



**Frozen Warmwater Shrimp
from China, Ecuador, India, Indonesia,
Malaysia, Thailand, and Vietnam**

Investigation Nos.: 701 TA-491-497

**USITC Hearing
August 13, 2013**



Overview

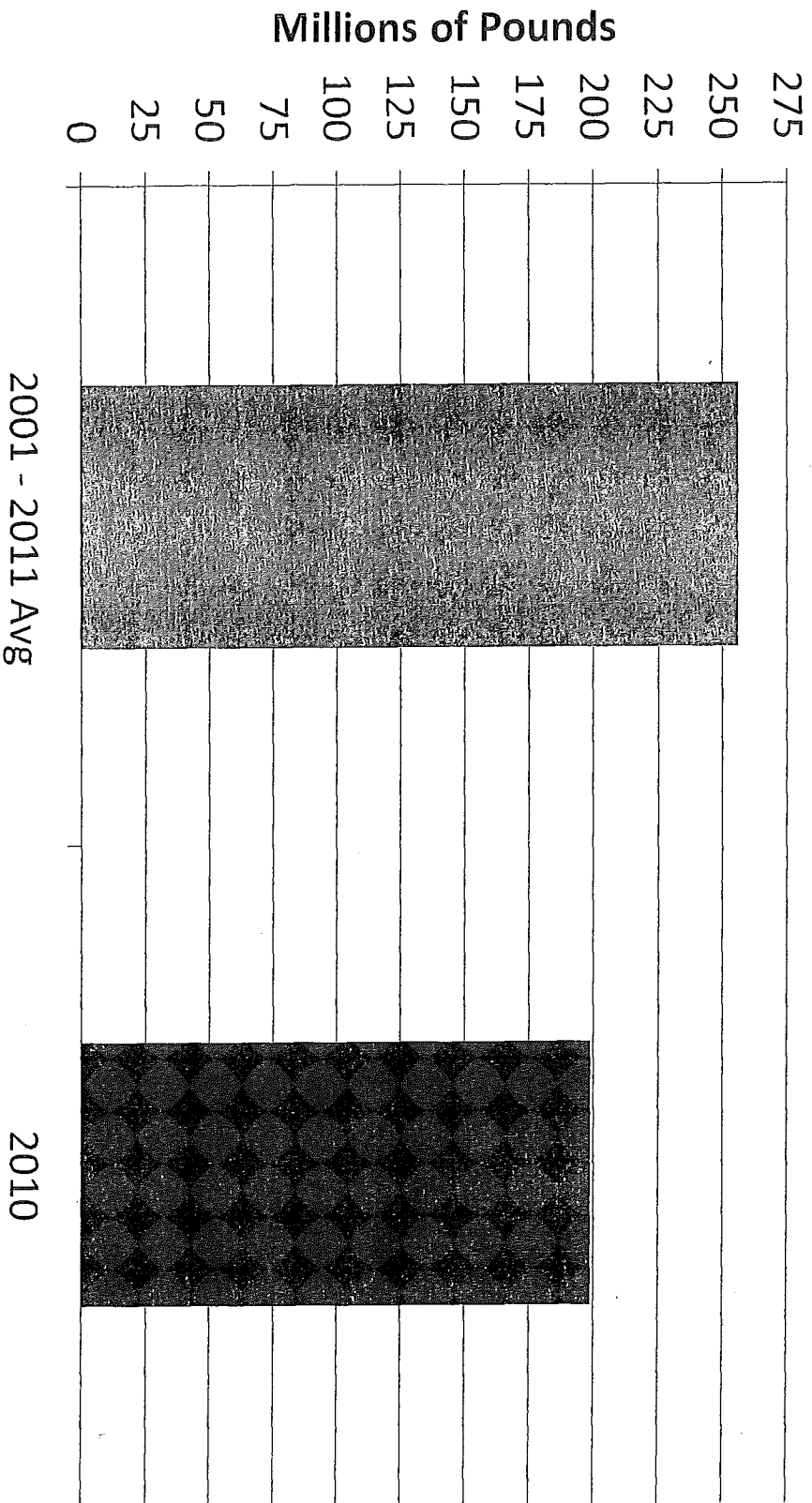
1. Period of Investigation
2. Cumulation and Conditions of Competition
3. Significant Volume of Subject Imports
4. Significant Adverse Price Effects
5. Material Injury
6. Threat of Material Injury

1. Period of Investigation

- In prior cases, the Commission has expanded the POI to better understand conditions in the market where unique circumstances such as an external supply disruption distort the data
- Here, the Commission should include 2009 in the POI to better understand the market in light of the Gulf Oil Spill in 2010

1. Period of Investigation

Annual Landings



2. Cumulation

- There is a reasonable overlap of competition between imports from all seven countries and the domestic like product.
 - ✓ Fungibility: staff report shows they are at least moderate substitutes
 - ✓ Geographic Overlap: all serve a national market
 - ✓ Channels of Distribution: all sell through distributors, end users, and retail/institutional customers
 - ✓ Simultaneous Presence

2. Conditions of Competition – Supply and Demand

- Apparent consumption fluctuated and fell in 2012 and 2013

	2009	2010	2011	2012	1Q 2012	1Q 2013
U.S. Shipments	155	116	129	143	11	9
Subject Imports	862	923	949	884	194	189
Apparent Consumption	1,184	1,168	1,210	1,151	238	221

- U.S. shipments have not recovered to pre-spill levels
- Subject imports rose in 2010 and again in 2011, and maintained elevated market share in 2012

2. Conditions of Competition – Supply and Demand

- Subject imports are the “vast majority” of the domestic market
- They account for nearly 90% of imports and 75% of domestic consumption
- Subject foreign producers can respond to changes in demand with large changes in export volume
- While domestic landings are subject to environmental and biological limitations, fishermen’s decisions whether to harvest are based on whether dockside prices cover costs such as fuel

