CASE STUDY: RASPBERRIES

Introduction

In May 2001, the IQF Red Raspberries Fair Trade Committee (IQF Committee), Washington, DC, filed an antidumping petition, claiming that producers in Chile were selling individually quick frozen (IQF) red raspberries in the United States at less than fair value, and these imports were causing material injury or threatening to cause material injury to the domestic industry. The U.S. International Trade Commission (ITC) determined that the raspberry industry in the United States was materially injured by reason of imports from Chile, which were found by the U.S. Department of Commerce (DOC) to be sold in the United States at less than fair value. An antidumping order has been imposed on imports of IQF raspberries from Chile since early July 2002.

Background: The U.S. Raspberry Market

The red raspberry is the dominant type of raspberry grown commercially, and most of the U.S. raspberries are grown in Washington, Oregon, and California. There are two primary varieties of red raspberry: the Heritage and the Meeker. The Heritage is grown in Chile and generally has a higher brix value, whereas the Meeker, grown in the United States, generally has better appearance and is larger and darker than the Heritage. U.S. IQF-quality fresh red raspberries are harvested from late June through early August, whereas Chile has two harvests, with the first occurring between November and January and the second occurring between March and May.

U.S. demand for IQF red raspberries has been relatively stable since 1998. IQF red raspberries are consumed both by downstream food producers that use them as an ingredient in processed foods and consumer and institutions that purchase IQF red raspberries at the retail level. Demand is mostly met by domestic production of IQF red raspberries, as well as imports from Chile.

Red raspberries are sold either in the fresh market or to processors who freeze and pack them. The fresh market accounted for approximately 5.7 percent of U.S. production during 1999-2001, and the various frozen pack forms accounted for the remaining 94.3 percent. Given the data provided by the grower and growers/processors in the preliminary phase, the ITC found that 66 percent of all IQF-quality raspberries grown by these growers were used to produce IQF red raspberries in 2000, and 46.6 percent in 2001.

IQF red raspberries are processed by freezing IQF-quality fresh red raspberries either in a liquid nitrogen bath or mechanically, i.e. running the berries through a “tunnel” over cold air. Once IQF red raspberries are in cold storage, they may be stored for indefinite periods of time and shipped year round. However, the cost of cold storage can be sufficiently high to discourage processors from holding product for extensive lengths of time. The supply of IQF red raspberries from Chile reduces the frozen storage time, and

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1 Brix is the standard for measuring the sugar content of a solution at a given temperature.
thereby reduces the cost of cold storage. Consumers typically use IQF red raspberries in baked goods, yogurt, fruit drinks, or in place of fresh raspberries after defrosting.

Chile’s raspberry production has increased significantly during the last few years, reaching a production level of close to 37,000 metric tons (MT), up from 15,000 MT ten years earlier. The majority of its raspberries are exported to the U.S. market in both fresh and frozen sales. As can be seen in Figure [1], although imports of raspberries from Chile decreased between 1999 and 2001, the volume remained significant both in absolute terms and relative to apparent U.S. consumption. When measured as a share of total U.S. shipments, imports from Chile increased 10.3 percent from 1999 to 2001.

Figure 1

U.S. Imports of Raspberries

![Figure 1](image)

Source: U.S. Census Bureau.

The overall average unit import price of Chilean raspberries fell during the investigation period. As Figure [2] shows, the calculated import price of raspberries from Chile dropped quickly from 2000 to 2001. The subject imports from Chile were consistently priced lower than the domestic product over the period examined, with the lowest price occurring in 2001. As the domestic and Chilean IQF raspberries were highly substitutable and competed almost exclusively on the basis of price, U.S. producers significantly reduced prices to hold on to market share. The price received by U.S. growers of IQF red raspberries fell by 36 percent between 1999 and 2001, decreasing from $0.80 per pound in 1999 to $0.50 per pound in 2000 and increasing slightly to $0.51 per pound in 2001.
Due to lower average unit sales revenue and volume and lack of a corresponding decline in operating expenses, the domestic raspberry industry experienced an operating loss of $1,392,000 in 2000, from a $948,000 operating income profit in 1999. As the operating expenses decreased in the following year, the overall operating loss was reduced to $552,000 in 2001, although net losses remained throughout the period. Consolidated net sales, when measured in terms of total revenue, declined 20 percent from $25.6 million in 1999 to $20.4 million in 2001. Further, the domestic industry’s capacity utilization decreased from 87.2 percent in 1999 to 79.8 percent in 2001, and over 50 percent of domestic shipment quantities were held in inventory throughout the period.

