U.S. IMPORTS OF LAMB MEAT: FINAL MONITORING REPORT

Report on Investigation No. 332-264
Under Section 332(g) of the
Tariff Act of 1930 as Amended

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United States International Trade Commission
Washington, DC 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

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Anne E. Brunsdale, Acting Chairman
Seeley G. Lodwick
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Office of Industries
Robert A. Rogowsky, Director

This report was prepared principally by

David E. Ludwick and Rose M. Steller
Office of Industries

James E. Stewart
Office of Investigations

Walker A. Pollard
Office of Economics

With assistance from

Pamela Chase and Joyce Bookman
Office of Management Services

Under the direction of

William Lipovsky, Chief
Animal and Forest Products Branch

David L. Ingersoll, Chief
Agriculture Division

Address all communications to
Kenneth R. Mason, Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

PREFACE

The Commission instituted the present investigation on October 20, 1988, pursuant to section 1937 of the Omnibus Trade and Competitiveness Act of 1988. The investigation is being conducted under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) for the purpose of monitoring and investigating U.S. imports of fresh, chilled, or frozen lamb meat.[1] In this, the last of two scheduled reports during this investigation, the Commission:

(a) describes U.S. regulatory treatment, including providing a background of U.S. countervailing duties applicable to imports of lamb meat from New Zealand;

(b) describes the U.S. market in terms of channels of distribution, location of markets for lamb meat, and so-forth;

(c) describes the U.S. industry in terms of number and geographic distribution of lamb growers, processors, and importers; production; consumption; inventories; profits; employment; capital generation; and costs of production for live lambs and fresh, chilled, or frozen lamb meat; and

(d) discusses U.S. imports of lamb meat in terms of quantity and value, source, and as a share of U.S. consumption and the relative strengths and weaknesses of U.S. imports and the domestic product in the U.S. market. Also, the role of the United States in world lamb meat trade is reviewed.

Public notice of the investigation was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* (F.R.)[2] of November 9, 1988.

The information contained in this report was obtained from a variety of sources including U.S. and foreign government agencies, U.S. and foreign academic institutions, the United Nations, and industry trade associations. Domestic producers, processors, purchasers, importers, and distributors also provided much useful information. Additional information came from written submissions of interested parties, and fieldwork with various segments of the lamb raising and processing industries.

[1] Sec. 1937 of the Omnibus Trade and Competitiveness Act of 1988 is reproduced in App. A.
[2] A copy of the notice of the Commission's investigation is reproduced in App. B.

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terminated April 11, 1985, the U.S. International Trade Commission did not conduct a so-called injury test. The Commission conducted a countervailing duty investigation concerning imports of fresh, chilled, or frozen lamb meat from New Zealand in 1981, and an antidumping and countervailing duty investigation concerning such imports from New Zealand in 1984.

Table A

Profile of U.S. fresh, chilled, or frozen lamb meat industry, 1986-89

Item	*1986*	*1987*	*1988*	*1989*	*Absolute change, 1989 from 1986*	*Percentage change, 1989 from 1986*
Production (1,000 pounds)[1]	322,683	302,747	320,755	332,228	9,545	3
Value of production ($1,000)	456,583	458,191	486,683	475,085	18,502	4
Number of producers[2]	954	906	877	869	(85)	(9)
Exports ($1,000)	([3])	([3])	([3])	([3])	([4])	([4])
Imports:						
Australia ($1,000)	11,107	18,551	17,853	18,254	7,147	64
New Zealand ($1,000)	14,557	9,247	13,652	15,442	885	6
Total ($1,000)	25,683	28,025	31,604	33,739	8,056	31
Trade balance ($1,000)	(25,683)	(28,025)	(31,604)	(33,739)	(8,056)	(31)
Apparent consumption($1,000)	482,266	486,216	518,287	508,824	26,558	6
Ratio of imports to apparent consumption (percent)	5	6	6	7	2	40

[1] Estimated by the staff of the U.S. International Trade Commission.
[2] Number of slaughter plants.
[3] U.S. exports of fresh, chilled, or frozen lamb meat are negligible or nil.
[4] Not meaningful.
Note.—Because of rounding, figures may not add to the totals shown. Figures in parenthesis are negative numbers.

Imports of most meat, including lamb meat, are limited to those from countries that have health and sanitary programs that the U.S. Secretary of Agriculture has found to be at least equal to the U.S. Federal programs. Also, imports of fresh, chilled, or frozen lamb meat are limited to those from countries free of rinderpest and foot-and-mouth diseases.

Commission data on imported and domestic lamb meat price relationships varied by products.

Price data collected from respondents to the Commission's interim questionnaires, covering the period January 1987 to December 1988, reveals that the prices of Australian lamb carcasses were generally lower than those for U.S. carcasses before the third quarter of 1987 and have generally been higher than those of U.S. carcasses since that date. The grocery chains did not purchase New Zealand lamb carcasses during the period. The price of fresh racks from Australia and of frozen racks from New Zealand have generally been lower than those of U.S. racks, with the prices of the frozen racks from New Zealand being higher than those for the Australian product. The price of frozen shoulders imported from New Zealand have consistently been higher than the prices of domestic shoulders, which in turn have been higher than the price of fresh shoulders imported from Australia.

The prices of fresh Australian legs of lamb were nearly the same or lower than those for U.S. leg prices except for June through December 1988. The prices of frozen legs imported from New Zealand were consistently below those for either the domestic product or for fresh imports from Australia in 1987 and 1988.

Questionnaire respondents listed a number of factors which may affect prices they pay for lamb meat. These factors include lead times, quality, size of cuts, and country of origin. The final demand for lamb meat is influenced by such factors as the prices of substitute meats (e.g., beef, pork, and poultry), consumer income, and consumer attitudes. Factors that can influence the supply of lamb meat include lamb prices, labor costs, feed costs, and lamb losses. Seasonal variations in prices of lamb sold to wholesalers occur throughout the year with price peaks occurring between March and May.

EXECUTIVE SUMMARY

In 1989, a total of 82,070 farms received incentive payments under the National Wool Act of 1954, as amended. This approximates the number of commerical sheep growers operating in the United States. Sheep growers' revenues amounted to an estimated $660 million in 1989. About $500 million was received from the sale of sheep and lambs (including sales of animals for breeding purposes, feeders, and animals for slaughter) and $160 million was from wool ($110 million from sales of wool grown and $50 million from incentive payments).

Table A provides a profile of the U.S. fresh, chilled, or frozen lamb meat industry between 1986 and 1989.

This is the final report of the Commission's two-year investigation and monitoring of U.S. imports of fresh, chilled, or frozen lamb meat. The investigation was instituted pursuant to section 1937 of the Omnibus Trade and Competitiveness Act of 1988 and is being conducted under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). Members of Congress and domestic producers have, for many years, expressed concern about U.S. imports of lamb meat. U.S. imports of live lambs are not a subject of this investigation.

The principal findings of this investigation are as follows:

The meat of U.S. grain-fed lambs is generally sold fresh or chilled in the U.S. market, whereas the meat of the smaller Australian and New Zealand grass-fed lambs, which is considered by some to have a stronger flavor and aroma than U.S. lamb meat, is usually shipped frozen.

The great bulk of lamb meat produced in the United States is shipped chilled, with freezing generally being limited to certain times of the year owing to irregular seasonal demand or certain rather low-priced cuts (such as shanks) produced in limited quantities. Although there has been a trend toward importation of chilled lamb in recent years, the amount of frozen lamb meat imported in 1989 was almost twice as great as the amount of chilled. Imported lamb carcasses, and the cuts derived from them, are typically smaller than U.S. carcasses and cuts, in part, because of the genetic make-up of the animals and, in part, because the U.S. animals are typically grain-fed. In 1989, U.S. carcasses averaged 64 pounds each, New Zealand carcasses reportedly averaged less than 30 pounds each, and Australian carcasses averaged about 38 pounds each. Some consumers contend that imported lamb has a stronger flavor and aroma because imported lamb meat is derived from animals that are grass-fed in contrast to the grain-fed U.S. lamb. Almost all lambs in the United States, Australia, and New Zealand are slaughtered at less than 14 months of age.

U.S. imports of fresh, chilled, or frozen lamb meat are subject to several types of health and sanitary regulations that limit sources of imports to certain approved countries. Lamb meat imports from New Zealand have also been subject to countervailing duties. However, the collection of cash deposits by U.S. Customs on estimated countervailing duties have recently been suspended pending the final results of the next U.S. Department of Commerce administrative review of the countervailable benefits given by the New Zealand government to its producers, processors and exporters of lamb meat.

U.S. imports of fresh, chilled, or frozen lamb are subject to an import tariff of 1.1 cents per kg., the most-favored-nation (MFN) rate of duty, since all imports come from countries that receive MFN rates. The ad valorem equivalent of the rate of duty for total imports in 1989 was 0.4 percent. In addition, imports of such lamb meat from New Zealand have been found by the International Trade Administration of the U.S. Department of Commerce to be subsidized and have been subject to countervailing duties since June 25, 1985. On October 23, 1990, the ITA published final results of a fourth administrative review of the countervailing duty order. Among other things the ITA reported the termination of a New Zealand program that reduced the total estimated bounty or grant to 0.38 percent ad valorem, a rate which is considered to be a de minimis. Therefore, ITA announced that it would instruct the U.S. Customs Service not to collect cash deposits of estimated countervailing duties until after publication of final results of the next Administrative review. Because New Zealand's status as a "country under the Agreement" with respect to the GATT countervailing duty code was

The U.S. lamb sector is composed of a relatively-large number of growers and a much smaller number of packers. Grower profitability has declined and that of packers has improved.

U.S. sheep growers may be divided into two categories—a large number who maintain sheep flocks for the production of lambs and a small number who maintain feedlots where lambs are raised to slaughter weights. In the United States, virtually no sheep are raised exclusively for the production of wool or pelts. Income from wool, derived from both market sales and Federal incentive programs, accounted for 23 to 25 percent of total income from sheep and lambs. However, in the Western States, wool may account for as much as 40 percent of grower's gross income as wool-type sheep account for a large share of sheep herds in the Western States.

The Western States accounted for 39 percent (43,050) of U.S. sheep growing operations in 1989, but because operations in that region are typically larger, they accounted for 75 percent (8.2 million) of the total U.S. sheep inventory (10.9 million animals). The Corn Belt States accounted for 42 percent (46,100) of sheep raising operations and 18 percent (2.0 million animals) of the U.S. sheep inventory.

The lamb-packing industry, in contrast to the sheep growing industry, is composed of a small number of companies: fewer than 10 plants accounted for 80 percent or more of U.S. lamb slaughter in recent years. Lamb slaughter is concentrated in the Corn Belt and Western States, generally near where lambs are fed. As their gross profit rose annually during 1986–89, meatpackers' cashflow rose from a loss of $3.6 million in 1986 to a $6.1–million profit in 1989, with an average income of 2 cents per pound for packers' lamb meat operations. Estimated net cash returns for growers declined by 42 percent to $14.51 per ewe during 1987–89 because of lower prices for live animals and rising feed prices. Growers are concerned with the problems of predators, imports, lack of skilled sheepherders, public lands administration, consumer health perception about lamb meat, and the concentration of packers sending lambs to slaughter.

Although 1989 lamb meat production reflects only a 1-percent decline from the 1985 level, 1989 production of 332.2 million pounds represents an increase of 10 percent from the 1987 low of 302.7 million pounds. U.S. lamb meat consumption totalled 359.8 million pounds in 1989, representing less than 1 percent of red meat and poultry consumption.

During 1985–89, lamb meat production in the United States declined from 337 million pounds in 1985, to 303 million pounds in 1987, before increasing to 321 million pounds in 1988. In 1989, such production totalled 332 million pounds.Lamb meat consumption declined from 364 million pounds in 1985 to 336 million pounds in 1987, but increased to 351 million pounds in 1988, and rose another 3 percent to 360 million pounds in 1989. U.S. lamb meat consumption, stable at about 1.4 pounds per capita in recent years, has accounted for less than 1 percent of red meat consumption.

Australia and New Zealand are the principal U.S. import sources of lamb meat, accounting for 58 percent and 42 percent, respectively, of total U.S. imports in 1989. During 1985–89, imports ranged from 28 million pounds to 32 million pounds and accounted for 8 to 9 percent of U.S. apparent consumption.

During 1985–89, U.S. imports of fresh, chilled, or frozen lamb meat declined irregularly from 31.9 million pounds, valued at $31.9 million, in 1985, to 28.5 million pounds, valued at $33.7 million, in 1989; imports accounted for between 8.0 and 8.8 percent of U.S. consumption annually during the period. During January–July 1990, imports were 13.4 million pounds, valued at $18.7 million.