2. Conditions of Competition – Substitutability

Commission has found imported and domestic product to be at least moderate substitutes

- No clear distinctions in markets or customers served
- Leading purchasers buy imported and domestic
- Domestic and imported available in all forms and sizes
- Majority of purchasers report at least sometimes interchangeable
- Majority of purchasers report subject and domestic usually or always meet minimum quality standards
- Majority of purchasers report they are comparable in quality and consistency

2. Conditions of Competition – Substitutability

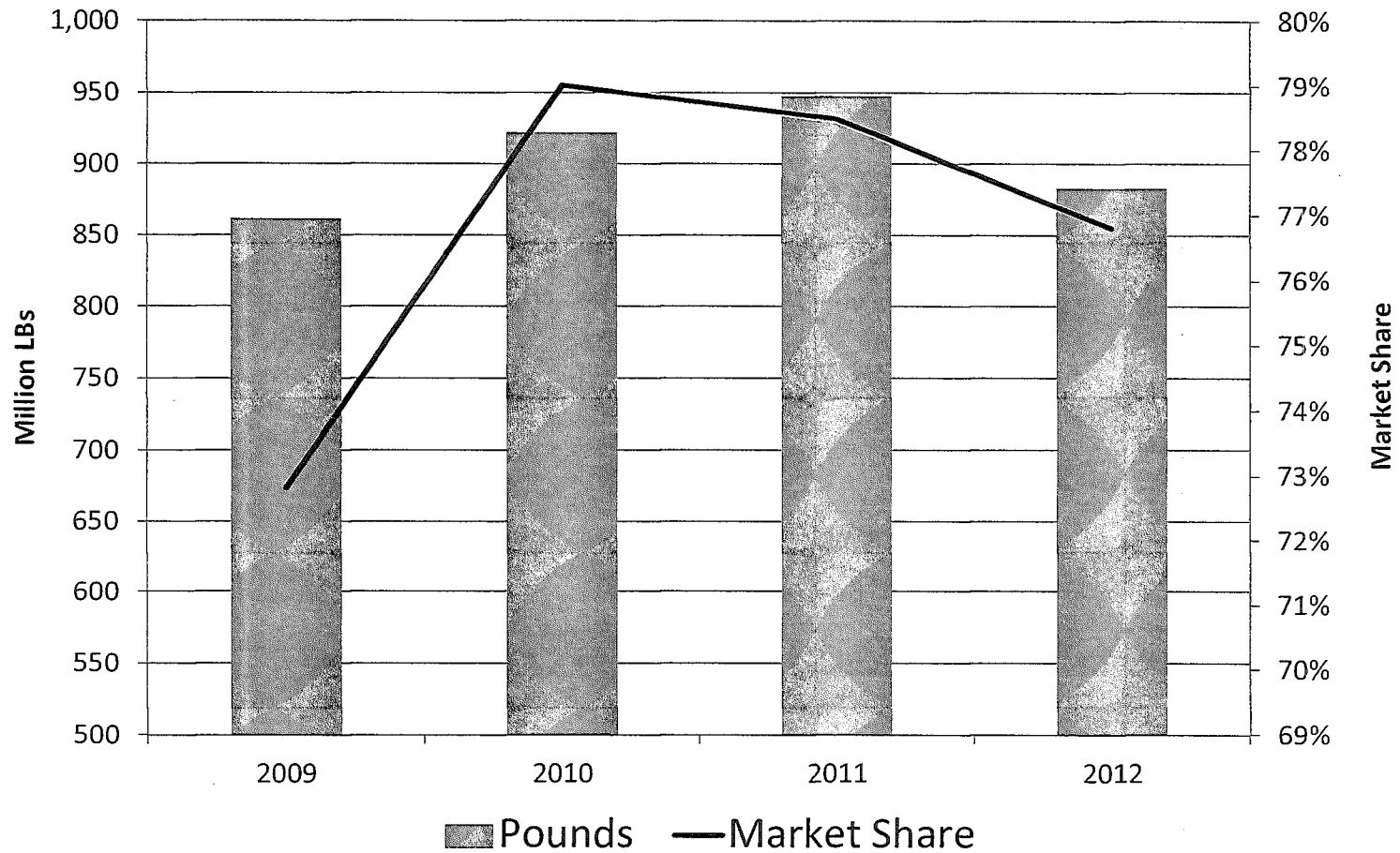
- Respondents claim competition between domestic and subject product is attenuated, but the record shows otherwise
 - Most purchasers express no preference between farmed and wild caught, and the Commission has previously found they compete
 - No purchasers ranked species as a top factor in their purchasing decisions; 13 other factors were more frequently cited as important
 - Both domestic and imported are available throughout the country and serve national markets
 - Most purchasers and end users never or only sometimes make decisions based on origin

