

Industry & Trade Summary

Pasta

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U.S. International Trade Commission
Washington, DC 20436



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PREFACE

In 1991 the United States International Trade Commission initiated its current *Industry and Trade Summary* series of informational reports on the thousands of products imported into and exported from the United States. Each summary addresses a different commodity/industry area and contains information on product uses, U.S. and foreign producers, and customs treatment. Also included is an analysis of the basic factors affecting trends in consumption, production, and trade of the commodity, as well as those bearing on the competitiveness of U.S. industries in domestic and foreign markets.¹

This report on pasta covers the period 1997 through 2001. Listed below are the individual summary reports published to date on the agriculture and forest products sectors.

<i>USITC publication number</i>	<i>Publication date</i>	<i>Title</i>
2459	November 1991	Live Sheep and Meat of Sheep
2462	November 1991	Cigarettes
2477	January 1992	Dairy Products
2478	January 1992	Oilseeds
2511	March 1992	Live Swine and Fresh, Chilled, or Frozen Pork
2520	June 1992	Poultry
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2612	March 1993	Wood Pulp and Waste Paper
2615	March 1993	Citrus Fruit
2625	April 1993	Live Cattle and Fresh, Chilled, or Frozen Beef and Veal
2631	May 1993	Animal and Vegetable Fats and Oils
2635	June 1993	Cocoa, Chocolate, and Confectionery
2636	May 1993	Olives
2639	June 1993	Wine and Certain Fermented Beverages
2693	October 1993	Printing and Writing Paper
2702	November 1993	Fur Goods
2726	January 1994	Furskins
2737	March 1994	Cut Flowers
2749	March 1994	Paper Boxes and Bags
2762	April 1994	Coffee and Tea

¹ The information and analysis provided in this report are for the purposes of this report only. Nothing in this report should be construed to indicate how the Commission would find in an investigation conducted under statutory authority covering the same or similar subject matter.

PREFACE—*Continued*

<i>USITC publication number</i>	<i>Publication date</i>	<i>Title</i>
2859	May 1995	Seeds
2865	April 1995	Malt Beverages
2875	May 1995	Certain Fresh Deciduous Fruits
2898	June 1995	Certain Miscellaneous Vegetable Substance and Products
2917	October 1995	Lumber, Flooring, and Siding
2918	August 1995	Printed Matter
2928	November 1995	Processed Vegetables
3015	February 1997	Hides, Skins, and Leather
3020	March 1997	Nonalcoholic Beverages
3022	April 1997	Industrial Papers and Paperboards
3080	January 1998	Dairy Products
3083	February 1998	Canned Fish, Except Shellfish
3095	March 1998	Milled Grains, Malts, and Starches
3096	April 1998	Millwork
3145	December 1998	Wool and Related Animal Hair
3148	December 1998	Poultry
3171	March 1999	Dried Fruits Other Than Tropical
3268	December 1999	Eggs
3275	January 2000	Animal Feeds
3350	September 2000	Grain (Cereals)
3352	September 2000	Edible Nuts
3355	September 2000	Newsprint
3373	November 2000	Distilled Spirits
3391	January 2001	Cotton
3461	October 2001	Cured Fish
3463	October 2001	Fresh or Frozen Fish
3490	February 2002	Wood Pulp and Waste Paper
3576	February 2003	Oilseeds
3579	February 2003	Live Sheep and Meat of Sheep
3580	February 2003	Cut Flowers

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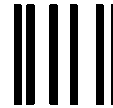
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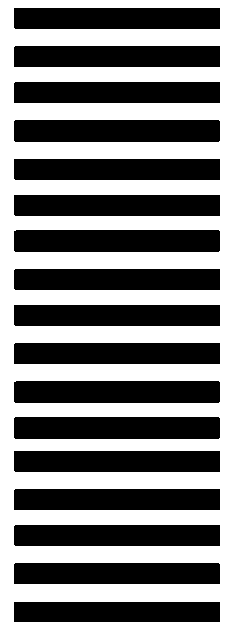
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ABSTRACT

This summary analyzes trade and industry conditions in the U.S. pasta products market, primarily dry pasta, for the period 1997-2001. Dry pasta constitutes both dry “Italian-style” pasta (such as spaghetti, rigatoni, and lasagna) and other types of dry pasta such as oriental or ramen noodles. It also includes dry pasta that the dry pasta manufacturers may package with other ingredients, such as a sauce. Other types of pasta include refrigerated (fresh) pasta, frozen pasta, and canned pasta. Both pasta containing egg and non-egg pasta are included in this summary.

- Imports play a significant role in the U.S. pasta market, accounting for approximately 24 percent of apparent U.S. consumption in 2001. Imports of pasta from Italy continue to hold the largest import share, although imports from Italy have declined somewhat from their 1997 levels. Imports from Canada have increased considerably since 1997 and account for an increasingly important import share.
- The U.S. industry has experienced significant consolidation during 1997-2001 as well as increased foreign investment, both by foreign firms operating in the United States and U.S. firms expanding their production operations outside of the United States. The consolidation of the U.S. industry has resulted in reductions in capacity and employment in the industry.
- Data from the U.S. Bureau of the Census (Census) indicate that apparent U.S. consumption of pasta products has declined sharply, in value terms, during 1997-2001. However, the U.S. industry believes that consumption, in unit terms, has remained fairly stable with declines in the retail market partially offset by growth in the ingredient market. The discrepancy in these estimates may be attributable to the stagnation in the retail price of dry pasta and the possibility that the Census data do not completely capture captive production and consumption for the ingredient market.
- Although the United States continues to have a significant trade deficit in pasta products, U.S. exports have been growing faster than U.S. imports. The primary market for U.S. pasta exports is Canada. Despite the significant increase in imports from Canada the United States continues to have a trade surplus in pasta products with respect to Canada.

INTRODUCTION

This summary provides information on pasta products, with a particular focus on dry pasta products. Pasta products are provided for in the Harmonized Tariff Schedule of the United States (HTS) under heading 1902. This report provides information on the structure of the U.S. and some foreign industries, domestic and foreign tariff and nontariff barriers, and the conditions of competition in these markets. This analysis covers the period 1997-2001.

The structure of the U.S. pasta products industry and the market into which it sells are changing in a variety of ways. The domestic industry has recently consolidated and international trade is a significant condition of competition. Imports of pasta products increased from 1997 to 2001 by approximately 4 percent. However, the increase has been irregular, with imports peaking in 1999, and then falling slightly from 1999 levels in 2000 and 2001. While imports from Italy still constitute the largest import share, accounting for 36 percent of total imports in 2001, imports from Canada have grown from only 12 percent of total imports in 1997 to 24 percent of imports in 2001. Much of the increase in Canada's import share has occurred at the expense of imports from Italy. U.S. exports have increased significantly during 1997-2001, from \$107 million to \$148 million, or by 38 percent. While imports and exports have increased, U.S. apparent consumption has fallen 31 percent.

The U.S. pasta products industry is primarily classified under the North American Industry Classification System (NAICS) code 311823, dry pasta manufacturing. There were 239 establishments classified under this NAICS code in 1999, the latest year for which establishment data are available. The industry employed 4,315 workers in 2000, which is a decline of approximately 29 percent from 1997. The value of shipments totaled approximately \$1.2 billion in 2000, a decline of 33 percent since 1997.

Pasta is a food product such as macaroni (including spaghetti, rigatoni, and other forms) and noodles, which may contain egg or other additives.¹ Pasta is formed by extrusion into different shapes and sizes. Pasta is made in many different shapes, sizes, colors, and flavors, and is sometime categorized in terms of extruded solid goods, extruded hollow goods, and rolled and cut goods. Another method of categorizing pasta is into long goods (spaghetti and linguine); short goods (elbows and twists); noodles; and specialty items (lasagna and jumbo shells).² Dry pasta is pasta that has been dried into a brittle form that is ready for cooking or

¹ Part 39 of Chapter 21 of the *Code of Federal Regulations* (CFR) provides standards of identity for macaroni (which is non-egg pasta) and noodles (which are egg pasta). Except for egg or egg yolk, the list of permissible additives for noodle products is similar to the list for macaroni products. Specifically, to be labeled as macaroni, the articles must meet the standards which specify macaroni products "...are prepared by drying formed units of dough made from semolina, durum flour, farina, flour, or any combination of two or more of these, with water..." Noodle products "...are prepared by drying formed units of dough made from semolina, durum flour, farina, flour, or any combination of two or more of these, with liquid eggs, frozen eggs, dried eggs, egg yolks, frozen yolks, dried yolks, or any combination of two or more of these with or without water..." The CFR further states that macaroni product may contain egg white not to exceed 2.0 percent of the weight of the finished product, and other specified additives.

² The CFR provides standards of identity for the labeling of macaroni, and various noodle products. For example, spaghetti is tube-shaped or cord-shaped, but not tubular or hollow, and more than 0.06 inch but not more than 0.11 inch in diameter.

for incorporation into downstream products such as canned soup or boxed macaroni and cheese. Other forms of pasta include wet-extruded pasta, which is not dried and typically is immediately incorporated into a downstream product, such as soups; fresh and frozen pasta; and oriental style noodles. Virtually all dry pasta produced in the United States is produced using a mixture of durum wheat semolina and water.³ For egg noodles however, U.S. producers typically use finer durum flour because of the flour's smaller particle size.

U.S. INDUSTRY PROFILE

Dry pasta manufacturing is primarily contained in NAICS code 311823. Fresh pasta production is contained in NAICS code 311994, perishable prepared food manufacturing, while pasta specialties production, which includes ready-to-eat meals containing pasta, are contained in NAICS code 3117, fruit and vegetable preserving and specialty food manufacturing. The vast majority of the pasta produced and consumed in the United States is dry pasta. U.S. dry pasta producers estimate total U.S. consumption to be approximately 4 billion pounds per year. A survey commissioned by the Italian trade association, Union Industriali Pastai Italiani (UN.I.P.I.), and reflecting 2000 data, estimated U.S. per capita consumption to be approximately 20 pounds per year, (or approximately 5.5 billion pounds based on the U.S. population in 2000).

Dry Pasta

Employment

Employment in the dry pasta products industry has declined steadily since 1997, from 6,063 to 4,315 in 2000,⁴ a decline of 29 percent. This decline in employment has occurred in conjunction with a decrease in the number of pasta production facilities in the United States over the same period.⁵ The number of establishments has declined by 12 percent, in 1997 to 239 in 1999. These declines can likely be attributed to significant consolidation in the U.S. industry and improvement in production technology. The most modern pasta production facilities have achieved production rates twice those of facilities built only 10 years ago.⁶

³ U.S. industry officials, interview by USITC staff, Oct. 4, 2002. Semolina is coarsely milled durum wheat, as opposed to durum wheat flour, which is finely milled durum wheat.

⁴ Data are not available for 2001.

