

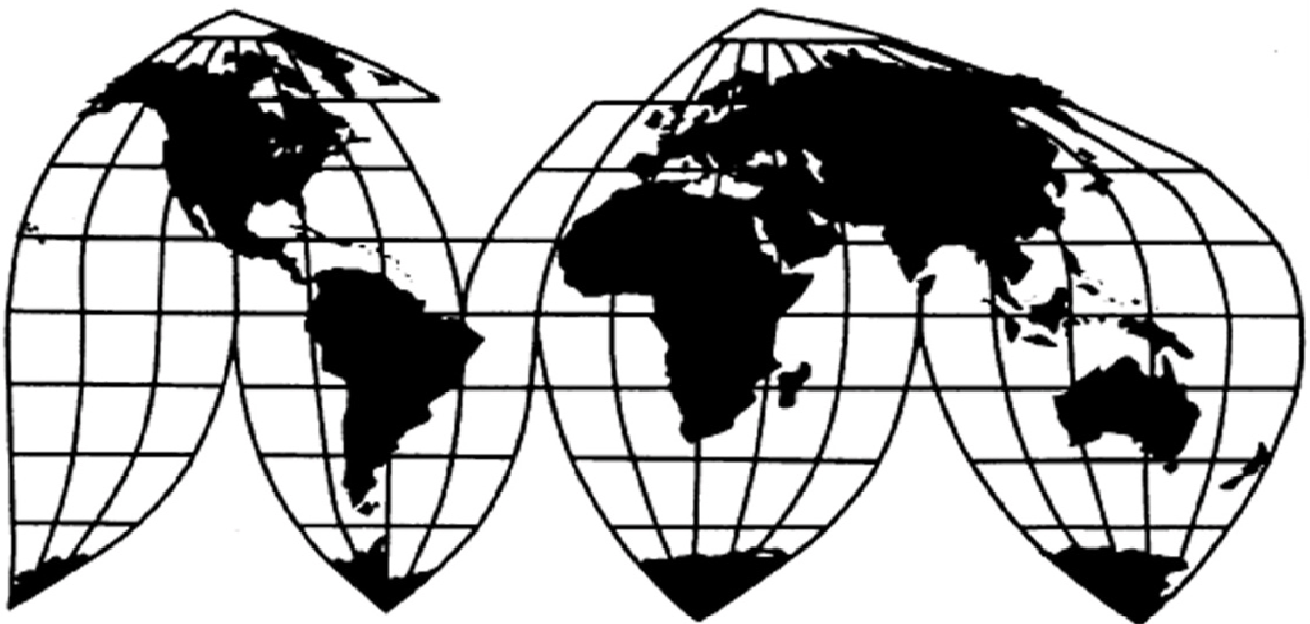
Certain Pasta From Italy and Turkey

Investigation Nos. 701-TA-365-366 and 731-TA-734-735
(Second Review)

Publication 3947

September 2007

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-365-366 and 731-TA-734-735 (Second Review)

CERTAIN PASTA FROM ITALY AND TURKEY

DETERMINATIONS

On the basis of the record¹ developed in the subject five-year reviews, the United States International Trade Commission (Commission) determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)), that revocation of the countervailing duty and antidumping duty orders on certain pasta from Italy and Turkey would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

BACKGROUND

The Commission instituted these reviews on October 2, 2006 (71 F.R. 57999) and determined on January 5, 2007 that it would conduct full reviews (72 F.R. 2558, January 19, 2007). Notice of the scheduling of the Commission's reviews and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on February 8, 2007 (72 F.R. 5996). The hearing was held in Washington, DC, on July 17, 2007, and all persons who requested the opportunity were permitted to appear in person or by counsel.

¹ The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

VIEWS OF THE COMMISSION

Based on the record in these five-year reviews, we determine under section 751(c) of the Tariff Act of 1930, as amended (the “Act”), that revocation of the antidumping and countervailing duty orders on pasta from Italy and Turkey would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

I. BACKGROUND

The original antidumping and countervailing duty investigations on imports of certain pasta from Italy and Turkey were instituted on May 12, 1995, based on a petition filed by Borden, Inc., Hershey Foods Corporation, and Gooch Foods, Inc. (Archer Daniels Midland Company (“ADM”)).¹ In July 1996, the Commission found that an industry in the United States was materially injured by reason of imports of certain pasta from Italy and Turkey that were found by the U.S. Department of Commerce (“Commerce”) to be sold in the United States at less than fair value and to be subsidized by the governments of Italy and Turkey.² Commerce issued antidumping and countervailing duty orders for certain pasta from Italy and Turkey on July 24, 1996.^{3 4}

1. First Five-Year Reviews

On June 1, 2001, the Commission instituted its first five-year reviews of the antidumping and countervailing duty orders on certain pasta from Italy and Turkey.⁵ The Commission made expedited determinations in those reviews in October 2001. As in the original investigations, the Commission found that there was one domestic like product, all dry pasta, because the record indicated no significant changes in the product or in the factors the Commission considers in its like product determinations, nor any other appropriate circumstances warranting the revisiting of the Commission’s original like product determination.⁶ The Commission also found that revocation of the orders from Italy and Turkey would be likely to cause continuation or recurrence of material injury to the domestic pasta industry.⁷ Commerce issued its continuation of the antidumping and countervailing duty orders on certain pasta from Italy and Turkey on November 9, 2001.⁸

¹ 60 Fed. Reg. 26899 (May 19, 1995).

² Certain Pasta from Italy and Turkey, Inv. Nos. 701-TA-365-366 and 731-TA-734-735 (Final), USITC Pub. 2977 (July 1996) (“Original Determinations”) (confidential version).

³ 61 Fed. Reg. 38544 (CVD order for Italy); 61 Fed. Reg. 38546 (CVD order for Turkey); 61 Fed. Reg. 38547 (AD order for Italy); and 61 Fed. Reg. 38545 (AD order for Turkey).

⁴ No litigation resulted from the Commission’s original determinations.

⁵ Certain Pasta from Italy and Turkey, Inv. Nos. 701-TA-365-366 and 731-TA-734-735 (Review), USITC Pub. 3462 (October 2001) (“First Five-Year Reviews”) (confidential version).

⁶ First Five-Year Reviews, USITC Pub. 3462 at 6-7. Commissioner Bragg defined the domestic like product as dry non-egg pasta, consistent with the scope of the investigation. USITC Pub. 3462 at 7.

⁷ First Five-Year Reviews, USITC Pub. 3462 at 1.

⁸ 66 Fed. Reg. 57703 (November 16, 2001).

2. Second Five-Year Reviews⁹

On October 2, 2006, the Commission instituted these reviews pursuant to 751(c) of the Tariff Act of 1930, as amended (“the Act”), to determine whether revocation of the antidumping and the countervailing duty orders on imports of pasta from Italy and Turkey would be likely to lead to a continuation or recurrence of material injury.¹⁰ In response to its notice of institution of these reviews, the Commission received a joint response from the five U.S. producers of dry pasta products (“pasta”): A. Zarega’s Sons, Inc. (“A. Zarega”); American-Italian Pasta Company (“AIPC”); Dakota Growers Pasta Company (“Dakota Growers”); New World Pasta Company (“New World”); and Philadelphia Macaroni Company (collectively, “Domestic Interested Parties”). These Domestic Interested Parties account for a majority of U.S. production of the domestic like product.¹¹

The Commission received an individually adequate interested party response from the Government of Turkey on behalf of the pasta industry in Turkey. The Commission did not receive a response to the notice of institution from any foreign producer, exporter, importer, or other respondent interested party of the subject merchandise from either Italy or Turkey.¹²

On January 16, 2007, the Commission determined to conduct full reviews of the antidumping and countervailing duty orders on imports from both Italy and Turkey.¹³ The Commission determined that the domestic interested party group response to the notice of institution was adequate and the respondent group response with respect to Turkey was adequate.¹⁴ As a result, the Commission decided to conduct

⁹ In five-year reviews, the Commission initially determines whether to conduct a full review (which would include a public hearing, the issuance of questionnaires, and other procedures) or an expedited review. In order to make this decision, the Commission first determines whether individual responses to the notice of institution are adequate. Next, based on those responses deemed individually adequate, the Commission determines whether the collective responses submitted by two groups of interested parties – domestic interested parties (such as producers, unions, trade associations, or worker groups) and respondent interested parties (such as importers, exporters, foreign producers, trade associations, or subject country governments) – demonstrate a sufficient willingness among each group to participate and provide information requested in a full review. If the Commission finds the responses from both groups of interested parties to be adequate, or if other circumstances warrant, it will determine to conduct a full review. See 19 C.F.R. § 207.62(a); 63 Fed. Reg. 30599, 30602-05 (June 5, 1998).

¹⁰ 71 Fed. Reg. 57999 (October 2, 2006).

¹¹ CR at I-27; PR at I-23.

¹² Although the Commission did not receive a response to its notice of institution from Italian respondent interested parties, the Commission did receive prehearing and posthearing briefs from the Ad Hoc Coalition for Open Trade in Italian Pasta (“CO-TIP”). CO-TIP is an association comprised of a U.S. importer of Italian pasta (JCM, Ltd.), an Italian pasta exporter (ALA, S.r.l.), and eight small Italian pasta producers (Atar, S.r.l., Pastificio Annoni, Pastificio DeMartino, Pastificio F.illi Cellino S.r.l., Pastificio Fazione S.p.A., Pastificio Felicelli S.r.l., Pastificio Poiatti, and Santa Maria Industrie Alimentari S.r.l. (Facaci)). The Commission did not receive a questionnaire response from any of CO-TIP’s eight Italian producers. CO-TIP’s original Posthearing Brief, dated July 25, 2007, was not filed in accordance with the Commission’s regulations (19 CFR § 207.67) and was returned to CO-TIP by the Commission. CO-TIP subsequently filed a corrected version of its Posthearing Brief. Although CO-TIP initially indicated that it would participate in the Commission’s hearing, CO-TIP withdrew its notice of appearance the day before the Commission’s hearing was held. See CO-TIP Withdrawal of Request to Testify, dated July 16, 2007.

¹³ 72 Fed. Reg. 2558 (January 19, 2007).

¹⁴ The Commission determined that the respondent interested party group response was adequate because the Government of Turkey provided all requested data on all known subject pasta production in Turkey and indicated its willingness to participate by providing information requested during the reviews by the Commission. Ultimately, the Government of Turkey did not provide any data nor did it participate in the Commission’s hearing, and no producer

(continued...)

full reviews with respect to the antidumping and countervailing duty orders on certain pasta from Turkey. For Italy, however, the Commission determined that the respondent group response was inadequate. Nevertheless, the Commission determined to conduct full reviews of the antidumping and countervailing duty orders on certain pasta from Italy to promote administrative efficiency in light of its decision to conduct full reviews with respect to the orders concerning certain pasta from Turkey.¹⁵

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. Domestic Like Product

In making its determination under section 751(c), the Commission defines the “domestic like product” and the “industry.”¹⁶ The Act defines the “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this subtitle.”¹⁷ In five-year reviews, the Commission looks to the domestic like product definition from the original determination and any previous reviews and considers whether the record indicates any reason to revisit that definition.¹⁸

In its expedited second five-year review determinations, Commerce defined the scope of the subject merchandise as:

Imports covered by the antidumping [and countervailing] duty order[s] on pasta . . . include shipments of certain non-egg dry pasta in packages of five pounds (2.27 kilograms) or less, whether or not enriched or fortified or containing milk or optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastases, vitamins, coloring and flavorings, and up to two percent egg white. The pasta covered by th[ese] order[s] is typically sold in the retail market, in fiberboard or cardboard cartons, or polyethylene or polypropylene bags of varying dimensions. Excluded from the scope of th[ese] order[s] are refrigerated, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of non-egg pasta containing up to two percent egg white.¹⁹

¹⁴ (...continued)

or exporter of pasta from Turkey participated as a respondent interested party in these reviews.

¹⁵ Explanation of Commission’s Determination on Adequacy.

¹⁶ 19 U.S.C. § 1677(4)(A).

¹⁷ 19 U.S.C. § 1677(10). See Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996); Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int’l Trade 1990), aff’d, 938 F.2d 1278 (Fed. Cir. 1991). See also S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

¹⁸ See Stainless Steel Sheet and Strip from France, Germany, Italy, Japan, Korea, Mexico, Taiwan, and the United Kingdom, Inv. Nos. 701-TA-380 to 382 and 731-TA-797 to 804 (Review), USITC Pub. 3788 at 6 (Jul. 2005); Crawfish Tail Meat from China, Inv. No. 731-TA-752 (Review), USITC Pub. 3614 at 4 (July 2003); Steel Concrete Reinforcing Bar from Turkey, Inv. No. 731-TA-745 (Review), USITC Pub. 3577 at 4 (Feb. 2003).

¹⁹ 72 Fed. Reg. 5266 (February 7, 2007) (AD Italy); 72 Fed. Reg. at 5267 (AD Turkey); 72 Fed. Reg. 5269, 5270 (February 5, 2007) (CVD Turkey); and 72 Fed. Reg. 5270, 5270-71 (CVD Italy). Commerce also noted that the subject merchandise is classifiable currently under item 1902.19.20 of the Harmonized Tariff Schedule of the United States. Commerce excluded from the scope of the Italian orders imports of organic pasta that are accompanied by the appropriate certificate issued by the Instituti Mediterraneo Di Certificazione, by Bioagricoop Srl, by OC&I International Services, by Ecocert Italia or by Consorzio per il Controllo dei Prodotti Biologici, by Associazione Italiana per l’Agricoltura Biologica, or by Instituto per la Certificazione Etica e Ambientale (“ICEA”). 72 Fed. Reg. (continued...)

Pasta is a basic foodstuff that is sold in refrigerated, frozen, canned, or dry forms. The scope of Commerce's reviews includes only the dry form of pasta that is "non-egg."^{20 21} In dry form, pasta is sold at retail stores in boxes and plastic bags. Domestic apparent consumption of all dry pasta totaled 3.11 billion pounds in 1995, *** billion pounds in 2000, and 3.19 billion pounds in 2005.²²

In the Commission's original investigations and first five-year reviews, it defined a single domestic like product as all dry pasta, although the scope of Commerce's investigations and reviews only consisted of non-egg dry pasta in packages of five-pounds or less.²³ The Commission found that all dry pasta shared the same basic physical characteristics and uses, and was manufactured with the same basic production equipment and processes. The Commission also found that, although the different pasta products had some distinctive features, these features did not create clear dividing lines between any of the dry pasta products.²⁴ Therefore, the Commission determined that there was one domestic like product consisting of all dry pasta.²⁵

In these reviews, the domestic interested parties agree with the Commission's definition of the domestic like product as set forth in the original investigations and the first five-year reviews.²⁶ No respondent interested party has commented on the definition of the like product for these reviews, nor has the Commission obtained any new information during these reviews that indicates a need to revisit that definition.²⁷ Accordingly, we continue to define the domestic like product as all dry pasta, consistent with the Commission's determinations in the original investigations and the first five-year reviews.

B. Domestic Industry and Related Parties

Section 771(4)(A) of the Act defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."^{28 29} Section 771(4)(B) of

¹⁹ (...continued)
at 5266 (AD Italy); and 72 Fed. Reg. at 5271 (CVD Italy).

²⁰ See 66 Fed. Reg. 38544, 38545, 38546, and 38547 (July 24, 1996).

²¹ In the Original Determinations, the Commission noted that egg is one of the many ingredients that is added to dry pasta. USITC Pub. 2877 at 10.

²² CR/PR at Table I-1.

²³ Original Determinations, USITC Pub. 2977 at 14-16; and First Five-Year Reviews, USITC Pub. 3462 at 6-7.

²⁴ Original Determinations, USITC Pub. 2977 at 14-16; and First Five-Year Reviews, USITC Pub. 3462 at 6-7.

²⁵ Original Determinations, USITC Pub. 2977 at 16; and First Five-Year Reviews, USITC Pub. 3462 at 7.

²⁶ Domestic Interested Parties Prehearing Brief at 3.

²⁷ In the first five-year reviews, no interested party argued that the Commission should define the domestic like product differently than the Commission did in the original investigations.

²⁸ 19 U.S.C. § 1677(4)(A). In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market, provided that adequate production-related activity is conducted in the United States. See United States Steel Group v. United States, 873 F. Supp. 673, 682-83 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

²⁹ The Commission does not apply the captive production provision in five-year reviews. Nevertheless, we note that the proportion of captive consumption by the domestic industry is a significant condition of competition and we consider the likely effects of revocation and termination with respect to both the merchant market and the total market, including captive shipments. In these reviews, we note that trends in both the merchant market data and the total market data are similar and, thus, while our discussion here principally focuses on merchant market data,

(continued...)

the Act allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise, or which are themselves importers.³⁰ The Commission has also concluded that a domestic producer that does not itself import subject merchandise, or does not share a corporate affiliation with an importer or foreign producer or exporter, may nonetheless be deemed a related party if it controls large volumes of imports. The Commission has found such control to exist where the domestic producer was responsible for a predominant proportion of an importer's purchases and the importer's purchases were substantial.³¹

In the original determinations, the Commission defined the domestic industry to include all producers of dry pasta.³² There were two related parties, but the Commission declined to exclude these parties.³³ Similar circumstances existed in the first five-year reviews, although the Commission did not exclude any related parties due to the lack of production data and the limited volume of subject imports made by the related parties.³⁴ As a result, the Commission found that the domestic industry consisted of all domestic producers of dry pasta.³⁵

In these second five-year reviews, CO-TIP has asserted that AIPC and Dakota Growers should be excluded from the domestic industry because AIPC, through its subsidiary, Pasta Lensi, is a major

²⁹ (...continued)

consideration of the total market data would lead to the same result.

³⁰ The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party are:

(1) the percentage of domestic production attributable to the importing producer;

(2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and

(3) the position of the related producer vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry.

See, *e.g.*, Torrington Co. v. United States, 790 F. Supp. 1161 (Ct. Int'l Trade 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir. 1993).

³¹ See *e.g.*, Foundry Coke from China, Inv. No. 731-TA-891 (Final), USITC Pub. 3449 (September 2001) at 8-9; and Certain Brake Drums and Rotors from China, Inv. No. 731-TA-744 (Final), USITC Pub. 3035 at 10 n.50 (April 1997); see also SAA at 858.

³² Original Determinations, USITC Pub. 2977 at 14-16.

³³ *** imported pasta from Italy, but the import volumes were very small relative to its production of pasta in the United States. ***. The Commission did not exclude *** from the definition of the domestic industry, however, because the Italian subsidiary's exports were equivalent to a ***. Original Determinations, USITC Pub. 2977 at 17.

³⁴ Domestic producers *** imported quantities of subject pasta that were less than one percent of each company's domestic production of pasta. Furthermore, Barilla had produced pasta in the United States and had a parent that exported to the United States in the original investigation and during the period of review. Barilla's imports during the period, however, were small when compared to its productive capacity in the United States. In addition, because these were expedited reviews, the Commission only had estimated production numbers for the domestic industry and no company-specific financial data, so, as a practical matter, there was no method for excluding particular producers from the industry. First Five-Year Reviews, USITC Pub. 3462 at 8 n.22.

³⁵ First Five-Year Reviews, USITC Pub. 3462 at 7-8.

importer of Italian pasta,³⁶ and Dakota Growers has an exclusive distribution agreement with a European company, Gruppo Euricom, to distribute Gruppo Euricom's pasta products in the United States.³⁷ In addition, several other U.S. producers are related to dry pasta producers in Italy and Turkey or have purchased subject imports during the period of review and, thus, are at least potentially related parties.

*** comprised of ***.³⁸ AIPC imported pasta from a wholly owned Italian subsidiary, Pasta Lensi, ***.³⁹ Barilla America, Inc. ("Barilla") is owned by Barilla Ge R. F.lli S.p.A., an Italian company which is the largest pasta producer in Italy. Barilla imports pasta from its Italian parent, which also owns Filiz Gida Sanayive Ti Ticaret A.S., a Turkish pasta producer.⁴⁰ Barilla imports ***.⁴¹ *** has an exclusive agreement with Gruppo Euricom, an Italian producer, to distribute Gruppo Euricom's pasta in the United States and also purchases imports of Italian pasta for specialty items it is unable to produce efficiently.⁴² Finally, *** purchased Italian pasta during the period of review for a customer's private label.⁴³ No U.S. producer reported importing subject pasta from Turkey.⁴⁴

In these reviews, the record indicates that the imports for each of these domestic producers represent relatively small percentages of their domestic production of dry pasta over the period of review.⁴⁵ In addition, each of the domestic producers imports or purchases subject pasta for reasons unrelated to the orders.⁴⁶ None of the producers supports revoking the orders. Further, the financial data for the five producers do not indicate that any of these producers have performed appreciably better than the industry average.⁴⁷ These facts suggest that the imports, purchases, or corporate relationships

³⁶ CO-TIP Prehearing Brief at 4-7 and Exhibit 4; Posthearing Brief at 2-4. CO-TIP also asserts that Barilla should be considered part of the U.S. industry for these reviews. Prehearing Brief at 7-8.

³⁷ CO-TIP Prehearing Brief at 4 and Exhibit 1. CO-TIP alleges that Gruppo Euricom operates pasta producers Pasta Combattenti and Croticella Molini e Pastifici. Id. at 4-5 and Exhibits 2 and 3.

³⁸ CR at III-14, PR at III-8; *** importer QR, sections 6 and 8.

³⁹ CR at III-14-15, PR at III-8; *** importer QR, section 6.

⁴⁰ Domestic Interested Parties Prehearing Brief at 4-5.

⁴¹ CR at III-15, PR at III-8; Barilla importer QR, section II-6.

⁴² CO-TIP Prehearing Brief at 4-5; CR at III-15, PR at III-9; and CR/PR at Table III-6.

⁴³ CR at III-15, PR at III-9; and CR/PR at Table III-6.

⁴⁴ Domestic Interested Parties Prehearing Brief at 4-5; Posthearing Brief at 1-2.

⁴⁵ CR/PR at Tables I-10 and III-6. For example, the ratio of imports to production for A. Zarega was ***; the ratio for Barilla and Dakota Growers averaged ***; and the ratio for AIPC averaged less than *** percent (imports entirely from its subsidiary, Pasta Lensi) over the period of review. CR/PR at Table III-6.

⁴⁶ For example, ***; Barilla imports ***; *** imports Italian pasta specialty items it is unable to produce efficiently; and *** purchases Italian pasta for a private label. Moreover, Barilla has invested heavily in modern production facilities in the United States and is clearly dedicated to serving the U.S. market as a producer of dry pasta. See CR at III-14-15, PR at III-8-9.

⁴⁷ Calculated from CR/PR at Table III-13.

involved have not resulted in a significant benefit to any of the related or potentially related producers.^{48 49} Finally, each producer represents a reasonable proportion of U.S. production, generally *** percent or more. Therefore, we decline to exclude any domestic producers and find a single domestic industry consisting of all domestic producers of dry pasta.

III. CUMULATION⁵⁰

A. Overview

Section 752(a) of the Act provides that:

the Commission may cumulatively assess the volume and effect of imports of the subject merchandise from all countries with respect to which reviews under section 1675(b) or (c) of this title were initiated on the same day, if such imports would be likely to compete with each other and with domestic like products in the United States market. The Commission shall not cumulatively assess the volume and effects of imports of the subject merchandise in a case in which it determines that such imports are likely to have no discernible adverse impact on the domestic industry.⁵¹

Cumulation is therefore discretionary in five-year reviews, unlike in the case of original investigations, which are governed by section 771(7)(G)(I) of the Act.⁵² Because of the prospective nature of five-year reviews and the Commission's discretion with respect to cumulation, we consider significant conditions

⁴⁸ In these reviews, Commissioner Pinkert has not relied upon related parties' financial performance as a factor in determining whether there are appropriate circumstances to exclude them from the domestic industry and relies instead on other information relevant to this issue. The record is not sufficient to infer from the related parties' profitability on U.S. operations that they have derived a specific benefit from importing or from their relationships to foreign producers. See Allied Mineral Products, Inc. v. United States, Court No. 03-00936, Slip Op. 04-139 at 8 (Ct. Int'l Trade Nov. 12, 2004).

⁴⁹ In these investigations, Vice Chairman Aranoff does not rely on an individual company's operating income margin to assess whether a particular related party benefits from the importation of subject merchandise. Rather, she has based her determination regarding whether to exclude a related party principally on the related party's ratio of subject imports to domestic shipments and on whether the related party's primary interest is in domestic production or importation.

⁵⁰ Chairman Pearson and Commissioner Okun note that while they consider the same issues discussed in this section in determining whether to exercise their discretion to cumulate the subject imports, their analytical framework begins with whether imports from the subject countries are likely to face similar conditions of competition. For those subject imports which are likely to compete under similar conditions of competition, they next proceed to consider whether those imports are likely to compete with each other and with the domestic like product. Finally, if based on that analysis they intend to exercise their discretion to cumulate one or more subject countries, they analyze whether they are precluded from cumulating such imports because the imports from one or more subject countries, assessed individually, are likely to have no discernible adverse impact on the domestic industry. See Steel Concrete Reinforcing Bar From Belarus, China, Indonesia, Korea, Latvia, Moldova, Poland, and Ukraine, Invs. Nos. 731-TA-873-875, 877-880, and 882 (Review), USITC Pub. 3933 (July 2007) (Separate and Dissenting Views of Chairman Daniel R. Pearson and Commissioner Deanna Tanner Okun Regarding Cumulation).

⁵¹ 19 U.S.C. § 1675a(a)(7).

⁵² 19 U.S.C. § 1677(7)(G)(I).

of competition that are likely to prevail with respect to each subject country if the orders under review are terminated.^{53 54}

The Commission may exercise its discretion to cumulate, however, only if the reviews are initiated on the same day and the Commission determines that the subject imports are likely to compete with each other and the domestic like product in the U.S. market. The Commission generally has considered four factors intended to provide a framework for determining whether the imports compete with each other and with the domestic like product.⁵⁵ Only a “reasonable overlap” of competition is required.⁵⁶ In five-year reviews, the relevant inquiry is whether there likely would be competition after revocation of the orders, even if none currently exists.

The statute precludes cumulation if the Commission finds that subject imports from a country are likely to have no discernible adverse impact on the domestic industry.⁵⁷ We note that neither the statute nor the Uruguay Round Agreements Act (“URAA”) Statement of Administrative Action (“SAA”) provides specific guidance on what factors the Commission is to consider in determining that imports “are likely to have no discernible adverse impact” on the domestic industry.⁵⁸ With respect to this provision, the Commission generally considers the likely volume of the subject imports and the likely impact of those imports on the domestic industry within a reasonably foreseeable time if the orders are revoked.

In the original investigations and in the first five-year reviews, the Commission cumulated subject imports from Italy and Turkey. In these reviews, the statutory requirement for cumulation that all reviews be initiated on the same day is satisfied as all the reviews were initiated on October 2, 2006.⁵⁹

⁵³ See e.g., Allegheny Ludlum Corp. v. United States, 475 F.Supp.2d 1370, 1377-78 (Ct. Int’l Trade 2006) (recognizing the wide latitude the Commission has in selecting the type of factors it considers relevant in deciding whether to exercise discretion to cumulate subject imports in five-year reviews).

⁵⁴ Commission Pinkert does not join in this sentence for the reasons stated in footnote 98.

⁵⁵ The four factors generally considered by the Commission in assessing whether imports compete with each other and with the domestic like product are: (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions; (2) the presence of sales or offers to sell in the same geographic markets of imports from different countries and the domestic like product; (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and (4) whether the imports are simultaneously present in the market. See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), aff’d, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int’l Trade 1988), aff’d, 859 F.2d 915 (Fed. Cir. 1988); Mukand Ltd. v. United States, 937 F. Supp. 910, 915 (Ct. Int’l Trade 1996).

⁵⁶ See Mukand, 937 F. Supp. at 916; Wieland Werke, AG v. United States, 718 F. Supp. 50, 52 (Ct. Int’l Trade 1989) (“Completely overlapping markets are not required.”); United States Steel Group, 873 F. Supp. at 685. We note, however, that there have been investigations where the Commission has found an insufficient overlap in competition and has declined to cumulate subject imports. See, e.g., Live Cattle from Canada and Mexico, Invs. Nos. 701-TA-386 (Prelim.) and 731-TA-812-813 (Prelim.), USITC Pub. 3155 at 15 (Feb. 1999), aff’d, Ranchers-Cattlemen Action Legal Foundation v. United States, 74 F. Supp. 2d 1353 (Ct. Int’l Trade 1999); Static Random Access Memory Semiconductors from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-761-762 (Final), USITC Pub. 3098 at 13-15 (Apr. 1998).

⁵⁷ 19 U.S.C. § 1675a(a)(7).

⁵⁸ SAA, H.R. Rep. No. 103-316, vol. I (1994).

⁵⁹ 71 Fed. Reg. 57999.

B. Likelihood of No Discernible Adverse Impact

We do not find that subject imports of dry pasta from Italy and Turkey would likely have no discernible adverse impact on the domestic industry if the antidumping and countervailing duty orders were revoked.

Italy. During the original investigations, the quantity of subject pasta imports from Italy ranged from 213,966,000 pounds in 1993 to 322,448,000 pounds in 1995.⁶⁰ Subject imports from Italy accounted for 7.6 to 10.4 percent of apparent U.S. consumption during the same period.⁶¹ In 1995, production of subject pasta in Italy totaled 2.71 billion pounds, 33.3 percent of which was exported.⁶²

In these second five-year reviews, the quantity of subject imports from Italy has decreased over the period of review from *** pounds in 2001 to *** pounds in 2006.⁶³ The share of apparent U.S. consumption represented by subject imports from Italy ranged from 8.1 to 10.7 percent for the period of review.⁶⁴ Capacity utilization for dry pasta in Italy remained steady from 66.5 percent in 2002 to 67.1 percent in 2005,⁶⁵ and exports increased steadily from 2.92 billion pounds in 2001 to 3.25 billion pounds in 2006.⁶⁶ Imports of Italian dry pasta undersold domestic pasta during the first half of the period of review.⁶⁷ Finally, exports as a share of total shipments increased over the period of review for both exports to the United States and total exports.⁶⁸ Given the overall significant capacity of the Italian subject producers, their excess capacity and export orientation, their continued presence and interest in the U.S. market, and their history of underselling, we find that subject imports from Italy are not likely to have no discernible adverse impact should the orders be revoked.

Turkey. During the original investigations, the quantity of subject pasta imports from Turkey ranged from 48,803,000 pounds in 1993 to 57,046,000 pounds in 1995.⁶⁹ Subject imports from Turkey accounted for 1.7 to 2.1 percent of apparent U.S. consumption during the same period.⁷⁰

In these second five-year reviews, the quantity of subject imports from Turkey decreased slightly over the period of review from *** pounds in 2001 to *** pounds in 2006, although the United States remained the second largest export market for Turkish dry pasta from 2001 to 2003.⁷¹ The share of

⁶⁰ CR/PR at Table I-1.

⁶¹ CR/PR at Table I-1.

⁶² CR/PR at Table IV-6.

⁶³ CR/PR at Table I-13. The Commission issued questionnaires to 23 producers of dry pasta in Italy, but received responses from only five Italian producers accounting for an estimated 5.5 percent of Italian dry pasta production. CR at IV-11, PR at IV-10. Consequently, the Commission's data concerning Italian capacity, production inventories, shipments and exports for the period of review is limited to publicly available data (e.g., Union of Industrial Italian Pasta-makers ("UNIFI") website, Global Trade Atlas), and data provided by the five Italian producers and the Domestic Interested Parties.

⁶⁴ CR/PR at Table I-1.

⁶⁵ CR/PR at Table IV-9.

⁶⁶ CR/PR at Table IV-10.

⁶⁷ CR/PR at Table I-1.

⁶⁸ CR/PR at Table IV-7.

⁶⁹ CR/PR at Table I-1.

⁷⁰ CR/PR at Table I-1.

⁷¹ CR/PR at Tables I-1 and IV-15. The Commission issued questionnaires to 24 producers of dry pasta in Turkey, but received only one response, from Gidasa Sabanci Food. CR at IV-20, PR at IV-19. Consequently, the

(continued...)

apparent U.S. consumption represented by subject imports from Turkey was steady at 0.1 percent for the period of review.⁷² Capacity utilization in Turkey decreased from 2004 to 2006,⁷³ although Turkish production of all pasta types increased from 2001 to 2006.⁷⁴ Imports of Turkish pasta have consistently undersold domestic pasta over the entire period.⁷⁵ Given the significant capacity of the Turkish subject producers, their increasing excess capacity and export orientation,⁷⁶ their continued presence and interest in the U.S. market, and their history of underselling, we find that subject imports from Turkey are not likely to have no discernible adverse impact should the order be revoked.

C. Likely Reasonable Overlap of Competition

With regard to likely overlap of competition, the relevant inquiry is whether there would likely be competition after revocation of the orders, even if there are no current imports from a subject country.⁷⁷ Only a “reasonable overlap” of competition is required.⁷⁸ In the original investigations and the first five-year reviews, the Commission unanimously cumulated subject imports from both subject countries and found a reasonable overlap of competition.⁷⁹ In the original investigations and the expedited first five-year reviews, the Commission found a reasonable overlap of competition and cumulated subject imports from both subject countries.⁸⁰

Fungibility. In the original investigations, the Commission found that there was a substantial level of substitutability between domestic pasta and imports from Italy based on information concerning quality, price, and common end uses.⁸¹ The Commission found more limited fungibility between Italian and Turkish pastas and sufficient fungibility between U.S. and Turkish pastas.⁸² In the first five-year reviews, no new evidence was presented concerning the fungibility factor.⁸³

In these second five-year reviews, there is no evidence in the record indicating that this situation has changed.⁸⁴ Although there are certain perceived quality differences between U.S., Italian, and Turkish pastas, the record does not indicate any general lack of fungibility between Italian and Turkish

⁷¹ (...continued)

Commission’s data concerning Turkish capacity, production inventories, shipments and exports for the period of review are limited to publicly available data (Global Trade Atlas and the Pasta Producers Association of Turkey website) and data provided by Gidasa Sabanci Food and the Domestic Interested Parties.

⁷² CR/PR at Table I-1.

⁷³ CR/PR at Table IV-12.

⁷⁴ CR/PR at Table IV-13.

⁷⁵ CR/PR at Table I-1.

⁷⁶ See CR/PR at Table IV-14; and Domestic Interested Parties Posthearing Brief at 11, Exhibit 1 (response to Commissioner’s Question 7) and Exhibit 4.

⁷⁷ See generally, Cheflene Corp. v. United States, 219 F. Supp. 2d 1313, 1314 (Ct. Int’l Trade 2002).

⁷⁸ See Mukand, 937 F. Supp. at 917.

⁷⁹ Original Determinations, USITC Pub. 2977 at 20-24; First Five-Year Reviews, USITC Pub. 3462 at 10.

⁸⁰ Original Determinations, USITC Pub. 2977 at 20-24; First Five-Year Reviews, USITC Pub. 3462 at 10.

⁸¹ Original Determinations, USITC Pub. 2977 at 20-22.

⁸² Original Determinations, USITC Pub. 2977 at 20-22.

⁸³ First Five-Year Reviews, USITC Pub. 3462 at 14.

⁸⁴ CR at II-18-19 and Table II-7.

pasta and between U.S. pasta and the subject imports.⁸⁵ The record indicates that the majority of responding U.S. producers, importers, and purchasers believe that domestic pasta and the subject imports are “always interchangeable.”⁸⁶ Therefore, we find that domestic dry pasta and the subject imports are likely to be fungible for purposes of finding a likely reasonable overlap of competition.

Geographic Overlap. In the original investigations, the Commission found that domestically produced dry pasta was sold nationwide, but subject imports from Italy and Turkey were sold in the Northeast and on the West Coast of the United States.⁸⁷ In the first five-year reviews, no new evidence was presented concerning the geographic overlap factor.⁸⁸

In these second five-year reviews, the record indicates that dry pasta is produced throughout the United States and is shipped nationwide. During the period of review, subject imports from Italy and Turkey entered from all regions with the exception of the Pacific Northwest.⁸⁹ Therefore, we find that domestic pasta and the subject imports are likely to be sold or offered for sale in the same geographical markets.

Channels of Distribution. In the original investigations, the Commission found an overlap in channels of distribution between imported and domestic pasta in the retail grocery chain channel and the wholesale distributor channels in the retail market.⁹⁰ In the first five-year reviews, no new evidence was presented concerning the channels of distribution factor.⁹¹

In these second five-year reviews, the record indicates that the *** of shipments from U.S., Italian, and Turkish producers overlap in sales to the retail chain of distribution.⁹² Therefore, we find there are likely to be common or similar channels of distribution for domestic pasta and the subject imports.

Simultaneous Presence. In the original investigations, the Commission determined that domestic pasta and subject imports were simultaneously present in the U.S. market throughout the period examined.⁹³ The Commission observed that subject imports from Italy and Turkey were imported into the United States during each quarter of the period examined and that domestically produced dry pasta was sold in the United States throughout the period.⁹⁴ In the first five-year reviews, no new evidence was presented concerning the simultaneous presence factor.⁹⁵

In these second five-year reviews, monthly import data indicate that imports from both Italy and Turkey were present throughout the period of review with the limited exception that no recorded imports

⁸⁵ CO-TIP Posthearing Brief at 9 and 14.

⁸⁶ CR at II-14-15, II-20, PR at II-10-11, II-15; and CR/PR at Tables II-4 and II-5.

⁸⁷ Original Determinations, USITC Pub. 2977 at 23.

⁸⁸ First Five-Year Reviews, USITC Pub. 3462 at 14.

⁸⁹ CR/PR at IV-6 and Table IV-3.

⁹⁰ Original Determinations, USITC Pub. 2977 at 23.

⁹¹ First Five-Year Reviews, USITC Pub. 3462 at 14.

⁹² CR at II-2 and Table II-1 (2006 data - more than 58 percent of U.S.-produced pasta shipments to retail channel of distribution); Table II-2 (89 percent of Italian shipments to retail channel of distribution); and Table II-3 (***) percent of Turkish shipments to retail channel of distribution).

⁹³ Original Determinations, USITC Pub. 2977 at 23.

⁹⁴ Original Determinations, USITC Pub. 2977 at 23.

⁹⁵ First Five-Year Reviews, USITC Pub. 3462 at 14.

from Turkey were recorded for two months in 2001.⁹⁶ Therefore, we find that domestic pasta and the subject imports are likely to be simultaneously present in the U.S. market if the orders were revoked.

Accordingly, we find a likely reasonable overlap of competition in these five-year reviews.

D. Other Considerations⁹⁷

Based on the record in these second five-year reviews, we find that subject imports of dry pasta from Italy and Turkey would likely compete in the U.S. market under similar conditions of competition. Subject imports from both countries have maintained a steady presence in the U.S. market throughout the period of review.⁹⁸ Both Italian and Turkish pasta were exported to the United States during the period of review and both Italian and Turkish pasta industries are export-oriented.⁹⁹ Both countries have maintained or increased their capacities to produce dry pasta from the time of the original investigations. The United States is an important market for producers in both countries and the subject imports share common distribution channels with domestically produced dry pasta.¹⁰⁰ Finally, for both countries, average unit values for exports to the United States are similar to, or higher than, average unit values for exports to third country markets, and there are no tariffs on dry pasta for imports into the United States, unlike the case in most of the export markets for Italian and Turkish pasta.¹⁰¹ Therefore, we determine to exercise our discretion to cumulate subject imports from these countries.¹⁰²

⁹⁶ CR/PR at IV-7 and Table IV-4.

⁹⁷ Commissioners Lane and Pinkert do not join in this analysis of other considerations. Where, in a five-year review, they do not find that the subject imports are likely to have no discernible adverse impact on the domestic industry and find that such imports would be likely to compete with each other and with the domestic like product in the U.S. market, they cumulate such imports unless there is a condition or propensity – not merely a trend – that is likely to persist for a reasonably foreseeable time and that significantly limits competition such that cumulation is not warranted. Here, they find there is no such condition or propensity. Whether domestic or imported from Italy or Turkey, pasta is an essentially fungible product, and the industries in Italy and Turkey have been and are significantly oriented toward exports. Therefore, Commissioners Lane and Pinkert exercise their discretion to cumulate the subject imports.

⁹⁸ CR /PR at IV-7 and Table IV-4.

⁹⁹ CR/PR at Tables IV-11 and IV-15.

¹⁰⁰ CR/PR at Tables II-1 and IV-15.

¹⁰¹ CR/PR at Tables IV-11 and IV-15; and CR at IV-26–28, PR at IV-23-25.

¹⁰² CR/PR at Tables IV-11 and IV-15; and CR at IV-26–28, PR at IV-23-25. CO-TIP raised a number of arguments against cumulating the subject imports in its submissions to the Commission: that Turkish pasta is of lesser quality due to inferior durum wheat, that Turkish pasta competes in different segments of the U.S. market than U.S. and Italian pasta, that U.S. and Italian pasta serve different segments of the “private label” market, and that U.S. pasta dominates the “branded label” market in the United States. CO-TIP Prehearing Brief at 8-11; Posthearing Brief at 9 and 14. The record does not support these arguments and, instead, indicates that there is a likely reasonable overlap of competition between the subject imports and the domestic like product and between the subject imports. With respect to CO-TIP’s argument that U.S. producers control the “branded label” market, there is no record evidence to support the existence of separate markets for domestic and imported branded and private label pasta as CO-TIP asserts. Finally, the Commission found in the original investigations that most people cannot distinguish a significant difference in quality among the various brands of pasta, probably because most of the pasta factories in Turkey produce good-quality pasta by using modern processing technology, despite the variable quality of Turkish Anatolian durum wheat. See Original Determinations, USITC Pub. 2977 at 25-26 and I-32 n.88. There is no record evidence in these reviews that provides a basis for revisiting the issue.

IV. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF MATERIAL INJURY IF THE COUNTERVAILING DUTY AND/OR ANTIDUMPING DUTY ORDERS ARE REVOKED

For the reasons stated below, we determine that revocation of the antidumping and countervailing duty orders on dry pasta from Italy and Turkey would be likely to lead to continuation or recurrence of material injury to the domestic industry producing dry pasta within a reasonably foreseeable time.

A. Legal Standard In a Five-Year Review

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke an antidumping or countervailing duty order unless: (1) it makes a determination that dumping or subsidization is likely to continue or recur; and (2) the Commission makes a determination that revocation of the antidumping duty order or the countervailing duty order “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”¹⁰³ The Uruguay Round Agreements Act (“URAA”), Statement of Administrative Action (“SAA”), states that “under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining effects on volumes and prices of imports.”¹⁰⁴ Thus, the likelihood standard is prospective in nature.¹⁰⁵ The U.S. Court of International Trade has found that “likely,” as used in the five-year review provisions of the Act, means “probable,” and the Commission applies that standard in five-year reviews.^{106 107 108}

¹⁰³ 19 U.S.C. § 1675a(a).

¹⁰⁴ The SAA, H.R. Rep. No. 103-316, vol. I, at 883-84 (1994). The SAA states that “[t]he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed.” SAA at 883.

¹⁰⁵ While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued [sic] prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

¹⁰⁶ See NMB Singapore Ltd. v. United States, 288 F. Supp. 2d 1306, 1352 (Ct. Int’l Trade 2003) (“‘likely’ means probable within the context of 19 U.S.C. § 1675(c) and 19 U.S.C. § 1675a(a)”), aff’d without opinion, 140 Fed. Appx. 268 (Fed. Cir. 2005); Nippon Steel Corp. v. United States, 26 CIT 1416, 1419 (2002) (same); Usinor Industeel, S.A. v. United States, 26 CIT 14 02, 1404 nn. 3 & 6 (2002) (“more likely than not” standard is “consistent with the court’s opinion”; “the court has not interpreted ‘likely’ to imply any particular degree of ‘certainty’”); Indorama Chemicals (Thailand) Ltd. v. United States, 26 CIT 1059, 1070 (2002) (“standard is based on a likelihood of continuation or recurrence of injury, not a certainty”); Usinor v. United States, 26 CIT 767, 794 (2002) (“‘likely’ is tantamount to ‘probable,’ not merely ‘possible’”).

¹⁰⁷ For a complete statement of Commissioner Okun’s interpretation of the likely standard, see Additional Views of Vice Chairman Deanna Tanner Okun Concerning the “Likely” Standard in Certain Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe from Argentina, Brazil, Germany, and Italy, Inv. Nos. 701-TA-362 (Review) and 731-TA-707-710 (Review) (Remand), USITC Pub. 3754 (Feb. 2005).

¹⁰⁸ Commissioner Lane notes that, consistent with her views in Pressure Sensitive Plastic Tape from Italy, Inv. No. AA1921-167 (Second Review), USITC Pub. 3698 (June 2004) at 15-17, she does not concur with the U.S. Court of International Trade’s interpretation of “likely,” but she will apply the Court’s standard in this review and all subsequent reviews until either Congress clarifies the meaning or the U.S. Court of Appeals for the Federal Circuit

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The statute states that “the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time.”¹⁰⁹ According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ timeframe applicable in a threat of injury analysis in original investigations.”¹¹⁰

Although the standard in a five-year review is not the same as the standard applied in an original antidumping or countervailing duty investigation, it contains some of the same fundamental elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the orders are revoked or the suspended investigation is terminated.”¹¹¹ It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, whether the industry is vulnerable to material injury if the orders are revoked or the suspension agreement is terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).¹¹²

Only one respondent interested party (CO-TIP) and only five Italian producers and one Turkish producer participated in these reviews. The record, therefore, contains limited information with respect to the dry pasta industries in Italy and Turkey. Accordingly, we rely on available information when appropriate, which consists primarily of information from the original investigations, the first five-year reviews, and information collected in these second five-year reviews, including that submitted by the Domestic Interested Parties.^{113 114}

¹⁰⁸ (...continued)
addresses the issue.

¹⁰⁹ 19 U.S.C. § 1675a(a)(5).

¹¹⁰ SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

¹¹¹ 19 U.S.C. § 1675a(a)(1).

¹¹² 19 U.S.C. § 1675a(a)(1). Commerce has not made any duty absorption determinations with respect to the orders under review. CR/PR at I-3 n.16. The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission’s determination. 19 U.S.C. § 1675a(a)(5). While the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

¹¹³ 19 U.S.C. § 1677e(a) authorizes the Commission to “use the facts otherwise available” in reaching a determination when: (1) necessary information is not available on the record or (2) an interested party or other person withholds information requested by the agency, fails to provide such information in the time, form, or manner requested, significantly impedes a proceeding, or provides information that cannot be verified pursuant to section 782(i) of the Act. 19 U.S.C. § 1677e(a). The verification requirements in section 782(i) are applicable only to Commerce. 19 U.S.C. § 1677m(i). See *Titanium Metals Corp. v. United States*, 25 CIT 648, 663, 155 F. Supp. 2d 750, 765 (2001) (“[T]he ITC correctly responds that Congress has not required the Commission to conduct verification procedures for the evidence before it, or provided a minimum standard by which to measure the thoroughness of a Commission investigation.”).

¹¹⁴ Commissioner Okun notes that the statute authorizes the Commission to take adverse inferences in five-year reviews, but such authorization does not relieve the Commission of its obligation to consider the record evidence as a whole in making its determination. 19 U.S.C. § 1677e. She generally gives credence to the facts supplied by the participating parties and certified by them as true, but bases her decision on the evidence as a whole, and does not automatically accept participating parties’ suggested interpretations of the record evidence. Regardless of the level of participation and the interpretations urged by participating parties, the Commission is obligated to consider all

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B. Conditions of Competition and the Business Cycle

In evaluating the likely impact of the subject imports on the domestic industry, the statute directs the Commission to consider all relevant economic factors “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”¹¹⁵ Given the wide variety of customers and multiplicity of uses for dry pasta, we do not find that the pasta market is characterized by a regular and measurable business cycle that might be characteristic of other industries. The following conditions of competition are relevant to our determination.

Demand. In the original investigations, the Commission found that demand for dry pasta had increased steadily throughout the period of investigation.¹¹⁶ Apparent domestic consumption increased steadily during the period of investigation, as did the U.S. industry’s domestic shipments.¹¹⁷ Finally, the Commission noted that *** percent of domestic production was captively consumed, but found that the captive production provision did not apply because pasta was the predominant material input for the downstream products.¹¹⁸

In the first five-year reviews, the Commission noted that apparent U.S. consumption of dry pasta had increased since the original investigations, but it appeared that the increasing use of ready-to-eat meals had slowed or reversed this trend.¹¹⁹ Approximately *** percent of U.S. producers’ U.S. shipments of dry pasta was captively consumed, with the remainder being sold in the merchant market.¹²⁰

In these second five-year reviews, apparent U.S. consumption declined in the beginning of the period of review, but improved to the levels present in the original investigation by the end of the period.¹²¹ Demand was generally down over the period, in part because of low-carbohydrate diet trends and small, but growing demand for fresh pasta.¹²² Approximately *** percent of U.S. producers’ U.S. shipments of dry pasta were captively consumed, with the remainder being sold in the merchant market.¹²³

Supply. In the original investigations, the Commission noted that U.S. producers’ production capacity fluctuated, but increased overall.¹²⁴ U.S. producers’ average capacity and production increased

¹¹⁴ (...continued)

evidence relating to each of the statutory factors and may not draw adverse inferences that render such analysis superfluous. “In general, the Commission makes determinations by weighing all of the available evidence regarding a multiplicity of factors relating to the domestic industry as a whole and by drawing reasonable inferences from the evidence it finds most persuasive.” SAA at 869.

¹¹⁵ 19 U.S.C. § 1675a(a)(4).

¹¹⁶ Original Determinations, USITC Pub. 2977 at 18.

¹¹⁷ Original Determinations, USITC Pub. 2977 at 20.

¹¹⁸ Original Determinations, USITC Pub. 2977 at 17.

¹¹⁹ First Five-Year Reviews, USITC Pub. 3462 at 20-21.

¹²⁰ First Five-Year Reviews, USITC Pub. 3462 at 21.

¹²¹ CR/PR at Table I-1. During the period of investigation, apparent U.S. consumption increased from 2.83 billion pounds in 1993 to 3.11 billion pounds by 1995. During the period of review, U.S. apparent consumption was 3.21 billion pounds in 2002, declined to 3.07 billion pounds in 2004, and increased to 3.24 billion pounds in 2006. Id.

¹²² CR at I-25-26, II-12, and III-24 n.43. See also Dakota Growers 2006 10-K at 2.

¹²³ Calculated from CR/PR at Table III-4 (2006 data).

¹²⁴ Original Determinations, USITC Pub. 2977 at 21.

in the beginning of the period of investigation, but declined in 1995.¹²⁵ Finally, domestic producer inventories fluctuated, but were higher overall at the end of the period.¹²⁶

In the first five-year reviews, the Commission found that the industry continued to consolidate, with several firms shutting down pasta production operations. Nonetheless, the domestic industry made significant additions to production capacity and, on balance, expanded its capacity for production of dry pasta.¹²⁷ Nonsubject imports were not a major source of pasta in the domestic market.¹²⁸

The structure of the domestic industry has changed significantly since 2000. In 2001, Borden sold a number of brands of U.S. pastas to AIPC and New World, and sold production facilities to New World. AIPC acquired brands from both Bestfoods and ADM in 2002 and opened a new production facility in 2003. As a result of these changes, Borden, Bestfood, and ADM have exited the pasta business.¹²⁹ A. Zarega increased production capacity from 2004 through 2006 with new equipment installations to increase efficiency.¹³⁰ New World closed a number of production facilities in 2002 and 2005.¹³¹ Dakota Growers reported that ***.¹³² Finally, Barilla opened a production facility in the United States and has announced plans for a second U.S. pasta production facility to increase production capacity beginning in 2009.¹³³

Overall, domestic production capacity for dry pasta has increased from 3.17 billion pounds in 2001 to 3.43 billion pounds in 2006.¹³⁴ Capacity utilization in 2006 was 80.0 percent, up slightly from 79.5 percent in 2001.¹³⁵ Production has kept pace with capacity, but fell slightly in 2003 and 2004, perhaps due to lower demand associated with the popularity of low-carbohydrate diets.¹³⁶ Subject imports' share of apparent U.S. consumption declined from 10.8 percent of in 2001 to 8.2 percent in 2006.¹³⁷ Non-subject imports of dry pasta comprised 9.8 percent of the U.S. market in 2006, up from 7.5 percent in 2001.

