.65	38.44
Operators share of yield %	100.00	100.00	100.00
Value per bushel	3.19	3.09	3.37
Other product return per acre	0.01	0.03	0.00
Total product return per acre	93.55	60.83	129.56
Miscellaneous income per acre	5.39	7.32	2.84
Gross return per acre	98.94	68.15	132.40
Direct expenses per acre			
Seed	8.34	8.71	8.47
Fertilizer	15.76	14.99	15.95
Crop chemicals	10.38	13.07	8.95
Crop insurance	5.96	6.19	5.69
Drying fuel	0.03	0.01	0.00
Fuel & oil	4.89	5.45	5.40
Repairs	8.49	9.08	8.13
Custom hire	2.81	3.90	1.26
Land rent	29.35	28.59	30.31
Operating interest	3.95	5.45	3.83
Miscellaneous	0.24	0.00	0.47
Total direct expenses per acre	90.20	95.44	88.46
Return over direct expenses per acre	8.74	-27.29	43.94
Overhead expenses per acre			
Hired labor	2.67	1.38	2.60
Machinery & bldg leases	2.03	0.84	3.66
Farm insurance	1.33	0.88	1.58
Utilities	1.12	0.94	1.24
Hauling and trucking	0.05	0.00	0.28
Dues & professional fees	0.35	0.33	0.70
Interest	3.21	2.89	2.98
Mach & bldg depreciation	7.09	5.03	9.26
Miscellaneous	1.81	1.83	1.90
Total overhead expenses per acre	19.66	14.11	24.19
Total listed expenses per acre	109.86	109.55	112.65
Net return per acre	-10.92	-41.40	19.75
Total direct expense per bushel	3.07	4.86	2.30
Total listed expense per bushel	3.74	5.58	2.93
Net return per bushel	-0.37	-2.11	0.51
Breakeven yield per acre	32.78	33.03	32.58

TABLE 11 - 6
Crop Enterprise Analysis, 1998
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(Farms sorted according to Return to Overhead per Acre)

SPRING WHEAT ON SHARE RENTED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	203	42	26
Number of farms	83	17	17
Acres	106.10	125.35	84.66
Yield per acre (bushel)	29.11	23.61	36.91
Operators share of yield %	66.50	68.08	66.17
Value per bushel	3.08	2.89	3.30
Total product return per acre	59.56	46.30	80.82
Miscellaneous income per acre	2.70	1.53	3.46
Gross return per acre	62.26	47.83	84.28
Direct expenses per acre			
Seed	7.38	7.50	7.55
Fertilizer	13.86	14.76	14.05
Crop chemicals	9.28	10.79	9.63
Crop insurance	5.21	7.51	4.66
Drying fuel	0.02	0.03	0.00
Fuel & oil	4.66	5.59	4.62
Repairs	8.86	12.86	6.82
Custom hire	2.06	2.18	1.12
Operating interest	3.26	4.94	2.65
Miscellaneous	0.30	0.00	0.45
Total direct expenses per acre	54.89	66.16	51.56
Return over direct expenses per acre	7.37	-18.33	32.72
Overhead expenses per acre			
Hired labor	2.43	4.91	2.61
Machinery & bldg leases	0.86	0.56	1.51
Farm insurance	1.11	1.56	0.87
Utilities	0.93	1.16	0.73
Dues & professional fees	0.32	0.60	0.09
Interest	3.08	4.90	3.24
Mach & bldg depreciation	7.30	10.34	6.80
Miscellaneous	1.94	4.13	1.63
Total overhead expenses per acre	17.96	28.16	17.49
Total listed expenses per acre	72.86	94.32	69.05
Net return per acre	-10.60	-46.49	15.23
Total direct expense per bushel	2.84	4.12	2.11
Total listed expense per bushel	3.76	5.87	2.83
Net return per bushel	-0.55	-2.89	0.62
Breakeven yield per acre	34.22	47.22	30.03

Crop Enterprise Analysis, 1999
North Dakota Farm Business Management Education Program
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SPRING WHEAT ON OWNED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	219	36	35
Number of farms	127	25	25
Acres	121.12	80.60	121.36
Yield per acre (bushel)	28.90	20.71	42.79
Operators share of yield %	100.00	100.00	100.00
Value per bushel	3.17	2.87	3.62
Total product return per acre	91.47	59.40	155.01
Miscellaneous income per acre	5.45	1.52	6.40
Gross return per acre	96.92	60.92	161.41
Direct expenses per acre			
Seed	7.42	6.72	9.16
Fertilizer	13.35	12.55	14.98
Crop chemicals	9.34	9.44	13.59
Crop insurance	5.21	4.94	6.41
Drying fuel	0.06	0.00	0.06
Fuel & oil	5.32	6.20	5.92
Repairs	9.41	13.53	10.28
Custom hire	2.05	1.19	1.18
Operating interest	2.80	3.96	3.77
Miscellaneous	0.34	0.00	1.11
Total direct expenses per acre	55.31	58.53	66.45
Return over direct expenses per acre	41.61	2.38	94.96
Overhead expenses per acre			
Hired labor	2.63	1.18	3.62
Machinery & bldg leases	1.26	2.97	2.81
RE & pers. property taxes	3.85	4.03	4.81
Farm insurance	1.46	2.34	1.60
Utilities	1.41	2.10	1.42
Hauling and trucking	0.05	0.00	0.07
Dues & professional fees	0.38	0.20	0.44
Interest	14.04	14.69	22.09
Mach & bldg depreciation	8.80	8.14	10.43
Miscellaneous	2.53	3.49	2.23
Total overhead expenses per acre	36.41	39.14	49.53
Total listed expenses per acre	91.72	97.67	115.98
Net return per acre	5.20	-36.75	45.43
Total direct expense per bushel	1.91	2.83	1.55
Total listed expense per bushel	3.17	4.72	2.71
Net return per bushel	0.18	-1.77	1.06
Breakeven yield per acre	27.26	33.53	30.25

