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THE WHITE HOUSE
WASHINGTON

March 5, 1976

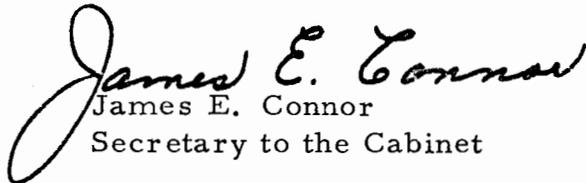
MEMORANDUM FOR
THE HONORABLE FREDERICK B. DENT
The Special Representative for Trade Negotiations

SUBJECT: Escape Clause Case - Asparagus

The President reviewed your recent memorandum on the above subject and approved the following alternative:

- #1 - Accept the decision of those Commissioners finding that the asparagus industry is not injured or threatened with serious injury.

Please follow-up with appropriate action.


James E. Connor
Secretary to the Cabinet

cc: William Seidman
Dick Cheney

THE WHITE HOUSE
WASHINGTON

March 3, 1976

MR PRESIDENT:

Escape Clause Case - Asparagus

Ambassador Dent's memorandum on the above subject was staffed to members of the senior White House Staff. The result of this staffing is as follows:

Recommending Option I -

Messrs. Cannon, Lynn, Seidman, Scowcroft, CEA and CIEP. Additional comments concerning their recommendations were supplied by Jim Cannon, Brent Scowcroft and CIEP. These comments are attached.

Recommending Option II -

Jack Marsh

Recommending Option III -

Messrs. Buchen, Friedersdorf and Hartmann. All of these gentlemen supplied additional comments regarding their recommendation. These comments are attached.

Jim Connor

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THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Escape Clause Case - Asparagus

On January 12, 1976 the United States International Trade Commission reported to you the results of its investigation made under section 201(b)(1) of the Trade Act of 1974, relating to asparagus. The Commission was equally divided in its vote as to whether the United States asparagus industry is suffering, or is threatened with, serious injury from increased imports.

Under the provisions of the Tariff Act of 1930, as amended, when the Commission's vote is evenly split, as in this ruling, you may consider either position as the official finding. If you accept the negative finding of the Commission, the industry would not be eligible for import relief. Your decision on this matter must be made and published in the Federal Register by March 12, 1976.

This case has been considered in the interagency Trade Policy Committee structure in accordance with section 242(b)(2) of the Trade Expansion Act of 1962. As a result, the following recommendations have been formulated.

These three alternatives are presented for your consideration:

I. All agencies, with the exception of the Department of Agriculture, recommend that you accept the decision of those Commissioners finding that the asparagus industry is not injured or threatened with serious injury. I concur with this recommendation.

Approve

Disapprove

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- 2 -

II. If the above recommendation is not acceptable to you, this Office, and the Departments of Commerce and Labor recommend that you proclaim a seven million pound global quota on fresh asparagus imported into the United States from February 1 through July 31, with no monthly allocations, effective for a three-year period (with a pro-rated share for partial periods covered by the quota). This option is opposed by the Departments of State and Treasury.

Approve _____

Disapprove _____

III. The Department of Agriculture proposes that a global quota of 4.5 million pounds on fresh asparagus imported January 1 through April 20 be established, with monthly allocations of 0.2 million pounds in January, 0.8 million in February, 3.0 million in March and 0.5 million in April. All other agencies oppose this option and do not consider that import relief is warranted in this case.

Approve _____

Disapprove _____

If you should decide to grant either of the proposed import relief measures (Option II or III), I will prepare the necessary implementing documents.

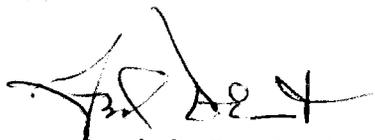
I might note that Senator Robert P. Griffin of Michigan, Representative Guy Vander Jagt of Michigan, and Senator John V. Tunney, and Representatives John J. McFall and Clair W. Burgener of California have written to ask that you accept the affirmative finding (that there is injury) as the official Commission position. Representative Bill Frenzel of Minnesota has written to ask that the negative finding be accepted.

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- 3 -

For your information, I am attaching a copy of the position paper on this issue prepared by the Trade Policy Staff Committee. I am also enclosing a draft press release and Federal Register notice announcing your decision if you should accept the first recommendation.

A handwritten signature in black ink, appearing to read 'F. B. Dent', with a stylized flourish extending to the right.

Frederick B. Dent

Attachments

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DRAFT FEDERAL REGISTER NOTICE

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

PRESIDENTIAL DECISION UNDER
SEC. 330(d) OF THE TARIFF ACT OF 1930

ASPARAGUS IMPORTS NO CAUSE OF INJURY TO
U.S. ASPARAGUS PRODUCING INDUSTRY
IN ESCAPE-CLAUSE CASE

President Ford decided today to accept as the official finding of the United States International Trade Commission the view of those Commissioners who found that the U.S. asparagus industry is not being injured or threatened with serious injury by reason of increased imports. On January 12, 1976 the U.S. International Trade Commission reported to the President by an evenly divided vote both an affirmative and a negative finding in its investigation of this escape clause case. In such instances, the President is authorized to accept either finding as the finding of the Commission.

Having reviewed all of the pertinent data and numerous submissions made by affected parties, the President has decided to accept the finding of those Commissioners holding that increased imports are not a substantial cause of serious injury, or the threat thereof, to the domestic industry producing asparagus.

After conducting an extensive investigation, those Commissioners finding in the negative reported to the President that "in certain areas of the country there is positive indication that asparagus production is growing and there is no evidence of serious injury ... In areas where acreage of asparagus production is falling, there is evidence that growers have successfully shifted to the production of other crops or found other productive uses for their resources, and have suffered no serious injury in doing so." The Commissioners also found no injury to establishments involved in the processing of asparagus.

Consistent with this decision, therefore, no import relief measures will be applied.

DRAFT PRESS RELEASE

ASPARAGUS IMPORTS NO CAUSE OF INJURY TO
U.S. ASPARAGUS PRODUCING INDUSTRY
IN ESCAPE-CLAUSE CASE

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Consistent with this decision, therefore, no import relief measures will be applied.

TRADE POLICY STAFF COMMITTEE

ACTION RECORD

DATE: February 11, 1976

DOCUMENT: TPSC 76-4

SUBJECT: Asparagus

SUBMITTED BY: STR

ATTENDANCE:

<u>Agency</u>	<u>Member or Alternate</u>	<u>Other</u>
STR	Allen Garland	Linda Lee; James Starkey; Barbara Steinbock
Agriculture	James Benson	James Truran
Commerce	William H. Cavitt	William S. Merkin
Defense		
Interior		
ITC	John G. Boyd	Henry H. Dueringer
Labor	David Parker	Diana Wanamaker
State	William Clark, Jr.	Robert Taylor
Treasury	Joel L. Johnson	Bob Standard

COMMITTEE DECISION:

Paper approved.

COMMITTEE COMMENT:

Secretary

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I. PROBLEM:

On January 12, 1976 the USITC reported to the President the results of its investigation on asparagus made under section 201 of the Trade Act of 1974. The Commission was equally divided as to whether asparagus (fresh, chilled, frozen, or otherwise prepared or preserved) is being imported into the United States in such increased quantities as to be a substantial cause or threat of serious injury to the domestic asparagus industry. Those Commissioners proposing a remedy, applied that remedy to imports of fresh asparagus entering the United States during the three month February-April period only. In cases of evenly divided USITC findings, the President, under the provisions of section 330(d) of the Tariff Act of 1930 may consider either position as the official finding of the Commission. The statutory deadline for the President's decision is March 12, 1976.

If the President decides to accept the view that the asparagus industry is eligible for import relief, he must decide whether to grant the relief recommended by the USITC, or a different form or amount of relief.

The interagency trade organization must therefore recommend to the President which finding he should accept as the official USITC position. If that organization recommends that the affirmative finding be accepted, then it must also recommend that the President either accept the remedy set forth by the USITC, or provide an alternative remedy. If the recommended remedy is other than that proposed by the USITC, the President must explain to the Congress the reasons for his selection. The Congress then has an opportunity by a majority vote of both Houses to override the President and to impose the quotas recommended by the USITC. Congress may not override the President's acceptance of the finding of the Commissioners holding the view that the industry is not eligible for import relief.

If the affirmative finding is accepted, the President must announce what remedial action he will take by March 12, 1976.

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II. RECOMMENDATIONS

A. That the President accept the decision of those Commissioners finding that the industry is not eligible for relief. STR, Commerce, Labor, State and Treasury concur.

B. If this recommendation is not acceptable, STR, Commerce, and Labor propose that a 7 million pound global quota on fresh asparagus imported February 1 through July 31 be imposed, with no monthly allotments. This quota would be effective for a three year period, prior to the end of which, the President would review the situation to determine whether to end the quota or to phase it out over a further two year period. The limitation would be pro rated for any partial February 1 through July 31 period based on the proportion of imports entering in the covered period over a recent representative period.

C. The Department of Agriculture dissents and proposes a global quota of 4.5 million pounds on fresh asparagus imported January 1 through April 30, with monthly allocations of 0.2 million pounds in January, 0.8 million in February, 3.0 million in March and 0.5 million in April. A monthly limitation would be pro rated for any fraction of a monthly period covered if the limitation were not effective for the entire month.

III. BACKGROUND

A. The USITC Report

On July 22, 1975, in response to a petition filed by the California Asparagus Growers Association, the Washington Asparagus Growers Association and certain unaffiliated asparagus growers, the U.S. International Trade Commission instituted an investigation under section 201(b)(1) of the Trade Act to determine whether fresh, chilled, frozen, processed or preserved asparagus is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic asparagus industry. The Commission was equally divided in its opinion and, therefore, made no determination on this case.

1. Views of the Commission on Injury

Three Commissioners determined that, on the basis of data available to the USITC in its investigation, the criteria of serious injury or threat thereof had not been met and that the domestic industry is not eligible for relief. These Commissioners defined the domestic industry as three separate industries: growers, canners and freezers, producing articles like or directly competitive with the imported article. In determining whether each domestic industry is being seriously injured, these Commissioners considered the entire establishment in which asparagus is but one product grown or processed and viewed the serious injury criterion with respect to the establishment as a whole, not merely the asparagus growing or processing operation. In determining no serious injury, or threat thereof, these Commissioners maintained that when the entire establishment on its own adjusts to import competition successfully there is no need for import relief.

The three Commissioners finding the asparagus growing industry eligible for import relief noted that imports of asparagus in all forms are increasing and that they have displaced asparagus which would have been produced by the domestic industry. These Commissioners indicate that illustrative criteria set forth in the Trade Act for a determination of injury (i.e., significant idling of productive facilities, significant un- or under-employment in the industry, and the inability of a significant number of firms to operate at a reasonable level of profit) have been met and that increased imports are a "substantial cause" for the injury and the threat of injury to the asparagus growing industry in the United States.

2. Proposed Commission Remedy

The recommended remedy of those Commissioners arriving at an affirmative finding involves quantitative limitations on fresh or chilled asparagus. No remedy was recommended for frozen, canned or otherwise processed asparagus. The proposed remedy for fresh asparagus is a five-year quantitative limitation applicable only during the three months of the major U.S. asparagus growing season (February, March and April). For the first three years, the imports would be limited to a maximum of 700,000 pounds per month for the three month period, an amount based on average imports for that period from 1966-1968. For the fourth year the limit would be increased to 875,000 pounds per month and, for the fifth year, 1,050,000 pounds per month. There would be no quantitative limits applied to imports during the other months of the year.