The share of U.S. imports of lamb meat supplied by Australia increased from 17 percent (5.4 million pounds) in 1985 to 72 percent (20.7 million pounds) in 1987 before declining to 58 percent (16.5 million pounds) in 1989. Conversely the share supplied by New Zealand declined from 82 percent (26.3 million pounds) in 1985, to 28 percent (8.0 million) pounds in 1987, before increasing to 42 percent (11.9 million pounds) in 1989. During January–July 1990, Australia accounted for 51 percent (6.8 million pounds) and New Zealand accounted for the remaining 49 percent (6.6 million pounds) of U.S. lamb meat imports. A number of factors may have contributed to the shift, including Australian development and promotion programs for exports of chilled lamb, packing house and dock workers' strikes in New Zealand, and changes in U.S. countervailing duties applicable to imports of lamb from New Zealand or government programs in Australia and/or New Zealand.

The share of imports from Australia that consisted of chilled lamb, in contrast to frozen lamb, increased from 41 percent in 1985 to 65 percent in 1987, but declined to 44 percent in 1989. Imports consist of carcasses and various types of cuts with the mix of cuts varying from year to year.

Prior to 1986 imports from New Zealand consisted of frozen lamb, but in that year, 2.6 percent of imports were chilled; chilled imports increased to 22 percent of imports in 1989.

Domestic interests have expressed concern about the difference in reported levels of general imports of fresh, chilled, or frozen lamb, versus imports for consumption; the difference appears to represent transshipment of New Zealand lamb through the United States to Canada according to industry sources.

> *The size of the New Zealand sheep population declined by an estimated 11 percent during 1985-89 and the production of lamb meat fell by 22 percent to 432,000 tons, reflecting, in part, a decline in sheep farming and the effects of the 1986-87 drought. Exports accounted for 95 percent of New Zealand production in 1989, down from 98 percent in 1985.*

Total sheep on New Zealand farms as of June 30, 1989, were 60.6 million, equally divided between the North and South Islands. Many of New Zealand's sheep are dual-purpose breeds, producing both high-quality wool and meat.

New Zealand production of live lambs, as measured by the number of lambs tailed (docked), declined from 50.7 million animals in 1985 (year ending June 30) to an estimated 39.3 million animals in 1989. The decline in lamb production reflects, in large part, the decline in the total sheep flock and the decline in the number of ewes kept for breeding purpose.

New Zealand's production of lamb meat declined steadily from a high of 552,000 tons in 1985 to 447,000 tons in 1987, or by 19 percent (carcass weight basis) before increasing to 459,000 tons in 1988. Such production declined to 432,000 tons in 1989.

Exports accounted for 95 percent of New Zealand's lamb meat production in 1989. Principal export markets included the United Kingdom and Iran. The United States accounted for between 1 percent and 4 percent of New Zealand lamb meat exports during the period 1985-89. Exports of frozen lamb carcasses accounted for 59 percent of New Zealand's lamb meat exports in 1989, down from 77 percent in 1985. Exports of frozen cuts increased from 22 percent in 1985 to 34 percent in 1989.

> *Australia is the world's largest sheep producing country. The Australian sheep population rose by 9 percent during 1985-89, whereas production of lamb meat fell by 7 percent to 308,000 tons, reflecting an increase in sheep raised for wool, rather than meat. Lamb meat exports accounted for 14 percent of Australian production in 1989, up from 11 percent in 1985.*

The Australian total sheep inventory rose from 149.7 million animals in 1985 to 163.0 million animals in 1989, or by 9 percent. The number of ewes also increased by 6 percent to 80.8 million animals in 1989. The growth in sheep production, mostly of the Merino breed, has occurred largely because of the demand for wool and favorable weather conditions. The decline in lamb slaughter reflects a decline in lamb production, particularly of lambs raised primarily for lamb meat.

Australian lamb meat exports rose from 37,000 tons in 1985 to 60,000 tons in 1987, or by 62 percent, then declined to 57,000 tons in 1988 and further declined to 44,000 tons in 1989. The Kuwait and Gulf States area was the leading export market, accounting for 28 percent of lamb meat exports in 1989. Australian exports to the United States rose from 1,800 tons in 1985 to 10,400 tons in 1988, then declined to 7,100 tons in 1989, accounting for 17 percent of that country's lamb meat exports in the latter year.

Chapter 1

Introduction

General

This is the final report on the Commission's investigation to monitor and investigate for 2 years U.S. imports of fresh, chilled, or frozen lamb meat. The investigation was instituted on October 20, 1988, pursuant to section 1937 of the Omnibus Trade and Competitiveness Act of 1988. The investigation was conducted under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). Section 1937 was a conference agreement resolving House and Senate differences concerning lamb meat. A Senate amendment authorized import quotas for fresh, chilled, or frozen lamb meat, but the House bill had no such provision. Section 1937 also stated that "For purposes of any request made under subsection (d) of section 202 of the Trade Act of 1974 (as amended by section 1401 of this Act) within such 2-year period for provisional relief with respect to imports of such articles, the monitoring and investigation required under this section shall be treated as having been requested by the United States Trade Representative under paragraph (1)(B) of such subsection." Members of Congress and domestic producers have, for many years, expressed concern about imports of lamb meat. Concern has also been expressed about the viability of the domestic lamb meat industry which had been in a general decline since the end of World War II.

A major objective of this investigation is to monitor, on a month-by-month basis, U.S. imports of fresh, chilled, or frozen lamb meat. The investigation of the imports includes descriptions and uses, comparing and contrasting domestic and imported lamb meat, a review of U.S. regulatory treatment (including previous U.S. Government import investigations and countervailing duties), channels of distribution and markets for domestic and imported lamb meat, the U.S. role in the world lamb meat market, and an overview of the U.S. live sheep and lamb meat industries.

Product

Section 1937 directs the Commission to monitor and investigate U.S. imports of fresh, chilled, or frozen lamb meat classifiable under the Tariff Schedules of the United States (TSUS) item No. 106.30.[1] Imports not the subject of this investigation include live lambs (formerly classifiable under TSUS item No. 100.81, and, since Jan. 1, 1989, classifiable under HTS subheading 0104.10.00), meat of mature sheep (mutton) (formerly classifiable under TSUS item No. 106.22, and, since Jan. 1, 1989, classifiable under HTS subheadings 0204.21.00, 0204.22.40, 0204.23.40, 0204.41.00, 0204.42.40, and 0204.43.40), and prepared or preserved lamb meat (formerly classifiable under TSUS item No. 107.76, and, since Jan. 1, 1989, not separately provided for in the HTS). The report does contain information about the domestic live sheep and lamb-raising industry.

Timeframe

Section 1937 directed the Commission, within 15 days after enactment of the Act on August 26, 1988, to monitor and investigate for 2 years the subject imports. This report generally provides information for the period beginning January 1985.

Data sources

The monitoring and investigation required by section 1937 was carried out through the analysis of information obtained from published sources; staff interviews with company representatives, government agency officials, and academic researchers of the United States, Australia, and New Zealand; domestic lamb growers and lamb meat processors; and Commission questionnaires. To the extent that information sought by the Commission has been the subject of previous government or academic studies, such studies have been consulted and appropriately integrated into the present investigation to avoid unnecessary duplication of effort.

[1] *The Harmonized Tariff Schedule of the United States*, which became effective on Jan. 1, 1989, provides for fresh, chilled, or frozen lamb meat under HTS subheadings 0204.10.00, 0204.22.20, 0204.23.20, 0204.30.00, 0204.42.20, and 0204.43.20. Pertinent parts of the Schedule are reproduced in App. C.

Chapter 2

Description and Uses

General

Lamb meat is derived from an immature sheep (or ovine), usually under 14 months of age, that has not cut its first pair of permanent incisor teeth. It is light red in color, compared with the dark red color of the meat of older sheep (mutton). White or yellowish fat covers much of the lamb carcass, and some fat is dispersed throughout the meat. The various cuts of meat that are obtained from a lamb carcass are shown in figures 2-1 and 2-2.

The domestic product

In the United States, lambs are typically slaughtered when they are about 9 to 12 months of age and weigh an average of about 124 pounds, ranging from about 80 pounds to 150 pounds. They yield carcasses that may weigh from about 35 to 75 pounds (in 1989 they averaged 64 pounds) or about 50 percent of the live weight of the lamb, depending on the breed. There has been a long-term trend toward breeding larger sheep and lambs in the United States as discussed in the "U.S. Production" section of this report.

The lamb carcass is divided into five primal cuts that account for the following shares of total carcass weight according to the U.S. Department of Agriculture (USDA):

Primal cut	Share of carcass weight (percent)
Hind legs	31.0
Loin	17.6
Subtotal, hindsaddle	48.6
Shoulder	27.2
Breast	16.4
Rack	7.8
Subtotal, foresaddle	51.4
Total	100.0

The official USDA quality grades of lamb (both live lambs and lamb carcasses) are Prime, Choice, Good, and Utility. Most purchasers prefer cuts from carcasses that are Choice, and most of the lamb carcasses are so graded. Expenses (primarily the cost of feed) associated with feeding lambs for the Prime grade are generally not recoverable in the marketplace. Lambs are also graded by yield, which reflects the amount of external fat, the amount of kidney and pelvic fat, and the confirmation grade of the leg. The yield grades are 1 through 5, with 1 being the highest. USDA grading is voluntary and entirely different from health and sanitary regulations which are mandatory and described in the "U.S. Regulatory Treatment" section of this report.

A typical practice in the United States is to wean lambs at about 6 months of age and raise them to slaughter weights in feedlots where they are supplied with feed concentrates, such as corn or grain sorghum. Some consumers contend that meat derived from grain-fed lambs has a more mild and flavorful taste and more subtle aroma than meat derived from grass-fed lamb.

The vast majority of U.S.-produced lamb meat is sold fresh or chilled, rather than frozen. Occasionally certain cuts, particularly legs, are frozen because of irregular seasonal demand. In the United States, there is little incentive to freeze lamb since it is generally sold to the retail consumer within 1 to 2 weeks, and almost always within 3 weeks, from the time the lamb is slaughtered.

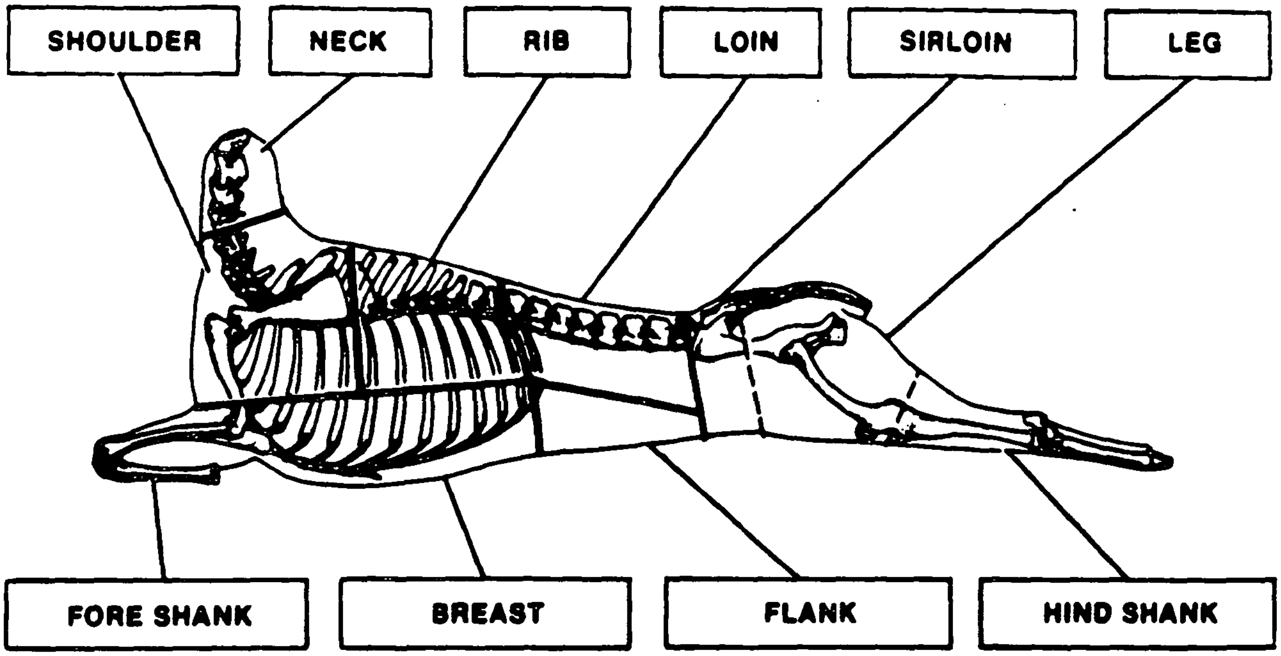
The imported product

The bulk of U.S. imports of lamb meat from Australia consist of chilled primal cuts (which are sold through retail outlets) and frozen primal cuts with the mix of both types of cuts varying from year to year. Some of the primal cuts (and carcasses) are reduced to retail cuts at processing plants in the United States and are then distributed to restaurants. Australian carcasses average about 38 pounds each, as compared to U.S. lamb carcasses which average about 64 pounds.