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SPRING WHEAT ON CASH RENTED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	345	61	55
Number of farms	147	29	29
Acres	146.36	129.35	160.13
Yield per acre (bushel)	28.80	18.29	41.31
Operators share of yield %	100.00	100.00	100.00
Value per bushel	3.22	2.85	3.40
Total product return per acre	92.85	52.12	140.59
Miscellaneous income per acre	5.44	7.68	5.30
Gross return per acre	98.29	59.80	145.89
Direct expenses per acre			
Seed	7.43	7.17	8.10
Fertilizer	14.83	14.60	15.67
Crop chemicals	10.72	9.13	11.03
Crop insurance	5.40	5.08	5.98
Drying fuel	0.07	0.02	0.00
Fuel & oil	5.15	6.04	4.89
Repairs	9.11	11.92	8.18
Custom hire	3.43	3.92	4.39
Land rent	29.47	27.94	34.86
Operating interest	3.43	3.44	3.77
Miscellaneous	0.25	0.13	0.00
Total direct expenses per acre	89.27	89.41	96.87
Return over direct expenses per acre	9.02	-29.60	49.03
Overhead expenses per acre			
Hired labor	3.29	2.28	3.82
Machinery & bldg leases	1.61	0.69	1.95
Farm insurance	1.47	1.51	1.50
Utilities	1.13	1.55	1.19
Hauling and trucking	0.09	0.00	0.02
Dues & professional fees	0.27	0.15	0.27
Interest	3.35	5.02	3.06
Mach & bldg depreciation	8.48	7.73	9.35
Miscellaneous	2.26	2.12	1.94
Total overhead expenses per acre	21.95	21.04	23.10
Total listed expenses per acre	111.22	110.45	119.97
Net return per acre	-12.93	-50.65	25.93
Total direct expense per bushel	3.10	4.89	2.34
Total listed expense per bushel	3.86	6.04	2.90
Net return per bushel	-0.45	-2.77	0.63
Breakeven yield per acre	32.82	36.05	33.69

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(Farms sorted by Return to Overhead)

SPRING WHEAT ON SHARE RENTED LAND

	Average Of All Farms	Average Of Low 20%	Average Of High 20%
Number of fields	163	24	21
Number of farms	78	16	16
Acres	124.13	133.43	125.87
Yield per acre (bushel)	28.55	19.39	35.41
Operators share of yield %	67.31	71.89	65.73
Value per bushel	3.22	3.13	3.37
Total product return per acre	61.39	44.42	78.97
Miscellaneous income per acre	5.02	3.69	19.06
Gross return per acre	66.42	48.10	98.02
Direct expenses per acre			
Seed	6.49	7.46	5.69
Fertilizer	12.83	13.28	11.75
Crop chemicals	9.53	14.45	7.35
Crop insurance	4.21	5.86	4.57
Drying fuel	0.06	0.06	0.00
Fuel & oil	4.99	4.12	4.90
Repairs	9.07	7.86	8.17
Custom hire	1.84	1.45	1.22
Operating interest	3.00	5.60	2.81
Miscellaneous	1.25	5.98	0.29
Total direct expenses per acre	53.28	66.13	46.75
Return over direct expenses per acre	13.13	-18.02	51.28
Overhead expenses per acre			
Hired labor	2.42	0.63	2.22
Machinery & bldg leases	1.35	0.25	0.91
Farm insurance	1.27	1.93	1.59
Utilities	1.17	1.88	1.10
Hauling and trucking	0.04	0.00	0.11
Dues & professional fees	0.23	0.12	0.26
Interest	2.92	2.79	3.86
Mach & bldg depreciation	6.89	4.80	10.28
Miscellaneous	1.94	1.63	2.75
Total overhead expenses per acre	18.23	14.03	23.09
Total listed expenses per acre	71.51	80.16	69.84
Net return per acre	-5.09	-32.05	28.19
Total direct expense per bushel	2.77	4.74	2.01
Total listed expense per bushel	3.72	5.75	3.00
Net return per bushel	-0.27	-2.30	1.21
Breakeven yield per acre	30.67	33.96	22.91

TABLE 11 - 4
Crop Enterprise Analysis, 2000
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Spring on Owned Land

	Avg. Of All Farms	Low 20%	High 20%
Number of fields	235	43	51
Number of farms	131	26	26
Acres	142.33	120.93	158.05
Yield per acre (bushel)	35.00	25.22	43.97
Operators share of yield %	100.00	100.00	100.00
Value per bushel	3.39	3.15	3.50
Total product return per acre	118.53	79.43	153.86
Miscellaneous income per acre	5.36	6.72	4.46
Gross return per acre	123.89	86.15	158.32
Direct Expenses			
Seed	6.91	7.27	6.88
Fertilizer	14.93	13.76	13.83
Crop chemicals	11.77	12.38	12.21
Crop insurance	5.68	6.09	5.33
Fuel & oil	7.19	7.07	7.98
Repairs	9.95	11.48	10.24
Custom hire	3.15	3.94	1.87
Operating interest	2.74	4.80	1.80
Miscellaneous	0.40	0.26	0.20
Total direct expenses per acre	62.72	67.05	60.36
Return over direct exp per acre	61.17	19.10	97.96
Overhead Expenses			
Hired labor	3.27	4.47	2.95
Machinery & bldg leases	0.79	0.45	0.79
RE & pers. property taxes	3.79	4.05	3.64
Farm insurance	1.55	1.95	1.22
Utilities	1.21	1.36	1.40
Dues & professional fees	0.39	0.74	0.18
Interest	13.76	19.83	9.91
Mach & bldg depreciation	8.18	7.19	7.93
Miscellaneous	2.00	2.33	2.20
Total overhead expenses per acre	34.94	42.38	30.23
Total dir & ovhd expenses per acre	97.66	109.43	90.59
Net return per acre	26.23	-23.27	67.73
Lbr & mgt charge per acre	12.54	14.25	12.45
Net return over lbr & mgt	13.69	-37.52	55.28
Government payments	19.56	21.85	18.71
Net return with govt payments	33.25	-15.67	73.98
Cost of Production			
Total direct expense per bushel	1.79	2.66	1.37
Total dir & ovhd exp per bushel	2.79	4.34	2.06
With labor & management	3.15	4.90	2.34
Total exp less govt & oth income	2.44	3.77	1.82

TABLE 11 - 5
Crop Enterprise Analysis, 2000
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Spring on Cash Rent