2. Conditions of Competition – Price

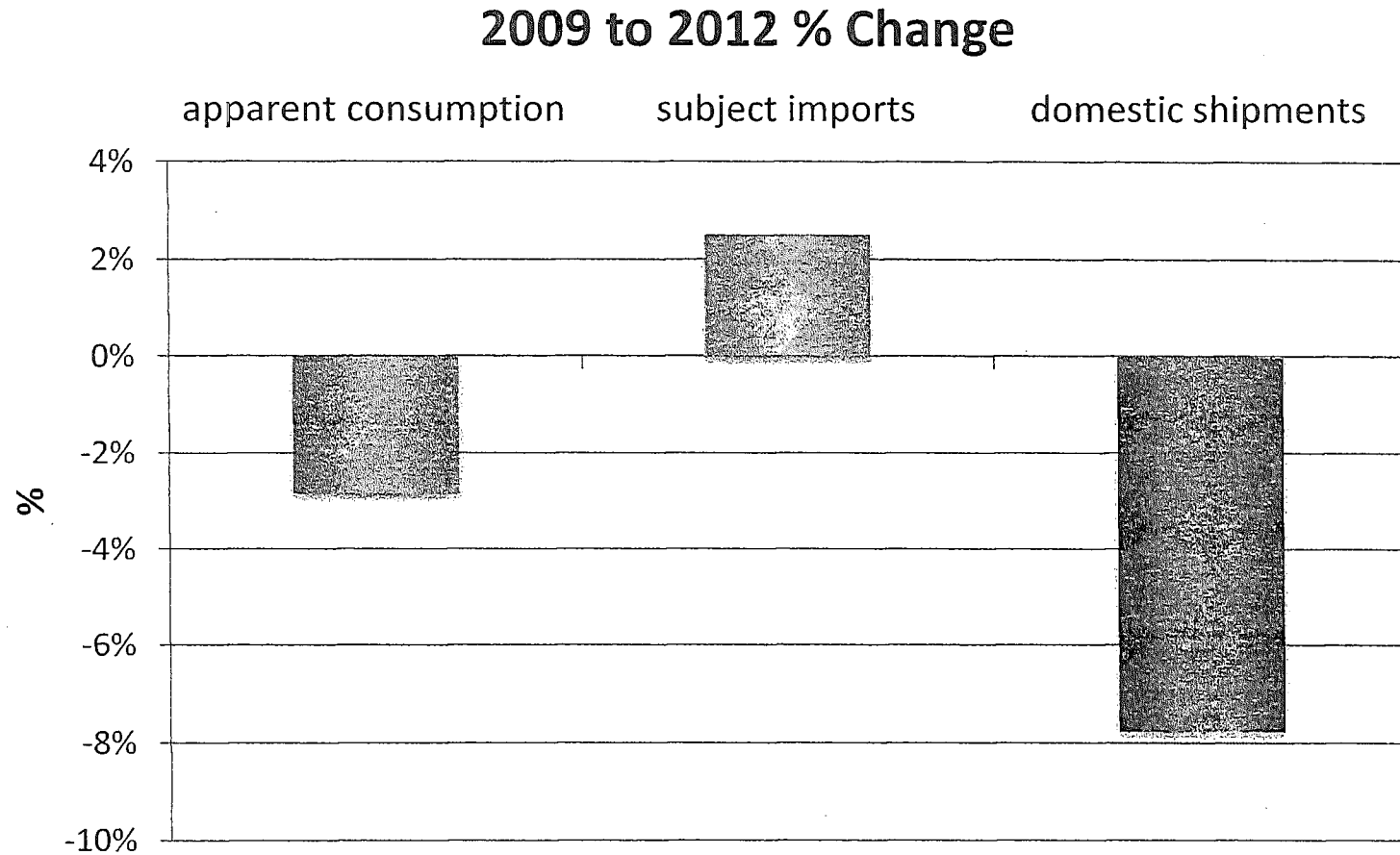
Price is an important factor in purchasing decisions

- Majority of sales are on spot or short-term contract
- Majority of prices set transaction-by-transaction
- Nearly two thirds of purchasers report price is a very important factor in purchasing decisions
- Price is cited as one of the most important factors more frequently than any other factor except quality
- Over 80% of purchasers sometimes or usually buy the lowest priced product

3. The Volume of Subject Imports Is Significant



3. The Volume of Subject Imports Is Significant





4. Significant Adverse Price Effects

- The Commission has found that changes in import prices affect the prices of the domestic product to a significant degree
 - Market participants constantly monitor prices
 - Purchasers routinely quote import prices in negotiations
 - Most purchasers report price is a very important factor in purchasing decisions