All the Commissioners involved in the recommendation of the remedy proposed, in effect, that the quota be allocated in such a way as to be limited to imports from Mexico, the only country supplying imports in significant commercial quantities.

B. Tariff and Trade History

The tariff rates for all three asparagus items have been bound by the United States in GATT negotiations.

	Column 1 Rate	Column 2 Rate
ex 137.85 Fresh, chilled, or frozen asparagus, not reduced in size Bound to Canada	25%	50%
ex 138.50 (Previously ex 138.00) Fresh, chilled, or frozen and cut, sliced or otherwise reduced in size (but not otherwise prepared or preserved). Bound to Japan 1955	17 1/2%	35%
141.8140 Asparagus, packed in salt, in brine, pickled, or otherwise prepared or preserved (except dried, dessicated, or dehydrated). Bound to Japan 1955 (Also bound to UK in 1966 RTS Agreement)	17.5%	35%

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- 5 -

U.S. Tariff classifications for asparagus do not exactly parallel the product categories used in the USITC investigation (i.e., fresh, frozen and canned). While item 141.8140 can be assumed to be composed almost entirely, if not wholly, of canned asparagus, the distinction is not as clear for the other two tariff categories. Fresh, chilled or frozen asparagus, depending upon whether or not they have been cut into lengths of five inches or less are dutiable in the other items, ex 137.85 and ex 138.50. Because of this lack of specificity in import statistics, the data and estimates presented by the USITC in its report must be used for analytical purposes.

Table --Asparagus: U.S. imports for consumption, by types, 5-year averages 1960-74, annual 1965-74, January-October 1974, and January-October 1975

(In millions of pounds)				
Period	Fresh	Canned	Frozen	Total
5-year average:				
1960-64-----	1.2	-	-	1.2
1965-69-----	2.2	1.1	-	3.3
1970-74-----	7.2	7.7	1.7	16.6
Annual:				
1965-----	.7	-	-	.7
1966-----	2.4	.6	-	3.0
1967-----	2.0	2.5	-	4.5
1968-----	2.1	.9	-	3.0
1969-----	3.8	1.5	.1	5.4
1970-----	5.0	2.5	.5	8.0
1971-----	6.2	5.4	1.6	13.2
1972-----	8.2	9.4	3.1	20.7
1973-----	7.3	12.5	2.0	21.8
1974-----	9.1	8.8	1.2	19.1
Jan.-Oct.--				
1974-----	8.6	8.3	1.1	18.0
1975-----	8.0	7.5	1.3	16.8

By quantity, data show that imports of all types of asparagus have increased over the past decade, although imports have remained relatively stable since 1972 and, in fact, have

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- 6 -

slightly declined in 1974 and, based on projection, in 1975. Imports of fresh asparagus have varied from this overall trend with 1974 imports somewhat higher than the level of earlier years, although preliminary 1975 data indicates a slight drop from the 1974 high. Fresh asparagus generally represent approximately 50 percent of total U.S. asparagus imports.

Since fresh asparagus is a highly seasonal crop, imports are primarily concentrated in a few months period. Since 1969, approximately 82 percent of U.S. imports of asparagus enter from February 1 through April 30 of each year. There has, however, been a slight decline in that percentage in the past two years reflecting increasing imports of fresh asparagus from Mexico in September, October and November. Although these fall imports have been increasing, there is no information as to whether this will be a growing trend. No asparagus is harvested in the United States in the fall. (See below for complete data on U.S. production.)

Imports of frozen and canned asparagus are not seasonal although the declining imports of frozen asparagus since the 1972 peak year have been concentrated primarily in the April-October period.

Virtually all U.S. imports of fresh asparagus are from Mexico and over 70 percent of these imports enter the United States at Calexico, California. Most of these imports enter the United States during peak asparagus production months of the Imperial Valley in southern California. However, imports peak prior to the high point in fresh production in central California.

U.S. imports of frozen asparagus are relatively low and in most recent years imports have been primarily from Mexico. Imports of canned asparagus, which generally equal imports of fresh asparagus, have been primarily from Mexico and Taiwan. In recent years, imports from Mexico have grown significantly, while total imports and imports from Taiwan have declined since a 1973 peak of 12.5 million pounds. As with fresh asparagus, most imports (approximately 70 percent) of canned asparagus from Mexico enter the United States from March 1 to April 30 with the remainder entering from May to August. Imports of canned asparagus from Taiwan generally enter year round.

U.S. exports of asparagus are almost entirely in the fresh and canned forms; exports of frozen asparagus are believed to be negligible. The United States is a net exporter of fresh asparagus, and exports of asparagus in the fresh form

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- 7 -

have increased continuously during the 1970's, reaching almost 11 million pounds in 1974. Most of these exports go to Canada. In Canada, these supplies of fresh asparagus from the United States are believed to be divided between fresh market and processing uses.

U.S. exports of canned asparagus were formerly quite large, averaging almost 57 million pounds in the 1960-64 period. Most of these exports were of the white type to accommodate European taste preferences. Beginning in the mid-1960's, however, European buyers turned to the lower-cost Taiwan product, resulting in a total loss of the European market for U.S. exporters of white asparagus. Exports for the years 1970-74 averaged only 5 million pounds, largely of canned green asparagus.

C. The U.S. Industry

For purposes of clarity and to conform with the presentation in the USITC report, the U.S. asparagus industry will be divided into two parts - growers and processors.

1. Asparagus Growers.

In 1975, asparagus was harvested on an estimated 2,400 farms located principally in five regions: central California, southern California, south-central Washington (including north-east Oregon), Lake Michigan (southwest and northeast Illinois), and a region composed of certain areas in the States of New Jersey, Delaware, and Maryland. The central California region produces more asparagus by volume than any of the other regions in the United States, followed by the south-central Washington region and the Lake Michigan region. Most asparagus producing farms, however, are located in Michigan (1,400 farms) followed by Washington (425), California (200), New Jersey (150), and Illinois (75).

U.S. ASPARAGUS PRODUCTION AND UTILIZATION
(MILLION POUNDS)

	<u>Production</u>	<u>Utilization</u>	
		<u>Fresh Market</u>	<u>Processing</u>
1965*	328.0	104.0	224.0
1966*	331.9	84.7	247.2
1967	304.8	85.0	219.8
1968	320.2	89.2	231.0
1969	281.5	77.8	203.7
1970	275.5	94.4	181.1
1971	279.1	83.3	195.8
1972	289.1	92.2	196.9
1973	254.5	86.0	168.5
1974	260.4	82.4	178.0
1975	212.6	85.9	126.7

*Data exclude approximately 10 million pounds produced but not marketed

California asparagus production for fresh market use in the past six years (1970-1975), with 1975 data being preliminary, has been irregularly stable - approximately 60 to 70 million pounds. The Imperial Valley which enters its peak production period at the peak time of Mexican imports also reflects this stable production situation. Imperial Valley production in 1973 was 18.3 million pounds; in 1974, 17.1 million pounds; and, based on preliminary data in 1975, 19.3 million pounds. However, in comparing the periods 1966-68 with 1972-74, the ratio of average California production for fresh market uses to total U.S. fresh asparagus consumption (its market share) increased from 64.6 percent to 77.7 percent. This occurred in a growing market as average U.S. consumption in these years increased by 3.6 percent from 81.7 million pounds to 84.6 million pounds. U.S. consumption of fresh asparagus over the longer period has declined somewhat. (See discussion below.) The ratio of imports of fresh asparagus from Mexico to domestic consumption increased from 2.6 percent (66-68) to 10.9 percent (72-74). Thus the market share of California growers has grown by 13.1 percentage points while that of Mexican imports has increased by only 8.3 percent.

Asparagus grown in the United States for processing use (i.e. asparagus harvested to a processor's requirements) has declined significantly and continuously in the past decade, although production has actually increased in the Washington-Oregon area which, in 1975, exceeded California in the production of such asparagus. About 75 percent of the asparagus grown for processing has been canned, the remainder for freezing. In addition, since 1975, when white asparagus ceased being canned in the United States, white asparagus has not been grown for processing. White asparagus was not used in the fresh or frozen form in the United States.

2. Processors.

The decline in asparagus grown for processing is matched by a decline in asparagus actually being processed (canned or frozen) domestically. In 1965, 224 million pounds were grown for processing compared to 127 million pounds in 1975. The amount of asparagus processed in the United States during the same period declined from approximately 200 million pounds to approximately 100 million pounds.* Total U.S. production of asparagus has declined. This decline in U.S.

* The differences between the amounts grown for processing and that actually processed reflects wastage and shrinkage. The difference between the 1965 and 1975 amounts of waste is due to a variety of factors, including different harvesting and processing methods and the absence of white asparagus.

production has not been entirely replaced by imports as total U.S. consumption has also declined from 275 million pounds to 211 million pounds in the 1965-1974 period. In addition, the decline in U.S. production also reflects the end of U.S. export-oriented production of white asparagus.

U.S. processors import an important share of total asparagus imports for reprocessing in the United States. The USITC report notes that it is believed that all frozen asparagus imported from Mexico (by far the major U.S. supplier) is produced by subsidiaries of major U.S. companies engaged in food processing. The USITC report further notes that it is believed that all U.S. imports of canned asparagus from Mexico are produced by either a Mexican subsidiary of a major U.S. producer of canned foods or a Mexican concern receiving financial and technical assistance from a large U.S. asparagus processor.

D. Employment

1. Growers

Approximately 21,000 workers were employed in growing, harvesting and packing asparagus for market in 1974. This represents a decline from the 1963 peak employment level of 28,000. In part, this decline can be attributed to the end of the bracero labor program in 1964 and was compounded by the fact that many U.S. agricultural workers were leaving rural areas to take higher paying industrial jobs in urban areas. The 25 percent decline in the asparagus growing, harvesting and packing labor force in this period as compared to a 48 percent decline in the farm work force as a whole nationwide emphasizes the labor intensive nature of this industry. This is also matched by a 25 percent decline in U.S. consumption of all forms of asparagus. This decline in employment of asparagus workers coincided with wage rate increases of almost 100 percent since 1964. Industry sources claim that labor costs have further increased from \$2.50 per hour in 1975 to \$3.00-\$3.10 per hour in 1976.

Although total asparagus production declined by 35 percent from 328 million pounds in 1965 to 212.6 million pounds in 1975, the decline in production of asparagus for fresh market uses was only 17 percent from 104 million pounds to 85.9 million pounds. (Between 1966 and 1975 there was a one percent increase in production for fresh market.) The amount of labor hired by the grower to harvest asparagus for fresh market use is more than that used to harvest asparagus for processing since the grower must sort, grade, and pack the asparagus for shipment to the fresh market himself while the sorting and grading function for processed asparagus is performed by the processor.

Since the ratio of fresh market production to total production to total production has increased from 30 percent in 1965 to 40 percent in 1975 (40% to 60% in California), the proportion of the total labor force engaged in the marketing of fresh asparagus has similarly increased.

2. Processors

Slightly over 8,100 workers were employed in the processing of asparagus in 1974 (6,800 in canning and 1,300 in freezing). Data comparable to that presented above, on the number of workers processing asparagus in 1963 is not available. Employment in asparagus canning operations declined from 161 thousand man-hours in 1974 to 76 thousand in 1975. It should be noted however that carryover stocks increased from 46.3 million pounds in January through October 1974 to 74.5 million pounds in 1975.