	Avg. Of All Farms	Low 20%	High 20%
Number of fields	394	71	88
Number of farms	167	33	34
Acres	156.82	129.92	160.46
Yield per acre (bushel)	33.49	23.91	40.34
Operators share of yield %	100.00	100.00	100.00
Value per bushel	3.39	3.13	3.58
Other product return per acre	0.00	0.03	-
Total product return per acre	113.58	74.90	144.58
Miscellaneous income per acre	9.42	6.39	12.92
Gross return per acre	123.00	81.30	157.49
Direct Expenses			
Seed	7.29	8.13	6.85
Fertilizer	14.95	13.70	14.36
Crop chemicals	11.88	15.41	11.35
Crop insurance	6.48	8.02	6.46
Fuel & oil	6.40	6.77	6.37
Repairs	9.81	10.85	9.38
Custom hire	3.28	3.40	3.17
Land rent	29.10	27.78	28.22
Operating interest	3.12	4.32	2.51
Miscellaneous	0.57	0.45	0.60
Total direct expenses per acre	92.86	98.83	89.27
Return over direct exp per acre	30.14	-17.54	68.22
Overhead Expenses			
Hired labor	3.12	2.39	3.10
Machinery & bldg leases	1.54	2.00	1.42
Farm insurance	1.43	1.24	1.35
Utilities	1.13	1.11	1.21
Dues & professional fees	0.44	0.58	0.56
Interest	3.24	3.31	2.77
Mach & bldg depreciation	8.03	6.07	7.89
Miscellaneous	1.86	1.79	1.76
Total overhead expenses per acre	20.78	18.49	20.07
Total dir & ovhd expenses per acre	113.65	117.32	109.34
Net return per acre	9.35	-36.03	48.15
Lbr & mgt charge per acre	12.25	13.37	11.99
Net return over lbr & mgt	-2.90	-49.39	36.16
Government payments	20.37	22.01	20.16
Net return with govt payments	17.48	-27.39	56.32
Cost of Production			
Total direct expense per bushel	2.77	4.13	2.21
Total dir & ovhd exp per bushel	3.39	4.91	2.71
With labor & management	3.76	5.47	3.01
Total exp less govt & oth income	2.87	4.28	2.19

TABLE 11 - 6
Crop Enterprise Analysis, 2000
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Spring on Share Rent

	Avg. Of All Farms	Low 20%	High 20%
Number of fields	184	23	32
Number of farms	84	16	17
Acres	123.59	155.82	134.16
Yield per acre (bushel)	33.63	26.98	41.41
Operators share of yield %	67.14	68.99	65.19
Value per bushel	3.29	3.07	3.37
Total product return per acre	73.98	56.56	90.58
Miscellaneous income per acre	4.00	10.36	2.90
Gross return per acre	77.98	66.92	93.48
Direct Expenses			
Seed	6.96	8.60	5.67
Fertilizer	12.78	15.99	9.78
Crop chemicals	11.36	13.79	10.46
Crop insurance	5.24	6.82	3.75
Fuel & oil	6.53	6.84	6.28
Repairs	9.93	13.13	9.03
Custom hire	2.12	1.92	2.15
Operating interest	2.70	4.73	2.31
Miscellaneous	0.53	0.75	0.09
Total direct expenses per acre	58.14	72.58	49.51
Return over direct exp per acre	19.84	-5.66	43.96
Overhead Expenses			
Hired labor	2.50	3.50	1.33
Machinery & bldg leases	1.34	3.79	0.14
Farm insurance	1.22	1.58	0.90
Utilities	1.18	1.32	0.88
Dues & professional fees	0.50	0.78	0.37
Interest	3.20	3.65	2.73
Mach & bldg depreciation	6.80	7.02	7.25
Miscellaneous	1.73	1.99	1.88
Total overhead expenses per acre	18.48	23.62	15.47
Total dir & ovhd expenses per acre	76.62	96.19	64.98
Net return per acre	1.36	-29.28	28.49
Lbr & mgt charge per acre	12.05	13.28	11.01
Net return over lbr & mgt	-10.69	-42.56	17.48
Government payments	14.63	18.37	12.06
Net return with govt payments	3.94	-24.19	29.54
Cost of Production			
Total direct expense per bushel	2.58	3.90	1.83
Total dir & ovhd exp per bushel	3.39	5.17	2.41
With labor & management	3.93	5.88	2.82
Total exp less govt & oth income	3.10	4.34	2.26

TABLE 11 - 4
Crop Enterprise Analysis, 2001
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Spring on Owned Land

	Avg. Of All Farms	Low 20%	High 20%
Number of fields	239	53	49
Number of farms	132	26	26
Acres	141.55	121.08	219.40
Yield per acre (bushel)	34.14	27.08	43.01
Operators share of yield %	100.00	100.00	100.00
Value per bushel	2.95	2.95	2.96
Other product return per acre	0.09	-	0.17
Total product return per acre	100.87	79.89	127.64
Miscellaneous income per acre	3.56	3.15	3.46
Gross return per acre	104.43	83.04	131.10
Direct Expenses			
Seed	7.75	7.47	7.19
Fertilizer	18.00	17.51	20.22
Crop chemicals	12.19	15.43	10.58
Crop insurance	5.76	7.10	4.77
Fuel & oil	7.75	9.54	7.37
Repairs	10.18	13.30	9.39
Custom hire	3.66	5.78	3.16
Operating interest	2.37	4.01	1.72
Miscellaneous	0.40	0.00	0.70
Total direct expenses per acre	68.06	80.14	65.10
Return over direct exp per acre	36.37	2.91	66.00
Overhead Expenses			
Hired labor	3.12	4.04	4.36
Machinery & bldg leases	0.96	0.57	0.79
RE & pers. property taxes	4.30	5.49	4.09
Farm insurance	1.80	2.34	1.78
Utilities	1.38	2.24	1.02
Interest	13.89	20.46	8.75
Mach & bldg depreciation	8.14	7.94	8.65
Miscellaneous	2.71	2.92	2.79
Total overhead expenses per acre	36.29	46.02	32.24
Total dir & ovhd expenses per acre	104.35	126.15	97.33
Net return per acre	0.08	-43.11	33.76
Lbr & mgt charge per acre	13.04	16.78	11.00
Net return over lbr & mgt	-12.96	-59.89	22.77
Government payments	17.88	20.90	17.23
Net return with govt payments	4.92	-39.00	40.00
Cost of Production			
Total direct expense per bushel	1.99	2.96	1.51
Total dir & ovhd exp per bushel	3.06	4.66	2.26
With labor & management	3.44	5.28	2.52
Total exp less govt & oth income	2.81	4.39	2.03

TABLE 11 - 5
Crop Enterprise Analysis, 2001
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Spring on Cash Rent