Substitutability. In the original investigations, the Commission found that subject imports and domestic pasta were generally substitutable, although it noted some minor perceptions of quality differences among the subject imports and domestic pasta.¹³⁸ The Commission noted that the use of promotions was a very important factor in purchasing decisions both for the domestic product and subject imports.¹³⁹ Indeed, the Commission found that price was an important factor in purchasing decisions for

¹²⁵ Original Determinations, USITC Pub. 2977 at 21.

¹²⁶ Original Determinations, USITC Pub. 2977 at 21.

¹²⁷ First Five-Year Reviews, USITC Pub. 3462 at 21.

¹²⁸ First Five-Year Reviews, USITC Pub. 3462 at 21.

¹²⁹ CR at III-2, PR at III-1.

¹³⁰ CR at III-6, PR at III-4.

¹³¹ CR at III-7, PR at III-5.

¹³² CR at III-9, PR at III-6.

¹³³ CR at III-9, PR at III-6; and Barilla producer questionnaire response, sections II-2 and II-3.

¹³⁴ CR/PR at Table III-2.

¹³⁵ CR/PR at Table III-2.

¹³⁶ CR at III-24 n.43, PR at III-14.

¹³⁷ CR/PR at Table I-1.

¹³⁸ Original Determinations, USITC Pub. 2977 at 26.

¹³⁹ Original Determinations, USITC Pub. 2977 at 16.

both the domestic product and subject imports.¹⁴⁰ Finally, the Commission determined that, while quality was important in purchasing decisions and Italian pasta imports appeared to possess an image of higher quality, this perceived higher quality did not consistently translate into higher pricing levels.¹⁴¹

In the first five-year reviews, the Commission again found that the subject imports and domestic pasta were generally substitutable, although the Commission again noted some perceptions of quality differences among the subject imports and domestic pasta.¹⁴² Price continued to play an important role, and the use of promotions was very important in purchasing decisions.¹⁴³

In these second five-year reviews, purchasers were requested to identify the factors that determine the quality of dry pasta. Purchasers responded that appropriate producer or industry specifications were important, as well as taste, texture, color, size, durability, packaging consistency, and the quality of the wheat used to make the pasta.¹⁴⁴ In general, responses from U.S. producers, importers and purchasers indicate that dry pasta from both subject and non-subject countries is normally interchangeable with dry pasta from the United States.¹⁴⁵

Costs. We note that an additional condition of competition in these second five-year reviews is the high U.S. price for durum wheat during the period, particularly in 2006 and interim 2007. Semolina made from durum wheat is the single largest raw material cost for U.S. pasta producers.¹⁴⁶ All of the major U.S. pasta producers reported significant increases in the cost of raw materials in the first quarter of 2007 over interim 2006.¹⁴⁷ The increasing raw material costs for U.S. pasta producers are attributable, in part, to the increasing cost for durum wheat. Durum wheat prices appear to be rising, at least in part, in response to farm-level pressures to convert durum wheat fields to the production of corn for biofuels.¹⁴⁸

Based on the evidence in the record of these second five-year reviews, we find that conditions of competition in the dry pasta market are not likely to change significantly in the reasonably foreseeable future. Accordingly, we find that current conditions in the market provide us with a reasonable basis on which to assess the likely effects of revocation of the orders in the reasonably foreseeable future.

C. Likely Volume of Subject Imports

In evaluating the likely volume of imports of subject merchandise if the antidumping and countervailing duty orders are revoked, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the

¹⁴⁰ Original Determinations, USITC Pub. 2977 at 16-17.

¹⁴¹ Original Determinations, USITC Pub. 2977 at 19-20.

¹⁴² First Five-Year Reviews, USITC Pub. 3462 at 20.

¹⁴³ First Five-Year Reviews, USITC Pub. 3462 at 20.

¹⁴⁴ CR at II-14, PR at II-10.

¹⁴⁵ CR at II-20-21, PR at II-15; and CR/PR at Table II-8.

¹⁴⁶ CR at V-1-2, PR at V-1; and CR/PR at Figure V-1.

¹⁴⁷ CR/PR at Table III-10. First quarter raw material price increases in 2007 for major U.S. pasta producers ranged from *** percent.

¹⁴⁸ Hearing Transcript at 20, 97. Although ethanol is certainly a contributing factor to the sharp increases in durum wheat prices during the past two years, another factor in 2007 appears to be adverse crop conditions for wheat in the United States and major wheat producing countries in Europe, as well as increasing demand in Europe and other markets for North American supplies of durum wheat. See CR at V-1-2, PR at V-1. In the longer term and assuming favorable crop conditions, the production of corn for ethanol may continue to be a major factor in limiting additional wheat acreage, notwithstanding the increasing prices for durum wheat.

United States.¹⁴⁹ In doing so, the Commission must consider “all relevant economic factors,” including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.¹⁵⁰

In the original investigations, the Commission found that the volume of cumulated subject imports increased steadily from 262.8 million pounds to 379.5 million pounds between 1993 and 1995, while the share of U.S. consumption (in quantity terms) held by subject imports increased from 9.3 percent in 1993 to 12.2 percent in 1995.¹⁵¹ The Commission found that the increase in market share came at the expense of the domestic industry, whose market share (in quantity terms) declined during each year of the period of investigation, from 87.0 percent in 1993 to 83.5 percent in 1995.¹⁵² The Commission also noted that the rate of increase in subject import volumes far exceeded the rate of increase in domestic consumption.¹⁵³

In the first five-year reviews, the Commission found that cumulated imports of dry pasta totaled 418.3 million pounds in 1998, 347.4 million pounds in 1999, and 312.2 million pounds in 2000.¹⁵⁴ Although there was a significant decline in subject imports from Turkey after the imposition of the orders, imports from Italy did not decline until the conclusion of a Commerce anti-circumvention inquiry in 1998.¹⁵⁵ Based on facts available, the Commission found that the likely volume of imports would be significant in the foreseeable future if the orders were revoked given the large production capacity in Italy and Turkey, the Italian exporters’ continued commitment to the U.S. market, and the decline in Turkish exports to other markets.¹⁵⁶

In these second five-year reviews, the Commission has limited data available on the foreign industries because only five of 23 Italian producers and only one Turkish producer responded to the Commission’s questionnaires.¹⁵⁷ The questionnaire responses submitted in these reviews only represent 5.5 percent of pasta production in Italy.¹⁵⁸

We note again that the pasta industries in Italy and Turkey are significant pasta producers. Italy is the world’s largest producer and exporter of pasta.¹⁵⁹ Italian pasta production, total exports,

¹⁴⁹ 19 U.S.C. § 1675a(a)(2).

¹⁵⁰ 19 U.S.C. § 1675a(a)(2)(A)-(D).

¹⁵¹ Original Determination, USITC Pub. 2977 at 25.

¹⁵² Original Determination, USITC Pub. 2977 at 25.

¹⁵³ Original Determination, USITC Pub. 2977 at 25.

¹⁵⁴ First Five-Year Reviews, USITC Pub. 3462 at 23.

¹⁵⁵ First Five-Year Reviews, USITC Pub. 3462 at 22.

¹⁵⁶ First Five-Year Reviews, USITC Pub. 3462 at 24.

¹⁵⁷ Given the limited response of Italian and Turkish pasta producers in these reviews, the Commission has relied primarily on publicly available sources, where available, for its analysis and determinations. See CR/PR at Table IV-9 (UNIFI data) and Tables IV-10 and IV-11 (Global Trade Atlas data) for Italy; and CR at Tables IV-14 and IV-15 (Global Trade Atlas data) for Turkey.

¹⁵⁸ CR at IV-11, PR at IV-10 (Italy). The percentage of pasta production in Turkey represented by Gidasa Sabanci Food’s response cannot be determined because its questionnaire response was incomplete and there is limited data available on the pasta industry in Turkey generally. See CR at IV-20, PR at IV-19.

¹⁵⁹ CR/PR at IV-10.

inventories, and exports to the United States all increased over the period of review.¹⁶⁰ Although Italian domestic consumption of dry pasta was flat over the period, with home market shipments accounting for just 48.0 percent of total shipments in 2005, Italian producers nevertheless significantly increased production during the period of review.¹⁶¹ The United States remains one of the principal export markets for Italian pasta producers, and Italian subject pasta maintained a substantial presence in the U.S. market throughout the period of review despite the orders.¹⁶² Average unit values for Italian subject exports to the United States were significantly higher during the period of review than average unit values for exports to the first three principal export destinations for Italian pasta (Germany, France, and the United Kingdom),¹⁶³ which suggests that the United States would be an especially attractive market if the orders were revoked.

Exports of Turkish pasta to the United States were down over the period, but total Turkish pasta exports increased significantly, from 58 million pounds in 2001 to 142 million pounds in 2006.¹⁶⁴ Turkish capacity utilization decreased from 92.5 percent in 2004 to 68.5 percent in 2006.¹⁶⁵ The Turkish industry is highly export oriented¹⁶⁶ and, given their continued presence and history of underselling despite the orders, the United States remains a very attractive market for Turkish pasta exporters.

We find that these producers would have an incentive to ship significant volumes of additional exports to the United States if the orders were revoked based on (1) the substantial volumes of subject imports into the United States and gains in market share during the original investigations; (2) the size and export orientation of both foreign industries; (3) the importance of the U.S. market to both Italian and Turkish producers; and (4) the fact that there have been substantial volumes of subject imports in the U.S. market throughout the period of review, notwithstanding the restraining effects of the orders. Therefore, we find that the likely volume of subject imports, both in absolute terms and relative to production and consumption in the United States, would be significant if the orders were revoked.

¹⁶⁰ CR/PR at Table IV-9 (UNIFI data) (total dry pasta production increased from 6.63 billion pounds in 2002 to 6.81 billion pounds in 2005). Exports to the United States decreased from 347 million pounds in 2001 to 316 million pounds in 2006. CR/PR at Table IV-11. Total exports increased from 2.9 billion pounds in 2001 to 3.2 billion pounds in 2006. CR/PR at Table IV-10 (Global Trade Atlas data). End-of-period inventories increased from 14,666,000 pounds in 2001 to 20,818,000 pounds in 2006. CR/PR at Table IV-7 (QR data).

¹⁶¹ CR/PR at Table IV-9. Italian production of all dry pasta increased from 6.63 billion pounds in 2002 to 6.81 billion pounds in 2005.

¹⁶² CR/PR at Table IV-11. Italian exports of subject pasta to the United States were 347 million pounds in 2001, 289 million pounds in 2004, and 316 million pounds in 2006.

¹⁶³ CR/PR at Table IV-11.

¹⁶⁴ CR/PR at Table IV-14. Although demonstrating an increase in total Turkish pasta exports from 2001 to 2006, the Global Trade Atlas statistics used in Table IV-14 indicate that Turkish exports declined substantially in 2006 from the reported 307 million pounds in 2005. The Domestic Interested Parties provided publicly available information from the Union of Turkish Pasta Producers indicating that exports of Turkish pasta actually increased to 614 million pounds in 2006. See Domestic Interested Parties Posthearing Brief at 11, Exhibit 1 (response to Commissioner's Question 7) and Exhibit 4 (Government of Turkey's Export Promotion Center data). It should be noted that the Global Trade Atlas data used in Table IV-14 (dry non-egg pasta) are not directly comparable to the Export Promotion Center data (all pasta).

¹⁶⁵ CR at Table IV-12.

¹⁶⁶ CR at IV-20-21, PR at IV-19. The data reported by the sole Turkish producer that responded to the Commission's questionnaire indicate that ***. Calculated from CR/PR at Table IV-12.

D. Likely Price Effects of Subject Imports

In evaluating the likely price effects of subject imports if the antidumping and countervailing duty orders are revoked, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to the domestic like product and whether the subject imports are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of the domestic like product.¹⁶⁷

In the original investigations, the Commission found that the domestic producers had employed a “three-tiered” pricing structure, with the first tier consisting of popular forms of pasta, such as spaghetti and elbow macaroni, and the other two tiers consisting of lower volume products.¹⁶⁸ The Commission found that the subject imports were undermining this pricing structure through “line pricing.”¹⁶⁹ The Commission found that prices for domestic pasta rose a bit during the period, but that domestic producers were caught in a cost-price squeeze.¹⁷⁰ The Commission also found that there was underselling by the Italian product and that Italian pasta should have been priced higher than the domestic product given its perceived higher quality.¹⁷¹ With regard to imports from Turkey, the Commission noted pervasive underselling.¹⁷² The Commission concluded that the subject imports had suppressed domestic prices to a significant degree.¹⁷³

In the first five-year reviews, the Commission found that the limited record in those expedited reviews showed a decline in the average unit values for the subject imports from both Italy and Turkey despite the existence of the orders.¹⁷⁴ By contrast, the average unit values of nonsubject imports of dry pasta remained relatively stable. The Commission concluded that, given the likely volume of imports, the substitutability of the subject imports and domestic pasta, the persistent underselling by the subject imports in the original investigations, and the continuing decline in average unit values, the subject imports would likely significantly undersell the domestic like product to gain market share and have significant depressing or suppressing effects on the domestic like product within a reasonably foreseeable time in the absence of the orders.¹⁷⁵

In these second five-year reviews, price continues to be the most important factor for a majority of purchasers, after quality considerations, and subject imports are generally substitutable for domestic dry pasta. Subject imports continued to undersell domestic pasta over the period of review even with the orders in place, although there was also some overselling by subject imports from Italy in 2005 and 2006.¹⁷⁶ The margins of underselling are substantial in the case of subject imports from Turkey.¹⁷⁷ Imports from Turkey, whether made to retail grocers or distributors, undersold domestic pasta in all

¹⁶⁷ 19 U.S.C. § 1675a(a)(3). The SAA states that “[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices.” SAA at 886.

¹⁶⁸ Original Determinations, USITC Pub. 2977 at 26.

¹⁶⁹ Original Determinations, USITC Pub. 2977 at 26. “Line pricing” means discounting across all tiers.

¹⁷⁰ Original Determinations, USITC Pub. 2977 at 26-27.

¹⁷¹ Original Determinations, USITC Pub. 2977 at 27.

¹⁷² Original Determinations, USITC Pub. 2977 at 27.

¹⁷³ Original Determinations, USITC Pub. 2977 at 28.

¹⁷⁴ First Five-Year Reviews, USITC Pub. 3462 at 25-26.

¹⁷⁵ First Five-Year Reviews, USITC Pub. 3462 at 26.

¹⁷⁶ CR/PR at Table I-1.

¹⁷⁷ CR/PR at Table I-1.

possible quarterly comparisons for which data were collected for the review.¹⁷⁸ Pricing information on Italian pasta shows underselling on sales of products 1, 2, and 3 to retail grocers in all but two of 39 possible comparisons between 2001 and the first quarter of 2004.¹⁷⁹

U.S. pasta producers had higher unit values for their sales in 2005 and 2006. Reported costs, however, also increased during the period, particularly for transportation and the basic raw material for producing pasta, durum wheat.¹⁸⁰ The higher U.S. unit values are attributable, at least in part, to the ability of domestic producers to pass the added costs for transportation and durum wheat through to their customers.¹⁸¹ We find that, if the orders were revoked, high and rising costs for the U.S. industry would exacerbate the adverse price effects resulting from the increased volumes of lower-priced cumulated subject imports.

Based on the information available in these reviews, including the information from the original investigations and the first five-year reviews, we find that the market for subject pasta is price competitive. We have found that likely subject import volumes would be significant in the foreseeable future if the orders were revoked. Subject imports would likely gain market share by underselling the domestic like product. The volume of subject imports at relatively low prices, in turn, would be likely to have significant depressing or suppressing effects on prices of the domestic like product.

Therefore, we conclude that, if the orders were revoked, subject imports from Italy and Turkey likely would undersell the domestic like product, and those imports would have a significant depressing or suppressing effect on prices for the domestic like product.

E. Likely Impact of Subject Imports

In evaluating the likely impact of imports of subject merchandise if the countervailing duty or antidumping duty orders are revoked, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including, but not limited to: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.¹⁸² All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry.¹⁸³ As instructed by the statute, we have considered the extent to which any improvement in the

¹⁷⁸ CR at V-24, PR at V-17.

¹⁷⁹ CR at V-23, PR at V-16.

¹⁸⁰ CR/PR at V-1. Durum wheat prices in the United States increased 85.1 percent from January 2001 to March 2007. As discussed above, the increased consumption of ethanol in the United States has caused farmers to move from growing wheat to growing corn, thus constricting the supply and raising the price of wheat. CR/PR at V-1; and responses to question IV-B-19 for U.S. producers ***.

¹⁸¹ CR at III-30 and n.47, PR at III-16 and n.47; CR/PR at Tables V-1-8; and Domestic Interested Parties Prehearing Brief at 40-41.

¹⁸² 19 U.S.C. § 1675a(a)(4).

¹⁸³ 19 U.S.C. § 1675a(a)(4). Section 752(a)(6) of the Act states that “the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy” in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the “magnitude of the margin of dumping” to be used by the Commission in five-year reviews as “the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title.” 19 U.S.C. § 1677(35)(C)(iv). See also SAA at 887.

Commerce expedited its sunset reviews of the antidumping duty orders on certain pasta from Italy and

(continued...)

state of the domestic industry is related to the order at issue and whether the industry is vulnerable to material injury if the order is revoked.¹⁸⁴

In the original investigations, the Commission found that increasing volumes of subject imports suppressed prices for domestic pasta to a significant degree.¹⁸⁵ The Commission noted that the domestic industry was unable to raise prices to cover increasing raw material and SG&A costs and that domestic producers also lost market share despite the growing demand for pasta in the United States.¹⁸⁶ The Commission found that the subject imports had a significant adverse impact on the industry in terms of profitability at the end of the period of investigation.¹⁸⁷

In the first five-year reviews, despite the limited information available concerning the condition of the domestic industry, the Commission found the industry's capacity and production were greater than at the time of the original investigation.¹⁸⁸ The average unit values of domestic shipments had fallen, however, and other anecdotal information suggested to the Commission that the domestic industry was

¹⁸³ (...continued)

Turkey and found that revocation would be likely to lead to continuation or recurrence of dumping. For Italy, Commerce found margins of 21.34 percent for Arrighri S.p.A. Industrie Alimentari, 14.78 percent for La Molisana Industrie Alimentari S.p.A., 12.41 percent for Liguori Pastificio Dal 1820 S.p.A., 18.30 percent for Pastificio Fratelli Pagine, and 12.05 percent for all others. For Turkey, Commerce found margins of 63.29 percent for Filiz Gida Sanayi ve Ticaret A.S., 60.87 percent for Gidasa Sabanci Gida Sanayi ve Ticaret A.S. (successor-in-interest to Maktas Makamacilik ve Ticaret A.S., a Turkish producer in the original investigation), and 60.87 percent for all others. 72 Fed. Reg. at 5267-68.

Commerce also expedited its sunset reviews of the countervailing duty orders on certain pasta from Italy and Turkey and found that revocation would be likely to lead to continuation or recurrence of subsidization. For Italy, Commerce found subsidy rates of 3.96 percent for Agritalia S.r.l., 3.95 percent for Arrighri S.p.A. Industrie Alimentari, 3.48 percent for De Matteis Agroalimentare S.p.A., 6.76 percent for Delverde S.r.l., 3.40 percent for F.lli De Cecco di Filippo Fara S. Martino S.p.A., 3.01 percent for Industria Alimentare Colavita, S.p.A., 10.70 percent for Isola del Grano S.r.l., 10.70 percent for Italtast S.p.A., 3.75 percent for Italtast S.r.l., 4.82 percent for La Molisana Industrie Alimentari S.p.A., 10.70 percent for Labor S.r.l., 3.40 for Molino e Pastificio De Cecco S.p.A., 2.34 percent for Pastificio Guido Ferrara, 3.47 percent for Pastificio Campano, S.p.A., 7.81 percent for Pastificio Riscossa F.lli Mastromauro S.r.l., 6.78 percent for Tamma Industrie Alimentari di Capitanata, and 4.52 percent for all others. For Turkey, Commerce found a net countervailing duty rate of 3.03 percent for Filiz Gida Sanayi ve Ticaret A.S., 4.49 percent for Maktas Makamacilik ve Ticaret A.S., 14.48 percent for Oba Makarnacilik Sanayi ve Ticaret A.S., and a 10.25 percent for all others. 72 Fed. Reg. at 5270-72.

The statute requires that we “consider information regarding the nature of the countervailable subsidy and whether the subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement.” 19 U.S.C. § 1675a(6). The Domestic Interested Parties argue that Italy has two subsidy programs benefitting subject pasta producers that meet the definition of a subsidy as described in Article 3 or 6.1 of the Subsidies Agreement. Domestic Interested Parties Prehearing Brief at 55. In addition, the Domestic Interested Parties argue that Turkey has four subsidy programs benefitting subject pasta producers that meet the definition of a subsidy as described in article 3 or 6.1 of the Subsidies Agreement. Domestic Interested Parties Prehearing Brief at 55-56.

¹⁸⁴ 19 U.S.C. § 1675a(a)(1)(C). The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, the Commission “considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.” SAA at 885.

¹⁸⁵ Original Determinations, USITC Pub. 2977 at 30.

¹⁸⁶ Original Determinations, USITC Pub. 2977 at 30.

¹⁸⁷ Original Determinations, USITC Pub. 2977 at 29.

¹⁸⁸ First Five-Year Reviews, USITC Pub. 3462 at 26-27.

experiencing some difficulties.¹⁸⁹ Given the mixed information, the Commission did not find the domestic industry to be vulnerable.¹⁹⁰

Due to the limited growth in demand and the likely significant underselling by the subject imports, the Commission found that a significant increase in subject imports was likely to cause a significant decline in the volume of domestic producers' shipments, as well as an adverse impact on price. The Commission found that this likely would have a significant adverse impact on the production, shipments, sales, market share, and revenues of the domestic industry.¹⁹¹ The Commission also found that the likely reduction in production, shipments, sales, market share, and revenues would erode the industry's profitability, as well as its ability to raise capital and make and maintain necessary capital investments.¹⁹² Finally, the Commission found that revocation of the orders would result in commensurate employment declines for the industry. Accordingly, the Commission concluded that revocation would be likely to have a significant impact on the domestic industry within a reasonably foreseeable time.¹⁹³

In these second five-year reviews, the domestic industry demonstrated moderate improvements in its revenues, shipments, and sales during 2005 and 2006 due to increasing demand for dry pasta later in the period of review and the ability of the domestic industry to recoup the increasing costs for transportation¹⁹⁴ and durum wheat¹⁹⁵ through higher prices.¹⁹⁶ The domestic industry's market share remained relatively flat throughout the period.¹⁹⁷ The industry's capacity utilization also remained flat during the period as producers restructured and added capacity through increased efficiencies, such as automation.¹⁹⁸ Employment in the industry declined over the period of review from 2,667 workers in 2001 to 2,365 workers in 2006, and wages trended downward over the majority of the period, with a slight recovery to 2001 levels in 2006.¹⁹⁹ The U.S. industry reported declining operating income margins

¹⁸⁹ First Five-Year Reviews, USITC Pub. 3462 at 26-27.

¹⁹⁰ First Five-Year Reviews, USITC Pub. 3462 at 27.

¹⁹¹ First Five-Year Reviews, USITC Pub. 3462 at 27.

¹⁹² First Five-Year Reviews, USITC Pub. 3462 at 27.

¹⁹³ First Five-Year Reviews, USITC Pub. 3462 at 27-28.

¹⁹⁴ CR at V-3. U.S. producers reported that U.S. inland transportation costs, as a percentage of total costs, ranged from *** percent to *** percent, with the majority of the responding U.S. producers reporting that transportation costs accounted for at least 10 percent of total costs.

¹⁹⁵ CR at V-1-2 and Table V-1. Prices for U.S. durum wheat increased by 85.1 percent during the period January 2001 to March 2007. Id.

¹⁹⁶ The industry's total U.S. shipments increased from 2.51 billion pounds in 2001 to 2.65 billion pounds in 2006. CR/PR at Table III-3. Similarly, the industry's net commercial shipments increased from *** billion pounds in 2001 to *** billion pounds in 2006. CR/PR at Table III-3. Total revenues increased from \$1.021 billion in 2001 to \$1.168 billion in 2006. CR at III-12. Similarly, revenues from commercial sales increased from \$950 million in 2001 to \$1.08 billion in 2006. CR/PR at Table III-12.

¹⁹⁷ See CR/PR at Table I-14. The U.S. industry's market share in terms of apparent consumption increased slightly overall during the period, from 81.7 percent in 2001 to 82.0 percent in 2006.

¹⁹⁸ CR/PR at Tables I-1 and III-2. The industry's capacity utilization increased slightly from 79.5 percent in 2001 to 80.0 percent in 2006. Id. Total capacity, however, increased from 3.16 billion pounds in 2001 to 3.43 billion pounds in 2006. Id.

¹⁹⁹ CR/PR at Table III-8. The industry's productivity increased from 342.8 pounds per hour in 2001 to 376.2 pounds per hour in 2006. CR/PR at Table III-8. Total capital expenditures fluctuated widely during the period as domestic producers restructured and invested in new plants or in equipment during particular years. See CR/PR at Table III-15.

from 2001 through 2004, followed by increases from 2005 through interim 2007.²⁰⁰ We do not find the domestic industry to be vulnerable given its profitability during 2005 and 2006 and its ability to pass through its increased raw material costs to purchasers during these years.²⁰¹

Nevertheless, we find that the likely volume of subject imports would be significant if the orders were revoked and that subject imports would likely undersell the domestic like product to a significant degree and significantly suppress or depress U.S. prices. We find it likely that the domestic industry would not be able to raise its prices sufficiently to cover probable continued increases in its raw material costs in the presence of high volumes of low-priced subject pasta. The likely significant volume of low-priced subject imports and the likely adverse price effects of those imports likely would have a significant adverse impact on the production, shipments, sales, and revenues of the domestic industry. This reduction in the industry's production, shipments, sales, and revenues likely would have a direct adverse impact on the industry's profitability and employment levels, as well as its ability to raise capital and make and maintain necessary capital investments.

Accordingly, we conclude that, if the antidumping and countervailing duty orders on certain pasta from Italy and Turkey were revoked, subject imports from Italy and Turkey would be likely to have a significant adverse impact on the domestic industry within a reasonably foreseeable time. Thus, we determine that revocation of the orders on certain pasta from Italy and Turkey would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

CONCLUSION

For the foregoing reasons, we determine that revocation of the antidumping and countervailing duty orders on pasta from Italy and Turkey would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

²⁰⁰ CR at III-34 and CR/PR at Table III-12.

²⁰¹ 19 U.S.C. §1675a(a)(1)(c). See also SAA at 885.

PART I: INTRODUCTION AND OVERVIEW

BACKGROUND

On October 2, 2006, the Commission gave notice, pursuant to section 751(c) of the Tariff Act of 1930 (the Act), that it had instituted reviews to determine whether revocation of the antidumping and countervailing duty orders on certain pasta from Italy and Turkey would likely lead to the continuation or recurrence of material injury to a domestic industry. Effective January 5, 2007, the Commission determined that it would conduct full reviews pursuant to section 751(c)(5) of the Act. Information relating to the background and schedule of the reviews is provided in the following tabulation.¹

Effective date	Action
July 24, 1996	Commerce's antidumping and countervailing duty orders on Italy and Turkey (61 FR 38544)
November 6, 2001	Commerce's continuation of antidumping and countervailing duty orders (66 FR 57703)
October 2, 2006	Commission's institution of second reviews (71 FR 57999)
January 5, 2007	Commission's decision to conduct full reviews (72 FR 2558, January 19, 2007)
February 2, 2007	Commission's scheduling of the reviews (72 FR 5996, February 8, 2007)
February 5, 2007	Commerce's final results of expedited reviews: Italy and Turkey antidumping duty orders, 72 FR 5266; Turkey countervailing duty order, 72 FR 5269; and Italy countervailing duty order, 72 FR 5271
July 17, 2007	Commission's hearing ¹
September 6, 2007	Commission's vote
September 27, 2007	Commission's determinations sent to Commerce
¹ App. B contains a list of witnesses who appeared at the Commission's hearing.	

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Section 751(c) of the Act requires Commerce and the Commission to conduct a review no later than five years after the issuance of an antidumping or countervailing duty order or the suspension of an investigation to determine whether revocation of the order or termination of the suspended investigation "would be likely to lead to continuation or recurrence of dumping or a countervailable subsidy (as the case may be) and of material injury."

Section 752(a) of the Act provides that in making its determination of likelihood of continuation or recurrence of material injury--

¹ The Commission's notice of institution, notice to conduct full reviews, scheduling notice, and statement on adequacy appear in app. A and may also be found at the Commission's web site (internet address www.usitc.gov). Commissioners' votes on whether to conduct expedited or full reviews may also be found at the web site.

(1) IN GENERAL.-- . . . the Commission shall determine whether revocation of an order, or termination of a suspended investigation, would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. The Commission shall consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated. The Commission shall take into account--

(A) its prior injury determinations, including the volume, price effect, and impact of imports of the subject merchandise on the industry before the order was issued or the suspension agreement was accepted,

(B) whether any improvement in the state of the industry is related to the order or the suspension agreement,

(C) whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated, and

(D) in an antidumping proceeding . . . , (Commerce's findings) regarding duty absorption

(2) VOLUME.--In evaluating the likely volume of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether the likely volume of imports of the subject merchandise would be significant if the order is revoked or the suspended investigation is terminated, either in absolute terms or relative to production or consumption in the United States. In so doing, the Commission shall consider all relevant economic factors, including--

(A) any likely increase in production capacity or existing unused production capacity in the exporting country,

(B) existing inventories of the subject merchandise, or likely increases in inventories,

(C) the existence of barriers to the importation of such merchandise into countries other than the United States, and

(D) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.

(3) PRICE.--In evaluating the likely price effects of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether--

(A) there is likely to be significant price underselling by imports of the subject merchandise as compared to domestic like products, and

(B) imports of the subject merchandise are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.

(4) IMPACT ON THE INDUSTRY.--In evaluating the likely impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated, the Commission shall consider all relevant economic factors which are likely to have a bearing on the state of the industry in the United States, including, but not limited to--

(A) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,

(B) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, and

(C) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.

The Commission shall evaluate all such relevant economic factors . . . within the context of the business cycle and the conditions of competition that are distinctive to the affected industry.

Section 752(a)(6) of the Act states further that in making its determination, “the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy. If a countervailable subsidy is involved, the Commission shall consider information regarding the nature of the countervailable subsidy and whether the subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement.”

SUMMARY DATA

Information obtained during the course of the reviews that relates to the above factors is presented throughout this report. A summary of data collected in the reviews is presented in appendix C. U.S. industry data are based on questionnaire responses of 18 domestic producers, which together accounted for approximately *** percent of total pasta shipment value during 2005.² U.S. import data are based on questionnaire responses and official Commerce statistics. Responses by producers, importers, and purchasers of dry pasta, and producers of dry pasta in Italy and Turkey to a series of questions concerning the significance of the existing antidumping and countervailing duty orders and the likely effects of revocation are presented in appendix D. Table I-1 presents a summary of data from the original investigations, first expedited five-year reviews, and the current reviews.

² U.S. Census Bureau , *Annual Survey of Manufactures, Value of Product Shipments: 2005*, November 2006, table 1, product class code 311823, dry pasta manufacturing.

Table I-1

Dry pasta: Summary data from the original investigations, first expedited five-year reviews, and the current reviews, 1993-95, 2000, and 2001-06

(Quantity=1,000 pounds; value=1,000 dollars; unit values, unit labor costs, and unit financial data are per pound)

Item	1993	1994	1995	2000	2001	2002	2003	2004	2005	2006
Apparent U.S. consumption quantity:	2,833,625	3,028,555	3,112,308	***	3,077,865	3,207,956	3,073,963	3,065,628	3,186,474	3,236,966
Producers' share ¹	87.0	84.1	83.5	***	81.7	82.0	82.0	83.1	81.8	82.0
Importer's share:										
Subject sources--										
Italy	7.6	9.4	10.4	***	***	***	***	***	***	***
Turkey	1.7	2.1	1.8	***	***	***	***	***	***	***
Subtotal, subject	9.3	11.6	12.2	***	10.8	9.9	10.1	9.0	8.5	8.2
Nonsubject sources--										
Italy	0.1	0.3	0.2	(²)	***	***	***	***	***	***
Turkey	0.0	0.2	0.2	(²)	***	***	***	***	***	***
All other countries ¹	3.7	3.8	3.9	***	6.9	7.4	7.2	7.3	7.5	8.2
Subtotal, nonsubject	3.8	4.3	4.3	***	7.5	8.1	7.9	7.9	9.7	9.8
Total imports ¹	13.1	15.9	16.5	***	18.3	18.0	18.0	16.9	18.2	18.0
Apparent U.S. consumption value:	1,294,039	1,453,236	1,474,894	(²)	1,325,794	1,343,609	1,347,483	1,355,452	1,478,026	1,504,947
Producers' share ¹	87.8	85.7	84.4	(²)	82.7	82.3	81.3	81.2	79.5	80.1
Importer's share:										
Subject sources--										
Italy	6.8	8.6	10.0	(²)	***	***	***	***	***	***
Turkey	0.9	1.1	0.9	(²)	***	***	***	***	***	***
Subtotal, Subject	7.7	9.7	11.0	(²)	9.0	8.8	9.6	9.5	9.0	8.5
Nonsubject sources--										
Italy	0.1	0.3	0.2	(²)	***	***	***	***	***	***
Turkey	0.0	0.1	0.1	(²)	***	***	***	***	***	***
All other countries ¹	4.4	4.2	4.3	(²)	7.6	8.1	8.2	8.4	8.7	9.3
Subtotal, nonsubject	4.5	4.6	4.7	(²)	8.2	8.9	9.1	9.3	11.5	11.3
Total imports ¹	12.2	14.3	15.7	(²)	17.3	17.7	18.7	18.8	20.5	19.9

Table continued on next page.

Table I-1--Continued

Dry pasta: Summary data from the original investigations, first expedited five-year reviews, and the current reviews, 1993-95, 2000, and 2001-06

(Quantity=1,000 pounds; value=1,000 dollars; unit values, unit labor costs, and unit financial data are per pound)

Item	1993	1994	1995	2000	2001	2002	2003	2004	2005	2006
U.S. imports from--										
Subject sources--										
Italy										
Quantity	213,966	285,860	322,448	309,498	***	***	***	***	***	***
Value	88,237	125,602	147,580	(²)	***	***	***	***	***	***
Unit value	\$0.41	\$0.44	\$0.46	(²)	\$0.36	\$0.38	\$0.42	\$0.47	\$0.50	\$0.49
Turkey										
Quantity	48,803	64,022	57,046	2,737	***	***	***	***	***	***
Value	11,490	15,541	13,935	(²)	***	***	***	***	***	***
Unit value	\$0.24	\$0.24	\$0.24	(²)	\$0.22	\$0.21	\$0.22	\$0.23	\$0.26	\$0.30
Subject sources										
Quantity	262,769	349,882	379,494	312,235	332,430	317,271	310,338	275,709	269,604	265,454
Value	99,727	141,143	161,515	(²)	119,806	118,732	129,571	128,122	133,259	128,488
Unit value	\$0.38	\$0.40	\$0.43	(²)	\$0.36	\$0.37	\$0.42	\$0.46	\$0.49	\$0.48
Nonsubject sources--										
Italy										
Quantity	1,500	7,832	4,983	(²)	***	***	***	***	***	***
Value	1,412	4,407	3,119	(²)	***	***	***	***	***	***
Unit value	\$0.94	\$0.56	\$0.63	(²)	\$0.47	\$0.48	\$0.59	\$0.77	\$0.66	\$0.68
Turkey										
Quantity	1,369	5,812	7,529	(²)	***	***	***	***	***	***
Value	314	1,347	1,754	(²)	***	***	***	***	***	***
Unit value	\$0.23	\$0.23	\$0.23	(²)	\$0.23	\$0.21	\$0.26	\$0.29	\$0.17	\$0.16
Other countries:										
Quantity	103,609	116,559	121,090	217,381	213,109	236,751	222,803	224,836	240,029	266,236
Value	56,476	60,437	63,835	(²)	101,038	108,626	110,509	113,286	128,936	140,452
Unit value	\$0.55	\$0.52	\$0.53	(²)	\$0.47	\$0.46	\$0.50	\$0.50	\$0.54	\$0.53
Subtotal, nonsubject:										
Quantity	106,478	130,203	133,602	217,381	230,611	260,521	242,567	242,261	309,930	318,762
Value	58,202	66,191	68,708	(²)	109,188	119,659	122,009	126,521	169,236	170,590
Unit value	\$0.55	\$0.51	\$0.51	(²)	\$0.47	\$0.46	\$0.50	\$0.52	\$0.55	\$0.54
Total imports:										
Quantity	369,247	480,085	513,096	529,616	563,041	577,792	552,905	517,970	579,534	584,216
Value	157,929	207,334	230,223	(²)	228,994	238,391	251,580	254,643	302,494	299,079
Unit value	\$0.43	\$0.43	\$0.45	(²)	00	\$0.41	\$0.46	\$0.49	\$0.52	\$0.51

Table continued on next page.

Table I-1--Continued

Dry pasta: Summary data from the original investigations, first expedited five-year reviews, and the current reviews, 1993-95, 2000, and 2001-06

(Quantity=1,000 pounds; value=1,000 dollars; unit values, unit labor costs, and unit financial data are per pound)

Item	1993	1994	1995	2000	2001	2002	2003	2004	2005	2006
U.S. producers'-- Capacity quantity	3,492,033	3,703,316	3,668,937	(²)	3,169,432	3,108,118	3,224,488	3,392,234	3,318,954	3,431,482
Production quantity	2,441,469	2,616,714	2,589,015	***	2,519,030	2,677,280	2,603,192	2,578,992	2,679,998	2,743,862
Capacity utilization ¹	69.9	70.7	70.6	(²)	79.5	86.1	80.7	76.0	80.7	80.0
U.S. shipments: Quantity	2,464,378	2,548,470	2,599,212	***	2,514,824	2,630,165	2,521,058	2,547,658	2,606,940	2,652,751
Value	1,136,110	1,246,002	1,244,671	***	1,096,800	1,105,218	1,095,903	1,100,809	1,175,532	1,205,868
Unit value	\$0.46	\$0.49	\$0.48	\$***	\$0.44	\$0.42	\$0.43	\$0.43	\$0.45	\$0.45
Ending inventory qty.	204,913	243,197	226,142	(²)	214,697	219,928	245,614	203,853	198,490	211,990
Inventories/total shipments ¹	8.3	9.5	8.7	(²)	8.4	8.2	9.5	7.8	7.4	7.8
PRWs	4,418	4,694	4,516	(²)	2,667	2,578	2,437	2,400	2,360	2,365
Hours worked (1,000 hours)	9,826	9,500	9,142	(²)	7,348	7,155	7,603	7,406	7,383	7,294
Wages paid (1,000 dollars)	114,040	115,423	118,849	(²)	83,770	80,521	80,566	81,310	82,972	86,504
Hourly wages	\$11.61	\$12.15	\$13.00	(²)	\$11.40	\$11.25	\$10.60	\$10.98	\$11.24	\$11.86
Productivity (pounds per hour)	248.5	275.4	283.2	(²)	342.8	374.2	342.4	348.2	363.0	376.2

Table continued on next page.

Table I-1--Continued

Dry pasta: Summary data from the original investigations, first expedited five-year reviews, and the current reviews, 1993-95, 2000, and 2001-06

(Quantity=1,000 pounds; value=1,000 dollars; unit values, unit labor costs, and unit financial data are per pound)

Item	1993	1994	1995	2000	2001	2002	2003	2004	2005	2006
Net sales: Quantity	1,944,520	1,888,585	1,864,680	(²)	2,324,938	2,461,849	2,445,006	2,446,932	2,450,666	2,522,206
Value	1,150,425	1,187,471	1,177,970	(²)	1,021,200	1,051,892	1,069,108	1,086,142	1,127,520	1,167,883
Unit value	\$0.59	\$0.63	\$0.62	(²)	\$0.44	\$0.43	\$0.44	\$0.44	\$0.46	\$0.46
Cost of goods sold	687,700	770,236	778,856	(²)	777,184	828,532	846,425	871,028	870,136	867,135
Gross profit or (loss)	462,725	417,235	399,114	(²)	244,016	223,360	222,683	215,114	257,384	300,748
Operating income or (loss)	103,971	46,525	(14,794)	(²)	87,076	71,440	55,071	50,360	68,834	116,690
Unit cost of goods sold	\$0.35	\$0.41	\$0.41	(²)	\$0.33	\$0.34	\$0.35	\$0.36	\$0.36	\$0.34
Unit operating income or (loss)	\$0.05	\$0.02	(\$0.01)	(²)	\$0.04	\$0.03	\$0.02	\$0.02	\$0.03	\$0.05
Cost of goods sold/sales ¹	59.8	64.9	66.1	(²)	76.1	78.8	79.2	80.2	77.2	74.2
SG&A expenses/sales ¹	31.2	31.2	35.1	(²)	15.4	14.4	15.7	15.2	16.7	15.8
Operating income or (loss)/sales ¹	9.0	3.9	(1.3)	(²)	8.5	6.8	5.2	4.6	6.1	10.0

¹ In percent.

² Not available.

Note 1.—Because of rounding, figures may not add to the totals shown.

Note 2.-- Subject import data for Italy and Turkey from the first review include nonsubject import data. Official Commerce statistics used in this report for all dry pasta include HTS subheadings 1902.19.20 (non-egg pasta) and 1902.11.20 (egg pasta). Adjustments to official Commerce statistics for nonsubject product included in the HTS subheadings (e.g., excluded Lensi product (since January 1, 2005) and bulk non-egg pasta) were made based on data submitted in response to the Commission's U.S. importers' questionnaire and proprietary Customs data.

Source: Data for the period of the original investigations (1993-95) were taken from *Certain Pasta from Italy and Turkey, Invs. Nos. 701-TA-365-366 (Final) and 731-TA-734-735 (Final)*, USITC Publication 2977, July 1996, table C-1. Data for the period of the first, expedited five-year reviews (2000) were taken from *Certain Pasta from Italy and Turkey, Invs. No. 701-TA-365-366 and 731-TA-734-735 (Review)*, tables I-2, I-4, and I-5. Data for the current second reviews are from responses to Commission questionnaires and official import statistics.

THE ORIGINAL INVESTIGATIONS AND FIRST FIVE-YEAR REVIEWS

On May 12, 1995, a petition was filed with Commerce and the Commission alleging that an industry in the United States was materially injured by reason of dumped and subsidized imports of certain pasta from Italy and Turkey.³ Following affirmative determinations by the Commission and Commerce, Commerce issued antidumping and countervailing duty orders on July 24, 1996.⁴

On June 1, 2001, the Commission instituted five-year reviews pursuant to section 751(c) of the Act to determine whether revocation of the antidumping and countervailing duty orders on imports of certain pasta from Italy and Turkey would likely lead to a continuation or recurrence of material injury within a reasonably foreseeable time.⁵ The Commission conducted expedited reviews during 2001.⁶ Following affirmative determinations by Commerce regarding the likelihood of continued sales at LTFV and subsidization,⁷ the Commission determined that revocation of the antidumping and countervailing duty orders on certain pasta from Italy and Turkey would be likely to lead to continuation or recurrence of material injury to an industry within a reasonably foreseeable time.⁸ Commerce issued notice of continuation of the orders on November 16, 2001.⁹

COMMERCE'S EXPEDITED SECOND FIVE-YEAR REVIEWS

On February 5, 2007, Commerce found that revocation of the antidumping and countervailing duty orders would likely lead to a continuation or recurrence of dumping and countervailable subsidies.¹⁰ Tables I-2 and I-3 present the margins calculated by Commerce in its original investigations, first five-year reviews, and second five-year reviews.

³ The petition was filed by Borden, Inc., Columbus, OH; Hershey Foods Corp., Hershey, PA; and Gooch Foods, Inc. (Archer Daniels Midland Co.), Lincoln, NE. Changes to the domestic industry, which include changes to the firms that filed the petition, are documented in Part III of this report.

⁴ 61 FR 30309, and 30326; 61 FR 30287, and 61 FR 30366, June 14 1996. However, on July 24, 1996, Commerce issued amended countervailing duty determinations for Italy and Turkey, 61 FR 38544 and 61 FR 38546, and amended antidumping duty orders, 61 FR 38545 and 61 FR 38547.

⁵ Institution of five-year reviews concerning the countervailing and antidumping duty orders on certain pasta from Italy and Turkey (66 FR 29831).

⁶ *Certain Pasta from Italy and Turkey, Invs. Nos. 701-TA-365-366 (Final) and 731-TA-734-735 (Final)*, USITC Publication 2977, July 1996.

⁷ Antidumping duty orders, 66 FR 51015, October 5, 2001; countervailing duty orders at: 66 FR 51019, October 5, 2001, and 66 FR 51640, October 10, 2001.

⁸ 66 FR 55697, November 2, 2001.

⁹ 66 FR 57703, November 16, 2001.

¹⁰ 72 FR 5266, and 72 FR 5269, February 5, 2007.

Table I-2
Certain pasta: Commerce's original, first five-year, and second five-year antidumping duty margins for producers/exporters, by subject country

Producer/exporter	Original margin (percent)	First five-year review margin (percent)	Second five-year review margin (percent)
Italy¹			
Arrighi/Italpasta	19.09	19.09	21.34
De Cecco	46.67	(²)	(²)
De Matteis	0.00	0.00	(³)
Delverde	1.68	1.68	(⁴)
La Molisana	14.73	14.73	14.78
Liguori	11.58	11.58	12.41
Pagani	17.47	17.47	18.30
All others	11.26	11.26	12.09 ⁵
Turkey^{6 7}			
Filiz	63.29	63.29	63.29
Maktas ⁸	48.26	48.26	60.87
All others	51.49	51.49	60.87
<p>¹ Notice of second amendment to the final determination and antidumping duty order, 61 FR 42231, August 14, 1996; final results of first expedited sunset review, 66 FR 51015, October 5, 2001; and final results of second expedited sunset review, 72 FR 5266, February 5, 2007.</p> <p>² Order revoked for De Cecco, because of sales at not less than fair value for three consecutive periods. 65 FR 77852, December 13, 2000.</p> <p>³ Excluded from order. 72 FR 5268, February 5, 2007.</p> <p>⁴ Order revoked for Delverde in accordance with Court Decision. 66 FR 65889, December 21, 2001.</p> <p>⁵ Does not apply to Corex, De Cecco, Delverde and its affiliate Tamma, De Matteis, Ferrara, Lensi, Puglisi, and Pallante and its affiliate Vitelli Foods because these companies are excluded from the order. 72 FR 5268, February 5, 2007.</p> <p>⁶ Amended antidumping duty order, 61 FR 38545, July 24, 1996; final results of first expedited sunset review, 66 FR 51015, October 5, 2001; and final results of second expedited sunset review, 72 FR 5266, February 5, 2007.</p> <p>⁷ The margins for the antidumping duty order and the first review for Maktas and 'All others' are the deposit rates, which are the margins with the countervailing duty rates subtracted from them.</p> <p>⁸ Gidasa Sabanci Gida Sanayi ve Ticaret is the successor-in-interest to Maktas.</p>			
Source: Cited <i>Federal Register</i> notices.			

Table I-3
Certain pasta: Commerce's original, first five-year, and second five-year countervailing duty margins for producers/exporters, by subject country

Producer/exporter	Original margin (percent)	First five-year review margin (percent)	Second five-year review margin (percent)
Italy¹			
Agritalia	2.55	3.03	3.96
Arrighi	2.44	2.92	3.85
Barilla	0.65 ²	(²)	(²)
De Matteis	2.47	2.55	3.48
Delverde	5.90	4.04	6.76
De Cecco	3.37	3.47	3.40
Gruppo Agricoltura Sana	0.00 ²	(²)	(²)
Industria Alimentare Colavita	2.04	2.08	3.01
Isola del Grano	11.23	11.71	10.70
Italpast	11.23	11.71	10.70
Italpasta	2.44	2.92	3.85
La Molisana	4.17	3.94	4.82
Labor	11.23	11.71	10.70
Molino e Pastificio De Cecco	3.37	3.47	3.40
Ferrara	1.21	1.41	2.34
Pastificio Campano	2.59	2.54	3.47
Riscossa	6.91	6.48	7.81
Tamma	5.90	(³)	6.76
All others	3.85	3.89	4.52
Turkey⁴			
Filiz	3.87	3.87	3.03
Maktas/Gida	12.61	13.12	4.49
Oba	15.82	15.82	14.48
All others	9.38	9.70	10.25
<p>¹ Countervailing duty order, 61 FR 38544, July 24, 1996; final results of first expedited sunset review, 66 FR 51640, October 10, 2001; and final results of second expedited sunset review, 72 FR 5271, February 5, 2007.</p> <p>² Since the countervailable subsidy rate is either 0.00 or <i>de minimis</i>, companies are excluded from the countervailing duty order on pasta from Italy.</p> <p>³ Rate not specified.</p> <p>⁴ Countervailing duty order, 61 FR 38546, July 24, 1996; final results of first expedited sunset review, 66 FR 51019, October 5, 2001; and final results of second expedited sunset review, 72 FR 5269, February 5, 2007.</p>			
Source: Cited <i>Federal Register</i> notices.			

COMMERCE'S ADMINISTRATIVE REVIEWS¹¹

The following tables present information on Commerce's administrative reviews of the subject orders.

Italy

Since the issuance of the antidumping duty order, nine administrative reviews and three new shipper reviews of the antidumping duty order have been completed with regard to subject imports of pasta from Italy.¹² The results of the administrative reviews are shown in table I-4.

Since the issuance of the countervailing duty order, ten countervailing duty administrative reviews¹³ and one new shipper review of the countervailing duty order have been completed with regard to imports of certain pasta from Italy. The results of the administrative reviews are shown in table I-5.

As a result of Commerce's reviews (and court decision with respect to *Delverde*), the antidumping and countervailing duty orders have been revoked in part with respect to the following eight manufacturers/exporters of certain pasta from Italy:¹⁴

¹¹ No duty absorption findings were made for any of the subject countries.

¹² New shipper reviews of the antidumping duty order were initiated and then terminated. 62 FR 66602, December 19, 1997; and 63 FR 14899, March 27, 1998, (no sales).

¹³ Commerce recently released its preliminary results for the tenth administrative review on pasta from Italy. The preliminary countervailing duties included: 0 percent for Atar; 1.97 for De Matteis; and 2.02 percent for Pallante. *Certain Pasta from Italy: Preliminary Results of the Tenth Countervailing Duty Administrative Review*, 72 FR 43616, August 6, 2007.

¹⁴ Petitioners estimate that 1.4 billion pounds of Italian pasta are excluded from the antidumping duty order and 1.6 billion pounds are excluded from the countervailing duty order. Petitioners' posthearing brief, exh. 1, p. 4.

