

INDIVIDUALLY QUICK FROZEN RED RASPBERRIES FROM CHILE

Red raspberries in the United States are grown primarily in California, Oregon, and Washington. Red raspberries from California are sold mostly in the fresh market, while nearly all the product grown in Washington and Oregon is sold for processing.¹³⁷ Individually quick frozen (IQF) red raspberries accounted for approximately one-fifth of the processed red raspberries in 2001. Raspberries can also be block



frozen when the end use of the product does not require the berry to be whole. Data from the U.S. Department of Agriculture indicates that the value of processed red raspberries, including IQF raspberries, has ranged from \$16 million to \$51 million annually during the past 15 years.

The domestic product is of the Meeker variety and is harvested from mid-June to late August.¹³⁸ The vast majority of the berries are mechanically harvested. Most of the producers of IQF red raspberries grow their own red raspberries, as well as other berries.¹³⁹ The freezing process is energy and capital intensive; requires specialized IQF tunnels to prevent damage to the fresh, grade A fruit; and involves either bathing the fruit with liquid nitrogen or running the berries over cold air.

Because Chile is located in the southern hemisphere and its harvest occurs during the U.S. winter season, the country's exports of fruits and vegetables are usually considered complementary to U.S. production. In Chile, red raspberries of the Heritage variety are harvested twice, with the harvest periods covering November to May. Thus the Chilean harvest ends just as the U.S. harvest is about to begin.¹⁴⁰ But the complementary timing of the harvest is less an issue with IQF red raspberries because the fruit, once frozen, can be held in cold storage.¹⁴¹

¹³⁷ Individually Quick Frprozen Red Raspberries from Chile, USITC Pub. 3524, Inv. No. 701-TA-948 (Final) (June 2002) at I-5.

¹³⁸ Id. at I-6 to I-9.

¹³⁹ Id. at III-1

¹⁴⁰ Id. at IV-1.

¹⁴¹ Id. at I-9.

Thus, the IQF imports from Chile are highly substitutable with the domestic product.

On May 31, 2001, a committee consisting of 44 growers, eight grower/processors, one coop processor, and one processor of IQF red raspberries filed petitions alleging that dumped and subsidized IQF red raspberries from Chile were the cause of material injury to the domestic industry.¹⁴²

Original investigation and determination

The Department of Commerce did find that red raspberries from Chile were subsidized, but the level of the subsidies found was de minimis, too low to justify an affirmative determination.¹⁴³ On the dumping side, the Department found that two of the companies investigated had de minimis dumping margins, 0.50 percent and 0 percent, respectively. In the event of an affirmative injury determination by the Commission, these two fair traders would be able to trade as if no case had been filed. The third firm's margin was estimated to be 5.98 percent, and that firm's rate was to be applied to all other Chilean sources of imports unless they sought, and received, separate duty rates.¹⁴⁴

At the Commission, the red raspberry investigation was a price case, a case in which the effects of the subject merchandise are largely felt on the price of the domestic product, rather than the volume. Indeed, as shown in the table below, the domestic industry's value of shipments actually increased over the period of investigation. However, despite the increase in sales the Commission in a four-one vote found that the domestic industry was injured by reason of dumped imports, even after removing the imports sold by the two fairly trading Chilean firms.

The Commission found the following indicators of injury.

- U.S. shipments of the subject imports (excluding the imports produced by the two firms found not to be dumping) expanded by 10.3 percent from 1999 to 2001.¹⁴⁵
- The market share of the subject imports expanded during the last year of the period of investigation. Because some of the imports from Chile were not dumped, the exact increase in imports of the subject merchandise is confidential.¹⁴⁶

142 66 Fed. Reg. 30482 (June 6, 2001).

143 67 Fed. Reg. 35962 (May 22, 2006). The subsidies for the three firms investigated were 0.1 percent; 0.16 percent; and 0.65 percent, respectively.

144 67 Fed. Reg. 40271 (June 12, 2006).

145 USITC Pub. 3524 at 13.

146 Id. at 13. Total imports from Chile are published in the Commission's investigation report, but the breakdown between subject and nonsubject imports from Chile is not public information.

- The subject imports from Chile undersold U.S. – produced IQF red raspberries in 31 out of 45 quarters in which “head-to-head” comparisons were possible. The margins of underselling were 22.6 percent on average, and prices of the subject imports generally declined over the period examined.¹⁴⁷
- Net sales of the U.S. industry declined by 20 percent as U.S. producers dropped prices to hold onto market share in the face low-priced imports.¹⁴⁸ With price in the market below the profitability threshold, the U.S. industry experienced negative profits during the investigation.

Some of the indicators of injury cited by the Commission’s report appear below.

Table 17. Individually Quick Frozen Red Raspberries from Chile:
Selected Data Collected by the USITC

Item	1999	2000	2001
U.S. production (\$1,000)	18,926	19,199	17,915
U.S. capacity utilization (percent)	87.2	87.0	79.8
Import unit value (\$1,000) ⁽¹⁾	0.86	0.95	0.80
U.S. shipment unit value (\$/lb)	1.31	1.17	1.05
Operating income (\$1,000)	438	-770	-408
(1) Includes nonsubject imports from Chile. Sources: USITC Pub. 3524 at to C-3 to C-4; and D-4.			