⁵ U.S. Bureau of the Census, *Annual Survey of Manufacturers 2000*, Feb. 11, 2002.

⁶ U.S. industry officials, interview by USITC staff, July 29, 2002.

Concentration

The dry pasta industry in the United States is characterized by a high degree of concentration. The major U.S. producers include New World Pasta, American Italian Pasta Company (AIPC), Barilla America (Barilla), and the Dakota Growers Pasta Company (Dakota Growers). Although an exact industry concentration ratio is not available, these companies account for the vast majority of all retail sales of branded pasta and a significant portion of the private label sales as well.⁷ These companies account for a smaller share of the ingredient market. The major producers distribute their product nationally using several different brand names and through private label brands.

The level of industry concentration is partially the result of significant merger and acquisition activity in the industry over the last 5 years. The two key consolidations within the industry were the sale of Borden Foods pasta production facilities and brand names to New World Pasta and American Italian Pasta and the purchase of the Mueller's pasta brand from Bestfoods by American Italian Pasta. In July 2001, American Italian Pasta purchased seven regional brand names from Borden Foods. At the same time New World Pasta purchased 11 pasta brands and 6 manufacturing facilities in the United States, Canada, and Italy from Borden Foods. These two transactions marked Borden Foods exit from the pasta industry. In November 2001, American Italian Pasta purchased the Mueller's brand from Bestfoods. American Italian Pasta had been performing the manufacturing and distribution of the Mueller's brand for Bestfoods since 1997. In October 2002, American Italian Pasta purchased the Martha Gooch and LaRosa pasta brands from Archer Daniels Midland in the United States, and purchased the Lensi brand of pasta from Pastificio Lensi in Italy.⁸

The balance of U.S. production is provided by a number of smaller, regional pasta producers. Included among these are Philadelphia Macaroni, A. Zerega's Sons, and Golden Grain Macaroni. Philadelphia Macaroni and A. Zerega's Sons produce primarily for the food service and ingredient markets. Golden Grain Macaroni, formerly part of the Quaker Oats Company, is now part of PepsiCo, and markets its products primarily in the Western United States. The National Pasta Association lists 12 additional U.S. pasta producers.⁹ Additionally, a number of processed foods companies operate pasta production facilities strictly for captive consumption.

While New World Pasta, American Italian Pasta, and Dakota Growers are U.S. companies, Barilla America (Barilla) is the U.S. subsidiary of Barilla S.p.A., an Italian producer and exporter of pasta. In 1998, Barilla opened a large durum milling and pasta production facility

⁷ In 1995, the top five U.S. producers accounted for approximately 70 percent of U.S. production of dry pasta. The top five U.S. producers at that time included Borden Foods, whose business was purchased by AIPC and New World Pasta. It also included the Hershey Pasta Group which is now New World Pasta. These consolidations likely increased the total share of the market held by the top companies. USITC *Certain Pasta from Italy and Turkey*. inv. Nos. 701-TA-365-366 (Final) and 731-TA-734-735 (Final), USITC pub. No. 2977, July 1996. Additionally, trade press reports indicate that in 2001, the top three U.S. producers, AIPC, New World Pasta, and Dakota Growers Pasta Company controlled 62 percent of the U.S. market. Prairie Pasta Producers, company press release, Dec. 9, 2001.

⁸ American Italian Pasta Company Press Release, "American Italian Pasta Company Acquires Martha Goods and Larosa Pasta Brands in the U.S. and Lensi Pasta Brand in Italy," Oct. 2, 2002.

⁹ National Pasta Association, found at http://www.ilovepasta.org/npa_companies.html, retrieved May 2, 2002.

in Ames, Iowa. According to trade press accounts, this facility reportedly has the capacity to produce between 130 million and 155 million pounds of pasta annually.¹⁰

Capacity and Capacity Utilization

Recent production capacity and capacity utilization data are not readily available for the pasta industry. However, the latest available data indicate underutilization of capacity.¹¹ The capacity utilization rate for dry pasta manufacturers in 2000 was estimated at 67 percent, a decline from 70 percent in 1999.¹² Between 1996 and mid-2002, the closure of 14 pasta plants resulted in a reduction in capacity of approximately 1.2 billion pounds.¹³ Figure 1 shows the locations of the facilities where capacity reductions have occurred in the United States. Some producers have reported that there is still overcapacity in the U.S. industry.¹⁴ During 2001, New World Pasta announced that it was closing three North American pasta facilities. It has been estimated that these closures would reduce North American capacity by approximately 200 million pounds annually. However, in 2002, New World Pasta announced that some of these capacity reductions were suspended and plant technology upgrades are now planned that will expand the firm's total capacity.¹⁵ Additionally, American Italian Pasta has announced the construction of a new plant in Arizona with a future capacity of up to 300 million pounds annually.¹⁶ The trade association in Italy, UN.I.P.I., estimated U.S. pasta production in 2001 at 1.2 million metric tons or approximately 2.6 billion pounds.

Vertical integration is also increasing within the pasta industry as an increasing number of pasta producers either own durum mills or have dedicated supply arrangements for semolina. Fully integrated durum mills/pasta plants and durum mills whose production is dedicated to a contiguous pasta plant account for approximately two-thirds of total durum milling.¹⁷ For example, American Italian Pasta, Dakota Growers, and Barilla all control their own durum milling operations.

¹⁰ "Barilla sees U.S. as major step in global presence," *Milling & Baking News*, Dec. 9, 1997.

¹¹ U.S. Bureau of the Census, *Survey of Plant Capacity 2000*, Jan. 2002.

¹² U.S. Bureau of the Census, *Survey of Plant Capacity 2000*, Jan. 2002.

¹³ Data provided by North American Millers Association.

¹⁴ *Milling & Baking News*, Aug. 14, 2001; Rural Cooperatives Magazine, Jan./Feb. 2001; and staff interviews.

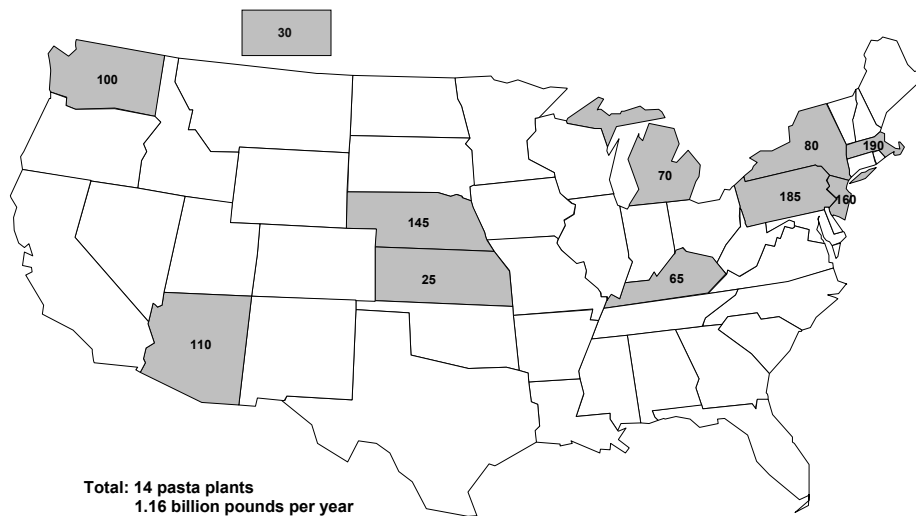
¹⁵ "New World Pasta to boost production capacity with high-speed pasta manufacturing line," *Milling & Baking News*, Apr. 30, 2002.

¹⁶ "In the Wake of the Break," *Milling & Baking News*, July 9, 2002.

¹⁷ "Revised data confirm downward trend in U.S. milling rate," *Milling & Baking News*, Aug. 28, 2001.

Figure 1
U.S. pasta capacity reductions due to plant closures, 1996-2002

Millions pounds of capacity per region



Source: North American Millers Association.

Fresh, Frozen, and Refrigerated Pasta

Frozen or refrigerated pasta represents a smaller market than dry pasta. This market is estimated to account for less than 10 percent of the total pasta market in the United States.¹⁸ These pasta products are generally higher priced than dry pasta products. Sales of chilled pastas have experienced some decline during 1997-2000. Retail sales have declined from approximately \$203 million in 1997 to \$190 million in 2000.¹⁹ This decline in sales has been attributed to shifts in consumer tastes.²⁰ These products are marketed at higher price points than dry pasta and have historically been targeted at single or two-person households. However, during 1997-2000, these types of households increasingly ate out or purchased complete frozen or chilled ready-to-eat meals.²¹ Nestle S.A., Kraft Foods, Inc., and Monterey Pasta Company are among the industry leaders in frozen/chilled pasta products. Nestle markets its products under the Contadina and Buitoni brand names while Kraft Foods markets its products using the DiGiorno brand name.

¹⁸ Euromonitor, *Packaged Food in the United States*, Nov. 2001.

¹⁹ Ibid.

²⁰ "Borden breakup bestirs pasta category," *Milling & Baking News*, Aug. 14, 2001 and "Credible Coverage, advertising needed to solve pasta perception problem," *Milling & Baking News*, May 29, 2001.

²¹ Euromonitor, *Packaged Food in the United States*, Nov. 2001.

U.S. Market

Consumer Characteristics and Factors Affecting Demand

Total U.S. consumption of dry pasta is estimated to be approximately 4 billion pounds through all channels: retail, ingredient, and food service. Consumption of dry pasta in the retail channel has trended downward over the last 5 years, although the rate of decline has slowed in the last year.²² The value of shipments of dry pasta declined from \$1.8 billion in 1997 to \$1.2 billion in 2000, or by approximately 33 percent (table B-2). The U.S. industry believes that the Census figures overstate the decline in U.S. shipments. Specifically, industry sources indicate that the growth in the ingredient market, which may not be fully captured in the Census data, has been sufficient to offset the decline in retail consumption.²³ There are several hypotheses that may account for the apparent discrepancy between the Census data and the U.S. industry's data. First, the Census data are presented in value terms, while the industry data are in unit terms. Pasta prices have declined or been stable during 1997-2001, which could contribute to some decline in the total value of shipments. Second, a significant portion of the production of pasta for the ingredient market is captive consumption and therefore may not be fully captured in the Census data. The different U.S. industry estimates suggest that dry pasta consumption during 1997-2001 has ranged from stable to consumption growth of up to 2 percent per year.²⁴

Channels of Distribution

Retail sales

The majority of pasta products are sold to retail, food service, and ingredient customers. Figure 2 presents the channels of distribution for the dry pasta market. The retail market represents the largest portion of sales for independent dry pasta producers. The retail market accounts for an estimated 35 percent of the total pasta market.²⁵ The retail market includes sales of both private label and branded pasta products. The main channels of distribution for the retail market are grocery stores, mass merchants, and club stores. Unlike some other food markets, brand names do not provide a significant competitive advantage over non-branded products. In the pasta market, branded and private label products have historically competed on the basis of price. This price based competition prevents significant retail price differences between branded and private label products. Additionally, supermarkets tend to prefer private label products where possible because they generally realize a higher margin on sales of private label products.