Firm	FR cite	Effective date
Antidumping duty order:		
Corex	67 FR 300, January 3, 2002	June 30, 2000
De Cecco	65 FR 77852, December 13, 2000	June 30, 1999
Delverde/Tamma	66 FR 65889, December 21, 2001	January 19, 1996
De Matteis	61 FR 30288, June 14, 1995	June 14, 1995
Ferrara	70 FR 6832, February 9, 2005	June 30, 2003
Lensi	70 FR 6832, February 9, 2005	June 30, 2003
Pallante/Vitelli	70 FR 71464, November 29, 2005	June 30, 2004
Puglisi	67 FR 300, January 3, 2002	June 30, 2000
Countervailing duty order:		
Lensi	71 FR 36320, June 26, 2006	December 31, 2004
<p>Note: De Matteis was found to have <i>de minimis</i> antidumping duty margins during Commerce's original investigation, and was excluded from the antidumping duty order issued by Commerce in 1994. Other firms were excluded by Commerce following administrative reviews when Commerce found sales in commercial quantities at NOT less than fair value for three consecutive periods, or zero net subsidies in the period of review and in four previous administrative reviews. With the exception of Lensi, all of the above firms are covered by the countervailing duty order on imports of certain dry pasta from Italy (see table I-5).</p>		

As indicated in the tabulation, imports of certain dry pasta from Lensi are excluded from both the antidumping and countervailing duty orders, and as such, those imports are treated as nonsubject imports for purposes of this report, effective January 1, 2005.

Table I-4

Certain pasta: Administrative reviews of the antidumping duty order for Italy

Date results published	2/10/1999 (64 FR 6615)	New shipper 1/6/1999 (64 FR 852)	2/14/2000 (65 FR 7349)	12/13/2000 (65 FR 77852)	1/3/2002 (67 FR 300)	2/11/2003 (68 FR 6882)	2/10/2004 (69 FR 6255)	New shipper 4/9/2004 (69 FR 18869)	2/9/2005 (70 FR 6832)	New shipper 5/25/2005 (70 FR 30083)	11/29/2005 (70 FR 71464)	2/14/2007 (72 FR 7011)
Period of review	1/19/1996- 6/30/1997	7/1/1997- 12/31/1997	7/1/1997- 6/30/1998	7/1/1998- 6/30/1999	7/1/1999- 6/30/2000	7/1/2000- 6/30/2001	7/1/2001- 6/30/2002	7/1/2002- 12/31/2002	7/1/2002- 6/30/2003	7/1/2003- 6/30/2004	7/1/2003- 6/30/2004	7/1/2004- 6/30/2005
Company	Margin (percent ad valorem)											
Arrighi	10.09 ¹	--	--	--	--	--	--	--	--	--	--	--
Atar	--	--	--	--	--	--	--	--	--	0.00	--	18.18
Barilla	45.49 ¹	--	--	--	45.59	--	--	--	7.25	--	20.68	--
Corex	--	0.00	0.00	0.00	0.00 ^{2,3}	(³)	(³)	(³)	(³)	(³)	(³)	(³)
Corticella/ Combattenti	--	--	--	--	--	--	--	--	4.00	--	3.41	1.95
De Cecco	0.32 ²	--	0.44 ²	0.22 ^{2,3}	(³)	(³)	(³)	(³)	(³)	(³)	(³)	(³)
Ferrara	--	--	--	--	1.25 ⁴	0.38 ²	0.24 ²	--	<i>De Minimis</i> ^{2,3}	(³)	(³)	(³)
Garofalo	--	--	--	--	--	0.55	2.57 ⁵	--	--	--	--	--
Indalco	2.00	--	--	--	--	--	2.85	--	6.03	--	2.59	--
La Molisana	12.26	--	15.71	5.26	--	--	--	--	--	--	--	--
Lensi ⁶	--	--	--	--	--	0.14 ²	0.36 ²	--	<i>De Minimus</i> ^{2,3}	(³)	(³)	(³)
Maltagliati	--	--	14.99	--	--	--	--	--	--	--	--	--
Pagani	71.49	--	--	0.49 ²	0.00	0.00	0.21 ²	--	--	--	2.76	--
Pallante	--	--	3.44	0.08 ²	1.78	--	0.12 ²	--	--	--	0.34 ^{2,3}	(³)
PAM	--	--	--	5.04	4.10	--	45.49	--	4.78	--	--	--
Puglisi	1.46	--	0.19 ²	0.07 ²	0.09 ^{2,3}	(³)	(³)	(³)	(³)	(³)	(³)	(³)
Riscossa	--	--	--	--	1.03	--	--	--	1.05	--	2.03	--
Rummo	7.02	--	2.41	--	0.01 ²	--	0.94	--	--	--	--	--
Russo	--	--	--	--	--	--	--	10.05	7.36	--	--	--
Tomasello	--	--	--	--	--	--	4.59	--	--	--	--	--
Zaffiri	--	--	--	--	--	--	7.23	--	--	--	--	--
All others	11.26	11.26	11.26	11.26	11.26	11.26	11.26	11.26	11.26	11.26	11.26	11.26

¹ Amended results. 66 FR 29771, June 1, 2001.

² *De minimis* margin (i.e., margin is less than 0.5 percent), therefore no cash deposit was required to be paid to Customs.

³ Antidumping duty order revoked because of sales at not less than fair value for three consecutive periods.

⁴ Amended results. 67 FR 5088, February 4, 2002.

⁵ Result amended. 69 FR 22761, April 27, 2004.

⁶ Successor to American Italian Pasta Company.

Note.—For previously reviewed or investigated companies not included in an administrative review, the cash deposit rate continues to be the company-specific rate published for the most recent period.

Source: Cited *Federal Register* notices.

Table I-5

Certain pasta: Administrative reviews of the countervailing duty order for Italy

Date results published	8/17/1998 (63 FR 43905)	8/17/1998 (63 FR 43905) ¹	New shipper 12/1/1998 (68 FR 66121)	8/16/1999 (64 FR 51293) ²	2/23/2001 (66 FR 11269)	12/12/2001 (66 FR 64214)	8/12/2002 (67 FR 52452)	8/15/2003 (68 FR 48599)	12/7/2004 (69 FR 70657)	6/28/2005 (70 FR 37084)	6/26/2006 (71 FR 36318)
Period of review	10/17/1995- 12/31/1995	1/1/1996- 12/31/1996	7/1/1997- 12/31/1997	1/1/1997- 12/31/1997	1/1/1998- 12/31/1998	1/1/1999- 12/31/1999	1/1/2000- 12/31/2000	1/1/2001- 12/31/2001	1/1/2002- 12/31/2002	1/1/2003- 12/31/2003	1/1/2004- 12/31/2004
Company	Margin (percent ad valorem)										
Agritalia	--	--	--	--	--	2.92	--	--	--	--	--
Atar	--	--	--	--	--	--	--	--	--	--	0.203
Audisio	7.78	0.00	--	1.07	--	--	--	--	--	--	--
Corex	--	--	0.95	--	--	--	--	--	--	--	--
Corticella/ Combattenti	--	--	--	--	--	--	--	--	0.09 ³	0.06 ³	0.123
De Cecco	--	--	--	--	--	2.21	1.90	2.01	--	--	--
De Matteis	--	--	--	--	--	2.33	--	--	--	--	--
Delverde	5.09	4.88	--	3.98	4.04	3.27	2.83	--	--	--	--
Fabianelli	--	--	--	0.45 ³	--	--	--	--	--	--	--
IAPC	--	--	--	--	--	--	0.00	0.00	--	--	--
La Molisana	2.83	2.73	--	--	--	--	--	--	--	--	--
Labor	--	--	--	--	--	--	1.57	--	--	--	--
Lensi	--	--	--	--	--	--	--	--	0.00	0.00	0.00 ⁵
Maltagliati	--	--	--	--	--	3.85	--	--	--	--	--
Pagani	--	--	--	--	--	--	--	--	0.06 ³	--	--
Pallante	--	--	--	--	--	4.92	--	--	--	--	--
PAM	--	--	--	--	--	1.08	--	--	--	--	--
Pasta Zara/ Pasta Zara 2	--	--	--	--	--	--	--	--	0.30 ³	--	--
Pastificio Carmine Russo	--	--	--	--	--	--	--	--	0.16 ³	--	--
Petrini	2.27	0.00	--	--	--	--	--	--	--	--	--
Puglisi	--	--	--	--	--	7.12 ⁴	--	--	--	--	--
Riscossa	--	--	--	2.13	1.13	0.99	--	--	--	--	--
Rummo	--	--	--	--	0.71	1.26	--	--	--	--	--
Tamma	5.09	4.88	--	3.98	3.63	--	--	--	--	--	--
All others	3.85	3.85	3.85	3.85	3.85	3.89	3.89	3.89	3.89	3.89	3.89

Footnotes on next page.

Footnotes for table on previous page.

¹ The period of review excludes February 14, 1996, through July 23, 1996 in accordance with section 703(d) of the Tariff Act of 1930 as amended by the Uruguay Round Agreements Act, effective January 1, 1995.

² Amended results. 64 FR 51293, September 22, 1999.

³ *De minimis* margin (i.e., margin is less than 0.5 percent), therefore no cash deposit was required to be paid to Customs.

⁴ Amended results. 67 FR 59, January 2, 2002.

⁵ Countervailing duty order revoked for Pasta Lensi, because it did not receive countervailable subsidies during the period of review, and had zero net subsidy rates for the previous four reviews.

Note.—For previously reviewed or investigated companies not included in an administrative review, the cash deposit rate continues to be the company-specific rate published for the most recent period.

Source: Cited *Federal Register* notices.

Turkey

Commerce completed six administrative reviews and one new shipper review of the antidumping duty order with regard to subject imports of pasta from Turkey.¹⁵ The results of the administrative reviews are shown in table I-6. There have been no company-specific revocations of the orders on certain pasta from Turkey.

Table I-6

Certain pasta: Administrative reviews of the antidumping duty order for Turkey

Date results published	12/11/1998 (63 FR 68429)	12/13/1999 (64 FR 69493)	12/13/2000 (65 FR 77857)	New Shipper 3/13/2001 (66 FR 14541)	1/3/2002 (67 FR 298)	2/11/2003 (68 FR 6880)	2/9/2005 (70 FR 6834)
Period of review	1/19/1996 - 6/30/1997	7/1/1997 - 6/30/1998	7/1/1998 - 6/30/1999	7/1/1999 - 12/31/1999	7/1/1999 - 6/30/2000	7/1/2000 - 6/30/2001	7/1/2002 - 6/30/2003
Company	Margin (<i>percent ad valorem</i>)						
Beslen	--	--	--	0.00	--	--	--
Filiz	63.29	--	0.00	--	0.00	0.00	17.73
Maktas	--	0.29 ¹	--	--	--	--	--
Pastavilla	0.00	0.00	--	--	2.78	--	--
Tat	--	--	--	--	--	--	36.65
All others	60.87	51.49	51.49	51.49	51.49	51.49	51.49

¹ *De minimis* margin (i.e., margin is less than 0.5 percent), therefore no cash deposit was required to be paid to Customs.

Note.—For previously reviewed or investigated companies not included in an administrative review, the cash deposit rate continues to be the company-specific rate published for the most recent period.

Source: Cited *Federal Register* notices.

¹⁵ Reviews were initiated and then rescinded. 68 FR 9049, February 27, 2003; and 69 FR 60356, October 8, 2004.

Commerce completed two administrative reviews with regard to the countervailing duty order on imports of certain pasta from Turkey.¹⁶ The results of the administrative reviews are shown in table I-7.

Table I-7
Certain pasta: Administrative reviews of the countervailing duty order for Turkey

Date result published	12/13/2001 (66 FR 64398)	9/7/2006 (71 FR 52774)
Period of review	1/1/1999 - 12/31/1999	1/1/2004 - 12/31/2004
Company	Margin (percent <i>ad valorem</i>)	
Beslen	0.00	--
Filiz	0.00	--
Gidasa	--	0.00
Maktas	6.52	--
Pastavilla	1.73	--
All others	9.38	9.70
Note.—For previously reviewed or investigated companies not included in an administrative review, the cash deposit rate continues to be the company-specific rate published for the most recent period.		
Source: Cited <i>Federal Register</i> notices.		

DISTRIBUTION OF CONTINUED DUMPING AND SUBSIDY OFFSET ACT FUNDS

The Continued Dumping and Subsidy Offset Act of 2000 (“CDSOA”) (also known as the Byrd Amendment) provides that assessed duties received pursuant to antidumping or countervailing duty orders must be distributed to affected domestic producers for certain qualifying expenditures that these producers incur after the issuance of such orders.¹⁷ During the review period, qualified U.S. producers of pasta were eligible to receive disbursements from the U.S. Customs and Border Protection (“Customs”) under CDSOA relating to two antidumping and two countervailing duty orders on the subject product beginning in Federal fiscal year 2001.¹⁸ Table I-8 presents CDSOA disbursements and claims for Federal fiscal years (October 1-September 30) 2001-06 by source and by firm, respectively.

¹⁶ A review was initiated and then rescinded. 68 FR 66399, November 26, 2003.

¹⁷ Section 754 of the Tariff Act of 1930, as amended (19 U.S.C. § 1675(c)).

¹⁸ 19 CFR 159.64 (g).

Table I-8

Certain pasta: CDSOA disbursements, by source and by firm, Federal fiscal years 2001-06

Item	Federal fiscal year					
	2001	2002	2003	2004	2005	2006
Disbursements (1,000 dollars)						
By order:						
Italy--						
Antidumping	17,533	4,674	4,271	1,550	6,124	5,749
Countervailing	2,480	2,528	905	1,533	2,069	3,984
Subtotal Italy	20,014	7,202	5,175	3,083	8,193	9,732
Turkey--						
Antidumping	11	4	0	18	16	18
Countervailing	7	9	18	4	4	27
Subtotal Turkey	18	13	18	22	20	45
Total--						
Antidumping	17,544	4,678	4,271	1,568	6,141	5,767
Countervailing	2,488	2,537	923	1,537	2,073	4,010
Total	20,032	7,215	5,193	3,105	8,213	9,777
By firm:						
A. Zarega's Sons	2,314	668	611	296	789	957
American Italian Pasta	7,659	2,350	1,504	1,044	2,628	2,959
D. Merlino & Sons	0	17	14	0	0	0
Dakota Growers Pasta	0	1,000	903	425	1,103	1,300
Foulds	0	103	82	0	84	90
Gooch Foods	732	12	0	0	0	0
La Rinascente Pasta	0	0	0	0	31	35
New World Pasta	8,136	2,523	1,510	1,061	2,694	3,052
Pasta USA	0	194	179	90	354	729
Philadelphia Macaroni	1,190	346	315	152	410	192
S.T.Specialty Foods	0	0	76	37	121	164
Total	20,032	7,215	5,193	3,105	8,213	9,777
Claims¹ (1,000 dollars)						
Total, all firms	11,949,595	17,602,265	8,786,031	24,011,387	27,763,985	31,772,728
¹ Qualifying expenditures incurred by domestic producers since the issuance of an order, as presented in Section I of Customs' CDSOA Annual Reports.						
Source: U.S. Customs and Border Protection's CDSOA <i>Annual Reports</i> . Retrieved from www.cbp.gov/xp/cgov/import/add_cvd .						

THE SUBJECT PRODUCT

The imported product subject to the antidumping and countervailing duty orders under review, as defined by Commerce, is:

non-egg dry pasta in packages of five pounds (2.27 kilograms) or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastasis, vitamins, coloring and flavorings, and up to two percent egg white. The pasta covered by {these} order{s} is typically sold in the retail market, in fiberboard or cardboard cartons, or polyethylene or polypropylene bags of varying dimensions. Excluded from the scope of {these} order{s} are refrigerated, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of non-egg dry pasta containing up to two percent egg white.

Also excluded from the orders on pasta from Italy are imports of organic pasta from Italy that are accompanied by the appropriate certificate issued by the Istituto Mediterraneo Di Certificazione, by Bioagricoop Scrl, by QC&I International Services, by Ecocert Italia or by Consorzio per il Controllo dei Prodotti Biologici, by Associazione Italiana per l'Agricoltura Biologica, or by Istituto per la Certificazione Etica e Ambientale (''ICEA'').¹⁹

Certain pasta is classified in HTS subheading 1902.19.20²⁰ and enters at a column 1-general duty rate of free. The HTS subheading is provided for convenience and for Customs purposes, but Commerce's written description of the merchandise is dispositive as to the products covered by the orders.

DOMESTIC LIKE PRODUCT

In the first five-year reviews, no party argued that the Commission should define the domestic like product differently than it did in the original investigations.²¹ In its original investigations, the Commission defined the domestic like product to be all dry pasta although the scope of Commerce's investigations consisted of non-egg dry pasta in packages of five pounds or less. The Commission found that all dry pasta shared the same basic physical characteristics and uses, and was manufactured with the same basic equipment and processes.²² While the different products had some distinctive features, similar variations were present throughout the continuum of dry pasta products and this did not create clear dividing lines between any of the dry pasta products. Hence, the Commission determined that there was one domestic like product consisting of all dry pasta.²³

The following tabulation provides the definitions for the various dry pasta categories for which the Commission requested data and are used in this report:

¹⁹ *Notice of Final Results of Expedited Sunset Reviews of the Antidumping Duty Orders: Certain Pasta from Italy and Turkey*, 72 FR 5266, February 5, 2007.

²⁰ HTS subheading 1902.19.20 covers uncooked pasta, not stuffed or otherwise prepared, not containing eggs, exclusively pasta. The HTS provision covers goods outside the scope of this order, as it also includes some nonsubject merchandise (i.e., dry non-egg pasta in packages greater than 5 pounds).

²¹ No party has argued for a different like product in the current reviews.

²² *Certain Pasta from Italy and Turkey, Invs. Nos. 701-TA-365-366 (Final) and 731-TA-734-735 (Final)*, USITC Publication 2977, p. 7.

²³ *Ibid.*

Certain dry pasta	Non-egg dry pasta in packages of 5 pounds (2.27 kilograms) or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastases, vitamins, coloring and flavorings, and up to 2 percent egg white. Certain dry pasta is typically sold in the retail market in fiberboard or cardboard cartons or polyethylene or polypropylene bags, of varying dimensions. Certain dry pasta includes whole wheat pasta, which is defined as pasta made from semolina flour that is milled from the entire wheat kernel (bran, germ, and endosperm) rather than only the endosperm.
Other dry pasta	Dry pasta not specified above, including dry pasta for industrial use (i.e., pasta in packages of more than 5 pounds (2.27 kilograms)), dry egg pasta (i.e., dry pasta containing egg yolk or containing more than 2 percent egg white, dry pasta containing no egg yolk or containing up to 2 percent egg white), and organic dry pasta.
All dry pasta	Dry pasta as defined above, regardless of package size and end use, including dry egg pasta, other than oriental-style noodles. Such pasta has been dried into a brittle form that is ready for cooking, such as spaghetti, macaroni, or noodles. Dry pasta that is subsequently incorporated into other products such as soups or broths is included in this definition.

Scope Rulings

There have been a series of scope rulings since the antidumping and countervailing duty orders were issued in July 1996. On August 25, 1997, Commerce issued a scope ruling that multicolored pasta, imported in kitchen display bottles of decorative glass that are sealed with cork or paraffin and bound with raffia, is excluded from the scope of the antidumping and countervailing duty orders for Italy. On July 30, 1998, Commerce found that multi-packs consisting of six one-pound packages of pasta that are shrink-wrapped into a single package are within the scope of the antidumping and countervailing duty orders for Italy. On May 24, 1999, Commerce issued a final scope ruling finding, effective October 26, 1998, that pasta in packages weighing or labeled up to (and including) five pounds four ounces is within the scope of the antidumping and countervailing duty orders for both Italy and Turkey.²⁴

Circumvention of the Antidumping and Countervailing Duty Orders

Commerce completed anti-circumvention inquiries of the antidumping duty order on pasta produced in Italy by Barilla and of the countervailing duty order on pasta produced in Italy by Pagani. Commerce made an affirmative final determination of circumvention in both cases.²⁵ Commerce found that both companies were circumventing the orders by exporting pasta to the United States in packages of greater than five pounds, which met all the requirements for the merchandise subject to the orders, with the exception of packaging size, and which was repackaged into packages of five pounds or less after entry into the United States. As a result, Commerce instructed Customs to suspend liquidation of all entries of bulk pasta from Italy that were entered, or withdrawn from warehouse, for consumption, on or after December 8, 1997, for Barilla,²⁶ or April 27, 2000, for Pagani. Commerce excluded from these instructions those imports accompanied by a certificate from the importer that they would not be repackaged into containers of five pounds or less after entry into the United States.²⁷

²⁴ 63 FR 59544, November 4, 1998; 64 FR 6615, February 10, 1999; 65 FR 41957, July 7, 2000; and 66 FR 11269, February 23, 2001.

²⁵ 63 FR 54672, October 13, 1998, and 68 FR 54888, September 19, 2003.

²⁶ During the current reviews, ***. Staff telephone interview with ***.

²⁷ However, due to cessation of Pagani's circumvention activity, Commerce will not instruct Customs to require such certification until such a time as petitioner or other interested parties provide to Commerce a reasonable basis to believe or suspect that the order is again being circumvented.

Description and Uses²⁸

Pasta is a food product such as macaroni (including spaghetti, rigatoni, and other forms) or noodles, which may be enriched²⁹ or contain egg or a number of other ingredients for coloring or flavoring. Pasta generally ranges from off-white to yellowish in color. It is formed by mixing durum wheat semolina or flour³⁰ and water into a smooth dough that is then extruded into perhaps hundreds of shapes, sizes, and flavors. After extrusion, the product is dried in ovens to a desired moisture level and then cooled and packaged.³¹ Pasta is sometimes categorized in terms of extruded solid goods, such as spaghetti, extruded hollow goods, and rolled and cut goods. Another method of categorizing pasta is into long goods (e.g., spaghetti and linguine); short goods (e.g., elbows and twists); noodles; and specialty items (for example, lasagna and jumbo shells).

Pasta has been used as a food for many centuries in many and varied ways. It is an important dietary component due to its simple formulation,³² relative ease of processing and preparation, versatility, long shelf life, nutritive value, and low cost relative to other foods. Dry pasta is pasta that has been dried into a brittle form that is ready for cooking or for incorporation into downstream products such as macaroni and cheese, canned soup, or other prepared foods. Excluded from the definition of dry pasta used in the original investigations is all pasta that is fresh, moist, or frozen, as well as oriental-style noodles and couscous. Dry non-egg pasta is dry pasta that contains no egg yolk but which may contain up to 2 percent egg white by weight.³³ Dry egg pasta is dry pasta that contains egg yolk or contains more than 2 percent egg white. Dry egg pasta normally contains at least 5.5 percent egg or egg yolk; the egg is mixed with durum wheat flour in the production process, usually prior to the addition of water. The addition of egg gives the pasta a certain richness and taste that is considered to be more appropriate for certain recipes.

Pasta made from organically grown wheat is sold as organic pasta. Dry organic pasta is processed in accordance with existing specific organic-certification regulations; in general, the wheat is produced in an environmentally responsible manner free of chemicals such as synthetic fertilizers, pesticides, herbicides, or fungicides.³⁴ Dry organic pasta accounted for 0.5 percent of U.S.-produced domestic shipments of dry pasta.

Table I-9 presents data on U.S. shipments of dry pasta, with breakouts of organic, non-organic, egg pasta, and non-egg pasta. Since 2001, dry non-egg organic pasta shipments produced by U.S. producers and imported from Italy and other sources have increased. There were no reported shipments

²⁸ The discussion in this section is taken principally from the original investigations, unless otherwise noted. *Certain Pasta from Italy and Turkey, Invs. Nos. 701-TA-365-366 (Final) and 731-TA-734-735 (Final)*, USITC Publication 2977, July 1996, pp. I-10-I-14.

²⁹ Virtually all dry pasta consumed in the United States is vitamin-enriched. Dry enriched pasta contains niacin or niacinamide, iron, thiamin, and riboflavin in addition to the durum wheat semolina. The FDA specifies the ingredients necessary for pasta to be labeled as “enriched.”

³⁰ Semolina is coarsely milled durum wheat; durum flour is finely milled durum wheat.

³¹ During these second five-year reviews, no U.S. producer reported the ability to produce other products besides dry pasta on the same machinery and equipment used to produce dry pasta.

³² However, the manufacture of dry pasta on a commercial scale requires technical expertise, attention, and the proper equipment. Pasta manufacturing equipment is produced by two firms: Buhler from Switzerland and Fava from Italy. These equipment manufacturers continually develop more efficient equipment. ***.

³³ A coating of egg white on pasta allows it to absorb more water without becoming too soft.

³⁴ The USDA’s National Organic Program regulates the standards for any farm, wild crop harvesting, or handling operation that wants to sell an agricultural product as organically produced.

Table I-9
Dry pasta: U.S. producers' and importers' shipments, 2001 and 2006

Item	2001			2006		
	Quantity (1,000 pounds)	Value (\$1,000)	Average unit value	Quantity (1,000 pounds)	Value (\$1,000)	Average unit value
U.S. producers' U.S. shipments:						
Dry non-egg pasta: Organic	***	***	***	***	***	***
Non-organic	***	***	***	***	***	***
Subtotal	2,149,772	906,189	0.42	2,371,721	1,071,610	0.45
Dry egg pasta: Organic	***	***	***	***	***	***
Non-organic	***	***	***	***	***	***
Subtotal	296,875	173,949	0.59	191,571	125,927	0.66
Total	2,446,647	1,080,138	0.44	2,563,292	1,197,537	0.47
U.S. importers' U.S. shipments from Italy						
Dry non-egg pasta: Organic	***	***	***	***	***	***
Non-organic	***	***	***	***	***	***
Subtotal	66,355	31,495	0.47	72,565	54,040	0.74
Dry egg pasta: Organic	***	***	***	***	***	***
Non-organic	***	***	***	***	***	***
Subtotal	755	671	0.89	643	861	1.34
Total	67,110	32,165	0.48	73,209	54,901	0.75
U.S. importers' U.S. shipments from Turkey						
Dry non-egg pasta: Organic	0	0	(1)	***	***	***
Non-organic	0	0	(1)	***	***	***
Subtotal	0	0	(1)	2,790	789	0.28
Dry egg pasta: Organic	0	0	(1)	***	***	***
Non-organic	0	0	(1)	***	***	***
Subtotal	0	0	(1)	83	37	0.45
Total	0	0	(1)	2,873	826	0.29

Table continued on next page.

Table I-9--Continued
Dry pasta: U.S. producers' and importers' shipments, 2001 and 2006

Item	2001			2006		
	Quantity (1,000 pounds)	Value (\$1,000)	Average unit value	Quantity (1,000 pounds)	Value (\$1,000)	Average unit value
U.S. importers' U.S. shipments from all other sources combined						
Dry non-egg pasta: Organic	***	***	***	***	***	***
Non-organic	***	***	***	***	***	***
Subtotal	47,044	24,236	0.52	78,893	51,048	0.65
Dry egg pasta: Organic	***	***	***	***	***	***
Non-organic	***	***	***	***	***	***
Subtotal	3,945	3,894	0.99	7,592	7,753	1.02
Total	50,989	28,130	0.55	86,485	58,801	0.68
¹ Not applicable						
Source: Compiled from data submitted in response to Commission questionnaires.						

of organic pasta imported from Turkey. Approximately 93 percent of the domestically produced dry pasta shipped in the United States in 2006 consisted of dry non-egg pasta and approximately 7 percent consisted of dry egg pasta.³⁵

³⁵ The Commission included dry egg pasta in the domestic like product in its original investigations “given that dry egg and dry non-egg pasta have similar characteristics and uses, are sold through the same channels of distribution, to the same markets, and are generally made on the same production lines by the same producers.” It also indicated in its views that the distinction between dry egg pasta and dry non-egg pasta was “blurred” by the existence of “yolkless” egg pasta, which contains more than 2 percent egg white, but no egg yolks. *Certain Pasta from Italy and Turkey, Invs. Nos. 701-TA-365-366 (Final) and 731-TA-734-735 (Final)*, USITC Publication 2977, July 1996, pp. 10-11.

U.S. MARKET PARTICIPANTS

U.S. Producers

In the current five-year reviews, the Commission mailed questionnaires to 59 producers believed to have produced dry pasta. The Commission received 18 questionnaire responses, 17 with usable data, which together accounted for approximately 70 percent of total pasta shipment value during 2005.^{36 37} Five firms, representing 68.8 percent of reported 2006 domestic production, have filed notices of appearance in these reviews. Eleven firms, representing 76.1 percent of reported 2006 production, support continuation of all orders and six firms, representing 23.9 percent of production take no position on the orders. Details regarding each firm's production location(s), share of production, parent company, and position on the orders are presented in table I-10.

Two U.S. producers are related to dry pasta producers in Italy and Turkey. The first, American Italian Pasta Company imports pasta from a wholly owned Italian subsidiary, Pasta Lensi. The second, Barilla is owned by Barilla Ge R F.lli S.p.A., an Italian company which is the largest producer of pasta in Italy. Barilla imports pasta from its parent company in Italy, which also owns Filiz Gida Sanayive Ti Ticaret A.S., a Turkish pasta producer. No U.S. producer reported imports of certain pasta from Turkey.

Three U.S. producers are related to dry pasta producers in nonsubject countries. The first, Ronzoni Foods Canada Corporation, is a wholly owned subsidiary of New World, and it exports pasta from its Montreal, Canada facility to the United States. New World Pasta is owned by the Spanish firm Ebro Puleva, S.A.. The second, Kraft Foods, owns a facility in Mount Royal, Quebec, Canada, from which dry pasta is exported to the United States. Pasta Montana is owned by Nippon Flour Mills of Tokyo, Japan, which does not produce dry pasta. ***.

³⁶ U.S. Census Bureau, *Annual Survey of Manufactures, Value of Product Shipments: 2005*, November 2006, table 1, product class code 311823, dry pasta manufacturing.

³⁷ The Commission received five "no" response, and questionnaires were undeliverable to five firms which had no forwarding address.

Table I-10

Dry pasta: U.S. producers, positions on the orders, locations, ownership, and shares of reported 2006 production

Firm	Position on orders	Production location	Ownership / Relationship	Share of production (percent)
A. Zerega's Sons, Inc.	Supports all	Fair Lawn, NJ Summit, NJ	***	***
American Italian Pasta Co.	Supports all	Kansas City, MO	Pasta Lenzi-wholly owned subsidiary in Italy	***
Barilla	***	Ames, IA & Avon, NY	Barilla G e R .lli, Italy	***
Campbell Soup	***	Camden, NJ	(¹)	***
Dakota Growers Pasta Co.	Supports all	Carrington, ND New Hope, MN	***	***
Eden Foods	***	Detroit, MI Clinton, MI	***	***
Gilster-Mary Lee	***	Chester, IL	***	***
Golden Grain	***	Chicago, IL Purchase, NY	***	***
Houlihan's	***	Ceased producing pasta 2004	***	***
Kraft Foods	***	Champaign, IL Springfield, MO	***	***
New World Pasta	Supports all	St. Louis, MO Winchester, VA Fresno, CA	Ebro Plueva	***
Pasta by Valente	***	Charlottesville, VA	***	***
Pasta Montana	***	Great Falls, MT	Nippon Flour Mills, Japan	***
Pasta Works, Inc.	***	Chisholm, MT	***	***
Philadelphia Macaroni Co.	Supports all	Warminster, PA Grand Forks, PA Spokane, WA	***	***
Royal Angelus	***	Chino, CA	***	***
Unilever	***	Harrisburg, PA	Unilever Foods NA	***
Villa Pasta	***	Palmer Lake, CO	***	***

¹ Information/data not provided.

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

U.S. Importers

For these reviews, the Commission sent importers' questionnaires to all U.S. producers of dry pasta, all U.S. firms reported to have imported dry pasta included in the domestic interested parties' response to the notice of institution, and firms identified in proprietary Customs data as importers of record for dry pasta for 2005 and 2006. In response to the Commission's importers' questionnaires, 34 firms supplied usable data and 18 reported that they had not imported the product since 2001. Table I-11 presents a summary of information regarding U.S. importers of dry pasta.

In addition to the U.S. producers with importing operations and relations to foreign producers identified above, one U.S. importer, ***, reported being related to an Italian producer, ***. No other importer reported being related to another firm in the dry pasta industry, but two importers are subsidiaries: *** is wholly owned by the ***, and *** is owned by ***. *** purchased importer *** in ***.

Table I-11

Dry pasta: U.S. importers, locations, foreign suppliers, and shares of 2006 imports

Firm	Location(s)	Foreign supplier(s)	Country(ies)	Share of imports (percent)	
				Italy	Turkey
American Italian Pasta Company	Kansas City, MO	***	***	***	***
Anhing	Los Angeles, CA	***	***	***	***
Ari's Wholesale	Santa Fe Springs, CA	***	***	***	***
Atalanta	Elizabeth, NJ	***	***	***	***
A. Zerega's Sons, Inc.	Fair Lawn, NJ Lee's Summit, NJ	***	***	***	***
Barilla	Ames, IA	***	***	***	***
C.E. Zvercher	Skokie, IL	***	***	***	***
Euro American Foods Group	Bayone, NJ	***	***	***	***
European Imports	Chicago, IL	***	***	***	***
Euro USA Trading	North Franklin, CT	***	***	***	***
The French Farm	Houston, TX	***	***	***	***
George DeLallo	Greensburg, PA	***	***	***	***
Giulia Specialty	Lodi New Jersey	***	***	***	***
Great Lakes Wholesale	Grand Rapids, MI	***	***	***	***
Italian Harvest	San Francisco, CA	***	***	***	***
JCM	Melrose Park, IL	***	***	***	***
Joseph A. Sidari	Stuart, FL	***	***	***	***
Kraft	Northfield, IL	***	***	***	***

Table continued on next page.

Table I-11—Continued

Dry pasta: U.S. importers, locations, foreign suppliers, and shares of 2006 imports

Firm	Location(s)	Foreign supplier(s)	Country(ies)	Share of imports (percent)	
				Italy	Turkey
		***	***	***	***
Makka Halal Meat	Clarkston, GA	***	***	***	***
Mamik	Pacoima, CA	***	***	***	***
Manicaretti Italian Foods	Oakland, CA	***	***	***	***
Massoud Brothers	Houston, TX	***	***	***	***
New World Pasta	Harrisburg, PA	***	***	***	***
P & L Imports	Los Angeles, CA	***	***	***	***
Port Royal	Woodbury, NY	***	***	***	***
Rao's Specialty Foods, Inc.	New York, NY	***	***	***	***
Rienzi & Sons	Astoria, NY	***	***	***	***
Square Enterprises	Wallington, NJ	***	***	***	***
Target	Minneapolis, MN	***	***	***	***
The Pastene Co.	Canton, MA	***	***	***	***
V. Cimino & Son	Lindenhurst, NY	***	***	***	***
Vintage	Brooklyn, NY	***	***	***	***
Vistar ¹	Windsor, CT	***	***	***	***
Vitelli Foods	Fair Lawn, NJ	***	***	***	***
Williams-Sonoma	San Francisco, CA	***	***	***	***
World Finer Foods	Bloomfield, NJ	***	***	***	***
All others	N/A	N/A	N/A	61.4	***

¹ Vistar purchased Roma Foods in January 2005.

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

U.S. Purchasers

In response to purchaser questionnaires issued by the Commission to 119 firms, 26 purchasers supplied usable data and no firm reported that they had not purchased the subject product during the period for which data were collected. U.S. purchasers, their sources, U.S. locations, and types of firms are shown in table I-12.

Table I-12

Dry pasta: U.S. purchasers, their sources of purchases, U.S. locations, and types of firms

* * * * *

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Table I-13 presents apparent U.S. consumption of dry pasta and table I-14 presents market shares.

Table I-13

Dry pasta: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 2001-06, January-March 2006, and January-March 2007

Item	Calendar year						Jan-Mar.	
	2001	2002	2003	2004	2005	2006	2006	2007
Quantity (1,000 pounds)								
U.S. producers' U.S. shipments	2,514,824	2,630,165	2,521,058	2,547,658	2,606,940	2,652,751	678,361	690,832
U.S. imports from--								
Italy (subject)	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***
Subtotal, subject	332,430	317,271	310,338	275,709	269,604	265,454	59,950	74,433
Italy (Lensi-certain)	***	***	***	***	***	***	***	***
Italy (nonsubject)	***	***	***	***	***	***	***	***
Turkey (nonsubject)	***	***	***	***	***	***	***	***
All other sources	213,109	236,751	222,803	224,836	240,029	266,236	65,396	73,123
Subtotal, nonsubject	230,612	260,521	242,567	242,261	309,930	318,761	76,831	88,903
Total U.S. imports	563,042	577,792	552,905	517,970	579,534	584,215	136,781	163,336
Apparent consumption	3,077,865	3,207,956	3,073,963	3,065,628	3,186,474	3,236,966	815,142	854,168
Value (1,000 dollars)								
U.S. producers' U.S. shipments	1,096,800	1,105,218	1,095,903	1,100,809	1,175,532	1,205,868	307,921	337,861
U.S. imports from--								
Italy (subject)	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***
Subtotal, subject	119,807	118,733	129,571	128,122	133,259	128,488	28,152	37,630
Italy (Lensi-certain)	***	***	***	***	***	***	***	***
Italy (nonsubject)	***	***	***	***	***	***	***	***
Turkey (nonsubject)	***	***	***	***	***	***	***	***
All other sources	101,038	108,626	110,509	113,286	128,936	140,452	34,814	38,564
Subtotal, nonsubject	109,187	119,658	122,009	126,521	169,236	170,591	41,637	47,273
Total U.S. imports	228,993	238,390	251,580	254,643	302,495	299,079	69,789	84,904
Apparent consumption	1,325,794	1,343,609	1,347,483	1,355,452	1,478,026	1,504,947	377,710	422,764
<p>Note.--Official Commerce statistics used in this report for all dry pasta include HTS subheadings 1902.90.20 (non-egg pasta) and 1902.11.20 (egg pasta). Adjustments to official Commerce statistics for nonsubject product included in the HTS subheadings (e.g., excluded Lensi product (since January 1, 2005) and bulk non-egg pasta) were made based on data submitted in response to the Commission's U.S. importers' questionnaire and proprietary Customs data.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires and official import statistics.</p>								

Table I-14

Dry pasta: U.S. market shares, 2001-06, January-March 2006, and January-March 2007

Item	Calendar year						January-March	
	2001	2002	2003	2004	2005	2006	2006	2007
	Quantity (1,000 pounds)							
Apparent consumption	3,077,865	3,207,956	3,073,963	3,065,628	3,186,474	3,236,966	815,142	854,168
	Value (1,000 dollars)							
Apparent consumption	1,325,794	1,343,609	1,347,483	1,355,452	1,478,026	1,504,947	377,710	422,764
	Share of quantity (percent)							
U.S. producers' U.S. shipments	81.7	82.0	82.0	83.1	81.8	82.0	83.2	80.9
U.S. imports from--								
Italy (subject)	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***
Subtotal, subject	10.8	9.9	10.1	9.0	8.5	8.2	7.4	8.7
Italy (Lensi-certain)	***	***	***	***	***	***	***	***
Italy (nonsubject)	***	***	***	***	***	***	***	***
Turkey (nonsubject)	***	***	***	***	***	***	***	***
All other sources	6.9	7.4	7.2	7.3	7.5	8.2	8.0	8.6
Subtotal, nonsubject	7.5	8.1	7.9	7.9	9.7	9.8	9.4	10.4
Total U.S. imports	18.3	18.0	18.0	16.9	18.2	18.0	16.8	19.1
	Share of value (percent)							
U.S. producers' U.S. shipments	82.7	82.3	81.3	81.2	79.5	80.1	81.5	79.9
U.S. imports from--								
Italy (subject)	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***
Subtotal, subject	9.0	8.8	9.6	9.5	9.0	8.5	7.5	8.9
Italy (Lensi-certain)	***	***	***	***	***	***	***	***
Italy (nonsubject)	***	***	***	***	***	***	***	***
Turkey (nonsubject)	***	***	***	***	***	***	***	***
All other sources	7.6	8.1	8.2	8.4	8.7	9.3	9.2	9.1
Subtotal, nonsubject	8.2	8.9	9.1	9.3	11.5	11.3	11.0	11.2
Total U.S. imports	17.3	17.7	18.7	18.8	20.5	19.9	18.5	20.1

¹ Less than 0.05 percent.

Note. ---Official Commerce statistics used in this report for all dry pasta include HTS subheadings 1902.19.20 (non-egg pasta) and 1902.11.20 (egg pasta). Adjustments to official Commerce statistics for nonsubject product included in the HTS subheadings (e.g., excluded Lenzi product (since January 1, 2005) and bulk non-egg pasta) were made based on data submitted in response to the Commission's U.S. importers' questionnaire and proprietary Customs data.

Source: Compiled from data submitted in response to Commission questionnaires and official import statistics.

Table I-15 provides data on shipments of whole wheat pasta.³⁸

Table I-15

Dry pasta: U.S. producers' and importers' shipments of whole wheat pasta, 2001-06, January-March 2006, and January-March 2007

* * * * *

³⁸ Whole wheat pasta is made from semolina flour that is milled from the entire wheat kernel (bran, germ, and endosperm) rather than only the endosperm.

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

MARKET CONDITIONS AND CHARACTERISTICS

Dry pasta is used as a main course or side dish food by end consumers, restaurants, and food service companies. Historically, demand for pasta has been relatively stable. While not subject to business cycles according to 19 of 22 responding purchasers,¹ demand is influenced by dietary trends such as the “Atkins” or other “low-carb” diets. Eighteen of 20 responding purchasers, along with 14 of 21 responding importers and 10 of 12 responding U.S. producers, reported that these diets had an adverse effect on demand for durum semolina-based pasta, especially during 2003 and 2004. However, almost all responding parties agreed that this impact was short-lived and is no longer being felt.

The production of pasta in the United States is dominated by four large firms² that account for the vast majority of all U.S. dry pasta sales. While these firms ship pasta nationally (eight of nine responding producers, including the four largest, reported national sales), pasta is often sold under different brand names to consumers in different parts of the country. For example, New World Pasta sells the same pasta under the brand name Ronzoni in some areas, under the brand name San Giorgio in other areas, and under other brand names or as store brands in other areas. Often, two or more products on the shelf in one store will have been manufactured by the same producer. In addition to producing a variety of different name brands, ***.³ Barilla is the lone exception to this multi-brand pattern and is the lone nationally-marketed brand.⁴ In addition to the big four national producers, there are a number of smaller regional producers, as well as a number of very small specialty producers.

Over the past several years, healthier, whole grain pastas have been introduced and have exhibited strong growth. These pastas, such as New World’s “Healthy Harvest” and Barilla’s “Barilla Plus,” cost more to produce but also command a high mark-up over traditional pastas, making these whole grain pastas a source of profit for U.S. producers.⁵ These pastas are primarily produced by domestic producers and are generally not imported from Italy, Turkey, or elsewhere.

CHANNELS OF DISTRIBUTION

Dry pasta is sold commercially through four general channels of distribution: the retail market, the food service market, the industrial market, and to other U.S. producers for resale. The retail market includes sales to supermarkets and grocery chains, including ethnic and gourmet stores; wholesale distributors that service supermarket and grocery retailers; wholesale clubs such as Sam’s Club and Costco; mass merchandisers such as Wal-Mart and Target; specialty distributors; and direct-store delivery distributors (DSDs). The food service market includes sales to food service distributors, and institutional users such as schools, restaurants, and other food service providers. The industrial market consists of sales (and intracompany transfers) to manufacturers of downstream products such as macaroni and

¹ When asked if there were business cycles or “conditions of competition distinctive to dry pasta,” One purchaser, *** stated that demand for lasagna pasta was seasonal, one purchaser, *** stated that “capacity affects price,” and another, *** reported that demand for pasta is driven by “the market” and “the availability of durum wheat.” The remaining purchasers responded “no.”

² AIPC, New World Pasta, Barilla, and Dakota Growers.

³ ***.

⁴ New World Pasta also markets its “Healthy Harvest” whole grain brand nationally.

⁵ AIPC recently stated that it would be offering whole grain pastas under three of its brand names. Eric Schroeder, “AIPC reintroduces pasta under whole grain banner,” Bakingbusiness.com, May 29, 2007.

cheese, soups, and frozen dinners. The bulk of the industrial market is supplied by captive producers, such as Campbell and Kraft, that manufacture *** for captive consumption.

Tables II-1, II-2, and II-3 present channels of distribution for U.S. shipments of domestically produced dry pasta, dry pasta imported from Italy, and dry pasta imported from Turkey, respectively.

Table II-1

Dry pasta: U.S. producers' U.S. shipments, by channel of distribution, 2001 and 2006

Channel of distribution	2001		2006	
	Quantity (1,000 pounds)	Share (percent)	Quantity (1,000 pounds)	Share (percent)
Retail market:				
Retail grocery chains	933,079	38.2	876,768	33.8
Mass Merchandisers	87,700	3.6	208,194	8.0
Wholesale clubs	89,688	3.7	80,052	3.1
Specialty distributors	23,115	0.9	36,903	1.4
Direct store delivery distributors	9,421	0.4	6,624	0.3
Wholesale distributors	316,296	13.0	285,104	11.0
Other retail ¹	2,097	0.1	13,008	0.5
Subtotal, retail market	1,461,396	59.9	1,506,654	58.1
Food service market:				
Restaurants/cafeterias	65,048	2.7	46,821	1.8
Institutional users	17,845	0.7	9,554	0.4
Food service distributors	265,526	10.9	358,575	13.8
Other food service ¹	0	0.0	0	0.0
Subtotal, food service market	348,418	14.3	414,951	16.0
Industrial use:²				
Soup (canned and dry)	68,827	2.8	62,938	2.4
Shelf-stable prepared pasta	90,898	3.7	92,422	3.6
Dry macaroni & cheese	411,747	16.9	387,365	14.9
Other industrial ¹	27,579	1.1	63,041	2.4
Subtotal, industrial use	599,051	24.5	605,766	23.4
Other U.S. producers	32,495	1.3	65,471	2.5
Total	2,441,360	100.0	2,592,841	100.0
¹ Includes other and unknown. ² Includes internal transfers. Note.--Total U.S. shipments in this table may not match U.S. shipments totals elsewhere in the report due to reporting inconsistencies. Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.				

Table II-2

Dry pasta: U.S. importers' U.S. shipments of subject dry pasta from Italy, by channel of distribution, 2001 and 2006

Channel of distribution	2001		2006	
	Quantity (1,000 pounds)	Share (percent)	Quantity (1,000 pounds)	Share (percent)
Retail market:				
Retail grocery chains	12,677	28.3	19,822	33.3
Mass Merchandisers	0	0.0	1,331	2.2
Wholesale clubs	5,993	13.4	22,442	37.7
Specialty distributors	1,411	3.2	2,175	3.7
Direct store delivery distributors	18,306	40.9	3,447	5.8
Wholesale distributors	3,434	7.7	3,734	6.3
Other retail ¹	118	0.3	35	0.1
Subtotal, retail market	41,939	93.7	52,986	89.0
Food service market:				
Restaurants/cafeterias	86	0.2	16	0.0
Institutional users	0	0.0	0	0.0
Food service distributors	2,716	6.1	6,508	10.9
Other food service ¹	0	0.0	0	0.0
Subtotal, food service market	2,802	6.3	6,524	11.0
Industrial use:²				
Soup (canned and dry)	0	0.0	0	0.0
Shelf-stable prepared pasta	0	0.0	0	0.0
Dry macaroni & cheese	0	0.0	0	0.0
Other industrial ¹	0	0.0	0	0.0
Subtotal, industrial use	0	0.0	0	0.0
U.S. producers	0	0.0	0	0.0
Total	44,741	100.0	59,510	100.0
¹ Includes other and unknown. ² Includes internal transfers.				
Note.--Total U.S. shipments in this table may not match U.S. shipments totals elsewhere in the report due to reporting inconsistencies.				
Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.				

Table II-3

Dry pasta: U.S. importers' U.S. shipments of dry pasta from Turkey, by channel of distribution, 2001 and 2006

* * * * *

For U.S.-produced dry pasta in 2006, 58.1 percent of U.S. shipments were to the retail market, 23.4 percent were to the industrial market, 16.0 percent were to the food service market, and 2.5 percent were to other U.S. producers.^{6 7} For product imported from Italy in 2006 by responding importers, 89.0 percent of U.S. shipments were to the retail market and 11.0 percent were to the food service market. For product imported from Turkey in 2006 by responding importers, *** percent of U.S. shipments were to the retail market.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on available information, staff believes that U.S. producers of dry pasta are likely to respond to changes in demand with moderate adjustments in shipments of U.S.-produced dry pasta to the U.S. market. Should demand increase, U.S. producers have some available capacity with which to respond. Moderate inventories suggest that the short-term response, however, may be somewhat constrained. Should demand decrease, however, producers do not have the ability to switch resources into producing alternative products, and have little ability to move product into export markets.

Industry capacity

Overall, U.S. producers' capacity for dry pasta has increased from 3.1 billion pounds in 2001 to 3.4 billion pounds in 2006. Production capacity for January-March 2007 was 831.6 million pounds, down from 840.2 million pounds in January-March 2006.

Production kept pace with capacity. Capacity utilization in 2006 was 79.9 percent, up slightly from 79.5 percent in 2001. Capacity utilization in January-March 2007 was 85.0 percent, up from 83.1 percent for the same period in 2006. Production fell slightly in 2003 and 2004, perhaps because of lower demand associated with the popularity of low-carb diets, but has since rebounded. Overall, it appears that U.S. producers have some available unused capacity, which could be called upon in the case of an increase in demand for dry pasta.

Alternative markets

Domestic producers export very little dry pasta. Exports as a share of total commercial shipments ranged from 1.6 percent in 2001, to a high of 2.7 percent in 2004, and stood at 2.2 percent in the first quarter of 2007. Small export shares suggest that U.S. producers would have difficulty shifting sales to

⁶ Shipments to other U.S. producers include specialty shapes and sizes not produced by a particular company and used to complement or fill out a company's product line. They also may include shipments to producers of downstream products such as soup or macaroni and cheese.

⁷ Petitioners note that since the time of the original investigation, mass merchandisers have grown to account for a far more substantial part of the overall market for dry pasta, while retail grocery chains and wholesale distributors have lost share of the market. Domestic industry's posthearing brief, attach. 1, p. 2.

alternative markets in response to changes in demand. Such a supposition is supported by questionnaire responses in which 12 of 13 responding U.S. producers reported that shifting sales to other markets would be very difficult or impossible. Several of these U.S. producers cited cost considerations as the primary barrier to entering other markets.

Inventory levels

U.S. producers' inventories of dry pasta as a share of total shipments ranged from 7.6 percent in 2005 to 9.8 percent in 2003 (when low-carb diets were gaining popularity). Inventories, as a share of total shipments, stood at 8.1 percent in the first quarter of 2007, up slightly from 8.0 percent in the first quarter of 2006. Moderate inventories such as these could be used to respond quickly to an increase in demand for dry pasta.

Production alternatives

In questionnaire responses, 15 of 16 responding U.S. producers reported that they could not produce other products using the same equipment, machinery, and workforce as are used to produce dry pasta. The lone firm that reported that it could produce other products indicated that it could produce ***.⁸ However, this firm reported that it has since ***. Six U.S. producers, however, noted that they could switch to production of organic pasta or egg noodles on the same production lines.⁹

Subject Imports from Italy

Based on information provided by five producers of dry pasta from Italy, suppliers of imports of dry pasta from Italy are likely to respond to changes in demand with moderate to large changes in the quantity shipped to the U.S. market. Supply responsiveness is bolstered by ample available capacity, as well as the existence of alternative markets, but is hampered by the low level of existing inventories and the inability to switch production in response to relative price changes. The five responding Italian producers, however, account for only a very small fraction (less than five percent) of total Italian production capacity.

Industry capacity

Reported capacity of the five responding Italian producers fell from 394.3 million pounds in 2001 to 312.1 million pounds in 2004 before rebounding to 386.0 million pounds in 2006. Capacity utilization rates were in the mid to high fifties during 2001 and 2002, but rose to the high seventies and low eighties in 2004 through 2006. The capacity utilization rate in January-March 2007 was 51.8 percent, down from 67.4 percent in January-March 2006. Available capacity indicates that responding Italian producers have the ability to increase production and shipments to the United States in response to changes in price.

⁸ ***.