The processing of asparagus is highly labor intensive, requiring at least four times as much labor as is required to process peas or tomatoes. Because of this greater labor cost, any increase in labor cost has a far greater effect on the processing of a container of asparagus than it does on the processing of the same size of container of most other fruits or vegetables. Wages of those processing asparagus have increased by 75 percent since 1964.

E. U.S. Consumption

Annual U.S. consumption of asparagus in all forms has declined in the past decade (1965-1974), although the decline has been the greatest, in both relative and absolute terms, for canned asparagus. U.S. consumption of fresh asparagus has, however, remained comparatively stable. Consumption of fresh asparagus has dropped only 16 percent while for the canned product it has dropped over 27 percent. Among the factors affecting domestic consumption are population, price, consumer incomes and tastes, availability of supplies, extent of distribution and the supply and demand for the alternative products. While U.S. population has grown, domestic consumption has dropped, in part, reflecting a declining preference for asparagus in the increasingly large lower-age categories of the population. In addition, asparagus is usually higher priced than most other substitutable fresh and processed vegetables available to the consumer in the market place. As such, it would appear to be particularly susceptible to reductions in disposable income. This fact is

of interest when asparagus consumption, which had been declining gradually through 1973 and dropped precipitiously in 1974, is compared with real disposable income which in 1974 recorded its first drop in over 15 years.

IV. DISCUSSION

A. Increased imports

That imports of all types of asparagus have increased over the past decade is indisputable. In fact, prior to 1970 the still relatively small imports of asparagus represented but a small percent of domestic consumption. Since that time, imports have increased both absolutely and relative to domestic consumption as indicated below.

Ratio of Imports to Consumption

	<u>Fresh</u>	<u>Frozen</u>	<u>Canned</u>	<u>Total</u>
1965	0.7	--	--	0.3
1966	3.0	--	--	1.2
1967	2.6	--	1.8	1.8
1968	2.4		0.6	1.1
1969	4.6	0.3	1.0	2.1
1970	5.4	1.6	1.7	2.9
1971	7.5	5.5	3.9	5.3
1972	9.1	12.0	7.1	8.3
1973	8.8	7.6	8.4	8.4
1974	11.3	5.2	8.2	9.1

B. Injury to the domestic industry

1. Processed asparagus

The petition for import protection considered by the USITC was presented by certain U.S. asparagus growers on behalf of the entire asparagus industry. Those Commissioners finding injury found so only with respect to the asparagus growing industry.

2. Fresh Asparagus

As noted previously, the petition for import protection for the entire asparagus industry was filed by one sector within that industry - the asparagus growers. Growers have claimed that the U.S. industry has suffered serious injury and cited declining U.S. asparagus production over

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- 12 -

the past decade coupled with import increases. Representatives of the California Asparagus Growers Association referred to lay-offs of field workers and declines in planted acreage.

U.S. production of asparagus for all uses has declined by approximately 30 percent in the 1965 to 1974 period while there has been a corresponding 25 percent decline in acreage harvested in the same period. The greatest part of this decline is accounted for by the loss of 24,000 acres of asparagus fields in New Jersey, primarily due to root rot. California also recorded a decline in acres harvested of 16,700 acres in the same period. Washington and Michigan, however, both reported increases in acreage harvested of 3,200 and 6,600 acres respectively. Production from the acres harvested for all uses showed similar trends, although a detailed look at more recent data (for the years 1973-75) indicates a decline in 1975 production in Washington and Michigan from peak 1974 levels. California production in 1975 dropped more precipitiously than its previous rate of decline with almost all of the decline being in asparagus grown for processing use and not for the more lucrative fresh market sales. The Department of Agriculture has indicated that the prices for imported fresh asparagus (as distinct from frozen or canned asparagus) has, in recent years, been roughly comparable to the prices of domestically produced fresh asparagus.

U.S. exports of fresh asparagus to Canada have exceeded imports from Mexico in every year in the 10 year period under consideration. These exports have increased by 60 percent from 6.8 million pounds in 1965 to 10.9 million pounds in 1974 and represented 12 percent of U.S. production in 1974.

The report to the President by the Secretary of Labor on the feasibility of adjustment assistance to workers in all asparagus producing states notes factors influencing the decline in the industry growing, harvesting and packing asparagus:

1. A decline in domestic consumption of asparagus;
2. Increases in imports of asparagus;
3. Loss of the white asparagus export market;
4. Poor weather and growing conditions in California and Washington;
5. Poor soil in Illinois;
6. Root rot disease which destroyed plants in New Jersey;

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7. Economic conditions favoring conversion to higher profit crops;
8. Economic conditions, favoring conversion of land to residential and industrial development;
9. Difficulty in obtaining adequate labor supply to harvest crops.

No priority was assigned to the importance of the factors noted above.

The report to the President by the Secretary of Commerce on the feasibility of adjustment assistance to firms states explicitly that decreased exports, rather than increased imports, probably a relatively minor factor, are considered a major factor behind the decline in production of the U.S. industry. Neither of these two reports indicates that the dual test of injury, as defined by the Ways and Means Committee report is met. The dual test is that

"imports must constitute an important cause and be no less important than any other single cause. For example, if imports were just one of many factors of equal weight, imports would meet the test of being 'not less than any other' but it would be unlikely that any of the causes would be deemed an 'important' cause. If there were any other cause more important than imports, then the second test of being 'not less than any other cause' would not be met. On the other hand, if imports were one of two factors of equal weight and there were no other factors, both tests would be met."

The Labor Department report, while indicating many factors affecting the cause of injury did not address the question of whether the first test of "important cause" was met. The Commerce Department report in citing a cause more important than imports as being the reason for the decline in U.S. production, would indicate that the second test of being "not less than any other cause" was not met.

C. Remedy

If it is determined that increased imports are a substantial cause of serious injury or the threat thereof to the asparagus industry, the President shall, taking into

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- 14 -

account the considerations set forth in section 202(c) of the Trade Act, determine whether to provide import relief.

1. Section 202(c) considerations:

(a) Information and advice from the Secretary of Labor (See Attachment I)

(1) No petitions have been filed with the Secretary of Labor on behalf of workers engaged in the growing and processing of asparagus for worker adjustment assistance under the Trade Act as of January 29, 1976.

(2) Of approximately 2,600 individuals who may be dislocated over the next 12 months, the great majority are effectively excluded from trade readjustment and relocation allowances due to the high degree of seasonality in the industry because of a requirement in the Act that all eligible workers must have been employed at least 26 of the 52 weeks immediately preceding their separations. Therefore, only some 370 individuals are eligible for full program benefits.

(3) There will be difficulty in placing these dislocated individuals because of lack of demand for unskilled processor workers in other food processing plants in California, Washington, Michigan, Illinois, and New Jersey.

(4) The Comprehensive Employment and Training Act (CETA) programs may be insufficient to meet the needs of those who are likely to seek Employment Training services, since most of these programs are currently operating at 90 to 100 percent of capacity. Nevertheless, the wide geographic dispersion of these workers should alleviate the problem to some extent. The Employment and Training Administration through its State Employment Service has the authority to purchase training when CETA funds are not available.

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~ 15 ~

(b) Information and advice from the Secretary of Commerce (See Attachment II)

(1) No petitions from growers or processors have been filed with the Secretary of Commerce for adjustment assistance as of February 4, 1976.

(2) If the President were to accept the views of those Commissioners finding in the affirmative, as many as 100 growers might be certified for adjustment assistance, otherwise ten growers is a more likely maximum estimate. Few if any processors would be likely to qualify.

(3) Three Federal agencies have programs that might facilitate orderly adjustment of firms in the asparagus industry to import competition. These are the Economic Development Administration, the Small Business Administration, and the Farmers Home Administration.

(c) Probable effectiveness of import relief as a means to promote adjustment, the efforts being made or to be implemented by the industry concerned to adjust to import competition, and other considerations relative to the position of the industry in the nation's economy.

In view of overall decrease in U.S. consumption of asparagus, over the past ten years, it would appear that import relief would not remedy the decline of the industry. According to the USITC, it would also appear that despite attempts of the industry to develop a mechanized asparagus harvester to reduce the costs involved in asparagus growing, no machine has yet been developed that is economically feasible for the harvesting of asparagus to be sold as spears. A cutting sled, however, has been developed which has proven to be economically feasible for the harvesting of asparagus sold for processing into cuts and tips. This is in common use in Michigan, the asparagus growing region which has shown the largest and most continuous increases in acreage harvested and, with the exception of 1975, in quantity of asparagus produced over the past decade.

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Furthermore, in view of the high cost of asparagus to the consumer, the availability of substitutable produce, the intensive and high-cost labor requirements of the industry, it is highly questionable that import relief would provide the corrective to these other basic problems afflicting the industry.

(d) Effective on consumers.

Until the price of asparagus is reduced, relative to the price of alternative produce, it appears unlikely that measures of import relief which would result in a decreased supply of fresh asparagus and/or an increased price would benefit consumers. Any decrease in supply and corollary increase in price would probably further reduce U.S. consumer decision to purchase this relatively costly vegetable.

(e) The impact of import relief on U.S. international interests.

The countries which would be most affected by any import relief action which the United States might take on fresh or frozen asparagus would be Mexico, and to a lesser extent, if the United States were to take action on imports of canned asparagus, Taiwan. Since the rates of duty on asparagus have been bound in GATT negotiations, the United States would be obligated to notify the GATT if those bindings were to be impaired. However, as neither Mexico nor Taiwan are members of the GATT, neither country has the right of recourse in this matter that GATT membership would bestow.

The United States does, however, have close international trade relations with these two countries. It would appear that any action the United States might take would be limited to fresh asparagus only and thereby affect only imports from Mexico. Mexico, while not a member of the GATT, has indicated its willingness to

participate in the forthcoming trade negotiation in Geneva. Inasmuch as there are numerous bilateral trade issues of significantly greater importance to the United States which will be considered at that time, it might be advisable to avoid situations, which could serve as detriments to achieving satisfactory results on these other matters.

- (f) The impact on U.S. industries which may result from international obligations with respect to compensation.

Since, as noted above, the sole suppliers of U.S. imports of asparagus are not members of GATT, with its compensation rights, the United States would have no compensation obligations for any action it might take.

- (g) The geographic concentration of imports into the United States.

The bulk of fresh asparagus imported enter the United States at Calexico, California and the asparagus is distributed throughout the country. Frozen asparagus imported from Mexico and, to a far lesser extent, Taiwan, is marketed by U.S. firms that are major food processors and distributors in the United States. Imported canned asparagus, which enters the United States primarily at San Diego, is also distributed nationwide.

- (h) The extent to which the United States is the focal point for exports from Mexico and Taiwan.

Due to the perishable nature of fresh asparagus, Mexico exports most of its fresh asparagus to the United States. In addition, the greater bulk of Mexican exports of canned asparagus are to the United States. Most of these canned exports are purchased by two large U.S. processors and distributors of canned food products.

From this, it would appear that the determining factors for Mexican sales to the United States are the relationships existing with the U.S. purchaser (for canned and frozen asparagus) and geographic

proximity (for fresh asparagus). It would not appear that this pattern is influenced by any third country trade restrictions.

The United States imports but a small share (less than 3%) of total Taiwan exports of canned asparagus. Taiwanese exports of canned asparagus to West Germany (its major customer purchasing 66% of its exports), Netherlands, Japan, Belgium and Switzerland far exceed its exports to the United States and it does not appear that trade diversion caused by third country restrictions is a consideration.