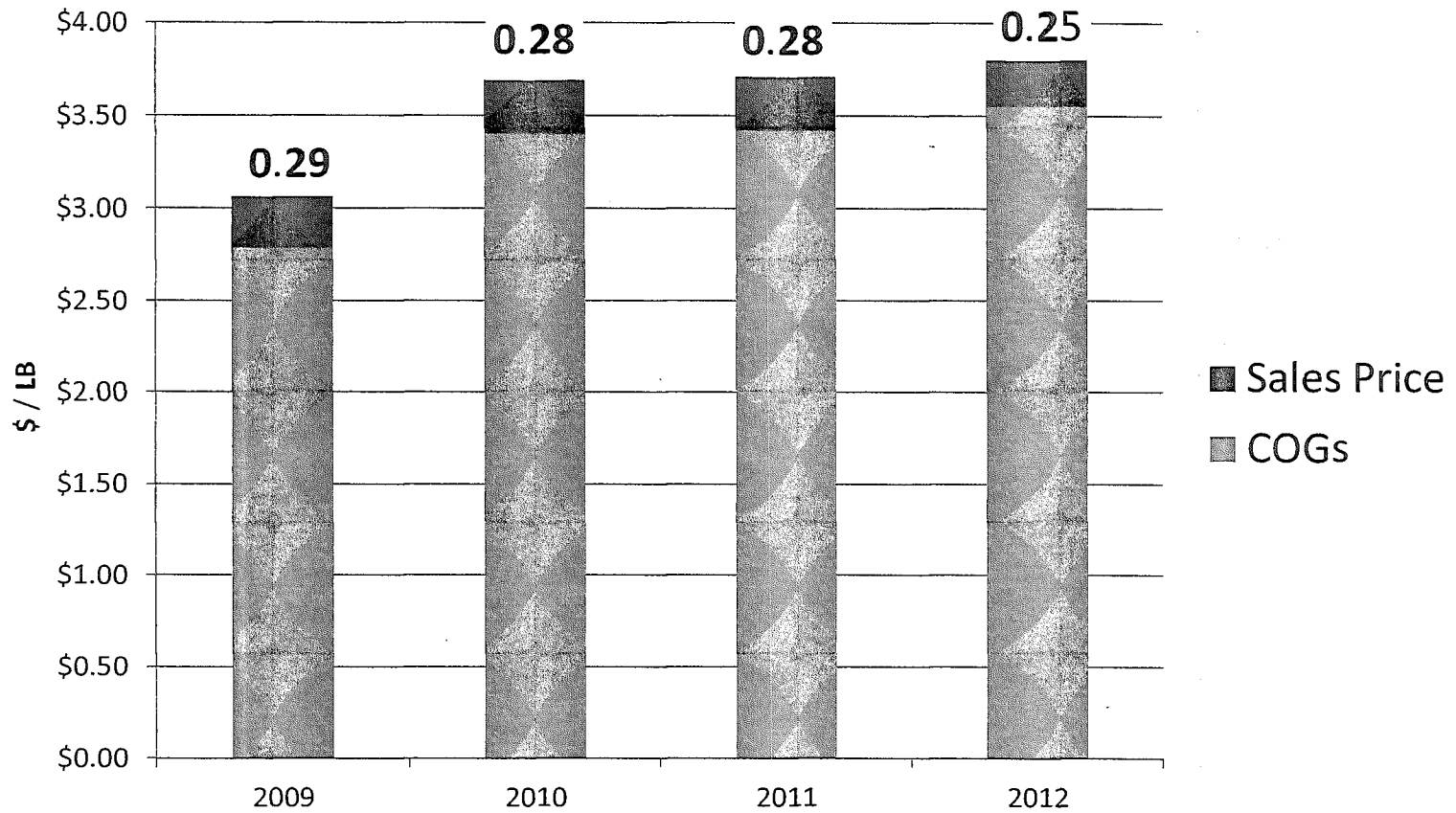
4. Significant Adverse Price Effects

Most U.S. buyers

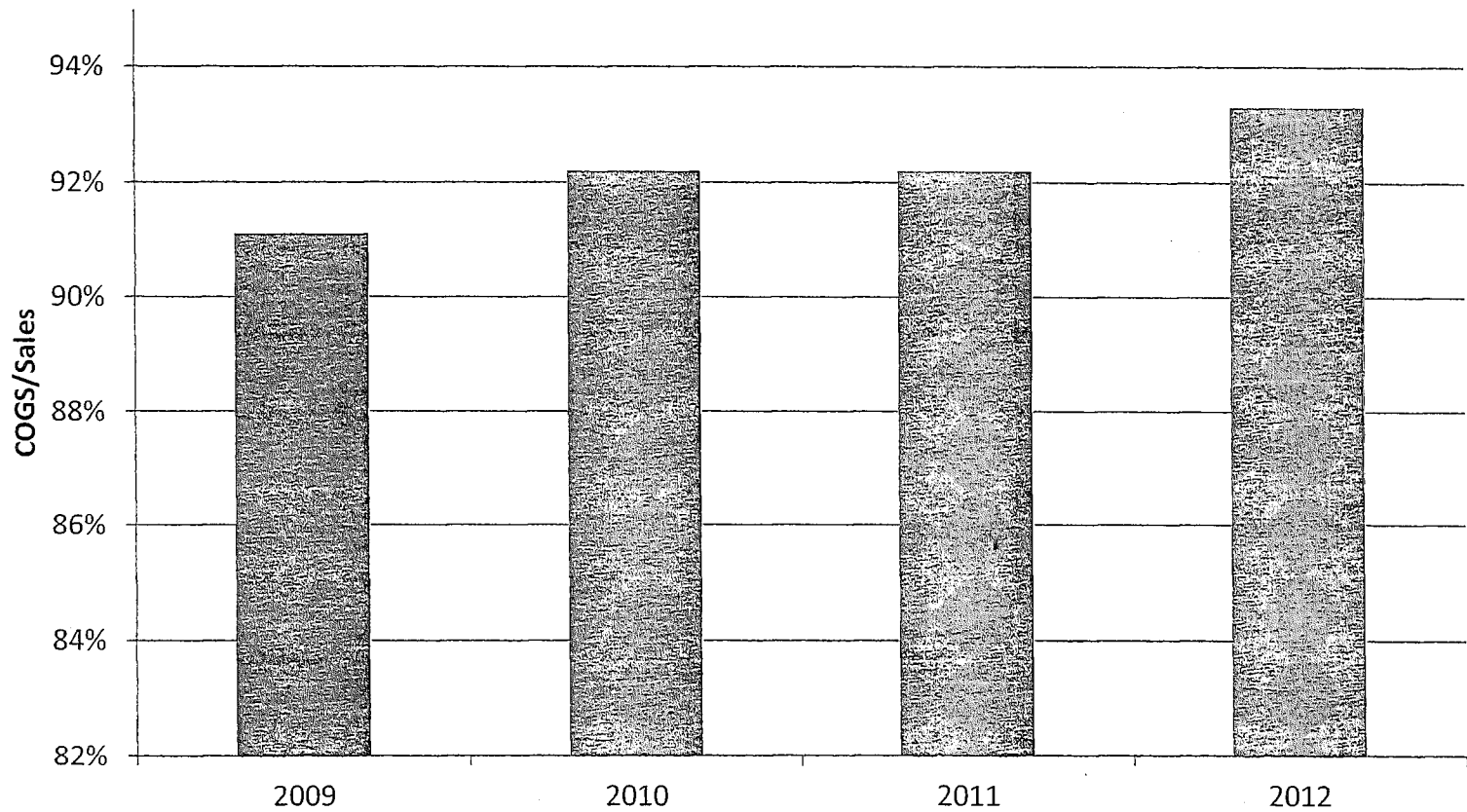
“only look at price.”