⁹ ***, the production of egg noodles may take considerably longer due to the fact that eggs are a potential allergen and the production lines on which egg noodles were made must be cleaned using FDA's Hazard Analysis and Critical Control Point ("HACCP") process before dry pasta can be produced on those lines. Questionnaire responses support this statement (*see* U.S. producers questionnaire responses, section II-7b). According to these responses, switching to organic pasta requires no such process.

Alternative markets

Shipments to the home market made up between 53 and 70 percent of total shipments by responding Italian producers during the review period. The United States and Europe are the largest recipients of exports of dry pasta from Italy and together accounted for more than half of all exports in 2005 and 2006. The existence of alternative markets suggests that responding Italian producers have the ability to shift sales to the United States in response to changes in price.

Inventory levels

Responding Italian producers' inventory levels hovered between 5.2 percent and 5.7 percent of total shipments throughout the review period. Relatively small inventories suggest that Italian producers have limited ability to use available inventories to increase shipments to the United States as a short-term response to changes in relative prices.

Production alternatives

None of the five responding producers of dry pasta from Italy reported that they produced other products using the same equipment or machinery as is used in the production of dry pasta. Furthermore, none of the five responding Italian producers reported being able to switch production between pasta and other products in response to a relative price change in dry pasta in the United States or elsewhere.

Subject Imports from Turkey

The analysis of the Turkish industry is based on information provided by only one producer of dry pasta from Turkey.¹⁰ While the one responding firm accounts for *** percent of estimated total production in Turkey, it appears to account for *** of Turkish exports of dry pasta to the United States. Based on information supplied by this Turkish producer, suppliers of imports of dry pasta from Turkey are likely to respond to changes in demand with *** changes in the quantity shipped to the U.S. market. Supply responsiveness is bolstered by ***, as well as the ***.

Industry capacity

Reported capacity of the responding Turkish producer has *** million pounds from 2003 (when data were first reported) to 2006. Capacity in January-March 2007, however, at *** million pounds, was *** percent higher than in January-March 2006. This ***. Production data are available from 2004 and show a steady decline in capacity utilization from *** percent in 2004 to *** percent in 2006. Capacity utilization in January-March 2007 was *** percent as compared to *** percent in January-March 2006. *** of available capacity indicate that the responding Turkish producer ***.

Alternative markets

Shipments to the home market accounted for between *** and *** percent of total shipments by the responding Turkish producer during the period 2004 through January-March 2007. *** were the largest recipients of exports of dry pasta by the responding Turkish producer. Exports to the United States, as a share of total exports, fell from *** percent in 2003 to *** percent in 2006 and were *** percent in January-March 2007. The *** suggests that the responding Turkish producer ***.

¹⁰ ***.

Inventory levels

The single responding Turkish producer did not report its inventories in its questionnaire response.

Production alternatives

The single responding producer of dry pasta from Turkey reported that ***. Furthermore, this producer reported that it ***.

U.S. Demand

Based on available information, consumers are likely to respond to changes in the price of dry pasta with small to moderate changes in their purchases of dry pasta. Dry pasta is an inexpensive and popular meal option and should remain that way, barring a significant increase in price. While there are other meal options that can be used instead of pasta in certain instances, pasta itself has no close substitutes.

Demand Characteristics

U.S. demand for dry pasta depends primarily on dietary trends and eating habits of Americans. Aside from a dip in demand due to the “low-carb” diet trend in 2003-2004, the per-capita demand for pasta has been very steady over the past several decades. As a result of the low-carb diet fad, many U.S. producers have developed healthier, lower carbohydrate or whole grain pastas that have become increasingly popular among U.S. consumers.

Available data and questionnaire responses support the aforementioned trend but show that consumption overall is stable.¹¹ After rising between 2001 and 2002, apparent U.S. consumption of dry pasta fell by 4.3 percent from 2002 to 2004, then rose by 5.5 percent through 2006 to stand at 3.2 billion pounds in that year. Overall, apparent U.S. consumption rose by 5.2 percent from 2001 to 2006. When asked to characterize recent trends in U.S. demand for dry pasta, three purchasers, two U.S. producers, and eight importers responded that demand has increased since January 1, 2001; seven purchasers, four U.S. producers, and 10 importers responded that demand has decreased since January 1, 2001 (with most citing low-carb diets as the primary reason); and two purchasers, four U.S. producers, and seven importers responded that demand has remained unchanged since January 1, 2001. The remainder of responding firms (eight purchasers, two U.S. producers, and three importers) responded that demand fell early in the period (because of the popularity of low-carb diets) and has since rebounded. In addition, when asked about it directly, almost all responding U.S. producers and purchasers, and a large majority of responding importers reported that the “Atkins” diet and other low-carb diets had a significant negative impact on demand for dry pasta. Several firms also noted an increase in demand for healthier whole grain or multi-grain pastas in the last few years. The U.S. Government has raised awareness of increasing consumption of whole grain foods in recent years. According to the 2005 Dietary Guidelines for Americans, “Consuming at least 3 servings (equivalent to 3 ounces) of whole grains per day can reduce the risk of diabetes and coronary heart disease (CHD) and helps with weight maintenance. Thus, daily intake of 3 ounces of whole grains per day is recommended, preferably by substituting whole grains for

¹¹ At the hearing, domestic producer, AIPC, noted that the “retail area of the market has been stagnant at best in recent years with declining supermarket sales partially balanced by growth at warehouse clubs and mass merchandisers” Hearing transcript, pp. 16-17 (Fogarty).

refined grains.”¹² In addition, the U.S. Department of Agriculture’s updated Food Guide Pyramid advises, “six to 11 servings of grain foods a day, with several of these being whole grain.”¹³

When asked about anticipated future changes in demand, most responding firms reported that they do not expect any future changes in demand for dry pasta in the United States or the rest of the world. Of those who do expect changes, many (including five U.S. producers, five importers, and three purchasers) anticipate that whole grain, multi-grain, and low-carb varieties will become increasingly popular, perhaps at the expense of traditional durum semolina-based dry pasta.¹⁴ Other responding firms anticipate growth in the dry pasta market due to population growth, growth in the elderly population,¹⁵ and an increase in the popularity of the “Mediterranean” diet.

Substitute Products

Most responding firms reported that there are no substitutes for pasta. According to the other responding firms, there are several products that are possible substitutes for dry pasta; however, the degree of substitution appears to be somewhat limited.¹⁶ As reported by two U.S. producers, four importers, and seven purchasers, refrigerated (fresh) and/or frozen pastas are potential substitute products for dry pasta. However, many of the fresh and/or frozen pastas available are filled pastas (such as tortellini or ravioli), which are not always available in dry form. These products are also normally much more expensive than dry pasta, and are not as easily stored in large quantities or for long periods of time.

A large increase in the price of dry pasta relative to fresh or frozen pasta may bring about a significant shift to these substitutes. Other products listed by responding firms as potential substitutes included rice, polenta, corn, potatoes, dry beans, and rice noodles. These products can be used instead of pasta as part of a meal. The degree of substitution, however is highly dependent on the final consumer. Given the low cost of all of these items, only a large increase in the price of pasta would cause any significant switch to such substitutes based on price alone.

Cost Share

The handful of producers and purchasers who used dry pasta in the production of other goods reported estimates of the cost of dry pasta as a share of total costs. These estimates ranged from 3-5 percent for soups, to 20-25 percent for pre-made pasta dishes. Most end users, however, use pasta as part of a meal at home or in restaurants or other establishments that serve food (such as hospitals or cafeterias), thereby making it hard to estimate the cost share of pasta.

¹² U.S. Dept. of Agriculture and Dept of Health and Human Services, *Report of the Dietary Guidelines Advisory Committee on the Dietary Guidelines for Americans, 2005*, “Section 6: Selected Food Groups (Fruits and Vegetables, Whole Grains, and Milk Products)” found at http://www.health.gov/dietaryguidelines/dga2005/report/HTML/D6_SelectedFood.htm.

¹³ U.S. Dept. of Agriculture, “MyPyramid.gov,” found at <http://www.mypyramid.gov/index.htm>.

¹⁴ ***.

¹⁵ Elderly consumers are often on a tight budget. Pasta, a low-cost meal solution, is thought to be more popular among income-constrained consumers.

¹⁶ The degree of substitution between dry pasta and other products is likely to be less in the food service and industrial markets.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported dry pasta depends upon such factors as relative prices, quality, and conditions of sale (e.g., availability, price discounts/rebates, delivery, payment terms, product services, etc.). Based on available data, staff believes that while there may be some differences between domestic dry pasta and dry pasta imported from Italy, overall there is a very high degree of substitution between the two. Some pasta imported from Italy, however, is produced using slightly different methods than mass-produced domestic pasta and is considered to be of superior quality by a subset of importers, purchasers, and presumably, final consumers. As a result, some Italian pasta sells for a considerable premium over mass-produced domestic pasta.¹⁷ Responding producers, importers, and purchasers, however, are divided on the issue of whether there are actual physical difference between pastas from different suppliers. On the other end of the spectrum, there is some indication that dry pasta from Turkey may be perceived as having lower quality than domestic or Italian dry pasta.

Factors Affecting Purchasing Decisions¹⁸

Purchasers were asked to identify the three major factors considered by their firm in deciding from whom to purchase dry pasta (table II-4). Fifteen of 23 responding purchasers reported that quality was the most important factor while four reported that price was of primary importance. Price was listed as second-most-important by 11 purchasers, and third-most important by five. Quality was listed as second-most-important by two purchasers and third by three. Availability, delivery time, or ability to ship consistently were listed as second-most-important by three purchasers and as third-most-important by five.

Purchasers were asked what factors determine the quality of dry pasta. Six of 21 responding purchasers reported that the dry pasta needs to meet appropriate producer or industry specifications. Other factors mentioned were taste, texture, color, size, durability, packaging, consistency, and quality of wheat used to make the pasta.

¹⁷ Such pasta is also produced in the United States by smaller “specialty” producers such as ***.

¹⁸ Much of the information in the sections below is derived from responses to purchaser questionnaires. Twenty-three purchasers responded to questionnaires sent out by the Commission. Of those 23, five classify themselves as end users, seven classify themselves as distributors, ten classify themselves as retail or specialty stores, and one classifies itself as a producer.

Table II-4**Dry pasta: Most important factors in selecting a supplier, as reported by purchasers**

Factor	First	Second	Third
Price	4	11	5
Quality	15	2	3
Availability/delivery time/ability to ship consistently	0	3	5
Consumer demand	1	2	0
Capacity	1	1	1
Consistency	1	1	0
Promotions/advertising	1	0	1
Range of product line	0	1	0
Packaging	0	0	1
Extension of credit	0	0	1
Location	0	0	1

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

Purchasers were asked if they always, usually, sometimes, or never purchased the lowest-priced dry pasta. Only one purchaser reported always purchasing the lowest-priced product; seven reported that they usually purchased the lowest-priced product; ten reported only sometimes purchasing the lowest priced product; and five reported that they never do. Purchasers were also asked if they purchased dry pasta from one source although a comparable product was available at a lower price from another source. Self-identified end users normally buy from the lowest-priced supplier while stores and distributors reported purchasing the products demanded by their customers, regardless of price.

Purchasers were asked to rate the importance of 15 factors in their purchasing decisions (table II-5). Product availability and reliability of supply were listed as very important by all 25 responding purchasers while product consistency was listed as very important by 24 of 25 responding purchasers. Twenty-three of 24 responding purchasers reported that it is very important for product to meet industry standards and 20 of 24 responding purchasers reported that price is very important.

Purchasers were asked for a country-by-country comparison of U.S.-produced dry pasta compared to dry pasta from Italy, Turkey, and relevant nonsubject countries on the same 15 factors.

Table II-5
Dry pasta: Importance of purchase factors, as reported by purchasers

Factor	Very important	Somewhat important	Not important
	<i>Number of firms responding</i>		
Product availability	25	0	0
Delivery terms	11	13	0
Delivery time	14	11	0
Discounts offered	9	11	4
Extension of credit	5	12	8
Price	20	4	0
Minimum quantity requirements	6	14	5
Packaging	8	8	4
Product consistency	24	1	0
Quality meets industry standards	23	1	0
Quality exceeds industry standards	15	7	1
Product range	8	10	0
Reliability of supply	25	0	0
Technical support/service	8	14	3
U.S. transportation costs	10	15	0
Note.--Not all purchasers responded for each factor.			
Source: Compiled from data submitted in response to Commission questionnaires.			

Only one responding purchaser provided comparisons of U.S. and Turkish dry pasta. This purchaser reported that dry pasta from Turkey was comparable with U.S.-produced dry pasta on all 15 factors. Twelve purchasers compared U.S. and Italian dry pasta. Results are shown in table II-6. While results suggest that product from Italy and product from the United States are fairly comparable in most respects, product from the United States appears to be superior in terms of delivery terms, delivery time, and product availability. In addition, U.S.-produced dry pasta is at least comparable and often superior to dry pasta imported from Italy in terms of lower price, reliability of supply and technical support/service.

Table II-6

Dry pasta: Comparisons of product by source country, as reported by purchasers

Factor	U.S. vs. Italy			U.S. vs. Turkey		
	S	C	I	S	C	I
	<i>Number of firms responding</i>					
Product availability	7	5	0	0	1	0
Color	0	11	1	0	1	0
Delivery terms	8	4	0	0	1	0
Delivery time	10	2	0	0	1	0
Discounts offered	3	6	0	0	1	0
Extension of credit	1	9	0	0	1	0
Lower price	5	5	1	0	1	0
Lower U.S. transportation costs	5	5	1	0	1	0
Minimum quantity requirements	3	7	0	0	1	0
Packaging	0	10	1	0	1	0
Product consistency	0	11	0	0	1	0
Product range	1	8	2	0	1	0
Quality meets industry standards	0	10	1	0	1	0
Quality exceeds industry standards	0	10	1	0	1	0
Reliability of supply	5	6	0	0	1	0
Technical support/service	5	6	0	0	1	0
<p>Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first listed country's product is inferior.</p> <p>Note.--Not all companies gave responses for all factors.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>						

Purchasers, U.S. producers, and importers were asked if certain shapes, types, or sizes of dry pasta were available from a single source. Eleven of the 23 responding purchasers, 12 of 13 responding U.S. producers, and 26 of 31 responding importers reported that they were not, while nine purchasers, one U.S. producer, and five importers reported that certain shapes, types, or sizes were not universally available. Firms that responded as such mostly reported that certain shapes were available only from Italy, while some reported that “rough” pasta (that has been extruded through bronze dies rather than teflon dies) was available only from Italy.

Purchasers were asked if they required certification or prequalification with respect to the quality, safety, or other performance characteristics of dry pasta. Nineteen of the 26 responding purchasers required certification or prequalification for all of their suppliers, while two purchasers required certification or prequalification for at least *** percent of their sales. Five purchasers reported that they do not pre-certify suppliers. According to purchaser responses, prequalification normally entails meeting firm-specific specifications and quality standards. Organic pastas normally are required to meet USDA specifications pertaining to foods with the “organic” label.

Twenty of 26 responding purchasers reported factors they considered in qualifying a new supplier. The most common factors considered were quality and reliability of supply. Other factors

considered included price, logistics, range of products, and delivery time. The time required to qualify a new supplier was reported by 16 purchasers and ranged from five hours to one year, with several reporting that qualification requires two to six months. Purchasers were asked if any suppliers had failed to qualify their product or lost their approved status. Two of the 21 responding firms reported that suppliers had failed to qualify. One of these purchasers reported that one supplier was dropped due to price and another due to poor quality.

Purchasers, U.S. producers, and importers were asked if there are actual quality differences between dry pasta from different suppliers or if quality differences were a factor of brand image. Sixteen of 25 responding purchasers, five of 10 responding U.S. producers, and 18 of 30 responding importers reported that there were actual physical differences between pastas. The most often mentioned differences had to do with the type of wheat used, the extrusion process (bronze dies vs. teflon dies), the drying process (low vs. high temperature), and, when applicable, the addition of other ingredients. Other differences noted include color, consistency, durability, taste, and texture. Most other responding firms reported that there were little or no real differences between pastas and that most perceived quality differences were a result of brand image.

Purchasers were asked a number of questions about whether their purchasing patterns for dry pasta from subject and nonsubject sources had changed since 2001. Eight of 25 responding purchasers reported that they had purchased dry pasta from Italy before 2001. Of these, one reported reducing purchases from Italy due to the antidumping and countervailing duty orders and one reported reducing purchases from Italy for internal reasons. The remainder have not changed their purchasing patterns pertaining to dry pasta from Italy. Two of 24 responding purchasers reported that they had purchased dry pasta from Turkey before 2001. One of these purchasers reported reducing purchases from Turkey due to the orders while the other discontinued purchases from Turkey because of the orders.

Purchasers were asked how frequently they and their customers purchased dry pasta from specific producers and from specific countries (table II-7). Overall, producer and country of origin do not appear to be major factors for some of the purchasers but not for their customers. Some purchasers reported that the producer of the pasta always matters mainly due to quality reasons. Others, including most retail stores, purchase from many producers according to customer demand. Purchasers state that, while some customers are loyal to certain brands, others shop primarily for price. While country of origin by and large does not appear to matter to purchasers or their customers, purchasers note that some customers prefer Italian pasta.

Table II-7

Dry pasta: The role of producer and country of origin in purchaser and customer decisions

Item	Always	Usually	Sometimes	Never
Purchaser makes decision based on producer	5	5	8	4
Purchaser's customer makes decision based on producer	0	6	12	4
Purchaser makes decision based on country	3	3	11	6
Purchaser's customer makes decision based on country	2	3	14	4

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

Two of 25 responding purchasers reported that some percentage of their purchases are limited by law to domestic suppliers. The share of such purchases was reported by one purchaser to be *** percent. Eight of 25 purchasers also reported that purchases of domestic product are required by their customers. The share of such purchases was reported by six purchasers and ranged from 36 to 93 percent, with five

of those reporting that more than 85 percent of their sales of dry pasta were required by customers to be from domestic suppliers. Finally, three of 25 purchasers reported that domestic purchases are required for other reasons. The share of such purchases was reported by two purchasers and was *** percent for one and *** percent for the other. The first firm reported that it was not cost-effective to import “staple” pasta (such as spaghetti or elbow macaroni) while the second firm, *** responded based ***.

Purchasers of dry pasta do not normally shop around for the best price when purchasing dry pasta. Instead, most purchasers reported having standing contracts with one or more suppliers and purchase product on a regular basis at whatever price is charged. Close contact with and quick response by suppliers is essential as most purchasers (21 of 25) reported making purchases on a daily or weekly basis. Fourteen of the 25 responding purchasers reported that they had changed suppliers since January 1, 2001. These 14 purchasers indicated that changes happen fairly regularly and are usually due to price, performance of the supplier, or consumer demand.

Comparisons of Domestic Products, Subject Imports, and Nonsubject Imports

U.S. producers, importers, and purchasers were asked to report how frequently dry pasta from different countries can be used in the same applications (table II-8). If responding firms reported that products from different countries were not always used in the same application, they were asked to explain why. In general, responses indicate that dry pasta from both subject and nonsubject countries is normally interchangeable with dry pasta produced in the United States, with most responses in the “always” or “frequently” columns regardless of the type of firm. Some responding firms add the caveat that pasta is interchangeable, assuming that it is produced with 100 percent durum wheat semolina as opposed to other ingredients. Reasons listed by those firms that reported that pasta from different countries are sometimes or never interchangeable include superior quality of Italian pasta as well as limited availability of certain cuts or products. Italian pasta is more often extruded through bronze rather than teflon dies and is also more often dried at a cooler temperature. These processes reportedly give the pasta rougher texture that better adheres to sauce. One importer reported that the specialty pasta it imports is available only from Italy and therefore is not interchangeable with any other pasta. While respondents do not provide much information regarding pasta from Turkey in their responses to these questions, one importer of Turkish pasta stated elsewhere that ***.¹⁹

U.S. producers and importers were asked to assess how often differences other than price were significant in sales of dry pasta from the United States, subject countries, or nonsubject countries (table II-9). While most responding firms reported that non-price differences either never or only sometimes make a difference, two of nine U.S. producers and nine of 21 importers reported that non-price differences are always significant when considering whether to purchase dry pasta from Italy rather than dry pasta produced in the United States. Importers that reported that non-price differences are always significant indicated that pasta from Italy is of higher quality.

ELASTICITY ESTIMATES

U.S. Supply Elasticity

The domestic supply elasticity for dry pasta measures the sensitivity of quantity supplied by U.S. producers to changes in the U.S. market price of dry pasta. The elasticity of domestic supply depends on

¹⁹ *** importer questionnaire response, section II-4.

Table II-8

Dry pasta: U.S. producers', importers', and purchasers' perceived degree of interchangeability of products produced in the United States and other countries¹

Country comparison	U.S. producers					U.S. importers					U.S. purchasers				
	A	F	S	N	0	A	F	S	N	0	A	F	S	N	0
U.S. vs. Italy	7	1	2	0	0	11	4	4	4	0	14	1	4	0	2
U.S. vs. Turkey	6	2	0	0	2	6	4	4	0	6	7	1	1	0	9
U.S. vs. nonsubject certain dry pasta	5	2	0	0	3	4	6	4	0	5	6	1	3	1	7
U.S. vs. other dry pasta	5	2	0	0	3	3	5	4	0	7	4	1	2	0	7
Italy vs. Turkey	5	2	0	0	3	6	4	3	1	5	3	0	1	0	11
Italy vs. nonsubject certain dry pasta	5	2	0	0	3	6	5	3	1	3	4	0	2	0	8
Italy vs. other dry pasta	5	2	0	0	3	5	5	3	1	4	4	0	2	0	8
Turkey vs. nonsubject certain dry pasta	5	2	0	0	3	2	6	3	1	6	3	0	0	0	11
Turkey vs. other dry pasta	5	2	0	0	3	2	6	3	0	7	3	0	1	0	11

¹ U.S. producers, importers, and purchasers were asked if dry pasta produced in the United States and in other countries is used interchangeably.

Note.--“A” = Always, “F” = Frequently, “S” = Sometimes, “N” = Never, and “0” = No familiarity.

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

several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced dry pasta. Analysis of these factors earlier indicates that the U.S. industry is likely to be able to increase or decrease shipments to the U.S. market to some extent; an estimate in the range of 3 to 6 is suggested.²⁰ The supply elasticity is enhanced by the existence of available unused capacity and moderate inventories, but is hampered by the inability to switch production to or from other products, and the inability to move sales to or from alternative markets.

²⁰ The Domestic Industry agreed with this estimate. Hearing transcript, p. 50 (Kerwin).

Table II-9**Dry pasta: U.S. producers' and importers' perceptions concerning the importance of non-price differences in purchases of dry pasta from the United States and other countries¹**

Country comparison	U.S. producers					U.S. importers				
	A	F	S	N	0	A	F	S	N	0
U.S. vs. Italy	2	0	4	3	0	9	1	6	5	4
U.S. vs. Turkey	1	0	3	3	2	1	1	5	4	12
U.S. vs. nonsubject certain dry pasta	1	0	2	2	4	0	2	6	2	11
U.S. vs. other dry pasta	1	0	2	2	4	0	1	5	2	13
Italy vs. Turkey	1	0	3	2	3	3	2	5	3	9
Italy vs. nonsubject certain dry pasta	1	0	2	2	4	1	2	5	3	9
Italy vs. other dry pasta	1	0	2	2	4	1	1	5	3	10
Turkey vs. nonsubject certain dry pasta	1	0	2	2	4	0	2	5	2	11
Turkey vs. other dry pasta	1	0	2	2	4	0	1	5	2	12

¹ U.S. producers and importers were asked if differences other than price between dry pasta produced in the United States and in other countries are a significant factor in their firm's sales of the product.

Note.--"A" = Always, "F" = Frequently, "S" = Sometimes, "N" = Never, and "0" = No familiarity.

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

Subject Supply Elasticity

Based on information from five producers from Italy that represent less than five percent of total Italian pasta-producing capacity, an estimate in the 4 to 8 range is suggested for the supply elasticity of dry pasta from Italy. The ability of Italian subject producers or exporters to respond to a change in the U.S. market price of dry pasta is enhanced by the existence of foreign home markets and large alternative export markets as well as large amounts of unused capacity. This ability is limited in the short-run, however, by small inventories. Based on only one responding producer of dry pasta from Turkey, an estimate in the 6 to 10 range is suggested for the supply elasticity of dry pasta from Turkey. This high elasticity is supported by large amounts of unused capacity and the existence of alternative markets.²¹

²¹ With regard to the elasticity of supply for subject country producers, the Domestic Industry agreed with the characterization that foreign producers in Italy and Turkey do have substantial excess capacity but it noted that the range might be even higher than that. Hearing transcript, p. 51 (Kerwin).

U.S. Demand Elasticity

The U.S. demand elasticity for dry pasta measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of dry pasta. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of the dry pasta in the production of any downstream products. In the relatively small segment of the market where dry pasta is a component product, it generally accounts for a small to moderate amount of the cost of the end products in which it is used. While some substitute products do exist, there are limitations to the extent that they will be substituted for dry pasta. Based on the available information, the U.S. demand elasticity for dry pasta is likely to be in the range of .75 to 1.5.

Substitution Elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.²² Product differentiation, in turn, depends upon such factors as quality (e.g., taste, appearance, etc.) and conditions of sale (availability, sales terms/discounts/promotions, etc.). Based on available information, the elasticity of substitution between U.S.-produced dry pasta and subject imported dry pasta is likely to be in the range of 2 to 4 for Italy and for Turkey.²³ While both countries have the same moderate elasticity of substitution, the reasons given are different for the two countries. Specifically, while dry pasta from Italy is often regarded as superior to U.S.-produced dry pasta, dry pasta from Turkey is often considered inferior. Whether or not there actually are notable differences in the quality of pastas from different countries, the perception of quality differences alone is enough to explain imperfect substitution.

²² The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and U.S. like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

²³ The domestic industry stated that the range suggested by staff is rather low. Mr Kerwin (economic consultant for the domestic industry) noted that he believes that pasta is basically a commodity product and is a product that very few consumers can discern any difference between the product. Hearing transcript, p. 52 (Kerwin). Staff notes, however, that purchasers did report differences between the domestic and subject imported products. For example, a majority of responding purchasers reported that the U.S. product was superior with regard to availability, which was a factor that all 25 responding purchasers rated as “very important”.

PART III: CONDITION OF THE U.S. INDUSTRY

The information in this section of the report was compiled from responses to the Commission's questionnaires. Eighteen producers provided questionnaire responses, which together accounted for approximately 70 percent of total pasta shipment value during 2005.¹ Table III-1 presents significant developments in the domestic dry pasta industry since the completion of the original investigations.

Since the original ITC investigation in 1996, the U.S. pasta manufacturing industry has experienced significant change in industry leadership. In the mid-1990s, Hershey Foods Corporation was the largest pasta manufacturer. The company's Pasta Division produced approximately 600 million pounds of pasta in 1995 through such brands as Ronzoni, Skinner, American Beauty, and Delmonico. In 1999, the company divested itself of New World Pasta, a product line that generated \$400 million in sales for 1997, choosing to focus more on its confectionery and grocery products.² Borden Incorporated's Pasta Division also manufactured 600 million pounds of pasta in 1995, primarily through its Creamette and Prince lines. That same year, Borden Incorporated, which posted sales of \$5.9 billion, became a privately owned company when it was purchased by partners of the investment firm Kohlberg, Kravis, Roberts, and Co. In June 2001, Borden agreed to sell seven brands in its U.S. pasta business to American Italian Pasta Co. (AIPC) but the sale did not include any of Borden's manufacturing facilities.³ In July 2001, Borden sold 11 pasta brands and 6 manufacturing facilities to New World Pasta.⁴ Two of these facilities were in the United States, two were in Canada, and two in Italy. As a result of these two sales, Borden exited the pasta business to focus on other businesses, similar to Hershey Foods' decision.

AIPC subsequently also acquired the Mueller's brand from Bestfoods, the Martha Gooch and LaRosa brands from Archer Daniels Midland (ADM),⁵ and the Golden Grain Co. from Quaker Foods during late 2001 through 2002. Both Bestfoods and ADM exited the pasta business with these brand sales. In April 2003, AIPC opened a new pasta plant in Tolleson, AZ.⁶ As a result of these acquisitions and the new plant, AIPC is now the industry leader in pasta production and capacity.

Because of adverse business conditions, New World Pasta closed manufacturing facilities in Lebanon, PA and Louisville, KY in 2002 and subsequently filed for Chapter 11 reorganization in May 2004.⁷ New World closed another plant in Omaha, NE, in September 2004 and then emerged from Chapter 11 in December 2005. That same time, New World was acquired by Ebro Puleva, S.A., a Spanish multinational company with pasta as one of its core business units.⁸

Another major change since 1996 has been the presence of Barilla's manufacturing operations in the United States. Barilla America was formed as the U.S.-based division of Italy's Barilla Group and in

¹ U.S. Census Bureau, *Annual Survey of Manufactures, Value of Product Shipments: 2005*, November 2006, table 1, product class code 311823, dry pasta manufacturing.

² Reference for Business.Com, *Macaroni, spaghetti, vermicelli, and noodles*, found at <http://www.referenceforbusiness.com/industries/Food-Kindred-Products/Macaroni-Spaghetti-Vermicelli-Noodles.html>, retrieved on June 19, 2007.

³ *Borden Foods to Sell 7 Brands to American Italian Pasta*, Nations Restaurant News, June 18, 2001.

⁴ *Company News; Borden Sells Most of its Pasta Business to New World*, New York Times, July 31, 2001.

⁵ *American Italian Pasta Company Acquires Martha Gooch and LaRosa Brands in the U.S. and Lensi Brand in Italy*, American Italian Pasta Co. Press Release, October 2, 2002.

⁶ *American Italian Pasta Co. officially opens new plant*, World-Grain.com, April 15, 2003, retrieved May 24, 2007.

⁷ *New World Pasta files Chapter 11; obtains \$45 million in financing*, Milling and Baking News, May 18, 2004.

⁸ *New World Pasta, Pasta la vista*, The Manufacturer, November 2005, found at http://www.themanufacturer.com/us/profile/5163/New_World_Pasta?PHPSESSID=1b8093.

1998 began producing pasta at its first U.S. pasta manufacturing plant in Ames, IA.⁹ In March 2006, Barilla America announced plans for a second U.S. pasta plant in Avon, NY with production trials starting in June 2007 and full operations by June 2009.¹⁰

Pasta Montana is also a new entrant to the U.S. pasta business since 1996 as it opened a fully automated pasta plant in Great Falls, MT in August 1997. In August 2000, Pasta Montana built a 30,000 square foot warehouse addition which opened in February 2001.¹¹ In June 2005, Pasta Montana acquired the Costa Macaroni Manufacturing Co. of Los Angeles, CA in order to obtain a well-known brand name while allowing it to expand production at its Great Falls plant through the addition of a new production line to make lasagna, an additional product for the plant.¹²

Table III-1
Dry pasta: Important industry events, 1996-2007

Period	Firm	Reported change
1996	Barilla America	Forms as the U.S.-based division of Italy's Barilla Group.
August 1997	Pasta Montana	Opens dry pasta plant in Great Falls, MT with an initial capacity of 70 million pounds of dry pasta per year.
1998	Barilla America	Opens first U.S. pasta manufacturing plant in Ames, IA.
April 1998	DeBoles Nutritional Foods	Acquired by Hain Food Group and DeBoles is now one of Hain's brands.
Fall 1998	Dakota Growers Pasta	Acquires Primo Piatto's two pasta plants in Minneapolis, MN (200 million pounds per year).
1999	New World Pasta Co.	New World Pasta, LLC purchases 8 pasta brands and manufacturing plants from Hershey Foods, who exits pasta business.
June 2001	Borden, Inc.	Sells 11 pasta brands and 6 manufacturing facilities to New World Pasta.
July 2001	Borden, Inc.	Sells 7 regional brands to American Italian Pasta Company (AIPC) and Borden exits pasta business.
November 2001	Bestfoods	Sells Mueller's brand to AIPC and Bestfoods exits pasta business.
October 2002	Gooch Foods, Inc., division of Archer Daniels Midland (ADM)	Sells Martha Gooch and LaRosa pasta brands to AIPC and ADM exits pasta business.

Table continued on next page.

⁹ Barilla America, found at http://161.58.179.149/home/Pages/Barilla_America.aspx, retrieved on May 24, 2007.

¹⁰ Jacobson, Barilla America build on successful partnership, Barilla America and Jacobson Companies press release March 10, 2006.

¹¹ *About us*, Pasta Montana website, found at <http://www.pastamontana.com>.

¹² *Pasta Montana adds lasagna, buys Los Angeles company*, Great Falls Tribune, June 8, 2005.

Table III-1--Continued
Dry pasta: Important industry events, 1996-2007

Period	Firm	Reported change
2002	Golden Grain Pasta	Sold by Quaker Foods (division of PepsiCo) to AIPC.
2002	New World Pasta Co.	Closes plants in Lebanon, PA and Louisville, KY.
2002	Mrs. Leeper's, Inc.	Acquired by AIPC.
April 2003	American Italian Pasta Company	Opens new pasta plant in Tolleson, AZ.
May 2004	New World Pasta Co.	Files for Chapter 11 reorganization.
September 2004	New World Pasta Co.	Closes Omaha, NE plant.
June 2005	Costa Macaroni Manufacturing Co.	Acquired by Pasta Montana and now operates as a division of Pasta Montana.
December 2005	New World Pasta Co.	New World emerges from Chapter 11 and is acquired by Ebro Puleva,S.A., a Spanish multinational company with pasta as one of its core business units.
March 2006	Barilla America	Announces plans for a second U.S. pasta plant in Avon, NY with production starting shortly (as of August 2007) and full operations by June 2009.
June 2006	S.T. Specialty Foods	Purchased AIPC's Kenosha, WI plant.
March 2007	Pasta USA	Acquired by Philadelphia Macaroni Co.
Source: Company websites and press articles.		

U.S. PRODUCERS' CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

U.S. dry pasta producers are varied in size and scope of operations. The range and scope of operations is illustrated by operations such as *** which annually produced *** of hand-made artisanal dry pasta that is sold directly to specialty retail outfits. ***. ***. The trends, then, described below, are primarily driven by the large dry pasta producers and not by small firms, which, though undergoing changes since 2001, influence the trends at the margins.

The latest available Census data indicate that capacity utilization rates in the U.S. pasta industry varied during 2001-05, and ranged from a low of 63 percent in 2003 to a high of 77 percent in 2004.¹³ Data from responses to Commission questionnaires are shown in table III-2, and indicate that dry pasta capacity and production were greater in 2006 than in 2001, but each fluctuated during the intervening period. Over the period of review, capacity utilization was highest in 2002 (86.1 percent) and lowest in

¹³ U.S. Census Bureau , *Survey of Plant Capacity: 2005*, January 2007.

2004 (76.0 percent). The 2004 low capacity utilization corresponds with the industry's second highest available annual capacity, but second lowest amount of annual production.¹⁴

Table III-2

Dry pasta: U.S. capacity, production, and capacity utilization, 2001-06, January-March 2006, and January-March 2007

Item	Calendar year						January-March	
	2001	2002	2003	2004	2005	2006	2006	2007
Capacity (1,000 pounds)	3,169,432	3,108,118	3,224,488	3,392,234	3,318,954	3,431,482	858,920	850,308
Production (1,000 pounds)	2,519,030	2,677,280	2,603,192	2,578,992	2,679,998	2,743,862	710,909	724,747
Capacity utilization (percent)	79.5	86.1	80.7	76.0	80.7	80.0	82.8	85.2

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

During the course of the review period, several large pasta producers increased capacity and production. This, however, was mixed with firms that both opened and closed operations. ¹⁵ With the exception of January-March 2007 compared to January-March 2006, Barilla is expanding its operations, opening a second facility in Avon, NY. This new facility will add pounds of production capacity to its current pounds of production capacity.^{16 17} Dakota Growers expanded operations in 2006, adding pounds of capacity from 2005 to 2006 and increased production by almost pounds of pasta during the same period. ¹⁸ increased both capacity and production from 2002 to 2003.

Two firms experienced a mix of opening and closing facilities. In early 2001, ¹⁹. In 2002, AIPC opened a plant in Tolleson, AZ, ¹⁸. AIPC shut down its Kenosha, WI, plant in 2004, and sold it in 2006 to S.T. Specialty Foods.¹⁸

Several firms reported no changes in capacity. ¹⁹, experienced relatively small shifts in capacity and production, but reported no closures or expansions of domestic operations.¹⁹

The dry pasta industry's increases in pasta capacity and production were partially offset with other firms' scaling back operations. During the period for which data were collected, ¹⁹, shedding pounds of capacity, and decreased production by about pounds. New World's history of closing operations is tied to its acquisitions and consolidations of dry pasta manufacturers. New World Pasta was formed in 1999 as a spinoff from Hershey Foods when it exited the pasta business. In 2001, New World acquired the dry pasta business owned by Borden Foods, which like Hershey, exited the pasta business. Following these acquisitions, New World closed facilities in Chicago, IL; Louisville, KY; Lebanon, PA; and Omaha, NE. In 2004, New World filed for Chapter 11, due, in part, to stagnant or declining sales and low returns for sales of pasta. New World exited bankruptcy in December 2005 and in June 2006, New

¹⁴ ¹⁹ reported higher levels of production capacity in 2004 over 2001, while New World reported lower production capacity.

¹⁵ ¹⁹.

¹⁶ Barilla's producer questionnaire response, section II-2.

¹⁷ In 2007, pounds of capacity will come online, and in 2008, pounds of capacity will come online. Barilla's producer questionnaire response, section II-3.

¹⁸ ¹⁹. Staff telephone interview with ¹⁹.

¹⁹ Kraft Foods did however sell its Huxley Pasta Plant in Toronto, ON, Canada, on January 13, 2006.

World's stock was acquired by the Spanish firm Ebro Puleva, S.A. which is involved in rice, fortified dairy products, and pasta. The New World acquisition gave Ebro Puleva, S.A. a presence in North America, when before it had a geographic focus solely in Europe.

Other acquisitions include Pasta Montana's purchase of Costa Brand in Los Angeles.²⁰ Royal Angelus was acquired by Hormel Foods in December 2006.²¹ In September 2006, Philadelphia Macaroni Co. purchased Pasta USA Corporation, located in Spokane, WA. Dakota Growers acquired a *** percent interest in DNA Dreamfields Company.²² Golden Grain Pasta, which produced dry pasta in San Leandro, CA, was purchased by AIPC. However, Golden Grain Company, independent of AIPC, and owned by Quaker Oats, a division of PepsiCo., currently produces dry pasta solely for internal consumption.

Other changes reported by U.S. producers of dry pasta include *** which reported annual production capacity of *** pounds for each year from 2001 to 2003, ceased producing dry pasta in 2004, and instead relied on purchasing pasta. In addition, ***.²³

Three firms reported revised labor agreements during the period for which data were collected. ***.²⁴ ***. In 2006, these *** firms combined for *** employees, representing approximately *** percent of all U.S. dry pasta employment.

U.S. dry pasta producers reported similar production constraints. General production constraints arise from pasta production equipment capacity, maintenance, downtime for sanitation purposes, and drying time.²⁵

Anticipated Changes in Existing Operations

One firm, Barilla, reported plans to increase capacity and production with a greenfield expansion. Barilla reported that it will increase dry pasta production capacity with a new facility in Avon, NY.²⁶ This facility is expected to ***. ***. These changes are not expected to increase its 2007 capacity level of *** pounds.

Dakota Growers reported that ***. ***. ***.

Alternative Products

Dry pasta manufacturing equipment is not used to produce any products other than dry pasta. As shown in tables I-9 and I-15, domestic producers also produce organic dry pasta and dry whole wheat pasta.

Barilla reported that ***. *** reported that its ability to switch is primarily tied to product mix and packaging equipment constraints. *** produces dry pasta for industrial use, dry egg pasta, and organic dry pasta, and ***. Similarly, *** reported that there are no constraints to switching between certain dry pasta and other pasta. The plants are considered to be highly flexible, with changes performed at little cost. ***.²⁷

²⁰ Pasta Montana's producer questionnaire response, section II-2.

²¹ Royal Angelus' producer questionnaire response, section II-2.

²² Dakota Growers' producer questionnaire response, section II-2.

²³ Eden Foods' producer questionnaire response, section II-2.

²⁴ A. Zerega's Sons' producer questionnaire response, section II-2.

²⁵ *** reported similar constraints. None of these firms reported operating at capacity. ***. U.S. producer questionnaire response, section II-6.

²⁶ Barilla's producer questionnaire response, section II-3.

²⁷ U.S. producer questionnaire response, section II-7b.

Firms that produce pasta solely for internal consumption do not switch production between types of dry pasta.²⁸ Their equipment is dedicated to producing dry pasta for direct packaging (e.g., macaroni and cheese products and soup) and they do not maintain retail labels, or produce pasta for institutional sales.

U.S. PRODUCERS' DOMESTIC SHIPMENTS, COMPANY TRANSFERS, AND EXPORT SHIPMENTS

As shown in table III-3, U.S. commercial shipments of dry pasta constitute the largest quantity and value of shipments, followed by internal consumption, then transfers to related firms and exports. Shipments for internal consumption and transfers to related firms were reported by ***. Firms that produce pasta solely for internal consumption reported no exports of dry pasta because their pasta is packaged into different products such as pasta dinner mixes and soups. The limited volume of exports was primarily destined for Latin America, with some exports reported to Australia, Canada, Kuwait, Singapore, and Taiwan. Table III-4 provides data on individual U.S. producers' domestic shipments of dry pasta.

U.S. PRODUCERS' INVENTORIES

Data collected in these reviews on U.S. producers' end-of-period inventories of dry pasta are presented in table III-5. Domestic inventories of dry pasta have fluctuated throughout the period, and peaked in 2003. Domestic inventories relative to production and shipments also peaked in 2003, and fluctuated throughout the period, but in 2004-06 did not exceed the levels of inventory during 2001-03.

²⁸ U.S. producer questionnaire response, section II-7b.

Table-III-3

Dry pasta: U.S. producers' shipments by type, 2001-06, January-March 2006, and January-March 2007

Item	Calendar year						Jan.-Mar.	
	2001	2002	2003	2004	2005	2006	2006	2007
Quantity (1,000 pounds)								
Commercial shipments	***	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***	***	***
U.S. shipments	2,514,824	2,630,165	2,521,058	2,547,658	2,606,940	2,652,751	678,361	690,832
Export shipments	33,860	55,093	50,981	58,526	57,638	59,319	12,730	12,780
Total	2,548,684	2,685,258	2,572,039	2,606,184	2,664,578	2,712,070	691,091	703,612
Value (\$1,000)								
Commercial shipments	***	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***	***	***
U.S. shipments	1,096,800	1,105,218	1,095,903	1,100,809	1,175,532	1,205,868	307,921	337,861
Export shipments	10,587	16,325	14,479	17,023	17,329	17,723	3,957	4,577
Total	1,107,387	1,121,543	1,110,382	1,117,832	1,192,861	1,223,591	311,878	342,438
Unit value (per pound)								
Commercial shipments	\$***	\$***	\$***	\$***	\$***	\$***	\$***	\$***
Internal consumption	***	***	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***	***	***
U.S. shipments	0.44	0.42	0.43	0.43	0.45	0.45	0.45	0.49
Export shipments	0.31	0.30	0.28	0.29	0.30	0.30	0.31	0.36
Total	0.43	0.42	0.43	0.43	0.45	0.45	0.45	0.49
Share of quantity (percent)								
Commercial shipments	***	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***	***	***
U.S. shipments	98.7	97.9	98.0	97.8	97.8	97.8	98.2	98.2
Export shipments	1.3	2.1	2.0	2.2	2.2	2.2	1.8	1.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Source: Compiled from data submitted in response to Commission questionnaires.								

Table III-4

Dry pasta: Total U.S. shipments, commercial shipments, and internal consumption/transfers, by firm, 2006

* * * * *

Table III-5

Dry pasta: U.S. producers' inventories, 2001-06, January-March 2006, and January-March 2007

Item	Calendar year						Jan.-Mar.	
	2001	2002	2003	2004	2005	2006	2006	2007
Quantity (1,000 pounds)								
Inventories	214,697	219,928	245,614	203,853	198,490	211,990	217,015	222,406
Ratios (percent)								
Ratio to production	8.5	8.2	9.4	7.9	7.4	7.7	7.6	7.7
Ratio to U.S. shipments	8.5	8.4	9.7	8.0	7.6	8.0	8.0	8.0
Ratio to total shipments	8.4	8.2	9.5	7.8	7.4	7.8	7.9	7.9
Source: Compiled from data submitted in response to Commission questionnaires.								

U.S. PRODUCERS' IMPORTS AND PURCHASES

Data concerning individual U.S. producers' direct imports and purchases of dry pasta are presented in table III-6, followed by table III-7 which displays the data in aggregate. ²⁹ The imports are comprised of ³⁰ ³¹ ³² ³³ ³⁴ ³⁵ ³⁶ ³⁷ ³⁸ ³⁹ ⁴⁰ ⁴¹ ⁴² ⁴³ ⁴⁴ ⁴⁵ ⁴⁶ ⁴⁷ ⁴⁸ ⁴⁹ ⁵⁰ ⁵¹ ⁵² ⁵³ ⁵⁴ ⁵⁵ ⁵⁶ ⁵⁷ ⁵⁸ ⁵⁹ ⁶⁰ ⁶¹ ⁶² ⁶³ ⁶⁴ ⁶⁵ ⁶⁶ ⁶⁷ ⁶⁸ ⁶⁹ ⁷⁰ ⁷¹ ⁷² ⁷³ ⁷⁴ ⁷⁵ ⁷⁶ ⁷⁷ ⁷⁸ ⁷⁹ ⁸⁰ ⁸¹ ⁸² ⁸³ ⁸⁴ ⁸⁵ ⁸⁶ ⁸⁷ ⁸⁸ ⁸⁹ ⁹⁰ ⁹¹ ⁹² ⁹³ ⁹⁴ ⁹⁵ ⁹⁶ ⁹⁷ ⁹⁸ ⁹⁹ ¹⁰⁰ ¹⁰¹ ¹⁰² ¹⁰³ ¹⁰⁴ ¹⁰⁵ ¹⁰⁶ ¹⁰⁷ ¹⁰⁸ ¹⁰⁹ ¹¹⁰ ¹¹¹ ¹¹² ¹¹³ ¹¹⁴ ¹¹⁵ ¹¹⁶ ¹¹⁷ ¹¹⁸ ¹¹⁹ ¹²⁰ ¹²¹ ¹²² ¹²³ ¹²⁴ ¹²⁵ ¹²⁶ ¹²⁷ ¹²⁸ ¹²⁹ ¹³⁰ ¹³¹ ¹³² ¹³³ ¹³⁴ ¹³⁵ ¹³⁶ ¹³⁷ ¹³⁸ ¹³⁹ ¹⁴⁰ ¹⁴¹ ¹⁴² ¹⁴³ ¹⁴⁴ ¹⁴⁵ ¹⁴⁶ ¹⁴⁷ ¹⁴⁸ ¹⁴⁹ ¹⁵⁰ ¹⁵¹ ¹⁵² ¹⁵³ ¹⁵⁴ ¹⁵⁵ ¹⁵⁶ ¹⁵⁷ ¹⁵⁸ ¹⁵⁹ ¹⁶⁰ ¹⁶¹ ¹⁶² ¹⁶³ ¹⁶⁴ ¹⁶⁵ ¹⁶⁶ ¹⁶⁷ ¹⁶⁸ ¹⁶⁹ ¹⁷⁰ ¹⁷¹ ¹⁷² ¹⁷³ ¹⁷⁴ ¹⁷⁵ ¹⁷⁶ ¹⁷⁷ ¹⁷⁸ ¹⁷⁹ ¹⁸⁰ ¹⁸¹ ¹⁸² ¹⁸³ ¹⁸⁴ ¹⁸⁵ ¹⁸⁶ ¹⁸⁷ ¹⁸⁸ ¹⁸⁹ ¹⁹⁰ ¹⁹¹ ¹⁹² ¹⁹³ ¹⁹⁴ ¹⁹⁵ ¹⁹⁶ ¹⁹⁷ ¹⁹⁸ ¹⁹⁹ ²⁰⁰ ²⁰¹ ²⁰² ²⁰³ ²⁰⁴ ²⁰⁵ ²⁰⁶ ²⁰⁷ ²⁰⁸ ²⁰⁹ ²¹⁰ ²¹¹ ²¹² ²¹³ ²¹⁴ ²¹⁵ ²¹⁶ ²¹⁷ ²¹⁸ ²¹⁹ ²²⁰ ²²¹ ²²² ²²³ ²²⁴ ²²⁵ ²²⁶ ²²⁷ ²²⁸ ²²⁹ ²³⁰ ²³¹ ²³² ²³³ ²³⁴ ²³⁵ ²³⁶ ²³⁷ ²³⁸ ²³⁹ ²⁴⁰ ²⁴¹ ²⁴² ²⁴³ ²⁴⁴ 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Table III-7
Dry pasta: U.S. producers' purchases, by sources, 2001-06, January-March 2006, and January-March 2007

Item	Calendar year						January-March	
	2001	2002	2003	2004	2005	2006	2006	2007
Quantity (1,000 pounds)								
Purchases of certain dry pasta from U.S. importers from:								
Italy	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***
Subtotal (subject)	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***
Purchases of other dry pasta from U.S. importers	***	***	***	***	***	***	***	***
Purchases from U.S. pasta producers	***	***	***	***	***	***	***	***
Total purchases of all dry pasta	88,732	95,493	128,343	104,394	114,827	138,825	28,492	31,857
Value (1,000 dollars)								
Purchases of certain dry pasta from U.S. importers from:								
Italy	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***
Subtotal (subject)	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***
Purchases of other dry pasta from U.S. importers	***	***	***	***	***	***	***	***
Purchases from U.S. pasta producers	***	***	***	***	***	***	***	***
Total purchases of all dry pasta	92,529	95,880	110,307	102,768	105,465	116,629	23,296	24,676
Unit value (per pound)								
Purchases of certain dry pasta from U.S. importers from:								
Italy	\$***	\$***	\$***	\$***	\$***	\$***	\$***	\$***
Turkey	***	***	***	***	***	***	***	***
Subtotal (subject)	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***
Purchases of other dry pasta from U.S. importers:	***	***	***	***	***	***	***	***
Purchases from U.S. pasta producers	***	***	***	***	***	***	***	***
Total purchases of all dry pasta	1.04	1.00	0.86	0.98	0.92	0.84	0.82	0.77
¹ Not applicable. Source: Compiled from data submitted in response to Commission questionnaires.								

U.S. PRODUCERS' EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-8 presents employment data. The number of dry pasta production related employees declined from 2001 to 2006. The industry experienced year-on-year declines until 2005-06, which marked a gain of 5 employees. Productivity varied but increased over the course of the review period. After an increase in productivity in 2002 over 2001, 2003 and 2004 represented two of the three lowest periods of productivity during the review period. These are the same two years of lowest production after 2001. Unit labor costs remained steady, at \$0.03 per pound throughout the entire period.

Table III-8

Dry pasta: U.S. producers' employment-related indicators, 2001-06, January-March 2006, and January-March 2007

Item	Calendar year						January-March	
	2001	2002	2003	2004	2005	2006	2006	2007
Production and related workers (PRWs)	2,667	2,578	2,437	2,400	2,360	2,365	2,302	2,378
Hours worked by PRWs (1,000 hours)	7,348	7,155	7,603	7,406	7,383	7,294	1,830	1,878
Wages paid to PRWs (1,000 dollars)	83,770	80,521	80,566	81,310	82,972	86,504	21,477	22,502
Hourly wages	\$11.40	\$11.25	\$10.60	\$10.98	\$11.24	\$11.86	\$11.74	\$11.98
Productivity (pounds produced per hour)	342.8	374.2	342.4	348.2	363.0	376.2	388.5	385.9
Unit labor costs (per pound)	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03

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

FINANCIAL EXPERIENCE OF THE U.S. PRODUCERS

Background

The financial results of *** U.S. dry pasta producers are presented in this section of the report.³⁸ The majority of these firms reported their financial results on the basis of U.S. generally accepted accounting principles (“GAAP”) for calendar and fiscal year periods.^{39 40}

As presented below, financial results are divided into a trade-only section and an overall operations section. In addition to trade sales, the overall operations section includes internal consumption and transfers.