- (i) Economic and social costs of denying import relief.

The cost of denying import relief would, according to the Department of Labor, result in the dislocation of an estimated 2,600 individuals during the asparagus harvest season, only 370 of which would be eligible for full adjustment assistance benefits.

2. USITC Remedy Proposal

The remedy proposed by certain USITC Commissioners, discussed in III(2) above provides for quantitative limitations on fresh asparagus imports only. In determining the import quota, it was the view of the Commissioners who set forth the remedy that the representative period upon which the quota should be based were the years 1966-1968.

Section 203(d)(2) of the Trade Act requires that "any quantitative restriction proclaimed ... and any orderly marketing arrangement negotiated ... shall permit the importation of a quantity or value of the article which is not less than the quantity or value of such article imported into the United States during the most recent period which the President determines is representative of imports of such article." (Emphasis added). Under normal circumstances, it has been the practice in trade policy to consider as a most recent representative period, that period extending from three to five years prior to and up to the date for which most current trade data are available. An obvious exception to this practice would be in instances of abnormal circumstances such as widespread drought or flood conditions which would cause a temporary aberration from normal trade or production

patterns. Situations reflecting changes in the life-cycle of an industry or the entry of new domestic or foreign firms into the market are not viewed as unrepresentative occurrences.

In view of the obvious lack of such abnormal conditions affecting the U.S. asparagus industry, it appears questionable whether the 1966-1968 period best meets "the most recent ... representative" requirement of the Trade Act.

Given the absence of abnormal conditions, the five year 1971-1975 period or the three year 1973-1975 period should be considered as the most recent representative period intended by the Trade Act. In the five year period, total imports for the three month (February, March and April) span noted in the USITC recommendation averaged 6.3 million pounds. For the three year 1973-1975 period the average was 6.5 million pounds.

If either the 1971-1975 or the 1973-1975 base is accepted as the recent representative period for the purposes of this case, than any limitations proposed must not be less than imports in that period.

Furthermore, limitations on U.S. imports of fresh asparagus for any one of the three months for which the quota would apply must not be less than the average for that month for the representative period selected. Imports in March, the month for which imports are the greatest, averaged 4.1 million pounds in the 1971-75 period. For the 1973-1975 period, average imports for March were 4.4 million pounds.

3. Alternative Remedy

Another remedy which the President might proclaim would be tariff increases (including tariff rate quotas) which could be applied on the seasonal basis discussed above. Since, however, the exact cost differences involved between domestic and imported fresh asparagus are not known, it is not possible to determine whether a tariff increase would provide an effective remedy.

Since only one country and one product are involved, an orderly marketing agreement, another permissible remedy, was determined not to be a feasible option.

If it should be determined that the U.S. industry growing and harvesting asparagus is being injured, or threatened with injury, within the meaning of the Trade Act, a quantitative limitation based on either 1971-1975 imports to 1973-1975 imports

could be considered. In such circumstances a limit of seven million pounds for fresh asparagus imported from February 1 to July 31 (the entire U.S. growing season) would appear reasonable. In view of the fact that approximately 70 percent of U.S. imports of fresh asparagus occur in March, it would furthermore appear reasonable not to allocate the quota monthly or to allocate 70 percent (or approximately 5 million pounds) of the quota to March. The quota should be allocated globally.

Under this alternative proposal, the USITC recommendation that no import relief be granted from imports of frozen or canned asparagus remains acceptable.

ITEM WITHDRAWAL SHEET
WITHDRAWAL ID 00843

Collection/Series/Folder ID No. : 004700493
Reason for Withdrawal : AR, Agency restriction
Type of Material : REP, Report(s)
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Title : Report to the President: Asparagus
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January 26, 1976

U.S. DEPARTMENT OF COMMERCE REPORT TO THE PRESIDENT

PROSPECTS FOR ADJUSTMENT ASSISTANCE FOR FIRMS IN
THE ASPARAGUS INDUSTRY

S U M M A R Y

The Department of Commerce has conducted a study of the asparagus industry under Section 264 of the Trade Act of 1974. Such a study is required whenever the U.S. International Trade Commission makes an industry investigation under Section 201. In its January 12, 1976, report, the Commission was equally divided on the basic issue of whether increased asparagus imports are causing or threatening to cause serious injury to the domestic asparagus industry.

The Product

The vegetable asparagus is the young stalks (shoots) of a plant which is a perennial herb or seed-producing plant that dies back to the ground after each growing season and then reappears the next year. Asparagus has three varieties: green, white, and green-tipped white. The harvesting and processing of asparagus is labor intensive.

Basic Conditions in the Industry

Asparagus production in the United States was fairly stable for a ten-year period beginning in 1955 but has declined markedly since 1964. In 1975, asparagus production fell to 213 million pounds, about 58 percent of the 1960-64 average.

Increased imports are probably a relatively minor factor behind the production decline. For 1960-64, asparagus imports averaged just 1.2 million pounds--about 0.4 percent of U.S.

consumption. Beginning in 1966, however, imports began to climb. After peaking at 21.8 million pounds in 1973, combined imports of fresh, canned, and frozen asparagus declined to 17.8 million pounds in 1975. Although this is fifteen times as high as the 1960-64 average, it is only 8 percent as much as domestic production. Moreover, the 16.6-million-pound import increase over the 1960-64 average amounts to only 10.6 percent of the 156-million-pound production decrease from the 1960-64 average. Using 1970 as the point of reference, the import increase still is only 15.6 percent of the production decrease. Moreover, two-thirds of the post-1970 drop in production occurred since 1973, when imports were falling. A large production decline in 1975 was the result primarily of a high carry over of canned asparagus stock at the beginning of the 1975 canning season.

Decreased exports, rather than increased imports, are considered a major factor behind the production decline. After climbing fairly steadily until 1962 and remaining roughly constant during the 1962-64 period, net exports of asparagus fell rapidly. From the 1962-64 average of 68.0 million, exports went to a 1975 level of 14.0 million pounds, primarily because of the loss to Taiwan of the European market for canned white asparagus.

Per capita consumption of asparagus in the U.S. has been dropping since the 1950's; it went from 2.05 pounds in 1959 to 1.51 in 1969 to 1.21 in 1974. The immediate causes of the consumption decline are (1) higher prices, (2) the 1974-75 recession, (3) reduced acreage--this is partly an effect but mainly a cause--and (4) competition from new vegetable products. Underlying causes include (a) wage increases resulting from shortages of agricultural labor, (b) the general inflation that began with the escalation of the Vietnam war in 1964, (c) crop disease in New Jersey, and (d) the diversion of land to other crops and to nonfarm uses. The decline in per capita consumption led to an absolute decline in total estimated consumption of 45.2 million pounds between 1964 and 1975--a decrease equal to nearly three times the increase in imports. Using 1970 as the reference year, a 27.8-million-pound estimated 1970-75 decrease in asparagus consumption is also nearly three times as high as the import increase, which is 9.8 million pounds.

Firms Eligible for Adjustment Assistance

Section 264 of the Trade Act requires that this study include consideration of "the number of firms in the domestic industry ...which have been or are likely to be certified as eligible for adjustment assistance." The domestic asparagus industry consists of growers, canners, and freezers. The 1969 Census of Agriculture shows 3,210 class 1-5 farms (annual sales of \$2,500 or more) producing asparagus. By 1975, the total was probably between 2,400 and 2,700. The number of asparagus canners declined from about 60 in the mid-1960's to 27 in 1975, while the number of freezers has been reduced from 21 to 8. Thus far, none of the growers or processors has petitioned for certification of eligibility to apply for assistance.

To be certified, a firm would have to show a decline in both (a) employment and (b) sales or production. In defining the firm for certification purposes, the Department of Commerce usually considers all affiliates, subsidiaries, or parent firms combined as the petitioning firm which must meet the qualifying criteria essential for certification. But most growers and processors obtain less than 40 percent of their gross revenue from asparagus, and some processors are related to other firms. For most firms, this would make certification exceedingly difficult since they would have to show declines in total sales or production and total employment for the firm. Another barrier to certification is a requirement that higher asparagus imports "contributed importantly" to the firm's decline. Aside from these factors, the number of certifications might be influenced by the President's decision on accepting or rejecting the findings of those Commissioners who voted for an affirmative finding of injury. If the President accepts the affirmative finding, as many as 100 growers might be certifiable; otherwise, 10 is a more likely maximum estimate. Few if any processors are likely to qualify. Therefore, potential petitioners from the asparagus industry might range between 10 and 100 firms. How many firms might meet the qualifying criteria for certification if they should petition would depend on the merits of each individual case.

Sources of Federal Assistance

Three Federal agencies have programs that might facilitate orderly adjustment of firms in the asparagus industry to

import competition. The agencies are the Economic Development Administration, the Small Business Administration, and the Farmers Home Administration.

The Economic Development Administration ("EDA") in the Department of Commerce administers several programs that might help trade-impacted firms. Financial and technical assistance is authorized by the Trade Act for certified firms. The Trade Act also provides for certification of communities located in trade-impacted areas or in areas where a firm or subdivision has transferred to a foreign country. Certified communities are eligible for public works grants, loans, and loan guarantees--all of which can be directed towards assisting affected firms. Under the Public Works and Economic Development Act of 1965 ("PWEDA"), as amended, direct and indirect assistance to firms is available without Trade Act certification. Firms located in EDA-designated "redevelopment areas" and "economic development centers" can benefit from direct loans and loan guarantees; they can also benefit indirectly from grants to the designated places and related entities for financing public works. The PWEDA also authorizes technical assistance to firms regardless of location and grants of loanable funds to communities with actual or threatened unemployment.

The Small Business Administration ("SBA"), an independent agency, has three programs of potential benefit to small business firms. One is SBA's basic program of business loans; the second is a loan program for local development companies; the third is a management assistance program for small business. The loan program is the most important of these for trade-impacted firms. Included are direct, participating, and guaranteed loans. Eligibility is limited to independently owned and operated firms that are not dominant in their field and do not have over 500 average employment. The amount of the guaranteed portion of any SBA-guaranteed private loan cannot exceed \$350,000 (EDA's usual minimum for its business loans); participating and direct loans have lower limits.

The Farmers Home Administration ("FmHA") of the Department of Agriculture administers four programs that could help firms affected by imports. First is a program of farm ownership loans, secured by real estate. These loans are available

for many purposes, including the construction or improvement of farm buildings, water supply systems, and land. Second, FmHA offers farm operating loans, secured by chattels. Third, FmHA can guarantee loans for land, facilities and working capital to businesses located in areas other than cities of over 50,000 population. Finally, FmHA can make grants and loans to public bodies, such as local governments and development organizations, in areas other than cities of over 10,000 population. The funds can be used for public works projects, such as utility extensions and access roads, that would benefit industry.

INTRODUCTION

The Department of Commerce has conducted a study of the asparagus industry under Section 264 of the Trade Act of 1974. Such a study is required whenever the U. S. International Trade Commission begins an industry investigation under Section 201; the Commission began investigating the asparagus industry on July 22, 1975. A Section 201 investigation is undertaken to determine whether an article is being imported into the United States in such increased amounts as to be a substantial cause or threat of serious injury to the domestic industry producing an article like or competitive with the imported one. The Department's Section 264 study looks at (1) the number of firms in the domestic industry that have been or are likely to be certified as eligible for adjustment assistance under other provisions of the Act and (2) the extent to which orderly adjustment of these firms to import competition may be facilitated by existing programs. In addition, Section 264's legislative history shows an intent that the study include an evaluation of basic conditions in the domestic industry. The Department's report to the President under Section 264 follows the Commission's report under Section 201. In its January 12, 1976, report, the Commission was equally divided on the basic issue of whether increased asparagus imports are causing or threatening to cause serious injury to the domestic industry.

