CASE STUDY: GRAPES

Introduction
In March of 2001, a small group of U.S. grape producers filed an antidumping petition claiming that producers in Mexico and Chile were selling spring table grapes at less than fair value in the U.S. market, and these imports were causing material injury to the domestic industry. The U.S. International Trade Commission (ITC), however, found that the grape industry had not demonstrated injury due to imports from Chile and Mexico, and rejected the petition.

Background: The U.S. Grape Market

U.S. consumption of fresh table grapes is approximately 1 million tons annually, an amount that has gradually increased over the past 15 years. Typically this demand is met using Chilean grapes in December through early May, Mexican grapes in late May through the beginning of August, and domestic grapes, which are harvested from June through November. Approximately 90 percent of U.S. grapes are grown in California.

Grapes produced or imported in the United States between April 20 and August 15 of each year are subject to the California Desert Grape Marketing Order (Marketing Order 925). The order regulates grade, size, quality, maturity, and packing of all grapes produced domestically or imported during this time period. Because producers have an incentive to ship grapes early in the season when prices are at their highest, the order is intended to ensure consistent table grape quality through inspection. The order also establishes production research and development projects.

Historically, hot desert weather allowed grape growers in the Coachalla Valley of California and western Arizona to fill a unique market niche, supplying grapes to the U.S. market prior to other domestic growers. As a result, grape growers charged as much as $10 to $15 dollars a box more during the month of May, after the Chilean harvest was over and the larger California harvest began. However, in the mid-1990s Mexican producers in the state of Sonora began growing grapes that ripened at the same time as U.S. desert grapes. To make things worse, through the first half of this decade weather patterns were such that Mexican producers were able to beat U.S. producers to the market, thus earning even higher prices. Faced with direct competition, profitability and production shrank in the U.S. desert grape industry. Grape acreage in the Coachella Valley shrank from 18,000 acres in 1990 to only 11,345 acres in 2004.\(^1\)

In the period leading up to the antidumping petition, U.S. shipment of spring table grapes fell dramatically, from 145.7 million pounds to just 122.3 million pounds. Average prices during this time period fluctuated, from a low of $0.59 per pound in 1998 to $0.80 per pound in 1999. At the same time, imports from both Mexico and Canada increased significantly; imports from Chile grew 75.3 percent between 1997 and 2000 and imports from Mexico grew 35.3 percent. As can be seen in Figure [1], Chilean imports occur

\(^1\) Shikes (2004).
primarily in April and have fluctuated over the past 10 years, while Mexican imports occur almost entirely in May and June and have experience a more constant growth. Shipments from the Coachella Valley and Arizona usually start in the latter half of May, and finish by the end of June.

Figure 1

U.S. Imports of Spring Table Grapes

Source: U.S. Census Bureau.

The Antidumping Petition

On March 30, 2001, the Desert Grape Growers League (League) filed an antidumping petition, claiming that producers from Chile and Mexico were selling their products at less than fair value and that these imports were causing material injury to the U.S. industry. The petitioners claimed that “spring table grapes,” or those produced between April and June of each year, were unique from those grapes grown during the rest of the year because grapes, which are highly perishable, could not be stored to sell during the rest of the year. Thus the League, which included 19 producers of spring table grapes located in the Coachella Valley of Southern California and the desert of Western Arizona, easily met the domestic industry support requirements needed to file a petition. The Department of Commerce (DOC) agreed, and initiated its antidumping investigation on May 15, 2001. Based on information contained in the petition, the DOC estimated that

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2 All antidumping petitions must be filed on behalf of a domestic industry. A petition meets the requirement if domestic producers who support the petition account for at least 25 percent of total production and more than 50 percent of production of those that support and oppose the petition.
dumping margins from Chile could range from 23.0 to 99.4 percent, while those from Mexico could range from 0 to 114.8.

**Figure 2**

**Average Import Price**

(dollars per cubic meter)

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Source: U.S. Census Bureau.

**The Case Outcome**

As noted above, the petitioners argued that the product should be defined as spring table grapes, or those produced during April, May and June, due to the seasonal nature of the product. In other words, grapes grown in the Spring and those grown later in the year do not overlap due to the perishability of the product. However, the ITC rejected this argument noting that there were no “significant differences between the table grapes produced [in the Spring] and those produced later in the year.” The ITC report noted that while “seasonality and perishability may be among the factors we consider, they do not override the other factors.” More specifically, “the physical characteristics and end uses of table grapes …are essentially identical.”

The likelihood of the ITC making an affirmative decision was further diminished when the ITC decided that imports from Mexico and Chile should not be cumulated during the injury decision.³ Current U.S. antidumping law requires the ITC to add together all subject imports, in this case those from Chile and Mexico, when determining whether

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³ Research has shown that cumulation increases the likelihood of an affirmative ITC injury determination. See, for example, Hansen and Prusa [1996].
dumped imports have materially injured the domestic industry, as long as imports from each country compete with each other and with the domestic product. However, in this case the Commission found that because imports from Chile were almost entirely shipped in April while those from Mexico were shipped in May and June products from the two countries did not compete with one another. Thus, the ITC did not cumulate imports in making their decision.

Once the ITC defined the industry as all grape production, it could find little evidence of material injury. U.S. demand and domestic producer’s shipments actually increased between 1998 and 2000. Although Chilean grape imports had increased significantly between 1999 and 2000, most Chilean grapes were shipped during April while most U.S. grape production occurs later in the year. Thus, the ITC found only limited competition between U.S. and Chilean grapes. Similarly, the ITC found only limited competition between U.S. and Mexican grapes because most Mexican shipments occurred in May and June, while most U.S. shipments occurred later in the year.

Since the failure of the petition, U.S. desert grape growers have attempted to preserve market share in other ways. For example, the League supported both the “California Grown” labeling program, as well as country of origin labeling which requires supermarkets to identify where produce comes from. The chairman of the League noted in 2004 that the industry “appears to have stabilized,” although the amount of desert acreage dedicated to table grape production would continue to decline.\(^4\)

References


\(^4\) Shikes (2004).