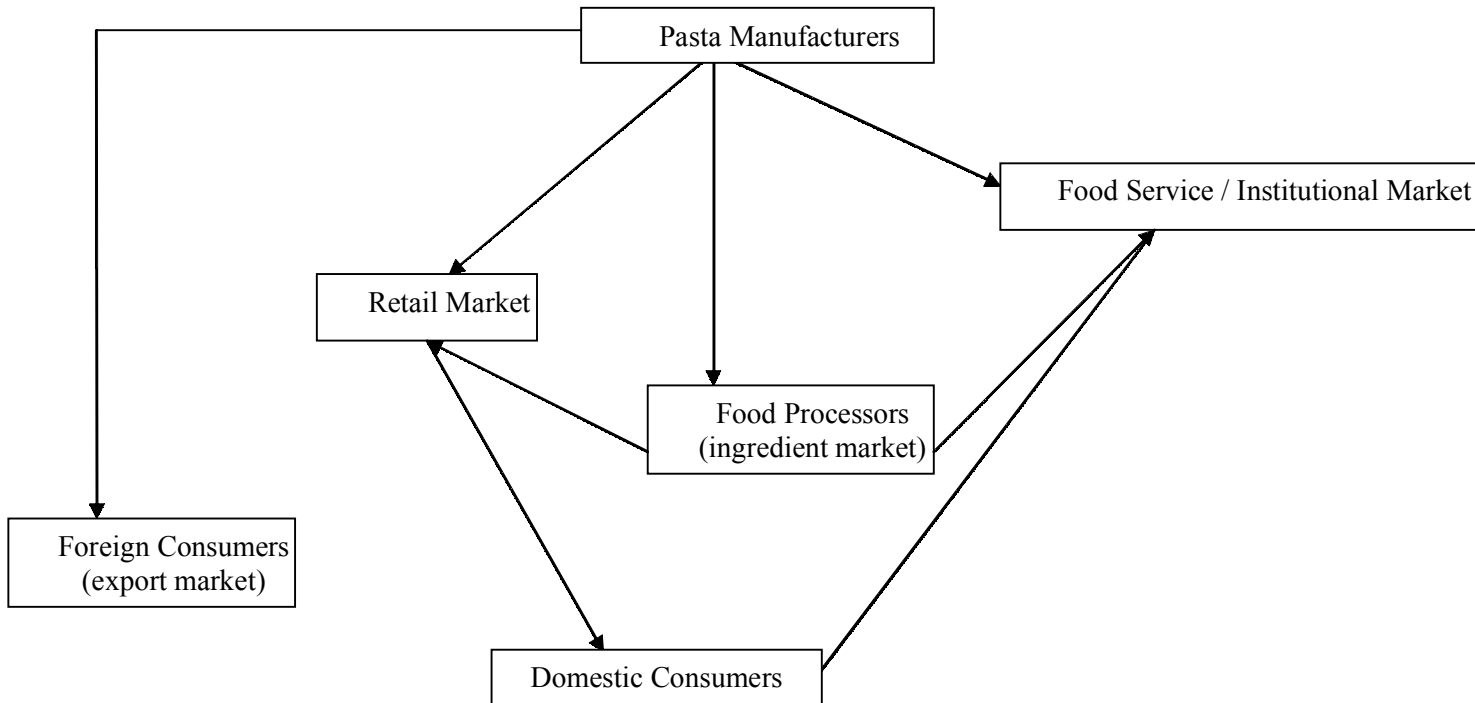
²² *Bakery Production and Marketing Red Book*, 2001.

²³ U.S. industry officials, interviewed by USITC staff, Oct. 11, 2002.

²⁴ *Ibid.*, July 29, 2002.

²⁵ Data provided by U.S. industry.

Figure 2
Channels of distribution for the U.S. pasta industry



Most consumers see dry pasta as a commodity product and therefore base their purchasing decisions on price, which further reinforces the price-based competition between branded and private label products.²⁶ These price-based decisions can influence the selection of private label pasta over products sold under brand names. Additionally, there are some indications that retailers' marketing activity leads to lower retail prices for pasta. Some retailers use pasta as a loss leader to bring consumers into their stores.²⁷ Also, the growth in popularity of mass merchant and discount chains, such as Costco or Sam's Club, has contributed to increased purchases of private label brands and in larger, lower per unit cost packages.

Store brands or private label products are produced by a number of domestic pasta producers. American Italian Pasta is the leading producer of private label pasta. New World Pasta, the largest domestic producer by market share, produces both branded and private label product, although private label products account for a relatively smaller share of its sales. Additionally, Dakota Growers markets its product under such store brands as Kroger, Fred Meyer, Ralphs, First Choice, and FMV.

U.S. producers selling brand name products tend to operate using several regional brand names. Dakota Growers utilizes its own brand names: Dakota Growers, Zia Briosa, and Pasta Sanita in North Dakota and South Dakota, Minnesota, and Montana. American Italian Pasta acquired a number of regional brands from Borden Foods, including Anthony's, Globe/A-1, Luxury, Mrs. Grass, Pennsylvania Dutch, R&F, and Ronco. Products with regional brand name recognition produced by New World Pasta include Ronzoni, Creamette, San Giorgio, American Beauty, and Skinner.

Only Barilla, which supplies the U.S. market through a combination of U.S. production and imports, has attempted to establish a national brand identity for its pasta.²⁸ The regionalization of brands can be observed among top selling pasta brands. The top selling brand in the United States is actually the aggregate of all private label brands.²⁹ Private label is followed by Barilla, Ronzoni, Mueller's, Creamette, San Giorgio, American Beauty, Skinner, Price, and Gold Grain Mission.³⁰ Further, regional brands may bear the brunt of declines in consumer spending on pasta. Data compiled by Information Resources, Inc. (IRI) for the 52 weeks ending April 23, 2000, show that private label and Barilla brand products are the only major brands showing any significant increase in sales values.³¹ After private label and Barilla, four of the next five brands had declining dollar share and one held even. Some of these trends may be explained by the marketing strategies employed. Producers

²⁶ *Pasta Journal*, Sept./Oct. 1995; New World Pasta, SEC Form 10-K, for fiscal year ended Dec. 31, 2001; Dakota Growers Pasta Company, SEC Form 10-K, for fiscal year ended July 31, 2001; and American Italian Pasta Company, SEC Form 10-K, for fiscal year ended Sept. 30, 2001.

²⁷ U.S. industry officials, interview by USITC staff, Oct. 17, 2002.

²⁸ "Barilla sees U.S. as major step in global presence," *Milling & Baking News*, Dec. 9, 1997.

²⁹ "Borden breakup bestirs pasta category," *Milling & Baking News*, Aug. 14, 2001.

³⁰ Rankings are based on data provided by Information Resources, Inc. and cite data for the 52 weeks ended June 17, 2001, in U.S. supermarkets with annual sales of \$2 million or more. These data may actually understate the market share of private label pasta, since they do not capture sales at mass merchants or warehouse stores, which perhaps more heavily promote the sale of private label product than grocery stores. As a result, the data likely understate the extent of private label sales from this rapidly growing retail segment.

³¹ "Pizzazz, portability and price the pursuit for pasta preference," *Milling & Baking News*, June 13, 2000.

generally compete on price, not only with other branded products, but with private label products as well. Further, advertising is often limited to coupons and in-store displays.

Food service markets

The primary pasta consumers in the food service market include restaurants, hotels, school and office cafeterias, hospitals, and other away-from-home eating establishments. The food service market is estimated to account for approximately 20 percent of the dry pasta market.³² Consumers in this market generally purchase pasta through distributors.

Ingredient market

The ingredient market includes pasta used for prepared meals, such as macaroni and cheese; frozen, refrigerated, and canned meals; soups; and baby food. U.S. producers estimate that the ingredient market represents as much as 45 percent of the total domestic dry pasta market. However, as noted above, a number of the companies that produce products containing pasta produce their own pasta for these products. Industry representatives estimate that approximately two-thirds of the pasta used in the ingredient market is produced internally.³³ Thus, while this market may represent a significant share of total pasta consumption, it is a limited market for independent U.S. pasta producers. Recently, American Italian Pasta has made significant in-roads into this market, capturing market share from smaller regional producers.³⁴

Production for the ingredient market requires very strict quality control.³⁵ Some U.S. producers have commented that the quality control measures for the ingredient market are more strict than those for the retail market. These higher quality control requirements can result in higher production costs for producers selling to the ingredient market. Such requirements are set by the company producing the final product.

Co-pack

An additional means of product distribution are co-pack arrangements. Co-pack arrangements involve the sale of pasta between pasta manufacturers. These sales are used to supply product to manufacturers that cannot currently produce the full quantity required to meet their customers needs.

³² Data provided by industry.

³³ U.S. industry officials, interview by USITC staff, Aug. 17, 2002 and Oct. 11, 2002.

³⁴ Ibid.

³⁵ Ibid

Consumption

There is some belief within the industry that demand for pasta is slightly counter-cyclical to the general economic climate. As pasta is a relatively less expensive food staple, demand for pasta increases when the economy slows. An increase in economic activity does not necessarily increase consumption of pasta, as consumers may substitute more expensive products for pasta.³⁶

Trends in U.S. consumer characteristics have led to a decline in pasta consumption. U.S. apparent consumption declined in each year from 1997 to 2000, from approximately \$2 billion in 1997 to \$1.4 billion in 2000 (table B-2). The decline in consumption has primarily been absorbed by U.S. producers, since import market share increased from 16 percent in 1997 to 24 percent in 1999 and remained at 24 percent in 2000. Three major changes reportedly have had negative impacts on pasta consumption: an increase in the consumption of ready-to-eat meals, dining out, and the popularity of fad diets that stress minimizing the consumption of carbohydrate rich foods such as pasta.³⁷

American consumers have increasingly demanded more convenient meal options in terms of faster preparation with less preparation effort. As a result, the consumption of ready-to-eat meals has increased dramatically. At least some of this growth has come at the expense of retail sales of dry pasta products.³⁸ In addition, as average household incomes rose through the year 2000, more consumers dined out. Again, some of this growth in dining out came at the expense of home preparation of dry pasta.

Within the pasta industry, a considerable amount of attention has been given to the impact of diet plans, such as the Atkin's diet, that stress reduced consumption of carbohydrate rich foods such as pasta and instead focused on high protein foods.³⁹ There is concern within the industry that these diets have influenced consumers to believe that pasta is an unhealthy or less healthy food.⁴⁰ This is a new phenomenon in the pasta industry as pasta has historically had a strong image as a healthy food. A survey commissioned by the American Bakers Association and the Wheat Foods Council found that 50 percent of consumers recently polled believe that pasta is fattening, up from 40 percent in 1998 and up from 11 percent in 1995.⁴¹ The healthiness of pasta consumption will likely remain an important issue for the industry, as recent public attention on obesity rates in the United States will continue to provide a forum for advocates of low-carbohydrate diets.