**-- Jeff Goldberg, shrimp buyer for
Mazzetta, August 2012**

4. Significant Adverse Price Effects



4. Significant Adverse Price Effects

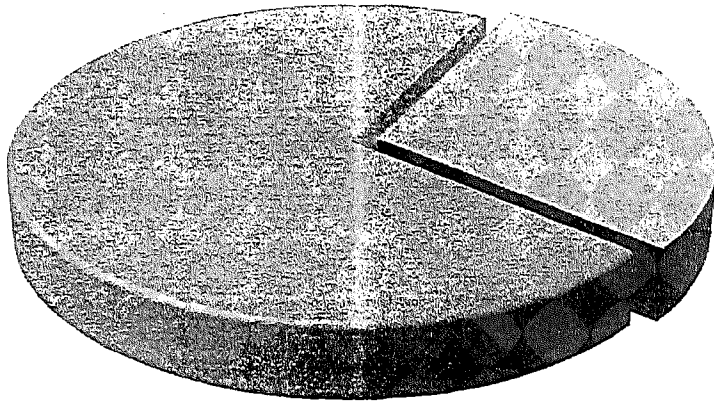




4. Significant Adverse Price Effects

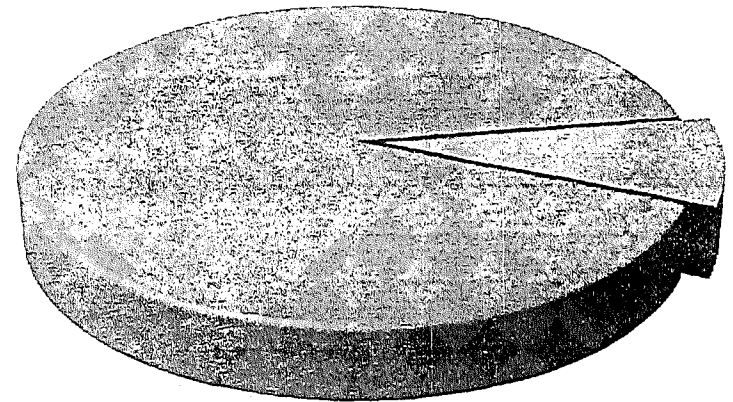
- The record also shows significant underselling by subject imports
- For six out of the seven products reviewed in the staff report, imports undersold domestic product in 52% of comparisons, with margins ranging as high as 49 percent
- The one product with the lowest rate of underselling is product 1, which the Commission has previously found to be distorted by differences in product mix
- Mixed over- and underselling is consistent with a market where a large number of producers compete on the basis of price on a transaction-by-transaction basis

4. Significant Adverse Price Effects

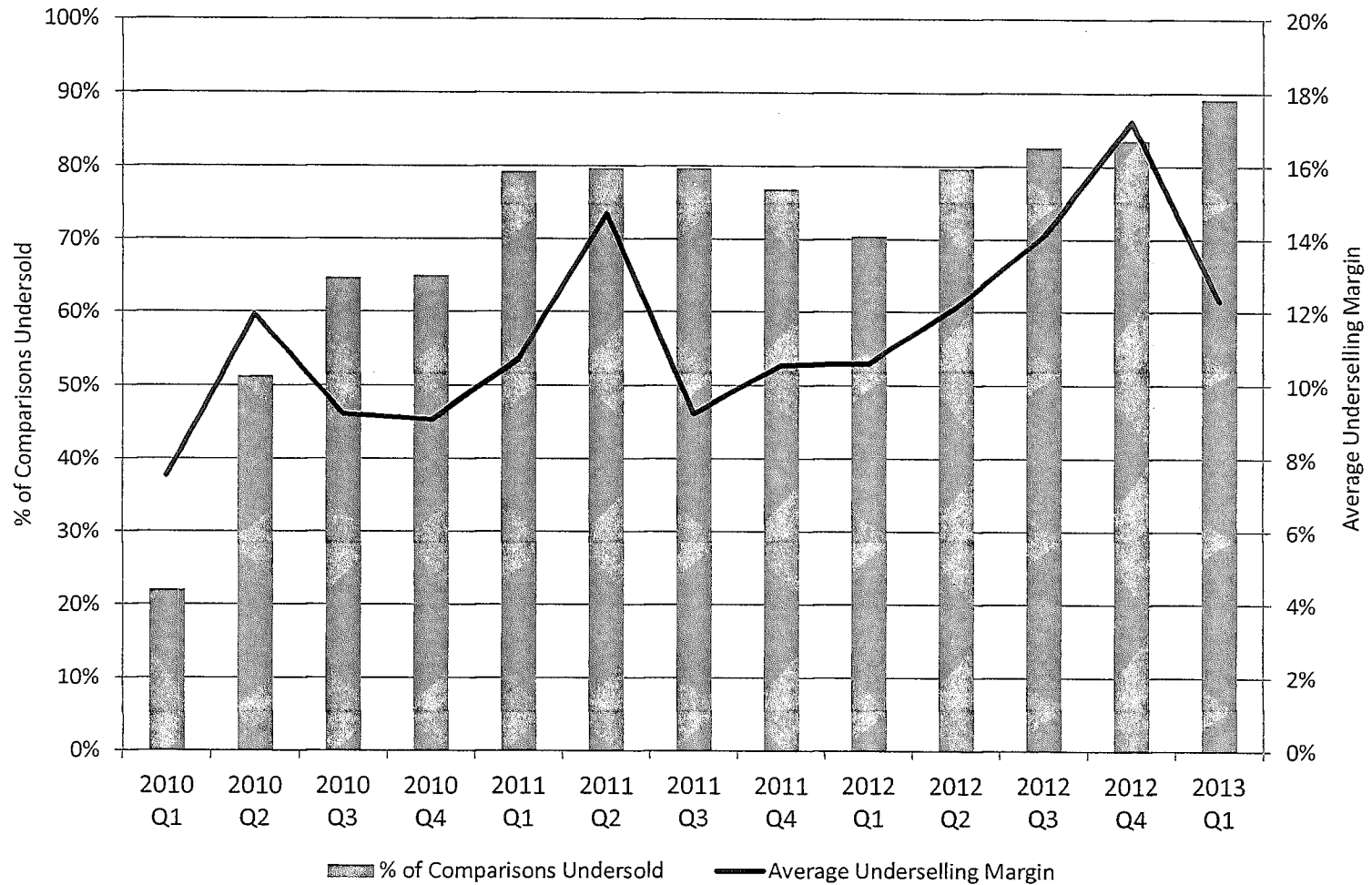


NY Frozen price data show underselling in **337** of **415** comparisons with an average underselling margin of **11.7%**.