Trade-Only Operations on Dry Pasta

Table III-9 presents the financial results of the industry’s trade-only operations. Table III-10 presents selected company-specific financial information. Table III-11 presents a variance analysis of trade-only financial results.

In 2003, trade sales volume declined by around 1.0 percent compared to 2002 with a large share of the 2003 volume decline attributable to ***. In contrast with the majority of producers, *** reported declining sales volume throughout much of the period.⁴¹ *** on the other hand generally reported substantial period-to-period growth in sales volume.⁴² In 2004 and 2005, sales volume for the industry increased marginally,⁴³ while subsequent volume growth in 2006 and interim 2007 was somewhat higher.

Despite some relatively large differences in company-specific average sales values, as shown in table III-10, most companies reported higher 2006 average unit revenue compared to 2001. The table III-11 variance analysis shows that the overall increase in revenue in 2006 compared to 2001 was due to a combination of the above-referenced growth in sales volume and higher average sales values.

³⁸ The following companies did not provide usable financial information and/or did not provide responses to staff requests for clarification/correction: ***. Accordingly, the financial results of these companies are not included in this section of the report. While *** provided nominally complete financial results, it did not respond to staff follow-up questions regarding important aspects of its reported financial results. *** is therefore not included in the financial results presented in this section of the report.

³⁹ Management discussion and analysis and related information contained in AIPC’s 2004 10-K and New World Pasta’s 2001 10-K are referenced in this report. As the result of accounting issues/problems at both companies, it is staff’s understanding that to date neither company has issued subsequent annual public financial statements. AIPC is reportedly in the final stages of preparing restated financial results for the period covered by these reviews.

⁴⁰ ***.

⁴¹ ***. As noted below, New World Pasta also experienced *** and, as indicated in the trade section, entered Chapter 11 bankruptcy in May 2004.

⁴² Generally confirming the company’s strong growth during the review period, a Barilla 2006 press release stated that “{t}he US market, where we are currently the leading pasta brand with a market share of 21.4% (+2.4 on 2004), continues to be one of the most dynamic with 20% growth in volumes compared to 2004 . . . we have decided to step up our presence in the United States and to build a new pasta factory at Avon, in the State of New York, with an initial investment of approximately € 50 million. The new plant will be up and running by the summer of 2007 and will have a production capacity of 50,000 tonnes of pasta a year which we expect to double by 2009.” Barilla April 20, 2006 press release.

⁴³ The industry’s decline in volume and marginal growth in the first half of the period was generally attributed to the popularity of low-carbohydrate diets. Dakota Growers 2006 10-K, p. 2.

Table III-9

Dry pasta: Trade-only results of operations, 2001-06, January-March 2006, and January-March 2007

Item	Calendar and fiscal year						January-March	
	2001	2002	2003	2004	2005	2006	2006	2007
Quantity (1,000 pounds)								
Commercial sales	2,056,829	2,188,610	2,166,795	2,169,379	2,175,421	2,247,178	573,815	586,790
Value (\$1,000)								
Commercial sales	950,520	976,992	989,998	1,003,977	1,043,981	1,079,811	277,263	301,224
Raw material	414,750	414,007	449,632	424,706	447,120	437,814	111,880	132,314
Direct labor	74,318	77,575	80,271	79,488	79,286	82,174	21,015	21,394
Other factory costs	240,701	288,187	264,085	310,787	286,116	287,256	72,754	70,099
Total cost of goods sold	729,770	779,769	793,988	814,981	812,522	807,244	205,650	223,806
Gross profit	220,750	197,223	196,010	188,997	231,459	272,567	71,613	77,418
Selling expenses	105,822	98,236	112,957	116,524	131,090	125,406	33,912	34,663
General and Administrative expenses	46,295	48,268	49,482	43,172	52,404	52,702	14,460	14,436
Total SG&A expenses	152,118	146,504	162,439	159,696	183,495	178,108	48,372	49,099
Operating income	68,632	50,719	33,572	29,300	47,964	94,458	23,241	28,319
Interest expense	46,363	43,976	53,142	54,684	46,569	44,991	15,418	8,231
Other expenses	14,630	61,604	15,020	31,508	78,509	46,213	29,350	4,078
CDSOA funds received	18,108	6,652	3,337	4,511	6,688	8,481	0	0
Other income items	1,118	2,167	453	817	142,189	1,952	1,581	728
Net income or (loss)	26,865	(46,043)	(30,800)	(51,563)	71,763	13,687	(19,946)	16,737
Depr. and amortization (incl. above)	56,929	48,579	53,493	52,734	49,391	48,202	12,111	12,394
Estimated cash flow	83,795	2,536	22,693	1,171	121,154	61,890	(7,835)	29,131
Ratio to net sales (percent)								
Raw material	43.6	42.4	45.4	42.3	42.8	40.5	40.4	43.9
Direct labor	7.8	7.9	8.1	7.9	7.6	7.6	7.6	7.1
Other factory costs	25.3	29.5	26.7	31.0	27.4	26.6	26.2	23.3
Total cost of goods sold	76.8	79.8	80.2	81.2	77.8	74.8	74.2	74.3
Gross profit	23.2	20.2	19.8	18.8	22.2	25.2	25.8	25.7
Total SG&A expenses	16.0	15.0	16.4	15.9	17.6	16.5	17.4	16.3
Operating income	7.2	5.2	3.4	2.9	4.6	8.7	8.4	9.4
Net income or (loss)	2.8	(4.7)	(3.1)	(5.1)	6.9	1.3	(7.2)	5.6

Table continued on next page.

Table III-9--Continued

Dry pasta: Trade-only results of operations, 2001-06, January-March 2006, and January-March 2007

Item	Calendar and fiscal year						January-March	
	2001	2002	2003	2004	2005	2006	2006	2007
<i>Unit value (dollars per pound)</i>								
Net sales	0.4621	0.4464	0.4569	0.4628	0.4799	0.4805	0.4832	0.5133
Raw material	0.2016	0.1892	0.2075	0.1958	0.2055	0.1948	0.1950	0.2255
Direct labor	0.0361	0.0354	0.0370	0.0366	0.0364	0.0366	0.0366	0.0365
Other factory costs	0.1170	0.1317	0.1219	0.1433	0.1315	0.1278	0.1268	0.1195
Total cost of goods sold	0.3548	0.3563	0.3664	0.3757	0.3735	0.3592	0.3584	0.3814
Gross profit	0.1073	0.0901	0.0905	0.0871	0.1064	0.1213	0.1248	0.1319
SG&A expenses	0.0740	0.0669	0.0750	0.0736	0.0843	0.0793	0.0843	0.0837
Operating income	0.0334	0.0232	0.0155	0.0135	0.0220	0.0420	0.0405	0.0483
Number of companies reporting								
Data	***	***	***	***	***	***	***	***
Operating losses	***	***	***	***	***	***	***	***
Source: Compiled from data submitted in response to Commission questionnaires.								

Table III-10

Dry pasta: Trade-only results of operations, by firms, 2001-06, January-March 2006, and January-March 2007

* * * * *

Table III-11

Dry pasta: Variance analysis of trade-only financial results of operations, 2001-06, January-March 2006, and January-March 2007

	Calendar and fiscal year						Jan.-
	2001-06	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Value (\$1,000)							
Total net sales:							
Price variance	41,325	(34,423)	22,740	12,799	37,207	1,393	17,691
Volume variance	87,966	60,895	(9,734)	1,181	2,796	34,436	6,270
Total net sales variance	129,291	26,472	13,006	13,979	40,004	35,830	23,961
Cost of sales:							
Raw material:							
Cost variance	15,319	27,313	(39,749)	25,462	(21,232)	24,055	(17,904)
Volume variance	(38,383)	(26,571)	4,125	(536)	(1,183)	(14,748)	(2,530)
Net raw material variance	(23,064)	742	(35,625)	24,926	(22,415)	9,307	(20,434)
Direct labor:							
Cost variance	(978)	1,505	(3,469)	879	423	(274)	97
Volume variance	(6,878)	(4,761)	773	(96)	(221)	(2,615)	(475)
Net direct labor variance	(7,856)	(3,257)	(2,696)	783	202	(2,889)	(378)
Other factory costs:							
Cost variance	(24,279)	(32,065)	21,231	(46,387)	25,537	8,298	4,301
Volume variance	(22,276)	(15,421)	2,871	(315)	(866)	(9,438)	(1,645)
Net other factory cost	(46,554)	(47,486)	24,102	(46,702)	24,671	(1,140)	2,656
Net cost of sales:							
Cost variance	(9,938)	(3,247)	(21,987)	(20,046)	4,728	32,080	(13,506)
Volume variance	(67,536)	(46,753)	7,769	(947)	(2,270)	(26,801)	(4,650)
Total net cost of sales	(77,474)	(50,000)	(14,219)	(20,993)	2,458	5,278	(18,157)
Gross profit variance	51,817	(23,527)	(1,213)	(7,014)	42,462	41,108	5,804
SG&A expenses:							
Expense variance	(11,913)	15,359	(17,394)	2,936	(23,353)	11,439	367
Volume variance	(14,078)	(9,745)	1,460	(194)	(445)	(6,053)	(1,094)
Total SG&A variance	(25,991)	5,614	(15,934)	2,742	(23,798)	5,387	(727)
Operating income variance	25,826	(17,914)	(17,147)	(4,272)	18,664	46,494	5,078
Summarized as:							
Price variance	41,325	(34,423)	22,740	12,799	37,207	1,393	17,691
Net cost/expense variance	(21,851)	12,112	(39,381)	(17,110)	(18,625)	43,519	(13,139)
Net volume variance	6,352	4,397	(505)	40	82	1,582	526
Source: Compiled from data submitted in response to Commission questionnaires.							

The low 0.8 percent average annual growth rate of unit commercial sales value between 2001 and 2006 reflects declines in *** average unit sales values during the period. According to ***.⁴⁴ With regard to ***,⁴⁵

In contrast with ***, most companies reported positive growth in average sales value between 2001 and 2006; i.e., the 2001-06 average annual growth rate of companies reporting increases in average sales value was *** percent, with large volume producers *** reporting absolute percentage increases in average unit sales value of ***, respectively, in 2006 compared to 2001.

The overall growth in AIPC's average sales value during the period is generally consistent with narrative information in its 2004 10-K which stated that “{t}he Company's strategic plan is now focused on returning to several of its historical operating approaches and performance characteristics, including greater profitability, higher margins and lower production cost. To achieve these objectives, our plan includes targeted elimination of certain low margin accounts (primarily private label and ingredient markets) and focused volume growth in key retail and institutional markets to achieve more profitable volume. Furthermore, the plan includes profit improvement through price increases and/or cost reductions for all strategic business units. The new pricing strategy is already being implemented with particular emphasis on the lowest margin volumes.”⁴⁶

U.S. producers generally confirmed that the notable increase in average sales value in interim 2007 was related to substantial increases in the cost of durum wheat.⁴⁷ *** reported percentage increases in average revenue in interim 2007 compared to interim 2006 of ***, respectively. ***, which reported a *** percent increase in its average revenue in interim 2007 compared to interim 2006, stated in its questionnaire response that ***.⁴⁸

In interim 2007, the industry's gross profit margin was only marginally lower compared to interim 2006 which indicates that higher interim 2007 average sales values generally offset increases in average raw material costs. With respect to its apparent inability to offset higher raw material costs,***.⁴⁹

As shown in table III-9, average raw material costs reflected a pattern of alternating increases and decreases throughout the period. Notwithstanding the presence of other elements in raw material costs, the primary raw material input in the production of pasta is semolina/durum flour. Differences in company-specific average raw material costs, as presented in table III-10, likely reflect a number of underlying factors such as the volume/scale of raw material purchases and the blend of wheat/semolina being used to meet customer specifications; e.g., organic versus non-organic.⁵⁰ Company-specific

⁴⁴ E-mail with attachments from ***, May 23, 2007.

⁴⁵ E-mail from ***, May 30, 2007.

⁴⁶ AIPC's 2004 10-K, pp. 3-4.

⁴⁷ ***. E-mail with attachments from ***, May 7, 2007. ***. E-mail with attachments from ***, May 8, 2007. ***. E-mail with attachment from ***, May 11, 2007.

⁴⁸ *** U.S. producer questionnaire response to question II-18.

⁴⁹ E-mail with attachments from ***, May 11, 2007.

⁵⁰ The presence and extent of long-term contracts and hedging instruments would also affect the ultimate raw material cost. According to AIPC, “{d}urum wheat is a cash crop whose market price fluctuates. We manage our durum wheat cost risk through cost pass-through mechanisms and other arrangements with our customers and advance purchase contracts for durum wheat which are generally less than 12 months in duration.” AIPC 2004 10-K, p. 6. While AIPC specifically referenced the use of derivatives to hedge risk associated with long-term variable interest rates and foreign currency, it did not indicate that it used derivatives to hedge raw material costs. AIPC 2004 10-K, p. 17.

Dakota Growers, which was a cooperative until reorganized as a corporation in 2002, has a system in which holders of its Series D preferred stock have certain initial rights related to the sale of durum wheat to the company.

(continued...)

average raw material costs also appear to reflect the manner in which manufacturing and related operations are organized. For example, AIPC reports having integrated milling, production, and distribution facilities.⁵¹ In contrast, New World Pasta reportedly purchases durum wheat which is milled by another company which then ships semolina to New World Pasta's production plants. From these production facilities finished pasta is subsequently shipped by New World Pasta to separate distribution centers.⁵² In addition to differences in average raw material costs, AIPC's integrated milling, production, and distribution operations may also explain, in part, why its overall average cost of goods sold ("COGS") was ***. At least one of the facilities operated by Dakota Growers is also integrated in terms of milling and pasta production.⁵³ Barilla stated that it operates ***.⁵⁴

Overall selling, general and administrative ("SG&A") expense ratios were relatively stable throughout the period. Although the industry's SG&A expense ratios are lower (ranging from 15.0 to

⁵⁰ (...continued)

According to Dakota Growers, however, "{t}he Company purchases durum wheat primarily on the open market. Durum wheat purchases from holders of the Company's Series D Delivery Preferred Stock have been negligible." Dakota Growers 2006 10-K, p. 5. Similar to AIPC, Dakota also states that "{t}he Company attempts to manage the risk associated with durum wheat cost fluctuations through cost pass-through mechanisms with our customers and forward purchase contracts for durum wheat." Dakota Growers 2006 10-K, p. 15. With respect to the forward purchase contracts, Dakota Growers notes that "{t}he Company forward contracts for a certain portion of its future durum wheat requirements . . . {t}hese contracts are set price contracts to deliver grain to the Company's mill, and are not derivative in nature as they have no net settlement provision and are not transferable." Dakota Growers 2006 10-K, p. 21.

Although presumably modified subsequent to its bankruptcy, New World Pasta stated in its 2001 10-K that it was ". . . a party to a Procurement Agreement, dated January 28, 1999 ("Procurement Agreement") with Miller Milling Company, pursuant to which Miller Milling Company procures all of our requirements for durum wheat and semolina flour, and other specified products and services, through December 2009, for all of our U.S. plants other than St. Louis, MO." New World Pasta 2001 10-K, p. 6. Miller Milling Company was described by New World Pasta as one of the largest durum/semolina suppliers in North America. New World Pasta also stated that "{s}ince the majority of our commodity purchasing is done by Miller Milling Company pursuant to a Procurement Agreement entered into in January 1999, we do not currently have, and do not expect to enter into, any derivative instruments to manage commodity price risks." New World Pasta 2001 10-K, p. 16.

⁵¹ AIPC states that "{w}e produce more than 220 dry pasta shapes in vertically integrated milling, production and distribution facilities . . . {t}he combination of integrated facilities and multiple distribution centers enables us to realize significant distribution cost savings and provides lead-time, fill rate and inventory management advantages to our customers." AIPC 2004 10-K, pp. 3 and 5. AIPC also states that its Excelsior Spring, MO plant, built in 1988 when the company began operations, represented the first integrated mill in the United States and is still one of the most automated and efficient in North America. AIPC 2004 10-K, p. 2.

In response to a follow-up question, AIPC stated that ***. E-mail with attachment from ***, June 13, 2007.

⁵² According to New World Pasta's 2001 10-K, "{d}urum wheat is shipped to milling sites by rail or truck. After milling the wheat, our suppliers then ship the semolina flour from their mills to our plants by either rail, truck or pneumatic tube based on location and financial considerations . . . {i}n the U.S., we ship the finished goods from our plant sites to our distribution centers in truckload quantities . . ." New World Pasta 2001 10-K, p. 10. With respect to at least two of New World Pasta's plants (Fresno, CA and Winchester, VA), the company supplying semolina to New World Pasta operated mills located at or near the above-referenced plants. New World Pasta 2001 10-K, p. F20.

⁵³ Dakota Growers reports that "{t}he Company owns and operates a vertically integrated, state-of-the-art durum wheat milling and pasta production facility in Carrington, North Dakota. Primo Piatto, Inc. ("Primo Piatto"), a wholly-owned subsidiary of the Company being operated as the Minnesota Division of the Company, currently operates a pasta production plant in New Hope, Minnesota." Dakota Growers 2006 10-K, p. 3.

⁵⁴ E-mail with attachment from ***, June 13, 2007.

17.6 percent) compared to the initial investigation (ranging from *** percent),⁵⁵ this review period's higher corresponding COGS-to-sales ratios and lower gross profit margins suggest that the observed differences in SG&A expense ratios are, in part, a reflection of how costs are being classified.

As shown in table III-10, ***.⁵⁶

With respect to differences between its SG&A cost structure and other U.S. producers, Barilla stated that ***.⁵⁷ Despite these and other likely differences, ***.⁵⁸

With respect to operating profitability, the U.S. industry reported declining operating income margins from 2001 through 2004 followed by increases from 2005 through interim 2007. Unlike cases in which a single primary factor (e.g., changes in average price, average cost/expense, and/or volume) tends to explain the majority of period-to-period changes in operating income, as shown in table III-11, the industry's operating income was impacted by alternating factors throughout the period.⁵⁹

*** from 2002 through 2004 which contributed to its Chapter 11 bankruptcy. According to the company, ***.^{60 61}

*** profitable large volume producer in terms of operating income – both on an absolute basis and as a percentage of sales. According to a 2003 Food Engineering article, “[p]roduct consistency and low operating costs have enabled AIPC to dominate the private-label and, increasingly, the industrial and food service segments of the pasta segment. The company estimates its cost per pound of production is substantially below competitors. Some of the biggest food manufacturers in the world apparently agree and have shut down their own pasta plants and outsourced the work to AIPC.”⁶²

⁵⁵ Confidential staff report, INV-T-048 (June 25, 1996), table K-1 (trade sales only), p. K-3.

⁵⁶ E-mail with attachment from ***, June 13, 2007. ***. E-mail with attachment from ***, May 17, 2007.

⁵⁷ E-mail with attachment from ***, June 13, 2007.

⁵⁸ ***. In contrast, AIPC appears to treat such items as part of COGS; e.g., AIPC states that its “. . . cost of goods sold consists primarily of raw materials, packaging, manufacturing costs (including depreciation) and distribution costs.” AIPC 2004 10-K, p. 15 (emphasis added).

⁵⁹ The summary section of the table III-11 variance analysis shows that the decline in operating income between 2001 and 2002 was due to a negative price variance which entirely offset a positive cost/expense variance. In the 2002-03 and 2003-04 periods, negative cost/expense variances were only partially offset by positive price variances which resulted in consecutive declines in absolute operating income. In contrast, a positive price variance in the 2004-05 period more than offset a corresponding negative cost/expense variance which resulted in an increase in operating profit. In the 2005-06 period, a modest positive price variance and a larger positive cost/expense variance combined to generate the largest period-to-period increase in operating income. The subsequent increase in operating income in interim 2007 compared to interim 2006 was the result of a positive price variance which more than offset a negative cost/expense variance.

⁶⁰ E-mail with attachments from ***, May 14, 2007.

⁶¹ Describing factors surrounding New World Pasta's decision to enter bankruptcy in May 2004, one article noted that “. . . America's new favorite low-carb diet doesn't deserve all the blame, as New World Pasta has been beset with problems that go well beyond the Atkins craze. The first sign of trouble came in 2002, when New World announced it had found “inaccuracies” in its financial statements for the 2001 and 2002 periods. The company cited “inadequate system design, integration and implementation” . . . and it wasn't until Feb of this year {2004} - 15 months later - that New World finally made bare its preliminary earnings and revenue data for those periods. The company downwardly revised its EBITDA {earnings before interest, taxes, depreciation, and amortization} for 2001 to \$37 million, and also unveiled EBITDA losses of \$20 million and \$14 million for the calendar years 2002 and 2003, respectively.” JLL Pasta Co. Dripping in Red Sauce, *Buyouts*, May 24, 2004, p. 6.

⁶² New Plant of the Year, *Food Engineering*, April 2003, p. 50. The article also went on to state that “[b]eing the low-cost producer has not meant being a low margin supplier: in an industry characterized by profit margins of 1 to 2 percent, AIPC reported net earnings in fiscal 2002 of \$41.3 million, almost 11 percent of sales.” As indicated in footnote 26, financial results for periods including those referenced in this article will ultimately be restated by

(continued...)

While AIPC was *** at the operating income level during the period, its operating income margins declined *** in 2004 and contracted again in 2005. In its 2004 10-K, AIPC noted that “{t}he pasta industry continued to experience significant changes during fiscal year 2004, as retail pasta demand continued to decline during the year resulting in lower industry sales. Retail grocery consumption of dry pasta (as measured by A.C. Nielsen) declined significantly in volume by approximately 5% to 6% during the 12 months ended October 2, 2004. We believe the declines in demand result primarily from changes in consumer diet trends to lower carbohydrate consumption awareness. During much of the fiscal year the pasta industry also continued to have manufacturing overcapacity. The combination of overcapacity and declining sales demand resulted in increased price competition and declining industry profit margins.”⁶³

As shown in table III-9, the industry’s overall net income was impacted by relatively large levels of interest expense throughout most of the period, as well as large other expenses in several periods, and a notable level of other income in 2005.

While the majority of large-volume producers reported interest expense, ***. The *** of New World Pasta’s interest expense appears to be primarily related to its initial formation in 1999 out of Hershey’s original pasta division and the subsequent purchase of Borden’s dry pasta division in 2001. In addition to operational problems already noted above, New World Pasta’s interest expense burden also contributed to its bankruptcy.⁶⁴

As the period progressed, AIPC’s reported interest expense increased ***. According to the company, ***.⁶⁵

Relatively large levels of other expenses were reported in 2002, 2004, 2005, and 2006. The majority of the 2002 other expenses reflects ***, while 2004 other expenses primarily reflect *** and ***.⁶⁶ In 2005, other expenses primarily reflect ***. The 2006 other expenses primarily reflect ***.⁶⁷

The large level of other income reported in 2005 ***.

⁶² (...continued)
AIPC.

⁶³ AIPC 2004 10-K, p. 3. As shown in table III-10 and despite a decline in average raw material costs, AIPC’s average COGS increased *** in 2004 compared to 2003. In addition to charges for inventory write downs, AIPC noted that “{p}er unit manufacturing cost {in 2004} increased primarily due to lower actual production volumes than expected in original operating plans, which assumed an increase in production and sales over the prior year. The lower utilization of production capacity, combined with a larger manufacturing and logistics cost structure in fiscal 2004 (that includes proportionately higher levels of fixed costs), resulted in the substantial increase in cost of goods sold and lower gross profit. The larger manufacturing and logistics cost structure in fiscal 2004 reflected higher anticipated production and increased sales than in fiscal 2003. In addition, increased operating costs, including higher utilities and freight costs, negatively impacted cost of goods sold.” AIPC 2004 10-K, p. 19.

⁶⁴ An article discussing New World Pasta’s 2004 bankruptcy announcement stated that “{t}he company, which is struggling with high debt and internal accounting problems that cropped up soon after it purchased one of its largest competitors, also announced that it obtained a commitment for a \$45 million in financing that would allow it to operate while in bankruptcy. The company said the filing in the U.S. Bankruptcy Court for the Middle District of Pennsylvania would give it time to reorganize and reduce its debt, strengthen its financial position and restructure its balance sheet.” New World Pasta Files for Chapter 11 (article dated May 10, 2004), retrieved on April 13, 2007 from <http://www.phillyburbs.com/pb-dyn/news/103-05102004-297457.html>.

⁶⁵ E-mail from ITC auditor to ***, May 25, 2007.

⁶⁶ According to AIPC’s 2004 10-K the restructuring program was a response to reduced industry-wide demand related to consumer diet trends and industry manufacturing overcapacity. The elements of the restructuring plan included reductions in workforce, reduction in production capacity, reduction of inventory levels, reconfiguration of distribution network, suspension of full operations at the Kenosha, WI plant, and the termination of certain leased distribution facilities. AIPC 2004 10-K, p. 3.

⁶⁷ ***. E-mail with attachment from ***, May 14, 2007.

Overall Operations on Dry Pasta

Table III-12 presents the financial results of the industry's overall operations on pasta. Table III-13 presents selected company-specific financial information. Table III-14 presents a variance analysis of the overall pasta financial results.

The primary difference between this section and the trade-only section is the inclusion of ***, the only companies to report usable information regarding their financial results on internal consumption.⁶⁸ Transfers reported by *** also represent a minor difference. Since the majority of activity presented in this section represents trade sales, the financial results on overall dry pasta operations follow the same general pattern reported in the trade-only section.

⁶⁸ ***.

Table III-12

Dry pasta: Overall results of operations, 2001-06, January-March 2006, and January-March 2007

Item	Calendar and fiscal year						January-March	
	2001	2002	2003	2004	2005	2006	2006	2007
Quantity (1,000 pounds)								
Commercial sales	***	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***	***
Transfers	***	***	***	***	***	***	***	***
Total net sales	2,324,938	2,461,849	2,445,006	2,446,932	2,450,666	2,522,206	648,868	666,001
Value (\$1,000)								
Commercial sales	***	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***	***
Transfers	***	***	***	***	***	***	***	***
Total net sales	1,021,200	1,051,892	1,069,108	1,086,142	1,127,520	1,167,883	301,464	330,166
Raw material	443,381	443,600	482,544	460,982	484,967	477,133	122,776	145,028
Direct labor	79,555	82,960	85,730	84,987	84,728	87,537	22,508	22,946
Other factory costs	254,247	301,972	278,150	325,059	300,441	302,465	76,600	74,402
Total cost of goods sold	777,184	828,532	846,425	871,028	870,136	867,135	221,885	242,376
Gross profit	244,016	223,360	222,683	215,114	257,384	300,748	79,579	87,791
Selling expenses	108,233	100,944	115,728	119,234	133,798	128,594	34,804	35,792
General and Administrative expenses	48,706	50,976	51,884	45,520	54,751	55,464	15,234	15,114
Total SG&A expenses	156,940	151,920	167,612	164,754	188,550	184,058	50,037	50,907
Operating income	87,076	71,440	55,071	50,360	68,834	116,690	29,542	36,884
Interest expense	46,363	43,976	53,159	54,687	46,569	44,991	15,418	8,231
Other expenses	14,928	61,938	15,364	31,844	78,843	46,606	29,460	4,158
CDSOA funds received	18,108	6,652	3,337	4,511	6,688	8,481	0	0
Other income items	1,118	2,167	453	817	142,189	1,952	1,581	729
Net income or (loss)	45,011	(25,656)	(9,662)	(30,843)	92,300	35,526	(13,756)	25,223
Depr. and amortization (incl. above)	58,693	50,402	55,362	54,631	51,336	50,196	12,605	12,918
Estimated cash flow	103,704	24,746	45,699	23,788	143,636	85,722	(1,151)	38,142
Ratio to net sales (percent)								
Raw material	43.4	42.2	45.1	42.4	43.0	40.9	40.7	43.9
Direct labor	7.8	7.9	8.0	7.8	7.5	7.5	7.5	6.9
Other factory costs	24.9	28.7	26.0	29.9	26.6	25.9	25.4	22.5
Total cost of goods sold	76.1	78.8	79.2	80.2	77.2	74.2	73.6	73.4
Gross profit	23.9	21.2	20.8	19.8	22.8	25.8	26.4	26.6
Total SG&A expenses	15.4	14.4	15.7	15.2	16.7	15.8	16.6	15.4
Operating income	8.5	6.8	5.2	4.6	6.1	10.0	9.8	11.2
Net income or (loss)	4.4	(2.4)	(0.9)	(2.8)	8.2	3.0	(4.6)	7.6

Table continued on next page.

Table III-12--Continued

Dry pasta: Overall results of operations, 2001-06, January-March 2006, and January-March 2007

Item	Calendar and fiscal year						January-March	
	2001	2002	2003	2004	2005	2006	2006	2007
<i>Unit value (dollars per pound)</i>								
Commercial sales	***	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***	***
Transfers	***	***	***	***	***	***	***	***
Total net sales	0.4392	0.4273	0.4373	0.4439	0.4601	0.4630	0.4646	0.4957
Raw material	0.1907	0.1802	0.1974	0.1884	0.1979	0.1892	0.1892	0.2178
Direct labor	0.0342	0.0337	0.0351	0.0347	0.0346	0.0347	0.0347	0.0345
Other factory costs	0.1094	0.1227	0.1138	0.1328	0.1226	0.1199	0.1181	0.1117
Total cost of goods sold	0.3343	0.3365	0.3462	0.3560	0.3551	0.3438	0.3420	0.3639
Gross profit	0.1050	0.0907	0.0911	0.0879	0.1050	0.1192	0.1226	0.1318
SG&A expenses	0.0675	0.0617	0.0686	0.0673	0.0769	0.0730	0.0771	0.0764
Operating income	0.0375	0.0290	0.0225	0.0206	0.0281	0.0463	0.0455	0.0554
Number of companies reporting								
Data	***	***	***	***	***	***	***	***
Operating losses	***	***	***	***	***	***	***	***
Source: Compiled from data submitted in response to Commission questionnaires.								

Table III-13

Dry pasta: Overall financial results of operations, by firms, 2001-06, January-March 2006, and January-March 2007

* * * * *

Table III-14

Dry pasta: Variance analysis of overall financial results of operations, 2001-06, January-March 2006, and January-March 2007

	Calendar and fiscal year						Jan.-March
	2001-06	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Value (\$1,000)							
Total net sales:							
Price variance	60,036	(29,443)	24,413	16,191	39,721	7,448	20,742
Volume variance	86,647	60,136	(7,197)	842	1,658	32,915	7,960
Total net sales	146,683	30,693	17,216	17,033	41,379	40,362	28,702
Cost of sales:							
Raw material:							
Cost variance	3,868	25,890	(41,979)	21,942	(23,282)	21,992	(19,010)
Volume variance	(37,620)	(26,110)	3,035	(380)	(704)	(14,157)	(3,242)
Net raw material	(33,752)	(220)	(38,944)	21,562	(23,986)	7,834	(22,252)
Direct labor:							
Cost variance	(1,232)	1,280	(3,338)	811	390	(336)	157
Volume variance	(6,750)	(4,685)	568	(68)	(130)	(2,473)	(594)
Net direct labor	(7,982)	(3,405)	(2,771)	743	260	(2,810)	(437)
Other factory costs:							
Cost variance	(26,645)	(32,753)	21,756	(46,689)	25,114	6,747	4,221
Volume variance	(21,573)	(14,972)	2,066	(219)	(496)	(8,770)	(2,023)
Net other factory	(48,217)	(47,725)	23,822	(46,908)	24,618	(2,023)	2,199
Net cost of sales:							
Cost variance	(24,008)	(5,582)	(23,561)	(23,936)	2,221	28,402	(14,632)
Volume variance	(65,943)	(45,767)	5,669	(667)	(1,329)	(25,401)	(5,859)
Total net cost of	(89,951)	(51,349)	(17,893)	(24,603)	892	3,001	(20,491)
Gross profit variance	56,732	(20,656)	(677)	(7,570)	42,271	43,364	8,212
SG&A expenses:							
Expense variance	(13,802)	14,261	(16,731)	2,991	(23,545)	9,996	452
Volume variance	(13,316)	(9,242)	1,039	(132)	(251)	(5,504)	(1,321)
Total SG&A	(27,118)	5,019	(15,692)	2,859	(23,796)	4,492	(869)
Operating income	29,614	(15,636)	(16,369)	(4,711)	18,475	47,855	7,342
Summarized as:							
Price variance	60,036	(29,443)	24,413	16,191	39,721	7,448	20,742
Net cost/expense	(37,810)	8,679	(40,293)	(20,946)	(21,323)	38,398	(14,180)
Net volume variance	7,388	5,128	(489)	43	77	2,009	780

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

Research and Development Expenses, Capital Expenditures, Assets, and Return on Investment

Data on company-specific research and development (“R&D”) expenses, capital expenditures, total assets, and return on investment (“ROI”) are presented in table III-15.⁶⁹

R&D expenses were reported by the larger volume producers and generally represented new product development and/or operational/process improvements. ***.⁷⁰ ***.⁷¹ ***.⁷² ***.⁷³ ***.⁷⁴

***. The remaining producers individually accounted for less than 10 percent of cumulative capital expenditures with several reporting zero capital expenditures during the period.

As shown in table III-15, ***.⁷⁵ ***.⁷⁶

Although on a smaller scale, *** also reported relatively large increases in the level of their capital expenditures during the period. Supplemental information provided by ***.⁷⁷ ***.⁷⁸

Overall ROI was positive throughout the period. After declining in the first half of the period, ROI increased in 2005 through interim 2007 along with higher levels of operating income.

Table III-15

Dry pasta: R&D expenses, capital expenditures, total assets, and return on investment of overall operations, 2001-06, January-March 2006, and January-March 2007

* * * * *

⁶⁹ The information presented in table III-15 represents all producers included in the overall financial results section.

⁷⁰ E-mail with attachment from ***, May 8, 2007.

⁷¹ E-mail with attachment from ***, May 17, 2007.

⁷² E-mail with attachment from ***, May 7, 2007.

⁷³ E-mail with attachment from ***, May 14, 2007. ***. E-mail from ***, June 8, 2007.

⁷⁴ E-mail with attachment from ***, May 14, 2007.

⁷⁵ ***. E-mail with attachment from ***, May 14, 2007.

⁷⁶ E-mail with attachment from ***, May 8, 2007.

⁷⁷ E-mail with attachment from ***, May 14, 2007.

⁷⁸ E-mail from ***, May 11, 2007.

PART IV: U.S. IMPORTS AND THE FOREIGN INDUSTRY

U.S. IMPORTS

Import data in this report are derived from responses to the Commission's U.S. importers' questionnaires and official Commerce statistics (adjusted) for all dry pasta.¹ The Commission sent importers' questionnaires to all U.S. producers of dry pasta, all U.S. firms reported to have imported dry pasta included in the domestic interested parties' response to the notice of institution, and firms identified by proprietary Customs data as importers of record for dry pasta for 2005 and 2006. Thirty-four firms provided usable data, while 18 reported that they had not imported dry pasta since 2001.

Imports of dry pasta from Italy and Turkey and from all nonsubject sources, with breakouts of major sources of imports, are presented in table IV-1, and table IV-2 presents data on the ratio of these imports to U.S. production. The total quantity and value of dry pasta imports increased during the review period, with a decline in quantity from the previous year occurring only in 2004. The largest source of dry pasta imports, measured in both quantity and value, are subject imports from Italy. Certain dry pasta imports from Italy and Turkey were lower in quantity in 2006 than in 2001, but higher during January-March 2007 compared to the same period in the previous year. The unit value of certain dry pasta imports from Italy increased over the review period, with the highest unit value recorded in January-March 2007. The unit value of certain dry pasta imports from Turkey was less than that from Italy, and like imports from Italy recorded its highest unit value in January-March 2007. The share of certain dry pasta imports from Italy of all dry pasta imports was highest in 2001, and fluctuated generally downward. The quantity of subject imports from Italy decreased from 2001 to 2006. Similarly, the share of all dry pasta imports' value that certain dry pasta imports from Italy represented peaked in 2001 and fluctuated downward throughout the period. The share of subject imports from Turkey never represented more than 1.3 percent of all imports of dry pasta throughout the review period. This occurred in 2003, the same year in which subject imports from Turkey were at their highest level. In terms of value, certain dry pasta imports from Turkey represented no more than 0.6 percent of total imports of dry pasta during 2001-06, which occurred in 2003 and 2005.

¹ Official Commerce statistics used in this report for all dry pasta include HTS subheadings 1902.19.20 (non-egg pasta) and 1902.11.20 (egg pasta). Adjustments to official Commerce statistics for nonsubject product included in the HTS subheadings (e.g., excluded Lensi product (since January 1, 2005) and bulk non-egg pasta) were made based on data submitted in response to the Commission's U.S. importers' questionnaire and proprietary Customs data.

Table IV-1

Dry pasta: U.S. imports, by sources, 2001-06, January-March 2006, and January-March 2007

Source	Calendar year						Jan.-Mar.	
	2001	2002	2003	2004	2005	2006	2006	2007
Quantity (1,000 pounds)								
Italy (subject)	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***
Subtotal (subject)	332,430	317,271	310,338	275,709	269,604	265,454	59,950	74,433
Italy (Lensi-certain)	***	***	***	***	***	***	***	***
Italy (other nonsubject)	***	***	***	***	***	***	***	***
Turkey (nonsubject)	***	***	***	***	***	***	***	***
Canada	48,521	62,205	47,357	50,197	47,708	62,602	18,368	16,414
China	36,525	41,547	41,837	46,763	51,799	55,276	12,536	13,945
Mexico	69,063	60,061	61,042	59,861	64,675	68,273	15,933	22,991
Korea	5,275	5,177	6,343	7,685	7,438	8,380	1,954	2,029
Japan	8,210	9,776	9,213	9,684	9,175	9,503	2,362	2,417
Taiwan	5,440	7,290	7,385	5,983	6,941	6,550	1,332	1,762
Thailand	15,852	18,706	16,055	16,567	18,782	21,480	5,120	5,185
All other dry pasta	24,223	31,990	33,569	28,095	33,510	34,172	7,791	8,381
Subtotal, nonsubject	230,612	260,521	242,567	242,261	309,930	318,761	76,831	88,903
Total imports	563,042	577,792	552,905	517,970	579,534	584,215	136,781	163,336
Landed, duty paid value (1,000 dollars)								
Italy (subject)	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***
Subtotal (subject)	119,807	118,733	129,571	128,122	133,259	128,488	28,152	37,631
Italy (Lensi-certain)	***	***	***	***	***	***	***	***
Italy (other nonsubject)	***	***	***	***	***	***	***	***
Turkey (nonsubject)	***	***	***	***	***	***	***	***
Canada	27,794	29,210	31,941	30,309	34,573	40,096	11,546	11,201
China	14,709	15,842	16,767	20,495	22,537	24,149	5,644	6,314
Mexico	24,161	21,719	18,400	17,529	20,643	21,980	5,038	7,239
Korea	2,709	2,574	3,370	4,699	5,241	5,886	1,309	1,547
Japan	8,930	9,953	10,368	11,832	11,275	10,516	2,607	2,457
Taiwan	4,215	5,328	5,364	4,240	5,198	4,921	998	1,249
Thailand	7,018	8,853	7,986	8,515	9,766	11,647	2,749	3,068
All other dry pasta	11,502	15,146	16,313	15,666	19,703	21,257	4,922	5,489
Subtotal, nonsubject	109,187	119,658	122,009	126,521	169,236	170,591	41,637	47,273
Total imports	228,993	238,390	251,580	254,643	302,495	299,079	69,789	84,904

Table continued on next page.

Table IV-1--Continued

Dry pasta: U.S. imports, by sources, 2001-06, January-March 2006, and January-March 2007

Source	Calendar year						Jan.-Mar.	
	2001	2002	2003	2004	2005	2006	2006	2007
Unit value (per pound)								
Italy (subject)	\$**	\$**	\$**	\$**	\$**	\$**	\$**	\$**
Turkey	***	***	***	***	***	***	***	***
Subtotal (subject)	0.36	0.37	0.42	0.46	0.49	0.48	0.47	0.51
Italy (Lensi-certain)	***	***	***	***	***	***	***	***
Italy (other nonsubject)	***	***	***	***	***	***	***	***
Turkey (nonsubject)	***	***	***	***	***	***	***	***
Canada	0.57	0.47	0.67	0.60	0.72	0.64	0.63	0.68
China	0.40	0.38	0.40	0.44	0.44	0.44	0.45	0.45
Mexico	0.35	0.36	0.30	0.29	0.32	0.32	0.32	0.31
Korea	0.51	0.50	0.53	0.61	0.70	0.70	0.67	0.76
Japan	1.09	1.02	1.13	1.22	1.23	1.11	1.10	1.02
Taiwan	0.77	0.73	0.73	0.71	0.75	0.75	0.75	0.71
Thailand	0.44	0.47	0.50	0.51	0.52	0.54	0.54	0.59
All other dry pasta	0.47	0.47	0.49	0.56	0.59	0.62	0.63	0.65
Subtotal, nonsubject	0.47	0.46	0.50	0.52	0.55	0.54	0.54	0.53
Total imports	0.41	0.41	0.46	0.49	0.52	0.51	0.51	0.52
Share of quantity (percent)								
Italy (subject)	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***
Subtotal (subject)	59.0	54.9	56.1	53.2	46.5	45.4	43.8	45.6
Italy (Lensi-certain)	***	***	***	***	***	***	***	***
Italy (other nonsubject)	***	***	***	***	***	***	***	***
Turkey (nonsubject)	***	***	***	***	***	***	***	***
Canada	8.6	10.8	8.6	9.7	8.2	10.7	13.4	10.0
China	6.5	7.2	7.6	9.0	8.9	9.5	9.2	8.5
Mexico	12.3	10.4	11.0	11.6	11.2	11.7	11.6	14.1
Korea	0.9	0.9	1.1	1.5	1.3	1.4	1.4	1.2
Japan	1.5	1.7	1.7	1.9	1.6	1.6	1.7	1.5
Taiwan	1.0	1.3	1.3	1.2	1.2	1.1	1.0	1.1
Thailand	2.8	3.2	2.9	3.2	3.2	3.7	3.7	3.2
All other dry pasta	4.3	5.5	6.1	5.4	5.8	5.8	5.7	5.1
Subtotal, nonsubject	41.0	45.1	43.9	46.8	53.5	54.6	56.2	54.4
Total imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table continued on next page.

Table IV-1--Continued

Dry pasta: U.S. imports, by sources, 2001-06, January-March 2006, and January-March 2007

Source	Calendar year						Jan.-Mar.	
	2001	2002	2003	2004	2005	2006	2006	2007
Share of value (percent)								
Italy (subject)	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***
Subtotal (subject)	52.3	49.8	51.5	50.3	44.1	43.0	40.3	44.3
Italy (Lensi-certain)	***	***	***	***	***	***	***	***
Italy (other nonsubject)	***	***	***	***	***	***	***	***
Turkey (nonsubject)	***	***	***	***	***	***	***	***
Canada	12.1	12.3	12.7	11.9	11.4	13.4	16.5	13.2
China	6.4	6.6	6.7	8.0	7.5	8.1	8.1	7.4
Mexico	10.6	9.1	7.3	6.9	6.8	7.3	7.2	8.5
Korea	1.2	1.1	1.3	1.8	1.7	2.0	1.9	1.8
Japan	3.9	4.2	4.1	4.6	3.7	3.5	3.7	2.9
Taiwan	1.8	2.2	2.1	1.7	1.7	1.6	1.4	1.5
Thailand	3.1	3.7	3.2	3.3	3.2	3.9	3.9	3.6
All other dry pasta	5.0	6.4	6.5	6.2	6.5	7.1	7.1	6.5
Subtotal, nonsubject	47.7	50.2	48.5	49.7	55.9	57.0	59.7	55.7
Total imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<p>¹ Not applicable.</p> <p>Note.--Official Commerce statistics used include HTS subheadings 1902.19.20 (non-egg pasta) and 1902.11.20 (egg pasta). Adjustments to official Commerce statistics for nonsubject product included in the HTS subheadings (e.g., excluded Lensi product (since January 1, 2005) and bulk non-egg pasta) were made based on data submitted in response to the Commission's U.S. importers' questionnaire and proprietary Customs data.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires, official Commerce statistics, and proprietary Customs data.</p>								

Table IV-2

Dry pasta: Ratio of import quantity to U.S. production, 2001-06, January-March 2006, and January-March 2007

Source	Calendar year						Jan.-Mar.	
	2001	2002	2003	2004	2005	2006	2006	2007
U.S. production	Quantity (1,000 pounds)							
	2,519,030	2,677,280	2,603,192	2,578,992	2,679,998	2,743,862	710,909	724,747
Ratio of import quantity to U.S. production (percent)								
Italy (subject)	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***
Subtotal (subject)	13.2	11.9	11.9	10.7	10.1	9.7	8.4	10.3
Italy (Lensi-certain)	***	***	***	***	***	***	***	***
Italy (other nonsubject)	***	***	***	***	***	***	***	***
Turkey (nonsubject)	***	***	***	***	***	***	***	***
Canada	1.9	2.3	1.8	1.9	1.8	2.3	2.6	2.3
China	1.4	1.6	1.6	1.8	1.9	2.0	1.8	1.9
Mexico	2.7	2.2	2.3	2.3	2.4	2.5	2.2	3.2
Korea	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Japan	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Taiwan	0.2	0.3	0.3	0.2	0.3	0.2	0.2	0.2
Thailand	0.6	0.7	0.6	0.6	0.7	0.8	0.7	0.7
All other sources dry pasta	1.0	1.2	1.3	1.1	1.3	1.2	1.1	1.2
Subtotal, nonsubject	9.2	9.7	9.3	9.4	11.6	11.6	10.8	12.3
Total imports	22.4	21.6	21.2	20.1	21.6	21.3	19.2	22.5
¹ Not applicable. ² Less than 0.05 percent.								
Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.								

CUMULATION CONSIDERATIONS

In assessing whether subject imports are likely to compete with each other and with the domestic like product with respect to cumulation, the Commission generally has considered the following four factors: (1) fungibility, (2) presence of sales or offers to sell in the same geographic markets, (3) common or similar channels of distribution, and (4) simultaneous presence in the market. Fungibility considerations and channels of distribution are discussed in Part II of this report; additional information regarding geographic markets and presence in the market is presented below.

Geographic Markets

As noted previously, dry pasta is produced throughout the United States, and dry pasta is shipped nationwide. Information summarizing national and regional markets and the shipment of dry non-egg pasta is presented in Part II. As illustrated in table IV-3, of the dry non-egg pasta imported into the United States from Italy and Turkey, the top ten Customs districts accounted for nearly all entries, and imports occurred in all regions, with the exception of the Pacific Northwest.

Table IV-3
Non-egg pasta: U.S. imports from subject countries and all other countries, by Customs districts, January 2001-March 2007

Italy		Turkey	
Customs district	1,000 pounds	Customs district	1,000 pounds
New York, NY	1,006,810	New York, NY	21,075
Los Angeles, CA	229,132	Houston-Galveston, TX	4,629
Chicago, IL	114,414	Los Angeles, CA	4,284
Miami, FL	107,453	Miami, FL	1,570
San Francisco, CA	85,679	Norfolk, VA	1,439
Boston, MA	72,551	San Juan, PR	831
St. Louis, MO	63,982	Savannah, GA	686
Savannah, GA	63,758	Charleston, SC	660
Charleston, SC	59,356	Baltimore, MD	483
Houston-Galveston, TX	47,366	San Francisco, CA	357
Top 10 districts	1,850,499	Top 10 districts	36,014
All others	97,043	All others	807
Total	1,947,543	Total	36,821

Source: Compiled from official Commerce statistics for HTS subheading 1902.19.20.

Presence in the Market

Table IV-4 presents data on the monthly entries of U.S. imports of dry non-egg pasta, by source, during the period for which data were collected. Dry non-egg pasta imports from Italy, Turkey, and all other sources were present throughout the period for which data were collected, with the exception of no recorded imports from Turkey for two months in 2001.

Table IV-4

Non-egg pasta: U.S. imports, monthly entries into the United States, by sources, 2001-06, January-March 2006, and January-March 2007

Source	Calendar year						Jan.-Mar.	
	2001	2002	2003	2004	2005	2006	2006	2007
Italy	12	12	12	12	12	12	3	3
Turkey	9	12	12	12	12	12	3	3
All others	12	12	12	12	12	12	3	3

Source: Compiled from official Commerce statistics for HTS subheading 1902.19.20.

U.S. IMPORTERS' INVENTORIES

Data relating to U.S. importers' inventories of subject imports, imports from Lensi, and all dry pasta imports are presented in table IV-5.

Table IV-5

Dry pasta: U.S. importers' end-of-period inventories, by sources, 2001-06, January-March 2006, and January-March 2007

Item	Calendar year						Jan.-Mar.	
	2001	2002	2003	2004	2005	2006	2006	2007
Certain dry pasta imports from Italy (other than Lensi):								
Inventories (1,000 pounds)	***	***	***	***	***	***	***	***
Ratio to imports (percent)	***	***	***	***	***	***	***	***
Ratio to shipments of imports (percent)	***	***	***	***	***	***	***	***

Table continued on next page.

Table IV-5--Continued

Dry pasta: U.S. importers' end-of-period inventories of imports, by sources, 2001-06, January-March 2006, and January-March 2007

Item	Calendar year						Jan.-Mar.	
	2001	2002	2003	2004	2005	2006	2006	2007
Certain dry pasta imports from Turkey:								
Inventories (1,000 pounds)	***	***	***	***	***	***	***	***
Ratio to imports (percent)	***	***	***	***	***	***	***	***
Ratio to shipments of imports (percent)	***	***	***	***	***	***	***	***
Subtotal, certain dry pasta imports from subject sources:								
Inventories (1,000 pounds)	27,013	37,577	36,573	29,469	15,350	18,758	14,824	16,560
Ratio to imports (percent)	27.2	33.6	35.9	31.4	16.4	23.3	19.0	21.1
Ratio to shipments of imports (percent)	35.0	39.5	37.1	31.0	17.5	25.7	19.6	21.9
Certain dry pasta imports from Italy (Lensi):								
Inventories (1,000 pounds)	(2)	(2)	(2)	(2)	***	***	***	***
Ratio to imports (percent)	(2)	(2)	(2)	(2)	***	***	***	***
Ratio to shipments of imports (percent)	(2)	(2)	(2)	(2)	***	***	***	***
Certain dry pasta imports from all other sources:								
Inventories (1,000 pounds)	244	5,823	7,378	7,340	***	***	***	***
Ratio to imports (percent)	4.6	30.0	30.4	28.2	***	***	***	***
Ratio to shipments of imports (percent)	4.7	42.4	33.1	30.4	***	***	***	***

Table continued on next page.

Table IV-5--Continued

Dry pasta: U.S. importers' end-of-period inventories of imports, by sources, 2001-06, January-March 2006, and January-March 2007

Item	Calendar year						Jan.-Mar.	
	2001	2002	2003	2004	2005	2006	2006	2007
Certain dry pasta imports from all sources:								
Inventories (1,000 pounds)	27,257	43,400	43,950	36,810	34,160	30,382	27,814	26,307
Ratio to imports (percent)	26.1	33.1	34.9	30.7	23.9	23.9	21.6	21.2
Ratio to shipments of imports (percent)	33.1	39.8	36.3	30.9	25.1	24.3	19.9	21.4
Imports of other dry pasta from all sources:								
Inventories (1,000 pounds)	3,869	6,281	5,403	7,094	11,276	6,811	5,743	6,883
Ratio to imports (percent)	26.0	28.9	25.7	39.2	24.2	22.2	16.9	17.7
Ratio to shipments of imports (percent)	26.9	33.0	24.5	44.3	27.6	19.3	10.3	19.4
Total all dry pasta imports:								
Inventories (1,000 pounds)	31,126	49,681	49,354	43,904	45,436	37,194	33,558	33,190
Ratio to imports (percent)	26.0	32.5	33.5	31.8	24.0	23.6	20.6	20.4
Ratio to shipments of imports (percent)	32.2	38.8	34.5	32.5	25.7	23.2	17.1	21.0
¹ Not applicable. ² Prior to 2005, inventories of U.S. imports from Lensi were reported as subject imports from Italy.								
Source: Compiled from data submitted in response to Commission questionnaires.								