In Australia a lamb is defined as any ovine that shows no evidence of eruption of permanent incisor teeth and, in the case of males, shows no evidence of secondary sexual characteristics. Thus, most lambs are under 12 months of age. All lamb meat exported from Australia must be slaughtered at an Aus-Meat (The Authority for Uniform Specification for Meat and Livestock) plant and trimmed to Aus-Meat specifications which includes the removal of the thick skirt and connective tissue, kidneys, kidney knob and pelvic channel fat and the udder and cod fat. The carcasses are then classified into fat classes, of which there are 5 (numbered 1 through 5) and are then further graded into weight classes.

Australia's promotional effort in North America is focused on the fresh Australian Range Lamb Program.™ This program promotes a fresh chilled airfreighted product which must be in the supermarket within 10 days of slaughter in Australia. Cuts sent to the United States under this program must be derived from carcasses of 18.1

Figure 2-1
Prime (wholesale) cuts and bone structure of lamb



LAMB RETAIL NAMES

There are different ways to break a lamb carcass. It can be divided into sides, with the carcass split through the center of the backbone, or it can be divided into foresaddle (unsplit front half which includes ribs, shoulder, breast and fore shank, and hindsaddle (unsplit rear half which includes loin, flank *and legs*). This is done by separating between the 12th and 13th ribs.

No one way of breaking lamb is considered the best. However, the cutting method and nomenclature for primal and subprimal lamb cuts used in this manual are shown in Figure 1. Unless specified otherwise, the foresaddle and hindsaddle are split through the center of the backbone before primal and subprimal cuts are produced.

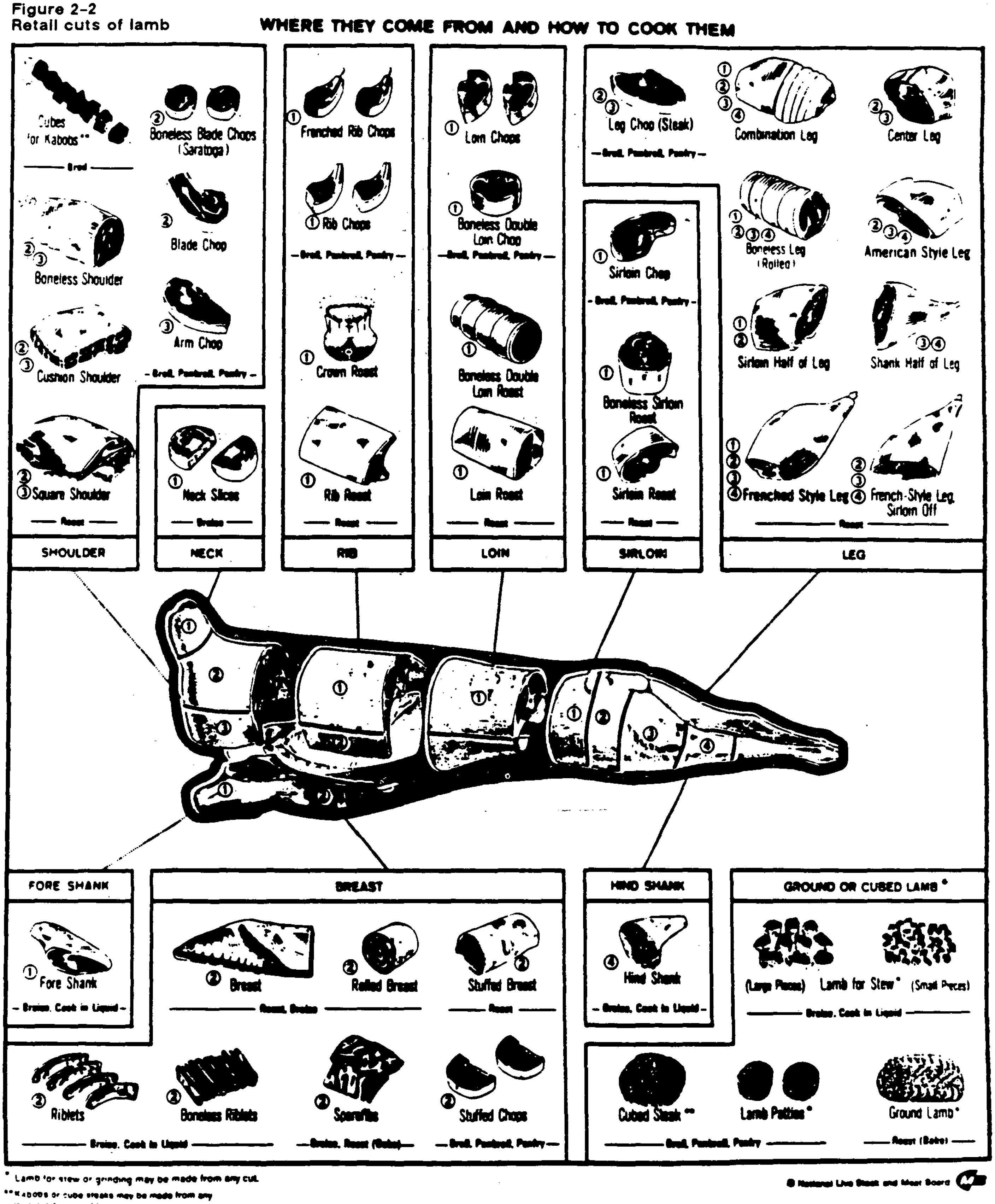
The unsplit primal rib is also known as the "hotel rack" and contains ribs 6–12.

The loin of lamb is comparable to the short loin in beef. It includes the 13th rib to immediately in front of the hip bone.

The leg includes both the sirloin and leg sections.

Source: Reproduced with the permission of the National Livestock and Meat Board.

Figure 2-2
Retail cuts of lamb



Source: Reproduced with the permission of the National Live Stock and Meat Board.

to 26 kg (40 to 57 pounds) dressed weight with a fat score of 2–4.[1]

Most of the U.S. imports of lamb from New Zealand are frozen primal cuts, i.e., legs, racks, loins, and shoulders, although carcasses and further processed retail cuts, e.g., chops and shanks, are sometimes imported. Some of the imported primal cuts are reduced to smaller retail cuts at domestic processing facilities, or by grocery store butchers for sale in the retail outlets.

New Zealand lamb carcasses typically weigh about 30 pounds, considerably less than U.S. lamb carcasses, because New Zealand lambs are slaughtered at a somewhat younger age than U.S. lambs and because many New Zealand breeds of sheep are smaller than U.S. breeds. Imports are labeled "New Zealand Spring Lamb" in both English and French because some of the meat shipped to the North American market might be sold in Canada, where the French labeling is required.

[1] Written submission of counsel for the Australian Meat and Live-stock Corporation.

New Zealand lamb meat is primarily sold through distributors (wholesalers) to grocery stores (retail trade) and to hotel, restaurant, and institutional (HRI) outlets.

Lamb meat from New Zealand is graded in New Zealand by New Zealand meat graders rather than in the United States by the USDA. The New Zealand grading system is more complex than that used by the USDA; it has 17 different grades, although only the top 4 grades are exported to the United States. USDA officials report that these four grades are approximately comparable with the USDA Choice grade.

All New Zealand and Australian lamb is grass fed (compared with the common practice of fattening with grain feeds in the United States), which is thought by some consumers to give such meat a stronger flavor and aroma.

Chapter 3

U.S. Regulatory Treatment

General

U.S. imports of fresh, chilled, or frozen lamb meat were subject to import duties (tariffs) as provided for under the TSUS until January 1, 1989, and under the HTS since then. All imports are subject to health and sanitary regulations administered by the USDA. In addition, imports from New Zealand have been subject to countervailing duties.

U.S. tariff treatment

Since January 1, 1989, fresh, chilled, or frozen lamb meat has been provided for in chapter 2 of the HTS. Appendix C contains a copy of pertinent portions of the HTS, including the rates of duty. For a discussion of relevant headnotes and an explanation of the rates of duty and other elements of the HTS, see appendix D. Prior to January 1, 1989, fresh, chilled, or frozen lamb meat was provided for in part 2 of schedule 1 of the TSUS, which became effective on August 31, 1963.

The column 1 statutory rate[1] of duty on fresh, chilled, or frozen lamb meat in effect prior to January 1, 1980 was 1.7¢ per pound. As a result of the Tokyo Round trade negotiations under the General Agreement on Tariffs and Trade (GATT), the United States agreed to reduce this rate, in one stage, to 0.5¢ per pound, effective January 1, 1980.

Over the period 1985–1988, U.S. imports of fresh, chilled, or frozen lamb meat (TSUS item No. 106.30) from Australia and New Zealand (which account for nearly all U.S. imports of such lamb) were dutiable at 0.5¢ per pound. Under the HTS, the subject imports classifiable under HTS subheadings 0204.10.00, 0204.22.20, 0204.23.20, 0204.30.00, 0204.42.20, and 0204.43.20 are dutiable at 1.1 cent/kg (kilogram). The ad valorem equivalent of the 1989 rate of duty for imports of fresh, chilled, or frozen lamb meat from Australia was about 0.5 percent and that for New Zealand was 0.4 percent and averaged 0.4 percent for all suppliers.

U.S. Government investigations

Fresh, chilled, or frozen lamb meat has been the subject of a number of U.S. Government investigations in recent years as described below. It was the subject of a USDA study pursuant to section 4508 of the Omnibus Trade and Competitiveness Act of 1988.[2]

In 1960, the Tariff Commission (the former name of the ITC) conducted an escape clause investigation involving lamb and mutton meat—fresh, chilled, or frozen—, sheep and lambs. The Tariff Commission found that lamb and mutton meat—fresh, chilled, or frozen—, sheep and lambs were not being imported in such quantities, either actual or relative, to cause or threaten serious injury to any domestic industry producing like or directly competitive products. Accordingly, the Commission did not recommend that the President provide import relief.

Lamb meat from New Zealand, Investigation No. 701-TA-80

On April 23, 1981, a petition was filed with the Department of Commerce alleging that imports of lamb meat from New Zealand were being subsidized within the meaning of section 303 of the Tariff Act of 1930 (19 U.S.C. 1303). As New Zealand was not at that time a "country under the Agreement" within the meaning of section 701(b) of the Act (19 U.S.C. 1671 (b)), there was no requirement for the petition to be filed with the Commission pursuant to section 702 (b)(2) (19 U.S.C. 1671a(b)(2)) and no requirement for the Commission to conduct a preliminary material injury investigation pursuant to section 703(a) (19 U.S.C. 1671b(a)).

On September 17, 1981, however, the United States Trade Representative announced that New Zealand had become a "country under the Agreement." Accordingly, Commerce terminated its investigation under section 303, initiated an investigation under section 702, and notified the Commission of its action on September 21, 1981.

Therefore, effective September 21, 1981, the Commission, pursuant to section 703(a) of the Act (19 U.S.C. 1671b(a)), instituted preliminary countervailing duty investigation No. 701-TA-80 (Preliminary). On November 8, 1981, the Commission determined by a 4 to 2 vote that "there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from New Zealand of lamb meat, provided for in item 106.30 of the Tariff Schedules of the United States (TSUS), upon which bounties or grants are alleged to be paid."[3]

The Department of Commerce, on November 30, 1981, announced its preliminary affirmative

[1] The term "statutory rates" refers to the rates of duty set by Congress in the Tariff Act of 1930, the so called Smoot-Hawley tariff. Since 1930 most rates have been negotiated downward and sometimes eliminated as a result of various bilateral and multilateral trade agreements, including the Tokyo Round of the Multilateral Trade Negotiations.

[2] The USDA study concerned, among other things, imports of lamb meat, demand for lamb meat, and factors, including promotional programs, that would increase the quantity of lamb meat demanded. The USDA report was completed in February 1989.

[3] A copy of the *Federal Register* notice is reproduced as App. E.

countervailing duty determination, estimating a net subsidy of 6.19 percent of the f.o.b. value of lamb meat exports to the United States.[4] Accordingly, effective November 30, 1981, the Commission instituted investigation No. 701-TA-80 (Final) under section 705(b) of the Act to determine whether an industry in the United States is materially injured, or is threatened with material injury or the establishment of an industry in the United States is materially retarded, by reason of imports of the merchandise with respect to which the administering authority has made an affirmative determination.

On December 23, 1981, the Commission was notified by letter that the petitioners withdrew their petition which prompted the countervailing duty investigation concerning lamb meat from New Zealand. Effective January 4, 1982, the Commission terminated the subject investigation.

Lamb meat from New Zealand, Investigations Nos. 701-TA-214 and 731-TA-188

On April 18, 1984, petitions were filed with the United States International Trade Commission and the U.S. Department of Commerce, alleging that imports of lamb meat from New Zealand were being subsidized and were being sold in the United States at less than fair value. Accordingly, the Commission instituted preliminary countervailing and antidumping investigations Nos. 701-TA-214 and 731-TA-188 under sections 703(a) and 733(a), respectively, of the Tariff Act of 1930 to determine whether "there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise."