Urner Barry price data show underselling in **406** of **445** monthly comparisons with an average underselling margins of **7.9%** to **21.7%**.



4. Significant Adverse Price Effects



5. Material Injury

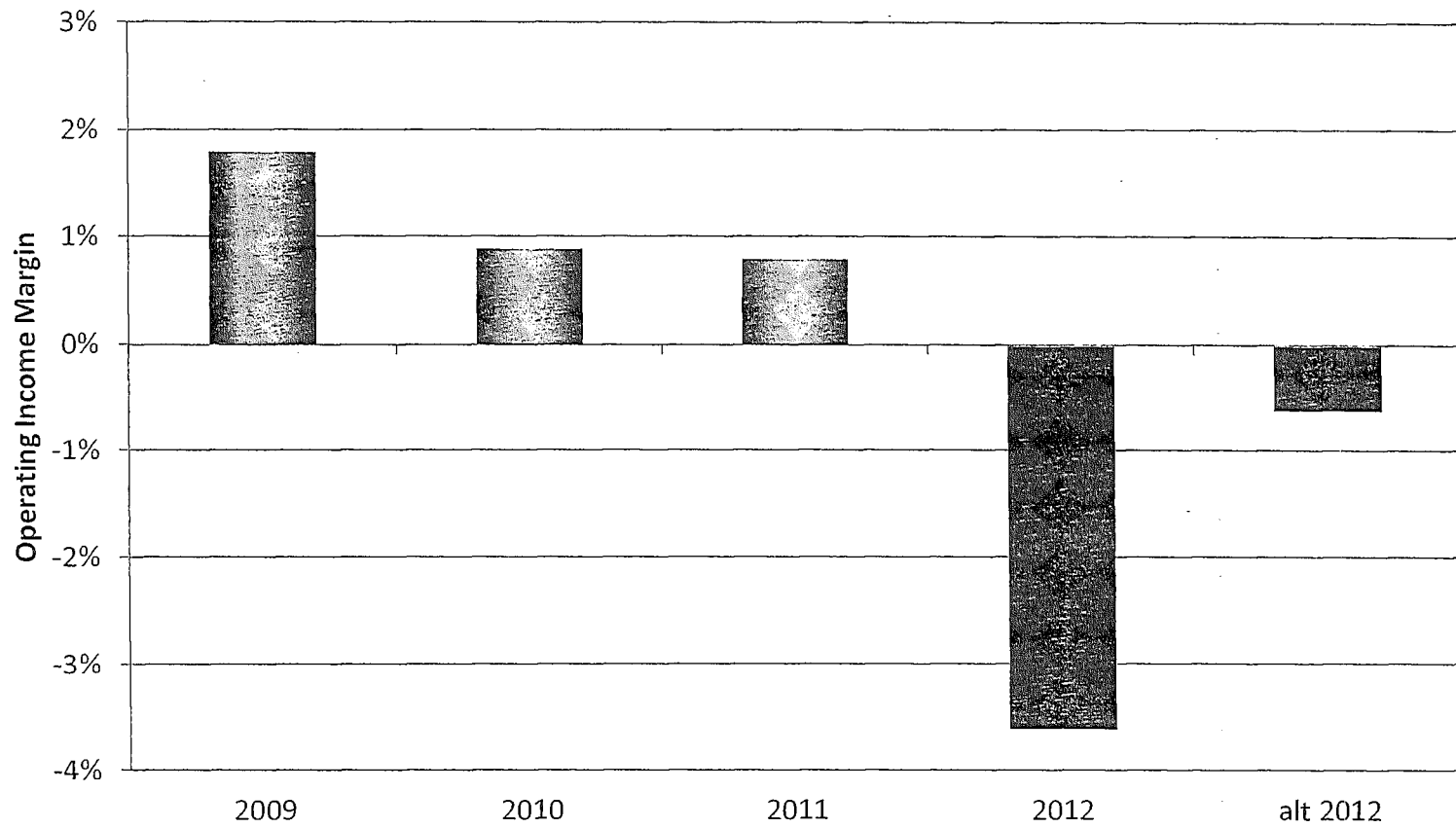
- The high volume of subsidized imports suppressing and undercutting domestic prices has caused material injury to the domestic industry
- The Commission should evaluate material injury by looking at data from 2009 through 2012 in order to ensure the trends are not distorted by the Gulf Oil Spill in 2010

5. Material Injury

- While production and sales rose from 2010 to 2012, they did not rise enough to make up for the loss in production and sales experienced from 2009 to 2010

	% Change 2009 to 2010	% Change 2010 to 2012
Production	- 18.4%	+ 13%
Net Sales	- 14%	+ 1.3%