THE INDUSTRY IN ITALY

Overview

Italy is the world leader in pasta production and produced 6.8 billion pounds in 2005. Italy has the highest per capita consumption of pasta in the world at 61.7 pounds in 2005.² In 2003, Italy accounted for almost half of the European pasta and noodle market, followed by Germany (15 percent) and France (8 percent).³ Italy has consistently been the leading exporter in world markets with Germany, France, United Kingdom, and the United States as its top destinations.⁴

The Italian industry is highly fragmented with Barilla as the one major company that competes against several other smaller companies and private label manufacturers. Based on domestic market share, Dinvella is the second largest firm in Italy, followed by De Cecca. Both Barilla and Divella produce several pasta-related products besides dry pasta including sauces and baked products, which contribute to their leadership.⁵ Italy has seen consolidation in the industry as the number of dry pasta production facilities has declined from 152 in 1996 to 130 in 2006.⁶ Geographically, the production capacity of the pasta manufacturers is concentrated in the north and south (45 percent each), with a minor share in central Italy.⁷ The value of Italy's dry pasta production showed little change in the 2002 to 2005 period but production and exports both saw growth in 2003 through 2005.

Italy produces approximately two-thirds of its own durum wheat for pasta making and imports its remaining needs, primarily from Canada and the United States.⁸ As the world's leading pasta producer and to maintain quality, Italy reportedly has traditionally been willing to pay premium prices for durum wheat.⁹ Barilla and De Cecco buy most of the "desert durum" grown in Arizona and southern California under contract to maintain quality and insure supplies.¹⁰

In the original investigations, 23 Italian producers, representing approximately one-half of certain dry pasta production in Italy, provided the Commission with questionnaire responses. In the current reviews, five Italian producers of certain dry pasta submitted responses to Commission questionnaires, representing 5.5 percent of Italian production.¹¹ Of the recent responding producers, *** was the only one to have participated in the original investigations. Table IV-6 presents comparative information available from the original investigations and these second reviews.

² UNIPI, found at <http://www.unipi-pasta.it/DATI/tabelle.htm>, retrieved on, June 14, 2007.

³ Datamonitor, *Pasta & Noodles in Italy: Industry Profile*, November 2004, p. 11.

⁴ See tables IV-16 and IV-11.

⁵ Datamonitor, *Pasta & Noodles in Italy: Industry Profile*, November 2004, p. 12.

⁶ UNIPI, found at <http://www.unipi-pasta.it/DATI/tabelle.htm>, retrieved on, June 14, 2007.

⁷ USDA, Foreign Agricultural Service, GAIN Report, *Italy Grain and Feed Italy Wheat Update 2005*, p. 4.

⁸ Global Trade Atlas.

⁹ Ibid, p. 2.

¹⁰ Sequeira, Mario, "Focus on Italy," *World Grain*, May 1, 2005, p. 3.

¹¹ The data submitted by these Italian producers were incomplete. *** provided no projections for 2007-08, while *** provided no projections for 2008, and *** provided limited projection data. In regard to interim data, *** provided none, while *** and *** provided only limited data. Barilla reported that it will not supply the Commission with a foreign producers' questionnaire. E-mail from ***, May 17, 2004. In addition, the Commission received a "no" response from Pastificio Rana S.p.A.

Table IV-6**Certain dry pasta: Comparisons of select industry data, 1995 and 2006**

Item	1995	2006
Capacity (1,000 pounds)	2,932,245	385,952
Production (1,000 pounds)	2,706,297	371,072
Capacity utilization (percent)	92.3	79.8
Exports/shipments (percent)	33.3	42.8
Inventories/shipments (percent)	7.3	5.6

Note.—Data for 1995 were provided by 23 producers in Italy. These companies represented approximately one-half of Italian certain dry pasta production, and 63.3 percent of U.S. imports from Italy in 1995. Data for 2006 were provided by Antonio Amato, Artigainao, Carmine Russo, Garofolo, and La Molisana.

Source: *Certain Pasta from Italy and Turkey, Invs. Nos. 701-TA-365-366 (Final) and 731-TA-734-735 (Final)*, USITC Publication 2977, July 1996, table VII-2, and responses to Commission questionnaires.

Certain Dry Pasta Operations

Table IV-7 presents data on the responding Italian producers' available data. *** reported having its capacity limited by the way it differentiates itself from the rest of the Italian pasta industry, which it does by producing old-fashioned (artisanal) pasta, using static dryers to preserve the value and taste of the product. *** reported that the pasta that they export to the United States is different from their domestic shipments and exports to other markets because pasta sold in the United States is enriched with vitamins. *** declared bankruptcy in 2004, shutting down production on May 11, 2004. The company reopened as *** on September 6, 2004, but with only 70 employees compared to the 199 workers it employed before bankruptcy. *** reported that it is not possible for them to sell the same product in different export markets because their pasta is customized to specific markets.

Table IV-7

Certain dry pasta: Italy's capacity, production, inventories, and shipments, 2001-06, January-March 2006, January-March 2007, and projections for 2007 and 2008

Item	Calendar year						Jan.-Mar. ¹		Projections	
	2001	2002	2003	2004	2005	2006	2006	2007	2007	2008
Quantity (1,000 pounds)										
Capacity	394,30	394,40	394,40	312,10	340,10	385,95	21,000	27,000	108,00	(4)
Production	272,90	296,53	347,43	326,26	341,51	371,07	51,963	56,071	63,388	(4)
End-of-period inventories	14,666	15,509	19,986	17,499	19,384	20,818	5,382	5,826	5,416	(4)
Shipments:										
Internal consumption	0	0	0	0	0	0	0	0	0	0
Home market	150,96	156,81	231,02	191,73	197,38	214,45	36,364	37,044	94,905	50,484
Exports to:										
United States	27,496	28,222	22,116	40,393	42,037	42,912	9,722	12,845	44,796	46,316
European Union	30,920	19,703	18,931	19,490	36,045	42,512	9,146	11,281	42,748	42,878
Asia	16,393	20,873	24,191	26,449	24,076	24,807	4,013	3,206	19,292	13,123
Other	54,267	64,876	53,064	54,297	45,330	50,208	10,724	11,845	43,589	39,217
Total exports	129,07	133,67	118,30	140,62	147,48	160,44	33,606	39,177	150,42	141,53
Total shipments	280,04	290,48	349,32	332,36	344,87	374,89	69,970	76,221	245,33	192,01
Value (\$1,000)										
Commercial shipments:										
Home market	59,326	62,447	96,754	86,698	86,885	93,692	15,700	17,730	44,810	30,145
Exports to										
United States	7,747	8,841	7,450	14,986	15,726	15,449	3,673	4,796	16,088	16,397
European Union	7,635	6,241	7,535	8,195	13,097	15,758	3,386	4,168	15,336	15,191
Asia	4,382	5,228	7,442	9,052	8,549	8,591	1,316	1,044	6,206	4,267
Other	10,806	13,505	12,075	14,135	13,105	14,997	2,906	3,428	11,552	9,661
Total exports	30,569	33,815	34,501	46,368	50,477	54,794	11,281	13,436	49,182	45,516
Total shipments	89,896	96,262	131,25	133,06	137,36	148,48	26,981	31,166	93,992	75,661
Unit value (per pound)										
Commercial shipments:										
Home market	\$0.39	\$0.40	\$0.42	\$0.45	\$0.44	\$0.44	\$0.43	\$0.48	\$0.47	\$0.60
Exports to										
United States	0.29	0.32	0.35	0.37	0.37	0.36	0.38	0.37	0.36	0.35
European Union	0.25	0.32	0.41	0.42	0.36	0.37	0.37	0.37	0.36	0.35
Asia	0.28	0.26	0.31	0.34	0.36	0.35	0.33	0.33	0.32	0.33
Other	0.20	0.21	0.23	0.26	0.29	0.30	0.27	0.29	0.27	0.25
Total exports	0.24	0.26	0.30	0.33	0.34	0.34	0.34	0.34	0.33	0.32
Total shipments	0.32	0.33	0.38	0.40	0.40	0.40	0.39	0.41	0.38	0.39

Table continued on next page.

Table IV-7--Continued

Certain dry pasta: Italy's capacity, production, inventories, and shipments, 2001-06, January-March 2006, January-March 2007, and projections for 2007 and 2008

Item	Calendar year						Jan.-Mar. ¹		Projections	
	2001	2002	2003	2004	2005	2006	2006	2007	2007	2008
Ratios and shares (percent)										
Capacity utilization ²	54.8	59.5	72.0	82.9	82.7	79.8	67.4	51.8	58.7	(3)
Inventories/production	5.4	5.2	5.8	5.4	5.7	5.6	2.6	2.6	8.5	(3)
Inventories/shipments	5.2	5.3	5.7	5.3	5.6	5.6	1.9	1.9	2.2	(3)
Share of total shipments:										
Internal consumption/ transfers	0	0	0	0	0	0	0	0	0	0
Home market	53.9	54.0	66.1	57.7	57.2	57.2	52.0	48.6	38.7	26.3
Exports to:										
United States	9.8	9.7	6.3	12.2	12.2	11.4	13.9	16.9	18.3	24.1
European Union	11.0	6.8	5.4	5.9	10.5	11.3	13.1	14.8	17.4	22.3
Asia	5.9	7.2	6.9	8.0	7.0	6.6	5.7	4.2	7.9	6.8
Other	19.4	22.3	15.2	16.3	13.1	13.4	15.3	15.5	17.8	20.4
Total exports	46.1	46.0	33.9	42.3	42.8	42.8	48.0	51.4	61.3	73.7
¹ *** did not provide data for the interim periods. ² Capacity utilization was computed using data from only those firms which provided both numerator and denominator. ³ Not applicable. ⁴ Data not provided.										
Source: Compiled from data submitted in response to Commission questionnaires.										

Table IV-8 presents data on the Italian responding parties' production and shipments. Two of the Italian firms reported less than 10 percent of their exports are destined for the United States, three reported shipping approximately one-quarter of their exports to the United States, and one reported shipping 40 percent of its exports to the United States. Only one responding Italian producer's exports comprised more than half of its total shipments.

Table IV-8

Certain dry pasta: Producers in Italy, shipments to the United States, total shipments, total export shipments, shares of reported production in Italy, and shipments to the United States as a share of total shipments and total export shipments, January 2001-March 2007

* * * * *

Table IV-9 presents available data on production of Italian dry pasta, by type of dry pasta, as reported by UNIPI.¹² Capacity utilization remained steady from 2002 to 2005, as the industry increased production capacity and production.¹³ Dried semolina pasta represents the largest share of Italian production of dry pasta. More than half of the dry pasta Italy produces was exported during 2002-05, with dried semolina pasta representing about 90 percent of dry pasta exports.

Table IV-9
Dry pasta: Italy's capacity, production, and shipments of all dry pasta, by types, 2002-05

Item	2002	2003	2004	2005
Quantity (1,000 pounds)				
All dry pasta:				
Capacity	9,965,944	9,967,099	10,141,264	10,141,264
Production	6,630,032	6,508,564	6,665,893	6,806,783
Shipments:				
Home market	3,280,260	3,247,376	3,292,692	3,270,348
Exports	3,349,772	3,261,186	3,373,200	3,536,435
Dried semolina pasta:				
Production	5,993,917	5,891,514	6,031,407	6,144,427
Shipments:				
Home market	3,035,675	3,008,353	3,056,489	3,032,954
Exports	2,958,242	2,883,161	2,974,918	3,111,472
Dried egg pasta:				
Production	420,657	398,009	395,013	415,406
Shipments:				
Home market	225,260	220,528	217,883	219,779
Exports	195,398	177,481	177,130	195,627
Stuffed dry pasta:				
Production	215,458	219,038	239,473	246,951
Shipments:				
Home market	19,326	18,495	18,320	17,615
Exports	196,132	200,543	221,152	229,336
Number of producers	132	135	134	130
Number of employees	6,904	6,844	6,780	6,481

Table continued on next page.

¹² Data from UNIPI on Italian production of pasta were available only for 2002-05.

¹³ Respondents maintain that the capacity of Italian pasta producers is constrained by the availability of durum wheat, much of which they import from the United States. Respondents' posthearing brief, p. 10.

Table IV-9--Continued

All dry pasta: Italy's capacity, production, and shipments of all dry pasta, by types, 2002-05

Item	2002	2003	2004	2005
	Value (\$1,000)			
All dry pasta shipments:				
Home market	1,621,281	1,956,224	2,149,684	2,113,390
Exports	1,112,626	1,274,767	1,462,531	1,521,840
Dried semolina pasta shipments:				
Home market	1,305,141	1,583,287	1,739,629	1,707,400
Exports	832,346	943,644	1,069,872	1,095,924
Dried egg pasta shipments:				
Home market	278,392	328,863	360,352	358,666
Exports	109,470	116,402	126,744	138,236
Stuffed dry pasta shipments:				
Home market	37,748	44,074	49,704	47,324
Exports	170,810	214,721	265,915	287,680
	Unit value (per pound)			
All dry pasta:				
Home market	\$0.49	\$0.60	\$0.65	\$0.65
Exports	0.33	0.39	0.43	0.43
Dried semolina pasta:				
Home market	0.43	0.53	0.57	0.56
Exports	0.28	0.33	0.36	0.35
Dried egg pasta:				
Home market	1.24	1.49	1.65	1.63
Exports	0.56	0.66	0.72	0.71
Stuffed dry pasta:				
Home market	1.95	2.38	2.71	2.69
Exports	0.87	1.07	1.20	1.25

Table continued on next page.

Table IV-9--Continued

All dry pasta: Italy's capacity, production, and shipments of all dry pasta, by types, 2002-05

Item	2002	2003	2004	2005
Ratios and shares of total shipments (percent)				
All dry pasta:				
Capacity utilization	66.5	65.3	65.7	67.1
Shares of total shipments:				
Home market	49.5	49.9	49.4	48.0
Exports	50.5	50.1	50.6	52.0
Dried semolina pasta:				
Home market shares of total	45.8	46.2	45.9	44.6
Exports shares of total	44.6	44.3	44.6	45.7
Subtotal, dried semolina	90.4	90.5	90.5	90.3
Dried egg pasta:				
Home market shares of total	3.4	3.4	3.3	3.2
Exports shares of total	2.9	2.7	2.7	2.9
Subtotal, dried egg	6.3	6.1	5.9	6.1
Stuffed dry pasta:				
Home market shares of total	0.3	0.3	0.3	0.3
Exports shares of total	3.0	3.1	3.3	3.4
Subtotal, stuffed dry	3.3	3.4	3.6	3.6

Source: UNIFI.

As indicated in table IV-10, Italy is a net exporter of dry non-egg pasta.

Table IV-10

Dry non-egg pasta: Italy's exports and imports, 2001-06

Item	2001	2002	2003	2004	2005	2006
Quantity (1,000 pounds)						
Exports	2,915,184	2,977,892	2,916,110	3,009,725	3,173,844	3,245,728
Imports	19,328	30,946	48,374	59,095	58,343	58,555
Net exports	2,895,856	2,946,946	2,867,736	2,950,630	3,115,501	3,187,173

Note.--Export and import figures are quantities reported at the 6-digit level for HTS subheading 1902.20.

Source: Global Trade Atlas.

Table IV-11 presents data on Italy's dry non-egg pasta exports to the United States and its top 10 export destinations. Measured by quantity, the United States was either the third or fourth largest export destination for dry pasta from Italy throughout the period. Outside of the United States, the top three export destinations are countries in Europe. Measured by unit value, Italy's exports to the United States are higher priced than its exports to European destinations.

Table IV-11

Dry non-egg pasta: Italy's exports to the United States and top ten other export destinations, 2001-06

Destination	2001	2002	2003	2004	2005	2006
Quantity (1,000 pounds)						
United States	347,427	337,235	307,324	289,326	298,704	315,565
Germany	559,707	598,892	610,749	650,456	684,577	673,914
France	393,543	387,167	377,434	390,862	414,842	414,180
United Kingdom	312,896	329,157	320,870	337,384	367,912	369,261
Japan	161,658	169,564	171,390	175,973	171,612	165,966
Netherlands	68,081	75,244	78,306	79,300	81,207	87,473
Sweden	73,414	64,759	77,395	79,051	77,920	86,628
Austria	42,785	42,693	45,151	52,075	52,527	71,079
Belgium	43,852	48,610	43,557	49,271	52,091	51,650
Canada	50,565	49,000	47,882	41,800	44,705	49,220
Switzerland	45,444	43,638	42,155	43,488	43,678	45,351
All others	815,812	831,934	793,898	820,737	884,067	915,439
Total	2,915,184	2,977,892	2,916,110	3,009,725	3,173,844	3,245,728
Shares (percent)						
United States	11.9	11.3	10.5	9.6	9.4	9.7
Germany	19.2	20.1	20.9	21.6	21.6	20.8
France	13.5	13.0	12.9	13.0	13.1	12.8
United Kingdom	10.7	11.1	11.0	11.2	11.6	11.4
Japan	5.5	5.7	5.9	5.8	5.4	5.1
Netherlands	2.3	2.5	2.7	2.6	2.6	2.7
Sweden	2.5	2.2	2.7	2.6	2.5	2.7
Austria	1.5	1.4	1.5	1.7	1.7	2.2
Belgium	1.5	1.6	1.5	1.6	1.6	1.6
Canada	1.7	1.6	1.6	1.4	1.4	1.5
Switzerland	1.6	1.5	1.4	1.4	1.4	1.4
All others	28.0	27.9	27.2	27.3	27.9	28.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
Unit value (per pound)						
United States	\$0.33	\$0.35	\$0.39	\$0.44	\$0.43	\$0.45
Germany	0.24	0.25	0.30	0.33	0.32	0.32
France	0.23	0.26	0.31	0.33	0.33	0.33
United Kingdom	0.25	0.28	0.32	0.36	0.34	0.33
Japan	0.35	0.35	0.42	0.46	0.45	0.45
Netherlands	0.25	0.28	0.34	0.38	0.38	0.38
Sweden	0.21	0.23	0.30	0.32	0.31	0.32
Austria	0.26	0.28	0.34	0.37	0.36	0.35
Belgium	0.30	0.34	0.39	0.41	0.40	0.39
Canada	0.35	0.37	0.44	0.45	0.47	0.50
Switzerland	0.39	0.38	0.41	0.49	0.49	0.49
All others	0.25	0.26	0.30	0.33	0.33	0.34
Total	0.26	0.28	0.33	0.36	0.35	0.36

Source: Global Trade Atlas (six-digit HTS subheading 1902.90).

THE INDUSTRY IN TURKEY

Overview

In these reviews the Commission issued questionnaires to 24 producers of dry pasta in Turkey¹⁴ and received one response from Gidasa Sabanci Food; therefore, the limited data presented in table IV-12 represent Gidasa's response alone. The Republic of Turkey responded to the notice of institution of these reviews and reported that the Government of Turkey ("GOT") is responsible for defending the rights of the pasta industry in Turkey.¹⁵

Table IV-12

Certain dry pasta: Turkey's capacity, production, inventories, and shipments, 2003-06, January-March 2006, and January-March 2007

* * * * *

Table IV-13 presents data on Turkish production and consumption of all pasta types, based on publicly available information.

Table IV-13

Pasta: Turkish production and consumption of all pasta types, 2001-06

Item	2001	2002	2003	2004	2005	2006
Quantity (1,000 pounds)						
Production	855,394	912,714	965,625	1,128,767	1,248,478	1,354,595
Consumption	776,468	821,123	814,718	849,216	888,763	928,653

Source: Pasta Producers Assoc. of Turkey (www.makarna.org.tr).

As indicated in table IV-14, Turkey is a net exporter of dry non-egg pasta.

Table IV-14

Dry non-egg pasta: Turkey's exports and imports, 2001-06

Item	2001	2002	2003	2004	2005	2006
Quantity (1,000 pounds)						
Exports	58,159	88,711	129,000	223,676	307,689	142,094
Imports	262	18	419	267	475	0
Net exports	57,897	88,693	128,581	223,409	307,214	142,094

Note.—Export and import figures are quantities reported at the 6-digit level for HTS subheading 1902.20.
Source: Global Trade Atlas.

¹⁴ The Commission received ***.

¹⁵ Government of Turkey, Response to the Notice of Institution, question 2. Staff contact with the GOT revealed that this entity is not coordinating with Turkish producers of dry pasta to submit questionnaire responses. Staff phone interview, ***.

Table IV-15 presents data on Turkey's dry non-egg pasta exports to the United States and its top 10 export destinations. In the earlier portion of the period 2001-06, the United States was a major export destination relative to all other export destinations. From 2001 through 2003, the United States was the second largest destination for dry non-egg pasta exports from Turkey. In 2004, exports to the United States declined in contrast to total exports which increased by almost 95 million pounds. Exports to the United States increased in 2005, along with total exports, but both subsequently declined in 2006. In 2006, the United States was not a primary export destination, accounting for 0.4 percent of Turkish exports.

Table IV-15
Dry non-egg pasta: Turkey's exports to the United States and top ten other export destinations, 2001-06

Destination	2001	2002	2003	2004	2005	2006
<i>Quantity (1,000 pounds)</i>						
United States	4,418	7,063	8,107	4,620	8,142	552
U.A.E.	3,516	20,412	39,101	45,042	40,784	37,670
Iraq	0	0	3,015	11,110	27,932	25,257
Israel	232	581	804	15,497	17,297	17,587
Lebanon	3,278	5,333	4,137	5,921	9,357	7,157
Cameroon	101	1,231	4,230	6,014	8,402	5,684
Germany	1,356	3,189	2,756	5,205	8,381	5,513
Georgia	5,154	5,824	5,194	8,542	12,346	5,267
Djibouti	0	106	3,570	14,675	17,166	4,406
Togo	53	106	265	1,641	7,078	4,050
Kenya	721	529	1,785	3,278	3,835	3,900
All others	39,331	44,338	56,036	102,132	146,969	25,050
Total	58,159	88,711	129,000	223,676	307,689	142,094

Table continued on next page.

Table IV-15--Continued

Dry non-egg pasta: Turkey's exports to the United States and top ten other export destinations, 2001-06

Destination	2001	2002	2003	2004	2005	2006
Shares (percent)						
United States	7.6	8.0	6.3	2.1	2.6	0.4
U.A.E.	6.0	23.0	30.3	20.1	13.3	26.5
Iraq	0.0	0.0	2.3	5.0	9.1	17.8
Israel	0.4	0.7	0.6	6.9	5.6	12.4
Lebanon	5.6	6.0	3.2	2.6	3.0	5.0
Cameroon	0.2	1.4	3.3	2.7	2.7	4.0
Germany	2.3	3.6	2.1	2.3	2.7	3.9
Georgia	8.9	6.6	4.0	3.8	4.0	3.7
Djibouti	0.0	0.1	2.8	6.6	5.6	3.1
Togo	0.1	0.1	0.2	0.7	2.3	2.8
Kenya	1.2	0.6	1.4	1.5	1.2	2.7
All others	67.6	50.0	43.4	45.7	47.8	17.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
Unit value (per pound)						
United States	\$0.17	\$0.16	\$0.17	\$0.20	\$0.18	\$0.18
U.A.E.	0.17	0.16	0.17	0.17	0.17	0.18
Iraq	0.00	0.00	0.17	0.17	0.17	0.18
Israel	0.15	0.13	0.16	0.17	0.18	0.19
Lebanon	0.13	0.15	0.16	0.17	0.18	0.17
Cameroon	0.19	0.17	0.15	0.18	0.18	0.18
Germany	0.15	0.15	0.21	0.20	0.21	0.21
Georgia	0.13	0.14	0.16	0.17	0.16	0.18
Djibouti	0.00	0.14	0.17	0.18	0.18	0.18
Togo	0.20	0.14	0.16	0.20	0.18	0.18
Kenya	0.16	0.21	0.19	0.18	0.18	0.18
All others	0.15	0.16	0.18	0.19	0.19	0.18
Total	0.15	0.16	0.17	0.18	0.18	0.18
<p>Note.—Export and import figures are quantities reported at the 6-digit level for HTS subheading 1902.20.</p> <p>Source: Global Trade Atlas.</p>						

GLOBAL MARKET

Data on world exports of dry non-egg pasta are presented in table IV-16. Throughout the period, Italy has been the world leader in exports of dry non-egg pasta, accounting for 66.8 percent of world exports of dry non-egg pasta during 2006. No other country approaches the level to which Italy exports dry non-egg pasta. In 2006, the quantity of dry non-egg pasta exports reported by Turkey, the second largest exporter, represented 4.4 percent of the exports reported by Italy. From 2003 through 2006, Turkey was the second largest source of exports for dry pasta, though, as described above, exports in 2006 were less than those in 2005.

Table IV-16
Dry non-egg pasta: World's top exporters, 2001-06

Item	2001	2002	2003	2004	2005	2006
<i>Quantity (1,000 pounds)</i>						
United States	126,550	117,065	114,158	135,481	154,651	131,756
Italy	2,915,184	2,977,892	2,916,110	3,009,725	3,173,844	3,245,728
Turkey	58,159	88,711	129,000	223,676	307,689	142,094
Thailand	91,195	99,967	102,697	111,014	114,974	125,775
Argentina	16,305	16,215	35,900	36,890	67,693	98,071
Greece	82,792	89,728	127,059	119,755	102,943	96,135
Belgium	83,663	102,030	104,651	105,654	118,360	95,886
Mexico	84,323	69,405	73,344	73,956	81,605	83,568
Canada	73,560	46,148	67,866	68,459	71,467	78,016
Spain	86,093	95,692	90,334	100,645	76,595	63,385
Cote D'Ivoire	20,735	33,661	47,095	56,067	56,524	61,576
All other sources	730,694	770,953	966,353	894,424	944,852	770,369
Total	4,242,704	4,390,403	4,660,411	4,800,266	5,116,545	4,860,602

Note.—Export figures are quantities reported at the 6-digit level for HTS subheading 1902.20.

Source: Global Trade Atlas.

Table IV-17 presents data on the top importers of dry non-egg pasta. Three of the five largest importers in 2006 were members of the EU: Germany, France, and the United Kingdom. The non-EU members were the United States and Japan. Throughout the period, the United States was either the largest or second largest importer of dry non-egg pasta. Japan increasingly imported dry non-egg pasta, while the United Kingdom imported less dry pasta in 2006 than in 2001.

Table IV-17
Dry non-egg pasta: World's top importers, 2001-06

Item	2001	2002	2003	2004	2005	2006
Quantity (1,000 pounds)						
United States	592,031	607,733	576,300	541,264	592,350	612,610
Germany	510,697	543,085	591,593	610,925	659,908	706,932
France	426,257	451,194	452,314	475,711	470,367	477,806
Japan	248,948	275,252	287,917	305,469	307,599	310,916
United Kingdom	234,005	235,943	220,793	223,835	210,189	209,095
Canada	175,860	163,922	151,879	153,815	176,566	179,110
South Korea	112,252	128,643	121,789	132,793	142,423	139,966
Hong Kong	105,340	112,677	120,902	123,641	120,522	122,023
Sweden	71,053	76,317	83,026	84,904	85,453	93,844
Australia	75,649	70,819	76,133	76,585	85,842	90,987
Netherlands	70,365	75,259	84,217	83,557	101,563	81,216
All other	1,299,436	1,409,254	1,397,472	1,457,443	1,621,544	1,694,102
Total	3,329,862	3,542,365	3,588,035	3,728,680	3,981,976	4,105,998
Note.—Import figures are quantities reported at the 6-digit level for HTS subheading 1902.20.						
Source: Global Trade Atlas.						

Tariff and Nontariff Measures

Several developed economies maintain *ad valorem* tariff rates, specific duties according to the weight of imports, or a combination thereof on imports of pasta. Under the NAFTA, Canada and Mexico eliminated their tariffs on imports of pasta from their respective NAFTA trading partners.¹⁶ Canada continues to apply tariffs on imports of pasta from WTO countries, ranging from 4 percent *ad valorem* to 16.27 cents/kg plus 8.5 percent *ad valorem*,¹⁷ and Mexico continues to apply *ad valorem* tariffs on other WTO countries, of 10 or 20 percent.^{18 19} The EU generally applies a combination of *ad valorem* and specific WTO tariffs on pasta imports. The tariffs on dry pasta are either 7.7 percent *ad valorem* plus 24.1 euros/100 kg or 7.7 percent *ad valorem* plus 24.6 euros/100 kg. The tariffs on stuffed pasta are 54.3 euros/100 kg; or 8.3 percent *ad valorem* plus 6.1 euros/100 kgs; or 8.3 percent *ad valorem* plus 17.1

¹⁶ The United States general rate of duty for imports of pasta were free before the implementation of the NAFTA.

¹⁷ Canada Border Services Agency, *Most Recent Customs Tariff*, found at <http://www.cbsa-asfc.gc.ca/general/publications/tariff2007/01-99/tblmod-1-e.html>, retrieved on June 13, 2007.

¹⁸ Ibid.

¹⁹ USDA, Economic Research Service, *NAFTA at 13: Implementation Nears Completion*, March 2007, pp. 4-6, found at <http://www.ers.usda.gov/publications/wrs0701/wrs0701.pdf>, retrieved on June 13, 2007.

euros/100 kg.²⁰ Japan applies specific tariff rates on dry pasta ranging from 27.20 yen/kg to 34 yen/kg on WTO member countries and 32 yen/kg to 40 yen/kg on non-WTO member countries. Japan applies *ad valorem* tariffs on stuffed pasta ranging from 5.1 to 23.8 percent on WTO member countries and 6 to 28 percent on non-WTO member countries.²¹ Korea applies a WTO tariff of 8 won/kg on imports of all pasta types and Australia applies a WTO tariff of 4 or 5 percent *ad valorem*.²²

Since 1962, the EU has operated a subsidy program which provides restitution payments to EU pasta exporters based on the durum wheat content of their exported pasta products.²³ The restitution payment rate is based on a levy that the EU imposes on imported durum wheat in order to bring the price of durum wheat up to the (typically higher) price level within the EU.²⁴ In 1987, the United States and the European Community (“EC”, now the EU) agreed to a settlement (the U.S.-EU Pasta Agreement) which addressed an U.S.-EC dispute over the EC’s restitutions (refunds) on pasta products. The settlement arose following a GATT panel ruling siding with the United States in its complaint against the EC’s policy of subsidizing pasta exports.²⁵ The settlement featured two complementary actions which changed the nature of the EC’s program with regard to exports to the United States.²⁶ First, the export refund for pasta exported from the EC to the U.S. was reduced.²⁷ Second, the EC agreed to allow the importation of durum wheat from any non-EC country free of any levy under a system described in the settlement as Inward Processing Relief (“IPR”), making durum wheat available for EC producers at world market prices. As a result of this settlement, EC pasta producers would not receive a restitution payment when exporting to the United States pasta products containing durum wheat imported under IPR. In essence, a restitution payment was no longer necessary because no levy had been paid upon importation in the first place.²⁸

A restitution payment remained available for pasta exports to the United States that contained EC durum wheat or durum wheat imported without the IPR. The restitution rate was reduced (the first action of the settlement), originally by 27.5 percent and later by approximately 35 percent, from the normal level available for exports to all other countries.²⁹ Pasta imported under this program is classified as being subject to the U.S.-EU reduced export refund.

²⁰ Foreign Agricultural Service, U.S. Mission to the European Union, EU Tariff Schedule 2007 (Official Journal L 301 - October 31, 2006), found at <http://useu.usmission.gov/agri/customs.html>, retrieved on June 13, 2007.

²¹ APEC Tariff Database, found at <http://www.apectariff.org/tdb.cgi/ff3235/apecmain.html>.

²² Ibid.

²³ *Issues and Decision Memo for the Expedited Sunset Review of the Countervailing Duty Order on Certain Pasta from Italy; Final Results*, International Trade Administration, Department of Commerce, found at <http://ia.ita.doc.gov/frn/summary/italy/italy-fr.htm>, retrieved on June 14, 2007.

²⁴ Ibid.

²⁵ Bagwell, K and Staiger, R, “Strategic Trade, Competitive Industries and Agricultural Trade Disputes”, NBER Working Paper No. 7822, Issued in August 2000, page 2.

²⁶ USDA, Foreign Agricultural Service, United States/European Communities Pasta Settlement, found at <http://www.fas.usda.gov/itp/agreements/pasta.html>, retrieved on April 5, 2007.

²⁷ Ibid.

²⁸ *Issues and Decision Memo for the Expedited Sunset Review of the Countervailing Duty Order on Certain Pasta from Italy; Final Results*, International Trade Administration, Department of Commerce, found at <http://ia.ita.doc.gov/frn/summary/italy/italy-fr.htm>, retrieved on June 14, 2007.

²⁹ Ibid

The intended result of the two actions was for 50 percent of exports to the United States to take place under the IPR, and the remaining 50 percent would contain EC durum wheat or durum wheat imported without IPR (for which the exporter could receive reduced restitution payments).³⁰

Table IV-18 presents U.S. imports of dry pasta from Italy by HTS subheadings and statistical reporting numbers. Imports of dry pasta into the United States subject to the IPR are reported under HTS item 1902.19.2010. Imports subject to the EU reduced export refund are reported under HTS item 1902.19.2020. The table presents the quantity of imports from Italy imported under the aforementioned HTS items, and their respective shares of imports of dry non-egg pasta recorded under HTS subheading 1902.19.20.

Table IV-18

Dry non-egg pasta: U.S. imports from Italy, by HTS provision, 2001-06, January-March 2006, and January-March 2007

Item	Calendar year						Jan.-Mar.	
	2001	2002	2003	2004	2005	2006	2006	2007
Quantity (1,000 pounds)								
Dry non-egg pasta ¹	339,315	324,191	312,786	278,967	302,777	302,950	68,496	86,557
Subject to Inward Processing Regime ²	57,856	21,677	14,937	3,833	2,423	1,275	340	284
Subject to U.S.-EU pasta agreement ³	71,769	60,746	64,725	60,197	44,781	47,999	10,805	12,407
Shares of dry non-egg pasta (percent)								
Subject to Inward Processing Regime	17.1	6.7	4.8	1.4	0.8	0.4	0.5	0.3
Subject to U.S.-EU pasta agreement	21.2	18.7	20.7	21.6	14.8	15.8	15.8	14.3
¹ HTS 1902.19.20. ² HTS 1902.19.2010. ³ HTS 1902.19.2020.								
Source: Compiled from official Commerce statistics.								

³⁰ USDA, Foreign Agricultural Service, United States/European Communities Pasta Settlement, found at <http://www.fas.usda.gov/itp/agreements/pasta.html>, retrieved on April 5, 2007.

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¹ HTS 1902.19.20. ² HTS 1902.19.2010. ³ HTS 1902.19.2020.								
Source: Official Commerce statistics.								

³⁰ USDA, Foreign Agricultural Service, United States/European Communities Pasta Settlement, found at <http://www.fas.usda.gov/itp/agreements/pasta.html>, retrieved on April 5, 2007.

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICING

Raw Materials

The primary raw material used in the production of dry pasta is durum wheat semolina. U.S. producers were asked to discuss any changes that occurred in the prices they paid for major raw materials used in the production of dry pasta. Nine of 11 producers that responded to the question reported that the costs of durum wheat increased significantly during the period for which the Commission collected data. Eight of 22 responding importers also noted the rise in the price of durum wheat. According to several U.S. producers and purchasers, the increasing importance of ethanol in the United States has caused farmers to move from growing wheat to growing corn, thus constricting the supply and raising the price of wheat.¹ Available data on prices of durum wheat indicate that prices increased significantly during the period January 2001-March 2007. As figure V-1 shows, prices of durum wheat increased by 85.1 percent during the period January 2001 to March 2007 with most of that increase occurring since January 2006.² The average farm price for durum in July 2007 was \$6.25 per bushel, up 75 cents from \$5.50 in June and \$2.42 above the July 2006 average of \$3.83.³ This is the highest monthly average farm price for durum on record based on USDA monthly durum price data since the 1981/82 crop year.⁴ According to a leading U.S. pasta manufacturer, this recent increase is the result of "recent adverse crop conditions in Europe, European supply contract defaults, and resulting increased demand from Europeans for North American supplies of durum."⁵ Five responding U.S. producers also reported an increase in fuel and energy costs over the past several years. Several responding producers reported that these increases in the price of durum wheat and other inputs caused them to increase the price of dry pasta early in 2007, although several also noted that price increases may not be sustainable and will likely not cover the increase in raw material costs.⁶ Despite evidence of increasing raw material costs, raw material costs as a percentage of total cost of goods sold⁷ remained fairly steady for U.S. producers—falling from 56.8 percent in 2001 to 52.1 percent in 2004, before rising to 54.2 percent in 2006 and 59.1 percent in January-March 2007.

¹ See responses to question IV-B-19 for U.S. producers ***.

² The domestic industry's posthearing brief states that the prices shown in table V-1 are "average prices received by farmers"; however, prices paid by pasta producers are more accurately reflected by looking at durum prices on the Minneapolis Exchange. The domestic industry notes that prices on the Minneapolis Exchange are always significantly higher than the USDA prices received by farmers. The domestic industry brief contains data from the Minneapolis Exchange which show that the price per bushel in June 2007 (\$6.83) is the highest monthly price for durum in nearly 10 years. Domestic industry posthearing brief, pp. 6-7 and exh. 2.

³ USDA, National Agricultural Statistics Service, *Agricultural Prices*, various issues.

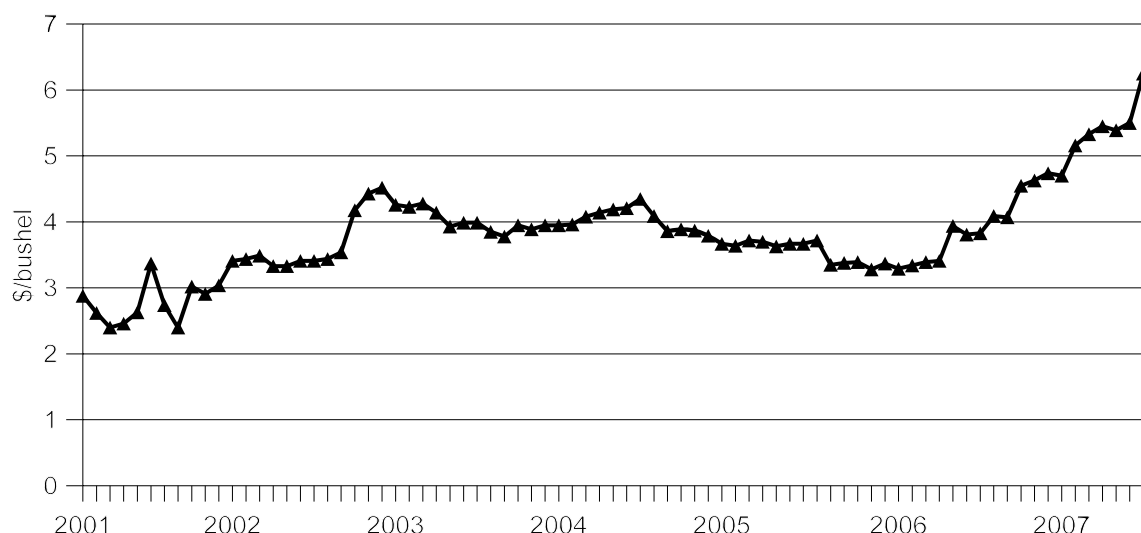
⁴ Prior to the 1981/82 crop year, USDA only maintained durum prices on an annual basis.

⁵ *AIPC updates finances, discusses durum market*, Bakingbusiness.com, August 3, 2007.

⁶ At the hearing, domestic producer, AIPC, reported that prices for wheat have skyrocketed with spot prices reaching over \$9 per bushel in July, which is a historical high. Hearing transcript, p. 20 (Fogarty).

⁷ Commercial sales only.

Figure V-1
Dry pasta: National average monthly prices received by farmers for durum wheat in dollars per bushel, January 2001-July 2007



Source: USDA, National Agricultural Statistics Service, Agricultural Prices; and USDA, World Agricultural Outlook Board, World Agricultural Supply and Demand Estimates, found at <http://www.ers.usda.gov/Data/Wheat/Yearbook/WheatYearbookTable18-Full.htm>, retrieved on April 13, 2007.

Transportation Costs to the U.S. Market

Transportation costs for certain pasta from subject countries to the United States (excluding U.S. inland costs) during 2006 are estimated to be equivalent to approximately 16.6 percent of the customs value for product from Italy, and 31.6 percent of the customs value for product from Turkey. These estimates are derived from official import data and represent the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value.⁸

U.S. Inland Transportation Costs

U.S. producers reported that U.S. inland transportation costs for dry pasta, as a percent of total costs, ranged from *** percent to *** percent with eight of ten responding U.S. producers reporting that transportation costs account for at least 10 percent of total costs. Reported U.S. inland transportation costs ranged from 0 to 20 percent for the 22 responding importers of dry pasta from Italy, and from *** percent to *** percent for the five responding importers from Turkey.

Producers and importers also were asked to estimate the percentage of their sales that occurred within certain distance ranges. One of the 12 responding U.S. producers reported that at least 50 percent of its shipments were of distances over 1,000 miles, and one reported that more than 50 percent of its shipments were made within 100 miles. The remaining ten responding U.S. producers reported that a majority of their shipments (ranging from 50 to 100 percent) were shipped between 100 and 1,000 miles. Eight of 23 responding importers of dry pasta from Italy, and two of five responding importers of dry pasta from Turkey reported shipping at least 50 percent of their sales less than 100 miles; five importers

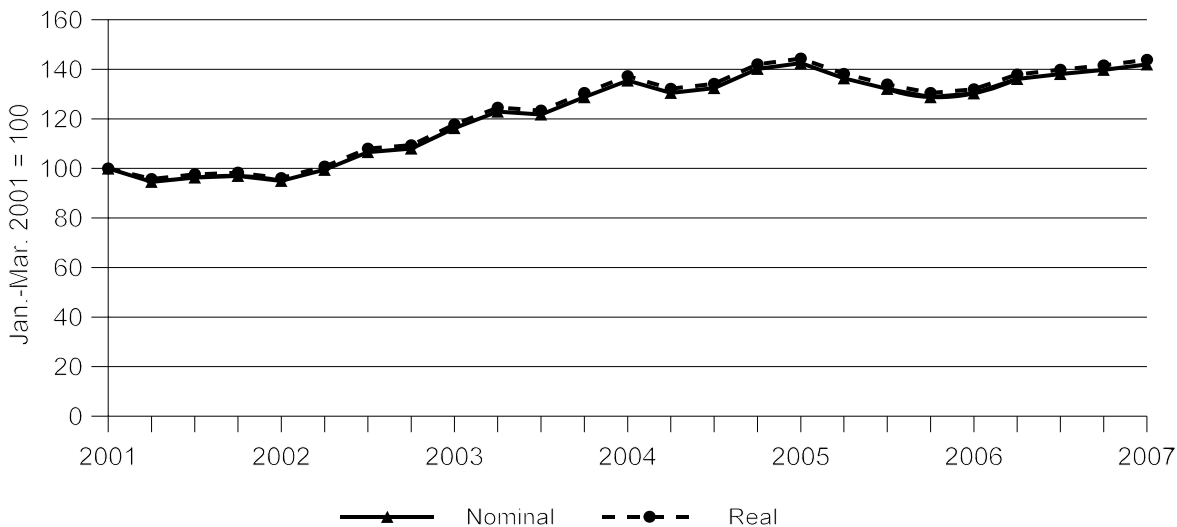
⁸ These estimates are based on HTS subheading 1902.19.20.

of dry pasta from Italy and one importer of dry pasta from Turkey reported shipping more than 50 percent of their sales more than 1,000 miles; and eight importers of dry pasta from Italy and two importers of dry pasta from Turkey reported shipping a majority of their sales between 100 and 1,000 miles. Overall, transportation costs do not appear to vary significantly with the distance that the pasta is shipped.

Exchange Rates

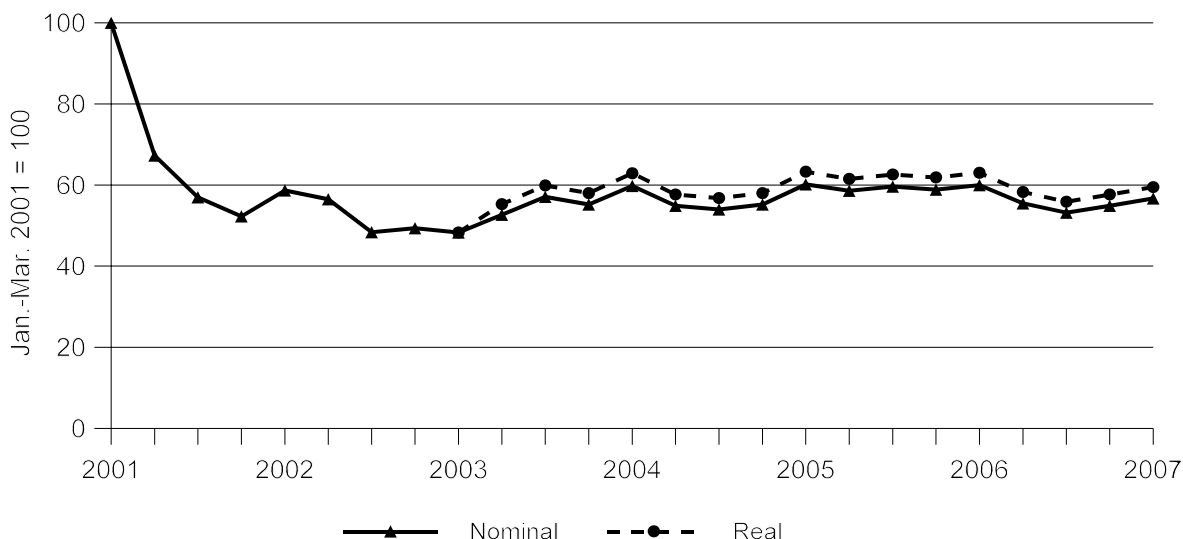
Figures V-2 and V-3 show the quarterly exchange rates for Italy and Turkey during 2001-07. The euro appreciated steadily against the dollar (in both nominal and real terms) throughout the period with only a slight depreciation in 2005. Overall real appreciation from January-March 2001 to January-March 2007 was 43.9 percent. Several importers of pasta from Italy reported that the strengthening of the euro against the dollar has worsened their position in the U.S. market, and has adversely affected their price-cost margins. On a nominal basis, the Turkish Lira depreciated sharply during 2001 with a fall of 47.7 percent from January-March 2001 to October-December 2001, and has oscillated since with a slight depreciation in 2006. The real exchange rate has followed the nominal rate closely since 2003, when the data needed to calculate the real rate became available.

Figure V-2
Exchange rates: Indices of the nominal and real exchange rates of the euro relative to the U.S. dollar, by quarters, January-March 2001 to January-March 2007



Source: International Monetary Fund, *International Financial Statistics*, found at <http://ifs.apdi.net/imf/about.asp>, retrieved on June 1, 2007.

Figure V-3
Exchange rates: Indices of the nominal and real exchange rates of the Turkish lira relative to the U.S. dollar, by quarters, January-March 2001 to January-March 2007



Source: International Monetary Fund, *International Financial Statistics*, found at <http://ifs.apdi.net/imf/about.asp>, retrieved on June 1, 2007. Real rates not available before 2003.

PRICING PRACTICES

Pricing Methods

While most responding U.S. producers of dry pasta (nine of 13), and many responding importers (15 of 31) reported having set price lists, the final price paid in each transaction is often subject to negotiation. The determination of the price lists for dry pasta tends to be done in two manners: tier pricing and line pricing.⁹ In tier pricing, types of pasta are divided into several tiers and the same price is charged for all pasta in the same tier. Nine of 12 responding U.S. producers, including the four largest, reported using some sort of tier pricing. Ten of 34 responding importers reported tier pricing based on the shape or form of the pasta.¹⁰ The different tiers are defined differently by major U.S. producers and importers, with some identifying several tiers and others identifying only two. It is generally agreed, however, that the most common cuts, such as spaghetti and elbow macaroni, are priced lower than specialty cuts or baking cuts (such as lasagna). Popular cuts such as spaghetti and elbow macaroni are normally produced in long production runs by domestic producers, which results in lower per-unit costs. Whole grain pastas are included in a separate tier and are priced higher than traditional pasta. While most of the responding producers and importers reported that the tiers are based on production costs, several also cited historical practices and industry traditions as factors that determine tiers.

⁹ In addition, at the hearing, one domestic producer, Dakota Growers, indicated that as its private label retail customer base has consolidated to fewer players and the pressure on price buying has intensified and some retail customers have started using reverse bid auctions. Hearing transcript, p. 25 (Hasper). The domestic industry's posthearing brief notes that ***. Domestic industry posthearing brief, exh. 1, p. 5. ***.

¹⁰ Two responding importers report pricing differently based on ingredients such as whole grain, egg, or spinach.

Line pricing refers to the practice of charging one price for all pastas (made from the same ingredients), regardless of product shape. Twelve of 34 responding importers and two of 12 responding U.S. producers reported using line pricing for their sales of dry pasta. An additional two major U.S. producers reported using line pricing for their whole-grain pastas.

When asked to list the names of any firms they considered to be “price leaders” in the dry pasta market since 2001, most responding purchasers mentioned one or more of the “big-4” U.S. producers. AIPC was mentioned as a price-leader by nine purchasers, Barilla was mentioned by seven purchasers, New World was mentioned by four purchasers, and Dakota Growers was mentioned by three purchasers. Responding purchasers indicate that these producers are the first to change prices in response to changes in input prices and that other firms in the industry follow their lead.

Discounts and Promotions

Suppliers of dry pasta frequently use a variety of discounts and promotional programs when selling their product, particularly for sales to retail customers, such as grocery stores. Five of 14 responding U.S. producers and 17 of 34 responding importers reported offering discounts. The most common bases for discounts are total quantity and early payment. Three U.S. producers as well as six importers also reported using a variety of promotional tools such as seasonal promotions, temporary price reductions, ads, or special store displays, to sell their pasta in the retail market.

Slotting Fees

Product placement and shelf space are also important factors in the sales of dry pastas. For some products that they carry, retail grocery stores will charge the manufacturer (or perhaps the distributor) a slotting fee. In these reviews, seven of ten responding purchasers who identify themselves as retail stores reported charging some sort of slotting fee (although not all used that exact phrase). Historically, slotting fees were used as a means for grocery stores to recover the costs of introducing new products; these costs generally include the cost of clearing shelf space to accommodate the new product, entering the new SKU (stock keeping unit) number onto store records and computer systems, and hanging planagrams.¹¹ These fees are often paid to the grocery store in order to guarantee that the product receives a certain amount of shelf space. Questionnaire responses from purchasers indicate that the average amount of slotting fees varies significantly, ranging from one case of free product up to \$20,000 per SKU.¹² In general, the amount of a slotting fee is determined by a number of factors, including the size of the customer, potential sales volume, the shelf placement in the store, the number of facings, the brand name of the product, the number of stores, and the number of items dropped to add the new item.

Seven of 13 responding U.S. producers (including the four largest producers) and nine of 31 responding importers reported paying slotting fees during the period for which data were reported. While most producers, importers, and purchasers reported that slotting fees are generally a one-time payment for initial introduction of a product, a few importers reported that slotting fees are collected at intervals ranging from one month to two years. Five producers and six importers reported that they have chosen not to sell to a particular customer because of the slotting fees requested by that customer. On the other hand, no responding purchasers reported refusing to carry a product because the producer or distributor refused to pay slotting fees.