On June 4, 1984, the Commission determined, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)), that "there is no reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from New Zealand of lamb meat, provided for in item 106.30 of the Tariff Schedules of the United States (TSUS), which are alleged to be subsidized by the Government of New Zealand."[5]

The Commission also determined, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), that "there is no reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from New Zealand of lamb meat, as provided for in TSUS item 106.30, which are alleged to be sold in the United States at less than fair value."[6]

U.S. Department of Commerce Investigation of Lamb Meat (1985)

On March 26, 1985, the American Lamb Company, the Denver Lamb Company, and the Iowa Lamb Corporation filed a petition with the International Trade Administration (ITA) of the U.S. Department of Commerce alleging that producers, processors, or exporters of lamb meat in New Zealand receive benefits which constitute bounties or grants within the meaning of section 303 of the Tariff Act of 1930. On April 15, 1985, ITA initiated an investigation.

Effective September 17, 1985, the ITA determined that certain benefits that constitute bounties or grants within the meaning of the countervailing duty law were provided to producers, processors, or exporters in New Zealand of lamb meat.[7] The net bounty or grant for the review period was NZ$0.3602/lb, equal to about US$0.18/lb with exchange rates in effect at the time;[8] consequently a bond or cash deposit equal to that amount had to be posted with the U.S. Customs Service.

Effective June 10, 1988, the ITA completed an administrative review and determined the total bounty or grant during the period June 25, 1985, through March 31, 1986, to be NZ$0.31/lb, equal to about US$0.21/lb with exchange rates in effect at the time.[9] Also effective June 10, 1988, the ITA instructed the U.S. Customs Service to collect a cash deposit of estimated countervailing duties of 4.55 percent of the f.o.b. invoice price on all shipments of the subject lamb meat entered, or withdrawn from warehouse, for

[4] A copy of the *Federal Register* Notice is reproduced as App. F.

[5] Commissioners Haggart and Lodwick determined that "there is a reasonable indication that an industry in the United States is materially injured by reason of imports of lamb meat from New Zealand which are alleged to be subsidized by the Government of New Zealand."

[6] The Commission's determination is reproduced as app. G. Commissioners Haggart and Lodwick determined that "there is a reasonable indication that an industry in the United States is materially injured by reason of imports of lamb meat from New Zealand which are alleged to be sold at less than fair value."

[7] The investigation was conducted under section 303 of the Tariff Act and no injury determination was required prior to the issuing of a countervailing duty order because New Zealand was not a "country under the Agreement" within the meaning of section 701(b) of the Tariff Act and because the merchandise the subject of the investigation was dutiable. On April 11, 1985, the U.S. Trade Representative terminated New Zealand's status as a "country under the Agreement", and the investigation accordingly was conducted under section 303 of the Tariff Act. Section 303 provides for an injury finding by the U.S. International Trade Commission only in those cases in which the merchandise the subject of the investigation is free of duty.

[8] The ITA final determination is reproduced as App. H.

[9] The ITA final review is reproduced as App. I.

consumption on or after June 10, 1988. This deposit requirement was to remain in effect until publication of the final results of the next administrative review.

Effective May 8, 1989, the ITA completed a subsequent administrative review and determined that the total bounty or grant on lamb meat from New Zealand during the period April 1, 1986, through March 31, 1987, was NZ$0.21/lb for all firms, equal to about US$0.13/lb with exchange rates in effect at the time.[10] Also, effective May 8, 1989, the ITA instructed the U.S. Customs Service to collect a cash deposit of estimated countervailing duties of 0.67 percent of the f.o.b. invoice price for Weddel Crown and 6.07 percent of the f.o.b. invoice price for all other firms on all shipments of the subject lamb meat entered, or withdrawn from warehouse, for consumption on or after May 8, 1989. This deposit requirement was to remain in effect until publication of the final results of the next administrative review.

On July 9, 1990, the ITA completed another administrative review and determined the total bounty or grant to be 26.01 percent ad valorem for Taumaranui and 3.90 percent ad valorem for all other firms during the period April 1, 1987 through March 31, 1988. Also on July 9, 1990, the ITA instructed the U.S. Customs Service to collect a cash deposit of estimated countervailing duties of 22.84 percent of the f.o.b. invoice price for Taumaranui and 3.50 percent of the f.o.b. invoice price for all other firms. The deposit requirement is to remain in effect until publication of the final results of the next administrative review, and reflects the phase-down of a New Zealand government program.[11]

On October 23, 1990 the ITA completed another administrative review and determined the total bounty or grant to be 16.25 percent ad valorem for Waitaki, 11.31 percent ad valorem for Richmond, 0.47 percent ad valorem for Weddel Crown, 0.38 percent ad valorem for Lamb Gourmet, and 2.74 percent from all other firms during the period April 1, 1988 through March 31, 1989.[12] In accordance with 19 CFR 355.7, any rate less than 0.50 percent ad valorem is de minimis. Therefore, ITA is to instruct the U.S. Customs Service to assess countervailing duties of 16.25 percent ad valorem for Waitaki, 11.31 percent ad valorem for Richmond, and 2.74 ad valorem percent from all other firms (except for Weddel Crown and Lamb Gourmet) during the relevant period. For Weddel Crown and Lamb Gourmet, Customs is to liquidate, without regard to countervailing duties, all shipments during the relevant period.

[10] The ITA subsequent final administrative review is reproduced as App. J.

[11] The ITA final administrative review is reproduced as App. K.

[12] The ITA's final administrative review is reproduced as App. L.

The ITA also reported that New Zealand had terminated one of the major subsidy programs, the Export Market Development Taxation Incentive, effective April 1, 1990.[13] With the end of this program, the total estimated bounty or grant was reduced to 0.38 percent ad valorem, a rate which is de minimis. Therefore, the ITA said it would instruct the U.S. Customs Service not to collect cash deposits of estimated countervailing duties on any shipments of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after October 23, 1990.[14]

Health and sanitary regulations

Certain health and sanitary regulations with respect to U.S. imports of fresh, chilled, or frozen lamb meat are administered by the USDA to protect the U.S. livestock industry and to ensure an adequate supply of safe meat for consumers.

Rinderpest and foot-and-mouth diseases

U.S. imports of certain live animals, including sheep and lambs, and certain fresh, chilled, or frozen meats, including lamb, are generally limited to countries that have been declared free of rinderpest and foot-and-mouth diseases[15] by the U.S. Secretary of Agriculture.[16] Australia and New Zealand have been declared free of the diseases, but other major lamb producing countries, including Argentina, the USSR, and the Union of South Africa, have not. U.S. imports of certain live animals, including sheep and lambs, from countries not declared free of the diseases are limited to those that have passed quarantine inspection in a USDA facility. Meat imports from those countries that have not been declared free of rinderpest and foot-and-mouth disease must generally be cooked, canned, or cured—processes that destroy the disease-causing organisms.

The Federal Meat Inspection Act

The USDA administers section 20 of the Federal Meat Inspection Act (21 U.S.C. 661 and 21 U.S.C. 620), which provides, among other things, that meat and meat products prepared or produced in foreign countries may not be imported into the United States ". . . unless they comply with all the inspection, building construction standards, and all other provisions of this chapter [ch. 12, Meat Inspection] and regulations issued thereunder applicable to such articles in commerce in the United States." Section 20 further provides that "all such imported articles shall, upon entry into the United States, be deemed

[13] 55 Federal Register 35444 (August 30, 1990).

[14] Cash deposits could be reinstituted following subsequent reviews.

[15] Rinderpest and foot-and-mouth diseases are highly contagious, infectious diseases that can afflict cloven-footed animals (such as cattle, sheep, swine, and deer). Because the diseases are easily transmitted and are debilitating, they are an ever-present threat to the U.S. livestock industry. The diseases do not present a direct threat to human health.

[16] Pursuant to sec. 306 of the Tariff Act of 1930 (19 U.S.C. 1306).

and treated as domestic articles subject to the provisions of this chapter [ch. 12, Meat Inspection] and the Federal Food, Drug, and Cosmetic Act [12 U.S.C. 301]. . ." Thus, section 20 requires that foreign meat-exporting countries enforce inspection and other requirements with respect to the preparation of the products covered that are at least equal to those applicable to the preparation of like products at Federally inspected establishments in the United States, and that the imported products be subject to inspection and other requirements upon arrival in the United States to identify them and further ensure their freedom from adulteration and misbranding at the time of entry.[17] However, section 20 does not provide that the imported products be inspected by U.S. inspectors during their preparation in the foreign country.

The U.S. Secretary of Agriculture has assigned responsibility for the administration of the Department's section 20 functions to the Foreign Programs Division, Meat and Poultry Inspection Program, Food Safety and Inspection Service (FSIS). By the end of 1989, the FSIS had certified 34 countries as having meat inspection systems with standards equal to those of the U.S. program and had certified 1,431 foreign plants including 137 in Australia and 83 in New Zealand. However, some of these ship only beef to the United States. The FSIS has veterinarians stationed outside the United States, including those in Australia and New Zealand.[18] Plants exporting large volumes and other plants of special concern are visited at least once a year.

Pursuant to the 1981 Farm Bill,[19] the FSIS has placed increasing emphasis on review of a country's regulatory system as a whole, rather than review of individual plants. FSIS now evaluates country controls in seven basic risk areas: residues, diseases, misuse of food additives, gross contamination, microscopic contamination, economic fraud, and product integrity.[20] As required by the 1981 Farm Bill, FSIS also vigorously carries on a species identification program under which the FSIS assures that meat is properly identified by origin or species.

Under the Federal Meat Inspection Act, all imported meat being offered for entry into the United States must be accompanied by a meat inspection certificate issued by a responsible official of the exporting country. The certificate must identify the product by origin, destination, shipping marks, and amounts. It must certify that the meat comes from animals that received veterinary antemortem and postmortem inspections; that it is wholesome, not adulterated or misbranded; and that it is otherwise in compliance with U.S. requirements. Imported meat is also subject to the same labeling requirements as domestically processed meats, i.e., the label must be informative, truthful, and not misleading.

Under the Federal Meat Inspection Act, U.S. inspectors at the port of entry inspect part of each shipment of meat. Representative sampling plans similar to those used in inspecting domestic meat are applied to each import shipment. Samples of frozen products are defrosted, canned meat containers are opened, and labels are verified for prior U.S. approval and stated weight accuracy. Specimens are routinely submitted to meat inspection laboratories to check compliance with compositional standards. Sample cans are also subjected to periods of incubation for signs of spoilage. Meat imports are also monitored for residues, such as pesticides, hormones, heavy metals, and antibiotics, by selecting representative samples for laboratory analysis. Special control measures are in effect for handling meat from countries when excessive amounts of residues are detected. These measures include refusing or withholding entry of the product from countries with a history of problems until results of laboratory analysis are received.

During 1989, 636,083 pounds of fresh, chilled, or frozen mutton and lamb meat (587,413 pounds from Australia and 48,670 pounds from New Zealand), constituting roughly 1.4 percent of the fresh, chilled, or frozen mutton and lamb meat offered for entry to the United States, were condemned and/or refused entry.

[17] See U.S. Senate, Agriculture and Forestry Committee, Report on S. 2147, S. Rep. No. 799 (90th Cong. 2d sess.) 1967, as published in 2 U.S. Cong. & Adm. News 1967, p. 2,200. S. 2147, as modified, ultimately became Public Law 90-201 (the Wholesome Meat Act), approved Dec. 15, 1967.

[18] The numbers of certifications refer to all meat, including beef and veal. See USDA *Meat and Poultry Inspection, 1989, Report of the Secretary of Agriculture to the U.S. Congress*, March 1990, p. 35 (hereinafter cited as Meat and Poultry Inspection, 1989).

[19] Sec. 1122 of Public Law 97-98, dated Dec. 22, 1981.

[20] *Meat and Poultry Inspection, 1984*, p. 50.

Chapter 4

U.S. Market

Domestic Live Lambs

The channels of distribution for lamb from breeding to final consumption are illustrated in figure 4-1. The channels of distribution consist of raising, feeding, slaughtering and processing, and distribution from wholesale to retail and then to the final consumer. Competition from imported lamb meat occurs at the wholesale and retail levels. Importers sell to both grocers and to wholesalers who then sell to grocers or to hotels, restaurants, and institutions (HRIs). The channels of distribution for imported lamb are illustrated in figure 4-2.

The U.S. market for lambs for slaughter generally consists of many sellers (growers) and few buyers (packer/processors), usually operating independently. Live lamb price statistics are reported to the public by the American Sheep Industry Association (ASIA), an industry trade association, by the USDA, and by local news reporting organizations.