THE INDUSTRY

The vegetable asparagus is the young stalks (shoots) of the asparagus plant. The plant is a perennial herb, that is, a seed-producing plant that dies back to the ground after each growing season and then reappears the next year. Asparagus belongs to the lily family; it is related to onions, garlic, lilies, and tulips. It is a deep-rooted plant, sometimes reaching down 20 feet in good soil. The root crown (top of the root system) lies a few inches below the soil surface and sends up the edible spears. These are a good source of vitamin C, vitamin A, and iron.

There are three types of asparagus: green, white, and green-tipped white. Green asparagus grows above the ground, where sunlight stimulates chlorophyll formation. White asparagus results from covering the root crown with a few extra inches of soil so that the entire spear grows underground. Cracks in the soil reveal the location of mature white spears, which are cut before they emerge. Green-tipped white asparagus is a by-product of white asparagus production: the tips of some white stalks emerge, turning green, before the spears are cut.

Commercial growers generally keep asparagus beds in production for eight to fifteen years before plowing them under. A well-developed crown must be established to produce strong, thick spears, so growers wait until the second or third season to harvest the first crop. In the United States, harvesting begins in February (southern California) and continues to mid-July (central California, Pennsylvania). Growers hold the cutting period to two to four weeks for a bed's first harvest, but the period lengthens to three or four months by about the fourth harvest. Fields must therefore be recut frequently--every three days or so early in the season but sometimes twice a day in hot weather.

Asparagus production is relatively labor-intensive. Most cutting is by hand; this allows spears of the proper length (9 to 10 inches) to be selected. Mechanical harvesting equipment has been developed but is not widely used. This is partly because mechanization has not significantly reduced harvesting costs. A related problem is that the mechanical devices are not selective: they go right down the line cutting all stalks at once, including immature (short) ones. And, because this all-at-once cutting requires that harvesting wait until a high proportion of the stalks are mature, some stalks become too long and tough (fibrous); the result is waste. Mechanization, therefore, is generally employed only when the asparagus is to be canned as "cuts and tips"--spears cut into one-inch lengths--and only when labor is in short supply.

Other stages of asparagus handling and processing also require considerable labor. The newly cut asparagus must be "sledged" to a packing shed. Asparagus destined for the fresh-vegetable market must then be graded by diameter, often tied in bunches, trimmed to a uniform length, and packed for shipment. Asparagus being canned or frozen must be washed, graded, trimmed, and sometimes cut into short pieces. Processing a can of asparagus takes about four times as much labor as processing a can of peas or tomatoes.

Fresh, canned, and frozen asparagus are interchangeable for most uses; hence there is little question that growers, canners, and freezers constitute a single industry in the context of import competition. Fresh-market asparagus comes from independent farms (contrasted with processor-operated farms). Processed asparagus--canned or frozen--is manufactured by grower-owned cooperatives and independent companies. The latter get asparagus from three sources: company farms, where company employees plant, cultivate, and harvest asparagus on rented acreage; contract farms, where all or part of a commercial grower's acreage is committed to the processor under a pre-season contract; and the open market, where processors buy residual needs from growers and brokers. Domestic processors do not use imported asparagus.

Five regions have most of the domestic asparagus production. These are (1) southern California, (2) central California, (3) southeastern Washington, (4) lower Lake Michigan, consisting mainly of areas in southwestern Michigan and northeastern Illinois, and (5) New Jersey-Delaware-Maryland. Seven states had 91 percent of the asparagus acreage harvested in 1974: California (39 percent), Washington (21 percent), Michigan (15 percent), Illinois (6 percent), New Jersey (6 percent), Delaware (3 percent), and Oregon (1 percent). No other state had even one-half percent of the acreage. The other producing states, ranked by acreage, are Maryland, Minnesota, Indiana, Virginia, Iowa, Ohio, Pennsylvania, and Arkansas.

Asparagus is among the most perishable of all fruits and vegetables. Processing therefore takes place in the growing areas--mainly in California, Washington, Delaware, Illinois, Michigan, and New Jersey.

BASIC CONDITIONS IN THE INDUSTRY

Asparagus production in the United States was fairly stable for a ten-year period beginning in 1955 but has declined markedly since 1964. Between 1955 and 1964 combined production for fresh market and processing was never below 350 million pounds and never above 376 million pounds; the 1960-64 average of 369 million pounds was only slightly higher than the 1955-59 average of 358 million pounds. Since 1964, total annual production has fallen to 213 million pounds (1975), about 58 percent of the 1960-64 average. Decreased exports, rather than increased imports, are considered a major factor behind the production decline. Declining consumption, largely the result of cost-related price increases, is also a major factor in the decline.

Increased Imports

Asparagus imports have risen sharply over the past decade yet are still small relative to domestic production. Fresh asparagus imports, almost all of which are from Mexico, date back to 1957; canned asparagus imports, coming mostly from Taiwan and Mexico, were negligible or nil before 1966; frozen asparagus imports, again mostly from Taiwan and Mexico, did not begin until 1969. For 1960-64, imports (fresh) averaged just 1.2 million pounds--about 0.4 percent of U. S. consumption. Beginning in 1966, however, imports began to climb. After peaking at 21.8 million pounds in 1973, combined (fresh, canned, and frozen) imports declined to 17.8 million pounds in 1975.

Table 1 shows the import trend and compares imports with domestic production. Although 1975 imports are fifteen times as high as the 1960-64 average, they are only 8 percent as much as domestic production. The

TABLE 1

UNITED STATES ASPARAGUS PRODUCTION, IMPORTS, AND EXPORTS
(Millions of Pounds)

<u>Year</u>	<u>Total U.S. Asparagus Production</u>	<u>Total Asparagus Imports</u>	<u>Fresh 1/ Asparagus Exports</u>	<u>Canned Asparagus Exports</u>	<u>Total 2/ Asparagus Exports</u>	<u>Imports as a % of Total U.S. Production</u>
1975	212.6	17.8 <u>3/</u>	11.2 <u>3/</u>	2.8 <u>3/</u>	14.0 <u>3/</u>	8.4
1974	260.4	19.1	10.9	5.1	16.0	7.3
1973	254.5	21.8	10.5	4.1	14.6	8.6
1972	289.1	20.7	10.1	3.8	13.9	7.2
1971	279.1	13.2	7.2	4.5	11.7	4.7
1970	275.5	8.0	6.8	7.5	14.3	2.9
1969	281.5	5.4	6.9	11.5	18.4	1.9
1968	320.2	3.0	6.9	15.7	22.6	0.9
1967	304.8	4.5	5.8	18.9	24.7	1.5
1966	331.9	3.0	6.7	29.0	35.7	0.9
1965	328.0	0.7	6.8	46.4	53.2	0.2
1964	352.3	1.4	5.4	61.7	67.1	0.4
1963	375.6	1.9	5.3	62.2	67.5	0.5
1962	372.1	1.5	5.2	64.1	69.3	0.4
1961	369.2	1.1	5.1	44.3	49.4	0.3
1960	376.2	0.2	5.0	51.2	56.2	0.1

SOURCE: Official statistics of the U.S. Department of Agriculture and the U.S. Department of Commerce; last column computed from third and second.

1/ Fresh asparagus exports not separately reported before 1967. Pre-1967 figures are U.S. International Trade Commission estimates based on Canadian imports of fresh asparagus from the United States. The years 1960-64 are interpolated from the ITC-estimated 1955-59 average, 1960-64 average, and 1965 one-year total.

2/ Frozen asparagus exports are not reported, but the ITC believes them to be small.

3/ Actual full-year figures for 1975 are not available. The figures shown were estimated by multiplying the January-October 1975 total by the 1974 full-year/January-October ratio (e.g., by $19.1/18.0 = 1.06$ for imports).

import increase from the 1960-64 average amounts to only 10.6 percent of the production decrease from the 1960-64 average.

The biggest import jumps occurred after 1970. If one therefore uses 1970 as the point of reference, the import increase still comes to only 15.6 percent of the production decrease. Moreover, two-thirds of the post-1970 drop in production occurred since 1973, when imports were falling. Imports probably were not an important factor here and may not have been a factor at all. The large production decline in 1975 resulted primarily from inventory buildup in 1974 and from a resulting high carryover of stock at the beginning of the 1975 canning season.

(Jan. 1, 1975, carry-in stocks of canned asparagus amounted to 75 million pounds, the highest level since 1965 and up from 46 million in 1974. Frozen asparagus carry-in stocks, however, were about 5 million pounds below normal.)

Since imports actually fell during the 1974 inventory buildup and increased by only 1.1 million pounds the year before (compared to the 47.8 million production cut in 1975), it is unlikely that the buildup was a response--even a lagged one--to imports.

Three factors are mainly responsible for the increase in imports. First, the so-called bracero (Mexican farmhand) program ended on December 31, 1964. Dating back to 1951 (similar arrangements existed even earlier), this program provided cheap labor under legalized entry arrangements. Braceros were especially crucial for white asparagus, which is more difficult to harvest. Since 1964, the growing of white asparagus for canning has ceased in the U. S.; imports of canned asparagus from Taiwan, all of which is white or green-tipped white, now supply the limited U. S. market for canned white asparagus. Second, rising asparagus prices in the U. S.--discussed more fully later on--have very likely been a stimulus to imports. Third, Mexico and Taiwan have been more actively seeking to develop foreign markets for their asparagus. Mexico has been stimulated by excess freezing capacity, Taiwan by overproduction.

Tariffs have not been a factor behind the increased imports, except perhaps in a permissive role. Two tariff rates apply to asparagus. The one for fresh or frozen asparagus "not reduced in size" has not changed since 1948; the one for canned asparagus and for cut or sliced fresh or frozen asparagus has not changed since 1955.

To the extent that increased imports have affected domestic production, the results are not entirely injurious to most U. S. producers. Two major U. S. canners import a large share of the canned asparagus coming from

Mexico. One firm actually cans in Mexico; the other buys through a California broker but keeps quality assurance people on site in Mexico and supplies the empty cans. In addition, all frozen asparagus imported from Mexico comes from subsidiaries of large U. S. food processors. (Asparagus from Taiwan is not imported by U. S. processors.) These particular processors benefit from asparagus imports.

Decreased Exports

Falling exports have apparently had a much heavier impact on production than have rising imports. Since 1964, moderate increases in fresh-and-frozen asparagus exports (mostly to Canada) have been offset by drastic reductions in canned asparagus exports. Thus, after climbing fairly steadily until 1962 and remaining roughly constant during the 1962-64 period, net exports of asparagus fell rapidly. From the 1962-64 average of 68.0 million pounds, exports fell to a 1975 level of 14.0 million, or about one-fifth of the base-period average.

Table 1 details this decline and compares it with the rise in imports. The export decline of 54.0 million pounds from the 1962-64 average compares with an import rise of 16.6 million over the 1960-64 average. (Export instability before 1962 justifies a slightly different base period for the export average as long as the period of change begins with 1965 for both exports, and imports.) In other words, the drop in exports was 3.3 times as high as the rise in imports. Measuring from 1964 levels instead of from multi-year averages gives about the same finding: the ratio of changed exports to changed imports is 3.2.