	Avg. Of All Farms	Low 20%	High 20%
Number of fields	448	98	76
Number of farms	164	32	33
Acres	144.32	114.20	173.53
Yield per acre (bushel)	32.34	26.82	41.09
Operators share of yield %	100.00	100.00	100.00
Value per bushel	2.95	2.94	3.04
Other product return per acre	0.04	0.04	-
Total product return per acre	95.49	78.81	124.77
Miscellaneous income per acre	6.35	8.06	6.57
Gross return per acre	101.84	86.87	131.34
Direct Expenses			
Seed	7.65	9.23	7.14
Fertilizer	18.64	19.65	18.15
Crop chemicals	11.94	18.13	10.29
Crop insurance	6.38	8.23	5.29
Fuel & oil	7.14	8.08	6.35
Repairs	10.07	14.35	9.19
Custom hire	3.66	4.61	4.16
Land rent	29.42	30.62	25.27
Operating interest	3.10	3.19	2.56
Miscellaneous	0.36	0.18	1.28
Total direct expenses per acre	98.35	116.28	89.69
Return over direct exp per acre	3.49	-29.41	41.64
Overhead Expenses			
Hired labor	3.08	3.79	4.30
Machinery & bldg leases	1.72	3.10	2.07
Farm insurance	1.60	2.04	1.37
Utilities	1.29	1.61	1.03
Dues & professional fees	0.33	0.58	0.18
Interest	3.69	4.72	2.49
Mach & bldg depreciation	8.25	8.76	6.49
Miscellaneous	2.11	2.43	2.01
Total overhead expenses per acre	22.07	27.02	19.95
Total dir & ovhd expenses per acre	120.42	143.30	109.65
Net return per acre	-18.58	-56.43	21.69
Lbr & mgt charge per acre	12.78	14.28	11.26
Net return over lbr & mgt	-31.36	-70.72	10.43
Government payments	17.15	16.83	16.24
Net return with govt payments	-14.21	-53.88	26.66
Cost of Production			
Total direct expense per bushel	3.04	4.34	2.18
Total dir & ovhd exp per bushel	3.72	5.34	2.67
With labor & management	4.12	5.88	2.94
Total exp less govt & oth income	3.39	4.95	2.39

TABLE 11 - 6
Crop Enterprise Analysis, 2001
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Spring on Share Rent

	Avg. Of All Farms	Low 20%	High 20%
Number of fields	216	34	48
Number of farms	83	16	17
Acres	123.11	83.42	143.63
Yield per acre (bushel)	32.86	30.93	40.59
Operators share of yield %	67.73	70.32	68.01
Value per bushel	2.91	2.77	2.94
Total product return per acre	64.59	60.44	80.77
Miscellaneous income per acre	2.28	1.41	2.02
Gross return per acre	66.87	61.85	82.79
Direct Expenses			
Seed	7.01	8.10	6.92
Fertilizer	15.89	19.15	14.74
Crop chemicals	10.91	15.25	11.28
Crop insurance	5.12	5.95	4.66
Fuel & oil	7.77	7.96	7.21
Repairs	10.39	15.94	9.04
Custom hire	2.10	4.56	1.26
Operating interest	2.54	3.67	1.74
Miscellaneous	0.95	0.40	1.06
Total direct expenses per acre	62.68	80.98	57.90
Return over direct exp per acre	4.19	-19.13	24.89
Overhead Expenses			
Hired labor	2.88	3.90	2.83
Machinery & bldg leases	1.60	0.93	1.80
Farm insurance	1.46	2.54	1.47
Utilities	1.20	1.34	1.07
Dues & professional fees	0.41	0.99	0.44
Interest	3.45	5.98	2.95
Mach & bldg depreciation	6.63	10.69	5.43
Miscellaneous	1.80	2.00	1.90
Total overhead expenses per acre	19.44	28.37	17.88
Total dir & ovhd expenses per acre	82.12	109.35	75.79
Net return per acre	-15.25	-47.50	7.01
Lbr & mgt charge per acre	12.29	15.12	10.93
Net return over lbr & mgt	-27.55	-62.62	-3.92
Government payments	12.26	12.28	11.97
Net return with govt payments	-15.29	-50.35	8.05
Cost of Production			
Total direct expense per bushel	2.82	3.72	2.10
Total dir & ovhd exp per bushel	3.69	5.03	2.75
With labor & management	4.24	5.72	3.14
Total exp less govt & oth income	3.59	5.09	2.63

TABLE 11 - 7
Crop Enterprise Analysis, 1998
North Dakota Farm Business Management Education Program
State Report
(Average of all farms reporting)

WINTER WHEAT ON CASH RENTED LAND

	Average For All Farms
Number of fields	8
Number of farms	5
Acres	107.01
Yield per acre (bushel)	50.13
Operators share of yield %	100.00
Value per bushel	2.45
Total product return per acre	122.68
Miscellaneous income per acre	15.41
Gross return per acre	138.08
Direct expenses per acre	
Seed	8.40
Fertilizer	26.22
Crop chemicals	18.45
Crop insurance	3.58
Fuel & oil	5.53
Repairs	9.74
Custom hire	2.02
Land rent	25.59
Operating interest	4.96
Total direct expenses per acre	104.50
Return over direct expenses per acre	33.58
Overhead expenses per acre	
Hired labor	3.35
Machinery & bldg leases	0.42
Farm insurance	2.07
Utilities	1.19
Interest	2.18
Mach & bldg depreciation	11.67
Miscellaneous	2.05
Total overhead expenses per acre	22.94
Total listed expenses per acre	127.44
Net return per acre	10.64
Total direct expense per bushel	2.08
Total listed expense per bushel	2.54
Net return per bushel	0.21
Breakeven yield per acre	45.78

TABLE 11 - 7
Crop Enterprise Analysis, 1999
North Dakota Farm Business Management Education Program
State Report
(Average of All Farms)

WINTER WHEAT ON CASH RENTED LAND

	Average For All Farms
Number of fields	9
Number of farms	5
Acres	50.62
Yield per acre (bushel)	32.69
Operators share of yield %	100.00
Value per bushel	2.73
Total product return per acre	89.38
Miscellaneous income per acre	1.58
Gross return per acre	90.96
Direct expenses per acre	
Seed	4.85
Fertilizer	8.98
Crop chemicals	3.70
Crop insurance	4.11
Fuel & oil	6.40
Repairs	9.04
Custom hire	5.16
Land rent	35.75
Operating interest	1.25
Total direct expenses per acre	79.24
Return over direct expenses per acre	11.72
Overhead expenses per acre	
Hired labor	5.19
Machinery & bldg leases	1.09
Farm insurance	1.77
Utilities	2.02
Dues & professional fees	0.49
Interest	2.34
Mach & bldg depreciation	10.61
Miscellaneous	2.94
Total overhead expenses per acre	26.45
Total listed expenses per acre	105.68
Net return per acre	-14.72
Total direct expense per bushel	2.42
Total listed expense per bushel	3.23
Net return per bushel	-0.45
Breakeven yield per acre	38.08

