

Petition P4-0012, filed on behalf of California navel orange producers.

Background:

On February 2, 2004, the Federal Register published notice that a group of citrus producers had filed a petition for trade adjustment assistance on behalf of navel orange producers in California.

The petition indicated that the marketing year impacted by imports was November 2002 - May 2003. The 5-year base period used for the purpose of a price comparison began November 1997.

The petition identified imports of clementine oranges under Harmonized Tariff Schedule (HTS) number 0805.20.00.40 as like or directly competitive with California navel oranges under HTS number 0805.10.00.40.

Analysis:

The TAA regulation at 7 CFR 1580.102 defines articles “like or directly competitive” to generally mean products falling under the same HTS number used to identify the agricultural commodity in the petition. Fresh navel oranges fall under HTS subheading 0805.10.00. Fresh clementines fall under HTS subheading 0805.20.00.

The Administrator, Foreign Agricultural Service, found that there is a degree of substitutability between clementines and navel oranges. They are available to consumers at retail outlets at the same time of the year, are typically positioned adjacent to one another in those retail outlets, and are both fresh citrus fruits. While there are clearly differences between the two products (size, presence of seeds, ease of peeling, etc.), they are similar enough that consumers consider them as like or directly competitive with one another. Clementines were determined to be “like or directly competitive products” for the purpose of evaluating the petition for TAA.

USDA evaluated average producer prices for California navel oranges compiled by the National Agricultural Statistics Service (NASS). Based on this data, USDA found that in 2002/03, producers received an average price of \$7.50 per box (75 lb./box). The average price for the 5-year base period was \$11.07 per box. The 2002/03 prices were 68 percent of the 5-year average, indicating a decline of 32 percent from the base period.

To evaluate the impact of clementine orange imports on navel orange producer prices, USDA conducted an analysis of the combined navel orange and clementine market. USDA found some evidence indicating that imports of clementines were contributing to the navel orange price decline. However, the leading and prime cause for the 32 percent price decline in 2002/03 was a 19 percent increase in navel orange production of almost 400 million pounds. When compared, the impact of the production increase dwarfed that of increased imports.

During 2002/03, imports of navels and clementines provided 7.0 percent of the total supply of navels and clementines. While imports of clementines increased by 66 million pounds, the impact was offset significantly by a 25 million pound decrease in imports of navel oranges. Because of the substantial production increase and the decline in navel orange imports, the 7.0 percent share of supply attributable to imports of navels and clementines was only marginally higher than the 6.6 percent share held the previous year. Furthermore, the increased supply of clementines resulted in additional overall fresh citrus consumer demand.

In conclusion, USDA found that increases in imports of clementines did not contribute importantly to a decline in producer prices for navel oranges during the 2002/03 marketing year.

Reason for denial of petition:

The key factor contributing to the decline in producer prices was the growth in U.S. production. Because increased imports did not contribute importantly to the decline in domestic producer prices, the petition was denied. Notice was published in the Federal Register on March 15, 2004.