True, exports have not declined significantly since 1970; import changes outweigh export changes in importance since 1970. But if one shifts to a 1970 base and compares imports with consumption to evaluate the relative importance of imports, consumption declines replace export changes after 1970 as a major factor behind production declines.

The immediate cause of the decline in U. S. exports is the loss to Taiwan of the European market for canned white asparagus. White asparagus has never been very popular in this country but is strongly preferred elsewhere: canned white asparagus dominates world trade in asparagus. White asparagus is especially popular in West Germany, which in the early 1960's took more than half of the U. S. canned asparagus exports. In 1964, the last of our three peak export years for asparagus, we supplied 76 percent of West Germany's canned asparagus imports; Taiwan supplied 1 percent. But today we supply about 1 percent, and Taiwan supplies almost all the rest. U. S. exports to Switzerland, our second-best customer in the early 1960's (it took about 9 percent of our exports), fell almost as radically. Exports to other countries also declined, though not as severely.

The underlying causes of our loss of the European market to Taiwan are (a) the ending of the previously mentioned bracero program in 1964 and (b) the spectacular growth of asparagus production in Taiwan. Without Mexican labor for the extra-difficult job of harvesting white asparagus, U.S. production of white asparagus languished. Table 1 shows that canned asparagus exports, which until recently were almost entirely white, fell by more than one-half between 1964 and 1966. Meanwhile, beginning in 1963, Taiwan initiated and steadily expanded its commercial production of asparagus. Taiwan began with a strong comparative advantage in wages, and this became even stronger when the bracero program ended. Taiwanese production grew swiftly, leading to overproduction by the late 1960's. This depressed the price of Taiwan's asparagus--at a time when U. S. production costs and canned asparagus prices were rising. Europe switched to Taiwanese asparagus.

Lower Per capita Consumption

The third factor--and a major factor--behind the decline in asparagus production since 1964 is falling per capita consumption. Per capita consumption of asparagus in the U. S. has been dropping since the late 1950's. In 1974 it reached an all-time low for the post-World War II era. Table 2 depicts this decline. Reading from the table at five-year intervals, one sees that per capita consumption went from 2.05 pounds in 1959 to 1.71 in 1964 to 1.51 in 1969 to 1.21 in 1974. The per capita decline is reflected in absolute decreases in domestic consumption and production.

The decrease in asparagus production has four elements: (1) increased imports, (2) decreased exports, (3) 1975 drawdown of excess January 1 inventory, and (4) decreased consumption. (Other factors that have influenced production can be viewed as either direct or indirect causes of these elements.) Table 1 shows that production fell by 139.7 million pounds between 1964 and 1975. Increased imports accounted for 16.4 million of this, decreased exports for another 53.1 million, and inventory drawdown for an estimated 25 million. The balance of 45.2 million pounds is the estimated decrease in consumption. This consumption decrease is nearly three times the amount of the increase in imports.

Incidentally, the inventory drawdown is also much more important than the import increase: about one and one-half times as important.

If one uses 1970 as the reference year, the 1970-75 decrease in production was 62.9 million pounds. Import changes explained 9.8 million of this, export changes another 0.3 million, and the 1975 inventory drawdown an estimated 25 million. The remainder, 27.8 million pounds, is the estimated 1970-75 decrease in consumption. Under this comparison, the amount of decreased consumption is again nearly three times as much as increased imports as an apparent cause of decreased production.

TABLE 2

ASPARAGUS CONSUMPTION COMPARED WITH
PRICES UNDER SELECTED BLS PRICE INDEXES

<u>Year</u>	<u>Asparagus Consumption Per Capita (Pounds)</u>	<u>Consumer Price Index, All Goods</u>	<u>Consumer Price Index, Fresh Asparagus (1967 = 100)</u>	<u>Wholesale ^{2/} Price Index, Canned Asparagus</u>
1974	1.21	147.4	152.1	165.8
1973	1.55	133.1	155.0	149.6
1972	1.39	125.3	141.8	135.7
1971	1.47	121.3	131.0	124.4
1970	1.59	116.3	122.9	110.8
1969	1.51	109.8	121.7	106.7
1968	1.67	104.2	109.3	105.8
1967	1.52	100.0	100.0	100.0
1966	1.53	97.2	103.7	91.4
1965	1.78	94.5	89.1	85.7
1964	1.71	92.9	74.9	83.6
1963	1.73	91.7	1/	85.7
1962	1.90	90.6	1/	84.3
1961	1.82	89.6	1/	83.7
1960	1.98	88.7	1/	82.4
1959	2.05	87.3	1/	78.6

SOURCES: Consumption figures from U.S. Department of Agriculture statistics; price indexes from U.S. Department of Labor, Bureau of Labor Statistics.

1/ Index numbers for fresh asparagus were not computed before 1964.

2/ There is no retail price for canned asparagus.

The immediate causes of the decline in consumption are (1) higher prices, (2) the 1974-75 recession, (3) reduced acreage--this is partly an effect but mainly a cause--and (4) competition from new vegetable products.

(1) Increased Prices: Asparagus prices were reasonably stable in the 1950's but since then have risen faster than prices in general. Table 2 compares per capita asparagus consumption with the consumer price index (all commodities), the consumer price index for fresh asparagus, and the wholesale price index for canned asparagus. Note that the asparagus prices have risen faster than consumer prices generally. Between 1959 and the price-index base year 1967, consumer prices went up 12.7 points, but canned asparagus rose 21.4 points. Between 1964--the first year with a figure for fresh asparagus--and 1967, the point increases were 7.1 for consumer prices in general, 25.1 for fresh asparagus, and 16.4 for canned asparagus. From 1967 to 1974 the increases were consumer prices, 47.7; fresh asparagus, 52.1; and canned asparagus, 65.8.

Higher prices naturally dampen consumer demand for the product. With asparagus prices going up faster than prices in general, it is no surprise that per capita consumption has fallen. As it happens, asparagus is the most expensive vegetable on the market--and probably the first to be dropped from the menu when prices go up. Thus, in a 1972 U. S. Department of Agriculture market research survey covering 26 vegetables, asparagus was not only among 14 found to be served infrequently or not at all but was the only one of these 14 for which homemakers gave "high cost" as the main reason for infrequently serving it. Indeed, the asparagus "high cost" response of 44 percent for asparagus was almost three times as high as the next highest "high cost" response--15 percent for Brussels sprouts.

The chief underlying causes of the rapid increases in asparagus prices have been (a) wage increases resulting from shortages of agricultural labor and (b) the general inflation that began with escalation of the Vietnam war in 1964. The labor shortages, in turn, resulted from termination of the bracero program in 1964 and from a continuing exodus of agricultural workers to urban areas. Labor scarcity led to higher wages. For example, between 1964 and 1966, piece rates for harvesting white asparagus (the kind that utilized braceros the most) went up 50 percent in central California; piece rates for harvesting green asparagus went up 20 percent.

The agricultural wage push augmented other inflationary forces to send the price of asparagus skyrocketing. During the 1964-74 period, consumer prices rose 59 percent, fresh asparagus rose 103 percent, and canned asparagus rose 98 percent.

(2) The 1974-75 Recession: The effects of the 1974-75 recession require little elaboration. Most industries have suffered as a result of decreased consumer outlays during the recession. The recession's effect registers in the production figures shown in Table 1. The slight increase shown for 1974 is misleading, since inventory buildup is involved. On the other hand, 1975 shows the biggest production decline for asparagus in recent history. Some of this is inventory depletion, but the decline is also a typical expression of consumer spending patterns during a recession. As already mentioned, asparagus is the most expensive vegetable on the market. One can readily understand why individuals who were unemployed or experiencing reduced incomes would hesitate to buy it.

(3) Reduced Acreage: Probably another cause of the production decrease was reduced acreage. The acreage reductions were primarily in California and New Jersey. After providing roughly 66,000 harvested acres of asparagus four years in a row, California dropped to 54,900 acres in 1965 and then gradually declined to 44,100 acres in 1974. New Jersey's acreage has been declining for many years. It went from 30,700 in 1960 to 25,000 in 1965 to 16,300 in 1970 to 6,800 in 1974.

Though they may be partly an effect rather than a cause of the lower consumption, the acreage reductions were probably not a response to declining consumption. In California, the sharp drop in 1965 strongly reflects the sudden unavailability of Mexican labor. Industry sources report, though it cannot be documented, that the labor situation in central California has been aggravated by the unwillingness of a new generation of ethnic-group workers to work in the fields; the group has traditionally harvested most of the central California crop. In New Jersey, disease has been a serious problem. The nation's largest marketer of canned asparagus formerly bought part of its asparagus in New Jersey but, because of quality problems, has not done so for several years. Labor shortages and the diversion of land to nonfarm uses have also been factors in New Jersey.

(4) New Vegetable Products: Competition from new frozen vegetable products also seems to have affected asparagus consumption. Per capita consumption of frozen asparagus peaked at 0.40 pounds in 1960, then fell to 0.19--about half the 1960 level--by 1974. Yet per capita consumption of all frozen vegetables rose from 14.9 pounds in 1960 to 20.9 pounds in 1974--a 40 percent increase. The widening price differential between asparagus and other vegetables undoubtedly influenced this consumption shift. But the introduction between 1960 and 1970 of many new "combination" and "international" mixes of frozen vegetables probably diverted some vegetable consumption from asparagus, both canned and frozen, to other vegetables.

FIRMS ELIGIBLE FOR ADJUSTMENT ASSISTANCE

Section 264 requires that this study include consideration of "the number of firms in the domestic industry... which have been or are likely to be certified as eligible for adjustment assistance." For asparagus, the domestic industry consists of growers, canners, and freezers. To be certified as eligible to apply for adjustment assistance, such firms must demonstrate that increased imports "contributed importantly" to (a) the separation, or threat thereof, of a significant number or proportion of their workers and (b) an absolute decrease in their sales or production.

Number of Firms

The most recently published data on the number of asparagus growers comes from the 1969 Census of Agriculture. It shows 3,210 class 1-5 farms (annual sales of \$2,500 or more) producing asparagus. Asparagus is not separately reported for the more inclusive category, "all farms." However, under "vegetables, sweet corn, and melons for sale," 69.3 percent of the farms are class 1-5 farms. If the same percentage held for asparagus-producing farms, the "all farms" count would be about 4,630.

More up-to-date data will soon be available from the 1974 Census of Agriculture, but tabulations are not yet complete. The steady downward trend from past censuses indicates that 1974 will show fewer asparagus growers than 1969. If the number of farms fell since 1969 by the same percentage as production adjusted for inventory changes, the respective "class 1-5" and "all farms" totals for 1975 would be about 2,700 and 3,900.

The U. S. International Trade Commission estimates that asparagus was harvested on 2,400 farms in 1975. A 1975 figure of between 2,400 and 2,700 asparagus farms thus seems likely.

Many firms have apparently processed canned or frozen asparagus during the past decade or so, though the current number is rather small. One of two business directories covering the canning and freezing industries lists 64 firms processing asparagus in 1975; the other lists 62 for 1975. But only 38 firms are on both lists. If the two lists are combined, there are 61 canners and 29 freezers of asparagus. These figures double count two firms that both can and freeze; hence the total number of processors listed is 88. Most of these no longer handle asparagus. The U. S. International Trade Commission reports that the number of asparagus canners declined from about 60 in the mid-1960's to 38 in 1972 to 27 in 1975. The number of freezers went from 21 in the mid-1960's to 19 in 1972 to 8 in 1975.