TABLE 11 - 7
Crop Enterprise Analysis, 2000
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Winter on Owned Land

	Avg. Of All Farms
Number of fields	7
Number of farms	6
Acres	112.21
Yield per acre (bushel)	30.53
Operators share of yield %	100.00
Value per bushel	2.50
Total product return per acre	76.43
Miscellaneous income per acre	3.08
Gross return per acre	79.50
Direct Expenses	
Seed	4.62
Fertilizer	13.98
Crop chemicals	5.75
Crop insurance	4.56
Fuel & oil	6.64
Repairs	9.98
Custom hire	3.00
Operating interest	2.37
Total direct expenses per acre	50.90
Return over direct exp per acre	28.61
Overhead Expenses	
Hired labor	0.80
Machinery & bldg leases	0.53
RE & pers. property taxes	3.37
Farm insurance	1.01
Utilities	1.48
Dues & professional fees	1.85
Interest	18.64
Mach & bldg depreciation	5.39
Miscellaneous	3.06
Total overhead expenses per acre	36.12
Total dir & ovhd expenses per acre	87.02
Net return per acre	-7.51
Lbr & mgt charge per acre	13.90
Net return over lbr & mgt	-21.42
Government payments	21.44
Net return with govt payments	0.03
Cost of Production	
Total direct expense per bushel	1.67
Total dir & ovhd exp per bushel	2.85
With labor & management	3.31
Total exp less govt & oth income	2.50

TABLE 11 - 8
Crop Enterprise Analysis, 2000
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Winter on Cash Rent

	Avg. Of All Farms
Number of fields	7
Number of farms	7
Acres	107.71
Yield per acre (bushel)	45.89
Operators share of yield %	100.00
Value per bushel	3.17
Total product return per acre	145.51
Miscellaneous income per acre	0.65
Gross return per acre	146.15
Direct Expenses	
Seed	6.38
Fertilizer	14.52
Crop chemicals	4.96
Crop insurance	7.60
Fuel & oil	6.38
Repairs	9.57
Custom hire	6.60
Land rent	26.05
Operating interest	2.70
Total direct expenses per acre	84.74
Return over direct exp per acre	61.41
Overhead Expenses	
Hired labor	1.67
Machinery & bldg leases	2.63
Farm insurance	0.89
Utilities	2.06
Dues & professional fees	0.38
Interest	3.19
Mach & bldg depreciation	7.26
Miscellaneous	3.92
Total overhead expenses per acre	22.01
Total dir & ovhd expenses per acre	106.75
Net return per acre	39.40
Lbr & mgt charge per acre	11.31
Net return over lbr & mgt	28.09
Government payments	21.11
Net return with govt payments	49.20
Cost of Production	
Total direct expense per bushel	1.85
Total dir & ovhd exp per bushel	2.33
With labor & management	2.57
Total exp less govt & oth income	2.10

TABLE 11 - 9
Crop Enterprise Analysis, 2000
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Winter on Share Rent

	Avg. Of All Farms
Number of fields	7
Number of farms	6
Acres	144.39
Yield per acre (bushel)	50.17
Operators share of yield %	58.50
Value per bushel	2.55
Total product return per acre	72.84
Miscellaneous income per acre	0.69
Gross return per acre	73.53
Direct Expenses	
Seed	3.39
Fertilizer	5.85
Crop chemicals	5.21
Crop insurance	3.08
Drying fuel	0.62
Fuel & oil	5.48
Repairs	6.93
Custom hire	1.26
Machinery & bldg leases	1.96
Operating interest	1.58
Total direct expenses per acre	35.37
Return over direct exp per acre	38.16
Overhead Expenses	
Hired labor	2.90
Machinery & bldg leases	1.38
Farm insurance	0.57
Utilities	1.84
Dues & professional fees	0.69
Interest	2.02
Mach & bldg depreciation	5.87
Miscellaneous	1.84
Total overhead expenses per acre	17.09
Total dir & ovhd expenses per acre	52.46
Net return per acre	21.06
Lbr & mgt charge per acre	13.84
Net return over lbr & mgt	7.23
Government payments	13.54
Net return with govt payments	20.76
Cost of Production	
Total direct expense per bushel	1.21
Total dir & ovhd exp per bushel	1.79
With labor & management	2.26
Total exp less govt & oth income	1.77

TABLE 11 - 7
Crop Enterprise Analysis, 2001
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Winter on Owned Land

	Avg. Of All Farms
Number of fields	7
Number of farms	7
Acres	71.14
Yield per acre (bushel)	35.46
Operators share of yield %	100.00
Value per bushel	2.48
Total product return per acre	87.94
Miscellaneous income per acre	0.63
Gross return per acre	88.57
Direct Expenses	
Seed	5.28
Fertilizer	13.00
Crop chemicals	6.24
Crop insurance	5.93
Fuel & oil	7.71
Repairs	11.18
Custom hire	4.89
Operating interest	1.06
Miscellaneous	0.45
Total direct expenses per acre	55.75
Return over direct exp per acre	32.83
Overhead Expenses	
Hired labor	4.42
Machinery & bldg leases	2.23
RE & pers. property taxes	3.53
Farm insurance	1.84
Utilities	1.48
Dues & professional fees	0.31
Interest	8.33
Mach & bldg depreciation	6.77
Miscellaneous	4.40
Total overhead expenses per acre	33.30
Total dir & ovhd expenses per acre	89.05
Net return per acre	-0.48
Lbr & mgt charge per acre	14.38
Net return over lbr & mgt	-14.85
Government payments	23.25
Net return with govt payments	8.39
Cost of Production	
Total direct expense per bushel	1.57
Total dir & ovhd exp per bushel	2.51
With labor & management	2.92
Total exp less govt & oth income	2.24

TABLE 11 - 8
Crop Enterprise Analysis, 2001
North Dakota Farm Business Management Education Program
State Report
(Farms Sorted By Net Return)