Estimated revenue impact of unfair trade

Calculating the estimated revenue and other effects of Chilean dumping is complicated by the fact that the exact value of the subject merchandise is unknown. In order to generate an estimate, it was necessary to estimate how much of IQF imports were actually dumped. Data from PIERS indicates that one of the Chilean firms accounted for approximately 9 percent of Chilean IQF Raspberry imports during a recent twelve month period. We thus assume that the two firms found not to be dumping accounted for 20 percent of Chile’s total imports. The remaining imports from Chile are assumed to be dumped, and the dumping margin estimated by Commerce, 5.98 percent, is applied to those imports only. The annual revenue losses by the domestic industry range from \$0.7 million to \$0.9 million per year and total \$2.5 million for the three-year period investigated by the Commission.

¹⁴⁷ Id. at 14.

¹⁴⁸ Id. at 15.

Table 18. Individually Quick Frozen Raspberries from Chile:
Estimated Lost Revenue due to Dumping

Item	1999	2000	2001	Total
Estimated subsidy margin (percent)	5.98	5.98	5.98	N/A
Lost revenue due to dumping (\$1,000) ⁽¹⁾	836	883	737	2,456
(1) Assumes that the nonsubject Chilean firms accounted for 20 percent of imports from Chile. Sources: USITC Pub. 3524 at to C-3 to C-4; D-4; and author's calculations.				

The lost revenue by the domestic raspberry industry has adverse effects on other domestic industries, as well as financial costs to the overall economy. These estimated values are shown in the table below. The indirect industry output multiplier for frozen food manufacturing industry is 2.28. This is a relatively large multiplier, which indicates that the total dollar change in output of other industries that results from a one dollar change in IQF output is \$2.28. The indirect effect of reduced output from dumping on other industries was approximately \$5.6 million. The financial cost of consuming more imports is estimated to equal the one-year Treasury bill rate multiplied by the increase in import value resulting from the dumping. The increase in imports resulting from unfair trade was approximately \$0.5 million per year, resulting in annual financial costs of \$0.1 million during the three-year period.

Table 19. Individually Quick Frozen Raspberries from Chile:
Indirect Costs and Interest Costs due to Dumping

Item	1999	2000	2001	Total
Indirect industry output multiplier	2.28	2.28	2.28	N/A
1-year T-bill rate (percent)	5.08	6.11	3.48	N/A
Lost indirect activity (\$1,000)	1,902	2,009	1,678	5,589
Interest on borrowed funds (\$1,000)	34	43	20	96
Sources: Bureau of Economic Analysis at http://www.bea.gov/bea/dn2/i-o.htm#benchmark (data for multiplier); Federal Reserve Bank of St. Louis at http://www.research.stlouisfed.org/fred2/series/GS1/downloaddata (interest rates); and authors'				

The value of the consumer gains from increased consumption of red raspberries is shown below. This amount represents the portion of the gain in consumer surplus that does not come at the expense of domestic producers or fairly trade imports. It is the pure consumer gain that results from the market distortion of dumping. In this instance, the gain is only an estimated \$23,000. This amount is far smaller than even the financing costs associated with the increase in imports resulting from the market distortion of dumping. The disparity between the revenue losses to the domestic industry and the pure gains to consumers is considerable. The size of this disparity is largely determined by the various elasticities, the dumping margin, and other characteristics associated with the market. The conventional interpretation, as noted in the overview, is to ignore most of the

revenue lost by domestic producers because the inputs used are assumed to be absorbed in other productive activities, and to focus on the net gain in consumer surplus. In the case of red raspberries, this assumption seems especially unwarranted. While some of the machines used to quick freeze fruit can be used to freeze other fruits or vegetables, some of the machines are specialized. In addition, if prices are depressed due to dumped imports, some of the fruit may not even be harvested, which would reduce the value added by harvest machinery, or the fruit may be harvested and not sold, thereby wasting productive resources that would not have been wasted had the dumped product not been in the market.

Table 20. Individually Quick Frozen Raspberries from Chile:
Summary of Costs and Benefits of Dumping

Item	1999	2000	2001	Total
Lost revenue due to dumping (\$1,000)	-836	-883	-737	-2,456
Lost indirect activity (\$1,000)	-1,902	-2,009	-1,678	-5,589
Interest on borrowed funds (\$1,000)	-34	-43	-20	-96
Consumption gains (\$1,000)	11	6	6	23
Sources: Author's calculations.				

Long-term impact of the order

The sunset review of the raspberry antidumping order is scheduled to be initiated in June 2007. Publicly available data indicate that IQF imports from Chile have continued, which is not surprising given the relatively small size of the dumping margin and the fact that some Chilean firms were found not to be dumping and have not been subject to a duty.¹⁴⁹ However, there has been a marked change in the average price of imports from Chile since the order went into effect. In 2001 and 2002, the average unit value of imports from Chile was \$0.80 per lb. In 2003, the unit value rose by \$0.05 per lb., and rose by another \$0.10 per lb in 2004. In 2005, through April of 2006, unit values remained above the levels that prevailed during the IQF investigation. Data from USDA indicate that higher import unit values have enabled domestic growers in Oregon and Washington to get more money for their crops sold to processors. In 2000, the unit value of sales to processors declined by more than 50 percent and remained depressed in 2001.¹⁵⁰ Prices increased somewhat in 2002 and then rose substantially in 2003 and 2004. The value of domestic red raspberries sold to processors doubled between 2000 and 2004. Though not all of this increase can be attributed to the elimination of dumped imports not all of processed raspberries are individually quick frozen the absence of dumped imports were

149 According to official trade data, imports of HTS 0811.20.2020 from Chile declined in 2002, but have risen each year thereafter. See <http://dataweb.usitc.gov>.

150 See <http://usda.mannlib.cornell.edu/data-sets/specialty/89022/tab-d05.xls>.

certainly a positive development for U.S. growers. The domestic industry received approximately \$500,000 in distributions attributable to the CDSOA in 2005, but did not receive any distributions during prior years.