³⁶ "Revised data confirm downward trend in U.S. milling rate," *Milling & Baking News*, Aug. 28, 2001.

³⁷ *Pasta Journal*, Sept./Oct. 1995; New World Pasta, SEC Form 10-K, for fiscal year ended Dec. 31, 2001; Dakota Growers Pasta Company, SEC Form 10-K, for fiscal year ended July 31, 2001; and American Italian Pasta Company, SEC Form 110-K, for fiscal year ended Sept. 30, 2001.

³⁸ Euromonitor, *Packaged Food in the United States*, Nov. 2001.

³⁹ *Pasta Journal*, Sept./Oct. 1995; New World Pasta, SEC Form 10-K, for fiscal year ended Dec. 31, 2001; Dakota Growers Pasta Company, SEC Form 10-K, for fiscal year ended July 31, 2001; and American Italian Pasta Company, SEC Form 110-K, for fiscal year ended Sept. 30, 2001.

⁴⁰ *Ibid.*

⁴¹ "Credible coverage, advertising needed to solve pasta perception problem," *Milling & Baking News*, May 29, 2001.

The most recent market data appear to indicate that the decline in dry pasta consumption may have bottomed out.⁴² As noted above, the two largest U.S. producers have announced capital expenditures on new plants and production equipment. Although some of this new capacity is likely to come at the expense of less efficient existing capacity, total capacity should increase. Additionally, there is anecdotal evidence from trade press reports that some of the smaller, regional pasta producers are also contemplating capacity expansions.

U.S. Shipments

The U.S. dry pasta industry has faced declining sales over the last several years. Shipments of dry pasta fell steadily from \$1.8 billion in 1997 to \$1.2 billion in 2000, a decline of 33 percent (table B-1).⁴³ However, as noted earlier, the U.S. industry believes that the Census data likely overstate the total decline in the pasta market. Estimates provided by the U.S. industry for dry pasta consumption during 1997-2001 ranged from stable to consumption growth of up to 2 percent per year.

Factors Affecting Production

While a number of factors impact the cost of production for pasta manufacturers, two of the more important factors are energy and wheat costs. Energy costs are an important factor in pasta production. The drying process requires the use of high temperature ovens,⁴⁴ rising energy costs, and in particular, spikes in energy costs in the recent past have adversely affected U.S. pasta producers.

The supply, quality, and price of durum wheat is another major cost factor for pasta producers. Durum production in the United States has fluctuated over the last 5 crop years while the use of durum for food products has increased (table B-3). U.S. pasta producers have indicated that the United States is unable to produce sufficient amounts of durum wheat at the quality required for pasta production and therefore imports are necessary for their operations.⁴⁵ Imports of durum have ranged from between 14 percent and 20 percent of the total supply of durum between the 1997/98 crop year and the 2001/02 crop year. Imports held their highest market share during the 1997/98 and 2001/02 crop years, when domestic durum production was at its lowest levels. Durum prices have declined steadily since the 1997/98 crop year. Prices have fallen approximately 46 percent between the 1997/98 crop year and the 2000/01 crop year. However, many of the wheat growing regions in the United States and Canada experienced significant drought in 2002, resulting in increasing prices for durum wheat.⁴⁶

⁴² *Baking Production and Marketing Redbook*, 2001.

⁴³ U.S. Bureau of the Census, *Annual Survey of Manufacturers 2000*, Feb. 11, 2002.

⁴⁴ U.S. industry officials, interview by USITC staff, Oct. 17, 2002.

⁴⁵ *Ibid.*, Oct. 4, 2002.

⁴⁶ At the end of 2001, U.S. growers of hard red spring wheat and durum wheat had filed countervailing duty and antidumping petitions against U.S. imports from Canada.

In spite of declining wheat costs, the cost of materials as a percentage of shipment value for dry pasta increased each year from 1997 to 2000 (table B-4). Cost of materials has risen from approximately 41 percent of shipments value in 1997 to approximately 52 percent in 2000.⁴⁷ This may be partially attributable to stagnant retail prices for dry pasta. The average annualized price for spaghetti and macaroni rose by only 5 percent from 1997 through the first 6 months of 2002 (table B-5).

U.S. TRADE

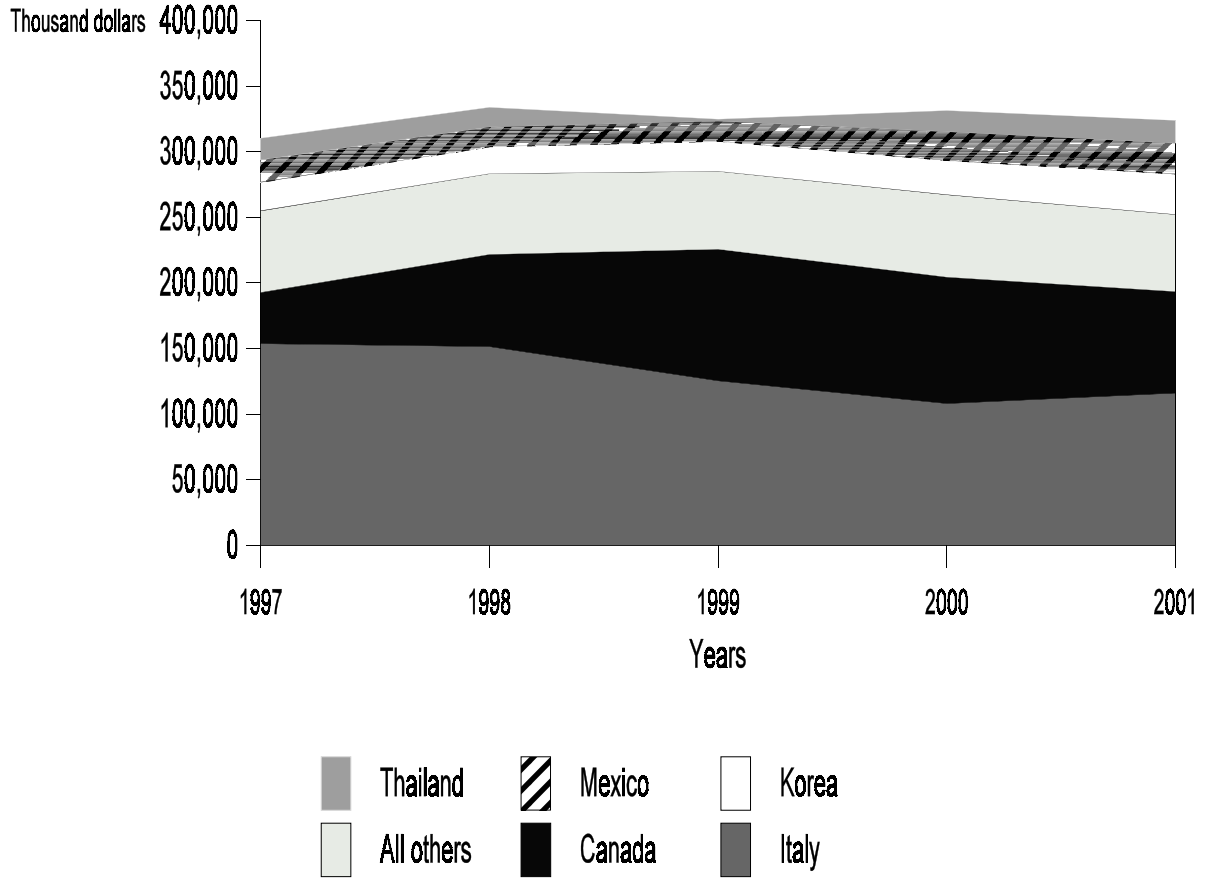
Overview

The United States has a sizeable trade deficit with respect to pasta products (table B-6). In 2001, the value of U.S. imports for consumption of all pasta products totaled approximately \$324 million, and U.S. exports of pasta products were valued at approximately \$148 million. However, U.S. exports are increasing more rapidly than imports. From 1997 to 2001, U.S. imports have increased by 4 percent, or \$13.4 million, while U.S. exports increased 38 percent, or \$41.1 million. As a result, the trade deficit shrank somewhat from its high of \$203 million in 1997 to \$176 million in 2001. The United States has a trade deficit with all significant exporting countries except Canada.

Figure 3 shows U.S. imports of pasta products by major import source for the 1997-2001 period. The two largest sources of pasta products imports are Italy and Canada. U.S. imports of pasta products increased somewhat from 1997 to 2000, rising from \$310 million in 1997 to \$339 million in 1999, before declining slightly in 2000, to \$331 million, and again in 2001, to \$324 million. However, imports in 2000 and 2001 remained above 1997 levels (table B-7). As noted, the growth in imports appears to have come at the expense of U.S. production. During this period, Census data indicate that U.S. consumption declined by approximately 31 percent and domestic industry shipments declined by approximately 33 percent in value terms. As a result, import market share increased from 16 percent in 1997 to 24 percent in 1999 and 2000. Even accounting for the U.S. industry's belief that there has been some volume growth in pasta consumption, imports appear to have gained market share. On a unit basis, pasta imports increased from approximately 276 million kilograms in 1997 to 325 million kilograms in 2001, or 18 percent. Over a 5 year period, the industry's estimate of 2 percent growth in consumption per year equates to an overall increase in consumption of approximately 8 percent. Thus, imports appear to be increasing faster than consumption. Imports from Italy held the largest import share throughout the time period, although Italy's import share has declined somewhat since 1997.

⁴⁷ Cost of materials includes all raw materials, semifinished goods, fuels consumed for heat and power, purchased electricity, and the cost of contract work.

Figure 3
U.S. imports of pasta products, by major import source, 1997-2001



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

Several U.S. producers import pasta, and the two largest U.S. pasta producers also operate pasta production facilities overseas. American Italian Pasta opened a pasta plant in Italy during 2001 to serve the private label markets in the United States and Europe. New World Pasta acquired pasta production facilities in Canada and Italy from Borden Foods in 2001.

U.S. Imports

Principal Suppliers and Import Levels

Italy

The U.S. market is an important one for Italian producers. According to the Italian trade association, approximately 10 percent of all exports of pasta are shipped to the U.S. market. U.S. imports from Italy declined from \$154 million in 1997 to \$108 million in 2000, before recovering slightly to \$116 million in 2001. However, Italy remained the largest source of imports in each year. The two factors that are likely responsible for the decline in imports from Italy are the antidumping and countervailing duty order on imports from Italy (see section below) and the completion of Barilla's pasta plant in Iowa. The antidumping and countervailing duty orders were imposed on non-egg, dry pasta from Italy and Turkey in 1996, and a circumvention investigation was completed in 1998. The vast majority (approximately 88 percent of imports in 2001) of imports from Italy consist of non-egg, dry pasta (table B-8). The completion of the Barilla pasta plant in Iowa allowed Barilla to supply the U.S. market with U.S. production.