5. Material Injury

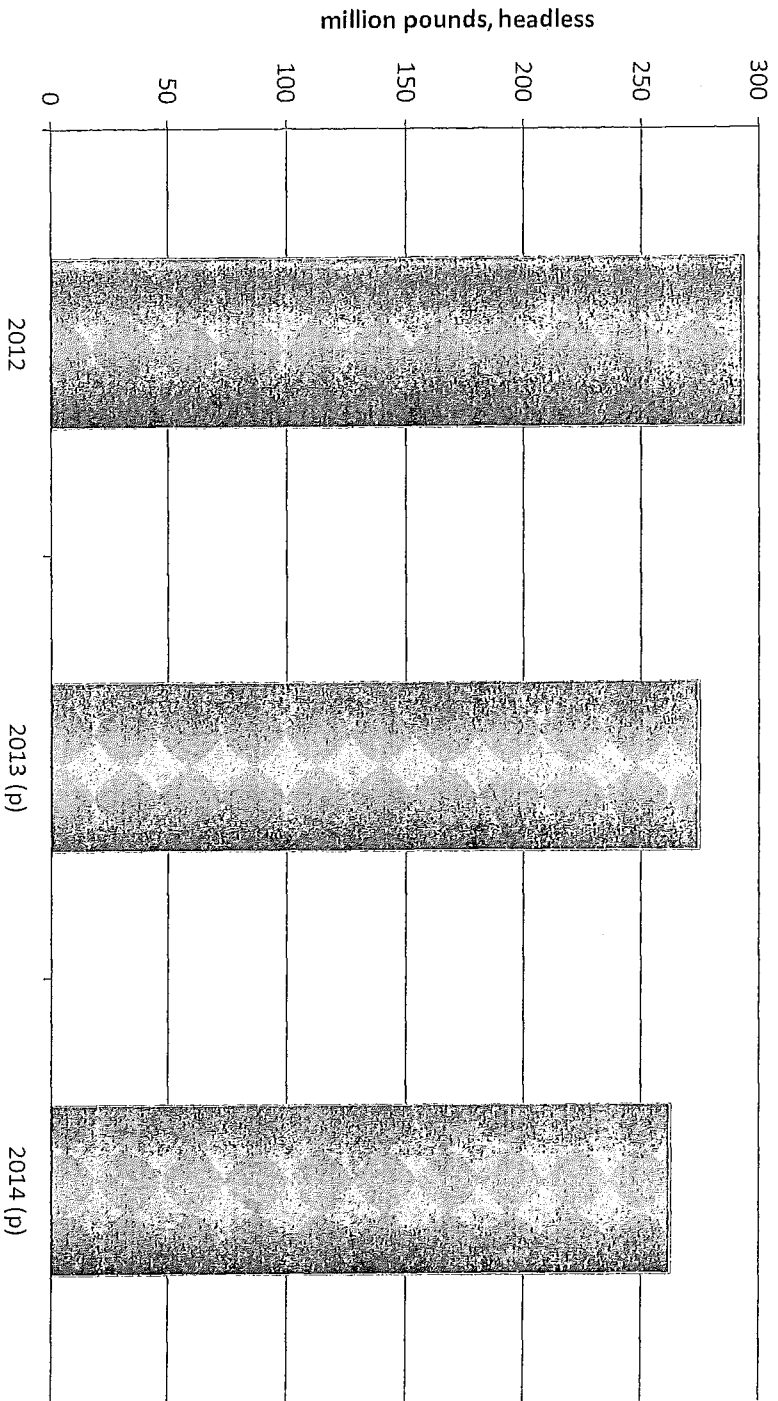


6. Threat of Material Injury

- **The Commerce Department preliminarily found that subject producers benefit from 34 different subsidy programs, including 18 export subsidy programs that span 6 of the 7 countries**
- **These subsidies are implemented as part of foreign governments' explicit plans to expand domestic shrimp production and increase shrimp exports**