Producers have several methods available for selling their lambs, though some methods are more prevalent in certain areas of the country than others. Factors such as transportation costs, marketing fees and services, and competition are important considerations for producers when selecting a method to market their lambs.

Live lambs in the United States, whether feeders or slaughter lambs,[1] may be sold at auction markets, terminal markets, or nonpublic markets. Nonpublic markets include direct sales to packers either negotiated by growers or by order buyers or other middlemen. There has been a long-term trend toward sales of lambs through nonpublic markets and in recent years, slightly more than 80 percent of lambs sold for slaughter have been sold that way.

Direct marketing, a form of nonpublic marketing, accounts for the majority of lambs purchased.[2] Direct marketing incorporates a number of different methods with one common element, lamb is sold without a middleman. Large packers usually purchase their lambs directly from lamb feeders.[3] Direct marketing has the advantage of reducing the high costs associated with hauling, unloading, standing and reloading of lamb at assembly points or public markets.[4]

Small-volume producers usually sell their lambs through public auctions or electronic markets. Electronic markets—teleauctions and computer auctions—were developed because they allow producers to expose their product to a greater number of buyers. Electronic markets are particularly beneficial for producers that are unable to sell lambs in truckload quantities. Buyers bid on a certain type or grade of lamb with price differences specified for lambs that differ from the type or grade being offered. Producers send the lambs to an assembly location where they are loaded into trucks and shipped to the buyers. By using the electronic markets, a smaller-volume producer can reduce costs because the lambs are sold in truckloads.

There are a number of methods used to determine a price for feeder or slaughter lambs of which the most popular are pricing on the basis of live weight, sliding scale, stop weight, guaranteed yield, and dressed weight. The use of a particular pricing method depends on the location of the seller and upon the packer's familiarity with the seller or marketing agents.[5]

As the name implies, the live weight method uses the actual weight of the live lamb as the basis for determining price. Typically the live weight price is constructed by the packer from the current values of lamb carcasses, pelts, and offal. Adjustments are made for the expected grade of the lamb and for processing costs. There are a number of variations to the live weight method with each method specifying an adjustment to the weight of the lamb.

In the sliding-scale method a discount per pound is applied to each pound that the average weight of the lambs being sold exceeds a predetermined amount. This method is used to discourage production of excessively fat lambs, which are less preferred by consumers.

Stop-weight pricing is also used to discourage sales of heavy lambs. Packers pay on a per-pound basis up to a specified maximum average weight for lambs and pay nothing per pound over this weight limit.

The guaranteed yield method has two variations, the traditional and modern yields. In this method the packer buys lambs at a given price per hundredweight for a guaranteed carcass yield. Under the traditional yield method, the seller is never paid for more than the actual weight of the lamb. Under the modern yield method the seller is paid more for increased carcass yields.

[1] Typically U.S. lambs are confined and fed concentrates such as corn or grain sorghum—such lambs are referred to as "feeders" and when they are grown to appropriate maturity and weight for slaughter they are called slaughter lambs.

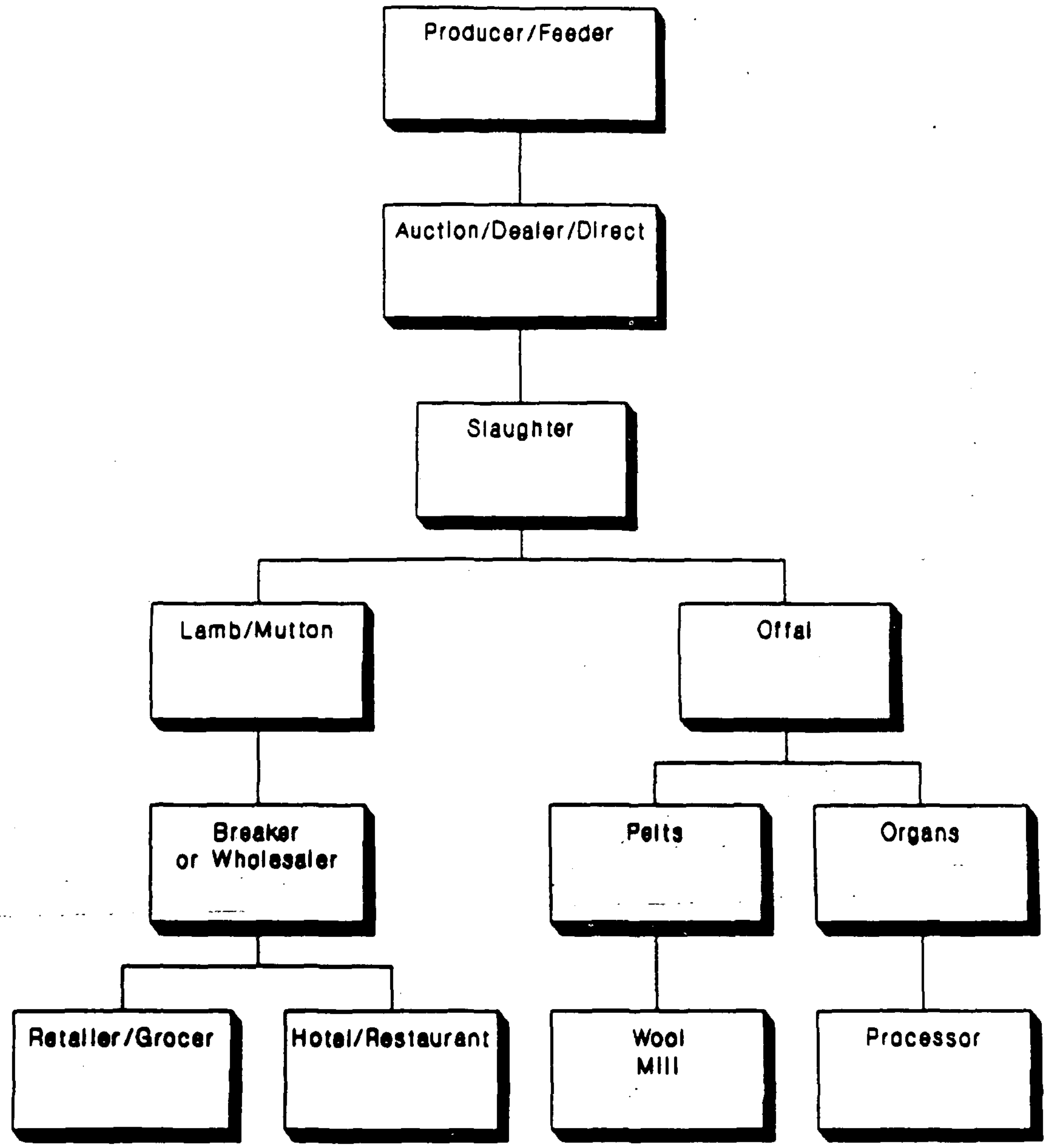
[2] USDA, *Slaughter Lamb Marketing; A Study of the Lamb Industry*, January 1987.

[3] Sheep Industry Development Program, Inc., *Sheep Production Handbook*, 1988.

[4] *Ibid.*

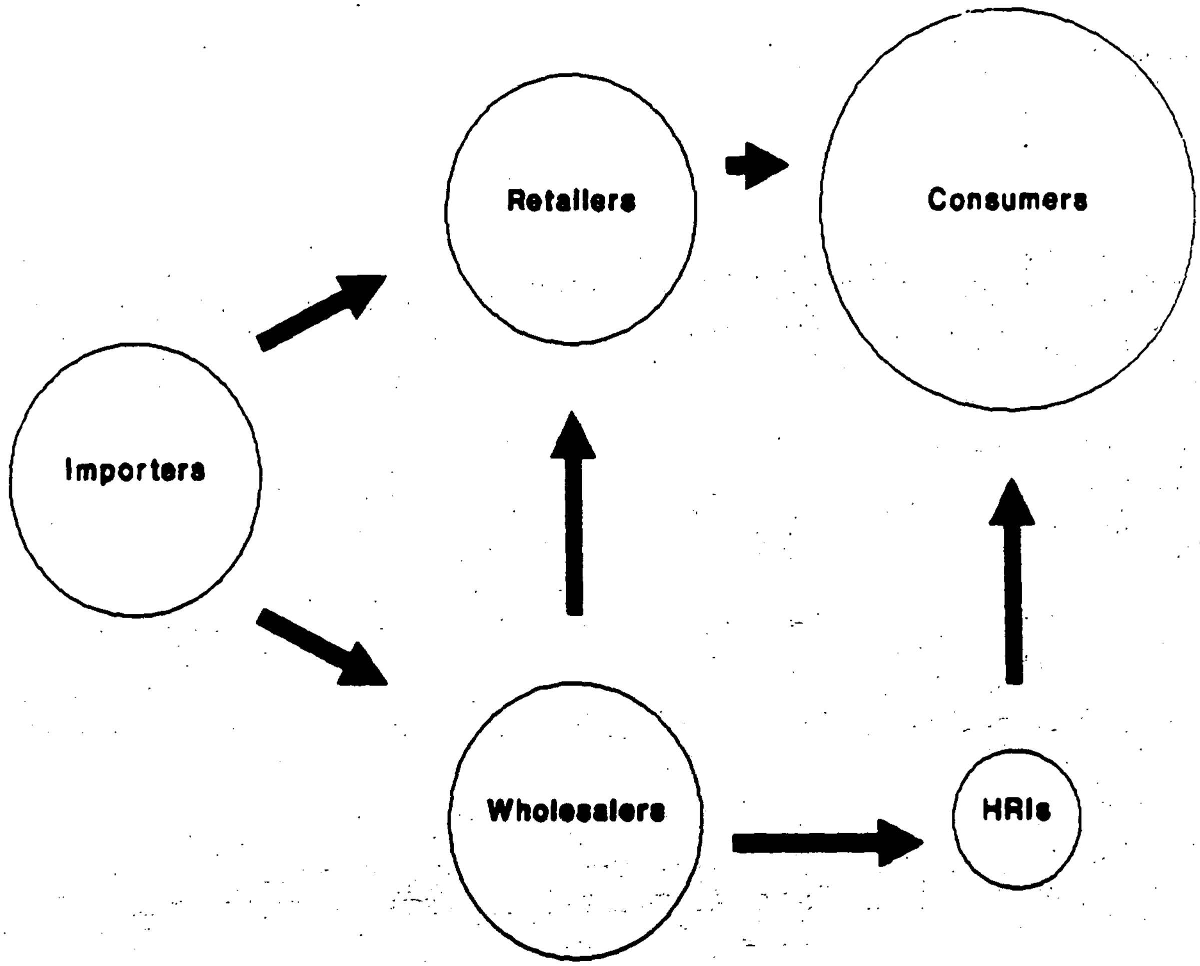
[5] USDA, *Slaughter Lamb Marketing; A Study of the Lamb Industry*, January 1987.

Figure 4-1
Domestic lamb marketing



Source: American Sheep Producers Council.

Figure 4-2
Marketing system for imported lamb



Source: USDA.

In the dressed weight method, lambs are sold on a carcass basis with price based on carcass weight, with adjustments for quality. Packers use this method of pricing to encourage sales of high-quality lambs and to reduce their quality and yield risks.[6]

Prices of feeder lambs and slaughter lambs were similar for most of the period January 1975 through 1985. However, since 1986 these prices were distinctly different with feeder lambs generally being higher than slaughter lamb prices, possibly reflecting relatively moderate feed prices during the period. (Figs. 4-3 and 4-4 and table 4-1).

Prices since 1975 for both feeder and slaughter lambs have been generally increasing; however, seasonal variations occur throughout the year with peaks occurring between March and May.

Growers have for many years expressed concern about packer feeding of lambs. Growers contend that packers can time the slaughtering of the lambs they feed to exert maximum price influence. Thus, when market prices for live lambs rise, packers who feed lambs can temporarily reduce purchases but continue to operate their slaughter plants using lambs they have fed. Packers contend that they try to obtain an adequate supply of lambs at what they believe to be the competitive prices in order to continue operating their plants efficiently.

The Packers and Stockyards' Administration of the USDA reports statistics that includes lambs and sheep fed by or for meat packers and transferred from the feedlot for slaughter during the reporting year.

The *Packers and Stockyards' Administration Statistical Report 1987 Reporting Year* shows that during 1983-87, the most recent 5-year period for which statistics are available, packer feeding of sheep and lambs increased irregularly as shown in the following tabulation:

Year	Number fed	Share of slaughter
	(1,000)	(Percent)
1983	335	5.6
1984	300	5.0
1985	493	8.8
1986	506	9.8
1987	562	11.8

However, the Packers and Stockyards' Administration reports that for these statistics, "Separate feeding activities by owners, officers, employees of meat packers, or nonreporting subsidiaries or affiliates are not included."