Wheat, Winter on Cash Rent

	Avg. Of All Farms
Number of fields	10
Number of farms	8
Acres	118.96
Yield per acre (bushel)	29.38
Operators share of yield %	100.00
Value per bushel	2.47
Total product return per acre	72.66
Miscellaneous income per acre	5.92
Gross return per acre	78.58
Direct Expenses	
Seed	7.05
Fertilizer	13.59
Crop chemicals	7.99
Crop insurance	5.29
Fuel & oil	6.24
Repairs	9.10
Custom hire	4.71
Land rent	29.59
Operating interest	0.92
Miscellaneous	0.82
Total direct expenses per acre	85.31
Return over direct exp per acre	-6.72
Overhead Expenses	
Hired labor	4.39
Machinery & bldg leases	3.86
Farm insurance	2.24
Utilities	1.34
Interest	3.44
Mach & bldg depreciation	9.60
Miscellaneous	2.51
Total overhead expenses per acre	27.39
Total dir & ovhd expenses per acre	112.69
Net return per acre	-34.11
Lbr & mgt charge per acre	10.65
Net return over lbr & mgt	-44.76
Government payments	19.70
Net return with govt payments	-25.06
Cost of Production	
Total direct expense per bushel	2.90
Total dir & ovhd exp per bushel	3.84
With labor & management	4.20
Total exp less govt & oth income	3.33

APPENDIX F

USDA, FARM SERVICE AGENCY FACT SHEET ON WHEAT, SUMMARIZING THE 1999-2000 GOVERNMENT SUPPORT PROGRAM, DATED FEBRUARY 2001

SUMMARY of 1999-2000 SUPPORT PROGRAM and RELATED INFORMATION

Statutory Background

The 1996 farm bill provides for fixed, but declining transition payments; nonrecourse marketing assistance loans with marketing loan provisions; and loan deficiency payments for the 1996-2002 crops of wheat.

Production Flexibility Contracts

Payment Eligibility

Producers who enrolled in 7-year production flexibility contracts (PFC) during the one-time signup held in 1996 are eligible to receive contract payments. A farm was eligible for enrollment if it had a wheat acreage base established for 1996. Once the farm is enrolled, the crop acreage base becomes contract acreage. Farms not enrolled during the one-time signup period are ineligible for program benefits, unless they are currently under a Conservation Reserve Program (CRP) contract with an associated crop acreage base reduction.

Payments

For each of the 1996-2002 crops of wheat, the 1996 farm bill allotted a fixed amount of funds to holders of wheat production flexibility contracts. For wheat, the funds, allotted by fiscal year, are:

FY 1996, $1.463 billion
FY 1997, $1.414 billion
FY 1998, $1.523 billion
FY 1999, $1.471 billion
FY 2000, $1.347 billion
FY 2001, $1.085 billion
FY 2002, $1.053 billion

Wheat PFC payment rates are based on the eligible contract quantities that are computed by multiplying a producer's wheat contract acres times the wheat program yield on the farm times 0.85. Actual payment rates for FY 1996 through FY 2000 and estimated payment rates for FY 2001 to 2002 are listed in the table below.

Payment Rates For Wheat: FY 1996 - 2002 1/ ($ per bu.)			
Fiscal Year	PFC Payments	Additional Payments	Total 1/ Payments
1996	.87	—	.87
1997	.63	—	.63
1998	.66	.33	.99
1999	.64	.64	1.28
2000	.59	.64	1.23
2001	.47	—	.47
2002	.46	—	.46
[1] Actual payments for FY 1996-2001. Estimated payments for FY 2002.			

Additional Payments to Holders of PFCs

The Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, provided additional payments of $2.857 billion to PFC holders for the FY 1998 contract period, of which $750 million was allocated to wheat PFC holders. The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Act, 2000, provided additional payments of $5.544 billion to PFC holders for the FY 1999 contract period, of which about $1.471 billion was allocated to wheat PFC holders. The Agricultural Risk Protection Act of 2000 provided additional payments to 2000-crop wheat PFC holders at the same rate as was paid on the 1999 crop. These payments were to be made between September 1 and September 30, 2000. The payment rates applicable to the additional payments are listed in the table above.

Planting Flexibility

Any commodity or crop may be planted on contract acreage on the farm, except fruits and vegetables (other than lentils, mung beans, and dry peas). However, fruits and vegetables may be grown under the following situations:

1. In any region with a history of double cropping of contract commodities with fruits and vegetables;

2. On a farm with a history of planting fruits or vegetables, except that the contract payment will be reduced by an acre for each acre planted to a fruit or vegetable on the farm; and

3. By a producer with an established history of planting a specific fruit or vegetable, except that the area planted may not exceed the producer's average annual plantings in the 1991-1995 crop years (excluding any year with no plantings) and that a contract payment will be reduced by an acre for each acre planted to the fruit or vegetable.

Marketing Loan Provisions

Marketing loan provisions enable producers to either obtain a nonrecourse marketing assistance loan or a loan deficiency payment on all or a part of their eligible production.

Eligibility Requirements

To qualify for a marketing assistance loan or a loan deficiency payment on wheat, producers must:

- Have, with the exception of the 2000 crop, produced the wheat on a farm that is enrolled in a production flexibility contract (for the 2000 crop only, the Agricultural Risk Protection Act of 2000 extended eligibility to receive LDPs for contract commodities to producers on a farm not enrolled in a PFC),
- Comply with applicable conservation and wetland protection requirements,
- Report the planted acreage for the crop, and
- Have beneficial interest in the commodity on the date the loan or a loan deficiency payment is requested and, in the case of a loan, be retained while the loan is outstanding.

Beneficial Interest

A producer has beneficial interest in the commodity if all of the following remain with the producer: (1) control of the commodity, (2) risk of loss, and (3) title to the commodity.

For further information on beneficial interest, see the fact sheet on "Beneficial Interest Requirements For Loans and Loan Deficiency Payments, Excluding Sugar and Tobacco" or contact a local FSA county office.

Loan Rates

The 1999, 2000, and 2001 national average marketing assistance loan rate for wheat is $2.58 per bushel. Rates are set annually based on a formula and the discretion of the Secretary of Agriculture.

Generally, the loan rate cannot exceed $2.58 per bushel or be lower than 85 percent of the simple average price received by producers during the marketing years for the immediate preceding five crops, excluding the highest and lowest prices. However, if the stock to use ratio (S/U) is greater than or equal to 15 percent, but less than 30 percent, the Secretary has the discretion to reduce the formula loan rate up to 5 percent. If the S/U equals or exceeds 30 percent, the Secretary may reduce the loan rate up to 10 percent.

Loan rates: (1) vary among counties, (2) are based on the county where stored, and (3) may be adjusted by the Commodity Credit Corporation (CCC) with premiums and discounts to reflect grade, subclass, and quality factors of a given quantity placed under loan.

Loan Settlements

Loans mature on the last day of the ninth calendar month following the month in which the loan is approved.