Canada

U.S. imports from Canada have increased notably during 1997-2001, from \$39 million in 1997 to \$100 million 1999, declining slightly to \$96 million in 2000, and more substantially to \$77 million in 2001. The decline in imports from Canada in 2001 was the primary cause of the decline in total imports in 2001, and more than offset the modest increases in imports from Italy and all other countries. U.S. pasta producers have expressed surprise at the rate of growth in imports of pasta from Canada.⁴⁸

Canadian exporters enjoy advantages not available to other exporting nations. Foremost among these are NAFTA preferences and geographic proximity to major U.S. markets. While almost all pasta products have entered the U.S. market free of duty following the Uruguay Round, NAFTA has provided Canada with zero tariffs on the small number of products not normally conferred duty free status. Canadian exporters have indicated that the increased efficiency and speed with which imports are processed by the U.S. Customs Service are the real benefits of NAFTA.⁴⁹

⁴⁸ U.S. industry officials, interviewed by USITC staff, July 29, 2002.

⁴⁹ Canadian and U.S. industry officials, interviews by USITC staff, July 29, 2002 and Oct. 11, 2002.

Additionally, Canadian producers enjoy a geographic proximity to major U.S. East Coast markets, which is a significant competitive advantage when dealing with perishable food products. The Canadian industry is positioned to take advantage of this proximity. Prior Census information reported that in 1999, 58 percent of pasta production establishments in Canada were located in Ontario and Québec, close to the major U.S. East Coast markets. Imports from Canada also serve a complimentary role in the U.S. market, at least one U.S. producer notes that it imports from Canada specialty shapes or pasta types not otherwise manufactured in its U.S. plants.⁵⁰

Unlike imports from Italy, a slight majority of imports from Canada in 2001 consisted of pasta products other than non-egg, dry pasta. Approximately 33 percent of imports from Canada consisted of pasta packaged with sauce preparations and approximately 21 percent consisted of canned or frozen pasta (table B-9). The combination of the fact that Canada receives duty free treatment for these products under NAFtA, while products from Italy are subject to a tariff of 6.4 percent ad valorem, and the shorter transport distances from Canada to the United States likely contribute to the difference in the form of pasta products exported from these countries to the United States

U.S. trade measures

Tariff measures

Most pasta products imported from countries with normal trade relations status enter the United States free of duty. All dry pasta enters the United States free of duty, while pasta packaged with sauce preparations, stuffed pasta, and other canned and frozen pasta are subject to a tariff rate of 6.4 percent ad valorem. However, some of these pasta products imports enter the United States free of duty under several trade agreements, including NAFTA, Generalized System of Preferences, Caribbean Basin Economic Recovery Act, U.S.- Israel Free Trade Area, and the Andean Trade Preference Act. Additionally, products entering the United States under the U.S.- Jordan Free Trade Implementation Act are subject to a tariff of 1.6 percent ad valorem in 2003.

Nontariff measures

Imports of pasta products to the United States are subject to three significant nontariff measures. These are the U.S.-EU Pasta Agreement, and antidumping orders and countervailing duty orders against imports from Italy and Turkey. The U.S.-EU Pasta Agreement was originally designed to address export rebates provided by the EU to companies exporting pasta produced using European durum wheat. Under this agreement, the EU committed to providing export rebates to only 50 percent of its exports to the United States. Shipments that did not receive the rebate were generally products produced under the Inward Processing Regime (see below for more information on the Inward Processing Regime). While this agreement is still in effect, the EU no longer provides rebates to companies using wheat grown in the EU.

⁵⁰ U.S. industry officials, interview by USITC staff, July 29, 2002.

U.S. Government trade-related investigations

In 1996, the U.S. industry filed a countervailing duty (CVD) and antidumping (AD) petition with the U.S. Department of Commerce and the U.S. International Trade Commission on imports of non-egg, dry pasta in packages of 5 pounds or less from Italy and Turkey.⁵¹ The petition alleged that exports of this product were subsidized and were being sold in the United States at less than fair value (dumped). Following affirmative decisions by both agencies, the U.S. Department of Commerce issued CVD and AD duty orders against certain pasta from both countries. As the result of an antidumping and countervailing duty investigation, both dumping and CVD orders were issued on imports of non-egg, dry pasta from Italy and Turkey in 1996. For Italy the initial CVD rates calculated by the Department of Commerce ranged from 0 percent to 11.23 percent depending on the specific company involved, with an “all others” rate of 3.85 percent.⁵² For Turkey the initial CVD rates ranged from 3.87 percent to 15.82 percent with an “all others” rate of 9.38 percent. The initial AD rates for Italy ranged from 0 percent to 46.67 percent with an “all others” rate of 11.26 percent. The highest rate, 46.67 percent, was assigned to the Italian producer De Cecco, with the next highest rate being 19.09 percent. For Turkey the initial dumping margins ranged from 60.87 percent to 63.29 percent. The “all others rate” for Turkey was 60.87 percent. In December 2000, the Department of Commerce revoked the dumping order against De Cecco, having found that De Cecco had made sales in commercial quantities at not less than normal value for three consecutive administrative reviews.⁵³ Following the imposition of the CVD and AD orders imports from Turkey declined significantly. Turkey is no longer a leading supplier of pasta to the U.S. market. However, imports from Italy increased in the two years immediately following issuance of the order (table B-8).

In 1998, the Department of Commerce completed a circumvention investigation in which it found that the importation of pasta in bulk and subsequent repackaging in the United States into packages of five pounds or less by the Italian producer and exporter Barilla constituted circumvention of the antidumping duty order on pasta from Italy. After this determination, imports of non-egg, dry pasta from Italy decreased to an amount below the 1996 level and remained there through 2001. However, the decline in imports from Italy also coincided with the opening of Barilla's pasta facility in the United States. It is possible that some of this decline in imports is attributable to the opening of Barilla's U.S. plant. Imports from Italy have accounted for the largest share of U.S. imports in each year since the original investigation in 1996. Total import volume of all pasta products from Italy continued to remain above its 1996 level during the 1997-1999 period and fell below the 1996 level in 2000. However, total imports increased in 2001 and once again were above the 1996 level.

In October of 2001 the U.S. International Trade Commission conducted an expedited 5-year Sunset Review of the CVD and AD orders against Italy and Turkey. It found that revocation of the orders would likely lead to a continuation or recurrence of material injury to the U.S. industry and therefore the orders remained in place.⁵⁴

⁵¹ See USITC, *Certain Pasta from Italy and Turkey*, inv. Nos. 701-TA-365-366 (Final) and 731-TA-734-735 (Final), USITC pub. No. 2977, July 1997.

⁵² *Federal Register*, 63 FR 43905 (Aug. 17, 1998) and 66 FR 11269 (Feb. 23, 2001).

⁵³ *Federal Register*, 65 FR 77852 (Dec. 13, 2000).

⁵⁴ USITC *Certain Pasta from Italy and Turkey*, inv. Nos. 701-TA-365-366 (Review) and 731-TA-734-735 (Review), USITC pub. No. 3462, Oct. 2001.

Under the Continued Dumping and Subsidy Offset Act of 2000 (known as the Byrd Amendment) the U.S. Customs Service disbursed approximately \$17.5 million in FY2001 in dumping duties it had collected under these orders to U.S. pasta producers. U.S. producers receiving disbursements included New World Pasta, Philadelphia Macaroni, A. Zarega's Sons, Gooch Foods, and American Italian Pasta. Canadian pasta producers have indicated that they consider these payments to be a subsidy and the Canadian Government is participating in a challenge to the program in the World Trade Organization.⁵⁵

U.S. Exports

Principal markets and export levels

U.S. exports of pasta products have increased irregularly from \$107 million in 1997 to approximately \$148 million in 2001 (table B-10). U.S. exports saw impressive growth from 1997 to 1998. However, exports declined somewhat in 1999 and 2000, although remaining above 1997 levels, before recovering slightly in 2001. Canada is by far the largest export market for U.S. producers, accounting for between 71 percent and 82 percent of all exports for the period reviewed. Additionally, the United States exports more pasta products to Canada (\$121 million in 2001) than it imports from Canada (\$77 million in 2001). The U.S. had a trade surplus in pasta products with Canada for each year of the 1997-2001 period. Canada's importance as an export market for U.S. pasta products has grown, as indicated by Canada's increasing share of total exports. There has also been some minor growth in exports to Japan. Non-egg, dry pasta represents an important and somewhat growing share of U.S. exports. At the same time exports of all types of frozen pasta have fallen sharply (table B-11).

Foreign trade measures

Tariff and nontariff measures

Contrasting with U.S. trade measures, foreign trade measures are often significant and are an important barrier to expanding U.S. exports. U.S. exports of pasta are subject to a variety of tariff and non-tariff barriers. Tariffs on pasta products in major developed markets vary, with stuffed pastas having higher tariffs than dry or egg pasta. Pasta is subject to tariff rate quota (TRQ) on wheat in Canada, though retail-packed pastas with a package weight of less than 2.3 kg are not subject to the over-quota tariffs.⁵⁶ Japan, the second-largest market for U.S. exports, applies specific tariff rates to dry pasta imports, ranging from ¥27/kg to ¥34/kg, while stuffed pastas are subject to ad valorem rates of up to 24 percent.⁵⁷ As with most

⁵⁵ "U.S. pasta subsidies slammed by Canadian producers," found at www.just-food.com, May 27, 2002.

⁵⁶ See USITC *Processed Foods and Beverages: A Description of Tariff and Non-Tariff Barriers for Major Products and Their Impact on Trade*, inv. No. 332-421, USITC pub. No. 3455, Oct. 2001.

⁵⁷ *Ibid.*

grain-based foods, the EU applies a complex rate on dry pasta, while stuffed pasta is subject to either an ad valorem rate or a specific tariff. Under NAFTA, Mexican tariffs on pasta range from 3 percent to 6 percent.⁵⁸

The EU maintains a program designed to facilitate exports to non-EU member countries called the Inward Processing Regime (IPR). The IPR is a duty-relief program that allows companies to import raw materials or semimanufactured goods duty-free for use as inputs into products that will subsequently be exported, if it is impractical to use EU sourced materials. Additionally, goods imported under the IPR program are exempt from the value-added tax (VAT). Imports of pasta from Italy have benefitted from the IPR to varying degrees. Between 1997 and 2001, the share of imports from Italy that have utilized the IPR program has ranged from 9 percent to 42 percent (table B-12). The U.S. also exports significant quantities of durum wheat to Italy, although the degree to which these exports benefit from the IPR regime is unclear. The overall impact of this program is uncertain.