For the interim and final monitoring report, the Commission sent questionnaires to the largest volume lamb packers in the United States, who were asked, among other things, to report "Of the lambs your firm slaughtered, what share (percent) were fed to slaughter weights by your firm or on your firm's account (include all lambs fed with any legal obligation to be sold to your firm or be purchased by your firm during 1986, 1987, 1988, and 1989)." Of the eight firms responding to the interim questionnaire, six reported at least some lamb feeding. Of the six firms, responding to the final questionnaire, five reported at least some lamb feeding. The estimated number of lambs fed by the firms are shown in the following tabulation:

Year	Estimated number fed	Share of slaughter
	(1,000 animals)	(Percent)
1986	1,908	36
1987	2,037	41
1988	2,467	49
1989[1]	1,374	27

[1] Data for 1989 are not comparable with 1986-88 data because of a difference in the number of reporting firms.

A comparison of data for the same firms in 1988 with 1989 reveals a decline in the number of lambs fed to slaughter weights due, in part, to fewer lambs contracted to packers.

The difference between the USDA and Commission results apparently reflects the difference in the questions asked. Officials of the Packers and Stockyards' Administration indicated that based on the ITC wording of it's questionnaire, they anticipated that the ITC finding of packer feeding quantities would be much higher than USDA's finding.

Domestic and Imported Fresh, Chilled, or Frozen Lamb Meat

Almost all firms that slaughter lambs process at least some of their carcasses into primal and subprimal cuts, and some firms produce retail cuts as well. According to an American Sheep Industry Association publication, about 65 percent of lamb received by retailers is in carcass form. Some carcasses move to a type of wholesaler called a breaker. Breakers divide carcasses into primal, subprimal, or retail cuts for resale to retail outlets. Some lamb cuts are used for processing into controlled portions for food service outlets.

According to industry sources, an increasing share of lamb, including lamb carcasses, has been sold as boxed lamb. Boxed lamb is lamb meat that has been divided into primal or subprimal cuts and sealed in air-tight plastic material. The share of such sales has been estimated to have increased from 5 percent in 1977, to 15 percent in 1980, and 35 percent in 1985.[7]

[6] Sheep Industry Development Program, Inc., *Sheep Production Handbook*, 1988.

[7] *Ibid*, p. MKT-8.

Figure 4-3
Published lamb prices for slaughter and feeder lambs, and lamb carcasses in the United States, by months, January 1985-August 1990

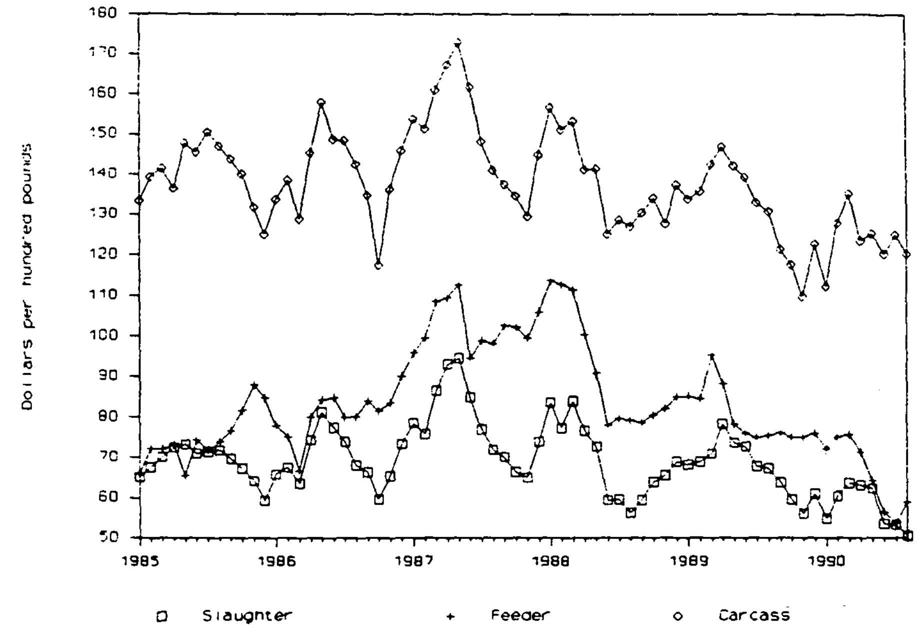
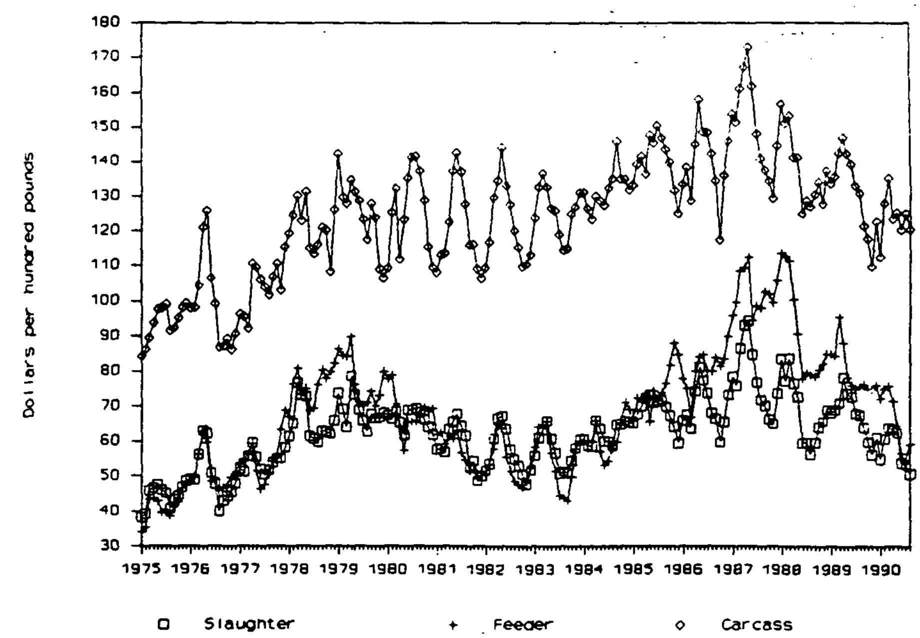


Figure 4-4
Published lamb prices for slaughter and feeder lambs, and lamb carcasses in the United States, by months, January 1975-August 1990



Source: USDA Economic Research Service.

Table 4-1

Lamb, beef, and broiler prices in the United States, by month, January 1975-August 1990

Year	*Month*	*Slaughter Lambs San Angelo*	*Feeder Lambs San Angelo*	*Wholesale Beef*	*Wholesale Lamb Carcass 55-65 lb*	*Wholesale Broilers 12-City*
		$/CWT	*$/CWT*	*$/CWT*	*$/CWT*	*$/CWT*
1975	1	$38.25	$34.12	$61.05	$84.38	na
1975	2	39.31	35.31	57.60	86.25	na
1975	3	45.88	43.50	58.57	89.44	na
1975	4	46.65	43.65	68.56	93.90	na
1975	5	47.62	43.00	79.72	97.75	na
1975	6	46.06	39.69	85.11	98.06	na
1975	7	45.25	40.25	82.22	99.29	na
1975	8	40.75	38.75	76.96	91.67	na
1975	9	43.50	41.25	78.95	92.36	na
1975	10	44.50	42.62	75.62	95.20	na
1975	11	46.83	46.33	72.98	98.19	na
1975	12	48.75	48.38	73.25	99.48	na
1976	1	49.25	48.38	66.68	98.00	na
1976	2	49.00	49.68	62.22	98.33	na
1976	3	56.25	56.30	56.97	104.39	na
1976	4	62.95	62.71	65.85	121.00	na
1976	5	62.12	59.56	63.56	125.69	na
1976	6	50.81	48.56	62.45	106.50	na
1976	7	47.81	49.38	58.20	99.25	na
1976	8	39.92	45.94	57.05	86.81	na
1976	9	42.88	46.65	57.24	87.13	na
1976	10	44.25	47.31	58.36	89.23	na
1976	11	45.50	49.67	60.85	86.12	na
1976	12	47.69	51.19	62.52	90.55	na
1977	1	52.00	53.56	60.04	96.29	na
1977	2	51.25	54.81	58.92	95.44	na
1977	3	55.70	56.25	57.12	92.15	na
1977	4	59.62	59.19	60.54	110.75	na
1977	5	55.56	51.38	64.44	109.62	na
1977	6	52.10	46.15	62.62	105.98	na
1977	7	50.42	47.33	63.65	103.84	na
1977	8	51.46	50.75	62.49	101.67	na
1977	9	53.75	54.31	63.05	106.75	na
1977	10	55.00	55.75	65.87	110.66	na
1977	11	55.06	63.19	65.47	103.12	na
1977	12	58.12	68.83	68.10	115.50	na
1978	1	61.44	67.00	68.74	119.36	$41.80
1978	2	64.88	76.31	71.08	124.50	44.80
1978	3	76.69	80.85	74.88	130.32	43.90
1978	4	73.12	73.33	81.44	123.00	47.90
1978	5	72.85	75.05	88.48	131.57	47.90
1978	6	61.44	68.75	85.95	115.12	52.70
1978	7	60.62	69.33	84.81	113.46	52.90
1978	8	59.70	76.10	79.94	116.00	45.90
1978	9	62.88	80.37	81.96	121.06	46.80
1978	10	62.50	78.00	82.14	120.25	43.80
1978	11	62.00	79.88	80.98	108.17	43.80
1978	12	65.83	82.33	84.75	126.25	44.00
1979	1	73.80	86.30	93.57	142.48	47.70
1979	2	69.12	84.50	97.47	129.82	51.30
1979	3	64.00	84.25	104.59	127.97	49.50
1979	4	78.62	89.75	108.61	134.88	49.50
1979	5	73.20	76.15	108.64	131.35	51.50
1979	6	68.83	71.12	103.56	128.81	48.10
1979	7	65.83	70.25	99.85	123.33	44.70
1979	8	62.65	71.00	94.13	117.55	41.40
1979	9	67.75	74.25	101.91	128.05	41.70
1979	10	66.50	70.00	98.32	123.85	38.80
1979	11	66.63	73.00	103.22	109.00	44.50
1979	12	68.12	79.83	105.53	106.42	47.60
1980	1	67.40	77.88	102.26	109.41	47.90
1980	2	66.31	79.00	103.70	125.40	44.60
1980	3	68.62	70.50	103.15	132.50	42.40
1980	4	65.50	64.00	99.41	111.96	40.70
1980	5	61.75	57.42	102.00	123.38	43.00
1980	6	69.00	65.38	105.18	135.46	45.40
1980	7	69.00	65.38	110.11	141.32	55.30
1980	8	69.25	65.44	111.96	141.72	54.90
1980	9	68.25	67.62	107.97	137.54	57.50
1980	10	66.19	69.75	105.49	128.98	53.90
1980	11	63.97	68.67	101.44	115.50	52.10

Table 4-1—*Continued*

Lamb, beef, and broiler prices in the United States, by month, January 1975-August 1990