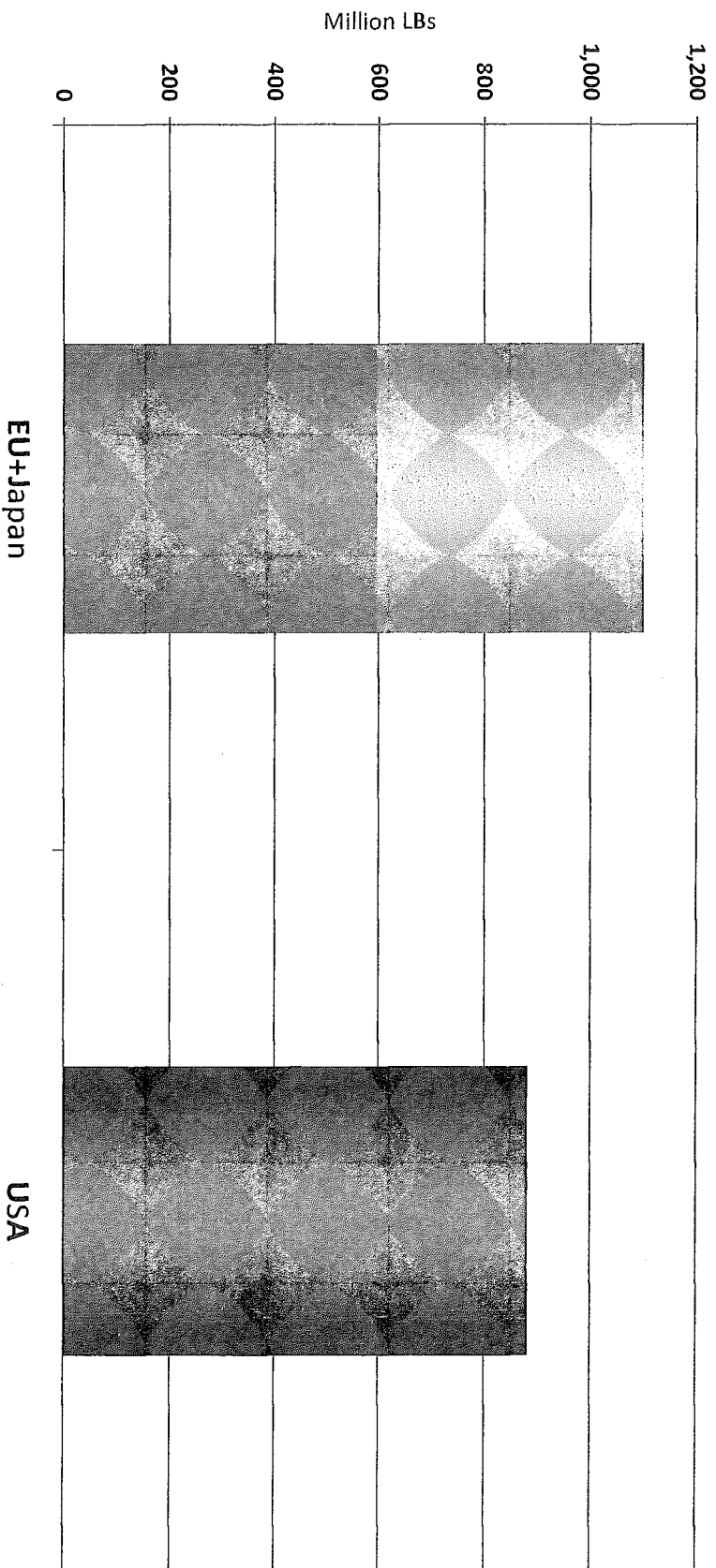
6. Threat of Material Injury

Subject Inventories

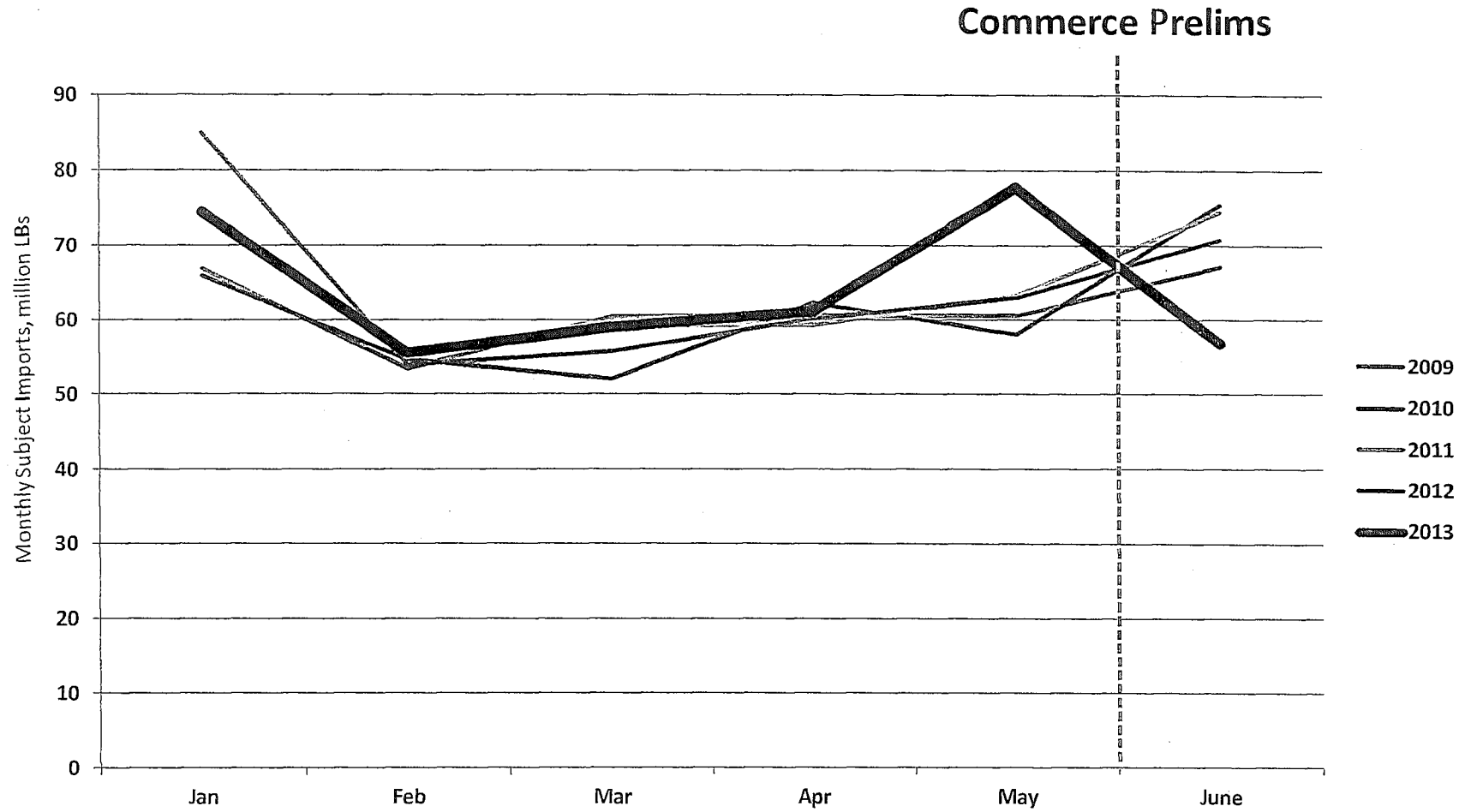


6. Threat of Material Injury

EU, Japan, USA imports of subject merchandise
from 7 countries in 2012



6. Threat of Material Injury



6. Threat of Material Injury

- **When imports do come surging in, they will cause further material injury to the domestic industry**
- **Subject imports are already having significant adverse price effects, and these are likely to continue**
- **The domestic industry will not be able to withstand these continued adverse effects, as its financial condition is very weak and fuel prices are projected to stay high, making domestic producers vulnerable to further injury**