The Antidumping Petition

On May 31, 2001, the IQF Red Raspberries Fair Trade Committee, representing growers and processors of IQF red raspberries in Oregon and Washington, filed an antidumping petition with the ITC and DOC, claiming that producers in Chile were selling IQF red raspberries in the United States at less than fair value, and the domestic industry was materially injured or threatened with material injury by these imports.

The specific product targeted in the petition was individually quick frozen red raspberries (IQF), whole or broken, with or without the addition of sugar or syrup, regardless of variety, grade, size, horticultural method grown (e.g., organic or not), the size of the container in which packed, or method of packing. The scope of the investigation
excluded fresh red raspberries and block frozen red raspberries (i.e., puree, straight pack, juice stock, and juice concentrate).

The domestic industry is defined as “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.” Thereby, the ITC defined the domestic industry in this investigation as all domestic processors, grower/processors, and growers of IQF red raspberries.

To determine whether sales of IQF red raspberries from Chile to the United States were made at less than fair value, the DOC compared export prices (EP) to the average normal value (NV) over the period of investigation. Although normal value is typically defined as the price set by producers in the domestic, in this case Chilean, market, the DOC determined there was an insufficient volume of sales in the domestic market to serve as a basis for normal value; therefore, two of three respondents reported their sales to the United Kingdom and one reported its sales to France. Normal value was calculated based on the price of Chilean raspberries in these comparable third markets. In addition, some sales were excluded from the calculation of NV because they failed the Cost-of-Production (COP) test. In other words, sales occurring below cost in substantial quantities are considered outside the normal course of trade, and thus excluded from the normal value calculations. When comparable-market sales could not be found, NV was determined based on Constructed Value (CV), or based on the cost of production.

On May 21, 2002, the DOC released its Notice of Final Determination that IQF red raspberries from Chile being sold in the United States at less than fair value. The amended final weighted-average dumping margins (in percent ad valorem) for companies subject to this investigation are presented in Table I.

<table>
<thead>
<tr>
<th>Company</th>
<th>Dumping margins (percent ad valorem)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Fruticola</td>
<td>0.50 (de minimis)</td>
</tr>
<tr>
<td>Exportadora Frucol</td>
<td>0.00</td>
</tr>
<tr>
<td>Fruticola Olmue</td>
<td>6.33</td>
</tr>
<tr>
<td>All others</td>
<td>6.33</td>
</tr>
</tbody>
</table>

The Case Outcome

On June 20, 2002, the ITC determined by a vote of 4-1 that the domestic industry producing IQF raspberries was materially injured or threatened with material injury by reason of imports from Chile. The profit loss in the domestic industry during this period resulted from a significant and steady volume of low-priced imports from Chile, which
depressed U.S. prices. These imports forced the domestic industry to hold large quantities of merchandise in storage, thereby compounding further depressing the price.

“We are very pleased with the ITC’s affirmative determination,” said Henry Bierlink, Executive Director of the Washington Red Raspberry Commission. “The ITC’s determination recognizes that domestic producers and workers have suffered tremendously because of unfairly low-priced imports from Chile. We are confident that the antidumping order will prevent future surges of dumped imports from Chile that depress market prices and prevent U.S. producers from earning a fair return on their labor and investment. We intend to remain vigilant and take all necessary steps in the future to ensure a level playing field for U.S. raspberry growers and processors.”

Since 2002, an antidumping surcharge has been applied to frozen raspberries exported from Chile to the United States. However, the U.S. has remained the main export market for both fresh and frozen raspberries. Although imports of raspberries from Chile decreased between 1999 and 2001, they continued to grow as soon as the investigation was over, which can be seen in Figure [1]. With the imposition of the dumping duties, the average unit import price has gradually increased, from $1.55 per kilogram in 2001 and 2002 to $1.61 in 2003, then to $1.81 in 2004, as illustrated in Figure [2].

References


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2 IQF Red Raspberries Fair Trade Committee (2002).