¹¹ Planagrams are the diagrams that display how shelf space is allocated and show where each product goes on the shelf.

¹² Producers, importers, and purchasers reported that slotting fees are generally paid for each SKU. In the case of dry pasta, that means that different slotting fees are paid for each cut/shape of pasta that is put on the shelf.

PRICE DATA

The Commission requested U.S. producers and importers of certain dry pasta to provide quarterly data for the total quantity and f.o.b. (U.S. point of shipment) value of dry pasta that was shipped to unrelated customers in the U.S. market. Data provided are divided into two groups—shipments to retail grocers and shipments to distributors. Distributors often buy in larger quantities than do grocers and therefore may be able to negotiate lower prices. Data were requested for the period January 2001 to March 2007. The products for which pricing data were requested are defined as follows:

Product 1.—Brand-name dry non-egg spaghetti (in 1 lb. pkg)

Product 2.—Brand name dry non-egg rigatoni (in 1 lb. pkg)

Product 3.—Brand-name dry non-egg angel hair pasta (in 1 lb. pkg)

Product 4.—Private-label dry non-egg spaghetti (in 1 lb. pkg)

Ten U.S. producers of certain dry pasta, 14 importers of subject certain dry pasta from Italy, and two importers of certain dry pasta from Turkey provided usable pricing data for sales of the requested products, although not all firms reported pricing for all quarters. One importer also reported pricing data for shipments of product 1 imported from Canada. Tables V-1 through V-8 and figures V-4 through V-11 present f.o.b. (U.S. point of shipment) selling prices for the four dry pasta products defined above produced and sold in the United States as well as for products produced in Italy and Turkey and imported into the United States. Tables V-1 through V-4 and figures V-4 through V-7 present data for shipments to retail grocers, while tables V-5 through V-8 and figures V-8 through V-11 present data for shipments to distributors. By quantity, pricing data reported by responding firms in 2001 through 2006 accounted for 6.5 percent of reported U.S. commercial shipments of U.S.-produced dry pasta, 28.9 percent of reported U.S. commercial shipments of Italian-produced dry pasta, and 17.4 percent of reported U.S. commercial shipments of Turkish-produced dry pasta.

Table V-1

Certain dry pasta: Weighted-average f.o.b. prices and quantities of domestic and imported product 1¹ sold to retail grocers and margins of underselling/(overselling), by quarters, January-March 2001 to January-March 2007

Period	United States		Italy (excluding Lensi)			Turkey		
	Price (per lb.)	Quantity (1,000 lbs.)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)
2001:								
Jan.-Mar.	\$0.50	10,328	\$***	***	***	\$ -	0	-
Apr.-June	0.52	8,291	***	***	***	-	0	-
July-Sept.	0.52	11,223	***	***	***	-	0	-
Oct.-Dec.	0.56	12,765	***	***	***	-	0	-
2002:								
Jan.-Mar.	0.60	12,501	0.52	2,221	12.7	-	0	-
Apr.-June	0.58	10,708	0.52	2,119	10.5	-	0	-
July-Sept.	0.54	11,407	0.52	2,502	3.9	-	0	-
Oct.-Dec.	0.52	13,411	***	***	***	***	***	***
2003:								
Jan.-Mar.	0.55	12,337	***	***	***	***	***	***
Apr.-June	0.55	11,724	0.52	2,080	4.9	***	***	***
July-Sept.	0.53	13,431	***	***	***	***	***	***
Oct.-Dec.	0.51	12,834	***	***	***	***	***	***
2004:								
Jan.-Mar.	0.53	14,084	0.52	2,245	1.9	***	***	***
Apr.-June	0.53	12,303	0.54	2,274	(2.4)	***	***	***
July-Sept.	0.54	13,303	***	***	***	***	***	***
Oct.-Dec.	0.54	13,936	***	***	***	***	***	***
2005:								
Jan.-Mar.	0.58	14,578	***	***	***	***	***	***
Apr.-June	0.56	12,714	***	***	***	***	***	***
July-Sept.	0.58	13,898	***	***	***	***	***	***
Oct.-Dec.	0.56	13,201	0.69	5,284	(23.5)	***	***	***
2006:								
Jan.-Mar.	0.55	12,882	***	***	***	***	***	***
Apr.-June	0.57	13,015	***	***	***	***	***	***
July-Sept.	0.56	13,841	***	***	***	***	***	***
Oct.-Dec.	0.57	12,911	***	***	***	***	***	***
2007:								
Jan.-Mar.	0.59	15,222	***	***	***	***	***	***

¹ Brand-name dry non-egg spaghetti (in 1lb. pkg).

Note— One importer, ***, also reported data on *** thousand pounds of product 1 from *** sold to retail grocers. *** percent (by quantity) of these sales took place before April-June 2004. On average, product 1 imported from Canada and shipped to retail grocers undersold U.S.-produced product 1 shipped to retail grocers by 16.9 percent.

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

Table V-2

Certain dry pasta: Weighted-average f.o.b. prices and quantities of domestic and imported product 2¹ sold to retail grocers and margins of underselling/(overselling), by quarters, January-March 2001 to January-March 2007

Period	United States		Italy (excluding Lensi)			Turkey		
	Price (per lb.)	Quantity (1,000 lbs.)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)
2001:								
Jan.-Mar.	\$***	***	\$***	***	13.8	\$ -	0	-
Apr.-June	***	***	***	***	13.5	-	0	-
July-Sept.	***	***	***	***	10.7	-	0	-
Oct.-Dec.	***	***	***	***	14.5	-	0	-
2002:								
Jan.-Mar.	***	***	0.52	511	***	-	0	-
Apr.-June	0.54	2,880	0.50	415	7.2	-	0	-
July-Sept.	***	***	0.50	541	***	-	0	-
Oct.-Dec.	***	***	0.53	296	***	-	0	-
2003:								
Jan.-Mar.	***	***	0.50	430	***	-	0	-
Apr.-June	***	***	0.51	439	***	-	0	-
July-Sept.	***	***	0.54	391	***	-	0	-
Oct.-Dec.	***	***	0.52	345	***	-	0	-
2004:								
Jan.-Mar.	***	***	0.51	440	***	-	0	-
Apr.-June	***	***	0.60	612	***	-	0	-
July-Sept.	***	***	***	***	(16.6)	***	***	52.2
Oct.-Dec.	***	***	***	***	(17.1)	***	***	51.3
2005:								
Jan.-Mar.	***	***	***	***	(11.3)	***	***	52.9
Apr.-June	***	***	***	***	(16.0)	***	***	53.0
July-Sept.	***	***	***	***	(10.4)	***	***	54.2
Oct.-Dec.	***	***	0.74	1,972	***	***	***	53.8
2006:								
Jan.-Mar.	***	***	***	***	(6.8)	-	0	-
Apr.-June	***	***	0.68	958	***	***	***	54.5
July-Sept.	***	***	0.67	981	***	***	***	54.6
Oct.-Dec.	***	***	0.67	1,052	***	***	***	54.1
2007:								
Jan.-Mar.	***	***	0.69	1,352	***	-	0	-

¹ Brand name dry non-egg rigatoni (in 1 lb. pkg).

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

Table V-3

Certain dry pasta: Weighted-average f.o.b. prices and quantities of domestic and imported product 3¹ sold to retail grocers and margins of underselling/(overselling), by quarters, January-March 2001 to January-March 2007

Period	United States		Italy (excluding Lensi)			Turkey		
	Price (per lb.)	Quantity (1,000 lbs.)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)
2001:								
Jan.-Mar.	\$***	***	\$***	***	17.8	\$ -	0	-
Apr.-June	***	***	***	***	23.0	-	0	-
July-Sept.	0.60	4,171	***	***	***	-	0	-
Oct.-Dec.	0.59	5,418	***	***	***	-	0	-
2002:								
Jan.-Mar.	***	***	0.52	651	***	-	0	-
Apr.-June	***	***	0.51	512	***	-	0	-
July-Sept.	0.57	4,990	0.52	668	8.6	-	0	-
Oct.-Dec.	0.59	6,171	0.54	403	9.2	-	0	-
2003:								
Jan.-Mar.	***	***	0.54	556	***	-	0	-
Apr.-June	***	***	0.54	491	***	-	0	-
July-Sept.	0.58	5,750	0.56	550	3.7	-	0	-
Oct.-Dec.	0.55	5,816	0.53	813	3.7	-	0	-
2004:								
Jan.-Mar.	0.56	6,549	0.53	752	6.0	-	0	-
Apr.-June	0.56	5,856	0.57	746	(3.2)	-	0	-
July-Sept.	0.57	6,723	***	***	***	***	***	***
Oct.-Dec.	0.56	7,055	***	***	***	***	***	***
2005:								
Jan.-Mar.	***	***	0.60	1,397	***	***	***	54.3
Apr.-June	0.61	6,566	0.62	964	(1.7)	***	***	***
July-Sept.	0.61	7,176	0.59	796	3.8	***	***	***
Oct.-Dec.	***	***	0.75	1,534	***	***	***	52.6
2006:								
Jan.-Mar.	***	***	0.63	932	***	***	***	53.4
Apr.-June	0.62	6,744	0.64	785	(2.4)	***	***	***
July-Sept.	0.62	7,280	0.62	824	(0.5)	***	***	***
Oct.-Dec.	0.60	6,288	0.64	752	(5.8)	***	***	***
2007:								
Jan.-Mar.	0.64	8,722	0.71	576	(11.0)	***	***	***

¹ Brand name dry non-egg angle-hair pasta (in 1 lb. pkg).

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

Table V-4

Certain dry pasta: Weighted-average f.o.b. prices and quantities of domestic and imported product 4¹ sold to retail grocers and margins of underselling/(overselling), by quarters, January-March 2001 to January-March 2007

Period	United States		Italy (excluding Lensi)			Turkey		
	Price (per lb.)	Quantity (1,000 lbs.)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)
2001:								
Jan.-Mar.	\$***	***	\$ -	0	-	\$ -	0	-
Apr.-June	***	***	-	0	-	-	0	-
July-Sept.	***	***	-	0	-	-	0	-
Oct.-Dec.	***	***	-	0	-	-	0	-
2002:								
Jan.-Mar.	***	***	-	0	-	-	0	-
Apr.-June	***	***	***	***	(53.5)	-	0	-
July-Sept.	***	***	***	***	(64.2)	-	0	-
Oct.-Dec.	***	***	***	***	(59.2)	-	0	-
2003:								
Jan.-Mar.	***	***	***	***	(52.1)	-	0	-
Apr.-June	***	***	***	***	(59.5)	-	0	-
July-Sept.	***	***	***	***	(66.8)	-	0	-
Oct.-Dec.	***	***	***	***	(70.3)	-	0	-
2004:								
Jan.-Mar.	***	***	***	***	(84.8)	-	0	-
Apr.-June	***	***	***	***	(92.4)	-	0	-
July-Sept.	***	***	-	0	-	-	0	-
Oct.-Dec.	***	***	-	0	-	-	0	-
2005:								
Jan.-Mar.	***	***	-	0	-	-	0	-
Apr.-June	***	***	-	0	-	-	0	-
July-Sept.	***	***	***	***	(172.4)	-	0	-
Oct.-Dec.	***	***	***	***	(170.8)	-	0	-
2006:								
Jan.-Mar.	***	***	***	***	(186.1)	-	0	-
Apr.-June	***	***	***	***	(187.4)	-	0	-
July-Sept.	***	***	***	***	(183.6)	-	0	-
Oct.-Dec.	***	***	***	***	(170.8)	-	0	-
2007:								
Jan.-Mar.	***	***	***	***	(163.7)	-	0	-

¹ Private-label dry non-egg spaghetti (in 1 lb. pkg).

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

Table V-5

Certain dry pasta: Weighted-average f.o.b. prices and quantities of domestic and imported product 1¹ sold to distributors and margins of underselling/(overselling), by quarters, January-March 2001 to January-March 2007

Period	United States		Italy (excluding Lensi)			Turkey		
	Price (per lb.)	Quantity (1,000 lbs.)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)
2001:								
Jan.-Mar.	\$0.43	6,042	\$0.57	601	(32.7)	\$ -	0	-
Apr.-June	0.42	4,858	0.56	675	(34.6)	-	0	-
July-Sept.	0.41	6,467	0.55	597	(34.7)	-	0	-
Oct.-Dec.	0.40	7,112	0.58	631	(44.6)	-	0	-
2002:								
Jan.-Mar.	0.46	6,297	0.61	522	(33.6)	-	0	-
Apr.-June	0.45	5,250	0.60	583	(32.2)	-	0	-
July-Sept.	0.43	6,586	0.61	550	(42.4)	-	0	-
Oct.-Dec.	0.38	6,795	0.59	621	(58.0)	-	0	-
2003:								
Jan.-Mar.	0.52	5,934	0.66	495	(27.4)	-	0	-
Apr.-June	0.51	5,083	0.65	535	(27.6)	-	0	-
July-Sept.	0.47	7,346	0.63	534	(32.4)	-	0	-
Oct.-Dec.	0.45	7,233	0.70	528	(57.2)	-	0	-
2004:								
Jan.-Mar.	0.46	5,906	0.71	514	(54.0)	-	0	-
Apr.-June	0.49	5,589	0.70	534	(41.4)	-	0	-
July-Sept.	0.48	6,617	0.74	483	(54.1)	-	0	-
Oct.-Dec.	0.47	6,604	0.74	597	(58.6)	-	0	-
2005:								
Jan.-Mar.	0.48	7,231	0.70	562	(46.6)	-	0	-
Apr.-June	0.49	5,680	0.79	513	(61.4)	***	***	***
July-Sept.	0.50	6,951	0.76	519	(54.4)	***	***	***
Oct.-Dec.	0.50	5,980	0.76	679	(51.5)	***	***	***
2006:								
Jan.-Mar.	0.50	5,900	0.74	574	(48.9)	-	0	-
Apr.-June	0.49	4,813	0.72	539	(46.0)	-	0	-
July-Sept.	0.49	5,874	0.83	468	(69.9)	-	0	-
Oct.-Dec.	0.48	5,583	0.74	572	(52.9)	-	0	-
2007:								
Jan.-Mar.	0.50	5,572	***	***	***	-	0	-

¹ Brand-name dry non-egg spaghetti (in 1lb. pkg).

Note— One importer, ***, also reported data on *** thousand pounds of product 1 from *** sold to distributors. *** percent (by quantity) of these sales took place before April-June 2004. On average, product 1 imported from Canada and shipped to distributors undersold U.S.-produced product 1 shipped to distributors by 7.3 percent.

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

Table V-6

Certain dry pasta: Weighted-average f.o.b. prices and quantities of domestic and imported product 2¹ sold to distributors and margins of underselling/(overselling), by quarters, January-March 2001 to January-March 2007

Period	United States		Italy (excluding Lensi)			Turkey		
	Price (per lb.)	Quantity (1,000 lbs.)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)
2001:								
Jan.-Mar.	\$***	***	\$***	***	(69.5)	\$ -	0	-
Apr.-June	***	***	***	***	(71.1)	-	0	-
July-Sept.	***	***	***	***	(79.1)	-	0	-
Oct.-Dec.	***	***	***	***	(86.6)	-	0	-
2002:								
Jan.-Mar.	***	***	0.75	141	***	-	0	-
Apr.-June	***	***	0.77	149	***	-	0	-
July-Sept.	***	***	0.76	138	***	-	0	-
Oct.-Dec.	***	***	0.76	157	***	-	0	-
2003:								
Jan.-Mar.	***	***	0.76	155	***	-	0	-
Apr.-June	***	***	0.79	170	***	-	0	-
July-Sept.	***	***	0.86	168	***	-	0	-
Oct.-Dec.	***	***	***	***	(72.3)	-	0	-
2004:								
Jan.-Mar.	***	***	***	***	***	-	0	-
Apr.-June	***	***	0.78	212	***	-	0	-
July-Sept.	***	***	0.75	211	***	-	0	-
Oct.-Dec.	***	***	0.83	247	***	-	0	-
2005:								
Jan.-Mar.	***	***	***	***	(42.6)	-	0	-
Apr.-June	***	***	0.83	237	***	***	***	47.2
July-Sept.	0.58	740	0.80	235	(37.7)	***	***	***
Oct.-Dec.	0.56	1,006	0.78	282	(38.4)	***	***	***
2006:								
Jan.-Mar.	***	***	***	***	(47.9)	-	0	-
Apr.-June	***	***	0.78	236	***	-	0	-
July-Sept.	***	***	***	***	(12.6)	-	0	-
Oct.-Dec.	***	***	0.80	265	***	-	0	-
2007:								
Jan.-Mar.	***	***	0.81	317	***	-	0	-

¹ Brand name dry non-egg rigatoni (in 1 lb. pkg).

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

Table V-7

Certain dry pasta: Weighted-average f.o.b. prices and quantities of domestic and imported product 3¹ sold to distributors and margins of underselling/(overselling), by quarters, January-March 2001 to January-March 2007

Period	United States		Italy (excluding Lensi)			Turkey		
	Price (per lb.)	Quantity (1,000 lbs.)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)
2001:								
Jan.-Mar.	\$0.50	1,013	\$0.93	43	(84.6)	\$ -	0	-
Apr.-June	0.52	757	0.89	48	(73.0)	-	0	-
July-Sept.	0.43	1,378	0.82	40	(90.4)	-	0	-
Oct.-Dec.	0.43	1,593	0.86	56	(102.9)	-	0	-
2002:								
Jan.-Mar.	0.49	905	0.89	60	(82.6)	-	0	-
Apr.-June	0.40	1,045	0.83	60	(105.1)	-	0	-
July-Sept.	0.41	1,396	0.84	67	(103.3)	-	0	-
Oct.-Dec.	0.39	1,738	0.86	66	(117.3)	-	0	-
2003:								
Jan.-Mar.	0.56	1,012	0.79	70	(42.2)	-	0	-
Apr.-June	0.54	832	0.81	75	(49.0)	-	0	-
July-Sept.	0.50	1,409	0.85	80	(70.2)	-	0	-
Oct.-Dec.	0.48	1,933	0.89	76	(83.8)	-	0	-
2004:								
Jan.-Mar.	0.51	1,531	0.80	84	(55.3)	-	0	-
Apr.-June	0.49	1,493	0.76	77	(53.7)	-	0	-
July-Sept.	0.50	1,709	0.85	87	(69.4)	-	0	-
Oct.-Dec.	0.49	1,915	0.88	105	(80.2)	-	0	-
2005:								
Jan.-Mar.	0.51	1,711	0.81	95	(57.3)	-	0	-
Apr.-June	0.51	1,668	0.87	92	(68.7)	-	0	-
July-Sept.	0.52	1,782	0.86	100	(63.5)	-	0	-
Oct.-Dec.	0.51	1,830	0.85	121	(65.9)	-	0	-
2006:								
Jan.-Mar.	0.51	1,797	0.83	115	(61.9)	-	0	-
Apr.-June	0.50	1,706	0.83	105	(65.5)	-	0	-
July-Sept.	0.50	1,926	***	***	***	-	0	-
Oct.-Dec.	0.50	1,966	0.83	122	(65.4)	-	0	-
2007:								
Jan.-Mar.	0.50	1,955	0.82	130	(65.7)	-	0	-

¹ Brand name dry non-egg angle-hair pasta (in 1 lb. pkg).

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

Table V-8

Certain dry pasta: Weighted-average f.o.b. prices and quantities of domestic product 4¹ sold to distributors and margins of underselling/(overselling), by quarters, January-March 2001 to January-March 2007

Period	United States		Italy (excluding Lensi)			Turkey		
	Price (per lb.)	Quantity (1,000 lbs.)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)	Price (per lb.)	Quantity (1,000 lbs.)	Margin (percent)
2001:								
Jan.-Mar.	\$0.35	2,382	\$ -	0	-	\$ -	0	-
Apr.-June	0.35	1,899	-	0	-	-	0	-
July-Sept.	0.35	2,079	-	0	-	-	0	-
Oct.-Dec.	0.34	2,297	-	0	-	-	0	-
2002:								
Jan.-Mar.	0.35	3,076	-	0	-	-	0	-
Apr.-June	0.35	3,045	-	0	-	-	0	-
July-Sept.	0.35	3,491	-	0	-	-	0	-
Oct.-Dec.	0.35	3,246	-	0	-	-	0	-
2003:								
Jan.-Mar.	0.35	2,865	-	0	-	-	0	-
Apr.-June	0.34	2,531	-	0	-	-	0	-
July-Sept.	0.36	2,486	-	0	-	-	0	-
Oct.-Dec.	0.36	2,374	-	0	-	-	0	-
2004:								
Jan.-Mar.	0.36	2,150	-	0	-	-	0	-
Apr.-June	0.36	2,076	-	0	-	-	0	-
July-Sept.	0.35	2,284	-	0	-	-	0	-
Oct.-Dec.	0.35	2,238	-	0	-	-	0	-
2005:								
Jan.-Mar.	0.35	2,901	-	0	-	-	0	-
Apr.-June	0.36	2,722	-	0	-	-	0	-
July-Sept.	0.36	2,977	-	0	-	-	0	-
Oct.-Dec.	0.35	3,023	-	0	-	-	0	-
2006:								
Jan.-Mar.	0.37	3,016	-	0	-	-	0	-
Apr.-June	0.37	2,648	-	0	-	-	0	-
July-Sept.	0.37	3,244	-	0	-	-	0	-
Oct.-Dec.	0.37	2,898	-	0	-	-	0	-
2007:								
Jan.-Mar.	0.38	2,985	-	0	-	-	0	-

¹ Private-label dry non-egg spaghetti (in 1 lb. pkg).

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

Figure V-4
Certain dry pasta: Weighted-average f.o.b. prices of domestic and imported product 1 sold to retail grocers, by quarters, January-March 2001 to January-March 2007

* * * * *

Figure V-5
Certain dry pasta: Weighted-average f.o.b. prices of domestic and imported product 2 sold to retail grocers, by quarters, January-March 2001 to January-March 2007

* * * * *

Figure V-6
Certain dry pasta: Weighted-average f.o.b. prices of domestic and imported product 3 sold to retail grocers, by quarters, January-March 2001 to January-March 2007

* * * * *

Figure V-7
Certain dry pasta: Weighted-average f.o.b. prices of domestic and imported product 4 sold to retail grocers, by quarters, January-March 2001 to January-March 2007

* * * * *

Figure V-8
Certain dry pasta: Weighted-average f.o.b. prices of domestic and imported product 1 sold to distributors, by quarters, January-March 2001 to January-March 2007

* * * * *

Figure V-9
Certain dry pasta: Weighted-average f.o.b. prices of domestic and imported product 2 sold to distributors, by quarters, January-March 2001 to January-March 2007

* * * * *

Figure V-10
Certain dry pasta: Weighted-average f.o.b. prices of domestic and imported product 3 sold to distributors, by quarters, January-March 2001 to January-March 2007

* * * * *

Figure V-11
Certain dry pasta: Weighted-average f.o.b. prices of domestic product 4 sold to distributors, by quarters, January-March 2001 to January-March 2007

* * * * *

Price Trends

As can be seen in the above figures, prices of U.S.-produced products 1 and 2 show a slight upward trend for shipments to both retail grocers and distributors. Prices for product 1 rose by *** percent for shipments to grocers and by *** percent for shipments to distributors, while prices for product 2 rose by *** percent for shipments to grocers and by *** percent for shipments to distributors. Prices for U.S.-produced products 3 and 4 remained relatively flat throughout the period, with only a slight increase (particularly for product 4), regardless of purchaser type. The marked increase seen in the first quarter of 2003 in several of the series is due to a significant price increase in product sold by ***.

As figures V-4 through V-11 illustrate, prices of subject dry pasta from Italy showed considerable variability throughout the period. Overall, however, prices of products 1, 2, and 3 imported from Italy and shipped to retail grocers rose by *** percent, *** percent, and *** percent, respectively, for shipments made to grocers. Prices of products 1, 2, and 3 imported from Italy and shipped to distributors show a different pattern with prices for products 1 and 2 rising slightly (by *** percent and *** percent, respectively), and prices for product 3 falling by *** percent over the review period. The differences seen between price trends in shipments made to grocers versus those made to distributors can be largely attributed to the differences in the importers that provided data for the two pricing groups. While data on shipments to distributors are equally influenced by a number of importers, data on shipments to retail grocers are dominated by two importers that only reported shipments to retail grocers. One importer ***, supplied data for the entire period on shipments to retail grocers for products 1, 2, and 3. Imports from this importer accounted for a large portion of imports of products 2 and 3, and a significant portion of imports of product 1, in the early part of the period. Most imports of product 1, prior to April-June 2004, however, were made by importer *** and were similarly priced to *** imports. Later in the period (beginning in April-June 2004), *** began to import a very large amount of higher-priced pasta products 1, 2, and 3 which accounted for ***. These new *** imports caused the increase in prices for products from Italy seen in the above figures and tables.¹³ The little price data received for product 4 imported from Italy are not sufficient to suggest a trend.

Little price data were received concerning products 1, 2, and 3 imported from Turkey and no data were received concerning product 4. The data that were received suggest that prices of pasta imported from Turkey show little movement during the period for which data were provided.

Price Comparisons

For shipments to retail grocers, prices of subject products 1, 2, and 3 imported from Italy were less expensive than their U.S.-produced counterparts in all but two of a possible 39 quarters during the period of January-March 2001 through January-March 2004. During this period, average margins of underselling were 3.6 percent, 9.2 percent, and 11.6 percent for products 1, 2, and 3, respectively. Once data for ***'s *** imports became available in April-June 2004, this pattern reversed. After January-March 2004, products 1, 2, and 3 imported from Italy undersold their U.S.-produced counterparts in only two of a possible 36 quarters. During this period, average margins of overselling were 8.8 percent, 10.6 percent, and 3.9 percent for products 1, 2, and 3, respectively. Limited data for product 4 provided by two importers suggest large margins of overselling by product 4 imported from Italy. For shipments to distributors, prices of products 1, 2, and 3 imported from Italy were substantially more expensive than their U.S.-produced counterparts in all quarters for which data were collected. Average margins of overselling were 45.0 percent, 58.3 percent, and 72.2 percent for products 1, 2, and 3, respectively. While margins for shipments of product 1 to distributors show no clear trend over the period, margins for products 2 and 3 shipped to distributors have become smaller since 2004. Many of these imports may be

¹³ ***. However, ***.

of “specialty pasta” which may help explain the large differences in price between U.S.-produced dry pasta and dry pasta imported from Italy.

U.S. shipments of dry pasta products 1, 2, and 3 from Turkey, whether made to retail grocers or distributors, undersold their U.S.-produced counterparts in all quarters for which data were collected. Margins averaged in the range of 40 percent to 55 percent across all products.

APPENDIX A

***FEDERAL REGISTER* NOTICES AND STATEMENT ON ADEQUACY**

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701-TA-365-366 and 731-TA-734-735 (Second Review)]

Certain Pasta From Italy and Turkey

AGENCY: United States International Trade Commission.

ACTION: Institution of five-year reviews concerning the countervailing and antidumping duty orders on certain pasta from Italy and Turkey.

SUMMARY: The Commission hereby gives notice that it has instituted reviews pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)) (the Act) to determine whether revocation of the countervailing and antidumping duty orders on certain pasta from Italy and Turkey would be likely to lead to continuation or recurrence of material injury. Pursuant to section 751(c)(2) of the Act, interested parties are requested to respond to this notice by submitting the information specified below to the Commission;¹ to be assured of consideration, the deadline for responses is November 21, 2006. Comments on the adequacy of responses may be filed with the Commission by December 15, 2006. For further information concerning the conduct of these reviews and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

DATES: *Effective Date:* October 2, 2006.

FOR FURTHER INFORMATION CONTACT: Mary Messer (202-205-3193), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for

these reviews may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION:

Background.—On July 24, 1996, the Department of Commerce issued countervailing and antidumping duty orders on imports of certain pasta from Italy and Turkey (61 FR 38544). Following five-year reviews by Commerce and the Commission, effective November 16, 2001, Commerce issued a continuation of the countervailing and antidumping duty orders on imports of certain pasta from Italy and Turkey (66 FR 57703). The Commission is now conducting second reviews to determine whether revocation of the orders would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time. It will assess the adequacy of interested party responses to this notice of institution to determine whether to conduct full reviews or expedited reviews. The Commission's determinations in any expedited reviews will be based on the facts available, which may include information provided in response to this notice.

Definitions.—The following definitions apply to these reviews:

(1) *Subject Merchandise* is the class or kind of merchandise that is within the scope of the five-year reviews, as defined by the Department of Commerce.

(2) The *Subject Countries* in these reviews are Italy and Turkey.

(3) The *Domestic Like Product* is the domestically produced product or products which are like, or in the absence of like, most similar in characteristics and uses with, the *Subject Merchandise*. In its original and expedited five-year review determinations, the Commission defined the *Domestic Like Product* as all dry pasta. One Commissioner defined the *Domestic Like Product* differently in the original and expedited five-year review determinations.

(4) The *Domestic Industry* is the U.S. producers as a whole of the *Domestic Like Product*, or those producers whose collective output of the *Domestic Like Product* constitutes a major proportion of the total domestic production of the product. In its original and expedited five-year review determinations, the Commission defined the *Domestic Industry* as all domestic producers of dry pasta. One Commissioner defined the *Domestic Industry* differently in the original and expedited five-year review determinations.

(5) An *Importer* is any person or firm engaged, either directly or through a parent company or subsidiary, in importing the *Subject Merchandise* into the United States from a foreign manufacturer or through its selling agent.

Participation in the reviews and public service list.—Persons, including industrial users of the *Subject Merchandise* and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the reviews as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11(b)(4) of the Commission's rules, no later than 21 days after publication of this notice in the **Federal Register**. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the reviews.

Former Commission employees who are seeking to appear in Commission five-year reviews are reminded that they are required, pursuant to 19 CFR 201.15, to seek Commission approval if the matter in which they are seeking to appear was pending in any manner or form during their Commission employment. The Commission is seeking guidance as to whether a second transition five-year review is the "same particular matter" as the underlying original investigation for purposes of 19 CFR 201.15 and 18 U.S.C. 207, the post employment statute for Federal employees. Former employees may seek informal advice from Commission ethics officials with respect to this and the related issue of whether the employee's participation was "personal and substantial." However, any informal consultation will not relieve former employees of the obligation to seek approval to appear from the Commission under its rule 201.15. For ethics advice, contact Carol McCue Verratti, Deputy Agency Ethics Official, at 202-205-3088.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and APO service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI submitted in these reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made no later than 21 days after publication of this notice in the **Federal Register**. Authorized applicants must represent interested parties, as defined in 19 U.S.C. 1677(9), who are parties to the reviews. A separate service list will be maintained by the Secretary for those parties

¹ No response to this request for information is required if a currently valid Office of Management and Budget (OMB) number is not displayed; the OMB number is 3117-0016/USITC No. 07-5-160, expiration date June 30, 2008. Public reporting burden for the request is estimated to average 10 hours per response. Please send comments regarding the accuracy of this burden estimate to the Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436.

authorized to receive BPI under the APO.

Certification.—Pursuant to section 207.3 of the Commission's rules, any person submitting information to the Commission in connection with these reviews must certify that the information is accurate and complete to the best of the submitter's knowledge. In making the certification, the submitter will be deemed to consent, unless otherwise specified, for the Commission, its employees, and contract personnel to use the information provided in any other reviews or investigations of the same or comparable products which the Commission conducts under Title VII of the Act, or in internal audits and investigations relating to the programs and operations of the Commission pursuant to 5 U.S.C. Appendix 3.

Written submissions.—Pursuant to section 207.61 of the Commission's rules, each interested party response to this notice must provide the information specified below. The deadline for filing such responses is November 21, 2006. Pursuant to section 207.62(b) of the Commission's rules, eligible parties (as specified in Commission rule 207.62(b)(1)) may also file comments concerning the adequacy of responses to the notice of institution and whether the Commission should conduct expedited or full reviews. The deadline for filing such comments is December 15, 2006. All written submissions must conform with the provisions of sections 201.8 and 207.3 of the Commission's rules and any submissions that contain BPI must also conform with the requirements of sections 201.6 and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Also, in accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the reviews must be served on all other parties to the reviews (as identified by either the public or APO service list as appropriate), and a certificate of service must accompany the document (if you are not a party to the reviews you do not need to serve your response).

Inability to provide requested information.—Pursuant to section 207.61(c) of the Commission's rules, any interested party that cannot furnish the information requested by this notice in the requested form and manner shall notify the Commission at the earliest possible time, provide a full explanation of why it cannot provide the requested

information, and indicate alternative forms in which it can provide equivalent information. If an interested party does not provide this notification (or the Commission finds the explanation provided in the notification inadequate) and fails to provide a complete response to this notice, the Commission may take an adverse inference against the party pursuant to section 776(b) of the Act in making its determinations in the reviews.

Information To Be Provided in Response to This Notice of Institution: If you are a domestic producer, union/worker group, or trade/business association; import/export *Subject Merchandise* from more than one *Subject Country*; or produce *Subject Merchandise* in more than one *Subject Country*, you may file a single response. If you do so, please ensure that your response to each question includes the information requested for each pertinent *Subject Country*. As used below, the term "firm" includes any related firms.

(1) The name and address of your firm or entity (including World Wide Web address if available) and name, telephone number, fax number, and E-mail address of the certifying official.

(2) A statement indicating whether your firm/entity is a U.S. producer of the *Domestic Like Product*, a U.S. union or worker group, a U.S. importer of the *Subject Merchandise*, a foreign producer or exporter of the *Subject Merchandise*, a U.S. or foreign trade or business association, or another interested party (including an explanation). If you are a union/worker group or trade/business association, identify the firms in which your workers are employed or which are members of your association.

(3) A statement indicating whether your firm/entity is willing to participate in these reviews by providing information requested by the Commission.

(4) A statement of the likely effects of the revocation of the countervailing and antidumping duty orders on the *Domestic Industry* in general and/or your firm/entity specifically. In your response, please discuss the various factors specified in section 752(a) of the Act (19 U.S.C. 1675a(a)) including the likely volume of subject imports, likely price effects of subject imports, and likely impact of imports of *Subject Merchandise* on the *Domestic Industry*.

(5) A list of all known and currently operating U.S. producers of the *Domestic Like Product*. Identify any known related parties and the nature of the relationship as defined in section 771(4)(B) of the Act (19 U.S.C. 1677(4)(B)).

(6) A list of all known and currently operating U.S. importers of the *Subject Merchandise* and producers of the *Subject Merchandise* in the *Subject Countries* that currently export or have exported *Subject Merchandise* to the United States or other countries after 2000.

(7) If you are a U.S. producer of the *Domestic Like Product*, provide the following information on your firm's operations on that product during calendar year 2005 (report quantity data in pounds and value data in U.S. dollars, f.o.b. plant). If you are a union/worker group or trade/business association, provide the information, on an aggregate basis, for the firms in which your workers are employed/which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total U.S. production of the *Domestic Like Product* accounted for by your firm's(s') production;

(b) the quantity and value of U.S. commercial shipments of the *Domestic Like Product* produced in your U.S. plant(s); and

(c) the quantity and value of U.S. internal consumption/company transfers of the *Domestic Like Product* produced in your U.S. plant(s).

(8) If you are a U.S. importer or a trade/business association of U.S. importers of the *Subject Merchandise* from the *Subject Country(ies)*, provide the following information on your firm's(s') operations on that product during calendar year 2005 (report quantity data in pounds and value data in U.S. dollars). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) The quantity and value (landed, duty-paid but not including antidumping or countervailing duties) of U.S. imports and, if known, an estimate of the percentage of total U.S. imports of *Subject Merchandise* from each *Subject Country* accounted for by your firm's(s') imports;

(b) the quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. commercial shipments of *Subject Merchandise* imported from each *Subject Country*; and

(c) the quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. internal consumption/company transfers of *Subject Merchandise* imported from each *Subject Country*.

(9) If you are a producer, an exporter, or a trade/business association of producers or exporters of the *Subject*

Merchandise in the Subject Country(ies), provide the following information on your firm's(s') operations on that product during calendar year 2005 (report quantity data in pounds and value data in U.S. dollars, landed and duty-paid at the U.S. port but not including antidumping or countervailing duties). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total production of *Subject Merchandise* in each *Subject Country* accounted for by your firm's(s') production; and

(b) the quantity and value of your firm's(s') exports to the United States of *Subject Merchandise* and, if known, an estimate of the percentage of total exports to the United States of *Subject Merchandise* from each *Subject Country* accounted for by your firm's(s') exports.

(10) Identify significant changes, if any, in the supply and demand conditions or business cycle for the *Domestic Like Product* that have occurred in the United States or in the market for the *Subject Merchandise* in the *Subject Countries* after 2000, and significant changes, if any, that are likely to occur within a reasonably foreseeable time. Supply conditions to consider include technology; production methods; development efforts; ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production); and factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad). Demand conditions to consider include end uses and applications; the existence and availability of substitute products; and the level of competition among the *Domestic Like Product* produced in the United States, *Subject Merchandise* produced in the *Subject Countries*, and such merchandise from other countries.

(11) (Optional) A statement of whether you agree with the above definitions of the *Domestic Like Product* and *Domestic Industry*; if you disagree with either or both of these definitions, please explain why and provide alternative definitions.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.61 of the Commission's rules.

Issued: September 25, 2006.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E6-16082 Filed 9-29-06; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701-TA-365-366 and
731-TA-734-735 (Second Review)]

Certain Pasta From Italy and Turkey

AGENCY: United States International
Trade Commission.

ACTION: Notice of Commission
determinations to conduct full five-year
reviews concerning the countervailing
and antidumping duty orders on certain
pasta from Italy and Turkey.

SUMMARY: The Commission hereby gives
notice that it will proceed with full
reviews pursuant to section 751(c)(5) of
the Tariff Act of 1930 (19 U.S.C.
1675(c)(5)) to determine whether
revocation of the countervailing and
antidumping duty orders on certain
pasta from Italy and Turkey would be
likely to lead to continuation or
recurrence of material injury within a
reasonably foreseeable time. A schedule
for the reviews will be established and
announced at a later date. For further
information concerning the conduct of
these reviews and rules of general
application, consult the Commission's
Rules of Practice and Procedure, part
201, subparts A through E (19 CFR part
201), and part 207, subparts A, D, E, and
F (19 CFR part 207).

EFFECTIVE DATE: January 5, 2007.

FOR FURTHER INFORMATION CONTACT:

Mary Messer (202-205-3193), Office of
Investigations, U.S. International Trade
Commission, 500 E Street, SW.,

Washington, DC 20436. Hearing-
impaired persons can obtain
information on this matter by contacting
the Commission's TDD terminal on 202-
205-1810. Persons with mobility
impairments who will need special
assistance in gaining access to the
Commission should contact the Office
of the Secretary at 202-205-2000.
General information concerning the
Commission may also be obtained by
accessing its internet server [http://
www.usitc.gov](http://www.usitc.gov). The public record for
these reviews may be viewed on the
Commission's electronic docket (EDIS)
at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION: On
January 5, 2007, the Commission
determined that it should proceed to
full reviews in the subject five-year
reviews pursuant to section 751(c)(5) of
the Act. The Commission found that the
domestic interested party group
response to its notice of institution (71
FR 57999, October 2, 2006) was
adequate and that the respondent
interested party group response with
respect to Turkey was adequate and
decided to conduct full reviews with
respect to the antidumping and
countervailing duty orders concerning
certain pasta from Turkey. The
Commission found that the respondent
interested party group response with
respect to Italy was inadequate.
However, the Commission determined
to conduct full reviews concerning the
antidumping and countervailing duty
orders on certain pasta from Italy to
promote administrative efficiency in
light of its decision to conduct full
reviews with respect to the orders
concerning certain pasta from Turkey. A
record of the Commissioners' votes, the
Commission's statement on adequacy,
and any individual Commissioner's
statements will be available from the
Office of the Secretary and at the
Commission's Web site.

Authority: These reviews are being
conducted under authority of title VII of the
Tariff Act of 1930; this notice is published
pursuant to section 207.62 of the
Commission's rules.

Issued: January 16, 2007.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E7-719 Filed 1-18-07; 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF COMMERCE**International Trade Administration**

(A-475-818; A-489-805)

Notice of Final Results of Expedited Sunset Reviews of the Antidumping Duty Orders: Certain Pasta from Italy and Turkey**AGENCY:** Import Administration, International Trade Administration, Department of Commerce.**SUMMARY:** On October 2, 2006, the Department of Commerce ("the Department") initiated five-year ("sunset") reviews of the antidumping duty orders on certain pasta ("pasta") from Italy and Turkey (71 FR 57921) pursuant to section 751(c) of the Tariff Act of 1930, as amended ("the Act"). On the basis of notices of intent to participate and substantive comments filed on behalf of the domestic interested parties, and an untimely response from a respondent interested party in the sunset review of Turkey, the Department conducted expedited (120-day) sunset reviews of these antidumping duty orders. As a result of these reviews, the Department finds that revocation of the antidumping duty orders on pasta from Italy and Turkey would be likely to lead to continuation or recurrence of dumping at the levels indicated in the *Final Results of Review* section of this notice.**EFFECTIVE DATE:** February 5, 2007.**FOR FURTHER INFORMATION CONTACT:** Dennis McClure or Brandon Farlander, AD/CVD Operations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-5973 or (202) 482-0182, respectively.**SUPPLEMENTARY INFORMATION:****Background**

On October 2, 2006, the Department initiated sunset reviews of the antidumping duty orders on pasta from Italy and Turkey (71 FR 57921), pursuant to section 751(c) of the Act. *See Initiation of Five-year ("Sunset") Reviews*, 71 FR 57921 (October 2, 2006). On October 17, 2006, the Department received notices of intent to participate on behalf of New World Pasta Company, Dakota Growers Pasta Company, A. Zerga's Sons, Inc., Philadelphia Macaroni Company, and American Italian Pasta Company (collectively, "domestic interested parties"), within the applicable deadline specified in 19 CFR 351.218(d)(1)(i). *See Letter of Domestic Party Notice of Intent to*

Participate - Sunset Review of the Antidumping Duty Order on Certain Pasta from Italy, dated October 17, 2006, and Domestic Party Notice of Intent to Participate - Sunset Review of the Antidumping Duty Order on Certain Pasta from Turkey, dated October 17, 2006. The domestic interested parties claimed interested party status under section 771(9)(C) of the Act, as producers of pasta in the United States. On November 1, 2006, the Department received complete substantive responses from the domestic interested parties within the 30-day deadline specified in 19 CFR 351.218(d)(3)(i). We received one substantive response from a respondent interested party in these proceedings; however, the response was returned because it was submitted after the November 1, 2006, deadline. *See Letter from Oba Makarnacilik Sanayi ve Ticaret A.S. to the Secretary of Commerce*, dated November 7, 2006. As a result, pursuant to 19 CFR 351.218(e)(1)(ii)(C), the Department conducted expedited, 120-day, sunset reviews of these antidumping duty orders.

Scope of Orders*Italy (A-475-818)*

Imports covered by the antidumping duty order on pasta from Italy include shipments of certain non-egg dry pasta in packages of five pounds (2.27 kilograms) or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastasis, vitamins, coloring and flavorings, and up to two percent egg white. The pasta covered by this order is typically sold in the retail market, in fiberboard or cardboard cartons, or polyethylene or polypropylene bags of varying dimensions.

Excluded from the scope of this order are refrigerated, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of non-egg dry pasta containing up to two percent egg white. Also excluded from the order on pasta from Italy are imports of organic pasta from Italy that are accompanied by the appropriate certificate issued by the Istituto Mediterraneo Di Certificazione, by Bioagricoop Scrl, by QC&I International Services, by Ecocert Italia or by Consorzio per il Controllo dei Prodotti Biologici, by Associazione Italiana per l'Agricoltura Biologica, or by Istituto per la Certificazione Etica e Ambientale ("ICEA") are also excluded from this order.

The merchandise subject to the antidumping duty order on pasta from

Italy is currently classifiable under item 1902.19.20 of the Harmonized Tariff Schedule of the United States (“HTSUS”). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise subject to the order is dispositive.

Scope Rulings:

The Department has issued the following scope rulings:

(1) On August 25, 1997, the Department issued a scope ruling, finding that multicolored pasta, imported in kitchen display bottles of decorative glass that are sealed with cork or paraffin and bound with raffia, is excluded from the scope of the order. See Memorandum from Edward Easton to Richard Moreland, dated August 25, 1997, on file in the Central Records Unit (“CRU”) of the main Commerce Building, Room B-099.

(2) On July 30, 1998, the Department issued a scope ruling, finding that multipacks consisting of six one-pound packages of pasta that are shrink-wrapped into a single package are within the scope of the order. See letter from Susan H. Kuhbach, Acting Deputy Assistant Secretary for Import Administration, to Barbara P. Sidari, Vice President, Joseph A. Sidari Company, Inc., dated July 30, 1998, on file in the CRU.

(3) On October 23, 1997, the petitioners filed a request that the Department initiate an anti-circumvention investigation against Barilla, an Italian producer and exporter of pasta. On October 5, 1998, the Department issued a final determination that, pursuant to section 781(a) of the Act, Barilla was circumventing the antidumping duty order by exporting bulk pasta from Italy which it subsequently repackaged in the United States into packages of five pounds or less for sale in the United States. See Anti-circumvention Inquiry of the Antidumping Duty Order on Certain Pasta from Italy: Affirmative

Final Determination of Circumvention of the Antidumping Duty Order, 63 FR 54672 (October 13, 1998) (Barilla Circumvention Inquiry).

(4) On October 26, 1998, the Department self-initiated a scope inquiry to determine whether a package weighing over five pounds as a result of allowable industry tolerances may be within the scope of the order. On May 24, 1999, we issued a final scope ruling finding that, effective October 26, 1998, pasta in packages weighing up to (and including) five pounds four ounces, and so labeled, is within the scope of the order. See Memorandum from John Brinkmann to Richard Moreland, dated May 24, 1999 on file in the CRU.

Turkey (A-489-805)

Imports covered by the antidumping duty order on pasta from Turkey include shipments of certain non-egg dry pasta in packages of five pounds (2.27 kilograms) or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastases, vitamins, coloring and flavorings, and up to two percent egg white. The pasta covered by this order is typically sold in the retail market, in fiberboard or cardboard cartons, or polyethylene or polypropylene bags of varying dimensions. Excluded from the scope of this order are refrigerated, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of non-egg dry pasta containing up to two percent egg white.

The merchandise subject to review is currently classifiable under item 1902.19.20 of the HTSUS. Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise subject to the order is dispositive.

Scope Ruling:

On October 26, 1998, the Department self-initiated a scope inquiry to

determine whether a package weighing over five pounds as a result of allowable industry tolerances may be within the scope of the orders. On May 24, 1999 we issued a final scope ruling finding that, effective October 26, 1998, pasta in packages weighing up to (and including) five pounds four ounces, and so labeled, is within the scope of the order. See Memorandum from John Brinkmann to Richard Moreland, dated May 24, 1999, on file in the CRU.

Analysis of Comments Received

All issues raised by parties to these sunset reviews are addressed in the *Issues and Decision Memorandum Expedited Sunset Reviews of the Antidumping Duty Orders on Certain Pasta from Italy and Turkey* (“Decision Memorandum”) from Stephen A. Claeys, Deputy Assistant Secretary for Import Administration, to David M. Spooner, Assistant Secretary for Import Administration, dated January 30, 2007, which is hereby adopted by this notice. The issues discussed in the Decision Memorandum include the likelihood of continuation or recurrence of dumping and the magnitude of the margins likely to prevail were the orders revoked. Parties may find a complete discussion of all issues raised in these reviews and the corresponding recommendations in this public memorandum which is on file in the CRU. In addition, a complete version of the Decision Memorandum may be accessed directly on the Web at <http://ia.ita.doc.gov/frn>. The paper copy and electronic version of the Decision Memorandum are identical in content.

Final Results of Reviews

We determine that revocation of the antidumping duty orders on pasta from Italy and Turkey would likely lead to continuation or recurrence of dumping at the following weighted-average percentage margins:

Manufacturers/Exporters/Producers	Weighted-average margin (percent)
Italy.	
Arrighi S.p.A. Industrie Alimentari	21.34
La Molisana Industrie Alimentari S.p.A.	14.78
Liguori Pastificio Dal 1820 S.p.A.	12.41
Pastificio Fratelli Pagani S.p.A.	18.30
All Others ¹	12.09
Turkey.	
Filiz Gida Sanayi ve Ticaret A.S.	63.29
Gidasa Sabanci Gida Sanayi ve Ticaret A.S. ²	60.87

Manufacturers/Exporters/Producers	Weighted-average margin (percent)
All Others	60.87

¹ Does not apply to 1) CO.R.EX S.p.A.; 2) F.lli De Cecco di Filippo Fara San Martino S.p.A.; 3) Delverde S.r.l. and its affiliate, Tamma Industrie Alimentari di Capitanata S.r.l.; 4) De Matteis Agroalimentare S.p.A.; 5) Pastificio Guido Ferrara S.r.l.; 6) Pasta Lensi S.r.l. (formerly Italian American Pasta Company); 7) N. Puglisi & F. Industria Paste Alimentari; or 8) Pastificio Antonio Pallante S.r.l. and its affiliate Vitelli Foods LLC because these companies are excluded from the order.

² Gidasa Sabanci Gida Sanayi ve Ticaret A.S. is the successor-in-interest to Maktas Makarnacilik ve Ticaret A.S., a respondent in the original investigation.

This sunset review and notice are in accordance with sections 751(c), 752, and 777(i)(1) of the Act.

Dated: January 30, 2007.

David M. Spooner,

Assistant Secretary for Import Administration.

[FR Doc. E7-1811 Filed 2-2-07; 8:45 am]

BILLING CODE 3510-DS-S

DEPARTMENT OF COMMERCE

International Trade Administration

[C-489-806]

**Certain Pasta From Turkey: Final
Results of Expedited Five-Year
("Sunset") Review of the
Countervailing Duty Order**

AGENCY: Import Administration,
International Trade Administration,
Department of Commerce.

SUMMARY: On October 2, 2006, the
Department of Commerce ("the
Department") published in the **Federal
Register** the notice of initiation of the
second five-year sunset review of the
countervailing duty order on certain
pasta ("pasta") from Turkey, pursuant to
section 751(c) of the Tariff Act of 1930,
as amended ("the Act"). *See Initiation
of Five-year ("Sunset") Reviews*, 71 FR

57921 (October 2, 2006) (“*Second Sunset Review*”). The Department has conducted an expedited sunset review of this order pursuant to section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2). As a result of this sunset review, the Department finds that revocation of the countervailing duty order is likely to lead to continuation or recurrence of a countervailable subsidy at the levels indicated in the “Final Results of Review” section of this notice.

EFFECTIVE DATE: February 5, 2007.

FOR FURTHER INFORMATION CONTACT: Audrey R. Twyman or Brandon Farlander, AD/CVD Operations, Office 1, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Ave., NW., Washington, DC 20230; telephone: (202) 482-3534 or (202) 482-0182, respectively.

SUPPLEMENTARY INFORMATION:

Background

The countervailing duty order which covers pasta from Turkey was published in the **Federal Register** on July 24, 1996. See *Notice of Countervailing Duty Order: Certain Pasta (“Pasta”) From Turkey*, 61 FR 38546 (July 24, 1996). On October 2, 2006, the Department initiated the second sunset review of this order, pursuant to section 751(c) of the Act. See *Second Sunset Review*. The Department received a notice of intent to participate from the following domestic parties: A. Zerega’s Sons, Inc.; American Italian Pasta Company; Dakota Growers Pasta Company, Inc.; New World Pasta Company; and Philadelphia Macaroni Company (collectively, “domestic interested parties”), within the deadline specified in 19 CFR 351.218(d)(1)(i). The companies claimed interested party status under section 771(9)(C) of the Act, as manufacturers of a domestic-like product in the United States.