Foreign Investment

Foreign participation in the U.S. pasta market includes significant foreign investment in addition to goods trade. Barilla America is the subsidiary of its Italian parent and is one of the largest dry pasta producers in the United States. Nestle S.A., a Swiss company, is involved in the frozen/chilled pasta market in the United States, through its U.S. and Canadian subsidiaries. Additionally, U.S. dry pasta producers have expanded their operations through foreign investments. These include the purchase of existing facilities, such as New World Pasta's purchase of Borden's pasta facilities in Canada, and new investments such as American Italian Pasta's development of a pasta facility in Italy.⁵⁹ Foreign investment is not limited to the largest producers. Medallion Foods, based in Tacoma, Washington, is a subsidiary of the Japanese pasta manufacturer Nisshin Foods. According to trade press reports approximately 85 percent of Medallion's production is for export to the Japanese market.⁶⁰

Foreign Market and Industry Profiles

Canada

Canadian agri-food industries are heavily dependent on the U.S. market. In 2000, 61 percent of all Canadian agri-food exports were to the United States.⁶¹ As discussed further below, Canadian exporters of grain based foods are even more dependent on the U.S. market than Canadian food exporters as a whole. Canada is both the second largest source of U.S.

⁵⁸ Ibid.

⁵⁹ "Borden breakup bestirs pasta category," *Milling and Baking News*, Aug. 14, 2001.

⁶⁰ *World Grain*, June 2000.

⁶¹ *Did you know...? Facts about the Canadian Agri-Food Industry*. Agriculture and Agri-Food Canada.

imports of pasta products and the largest export market for U.S. producers. Among the reasons for this strong interdependence are the geographic proximity of the two markets, the existence of an highly integrated and efficient transportation infrastructure, and very similar consumer demographics.

According to Statistics Canada, 62 percent of Canada's population lives in Ontario and Québec.⁶² Additionally, for Canada as whole it is estimated that the majority of the population of Canada resides within a 2 hour drive of the Canadian-U.S. border.⁶³ The border regions are interconnected by an extensive network of highways and rail lines. This transportation infrastructure greatly facilitates trade between the United States and Canada. Canadian producers are situated to take advantage of the geographic proximity of the U.S. and Canadian markets. Statistics compiled by Industry Canada report that in 1999, 58 percent of Canada's pasta production establishments was located in Ontario and Québec.

Additionally, consumer demographics in the United States and Canada are very similar, increasing the ability of producers to sell the same product in both markets. Per capita GDP in Canada is estimated at US\$28,100, close to the per capita GDP in the United States of \$36,000. Additionally, education levels and family size are also similar in Canada and the United States. These factors combine to integrate the U.S. and Canadian markets.

As a result of these factors, export sales have become increasingly important to Canadian producers. Industry Canada reports that the export intensity of the Canadian pasta industry (measured as the ratio of domestic exports to manufacturing shipments) has increased from slightly more than 10 percent in 1997 to nearly 40 percent in 1999.

The Canadian pasta industry consists of fewer companies than the U.S. industry, and U.S. manufacturers have a significant presence in the market. Some of the top pasta brands in Canada, Catelli and Lancia, were acquired from Borden Canada by New World Pasta as part of New World's purchase of assets from Borden Foods. Prior to this sale, Borden was considered the largest participant in the Canadian pasta market. New World reports that its brands hold a 42-percent market share in the Canadian market.⁶⁴ Also, as part of that acquisition, New World Pasta acquired pasta production facilities in Canada as well.

Primo Foods, a subsidiary of Nabisco and now Kraft Foods, is a significant player in the Canadian market. Various trade press accounts reported Primo pasta as the leader or among the leaders in branded market share in Canada. Three other Canadian pasta manufacturers are GrissPasta Products, located in Québec, and Italpasta, and Ronzini Foods Canada Corp. in Ontario. Additionally, the Prairie Pasta Producers in Saskatchewan have entered into a cooperative agreement with the North Dakota Growers Pasta Company. Prairie Pasta Producers has received an option to purchase up to 25 percent of the Dakota Growers Pasta company shares. Further, Prairie Pasta Producers has reached an agreement with the Canadian Wheat Board that will allow Prairie Pasta Producers to export durum wheat to the North Dakota Growers Pasta Company.⁶⁵

⁶² Statistics Canada, *Canada at a Glance*, 2002.

⁶³ USDA, FAS, *Canada Market Development Reports Canadian Bakery Market Profile: Breads, Rolls and Other Yeast Baked Products 2000*, GAIN Report CA0006, Jan. 24, 2000.

⁶⁴ U.S. industry officials, interview by USITC staff, July 29, 2002.

⁶⁵ "U.S. Canadian pasta coops link," *Saskatoon News*, Dec. 5, 2002.

The market for dried pasta in Canada is considerably smaller than the U.S. market, estimated at approximately \$145 million in 2000, or approximately 244 million pounds.⁶⁶ However, the Canadian market appears to share several consumer characteristics in common with the U.S. market. The market for dry pasta has been predominantly stagnant during 1998-2000, after having declined significantly during 1995-1998. Growth in the Canadian pasta market is predominantly in the fresh pasta segment; however, the fresh market is still estimated to be less than 5 percent of the dry pasta market.⁶⁷

Additionally, Canada exports a significant quantity of durum wheat to the United States, the majority of which is used to produce pasta (table B-13). The value of Canadian exports to the United States of pasta input products exceeds the value of Canadian pasta exports.

European Union

The European pasta industry and market is largely dominated by Italy. The Italian pasta industry is large and very competitive. Unlike the U.S. industry, the Italian industry is significantly fragmented, although a handful of major producers stand above the rest of the industry. Official Italian statistics reported that in 2001, there were approximately 132 pasta manufacturing facilities in Italy with approximately 6,900 employees.⁶⁸ There has been some consolidation within the Italian industry as the number of production facilities has declined. The total number of production facilities fell from 152 in 1996 to 132 in 2001. This consolidation appears to be the result of the closing of smaller production facilities. The number of production facilities with rated production capacity of between 30 and 100 mt per 24 hours fell from 33 to 26, and the number of facilities with rated production capacity of less than 30 mt per 24 hours fell from 71 to 56.⁶⁹ The number of facilities with a rated capacity of 100 mt or more per 24 hours remained unchanged.⁷⁰ In 2000, Barilla and Pastificio Rana were the two leading pasta producers in Italy, accounting for approximately 30 percent of production. Additionally, Italian producers have increasingly expanded their product offerings beyond pasta to soups, sauces, and other ready-to-eat meal options. Additionally, like U.S. producers, Italian producers have succumbed to significant price competition, both between various brands and between branded product and private label products.

The market for dry pasta in Italy is estimated to be approximately \$1.2 billion. Similar to the U.S. market, consumption of dry pasta in Italy has been relatively stable, although 2000 saw record pasta production of approximately 3 million metric tons. This increase in production reflected a rise in domestic consumption, and more particularly an increase in exports, including exports to the United States. Preliminary estimates for 2001 indicate a further, if slight, increase in production.⁷¹ Unlike the U.S. market, the market for fresh or chilled pasta in Italy is significant, estimated at approximately \$910 million. Given pasta's predominant position in Italian food consumption patterns and its already significant share of total food

⁶⁶ Euromonitor, *Packaged Food in Canada*, Nov. 2001.

⁶⁷ Ibid.

⁶⁸ Data provided by the UN.I.P.I.

⁶⁹ Ibid.

⁷⁰ Ibid.

⁷¹ USDA, FAS, *Italy Grain and Feed Annual 2002*, GAIN Report IT2004, Feb. 22, 2002.

consumption, growth in pasta consumption is unlikely to be significant and more likely to represent shifts from one form of pasta to another.

Additionally, a significant portion of the Italian pasta industry is dependent on U.S. exports of durum wheat, which have increased in recent years. During the 2001/02 crop year, Italian production of durum wheat fell significantly and as a result Italian imports of durum wheat were expected to reach 2.35 million metric tons.⁷² Several major Italian pasta producers have dedicated cultivation contracts with U.S. farmers, particularly growers of desert durum in California and Arizona. Imports of durum wheat from the United States totaled approximately 370,000 mt during the 2000/01 market year, approximately 100,000 to 120,000 mt of which was desert durum. Imports of U.S. durum in the 2001/02 market year are expected to reach 630,000 mt.⁷³

⁷² Ibid.

⁷³ Ibid.

APPENDIX A
EXPLANATION OF TARIFFS AND
TRADE AGREEMENT TERMS

TARIFF AND TRADE AGREEMENT TERMS

In the *Harmonized Tariff Schedule of the United States* (HTS), chapters 1 through 97 cover all goods in trade and incorporate in the tariff nomenclature the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description. Subordinate 8-digit product subdivisions, either enacted by Congress or proclaimed by the President, allow more narrowly applicable duty rates; 10-digit administrative statistical reporting numbers provide data of national interest. Chapters 98 and 99 contain special U.S. classifications and temporary rate provisions, respectively. The HTS replaced the *Tariff Schedules of the United States* (TSUS) effective January 1, 1989.

Duty rates in the *general* subcolumn of HTS column 1 are normal trade relations rates; many general rates have been eliminated or are being reduced due to concessions resulting from the Uruguay Round of Multilateral Trade Negotiations. Column 1-general duty rates apply to all countries except those listed in HTS general note 3(b) (Cuba, Laos, and North Korea) plus Serbia and Montenegro, which are subject to the statutory rates set forth in *column 2*. Specified goods from designated general-rate countries may be eligible for reduced rates of duty or duty-free entry under preferential tariff programs, as set forth in the *special* subcolumn of HTS rate of duty column 1 or in the general notes. If eligibility for special tariff rates is not claimed or established, goods are dutiable at column 1-general rates. The HTS does not list countries covered by a total or partial embargo.

The *Generalized System of Preferences* (GSP) affords nonreciprocal tariff preferences to designated beneficiary developing countries. The U.S. GSP, enacted in title V of the Trade Act of 1974 for 10 years and extended several times thereafter, applies to merchandise imported on or after January 1, 1976, and before the close of December 31, 2006. Indicated by the symbol "A", "A*", or "A+" in the special subcolumn, GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries (see HTS gen. note 4). Eligible products of listed sub-Saharan African countries may qualify for duty-free entry under the *African Growth and Opportunity Act* (AGOA) (see HTS gen. note 16) through September 30, 2008, as indicated by the symbol "D" in the special subcolumn; see subchapter XIX of chapter 98.

The *Caribbean Basin Economic Recovery Act* (CBERA) affords nonreciprocal tariff preferences to designated Caribbean Basin developing countries. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to goods entered, or withdrawn from warehouse for consumption, on or after January 1, 1984. Indicated by the symbol "E" or "E*" in the special subcolumn, CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries (see HTS gen. note 7). Eligible products of listed beneficiary countries may qualify for duty-free or reduced-duty entry under the *Caribbean Basin Trade Partnership Act* (CBTPA) (see HTS gen. note 17), through September 30, 2008, as indicated by the symbol "R" in the special subcolumn; see subchapter XX of chapter 98.