Producers may settle their outstanding nonrecourse loan:

- During the 9-month loan period by repaying the loan, or
- Upon maturity by forfeiting the commodity to the CCC.

Marketing loan provisions enable producers (under certain conditions) to either: (1) repay a marketing assistance loan at less than the loan rate plus accrued interest and other charges, or (2) receive a loan deficiency payment in lieu of obtaining a loan.

Loan Repayment Rates

The loan repayment rate is the lower of (1) the applicable county loan rate plus accrued interest and other charges (per bushel), or (2) the local posted county price (PCP).

PCPs are established daily at each county FSA office. They are based upon the previous day's prices for wheat at two CCC-assigned terminal markets. The PCPs are then adjusted to reflect quality and location.

Marketing Loan Gains and Loan Deficiency Payments

Producers may realize a marketing loan gain if they repay their loans when the PCP is less than the loan rate. The marketing loan gain rate equals the amount by which the applicable county loan rate exceeds the loan repayment rate for the respective loan.

Producers who are eligible to obtain a loan, but who agree to forgo the loan, may obtain a loan deficiency payment. The loan deficiency payment rate equals the amount by which the applicable county loan rate exceeds the PCP for wheat. The loan deficiency payment equals the loan deficiency payment rate times the eligible bushels of wheat for which the loan deficiency payment is requested.

Final Loan/Loan Deficiency Payment Availability Dates

The final loan/loan deficiency payment availability date for 2000-crop wheat is March 31, 2001.

Production Evidence

Any producer who repays a loan at less than the loan rate plus accrued interest and other charges or receives a loan deficiency payment may be required to provide production evidence acceptable to CCC, such as evidence of sales, warehouse receipts, and load summaries from the warehouse, buyer, or processor.

Payment Limitations

In general, the total amount of production flexibility contract payments to an individual may not exceed $40,000 for all commodities. In addition, the sum of loan deficiency payments and marketing loan gains for all commodities is limited to $75,000 per person, except for the 1999 and 2000 crops.

The payment limit for LDPs/MLGs was mandated at $150,000 for the 1999 crop only by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act (Appropriations Act), 2000. The payment limit for the 2000 crop is mandated at $150,000 by the 2001 Appropriations Act. When a producer is likely to reach the payment limit for LDPs/MLGs, commodity certificates may be used to exchange the outstanding loan obligation at or before loan maturity.

Wheat Marketing Loan/Loan Deficiency Payment Examples

Marketing Loan Examples Under Various Price Scenarios
($ per bushel)

	Price Scenario		
	1	2	3
a) Applicable county loan rate	2.58	2.58	2.58
b) Accrued interest	0.14	0.14	0.14
c) Loan rate plus accrued interest 1/	2.72	2.72	2.72
d) PCP	3.00	2.65	2.50
e) Loan repayment rate; (lower of c or d)	2.72	2.65	2.50
f) Marketing Loan Gain; [greater of 0 or (a - e)]	0.00	0.00	0.08
g) Waived interest, lesser of ([greater of 0 or (c - e)] or b)	0.00	0.07	0.14

1/ Interest for 9 months based on 7 percent annual interest rate.

Fact Sheet
Wheat
Summary of 1999-2000 Support Program
and Related Information

WHEAT

Crop Year 1/	Production (million bushels)	National Average Support Price: Target Price ($per bushel)	Payment Rate ($per bushel)	Loan Rate ($per bushel)	Average Price to Farmers ($per bushel)	Value of Production (million$)	Government Payments (million$)	
1960 2/	1,354.7		1.78		$1.74	$2,361.2		
1961	1,232.4		1.79		1.83	2,254.7		
1962	1,092.0		2.00		2.04	2,225.7	$ 285.5	Diversion
1963	1,146.8	2.00 3/	.18 4/	1.82 5/	1.85 (2.03) 6/	2,125.3	242.6	Div. & Price Sup.
1964	1,283.4	2.00 7/	.70 8/	.25 9/ 1.30 5/	1.37 (1.80) 6/	1,757.0	442.9	Div. & Certificates
1965	1,315.8	2.00 7/	.75 8/	.30 9/ 1.25 5/	1.35 (1.79) 6/	1,774.5	509.2	Div. & Certificates
1966	1,304.9	2.57 7/	1.32 8/	1.25 5/	1.63 (2.22) 6/	2,129.9	681.3	Div. & Certificates
1967	1,507.6	2.61 7/	1.36 8/	1.25 5/	1.39 (1.87) 6/	2,090.1	727.1	Certificates
1968	1,556.7	2.63 7/	1.38 8/	1.25 5/	1.24 (1.79) 6/	1,929.1	746.0	Certificates
1969	1,442.7	2.77 7/	1.52 8/	1.25 5/	1.25 (1.89) 6/	1,795.7	855.9	Div. & Certificates
1970	1,351.8	2.82 7/	1.57 8/	1.25 5/	1.35 (2.09) 6/	1,803.2	871.0	Div. & Certificates
1971	1,618.6	2.93 7/	1.63 10/	1.25 5/	1.24 (1.88) 6/	2,167.8	885.7	Div. & Certificates
1972	1,546.2	3.02 7/	1.34 10/	1.25 5/	1.76 (2.23) 6/	2,708.1	858.7	Div. & Certificates
1973	1,710.8	3.39 7/	.68 10/	1.25 5/	3.95 (4.17) 6/	6,744.6	478.2	Div. & Certificates
1974	1,781.9	2.05 11/	—	1.37 5/	4.09 —	7,287.3	101.5	Disaster
1975	2,126.9	2.05 11/	—	1.37 5/	3.56 —	7,549.6	51.2	Disaster
1976	2,148.8	2.29 11/	—	2.25 5/	2.73 —	5,867.8	143.4	Disaster
1977	2,048.5	2.90 12/	.65 13/	2.25 5/	2.33 —	4,764.6	1,157.2	Def. & Disaster
1978	1,776.5	3.40 14/	.52 13/	2.35 5/	2.97	5,280.6	719.3	Def.Hay&Grz, Dis.
1979 15/	2,134.1	3.40 14/	—	2.50 5/	3.60	8,109.0	72.3	Disaster
1980	2,360.9	3.08/3.63 16/ —		3.00/3.30 17/	3.99	9,303.0	228.2	Disaster
1981	2,785.4	3.81 14/	.15 13/	3.20/3.50 17/	3.69	10,172.0	835.2	Deficiency & Dis.
1982	2,765.0	4.05 14/	.50 13/	3.55/4.00 17/	3.45	9,489.0	488.8	Deficiency & Dis.
1983	2,419.8	4.30 14/	.65 13/	3.65/3.65 17/	3.51	10,803.0 18/	1,079.5	Def., Div. & Dis.
1984	2,594.8	4.38 14/	1.00 13/	3.30 5/	3.39	9,246.0 18/	1,555.9	Def. & Diversion
1985	2,424.1	4.38 14/	1.08 13/	3.30 5/	3.09	7,371.0	2,188.0	Def. & Diversion
1986	2,090.6	4.38 14/	1.98 13/	2.40 5/	2.42	5,042.0	3,672.4	Def. & Diversion
1987	2,107.7	4.38 14/	1.81 13/	2.28 5/	2.57	5,498.0	3,287.0	Deficiency
1988	1,812.2	4.23 14/	.69 13/	2.21 5/	3.72	6,741.0	1,606.0	Def. & Disaster
1989	2,036.6	4.10 14/	.82 13/	2.08 5/	3.72	7,542.0	1,048.0	Def. & Disaster
1990	2,729.8	4.00 14/	1.28 13/	1.95 5/	2.61	7,184.0	2,420.3	Deficiency
1991	1,980.1	4.00 14/	1.35 13/	2.04 5/	3.09	5,957.0	2,246.1	Deficiency
1992	2,466.8	4.00 14/	.81 13/	2.21 5/	3.24	7,984.0	1,370.5	Deficiency
1993	2,396.4	4.00 14/	1.03 13/	2.45 5/	3.26	7,812.0	1,900.1	Deficiency
1994	2,321.0	4.00 14/	.81 13/	2.58 5/	3.45	8,007.0	1,145.5	Deficiency
1995	2,182.7	4.00 14/	.00 13/	2.58 5/	4.55	9,787.0	285.8	Deficiency
1996 19/	2,277.4	N/A	874	2.58 5/	4.30	9,752.0	1,940.5	PFC, LDP, MLG
1997	2,481.5	N/A	831	2.58 5/	3.38	8,287.0	1,412.5	PFC, LDP, MLG
1998 20/	2,547.3	N/A	663	2.58	2.65	6,781.0	2,717.8	PFC, LDP, MLG, MLA
1999 21/	2,299.9	N/A	837	2.58	2.48	5,702.0	3,830.3	PFC, LDP, MLG, MLA
2000 22/	2,239.2	N/A	586	2.58	2.55	5,710.0	3,593.3	PFC, LDP, MLG, MLA