So far, none of the growers or processors has petitioned the Department of Commerce for certification of eligibility to apply for assistance.

Prospects for Adjustment Assistance

Eligibility to apply for adjustment assistance depends on whether increased imports contributed importantly to actual or threatened declines in employment and actual declines in sales or production. The first requirement for eligibility, then, is increased imports. Under established precedents, the import increase may be either absolute or relative to domestic production. Table 1 shows that imports of asparagus increased both actually and relatively for five consecutive years beginning in 1969. Although absolute imports declined in the recession years 1974 and 1975, with relative imports also declining in 1974, the long-term import trend is clearly upwards; the only years since 1965 that have not shown either absolute or relative increases in asparagus imports are 1968 and 1974. On the other hand, both absolute and relative imports for 1975 are below 1973 levels, so there might be some question of whether the increased import requirement has been met.

The next requirement for certification is a decline in both (a) employment and (b) sales or production. Some firms have more than one product; others have one or more affiliates, subsidiaries, parent firms, or principal owners. In defining the firm for certification purposes, the Department of Commerce usually considers all such related operations as the petitioning firm which must meet the qualifying criteria essential for certification. But many asparagus growers raise other crops. Most processors have other products-- often more important--and these processors may be related to other businesses. Such growers and processors might find it difficult to meet the certification requirements.

The Department of Labor has completed a questionnaire survey of asparagus growers and processors. Questionnaire responses indicate that, even without consideration of affiliated firms, the asparagus operation tends to be overshadowed by other operations among potential petitioners. When grouped according to asparagus sales as a percentage of total dollar sales, the asparagus growers and processors who responded break down as follows:

Asparagus: Percentage of <u>Gross Revenue</u>	<u>Percentage of Respondents</u>	
	<u>Growers</u>	<u>Processors</u>
80% or more	26	7
60% to 79%	6	0
40% to 59%	14	0
20% to 39%	26	20
Under 20%	28	73

These data suggest that, for most firms, declines in asparagus sales could have been offset by moderate growth in other areas.

Firms with overall declines would next have to establish that higher imports of asparagus "contributed importantly" to these declines. "Contributed importantly" means that asparagus imports, though not necessarily as important as another cause of decline, must be an important cause. The decline could not, for example, result from an affiliate's operations or from reduced output of another product. Likewise, the decline could not be limited to 1974, when asparagus imports fell.

The maximum number of firms likely to be certified depends partly on the President's action on the Commission's Section 201 report. The Commission was evenly divided on the basic issue of whether asparagus is being imported in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic asparagus industry. When the Commission's vote is evenly divided, the President may consider either the affirmative or negative position as the official finding. If the President accepts the affirmative finding (injury), this might spur petitions for certification. In this event, as many as 100 growers might be certifiable. Otherwise, 10 is a more likely maximum estimate. Since hardly any processors have more than 40 percent of their production in asparagus, few if any processors are likely to qualify, regardless of Presidential action. Therefore, potential petitioners from the asparagus industry might range between 10 and 100 firms. But, these are highly speculative estimates, since they involve numerous questionable assumptions. Furthermore, without specific data on individual firms there are no means of determining how many firms might meet the qualifying criteria for certification in the event that they should petition. Each case would have to be judged on its own merits and on the basis of whatever evidence the firm may adduce concerning its own operations and its own market situation.

SOURCES OF FEDERAL ASSISTANCE

Three Federal agencies have programs that might facilitate orderly adjustment of firms in the asparagus industry to import competition. The agencies are the Economic Development Administration, the Small Business Administration, and the Farmers Home Administration.

Economic Development Administration

The Economic Development Administration ("EDA") of the Department of Commerce administers several programs that might help trade-impacted firms to adjust. The Trade Act of 1974 authorizes the most directly relevant of these programs. Other programs are authorized by the Public Works and Economic Development Act of 1965, as amended ("PWEDA").

Trade Act Programs. Under Chapter 3 of Title II of the Trade Act, the Secretary of Commerce can certify firms as eligible to apply for adjustment assistance; the certification requirements are discussed in the preceding section of this report. Certified firms may apply for adjustment assistance at any time within two years after certification. Adjustment assistance under Chapter 3 can consist of technical assistance, financial assistance, or both. Financial assistance can be furnished only when the firm has no reasonable access to financing from private sources.

Technical assistance is available for developing and implementing adjustment proposals. The Federal share of the cost of such assistance is limited to 75 percent when the Secretary uses private individuals, firms, or institutions to provide the assistance.

Financial assistance can take the form of direct loans and loan guarantees for the acquisition, construction, installation, modernization, development, conversion, or expansion of buildings and other assets and for working capital. Direct loans to any one firm under Chapter 3 cannot exceed \$1 million; guaranteed loans cannot exceed \$3 million, and the guaranteed portions of loans cannot exceed 90 percent.

Chapter 4 of Title II of the Trade Act provides for additional assistance, mostly indirect, to firms affected by imports. Under Chapter 4, the Secretary of Commerce can certify communities as eligible for adjustment assistance if they are located in trade-impacted areas or if area firms have transferred to foreign countries. Certified communities are eligible for almost all forms of assistance that are available to "redevelopment areas" under PWEDA including grants and direct loans to communities for public works and development facilities (e.g., industrial parks for new plants) and direct and indirect loans to businesses. The Trade Act also authorizes 100 percent guarantees of loans to businesses in certified communities, whereas under PWEDA such guarantees would be limited to 90 percent.

PWEDA Programs. Under the PWEDA, direct and indirect assistance to affected firms is available without Trade Act certification of firm or community--and irrespective of import effects. The programs require that the firms be located in EDA-designated places. These places are "redevelopment areas" and "economic development centers" designated under

Title IV of the Act. Various types of distress, such as unemployment, qualify redevelopment areas (usually counties) for designation. Economic development centers (usually cities) are non-distressed places whose growth can alleviate distress in redevelopment areas.

Title II of the PWEDA authorizes direct and guaranteed loans to firms located in or willing to locate a new facility in EDA-designated areas. The loans can be for either (a) purchase or development of land and facilities, including machinery and equipment, or (b) working capital. Direct loans for purchase or development cannot exceed 65 percent of the aggregate cost of the items financed; working capital loans cannot (under EDA policy rather than statute) exceed 85 percent of requirements; loan guarantees of any type cannot exceed 90 percent of the outstanding balance. The maximum period for loans and guarantees is 25 years. Neither can be used to assist firms relocating from one area to another or firms in industries found to have long-term overcapacity. Loans and guarantees are allowed only if funds are not available on satisfactory terms from private lenders or other Federal agencies. EDA does not ordinarily make purchase-and-development loans of less than \$350,000; smaller loans are usually left to the Small Business Administration. This makes it doubtful that most asparagus growers and many small processors could qualify.

Titles I and II of the PWEDA respectively authorize grants and loans to redevelopment areas, economic development centers, and related entities (e.g., nonprofit local development corporations). The grants and loans can be used for public works projects and development facilities--water and sewer facilities, industrial parks and structures, access roads, and so on. Projects can include acquisition, construction, rehabilitation, alteration, expansion, or improvement of development facilities, including machinery and equipment. Grants range from 50 to 80 percent of project costs, depending on how distressed a place is and whether it is part of a larger "Economic Development District." Almost all loans supplement companion grants. Although the grants and loans are not available to firms, firms can directly or indirectly benefit: they can modernize, convert, or expand their operations with Government support--for example, by leasing space in new industrial structures or by utilizing new municipal sewage treatment plants to process industrial waste.

Title III of the PWEDA authorizes technical assistance to prevent or alleviate unemployment in local areas. Technical assistance is not limited to EDA-designated areas. Although firms cannot receive technical assistance grants, they can benefit from feasibility studies and from management or operational assistance contracts dealing with their problems.

Title IX of the PWEDA authorizes grants to State and local bodies to assist areas with actual or threatened unemployment or other adjustment problems. As under Title III, the areas do not require EDA designation. Recipients of Title IX grants can in turn lend the money to troubled firms.

Small Business Administration

The Small Business Administration ("SBA"), an independent agency, has three programs of potential benefit to firms hurt by imports. One is SBA's basic program of business loans; the second is a loan program for local development companies; the third is a management assistance program for small business. These programs would be useful only to asparagus processors, not growers.

Section 7(a) of the Small Business Act authorizes direct, participating, and guaranteed loans to small businesses. The loans can be used to construct, expand, or convert facilities; to purchase buildings, machinery, equipment, supplies, and material; and to provide working capital. To qualify as a small business, a firm must be independently owned and operated, must not be dominant in its field, and--this limit applies to asparagus processors--must not exceed 500 in average employment. The amount of the guaranteed portion of any SBA-guaranteed private loan cannot exceed \$350,000 (EDA's usual minimum) or 90 percent of the loan. If a private lender will not supply the entire amount even with a guarantee, SBA will consider participating in the loan; the maximum SBA share for participating loans is presently \$150,000. As a last resort, SBA can make direct loans, in which case the present limit is \$100,000. The maximum period for direct, participating, and guaranteed loans is generally 10 years; but working capital loans are limited to 6 years, and construction loans have a maximum of 15 years. SBA loans cannot be used to finance relocations.

Section 502 of the Small Business Investment Act of 1958 authorizes direct, participating, and guaranteed loans to local development companies (LDC's). An LDC is a profit-making or nonprofit corporation that has predominantly local ownership and is authorized by State law to raise capital for small business development in its area. Some LDC's are created for specific projects, such as assistance to established businesses. To obtain SBA help, an LDC must provide a reasonable share--usually 20 percent--of project costs. SBA will then lend, participate, or guarantee to the extent of \$350,000 for each identifiable small business to be assisted; a 90 percent limit also applies to guarantees. The money can be used to buy land, machinery, and equipment and to build, expand, or convert a plant. The loans are usually for 15 to 20 years but can be for as many as 25.

SBA also has a management assistance program. This seeks to improve the management capabilities of small businesses and to help them deal with specific problems (e.g., accounting). Counseling is provided by SBA staff professionals, SCORE (Service Corps of Retired Executives), and ACE (Active Corps of Executives); training is provided through courses, conferences, and problem clinics. Only SBA clients--loan recipients and holders of certain Federal procurement contracts--qualify for counseling, but training is available to anyone.

Farmers Home Administration

The Farmers Home Administration ("FmHA") of the Department of Agriculture administers four programs that could assist firms affected by imports. All four are authorized by the Consolidated Farm and Rural Development Act ("CFRDA"). Two programs are of interest to growers; two others concern processors.

Programs Concerning Growers. Subtitle A of the CFRDA authorizes farm ownership loans. These are loans that are secured by real estate and made to owners of not larger than family farms (i.e., farms operated by a family and not more than one additional worker). The loans can be used for many purposes, the most relevant of which are these: to construct, repair, or improve farm buildings; to improve water supply systems; to develop and improve farm land; and to finance recreational and other non-farm enterprises needed to supplement farm income. FmHA directly lends the money. Financing is from a revolving fund that is replenished through sale of certificates of ownership in the loan pool to a Federal Financing Bank in the Treasury Department. The maximum term for ownership loans is 40 years.