Free rates of duty in the special subcolumn followed by the symbol "IL" are applicable to products of Israel under the *United States-Israel Free Trade Area Implementation Act* of 1985 (IFTA), as provided in general note 8 to the HTS; see also subchapter VIII of chapter 99.

Preferential nonreciprocal duty-free treatment in the special subcolumn followed by the symbol "J" or "J*" in parentheses is afforded to eligible articles from designated beneficiary countries under the *Andean Trade Preference Act* (ATPA), enacted as title II of Public Law 102-182 (effective July 22, 1992; see HTS gen. note 11) and renewed through December 31, 2006, by the *Andean Trade Promotion and Drug Eradication Act* of 2002.

Preferential free rates of duty in the special subcolumn followed by the symbol "CA" are applicable to eligible goods of Canada, and rates followed by the symbol "MX" are applicable to eligible goods of Mexico, under the *North American Free Trade Agreement* (NAFTA), as provided in general note 12 to the HTS and implemented effective January 1, 1994, by Presidential Proclamation 6641 of December 15, 1993. Goods must originate in the NAFTA region under rules set forth in general note 12(t) and meet other requirements of the note and applicable regulations.

Preferential rates of duty in the special subcolumn followed by the symbol "JO" are applicable to eligible goods of Jordan under the *United States-Jordan Free Trade Area Implementation Act*, (JFTA) effective as of Dec. 17, 2001; see HTS gen. note 18 and subchapter IX of chapter 99.

Other special tariff treatment applies to particular *products of insular possessions* (gen. note 3(a)(iv)), *products of the West Bank and Gaza Strip* (gen. note 3(a)(v)), goods covered by the *Automotive Products Trade Act* (APTA) (gen. note 5) and the *Agreement on Trade in Civil Aircraft* (ATCA) (gen. note 6), *articles imported from freely associated states* (gen. note 10), *pharmaceutical products* (gen. note 13), and *intermediate chemicals for dyes* (gen. note 14).

The *General Agreement on Tariffs and Trade 1994* (GATT 1994), pursuant to the Agreement Establishing the World Trade Organization, is based upon the earlier GATT 1947 (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) as the primary multilateral system of discipline and principles governing international trade. The agreements mandate most-favored-nation treatment, maintenance of scheduled concession rates of duty, and national treatment for imported goods; GATT provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, dispute settlement, and other measures. Results of the Uruguay Round of multilateral tariff negotiations are set forth in separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX. Pursuant to the *Agreement on Textiles and Clothing* (ATC) of the GATT 1994, member countries are phasing out restrictions on imports under the prior "Arrangement Regarding International Trade in Textiles" (known as the **Multifiber Arrangement** (MFA)). Under the MFA, a departure from GATT 1947 provisions, importing and exporting countries negotiated bilateral agreements limiting textile and apparel shipments, and importing countries could take unilateral action to control shipments. Quantitative limits were established on textiles and apparel of cotton, other vegetable fibers, wool, man-made fibers or silk blends in an effort to prevent or limit market disruption in the importing countries. The ATC establishes notification and safeguard procedures, along with other rules concerning the customs treatment of textile and apparel shipments, and calls for the eventual complete integration of this sector into the GATT 1994 and the phase-out of quotas over a ten-year period, or by Jan. 1, 2005.

APPENDIX B
STATISTICAL TABLES

Table B-1**Dry pasta industry: Number of establishments, employment, and value of shipments, 1997-2000**

Year	Number of establishments	Employment		Value of shipments (\$1,000)
		All	Production related	
1997	272	6,063	4,666	1,766,528
1998	248	5,426	4,336	1,456,691
1999	239	4,457	3,500	1,208,419
2000	(¹)	4,315	3,286	1,177,286

¹ Not available.

Source: U.S. Census Bureau, *Annual Survey of Manufacturers*, Feb. 11, 2002; *1997 Economic Census*; and *Statistics of U.S. Businesses*, 1997-1999.

Table B-2**Pasta products: U.S. shipments, U.S. exports of domestic merchandise, U.S. imports for consumption, and U.S. apparent consumption, 1997-2001**

	U.S.			Apparent consumption	Ratio of imports to consumption — Percent —
	shipments	Exports	Imports		
	Value (1,000 dollars)				
1997	1,766,528	107,038	310,357	1,969,847	16
1998	1,456,691	144,792	333,938	1,645,838	20
1999	1,208,419	141,530	338,821	1,405,710	24
2000	1,177,286	144,544	331,357	1,364,099	24
2001	(¹)	148,172	323,793	(¹)	(¹)

¹ Not available.

Source: U.S. Census Bureau, *Annual Survey of Manufacturers*, Feb. 11, 2002; and data compiled from official statistics of the U.S. Department of Commerce.

Table B-3**Durum wheat: Inventory, production, imports, domestic uses, and average annual price, crop years 1997/98-2001/02**

	Crop year				
	1997/1998	1998/1999	1999/2000	2000/2001 ¹	2001/2002 ¹
	Millions (bushels)				
Beginning stocks	31	26	55	50	45
Production	88	138	99	110	84
Imports	29	33	27	26	33
Total supply	148	197	182	185	162
Domestic use:					
Food	73	66	71	79	80
Price(\$/60lb.bushel)	4.92	3.15	2.73	2.66	(²)

¹ Projected.² Not available.

Note.—Because of rounding, figures may not add to the totals show.

Source: *Wheat Situation and Outlook Yearbook*, Economic Research Service, USDA, Mar. 2002.

Table B-4

U.S. pasta products manufacturers: Cost of materials, value of shipments, ratio of costs to shipments, 1997-2000

Year	Cost of materials	Value of shipments	Ratio of cost to shipments
	<i>Value (1,000 dollars)</i>		<i>Percent</i>
1997	715,840	1,766,528	41
1998	612,575	1,456,691	42
1999	582,213	1,208,419	48
2000	615,101	1,177,286	52

Source: U.S. Census Bureau, *Annual Survey of Manufacturers*, Feb. 11, 2002.

Table B-5

Spaghetti and macaroni: Average price data, U.S. city average price by month, January 1997-June 2002

Year	January	February	March	April	May	June	July	August	September	October	November	December	Average
<i>(Dollar per pound)</i>													
1997	\$0.874	\$0.849	\$0.872	\$0.883	\$0.861	\$0.863	\$0.873	\$0.878	\$0.880	\$0.887	\$0.869	\$0.883	\$0.873
1998	0.874	0.878	0.875	0.873	0.870	0.895	0.887	0.890	0.877	0.895	0.870	0.877	0.880
1999	0.872	0.880	0.883	0.888	0.887	0.882	0.880	0.877	0.882	0.849	0.882	0.881	0.879
2000	0.881	0.843	0.859	0.866	0.859	0.830	0.858	0.858	0.859	0.877	0.872	0.884	0.862
2001	0.899	0.882	0.894	0.889	0.910	0.912	0.911	0.931	0.925	0.918	0.910	0.909	0.908
2002	0.912	0.902	0.917	0.927	0.901	0.935							0.916

U.S. Department of Labor, Bureau of Labor Statistics, Series ID. APU0000701322.

Table B-6**Pasta: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by selected countries, 1997-2001¹**

Items	1997	1998	1999	2000	2001
	Value (1,000 dollars)				
U.S. exports of domestic merchandise:					
Canada	79,749	102,794	108,716	118,682	120,959
Japan	3,275	7,662	10,323	7,460	8,131
Mexico	1,051	2,116	2,883	3,999	4,424
Bahamas	1,139	3,409	1,499	1,671	2,288
Australia	340	2,033	2,127	2,053	1,457
Panama	784	1,052	1,275	988	1,251
Jamaica	259	517	450	216	809
Israel	144	124	48	651	705
Hong Kong	122	801	2,967	944	689
Guatemala	711	1,027	1,062	268	599
Italy	9	12	15	4	12
All other	19,455	23,245	10,165	7,608	6,848
Total	107,038	144,792	141,530	144,544	148,172
U.S. imports for consumption:					
Canada	38,704	70,257	100,126	95,999	77,186
Japan	14,533	14,468	16,634	19,141	17,161
Mexico	17,053	15,014	15,368	21,657	23,204
Bahamas	-	-	-	-	-
Australia	395	470	426	302	307
Panama	-	-	-	-	-
Jamaica	-	-	-	-	12
Israel	250	225	884	713	1,035
Hong Kong	4,513	3,973	3,538	3,841	3,241
Guatemala	347	459	480	523	597
Italy	153,863	151,422	125,553	108,305	116,298
All other	80,699	77,653	75,812	80,876	84,764
Total	310,357	333,941	338,821	331,357	323,805
U.S. merchandise trade balance:					
Canada	41,045	32,537	8,590	22,683	43,773
Japan	-11,258	-6,803	-6,311	-11,681	-9,030
Mexico	-16,002	-12,898	-12,485	-17,658	-18,780
Bahamas	1,139	3,409	1,499	1,671	2,288
Australia	-55	1,563	1,701	1,751	1,150
Panama	784	1,052	1,275	988	1,251
Jamaica	259	517	450	216	797
Israel	-106	-101	-836	-62	-330
Hong Kong	-4,391	-3,172	-571	-2,897	-2,552
Guatemala	364	568	582	-255	2
Italy	-153,854	-151,410	-125,538	-108,301	-116,286
All other	-61,244	-54,408	-65,647	-73,268	-77,916
Total	-203,319	-189,149	-197,291	-186,813	-175,633

¹ Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

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

Table B-7**Pasta products: U.S. imports for consumption, by selected sources, 1997-2001**

Country	1997	1998	1999	2000	2001
	<i>Value (1,000 dollars)</i>				
Italy	153,863	151,422	125,553	108,305	116,298
Canada	38,704	70,257	100,126	95,999	77,186
Korea	21,836	20,467	23,016	26,303	31,240
Mexico	17,053	15,104	15,368	21,657	23,204
Thailand	16,558	14,982	15,456	16,138	17,220
All others	<u>62,343</u>	<u>61,707</u>	<u>59,302</u>	<u>62,954</u>	<u>58,644</u>
Total	310,357	333,938	338,821	331,357	323,793
	<i>Total (percent)</i>				
Italy	49.6	45.3	37.1	32.7	35.9
Canada	12.5	21.0	29.6	29.0	23.8
Korea	7.0	6.1	6.8	7.9	9.6
Mexico	5.5	4.5	4.5	6.5	7.2
Thailand	5.3	4.5	4.6	4.9	5.3
All others	<u>20.1</u>	<u>18.5</u>	<u>17.5</u>	<u>19.0</u>	<u>18.1</u>
Total	100.0	100.0	100.0	100.0	100.0

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

Table B-8**Pasta products: U.S. imports for consumption from Italy, by HTS description, 1997-2001**