Year	Month	Slaughter Lambs San Angelo	Feeder Lambs San Angelo	Wholesale Beef	Wholesale Lamb Carcass 55-65 lb	Wholesale Broilers 12-City
		$/CWT	$/CWT	$/CWT	$/CWT	$/CWT
1980	12	61.75	69.33	100.57	109.60	51.00
1981	1	57.50	61.75	99.80	108.12	51.90
1981	2	57.75	62.25	96.08	113.06	52.80
1981	3	56.75	59.00	94.32	113.5	50.60
1981	4	63.20	61.30	99.68	122.62	46.60
1981	5	65.38	60.69	103.32	137.50	48.60
1981	6	67.76	62.92	106.52	142.75	51.80
1981	7	64.38	56.62	107.23	137.30	52.80
1981	8	61.62	54.56	103.90	127.75	49.70
1981	9	52.30	51.40	102.96	115.90	45.80
1981	10	54.25	51.62	96.02	116.08	45.90
1981	11	48.50	49.33	94.56	109.00	44.70
1981	12	50.00	50.94	93.70	106.42	42.60
1982	1	51.50	50.44	97.42	109.41	47.70
1982	2	53.50	53.25	101.24	116.75	46.80
1982	3	60.70	57.65	103.82	129.60	47.20
1982	4	66.54	64.88	109.50	134.50	44.90
1982	5	67.12	63.50	115.14	144.12	48.30
1982	6	63.33	55.38	111.21	132.97	49.60
1982	7	57.50	51.31	102.61	127.6	48.60
1982	8	54.75	48.50	100.75	120.09	45.90
1982	9	52.90	47.35	95.54	115.37	46.10
1982	10	50.38	46.67	93.00	109.75	44.70
1982	11	47.50	48.33	92.86	110.25	42.60
1982	12	51.62	52.44	92.62	113.00	44.50
1983	1	55.81	58.31	94.14	123.83	46.00
1983	2	60.88	64.06	96.55	132.75	47.50
1983	3	63.30	63.90	100.62	136.80	44.32
1983	4	65.75	65.62	107.76	132.71	43.52
1983	5	60.62	56.62	105.00	126.67	46.93
1983	6	56.62	51.44	102.47	125.80	49.07
1983	7	50.75	44.38	97.72	119.08	52.82
1983	8	51.30	43.62	95.01	114.40	54.24
1983	9	50.88	42.94	92.10	115.00	54.51
1983	10	54.44	49.81	91.24	125.00	50.98
1983	11	57.94	57.69	91.57	127.00	57.61
1983	12	60.50	60.00	99.82	131.25	57.13
1984	1	60.62	59.50	105.52	131.25	62.10
1984	2	58.75	60.15	102.86	126.50	61.22
1984	3	58.50	60.00	105.14	123.38	62.01
1984	4	65.88	65.75	103.50	130.00	55.99
1984	5	63.50	57.00	99.62	128.73	57.61
1984	6	59.88	53.12	98.01	127.50	55.53
1984	7	59.83	54.25	101.26	132.50	57.30
1984	8	58.62	57.81	97.61	135.00	51.47
1984	9	64.75	59.56	94.37	145.83	53.54
1984	10	64.75	65.17	92.38	135.00	48.77
1984	11	65.75	71.00	99.08	135.00	52.14
1984	12	65.25	69.00	101.22	132.00	48.96
1985	1	65.12	65.75	99.50	133.38	52.85
1985	2	67.58	72.31	97.42	139.50	51.94
1985	3	70.12	72.06	92.00	141.62	49.70
1985	4	72.50	73.25	89.20	136.50	47.77
1985	5	73.32	65.50	89.52	147.70	50.91
1985	6	70.97	74.25	88.48	145.50	53.39
1985	7	71.50	71.84	82.22	150.60	50.19
1985	8	71.69	73.82	80.02	147.00	50.14
1985	9	69.75	76.50	81.14	143.75	52.24
1985	10	67.25	81.65	99.11	140.00	48.27
1985	11	64.17	87.92	99.68	131.75	53.70
1985	12	59.33	84.67	98.84	125.06	48.72
1986	1	65.81	77.90	92.26	133.62	51.73
1986	2	67.50	75.12	86.82	138.58	48.99
1986	3	63.58	66.69	85.04	128.88	50.31
1986	4	74.22	79.98	83.34	145.30	50.05
1986	5	81.25	84.22	86.42	158.08	54.56
1986	6	77.36	84.69	83.58	148.75	58.29
1986	7	73.84	79.97	89.25	148.50	69.13
1986	8	68.12	80.06	90.98	142.50	69.72
1986	9	66.38	83.88	90.52	134.70	60.95
1986	10	59.65	81.45	91.80	117.50	61.64

Table 4-1—*Continued*

Lamb, beef, and broiler prices in the United States, by month, January 1975-August 1990

Year	Month	Slaughter Lambs San Angelo	Feeder Lambs San Angelo	Wholesale Beef	Wholesale Lamb Carcass 55-65 lb	Wholesale Broilers 12-City
		$/CWT	$/CWT	$/CWT	$/CWT	$/CWT
1986	11	65.42	83.50	95.70	136.25	57.50
1986	12	73.33	89.92	92.04	146.00	49.95
1987	1	78.56	95.88	89.70	153.96	51.77
1987	2	75.75	99.50	91.69	151.46	49.80
1987	3	86.50	108.50	92.86	161.25	48.53
1987	4	93.12	109.40	100.56	167.40	48.55
1987	5	94.50	112.62	107.80	173.00	50.53
1987	6	84.83	94.56	105.71	162.00	45.49
1987	7	76.84	98.75	99.29	148.25	47.02
1987	8	71.83	98.00	95.44	141.00	52.63
1987	9	70.05	102.55	96.87	137.60	46.43
1987	10	66.25	102.00	96.77	134.56	43.22
1987	11	65.00	99.50	95.35	129.56	44.60
1987	12	73.83	105.83	94.50	144.90	39.81
1988	1	83.53	113.63	97.15	156.88	43.86
1988	2	77.25	112.63	99.50	151.25	44.89
1988	3	83.75	111.30	103.47	153.37	48.37
1988	4	76.50	100.25	105.25	141.25	48.66
1988	5	72.67	90.63	111.70	141.38	56.55
1988	6	59.38	77.80	106.38	125.00	61.46
1988	7	59.67	79.67	97.09	128.75	66.54
1988	8	56.19	79.05	101.04	127.00	68.86
1988	9	59.50	78.56	103.15	130.50	62.80
1988	10	63.94	80.38	104.36	134.12	57.70
1988	11	65.56	82.00	104.73	127.70	57.10
1988	12	68.83	84.83	106.20	137.50	58.80
1989	1	68.13	84.88	107.30	133.75	58.00
1989	2	68.83	84.38	107.98	135.88	58.00
1989	3	70.90	95.30	112.43	142.60	62.10
1989	4	78.17	88.06	113.84	147.06	63.50
1989	5	73.56	78.18	112.62	142.35	70.40
1989	6	72.63	75.94	106.35	139.31	67.40
1989	7	67.79	74.80	104.91	133.03	62.00
1989	8	67.28	75.50	104.31	130.75	57.30
1989	9	63.81	76.06	102.08	121.44	59.90
1989	10	59.63	74.88	103.13	117.69	51.70
1989	11	56.06	74.88	107.05	109.65	49.20
1989	12	61.00	76.00	111.41	122.72	48.40
1990	1	54.80	72.10	113.30	112.25	51.70
1990	2	60.38	74.88	112.80	127.81	57.40
1990	3	63.69	75.63	113.65	135.25	60.40
1990	4	63.13	71.31	114.70	123.38	55.30
1990	5	62.25	64.30	114.34	125.25	57.90
1990	6	53.56	56.44	112.18	120.25	56.40
1990	7	53.25	53.75	na	124.88	na
1990	8	[1]50.50	[1]59.00	na	[1]120.25	na

[1] Estimate.

Source: USDA, Economic Research Service.

The demand for lamb meat is influenced by such factors as the prices of substitute meats—e.g., beef, pork, and poultry—consumer income, and consumer attitudes. Also, the demand for lamb is greatest in the spring and early summer, responding to holiday traditions and consumer taste preferences for spring lamb.[8] An increase in the price of substitute meats or consumer income should increase the demand for lamb. Lamb meat prices are consistently higher than those of substitute meats (fig. 4-5 and table 4-1), and consumption of lamb meat is less than consumption of other meats (fig. 4-6 and table 4-2).[9]

Factors that can influence the supply of lamb include lamb prices, labor costs, feed costs, and lamb losses. Prices can affect supply in two ways. Increased lamb prices would increase the value of lamb for breeding and for slaughter. If the producer decides to increase the flock size in response to price increases, the number of ewes sold for slaughter will be reduced. Because of the length of time necessary to increase the flock, the producer must see price increases as indicative of a longer run trend.[10] If the producer believes that the price increases are a short-run phenomenon, the producer may increase the number of lambs available for slaughter in order to increase revenue. Lamb retention is also responsive to feed prices; as feed prices increase the producer is less likely to increase the size of the flock.[11]

After processing, the meats are sold to either a wholesaler, a breaker, or a distributor while pelts and organs are sold through different channels. The net revenues for the slaughter lamb are determined by the wholesale carcass price, pelt and organ prices, slaughter and processing costs, and freight costs. The most valuable by-product of the lamb is the pelt, which accounts for approximately 5 percent of the live lamb value.[12]

The price of most of the lamb sold by packers to wholesalers is negotiated; however, some prices are on a formula basis. The formula price is often based on the National Provisioner's Yellow-Sheet.[13] For example, the packer and the wholesaler may agree on a premium in/or difference from the Yellow Sheet price. This difference may reflect location and/or quality factors. Packers prefer to sell on a carlot basis, but because the quantity of lamb demanded is small they often take less-than-carlot orders.

Seasonal variations in prices of lamb sold to wholesalers occur throughout the year with prices peaking between March and May (for example, see fig. 4-3). As can be seen in figure 4-4, wholesale carcass prices have generally been increasing since 1975 and vary with feeder and slaughter prices. Packers also sell trimmed primal cuts (shoulders, legs, loins, and racks), called New York cuts, to wholesalers. The trends in the prices of these cuts are illustrated in table 4-3 and figure 4-7. The prices of racks are the highest of these cuts while the prices of shoulders are the lowest.

The next step in the distribution chain for lambs is the sale of different cuts of lamb by wholesalers to retailers (mostly grocery stores), and to hotels, restaurants, and institutions. Restaurant managers reportedly prefer frozen meat because of the increased shelf life. Frozen meat can be stored indefinitely, although most is purchased by the retail consumer within 6 months of the time the lamb is slaughtered. Retail food outlet managers reportedly prefer fresh because some consumers prefer fresh meat. For the interim monitoring report, the Commission requested nine grocery chains to report purchase prices of carcasses, racks, legs, and shoulders of U.S., Australian, and New Zealand origin. All nine grocery chains answered questions about their purchases of lamb meat and six grocery chains provided data detailing their purchases of carcasses, racks, legs, and shoulders from the United States, Australia, and New Zealand (figs. 4-8 through 4-11 and table 4-4). For the final report, the Commission requested four grocery chains, three brokers, and one processor to report purchase prices of carcasses, racks, legs, and shoulders of United States, Australian, and New Zealand origin for the period January 1989 to April 1990. Four grocery chains provided data detailing their purchases of carcasses, racks, legs, and shoulders. Data on prices cannot be presented without compromising the confidentiality of the responses.[14] Prices for the New Zealand cuts represent sales of frozen lamb and the prices for the U.S. and Australian cuts represent sales of

[8] Sheep Industry Development Program, Inc., Sheep Production Handbook, 1988, p. MKT 3-4.

[9] Production costs are higher for lamb than for other meats because sheep production usually requires more labor per animal than other livestock. Sheep and lamb losses are much higher than those for other livestock primarily because sheep are highly susceptible to disease and predators. During 1987, 12 percent of the inventory of sheep were lost compared with 4.7 percent for cattle. See USDA, "Livestock and Poultry: Situation and Outlook Report," August 1989, and USDA, "Report on the U.S. Sheep Industry," March 1989.

[10] The time necessary to increase the size of a flock is considerable. When a ewe is between 8 and 14 months old, the producer decides whether to sell the animal for slaughter or keep it for breeding. Ewes usually give birth when they are about 2 years old. Thus, the elapsed time between retention of the lanb for breeding purposes and the slaughter of her first offspring is about 2 years.

[11] G. D. Whipple and D. J. Menkhaus, "Supply Response in the U.S. Sheep Industry," American Journal of Agricultural Economics, Volume 71, No. 1, February 1989.

[12] Sheep Industry Development Program, Inc., *Sheep Production Handbook*, 1988.

[13] The National Provisioner is a private price reporting service and the Yellow Sheet is one of its publications.

[14] Industry sources confirmed that there were fewer grocery chains that purchased imported lamb meat in 1989 and during January-October 1990 than in 1988. They also reported that the largest-volume purchasers of imported lamb meat accounted for a greater share of total purchases in 1989 and during January-October 1990 than in 1988.