Subtitle B of CFRDA authorizes farm operating loans. These are loans that are secured by chattels (e.g., farm equipment) and made to owners of not larger than family farms. Farm operating loans may be used to buy livestock, poultry, farm equipment, and fencing; to make minor improvements in land and buildings; to develop water supply systems; to pay farm operating expenses such as seed and fertilizer purchases, crop insurance, and labor; and to finance nonfarm enterprises. As with ownership loans, FmHA lends the money from a revolving fund. The loans may be repaid in from one to seven years.

Programs Concerning Processors. Subtitle A of CFRDA authorizes guaranteed loans to businesses located in areas other than cities of over 50,000 population. The loans can be used for acquisition, construction, conversion, and modernization of facilities; for purchase and

development of land, easements, machinery, equipment, supplies, and materials; and for working capital. Private lenders supply the capital, and FmHA guarantees up to 90 percent of the amount against loss. Maturity must not exceed 30 years for land, buildings, and permanent fixtures; 15 years for machinery and equipment; and 7 years for working capital. As with EDA business loans, these loans cannot be used to assist firms relocating from one area to another or firms in industries found to have long-term overcapacity. There is no limit on the amount of the loan or the size of the firm.

Finally, Subtitle A authorizes rural development grants and loans to public bodies--local governments, development organizations, and so on--in areas other than cities of over 10,000 population. This program is similar to the EDA public works program and, like the latter, could assist injured firms by helping them to reorient and modernize their operations. Eligible projects include development, acquisition, or construction of land, buildings, equipment, access roads, utility extensions, and water and waste treatment facilities. The loans are made from a revolving fund, with certificates (shares in the pool of loans) being sold by FmHA to the Federal Financing Bank. There are no limits on the amounts of individual grants and loans.

* * * *

Additional information about the adjustment assistance program and copies of this report are available from the Office of Public Affairs, Economic Development Administration, Room 7019, U.S. Department of Commerce, Washington, D.C. 20230 (telephone 202/967-5113).

Additional Background for
Recommending Option I

THE WHITE HOUSE

WASHINGTON

March 3, 1976

MEMORANDUM FOR:

JIM CONNOR

THROUGH:

JIM CANNON

FROM:

PAUL LEACH

SUBJECT:

Escape Clause
Case - Asparagus

I would strongly recommend approval of alternative I, i.e., a finding of no injury or threat of injury.

The U.S. is a net exporter of asparagus. Imports, while growing rapidly, are still a relatively small part of the total market for domestic consumption (9.1% in 1974). California and New Jersey have seen production decline over the past few years, but Washington and Michigan have experienced acreage increases. Many factors -- in addition to imports -- have influenced the decline in U.S. production. Some of these factors include loss of export markets, better alternative uses for asparagus growing land and plant disease. No persuasive case is made that imports are the most important cause of injury.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

March 1, 1976

MEMORANDUM TO JAMES E. CONNOR

FROM: Alan Greenspan 

SUBJECT: Escape Clause Case - Asparagus

The International Trade Commission provided the President with two findings, both pro and con on whether the domestic asparagus industry is threatened with serious injury from increased imports. The following table on the supply-demand situation for fresh asparagus indicates the present state of the industry:

	1965-69	1974 (mil. lbs.)	1975
<u>Supply:</u>			
Production	313.4	260.4	212.6
Imports (fresh)	2.2	9.1	8.4*
Imports (processed)	1.1	10.0	9.4*
<u>Use:</u>			
Fresh	83.7	80.6	83.1
Processed	202.1	182.9	133.3
Exports	30.9	16.0	14.0
<u>Farm prices:</u>			
(fresh market)	-	33.4¢/lb.	34.1¢/lb.
(for processing)	-	26.3¢/lb.	25.0¢/lb.
<u>Wholesale Price Index:</u>			
(canned)	97.9	149.6	165.8
<u>Per Capita Consumption:</u>	1.83 lbs.	1.21 lbs.	-

*Estimated from January-October data.



While imports have been increasing rapidly and U.S. production has been declining, imports have not caused most of the decline. Imports between 1965-69 and 1975 increased 14.5 million pounds, while production fell 100.8 million pounds. More important were: (1) the loss of exports due chiefly to cheaper asparagus from Taiwan; (2) loss of acreage due primarily to disease in New Jersey, when acreage went from 25,000 in 1965 to 6,800 in 1974; (3) reduction in domestic demand for asparagus, due to high price relative to competing vegetable products.

It does not seem likely that an import quota on fresh asparagus, which is Agriculture's recommendation, would have prevented past declines in production. For example, holding fresh imports at the 1965-69 level of 2.2 million pounds could have prevented a maximum of about 6 percent of the decline which has occurred in production between 1965-69 and 1975. A quota of 4.5 million pounds, the level Agriculture recommends, would reduce the U.S. fresh asparagus supplies by about 6 percent. This would have a quite small price impact because domestic production now used for processing would move into fresh use. The overall (fresh and processed) decline in U.S. asparagus supplies would be about 2 percent. To the extent that this would increase the U.S. price, it would result in less consumption and exports. My rough estimate using 1964-74 data on the fresh asparagus CPI and per capita consumption is an elasticity of demand around $-.4$ in the short run and $-.8$ to -1.0 in the long run.

The decline in the U.S. asparagus industry is not a case of cheap imports driving U.S. prices down to ruinously low levels. It is rather a case of high U.S. prices inducing increasing imports, reduced exports, and reduced domestic consumption. Therefore, option I, the finding that the asparagus industry is not injured or threatened with serious injury, should be recommended.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

March 3, 1976

MEMORANDUM FOR: JAMES CONNOR

FROM: BRENT SCOWCROFT 

SUBJECT: Dent Memorandum on Asparagus
Escape Clause Case

I support Option 1, that the President accept the decision of those commissioners finding that the asparagus industry is not injured or threatened with serious injury.

To act to the contrary on a split decision would invoke complaints against protectionist measures which other nations fear may be indicative of growing US protectionism. Given the number of other escape clause proceedings in which clearly affirmative findings have been determined or are likely to be determined in coming weeks, Presidential acceptance of an injury finding on a split decision would create serious apprehension on the part of our trading partners.

Most affected by any restrictive measures on asparagus imports would be Mexico. Mexico is cooperating with us in a major narcotics effort, and has been quite vocal in expressing opposition to the blanket exclusion of OPEC members from the tariff advantages offered to developing countries under the Trade Act. On Secretary Kissinger's recent trip to Latin America, he was presented with growing demands for special trade considerations for the hemisphere, similar to those offered by the European nations to their developing country trade partners.

Only the Department of Agriculture is asking the President to accept a finding of injury and to adopt a remedy.

Since the Commission is split in its findings, the President can accept the finding of no injury as the official Commission decision so that a decision not to take restrictive measures would not be subject to Congressional override.

Additional Background for
Recommending Option III



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: February 26, 1976

Time:

FOR ACTION:

Phil Buchen

Jim Cannon

Max Friedersdorf

Alan Greenspan

Bob Hartmann

Jim Lynn

Jack Marsh

cc (for information):

Bill Seidman

Brent Scowcroft

Mike Dunn - CIEP

FROM THE STAFF SECRETARY

DUE: Date:

Monday, March 1

Time:

10 A. M.

SUBJECT:

Memorandum from Fred Dent re:
Escape Clause Case - Asparagus

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

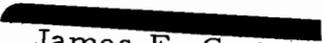
REMARKS:

Support recommendation of Agriculture (Option # III). Position should show some support for farmers in general as well as asparagus industry in particular. Note that California has approximately one-third of industry; Illinois has approximately 5-10%; Florida does not have an identifiable portion of the asparagus industry.

Ken Lazarus for Phil Buchen 3/1/76

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.


James E. Connor
For the President

THE WHITE HOUSE

WASHINGTON

March 1, 1976

MEMORANDUM FOR: JAMES CONNOR

FROM: MAX FRIEDERSDORF *MF*

SUBJECT: Memorandum from Fred Dent re: Escape Clause Case - Asparagus

The Office of Legislative Affairs objects to Fred Dent's recommendation and recommends the President find that California asparagus growers are damaged by increasing imports.

Both Rep. Claire Burgener (R-Calif.) and John McFall (R-Calif.) had personally requested imports from Mexico be prohibited for several months duration.

Both Burgener and McFall strongly urge the President to not accept the negative finding and decide the split vote in favor of the California growers which is supported by the Department of Agriculture.

COMMITTEE:
APPROPRIATIONS
SUBCOMMITTEES:
PUBLIC WORKS
DISTRICT OF COLUMBIA
HARRY COMPTON
ADMINISTRATIVE ASSISTANT

Congress of the United States

House of Representatives

CLAIR W. BURGNER
43D DISTRICT, CALIFORNIA

DISTRICT OFFICES:
7860 MISSION CENTER COURT
SUITE 107
SAN DIEGO, CALIFORNIA 92108
202 E STREET
SUITE D
BRAWLEY, CALIFORNIA 92227
MAXINE GREEN
DISTRICT REPRESENTATIVE

February 3, 1976

*Burgner
Lick
McFall*

The Honorable Gerald R. Ford
The President of The United States
The White House
Washington, D. C. 20501

Dear Mr. President:

This letter is written on behalf of the asparagus growers and all of their employees located in my District in Imperial County, California. Most of the asparagus production in that area is around the city of El Centro, which is close to the Mexican border. Asparagus production is a significant part of the economy of El Centro.

The International Trade Commission has recently issued a report and recommendation in an escape clause case involving imported asparagus. The Commission divided 3-3 in its findings. This means that the decision as to what happens will be made by you. Your decision will have a most important impact on the economy of Imperial County and El Centro, as well as all of California. As you know, asparagus is harvested by hand and is a very labor intensive crop. Thus it provides meaningful employment to large numbers of workers. If you decide upon the recommendation of three Commissioners that a quota be imposed on fresh imported asparagus for three months of the year, it will substantially contribute to the economic health of my District.

One consideration which will be of importance is what effect the recommended quota for the months of February, March and April will have on Mexico. The report of the International Trade Commission was quite clear that the asparagus entering during the three months during which the quota was recommended was produced in one distinct section of Mexico. The report also pointed out that only one importer is involved in importing all of the asparagus from the Mexicali Valley. Additionally, the report stated that the United States Customs Service, has, at the present time, an investigation underway to determine whether or not the asparagus imported from the Mexicali Valley had been undervalued for the purposes of customs duties. It is my understanding that the 4,000 acres located in Mexico is operated as one operation in a

February 3, 1976

business relation with the one U. S. importer that imports the fresh asparagus. Thus the quota, if imposed, would not injure Mexico generally, but would have an impact upon only one commercial operation. Other fresh asparagus imported from Mexico would be unaffected.

I strongly urge and recommend that you select the recommendation of the three Commissioners who have found injury and found the proper remedy to be the imposition of a quota during the period February through April. If you have further questions or would like additional information, I should be pleased to meet with you to discuss this further.

Sincerely yours,



CLAIR W. BURGNER
Member of Congress

CWB:cs

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: February 26, 1976

Time:

FOR ACTION:

Phil Buchen

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cc (for information):

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Mike Dunn - CIEP

FROM THE STAFF SECRETARY

DUE: Date:

Monday, March 1

Time:

10 A.M.

SUBJECT:

2/26 - 4:30 pm

Memorandum from Fred Dent re:
Escape Clause Case - Asparagus

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

If imports of Asparagus injure producers in Calif and Michigan I favor restricting them. I favor keeping them in agricultural position

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James E. Connor
For the President