Description	1997	1998	1999	2000	2001
	Quantity (kilograms)				
Uncooked pasta, not stuffed or otherwise prepared, containing egg	1,112,146	1,212,047	2,482,981	2,652,646	2,909,723
Uncooked pasta, not stuffed or otherwise prepared, containing egg, other, including pasta packaged with sauce preparation	2,430	27,610	6,943	5,000	1,021
Uncooked pasta, not stuffed or otherwise prepared, exclusively pasta	182,477,341	189,156,667	156,491,090	140,385,967	153,912,371
Uncooked pasta, not stuffed or otherwise prepared, exclusively pasta, other, including pasta packaged with sauce preparations	75,745	72,856	65,729	22,954	49,936
Stuffed pasta, whether or not cooked or otherwise prepared, canned	1,930	-	-	-	-
Stuffed pasta, whether or not cooked or otherwise prepared, frozen	169,340	146,443	146,944	203,542	195,041
Stuffed pasta, whether or not cooked or otherwise prepared, other	1,157,263	1,635,802	2,109,752	1,940,677	2,862,992
Other pasta, canned	-	-	360	369,360	68,849
Other pasta, frozen	570	22,541	85,567	284,228	541,020
Other pasta, other	99,743	298,195	169,664	167,421	183,494
Couscous	403,564	362,101	79,918	140,397	46,272
Total	185,500,072	192,934,262	161,638,948	146,172,192	160,770,719

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

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Table B-9**Pasta products: U.S. imports for consumption from Canada, by HTS description, 1997-2001**

Description	1997	1998	1999	2000	2001
	Quantity (kilograms)				
Uncooked pasta, not stuffed or otherwise prepared, containing egg	809,694	1,364,640	1,237,586	2,160,533	1,481,700
Uncooked pasta, not stuffed or otherwise prepared, containing egg, other, including pasta packaged with sauce preparation	923,902	2,344,219	12,250,084	9,872,869	5,738,872
Uncooked pasta, not stuffed or otherwise prepared, exclusively pasta	13,648,713	24,419,985	27,876,872	30,498,410	20,527,170
Uncooked pasta, not stuffed or otherwise prepared, exclusively pasta, other, including pasta packaged with sauce preparations	5,824,990	10,474,597	10,304,420	14,549,147	12,265,639
Stuffed pasta, whether or not cooked or otherwise prepared, canned	2,177,312	2,400,424	3,931,148	1,535,786	951,781
Stuffed pasta, whether or not cooked or otherwise prepared, frozen	848,219	332,084	681,525	541,607	980,459
Stuffed pasta, whether or not cooked or otherwise prepared, other	69,650	171,089	2,045,384	657,734	520,954
Other pasta, canned	4,208,457	7,868,718	11,062,833	6,607,709	7,513,242
Other pasta, frozen	376,895	696,163	1,014,400	1,584,832	3,454,766
Other pasta, other	464,117	379,553	380,945	162,832	807,549
Couscous	6,864	23,917	9,507	2,988	497,373
Total	29,358,813	50,475,389	70,794,704	68,174,447	54,739,505

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

Table B-10**Pasta products: U.S. exports of domestic merchandise, by selected countries, 1997-2001**

Country	1997	1998	1999	2000	2001
	Value (1,000 dollars)				
Canada	79,749	102,794	108,716	118,682	120,959
Japan	3,275	7,662	10,323	7,460	8,131
Mexico	1,051	2,116	2,883	3,999	4,424
Bahamas	1,139	3,409	1,499	1,671	2,288
Australia	340	2,033	2,127	2,053	1,457
Panama	784	1,052	1,275	988	1,251
All others	20,701	25,726	14,707	9,692	9,662
Total	107,038	144,792	141,530	144,544	148,172
	Total (percent)				
Canada	74.5	71.0	76.8	82.1	81.6
Japan	3.1	5.3	7.3	5.2	5.5
Mexico	1.0	1.5	2.0	2.8	3.0
Bahamas	1.1	2.4	1.1	1.2	1.5
Australia	0.3	1.4	1.5	1.4	1.0
Panama	0.7	0.7	0.9	0.7	0.8
All others	19.3	17.8	10.4	6.7	6.5
Total	100.0	100.0	100.0	100.0	100.0

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

Table B-11

Pasta products: U.S. exports of domestic merchandise, by HTS description, 1997-2001

HTS number	Description	1997	1998	1999	2000	2001
		Value (1,000 dollars)				
1902112000	Pasta, exclusively, containing eggs, uncooked, not stuffed or otherwise prepared	5,116	5,736	7,395	10,482	8,905
1902114000	Pasta containing eggs, nesoi, including pasta packaged with sauce preparations, uncooked, not stuffed or otherwise prepared	2,024	4,757	5,845	3,267	2,461
1902192000	Pasta, exclusively, without egg, uncooked, not stuffed or otherwise prepared	34,188	48,489	53,937	51,642	54,251
1902194000	Pasta not containing egg, nesoi, including pasta packaged with sauce preparations, uncooked, not stuffed or otherwise prepared	10,287	4,027	3,729	3,730	4,654
1902200020	Pasta, stuffed, canned	1,794	6,846	3,240	8,118	9,408
1902200040	Pasta, stuffed, frozen, whether or not otherwise prepared	15,682	18,057	14,864	11,772	10,038
1902200060	Pasta, stuffed, whether or not cooked or otherwise prepared, nesoi	292	298	417	964	1,359
1902300020	Pasta, canned, nesoi	4,427	5,319	8,367	25,280	28,229
1902300040	Pasta, frozen, nesoi	28,505	321	751	542	608
1902300060	Pasta, nesoi	3,967	50,138	41,494	27,602	27,119
1902400000	Couscous, whether or not prepared	755	803	1,490	1,145	1,142
	Total	107,038	144,792	141,530	144,544	148,172
		Total (percent)				
1902112000	Pasta, exclusively, containing eggs, uncooked, not stuffed or otherwise prepared	4.8	4.0	5.2	7.3	6.0
1902114000	Pasta containing eggs, nesoi, including pasta packaged with sauce preparations, uncooked, not stuffed or otherwise prepared	1.9	3.3	4.1	2.3	1.7
1902192000	Pasta, exclusively, without egg, uncooked, not stuffed or otherwise prepared	31.9	33.5	38.1	35.7	36.6
1902194000	Pasta not containing egg, nesoi, including pasta packaged with sauce preparations, uncooked, not stuffed or otherwise prepared	9.6	2.8	2.6	2.6	3.1
1902200020	Pasta, stuffed, canned	1.7	4.7	2.3	5.6	6.4
1902200040	Pasta, stuffed, frozen, whether or not otherwise prepared	14.7	12.5	10.5	8.1	6.8
1902200060	Pasta, stuffed, whether or not cooked or otherwise prepared, nesoi	0.3	0.2	0.3	0.7	0.9
1902300020	Pasta, canned, nesoi	4.1	3.7	5.9	17.5	19.1
1902300040	Pasta, frozen, nesoi	26.6	0.2	0.5	0.4	0.4
1902300060	Pasta, nesoi	3.7	34.6	29.3	19.1	18.3
1902400000	Couscous, whether or not prepared	0.7	0.6	1.1	0.8	0.8
	Total	100.0	100.0	100.0	100.0	100.0

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

Table B-12**Total imports of pasta from Italy, imports subject to Inward Processing Regime (IPR), and imports under the U.S.-EU pasta agreement, 1997-2001**

Country	1997	1998	1999	2000	2001
	Quantity (kilograms)				
All imports total	185,500,072	192,934,262	161,638,948	146,172,192	160,770,719
Imports subject to Inward Processing Regime	17,482,148	25,206,048	68,162,029	51,793,917	26,465,445
Percent of total	9.4	13.1	42.2	35.4	16.5
Imports subject to the U.S.-EU pasta agreement	35,390,105	30,480,427	49,135,417	39,750,506	32,641,476
Percent of total	19.1	15.8	30.4	27.2	20.3

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

Table B-13**Pasta and pasta related input products: U.S. imports for consumption from Canada, 1997-2001**

	1997	1998	1999	2000	2001
	Value (1,000 dollars)				
Pasta	38,704	70,257	100,126	95,999	77,186
Durum wheat	86,405	76,963	85,669	42,868	67,459
Durum wheat flour	5,762	5,507	9,073	11,340	13,165
Semolina	10	3	5	96	209

Source: U.S. Bureau of the Census, Imports for Consumption, HTS subheadings, 1902, 1001.10.00.91, 1001.10.00.96, 1001.10.00.92, 1001.10.00.99, 1001.10.00.95, 1001.10.00.10, 1001.10.00.90, 1101.00.00.20, and 1103.11.00.20.

Table B-14

Pasta products: Harmonized Tariff Schedule subheading; description; U.S. column 1 rate of duty as of Jan. 1, 2002; bound concession rate of duty; U.S. exports, 2001; and U.S. imports, 2001

HTS subheading	Description	Column 1 rate of duty, as of Jan 1, 2002		Bound duty, Uruguay Round ²	U. S. exports, 2001	U. S. imports, 2001
		General	Special ¹			
	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagna, gnocchi, ravioli, cannelloni, couscous, whether or not prepared:					
	Uncooked pasta, not stuffed or otherwise prepared:					
	Containing eggs:					
1902.11.20	Exclusively pasta	Free		6.6¢/kg	8,905	10,582
1902.11.40	Other including pasta packaged with sauce preparations	6.4%	Free(A+CA,E,IL,J, MX) 3.2% (JO)	20%	2,461	9,860
	Other:					
1902.19.20	Exclusively pasta	Free		4.4¢/kg	54,251	190,159
1902.19.40	Other, including pasta packaged with sauce preparations	6.4%	Free(A+,CA,E,IL,J, MX) 3.2% (JO)	20%	4,654	37,560
1902.20.00	Stuffed pasta, whether or not cooked or otherwise prepared	6.4%	Free(A+,CA,E,IL,J, MX) 3.2% (JO)	20%	20,804	14,412
1902.30.00	Other pasta	6.4%	Free(A+,CA,E,IL,J, MX) 3.2% (JO)	20%	55,956	58,977
1902.40.00	Couscous	6.4%	Free(A+,CA,E,IL,J, MX) 3.2% (JO)	20%	1,142	2,243

¹ Programs under which special tariff treatment may be provided, and the corresponding symbols for such programs as they are indicated in the "Special" subcolumn, are as follows: Generalized System of references (A) or (A+); North America Free Trade Agreement (NAFTA), goods of Canada (CA); NAFTA, goods of Mexico (MX); Caribbean Basin Economic Recovery Act (E); United States-Israel Free Trade Agreement (IL); Andean trade Preference Act (J); and United States-Jordan Free Trade Area Implementation Act (JO).

² Bound rates of duty were obtained from the Office of the U.S. Trade Representative, *Uruguay Round, Draft Uruguay Round Tariff Schedules of the United States, Vol. 1 Agriculture*.

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Value (1,000 dollars)