The Department received a request for a 12-day extension of time from the Government of the Republic of Turkey (“GRT”) to submit its substantive response. The Department partially granted the GRT’s request and extended the deadline for filing a substantive response to November 8, 2006. The same extension was also granted to the domestic interested parties, per their request. On November 8, 2006, the Department received complete substantive responses to the notice of initiation from the domestic interested parties and from the GRT.

The Department did not receive any substantive responses from Turkish producers or exporters of the

merchandise covered by this order. Based on the fact that a government’s response alone, normally, is not sufficient for full sunset reviews in which the orders are not done on an aggregate basis, we determined to conduct an expedited (120 day) sunset review of this order. See section 751(c)(3)(A) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2). See, e.g., *Final Results of Expedited Sunset Reviews of Countervailing Duty Orders: Pure Magnesium and Alloy Magnesium from Canada*, 70 FR 67140 (November 4, 2005). See also Letter to Robert Carpenter, Director, Office of Investigations, International Trade Commission, from Wendy Frankel, Director, Import Administration, Department of Commerce, regarding inadequate response to the notice of initiation from respondent interested parties (November 21, 2006); and Memorandum from Saliha Loucif, International Trade Compliance Analyst, to Susan Kuhbach, Office Director, Import Administration, Department of Commerce, regarding “Adequacy Determination of the Second Sunset Review of the Countervailing Duty Order on Certain Pasta from Turkey” (November 21, 2006).

On January 19, 2007, the Department placed the calculation of the all-others rate from the investigation onto the record of this sunset review and allowed parties to comment. We received comment from domestic interested parties and the GRT on January 24, 2007. No hearing was held because none was requested.

Scope of the Order

Covered by the order are shipments of certain non-egg dry pasta in packages of five pounds (2.27 kilograms) or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastases, vitamins, coloring and flavorings, and up to two percent egg white. The pasta covered by this order is typically sold in the retail market, in fiberboard or cardboard cartons or polyethylene or polypropylene bags, of varying dimensions.

Excluded from the order are refrigerated, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of non-egg dry pasta containing up to two percent egg white.

The merchandise under review is currently classifiable under subheading 1902.19.20 of the *Harmonized Tariff Schedule of the United States* (“HTSUS”). Although the HTSUS subheading is provided for convenience and customs purposes, our written

description of the scope of the order is dispositive.

Scope Ruling

To date, the Department has issued the following scope ruling:

On October 26, 1998, the Department self-initiated a scope inquiry to determine whether a package weighing over five pounds as a result of allowable industry tolerances may be within the scope of the countervailing duty order. On May 24, 1999, we issued a final scope ruling finding that, effective October 26, 1998, pasta in packages weighing or labeled up to (and including) five pounds four ounces is within the scope of the countervailing duty order. See Memorandum from John Brinkmann to Richard Moreland, dated May 24, 1999, which is on file in the Central Records Unit (“CRU”) in room B-099 of the main Department building.

Analysis of Comments Received

All issues raised in substantive responses by parties in this sunset review are addressed in the “Issues and Decision Memo for the Expedited Sunset Review of the Countervailing Duty Order on Certain Pasta from Turkey; Final Results,” (“Decision Memo”), from Stephen J. Claeys, Deputy Assistant Secretary for Import Administration, to David M. Spooner, Assistant Secretary for Import Administration, dated January 30, 2007, which is hereby adopted by this notice. The issues discussed in the Decision Memo include the likelihood of continuation or recurrence of a countervailable subsidy, the net countervailable subsidy rate likely to prevail if the order were revoked, and the nature of the subsidies.

Parties can find a complete discussion of all issues raised in this sunset review and the corresponding recommendation in this public memorandum which is on file in the CRU. In addition, a complete version of the Decision Memo can be accessed directly on the Department’s Web page at <http://ia.ita.doc.gov/frn/index.html>. The paper copy and electronic version of the Decision Memo are identical in content.

Final Results of Review

The Department determines that revocation of the countervailing duty order on pasta from Turkey is likely to lead to continuation or recurrence of countervailable subsidies at the following countervailing duty rates:

Manufacturer/Exporter	Net Subsidy Rate (percent)
Filiz Gida Sanayi ve Ticaret	3.03

Manufacturer/Exporter	Net Subsidy Rate (percent)
Maktas Makarnacilik ve Ticaret/ Gidasa Gida San.Tic.A.S. 1	4.49
Oba Makarnacilik Sanayi ve Ticaret	14.48
"All Others"	10.25

Notification Regarding Administrative Orders

This notice also serves as the only reminder to parties subject to administrative protective orders ("APO") of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305(a)(3). Timely notification of the return or destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

We are issuing and publishing this determination and notice in accordance with sections 751(c), 752, and 777(i) of the Act.

Dated: January 30, 2007.

David M. Spooner,
Assistant Secretary for Import Administration.

[FR Doc. E7-1813 Filed 2-2-07; 8:45 am]

BILLING CODE 3510-DS-P

**INTERNATIONAL TRADE
COMMISSION**

[Investigation Nos. 701-TA-365-366 and
731-TA-734-735 (Second Review)]

Certain Pasta From Italy and Turkey

AGENCY: United States International Trade Commission.

ACTION: Scheduling of full five-year reviews concerning the antidumping and countervailing duty orders on certain pasta from Italy and Turkey.

SUMMARY: The Commission hereby gives notice of the scheduling of full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) (the Act) to determine whether revocation of the antidumping and countervailing duty orders on certain pasta from Italy and Turkey would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. For further information concerning the conduct of these reviews and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

DATES: *Effective Date:* February 2, 2007.

FOR FURTHER INFORMATION CONTACT: Michael Szustakowski (202-205-3188), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION:

Background.—On January 5, 2007, the Commission determined that responses to its notice of institution of the subject five-year reviews were such that full

reviews pursuant to section 751(c)(5) of the Act should proceed (72 FR 2558, January 19, 2007). A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements are available from the Office of the Secretary and at the Commission's Web site.

Participation in the reviews and public service list.—Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in these reviews as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, by 45 days after publication of this notice. A party that filed a notice of appearance following publication of the Commission's notice of institution of the reviews need not file an additional notice of appearance. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the reviews.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made by 45 days after publication of this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the reviews. A party granted access to BPI following publication of the Commission's notice of institution of the reviews need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff report.—The prehearing staff report in these reviews will be placed in the nonpublic record on June 20, 2007, and a public version will be issued thereafter, pursuant to section 207.64 of the Commission's rules.

Hearing.—The Commission will hold a hearing in connection with the reviews beginning at 9:30 a.m. on July 17, 2007, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before June 28, 2007. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and

nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on July 3, 2007, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), 207.24, and 207.66 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony in *camera* no later than 7 business days prior to the date of the hearing.

Written submissions.—Each party to the reviews may submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.65 of the Commission's rules; the deadline for filing is June 29, 2007. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.67 of the Commission's rules. The deadline for filing posthearing briefs is July 25, 2007; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the reviews may submit a written statement of information pertinent to the subject of the reviews on or before July 25, 2007. On August 23, 2007, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before August 28, 2007, but such final comments must not contain new factual information and must otherwise comply with section 207.68 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Even where electronic filing of a document is permitted, certain documents must also be filed in paper form, as specified in II (C) of the Commission's Handbook on Electronic Filing Procedures, 67 FR 68168, 68173 (November 8, 2002).

Additional written submissions to the Commission, including requests pursuant to section 201.12 of the

Commission's rules, shall not be accepted unless good cause is shown for accepting such submissions, or unless the submission is pursuant to a specific request by a Commissioner or Commission staff.

In accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the reviews must be served on all other parties to the reviews (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

By order of the Commission.

Issued: February 2, 2007.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E7-2075 Filed 2-7-07; 8:45 am]

BILLING CODE 7020-02-P

EXPLANATION OF COMMISSION DETERMINATIONS ON ADEQUACY

in

Certain Pasta from Italy and Turkey

Inv. Nos. 701-TA-365-366 and 731-TA-734-735 (Second Review)

On January 5, 2007, the Commission determined that it should proceed to full reviews in the subject five-year reviews pursuant to section 751(c)(5) of the Tariff Act of 1930, as amended, 19 U.S.C. § 1675(c)(5).

The Commission received a joint response from five U.S. producers of dry pasta products (“pasta”). These five U.S. producers are: A. Zerega’s Sons, Inc.; American Italian Pasta Company; Dakota Growers Pasta Company, Inc.; New World Pasta Company; and Philadelphia Macaroni Company (collectively referred to as “domestic interested parties”). The Commission found each of the individual domestic interested party responses to be adequate, and that these producers collectively account for a majority of U.S. production of the domestic like product. The Commission therefore determined that the domestic interested party group response was adequate for all reviews.

With respect to the reviews of pasta from Turkey, the Commission received an individually adequate respondent interested party response from the Government of Turkey on behalf of the pasta industry in Turkey. Because the Government of Turkey provided all requested data regarding all known subject pasta production in Turkey and indicated its willingness to participate in the five-year reviews by providing information requested by the Commission, the Commission concluded that the respondent interested party group response for these reviews was adequate.

The Commission received no response from any foreign producer, exporter, importer, or other respondent interested party of subject merchandise from Italy. Thus, it determined that the respondent interested party group response to the notice of institution for the reviews with respect to Italy was inadequate.

Notwithstanding its determination that the respondent interested party group response with respect to Italy was inadequate, the Commission determined to conduct full reviews in order to promote administrative efficiency in light of its decision to conduct full reviews with respect to the orders on pasta from Turkey.

A record of the Commissioners’ votes is available from the Office of the Secretary and at the Commission’s web site (<http://www.usitc.gov>).

APPENDIX B
HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Certain Pasta from Italy and Turkey
Inv. Nos.: 701-TA-365-366 and 731-TA-734-735 (Second Review)
Date and Time: July 17, 2007 - 9:30 a.m.

Sessions were held in connection with these investigations in the Main Hearing Room (room 101), 500 E Street, SW, Washington, D.C.

OPENING STATEMENTS:

In Support of Continuation of Orders (**Paul C. Rosenthal**, Kelley Drye Collier Shannon)

In Support of the Continuation of the Antidumping and Countervailing Duty Orders:

Kelley Drye Collier Shannon
Washington, D.C.
on behalf of

A. Zerega's Sons, Inc.
American Italian Pasta Company
Dakota Growers Pasta Company, Inc.
New World Pasta Company
Philadelphia Macaroni Company

Jack Hasper, Vice President, Sales and Marketing,
Dakota Growers Pasta Company, Inc.

**In Support of the Continuation of
the Antidumping and Countervailing
Duty Orders:**

Scott Greenwood, President and Chief Executive
Officer, New World Pasta Company

Cary Metz, Senior Vice President and General
Counsel, New World Pasta Company

James Fogarty, President and Chief Executive
Officer, American Italian Pasta Company

Bob Schuller, Executive Vice President and General
Counsel, American Italian Past Company

Michael Kerwin, Senior Economist, Georgetown
Economic Services

Gina Beck, Economist, Georgetown Economic Services

Paul C. Rosenthal)
Kathleen W. Cannon)– OF COUNSEL
David C. Smith, Jr.)
Grace W. Kim)

CLOSING REMARKS:

In Support of Continuation of Orders (**Paul C. Rosenthal**,
Kelley Drye Collier Shannon)

APPENDIX C
SUMMARY DATA

Table C-1
Dry pasta: Summary data concerning the U.S. market, 2001-06, January-March 2006, and January-March 2007

(Quantity=1,000 pounds, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per pound; period changes=percent, except where noted)

Item	Reported data								Period changes						
	2001	2002	2003	2004	2005	2006	January-March		2001-06	2001-02	2002-03	2003-04	2004-05	2005-06	Jan.-Mar.
							2006	2007							2006-07
U.S. consumption quantity:															
Amount	3,077,865	3,207,956	3,073,963	3,065,628	3,186,474	3,236,966	815,142	854,168	5.2	4.2	-4.2	-0.3	3.9	1.6	4.8
Producers' share (1)	81.7	82.0	82.0	83.1	81.8	82.0	83.2	80.9	0.2	0.3	0.0	1.1	-1.3	0.1	-2.3
Importers' share (1):															
Italy (excluding Lensi)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Subtotal (subject)	10.8	9.9	10.1	9.0	8.5	8.2	7.4	8.7	-2.6	-0.9	0.2	-1.1	-0.5	-0.3	1.4
Italy (Lensi)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Italy (nonsubject product)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Turkey (nonsubject product)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
All other sources	6.9	7.4	7.2	7.3	7.5	8.2	8.0	8.6	1.3	0.5	-0.1	0.1	0.2	0.7	0.5
Subtotal (nonsubject)	7.5	8.1	7.9	7.9	9.7	9.8	9.4	10.4	2.4	0.6	-0.2	0.0	1.8	0.1	1.0
Total imports	18.3	18.0	18.0	16.9	18.2	18.0	16.8	19.1	-0.2	-0.3	-0.0	-1.1	1.3	-0.1	2.3
U.S. consumption value:															
Amount	1,325,794	1,343,609	1,347,483	1,355,452	1,478,026	1,504,947	377,710	422,764	13.5	1.3	0.3	0.6	9.0	1.8	11.9
Producers' share (1)	82.7	82.3	81.3	81.2	79.5	80.1	81.5	79.9	-2.6	-0.5	-0.9	-0.1	-1.7	0.6	-1.6
Importers' share (1):															
Italy (excluding Lensi)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Subtotal (subject)	9.0	8.8	9.6	9.5	9.0	8.5	7.5	8.9	-0.5	-0.2	0.8	-0.2	-0.4	-0.5	1.4
Italy (Lensi)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Italy (nonsubject product)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Turkey (nonsubject product)	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
All other sources	7.6	8.1	8.2	8.4	8.7	9.3	9.2	9.1	1.7	0.5	0.1	0.2	0.4	0.6	-0.1
Subtotal (nonsubject)	8.2	8.9	9.1	9.3	11.5	11.3	11.0	11.2	3.1	0.7	0.1	0.3	2.1	-0.1	0.2
Total imports	17.3	17.7	18.7	18.8	20.5	19.9	18.5	20.1	2.6	0.5	0.9	0.1	1.7	-0.6	1.6
U.S. imports from:															
Italy (subject):															
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Turkey (subject):															
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Subtotal (subject):															
Quantity	332,430	317,271	310,338	275,709	269,604	265,454	59,950	74,433	-20.1	-4.6	-2.2	-11.2	-2.2	-1.5	24.2
Value	119,807	118,733	129,571	128,122	133,259	128,488	28,152	37,630	7.2	-0.9	9.1	-1.1	4.0	-3.6	33.7
Unit value	\$0.36	\$0.37	\$0.42	\$0.46	\$0.49	\$0.48	\$0.47	\$0.51	34.3	3.8	11.6	11.3	6.4	-2.1	7.7
Ending inventory quantity	27,013	37,577	36,573	29,469	15,350	18,758	14,824	16,560	-30.6	39.1	-2.7	-19.4	-47.9	22.2	11.7
Italy (Lensi):															
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Italy (nonsubject product):															
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Turkey (nonsubject product):															
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Canada:															
Quantity	48,521	62,205	47,357	50,197	47,708	62,602	18,368	16,414	29.0	28.2	-23.9	6.0	-5.0	31.2	-10.6
Value	27,794	29,210	31,941	30,309	34,573	40,096	11,546	11,201	44.3	5.1	9.3	-5.1	14.1	16.0	-3.0
Unit value	\$0.57	\$0.47	\$0.67	\$0.60	\$0.72	\$0.64	\$0.63	\$0.68	11.8	-18.0	43.6	-10.5	20.0	-11.6	8.6
China:															
Quantity	36,525	41,547	41,837	46,763	51,799	55,276	12,536	13,945	51.3	13.7	0.7	11.8	10.8	6.7	11.2
Value	14,709	15,842	16,767	20,495	22,537	24,149	5,644	6,314	64.2	7.7	5.8	22.2	10.0	7.2	11.9
Unit value	\$0.40	\$0.38	\$0.40	\$0.44	\$0.44	\$0.44	\$0.45	\$0.45	8.5	-5.3	5.1	9.4	-0.7	0.4	0.6
Mexico:															
Quantity	69,063	60,061	61,042	59,861	64,675	68,273	15,933	22,991	-1.1	-13.0	1.6	-1.9	8.0	5.6	44.3
Value	24,161	21,719	18,400	17,529	20,643	21,980	5,038	7,239	-9.0	-10.1	-15.3	-4.7	17.8	6.5	43.7
Unit value	\$0.35	\$0.36	\$0.30	\$0.29	\$0.32	\$0.32	\$0.32	\$0.31	-8.0	3.4	-16.6	-2.9	9.0	0.9	-0.4
Korea:															
Quantity	5,275	5,177	6,343	7,685	7,438	8,380	1,954	2,029	58.9	-1.9	22.5	21.2	-3.2	12.7	3.8
Value	2,709	2,574	3,370	4,699	5,241	5,886	1,309	1,547	117.3	-5.0	30.9	39.5	11.5	12.3	18.2
Unit value	\$0.51	\$0.50	\$0.53	\$0.61	\$0.70	\$0.70	\$0.67	\$0.76	36.8	-3.2	6.8	15.1	15.2	-0.3	13.8
Japan:															
Quantity	8,210	9,776	9,213	9,684	9,175	9,503	2,362	2,417	15.7	19.1	-5.8	5.1	-5.3	3.6	2.3
Value	8,930	9,953	10,368	11,832	11,275	10,516	2,607	2,457	17.8	11.5	4.2	14.1	-4.7	-6.7	-5.8
Unit value	\$1.09	\$1.02	\$1.13	\$1.22	\$1.23	\$1.11	\$1.10	\$1.02	1.7	-6.4	10.5	8.6	0.6	-9.9	-7.9
Taiwan:															
Quantity	5,440	7,290	7,385	5,983	6,941	6,550	1,332	1,762	20.4	34.0	1.3	-19.0	16.0	-5.6	32.3
Value	4,215	5,328	5,364	4,240	5,198	4,921	998	1,249	16.7	26.4	0.7	-21.0	22.6	-5.3	25.1
Unit value	\$0.77	\$0.73	\$0.73	\$0.71	\$0.75	\$0.75	\$0.75	\$0.71	-3.0	-5.7	-0.6	-2.4	5.7	0.3	-5.4
Thailand:															
Quantity	15,852	18,706	16,055	16,567	18,782	21,480	5,120	5,185	35.5	18.0	-14.2	3.2	13.4	14.4	1.3
Value	7,018	8,853	7,986	8,515	9,766	11,647	2,749	3,068	66.0	26.1	-9.8	6.6	14.7	19.3	11.6
Unit value	\$0.44	\$0.47	\$0.50	\$0.51	\$0.52	\$0.54	\$0.54	\$0.59	22.5	6.9	5.1	3.3	1.2	4.3	10.2
All other sources:															
Quantity	24,223	31,990	33,569	28,095	33,510	34,172	7,791	8,381	41.1	32.1	4.9	-16.3	19.3	2.0	7.6
Value	11,502	15,146	16,313	15,666	19,703	21,257	4,922	5,489	84.8	31.7	7.7	-4.0	25.8	7.9	11.5
Unit value	\$0.47	\$0.47	\$0.49	\$0.56	\$0.59	\$0.62	\$0.63	\$0.65	31.0	-0.3	2.6	14.7	5.4	5.8	3.7
Subtotal (nonsubject):															
Quantity	230,611	260,521	242,567	242,261	309,930	318,762	76,831	88,903	38.2	13.0	-6.9	-0.1	27.9	2.8	15.7
Value	109,188	119,659	122,009	126,521	169,236	170,590	41,637	47,273	56.2	9.6	2.0	3.7	33.8	0.8	13.5
Unit value	\$0.47	\$0.46	\$0.50	\$0.52	\$0.55	\$0.54	\$0.54	\$0.53	13.0	-3.0	9.5	3.8	4.6	-2.0	-1.9
Ending inventory quantity (4)	4,113	12,104	12,781	14,434	16,444	9,829	10,008	9,540	139.0	194.3	5.6	12.9	13.9	-40.2	-4.7
Total U.S. imports:															
Quantity	563,041	577,792	552,905	517,970	579,534	584,216	136,781	163,336	3.8	2.6	-4.3	-6.3	11.9	0.8	19.4
Value	228,994	238,391	251,580	254,643	302,494	299,079	69,789	84,903	30.6	4.1	5.5	1.2	18.8	-1.1	21.7
Unit value	\$0.41	\$0.41	\$0.46	\$0.49	\$0.52	\$0.51	\$0.51	\$0.52	25.9	1.4	10.3	8.0	6.2	-1.9	1.9
Ending inventory quantity	31,126	49,681	49,354	43,904	45,436	37,194	33,558	33,190	1						

Table C-1--Continued
Dry pasta: Summary data concerning the U.S. market, 2001-06, January-March 2006, and January-March 2007

(Quantity=1,000 pounds, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per pound; period changes=percent, except where noted)

Item	Reported data								Period changes							
	2001	2002	2003	2004	2005	2006	January-March		2001-06	2001-02	2002-03	2003-04	2004-05	2005-06	Jan.-Mar.	
							2006	2007							2006-07	
U.S. producers:																
Average capacity quantity	3,169,432	3,108,118	3,224,488	3,392,234	3,318,954	3,431,482	858,920	850,308	8.3	-1.9	3.7	5.2	-2.2	3.4	-1.0	
Production quantity	2,519,030	2,677,280	2,603,192	2,578,992	2,679,998	2,743,862	710,909	724,747	8.9	6.3	-2.8	-0.9	3.9	2.4	1.9	
Capacity utilization (1)	79.5	86.1	80.7	76.0	80.7	80.0	82.8	85.2	0.5	6.7	-5.4	-4.7	4.7	-0.8	2.5	
U.S. shipments:																
Quantity	2,514,824	2,630,165	2,521,058	2,547,658	2,606,940	2,652,751	678,361	690,832	5.5	4.6	-4.1	1.1	2.3	1.8	1.8	
Value	1,096,800	1,105,218	1,095,903	1,100,809	1,175,532	1,205,868	307,921	337,861	9.9	0.8	-0.8	0.4	6.8	2.6	9.7	
Unit value	\$0.44	\$0.42	\$0.43	\$0.43	\$0.45	\$0.45	\$0.45	\$0.49	4.2	-3.7	3.4	-0.6	4.4	0.8	7.7	
Export shipments:																
Quantity	33,860	55,093	50,981	58,526	57,638	59,319	12,731	12,780	75.2	62.7	-7.5	14.8	-1.5	2.9	0.4	
Value	10,587	16,325	14,479	17,023	17,329	17,723	3,957	4,577	67.4	54.2	-11.3	17.6	1.8	2.3	15.7	
Unit value	\$0.31	\$0.30	\$0.28	\$0.29	\$0.30	\$0.30	\$0.31	\$0.36	-4.4	-5.2	-4.2	2.4	3.4	-0.6	15.2	
Ending inventory quantity	214,697	219,928	245,614	203,853	198,490	211,990	217,015	222,406	-1.3	2.4	11.7	-17.0	-2.6	6.8	2.5	
Inventories/total shipments (1)	8.4	8.2	9.5	7.8	7.4	7.8	7.9	7.9	-0.6	-0.2	1.4	-1.7	-0.4	0.4	0.1	
Production workers	2,667	2,578	2,437	2,400	2,360	2,365	2,302	2,378	-11.3	-3.3	-5.5	-1.5	-1.7	0.2	3.3	
Hours worked (1,000s)	7,348	7,155	7,603	7,406	7,383	7,294	1,830	1,878	-0.7	-2.6	6.3	-2.6	-0.3	-1.2	2.6	
Wages paid (\$1,000)	83,770	80,521	80,566	81,310	82,972	86,504	21,477	22,502	3.3	-3.9	0.1	0.9	2.0	4.3	4.8	
Hourly wages	\$11.40	\$11.25	\$10.60	\$10.98	\$11.24	\$11.86	\$11.74	\$11.98	4.0	-1.3	-5.8	3.6	2.4	5.5	2.1	
Productivity (pounds per hour)	342.8	374.2	342.4	348.2	363.0	376.2	388.5	385.9	9.7	9.1	-8.5	1.7	4.2	3.6	-0.7	
Unit labor costs	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	-5.2	-9.6	2.9	1.9	-1.8	1.8	2.8	
Net sales:																
Quantity	2,324,938	2,461,849	2,445,006	2,446,932	2,450,666	2,522,206	648,868	666,001	8.5	5.9	-0.7	0.1	0.2	2.9	2.6	
Value	1,021,200	1,051,892	1,069,108	1,086,141	1,127,520	1,167,883	301,464	330,167	14.4	3.0	1.6	1.6	3.8	3.6	9.5	
Unit value	\$0.44	\$0.43	\$0.44	\$0.44	\$0.46	\$0.46	\$0.46	\$0.50	5.4	-2.7	2.3	1.5	3.7	0.6	6.7	
Cost of goods sold (COGS)	777,184	828,532	846,425	871,029	870,136	867,135	221,885	242,375	11.6	6.6	2.2	2.9	-0.1	-0.3	9.2	
Gross profit or (loss)	244,016	223,360	222,683	215,112	257,384	300,748	79,579	87,792	23.2	-8.5	-0.3	-3.4	19.7	16.8	10.3	
SG&A expenses	156,940	151,920	167,612	164,754	188,550	184,058	50,037	50,906	17.3	-3.2	10.3	-1.7	14.4	-2.4	1.7	
Operating income or (loss)	87,076	71,440	55,071	50,359	68,834	116,690	29,542	36,885	34.0	-18.0	-22.9	-8.6	36.7	69.5	24.9	
Capital expenditures	53,581	87,140	59,072	42,738	46,639	81,747	8,406	26,903	52.6	62.6	-32.2	-27.7	9.1	75.3	220.0	
Unit COGS	\$0.33	\$0.34	\$0.35	\$0.36	\$0.36	\$0.34	\$0.34	\$0.36	2.8	0.7	2.9	2.8	-0.3	-3.2	6.4	
Unit SG&A expenses	\$0.07	\$0.06	\$0.07	\$0.07	\$0.08	\$0.07	\$0.08	\$0.08	8.1	-8.6	11.1	-1.8	14.3	-5.2	-0.9	
Unit operating income or (loss)	\$0.04	\$0.03	\$0.02	\$0.02	\$0.03	\$0.05	\$0.05	\$0.06	23.5	-22.5	-22.4	-8.6	36.5	64.7	21.6	
COGS/sales (1)	76.1	78.8	79.2	80.2	77.2	74.2	73.6	73.4	-1.9	2.7	0.4	1.0	-3.0	-2.9	-0.2	
Operating income or (loss)/ sales (1)	8.5	6.8	5.2	4.6	6.1	10.0	9.8	11.2	1.5	-1.7	-1.6	-0.5	1.5	3.9	1.4	

- (1) "Reported data" are in percent and "period changes" are in percentage points.
- (2) Not applicable.
- (3) Not applicable; included within imports reported for Italy (subject) through 2004.
- (4) Includes inventories of imports from all nonsubject sources.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table C-2
Dry pasta: Summary data concerning the U.S. commercial market, 2001-06, January-March 2006,
and January-March 2007

* * * * *

APPENDIX D

**COMMENTS BY U.S. PRODUCERS, IMPORTERS, PURCHASERS, AND
FOREIGN PRODUCERS REGARDING THE EFFECTS OF THE ORDERS ON
CERTAIN DRY PASTA AND THE LIKELY EFFECTS OF REVOCATION**

Producers, importers, and purchasers of dry pasta, and producers of dry pasta in Italy and Turkey were asked a series of questions concerning the significance of the existing antidumping and countervailing duty orders and the likely effects of revocation. Their responses are presented below.

U.S. PRODUCERS OF CERTAIN DRY PASTA

II-4. Would your firm anticipate any changes in the character of your operations or organization (as noted above) relating to the production of dry pasta in the future if the antidumping and countervailing duty orders on certain dry pasta from Italy and Turkey were to be revoked?

“No.”

“No.”

“No.”

“Yes. Pasta plants need to operate close to capacity in order to be efficient and profitable. If *** lost 10% of the existing business, the company would have to shut down at least two large production lines.”

“No.”

“—”

“No.”

“Yes. Potential decrease in production if sales are lost to imported products. To the extent that the revocation of the orders leads to unfair pricing practices with respect to imported pasta products, the Company is likely to lose sales to import products that would, in turn, likely lead to reductions in number of employees and investment spending.”

“Yes. Increased competition from low priced imports will reduce our opportunities in the market and make it more difficult to raise capital to fund efficiency and equipment upgrade projects.”

“Yes. See more business.”

“Yes. The impact on our Company if the antidumping and countervailing duty orders relating to the certain dry pasta products from Italy and Turkey were revoked is clear. Italian and Turkish manufacturers have the capacity to increase production of dry pasta imports into the United States. Without the protection of the Orders, these manufacturers would engage in illegal dumping or the sale of below-cost

product in the U.S – with the result that unfairly produced and priced cheap pasta would be sold in the U.S. alongside U.S. produced product. This illegal and unfairly produced cheap pasta could begin to reach the U.S. within months of the revocation of the Orders.

It is also important to recognize that consumers in the U.S. use dry pasta as a primary component in an inexpensive meal for their families. For example, spaghetti and meatballs, a well known and liked meal for children and families. Accordingly, U.S. consumers of dry pasta make their purchase decisions of dry pasta based primarily on the price of that dry pasta. Our information indicates that there is very little brand loyalty for domestic brands, resulting in tremendous brand switching based primarily upon price. Any dumping activity will have a significant and immediate impact on domestic brand consumption and market share. Also, it is important to recognize that the fastest-growing retail segment in the U.S. is the discount segment, e.g. Wal*Mart, Target, Costco, Sams, Dollar Stores, Aldi, Sav-A-Lot, etc. This segment is growing at a 10% compound annual growth rate over the last several years. By some accounts, this segment has captured almost 30% of the market share of U.S. retail sales of food, and it continues to grow. Any below market cost pasta will be purchased by the retailers in these trade classes due to their focus on rock-bottom pricing and costs. In many cases, these value retailers carry just one or two brands of pasta, as opposed to more traditional retailers that may carry multiple brands of dry pasta. The availability of cheap imported dry pasta to these retailers would mean a loss of distribution, retail facings and sales by U.S. dry pasta producers. Within months of the Orders being revoked, given the opportunity to purchase below-cost foreign product which could be priced cheaper than U.S. produced product, our Company, and other U.S. producers, would see a corresponding and significant decrease in sales.

The production of dry pasta requires large manufacturing and packaging lines. These lines are most efficient when run continually, or as close to that as possible given maintenance and ordinary shutdown schedules. It is critical to note that these manufacturing and packaging lines can not be used to produce any product other than dry pasta. If pasta sales decline, these lines, and the plants they sit in, are not able to be redeployed to other uses.

Our Company would be forced to react quickly to a decrease in sales due to unfairly and low-priced foreign product. Such a decrease in sales volume would force our Company to reallocate production among lines and plants, and to shut down manufacturing and packaging lines, temporarily or perhaps permanently. The result would be a reduction of hours of employment and perhaps employment itself. Depending upon the significance of the decrease in sales, the Company could be forced to shut down an entire plant. Moreover, this could happen quickly, perhaps as soon as months. The Company would have no choice. Should the decrease in sales be permanent, the Company would have no choice but to reduce employment and close plants on a permanent basis.

It is also important to note that our Company, like many other U.S. pasta producers, produces one thing – dry pasta. Should sales of dry pasta materially decrease due to unlawfully cheap foreign dry pasta, a significant shutdown of plants or plant activity could lead to the shutdown of the Company.”

“Yes. Labor for artisan and specialty pasta is considerably higher in the U.S.”

“No.”

“Yes. If the anti-dumping and countervailing duties were lifted, there is a strong chance that this company will shut its doors. We have lost a number of customers due to the imported pasta from Italy and Turkey and not to other domestic competitors. Turkish pasta is being "retailed" at 33 cents a pound! Italian Pasta is being wholesaled at 30 cents a pound. American Semolina is being booked on the open market as high as \$17.05 cwt, Bulk, f.o.b. Minneapolis (Milling and Baking News, May 8, 2007 issue, pp

36). A minimum of \$0.02 per pound freight is added to this \$.01705 semolina, not to mention all other costs involved in the manufacturing process such as make and pack labor, corrugated boxes, electricity, gas, water, etc. Our cost per pound on a non-organic, non- egg pasta is over \$0.35 per lb. This division has been losing money for a number of years and without the support of our *** division, we would have closed our doors a while back. Customers are continuously threatening us into purchasing imported pasta at a much lower cost than we can produce the commodity. In addition, the cost of flour and semolina in the United States has been amplified by the demand on corn for Ethanol use. Farmers have been reluctant to grow durum as they are able to gain higher prices by growing corn. Without the US Trade Commission's intervention, monitoring, and much needed higher constraints, things are looking very oblique for this company and all US Pasta producers.”

“Yes. Sales and production volume (in pounds) would decline. Gross profit percentage and dollars would be reduced; therefore, causing a reduction in manufacturing employment.”

“No.”

“No.”

“No.”

II-18. Describe the significance of the existing antidumping and countervailing duty orders covering imports of certain dry pasta from Italy or Turkey in terms of its effect on your firm’s production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values. You may wish to compare your firm’s operations before and after the imposition of the order.

“Moderately helpful.”

“Given the fact that ***, there is no significance to our business regarding the existing antidumping and countervailing duty orders covering imports of certain dry pasta from Italy or Turkey or its potential repeal.”

“None.”

“Without the dumping and countervailing duty orders, production (in pounds) would decline, and shipments to customers would be reduced. Manufacturing employment would be reduced in terms of production hours. Revenues would decrease, capital expenditures would be curtailed. ***. And finally, our access to reasonable capital would end.”

“Pasta is a very price sensitive commodity. The average price can be controlled by just a small percentage of the annual sales volume in the USA. When imports are sold below the cost for *** to produce, the average sales price for the entire industry goes down and excess production capacity is created. When this happens, the plants cannot stay profitable and have to close or shut down production lines as ***.”

“The orders have had little effect on *** operations. Before the order was in place, ***.”

“Our sales are impacted by the import of artisan pasta in the specialty food trade. Our labor expenses are much higher than imports. Imports make competition much more difficult.”

“N/A”

“—”

“There is no significance, since we mostly produce our own pasta.”

“The Company ***. In general, we feel that the orders have allowed the Company to compete on a level playing field. This has allowed the Company to create jobs that pay a fair wage, invest in more efficient production equipment and pursue product development opportunities.”

“Makes it harder to sell our pasta because of the cheap prices on the Italy and Turkey pastas.”

“Antidumping and countervailing duty orders have helped alleviate the problem of low priced imported pasta’s increasing share of retail and food service markets. This has enabled us to grow sales, expand capacity and increase employment.”

“The Orders prevent the Company from having to compete at a disadvantage with certain foreign producers who are competing unfairly, and who are selling product at lower costs than U.S. produced product due to unfair and illegal foreign government subsidies. The existing Orders ***.

It is important to note that, ***. ***. On an inflation adjusted basis, the price of a one pound box of spaghetti costs less today than it did twenty years ago. Conversely, the Company’s costs in the areas of wheat and packaging (two primary components in the Company’s cost structure), fuel, energy, transportation, manufacturing, wages, benefits and other areas have all increased on an absolute basis. The U.S. dry pasta business is a business that must struggle to maintain profitability.

Without the existence of the Orders, the Company would face unfair price competition with product being unfairly and illegally sold at below-cost levels by certain foreign producers. The Company’s sales volumes would fall, and we believe this could happen within months of the Orders being revoked. In turn, the Company would have no choice but to shift and reduce its operating activities, including production, inventories and employment. Given the historical low margins of the

business, a decrease in sales volume would force our Company to shut down manufacturing and packaging lines, and reduce hours of employment and perhaps employment itself. Employment would be commensurately reduced, as would purchases of raw materials. A significant or prolonged reduction in sales could or would cause the Company to close plants or, possibly, file again for bankruptcy. Worst case, the Company may not be able to successfully reorganize even in bankruptcy, and could have to cease doing business. ”

“None.”

“The current antidumping and countervailing duty order covering the imports of certain dry pasta from Italy and Turkey does not seem to be deterring the continuous dumping in this country. As mentioned earlier, the Turkish pasta is being "retailed" at 33 cents a pound and the Italian Pasta is being wholesaled at 30 cents a pound. Revenues have been on a steady decline to the point of negative profits for a number of years and the profits continue to decline. The company's production capacity is currently at 65%; component costs such corrugated boxes, film, labels, utilities, and not to mention the shipping costs have all realized an average of 35% increase; capital expenditures is non-existent at this time due to the falling profits.”

“_”

“N/A”

II-19. Would your firm anticipate any changes in its production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, or asset values relating to the production of dry pasta in the future if the antidumping and countervailing duty orders on certain dry pasta from Italy or Turkey were to be revoked?

“No.”

“Yes. With production, shipments and employment down, the closure of one plant becomes a reality and the employees of that plant would be laid-off. Capital expenditures would be minimal. Finally, plant equipment would be significantly below fair market value.”

“No.”

“_”

“Yes. To the extent that the revocation of the orders leads to unfair pricing practices with respect to imported pasta products, the Company is likely to lose sales to import products that would, in turn, likely lead to reductions in number of employees and investment spending.”

“No.”

“No.”

“Yes. See answer to II-18.”

“Yes. Increased competition from low priced imports will reduce our opportunities in the market as prices and our profitability would drop.”

“No.”

“Yes. See answer to II-18.”

“Yes. Would leave more room for U.S. made pasta sales that can’t currently compete with the cheaper pricing of the imported ones.”

“Slight to moderate sales decline.”

“I don’t know.”

“No.”

“No.”

“Yes. Even with the existing antidumping and countervailing duty orders, things are looking oblique. What do you thing will happen if the order is lifted? I need not to provide any supporting documentation for any trend as things are very obvious.”

“No.”

IMPORTERS OF CERTAIN DRY PASTA

II-4. Would your firm anticipate any changes in the character of your operations or organization (as noted above) relating to the importation of certain dry pasta in the future if the antidumping and countervailing duty orders on certain dry pasta from Italy and Turkey were to be revoked?

“Yes. We would be more competitive in price with the domestic pasta, especially with the Euro exchange massive disproportion to the U.S. dollar since its conception, currently at 40% above the U.S. dollar. Hence, by eliminating the antidumping/countervailing duty the unfair trade practices that currently exist would be finally abolished and provide the opportunity for corporate growth, competition versus the domestic dominance that currently exist. This would provide the trade and consumer “real” choice versus the monopoly that currently exists with the likes of Barilla and New World Pasta.”

“No.”

“Yes. If the antidumping and countervailing duty were to be revoked, we would then lower our wholesale prices, pass on the savings to our consumers. This would increase our sales greatly.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“We only import from Turkey. Very price sensitive when imported from Turkey unlike Italy with high quality and high price. If duties change adversely, Turkish pasta will not sell in the USA. No demand.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“Yes. Pasta plants need to operate close to capacity in order to be efficient and profitable. If *** lost 10% of the existing business, the company would have to shut down at least two large production lines.”

“No.”

“No.”

“Yes. The impact on our Company if the antidumping and countervailing duty orders relating to the certain dry pasta products from Italy and Turkey were revoked is clear. Italian and Turkish manufacturers have the capacity to increase production of dry pasta imports into the United States. Without the protection of the Orders, these manufacturers would engage in illegal dumping or the sale of below-cost product in the U.S – with the result that unfairly produced and priced cheap pasta would be sold in the U.S. alongside U.S. produced product. This illegal and unfairly produced cheap pasta could begin to reach the U.S. within months of the revocation of the Orders.

It is also important to recognize that consumers in the U.S. use dry pasta as a primary component in an inexpensive meal for their families. For example, spaghetti and meatballs, a well known and liked meal for children and families. Accordingly, U.S. consumers of dry pasta make their purchase decisions of dry pasta based primarily on the price of that dry pasta. Our information indicates that there is very little brand loyalty for domestic brands, resulting in tremendous brand switching based primarily upon price. Any dumping activity will have a significant and immediate impact on domestic brand consumption and market share. Also, it is important to recognize that the fastest-growing retail segment in the U.S. is the discount segment, e.g. Wal*Mart, Target, Costco, Sams, Dollar Stores, Aldi, Sav-A-Lot, etc. This segment is growing at a 10% compound annual growth rate over the last several years. By some accounts, this segment has captured almost 30% of the market share of U.S. retail sales of food, and it continues to grow. Any below market cost pasta will be purchased by the retailers in these trade classes due to their focus on rock-bottom pricing and costs. In many cases, these value retailers carry just one or two brands of pasta, as opposed to more traditional retailers that may carry multiple brands of dry pasta. The availability of cheap imported dry pasta to these retailers would mean a loss of distribution, retail facings and sales by U.S. dry pasta producers. Within months of the Orders being revoked, given the opportunity to purchase below-cost foreign product which could be priced cheaper than U.S. produced product, our Company, and other U.S. producers, would see a corresponding and significant decrease in sales.

The production of dry pasta requires large manufacturing and packaging lines. These lines are most efficient when run continually, or as close to that as possible given maintenance and ordinary shutdown schedules. It is critical to note that these manufacturing and packaging lines can not be used to produce any product other than dry pasta. If pasta sales decline, these lines, and the plants they sit in, are not able to be redeployed to other uses.

Our Company would be forced to react quickly to a decrease in sales due to unfairly and low-priced foreign product. Such a decrease in sales volume would force our Company to reallocate production among lines and plants, and to shut down manufacturing and packaging lines, temporarily or perhaps permanently. The result would be a reduction of hours of employment and perhaps employment itself. Depending upon the significance of the decrease in sales, the Company could be forced to shut down an entire plant. Moreover, this could happen quickly, perhaps as soon as months. The Company would have no choice. Should the decrease in sales be permanent, the Company would have no choice but to reduce employment and close plants on a permanent basis.

It is also important to note that our Company, like many other U.S. pasta producers, produces one thing – dry pasta. Should sales of dry pasta materially decrease due to unlawfully cheap foreign dry pasta, a significant shutdown of plants or plant activity could lead to the shutdown of the Company.

As the above makes clear, our Company would be materially damaged if the Orders were revoked. Since our Company’s import activities of certain dry pasta are fairly minor in scope, the damage to our Company as a result of a revocation of the Orders would be done to our Company as a whole, not just to our importing activities.”

“No.”

“No.”

“The pasta that we purchase from Italy is an artisan cut pasta. It is markedly different from the ordinary commercial brands such as Ronzoni or Buitoni that are produced in the USA and Italy. Artisan cut pasta is a higher quality and is considered a "specialty pasta" that differs in taste and texture from ordinary

commercial products. The duty order revocation would probably not have an effect on this type of specialty item.”

“___”

“No.”

“No.”

“No.”

II-9. Describe the significance of the existing antidumping and countervailing duty orders covering imports of certain dry pasta from Italy and Turkey in terms of its effect on your firm’s imports, U.S. shipments of imports, and inventories. You may wish to compare your firm’s operations before and after the imposition of the order.

“The existing AD/CV duty order has no impact on our company as the order excludes certified organic pasta.”

“___”

“No real significance. We have name brand *** which satisfies our customers.”

“No factor.”

“No impact as this comes in 20lb or 11lb packages and isn’t subject to duties.”

“Our costs went up. Our prices went up. Our sales went down.”

“The antidumping and countervailing duty coupled with the vast disparity in the Euro versus the USD has caused a disproportionate advantage to the U.S. pasta companies, promulgating unfair trade practices against pasta imported from Italy. This is evident in the 2005 IRI National Pasta Report (See attached). The U.S. pasta companies had more than 80% of the 1 billion USD pasta market, and ending in 2006 approximately 90%.”

“___”

“Both duty orders have a negative effect on sales as the cost incurred must be factored into the price. This effect is negative because the type of imported Italian pasta imported does not directly compete with a domestic product because the consumer demographic differs.”

“Hinders competitive pricing against domestic pasta producers. Increased pricing.”

“The orders have had little effect on *** operations. Before the order was in place, ***.”

“None.”

“It does not have an impact.”

“The price of our pasta would be diminished by a few cents.”

“The antidumping and countervailing duty orders have had little impact on the imports of certain dry pasta from Italy. Customers continue to order pasta from Italy, and due to the elimination of the order on many producers, have many options which are not subject to the order, and other producers have obtained a zero rate or near zero rate in the reviews.

***.”

“There would be no significance. ***. Importing from Italy and Turkey ***.”

“The price of our pasta would be diminished by a few cents.”

“It helps the lower price in the market because if don’t have antidumping and countervailing the pasta will go up the cost price.”

“Existing duty orders increase the cost of imports and force us to increase our prices; thus declining sales of those items is the direct consequence.”

“Causes Italian pasta to be less competitive in the U.S. Results in less sales.”

“The antidumping and countervailing duty is passed on to our customers. Therefore the consumers are paying a much higher price than they should be. Retail price that a customer pays for a 1# package of pasta has a price ceiling.”

“Since our Company imports very little certain dry pasta from Italy, and none from Turkey, and since our Company’s primary manufacturing base is in the U.S., the Orders have very little impact on the Company’s imports of certain dry pasta - although the Orders have a material impact on our Company as a whole. See, for reference, the Company’s Producers’ Questionnaire.”

“Any current antidumping and countervailing duties are passed directly on to our customer and ultimately paid by the U.S. consumer.”

“We only started in 2005; only handle Turkey. This is extremely price sensitive from Turkey. Slight increase will impact sales in a very negative way.”

“We import artisan style pasta from Italy. This type of pasta is more similar to a hand-made, home-made type of pasta. It is different in taste, color and texture from normal commercial brands like Ronzoni or Buitoni. These are specialty pasta items. There are no specialty pasta makers here in the USA that we are aware of. The duty orders would not change our buying decisions to import this pasta or switch to an ordinary commercial pasta produced either here in the USA or in the Italy; the duty fees just add unfairly to our cost of doing business and directly affect the consumers.”

“Little effect. We moved business to suppliers with zero or minimum duties soon after AD/CV was imposed.”

“_”

“The higher duties result in an increased cost, and, therefore, an increased retail cost.”

“Existing AD/CVD has squeezed our margins and volume as a small importer competing with large domestic brands. Volumes have declined, and worsening exchange rate has raised cost.”

“None.”

“Made costs more.”

“The duty orders have no significant impact on our imports.”

“It does not affect our business because we import from various Asian countries and our pasta products are mainly for Asian consumers.”

“Insignificant.”

II-10. Would your firm anticipate any changes in its imports, U.S. shipments of imports, or inventories of dry pasta in the future if the antidumping and countervailing duty orders on certain dry pasta from Italy and Turkey were to be revoked?

“No.”

“No.”

“No. We no longer import.”

“Yes. By eliminating this part of the unfair trade practice it would make the U.S. market, currently dominated by the U.S. pasta companies, a little more competitive, thus providing Italian importers the ability to increase their inventories and market share which currently stands at approximately 5% of the U.S. market.”

“No.”

“No.”

“No.”

“Yes. If these antidumping and countervailing duties were to be revoked it would allow for further promotion and distribution of higher quality imported Italian products in the marketplace. This would benefit the United States by the majority of high quality durum wheat used for these products being procured from Arizona farms. Also, it would not interrupt domestic pasta sales because it is a different demographic consumer.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“No.”

“Yes. Even we have no existing business plan, we certainly believe that revocation of the duty orders will drive our costs down and make us more competitive in the market.”

“Yes. Subsidized competitive imports would have a negative effect on our ability to market our import product from ***.”

“No.”

“Yes. If revoked, we would pass this savings on to our customers. We would anticipate our sales to increase based on the elasticity of the product.”

“Yes. The Orders prevent the Company from having to compete at a disadvantage with certain foreign producers who are competing unfairly, and who are selling product at lower costs than U.S. produced product due to unfair and illegal foreign government subsidies. The existing Orders have allowed the Company to ***.

It is important to note that, in the last twenty or so years, the Company has been able to raise its prices on its overall line of dry pasta products to its primary set of customers, the retail grocery stores, only once – and that was in January of this year. We attempted to take a price increase in December 2002, only to roll it back in June 2003. In fact, we are not yet sure that the price increase we took earlier this year will be successful. In 1989, nearly 20 years ago, the price of a one pound box of spaghetti was about the same price as today. On an inflation adjusted basis, the price of a one pound box of spaghetti costs less today than it did twenty years ago. Conversely, the Company’s costs in the areas of wheat and packaging (two primary components in the Company’s cost structure), fuel, energy, transportation, manufacturing, wages, benefits and other areas have all increased on an absolute basis. The U.S. dry pasta business is a business that must struggle to maintain profitability.

Without the existence of the Orders, the Company would face unfair price competition with product being unfairly and illegally sold at below-cost levels by certain foreign producers. The Company’s sales volumes would fall, and we believe this could happen within months of the Orders being revoked. In turn, the Company would have no choice but to shift and reduce its operating activities, including production, inventories and employment. Given the historical low margins of the business, a decrease in sales volume would force our Company to shut down manufacturing and packaging lines, and reduce

hours of employment and perhaps employment itself. Employment would be commensurately reduced, as would purchases of raw materials. A significant or prolonged reduction in sales could or would cause the Company to close plants or, possibly, file again for bankruptcy. Worst case, the Company may not be able to successfully reorganize even in bankruptcy, and could have to cease doing business.

In summary, notwithstanding that the Company's import of certain dry pasta from Italy is limited, the Company would be significantly, and adversely impacted, by the revocation of the Orders."

"No."

"No."

"No."

"No."

"No."

"No."

"Yes. ***. If duties go up we do not feel we would be competitive any longer."

"No changes - see answer to II-9."

"_"

"No."

"Yes. Imports would decline."

"No."

**U.S. PURCHASERS' COMMENTS REGARDING THE SIGNIFICANCE OF THE
ANTIDUMPING DUTY ORDERS AND THE LIKELY EFFECTS OF REVOCATION**

U.S. purchasers were asked to describe the likely effects of any revocation of the antidumping orders covering imports of certain dry pasta from Italy and Turkey in terms of (1) its future activities and (2) the U.S. market as a whole. (Question III-46). Their responses were as follows:

* * * * *

FOREIGN PRODUCERS OF CERTAIN DRY PASTA

II-3. Would your firm anticipate any changes in the character of your operations or organization (as noted above) relating to the production of certain dry pasta in the future if the antidumping and countervailing duty orders on certain dry pasta from Italy and/or Turkey were to be revoked?

“No.”

“No. The answer is ‘no’ because our exports are really small. Probably for larger companies the AD/CVD revoking will have a greater impact.”

“Yes. The character of our way to produce pasta will not change if the antidumping and countervailing duty orders will be modified.”

“No.”

“No.”

“No.”

II-13. Describe the significance of the existing antidumping and countervailing duty orders covering imports of certain dry pasta from Italy and Turkey in terms of their effect on your firm's production capacity, production, home market shipments, exports to the United States and other markets, and inventories. You may wish to compare your firm's operations before and after the imposition of the order.

“We are not able to discuss if there were some effects depending on the introduction of duty orders on our little production, on home market shipments, etc.”

“***”

“CVD has no effect because there are no subsidies. As for dumping ***has an installed system to ensure fair pricing.”

“None.”

“Our exports to USA are small, we have no info to discuss.”

“Not being the U.S. one of the most important export market of the company the existence of protective orders on imports has not produced a big effect on the production capacity of the firm.”

II-14. Would your firm anticipate any changes in its production capacity, production, home market shipments, exports to the United States and other markets, or inventories relating to the production of certain dry pasta in the future if the antidumping and countervailing duty orders on certain dry pasta from Italy and Turkey were to be revoked?

“No. As stated above nothing of the strategy implemented by *** was affected by the existence of the order and therefore the company does not anticipate any major changes in its strategy for the future if the duty order were revoked.”

“No.”

“No. The answer is ‘no’ because our exports are really small.”

“No.”

“No.”

“No.”