See footnotes on page 8.

continues ▶

Foonotes for table on page 7:

1/ For statistics for 1933 through 1959, see Wheat Commodity Fact Sheet for 1979.
2/ For 1960 through 1963 crops, support outside the commercial area was 75 percent of the rate reflecting the U.S. average level.
3/ Total support.
4/ Price support payment.
5/ Loan rate.
6/ Blended average price to program participants, reflecting national average price received by farmers and the marketing certificate value average for participants total production.
7/ Support for wheat used for domestic food.
8/ Domestic marketing certificate value.
9/ Export marketing certificate value.
10/ The marketing certificate payment rate was the difference between the price received by farmers the first 5 months (July-November) of the marketing year and 100 percent of wheat parity on July 1. An advance payment equal to 75 percent of the estimated face value of the certificate was made to eligible producers.
11/ Established target price, guaranteed on production from allotment acreage.
12/ Established target price on planted allotment acreage; established target price on unplanted allotment acreage was $2.47.
13/ Deficiency payment; 1996 and forward, contract rate.
14/ Established target price.
15/ Beginning with 1979, marketing average prices are being use in lieu of season average prices.
16/ Target price $3.63 if planted within NCA; $3.08, if exceeded NCA.
17/ Loan rate for regular loans/loan rate for wheat in the farmer-owned reserve.
18/ Includes estimated value of PIK compensation.
19/ 1996-1997 include production flexibility contract payments, loan deficiency payments, and marketing loan gains.
20/ 1998-2000 include production flexibility contract payments, loan deficiency payments, marketing loan gains, and market loss assistance payments.
21/ Preliminary.
22/ Forecast based on October WASDE.

◄ continues

Fact Sheet
Wheat
Summary of 1999-2000 Support Program and Related Information

PRICE SUPPORT PROGRAMS FOR WHEAT

Crop Year	Support Price/ Target Price ($/bushel)	Direct Payments ($/bushel)	Loan Rate ($/bushel)	Total Quantity Placed Under Loan (million bu.)
1960	$1.78	—	$1.74	424.0
1961	1.79	—	1.83	271.2
1962	2.00	—	2.04	297.3
1963	2.00	.18	1.88	177.4
1964	2.00	.70/.25	1.30	205.8
1965	2.00	.75/.30	1.25	172.4
1966	2.67	1.32	1.25	132.7
1967	2.61	1.36	1.25	281.5
1968	2.63	1.38	1.25	453.1
1969	2.77	1.52	1.25	407.6
1970	2.52	1.57	1.25	254.3
1971	2.93	1.63	1.25	441.8
1972	3.02	1.34	1.25	185.1
1973	3.39	.68	1.25	59.9
1974	2.05	—	1.37	37.2
1975	2.05	—	1.37	51.3
1976	2.29	—	2.25	492.8
1977	2.90	.65	2.25	804.1
1978	3.40	.52	2.35	258.4
1979	3.40	—	2.50	182.0
1980	3.08/3.63	—	3.00/3.30	331.8
1981	3.81	.15	3.20/3.50	452.7
1982	4.05	.50	3.55/4.00	646.2
1983	4.30	.65	3.65	635.2
1984	4.38	1.00	3.30	284.7
1985	4.38	1.08	3.30	842.6
1986	4.38	1.98	2.40	514.1
1987	4.38	1.81	2.28	472.3
1988	4.23	.69	2.21	106.2
1989	4.10	.32	2.06	113.5
1990	4.00	1.28	1.95	405.1
1991	4.00	1.35	2.04	143.2
1992	4.00	.81	2.21	240.3
1993	4.00	1.03	2.45	258.3
1994	4.00	.61	2.58	231.1
1995	4.00	.00	2.58	114.2
1996	N/A	.674 1/	2.58	194.8
1997	N/A	.531	2.58	262.7
1998	N/A	.663	2.58	425.0
1999 2/	N/A	.637	2.58	154.2
2000 3/	N/A	.588	2.58	235.0

1/ Production flexibility contract rate
2/ Preliminary
3/ Forecast