Figure 4-5
Published wholesale meat prices of lamb, beef, and broilers sold in the U.S. market, by months, January 1985–June 1990

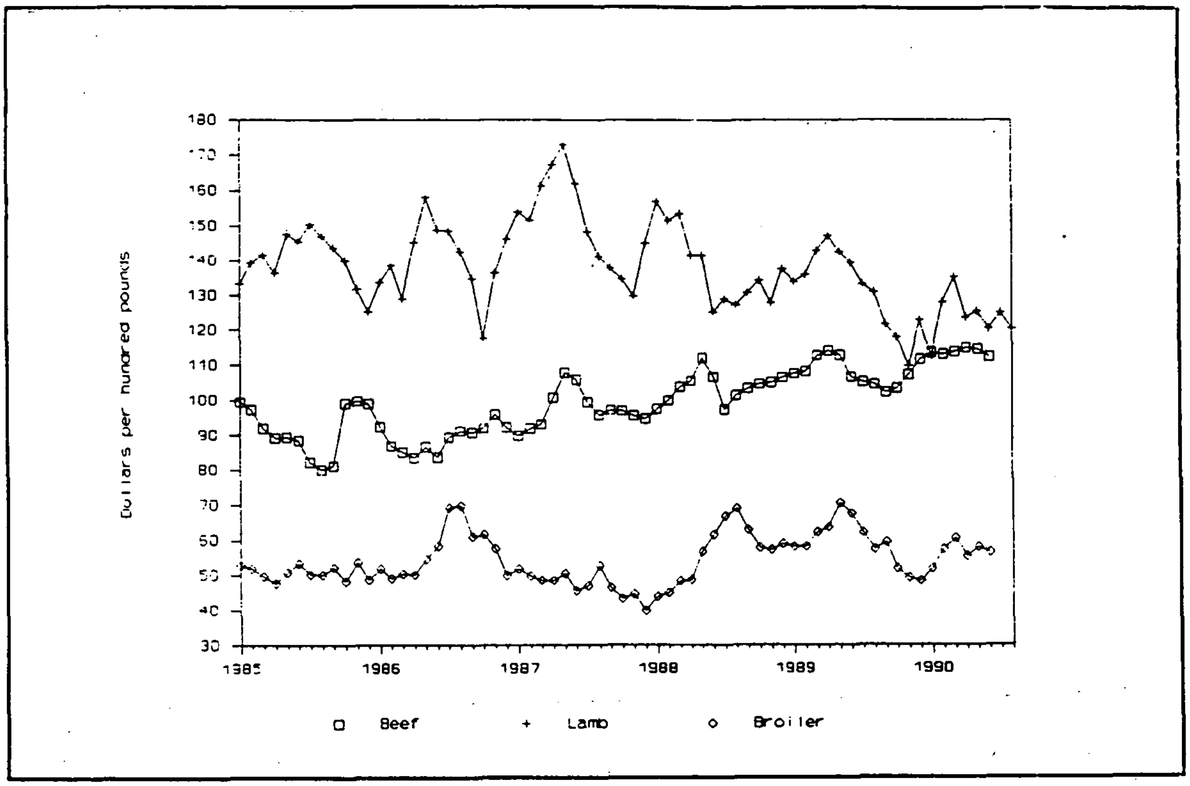
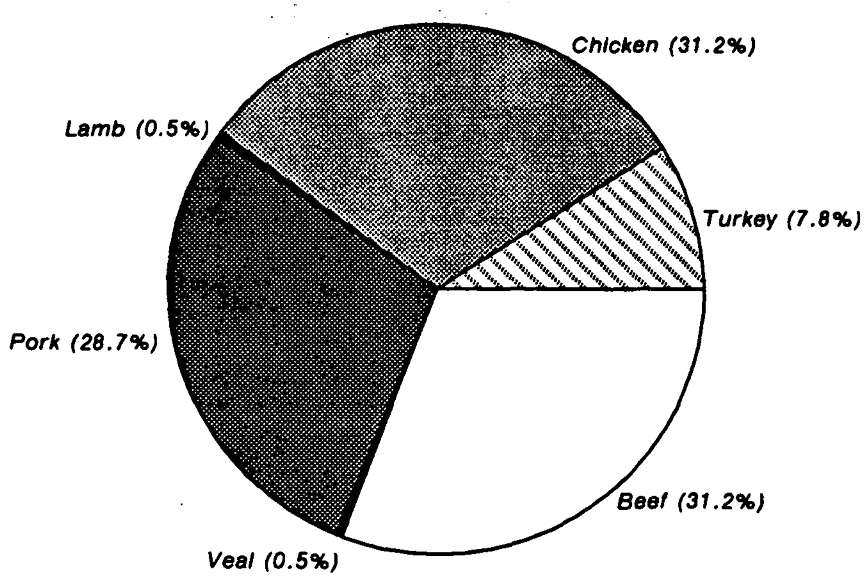


Figure 4-6
United States per capita meat consumption (per pound), 1989



Source: USDA Economic Research Service.

Table 4-2

Beef, veal, pork, lamb, mutton, and poultry meat: Apparent per-capita consumption, by types, 1985-89

(In pounds)

Type	1985 CWE[1]	1985 Retail	1986 CWE[1]	1986 Retail	1987 CWE[1]	1987 Retail	1988 CWE[1]	1988 Retail	1989 CWE[1]	1989 Retail
Beef	106.5	78.8	107.3	78.4	103.3	73.4	102.5	72.3	97.7	68.9
Veal	2.2	1.8	2.3	1.9	1.8	1.5	1.7	1.4	1.4	1.2
Pork	65.8	62.0	62.1	58.6	62.5	59.1	67.2	63.5	66.6	63.2
Lamb[2]	1.6	1.4	1.4	1.3	1.4	1.3	1.4	1.3	1.4	1.3
Mutton[2]	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
Total red meat	176.2	144.1	173.2	140.3	169.1	135.4	173.0	138.6	167.4	134.7
Poultry	(3)	69.7	(3)	72.0	(3)	77.8	(3)	81.1	(3)	85.8
Total	245.8	213.8	245.2	212.3	246.9	213.2	254.0	219.6	253.2	220.5

[1] Carcass weight equivalent.
[2] Estimated by the staff of the U.S. International Trade Commission.
[3] Retail and carcass weight are virtually the same for poultry.

Note.—Because of rounding figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Agriculture, except as noted.

Table 4-3

New York Cut prices in the United States, by month, January 1980-December 1987

Wholesale Lamb Prices (New York Cuts)

Year	Month	Shoulders	Legs	Loin	Racks
		Cents per pound			
1980	Jan	101.7	164.0	133.0	225.0
	Feb	99.4	155.4	132.5	195.6
	Mar	97.5	179.6	137.5	243.8
	Apr	90.9	170.0	133.1	208.8
	May	91.0	149.2	131.0	197.0
	June	111.3	148.1	153.8	280.0
	July	115.3	150.0	166.0	300.5
	Aug	115.3	143.8	176.9	318.1
	Sept	111.9	150.0	180.0	312.5
	Oct	100.0	152.5	167.5	274.5
	Nov	91.9	145.0	141.3	232.5
	Dec	85.0	143.1	132.5	227.5
1981	Jan	85.5	146.0	124.0	193.5
	Feb	90.0	140.6	121.9	166.9
	Mar	90.0	150.4	125.6	176.9
	Apr	84.0	186.5	134.0	186.5
	May	113.4	173.0	181.3	269.4
	June	116.3	155.4	176.9	280.0
	July	116.5	147.0	173.5	264.5
	Aug	110.6	143.8	170.0	235.6
	Sept	100.5	146.0	158.5	187.0
	Oct	96.9	150.9	149.3	185.0
	Nov	93.8	141.9	144.4	183.8
	Dec	80.6	150.6	136.9	205.0
1982	Jan	88.5	154.0	135.0	185.0
	Feb	94.4	158.1	138.1	215.6
	Mar	94.2	188.0	144.0	236.0
	Apr	98.8	175.6	159.4	251.9
	May	103.8	160.6	180.6	316.9
	June	103.0	141.5	185.0	291.5
	July	90.0	130.0	178.1	266.9
	Aug	90.0	138.8	167.5	250.6
	Sept	88.0	139.5	158.5	226.0
	Oct	80.6	141.9	138.8	198.1
	Nov	81.9	138.1	138.1	208.8
	Dec	80.0	145.0	134.6	222.5
1983	Jan	96.3	155.6	152.5	218.8
	Feb	104.4	158.1	166.3	236.3
	Mar	86.0	180.5	171.5	276.5
	Apr	94.4	158.8	166.9	290.6
	May	88.8	139.4	168.1	303.1
	June	90.0	128.0	172.0	292.0
	July	83.8	117.5	181.9	285.0
	Aug	79.7	124.0	172.0	242.5
	Sept	79.4	129.4	178.1	230.6
	Oct	84.4	135.6	180.0	256.3
	Nov	85.6	135.0	179.4	280.0
	Dec	84.4	150.6	181.9	322.5
1984	Jan	84.4	150.7	173.8	306.3
	Feb	85.4	144.0	167.4	271.0
	Mar	75.6	154.1	160.0	248.8
	Apr	70.0	181.9	158.1	267.5
	May	81.0	132.3	175.5	318.5
	June	81.9	112.5	194.4	320.0
	July	86.9	123.1	203.8	335.0
	Aug	91.0	121.5	227.0	319.0
	Sept	86.9	131.3	240.6	329.4
	Oct	84.5	127.5	227.0	314.5
	Nov	81.3	127.5	230.0	331.3
	Dec	75.0	138.8	211.3	344.4
1985	Jan	82.0	140.0	191.0	337.5
	Feb	90.6	145.6	191.3	340.0
	Mar	77.5	165.6	192.5	358.8
	Apr	76.9	161.3	184.4	356.3
	May	96.6	129.5	233.0	428.5
	June	86.9	121.9	270.0	427.5
	July	93.5	123.0	267.7	437.0
	Aug	85.6	118.1	263.8	413.1
	Sept	86.9	121.3	261.3	371.9
	Oct	86.0	137.5	232.0	326.5
	Nov	85.0	134.4	221.9	326.3
	Dec	75.7	134.5	190.0	323.5

Table 4-3—*Continued*

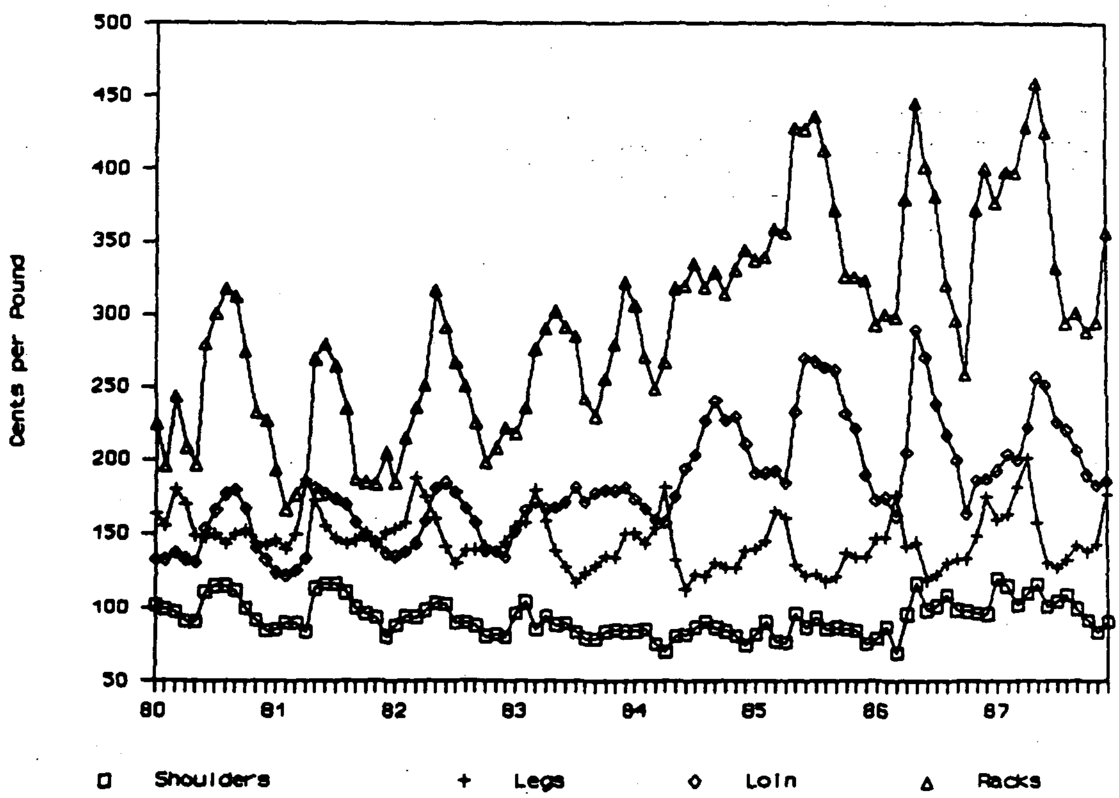
New York Cut prices in the United States, by month, January 1980-December 1987

Wholesale Lamb Prices (New York Cuts)

Year	Month	Shoulders	Legs	Loin	Racks
		Cents per pound			
1986	Jan	79.0	147.5	172.5	293.0
	Feb	87.5	148.1	175.0	300.6
	Mar	69.1	176.1	161.9	298.1
	Apr	95.9	142.4	205.5	380.0
	May	116.9	145.0	289.4	445.6
	June	98.8	118.8	270.6	401.9
	July	101.5	122.5	238.5	382.0
	Aug	109.4	130.6	217.5	321.3
	Sept	98.8	133.1	200.0	296.3
	Oct	98.0	133.5	164.1	259.0
	Nov	96.3	148.8	186.3	371.9
	Dec	96.0	175.5	187.0	401.0
1987	Jan	120.0	160.0	193.1	376.9
	Feb	115.0	163.8	204.4	398.8
	Mar	101.9	181.9	200.0	397.5
	Apr	110.0	202.0	222.5	429.5
	May	116.3	158.1	257.5	459.4
	June	101.3	130.6	251.9	426.3
	July	104.5	127.0	226.5	332.5
	Aug	109.4	133.1	221.3	295.0
	Sept	99.5	142.5	207.5	302.0
	Oct	91.9	138.8	190.6	288.8
	Nov	83.8	143.8	183.8	295.6
	Dec	91.3	177.5	186.3	356.9

Source: USDA, Economic Research Service.

Figure 4-7
Published lamb prices of New York style cuts in the United States, January 1980-December 1987



Source: USDA Economic Research Service.

Figure 4-8
Purchase prices of domestic and imported lamb carcasses by grocery chains, by months, January 1987-December 1988

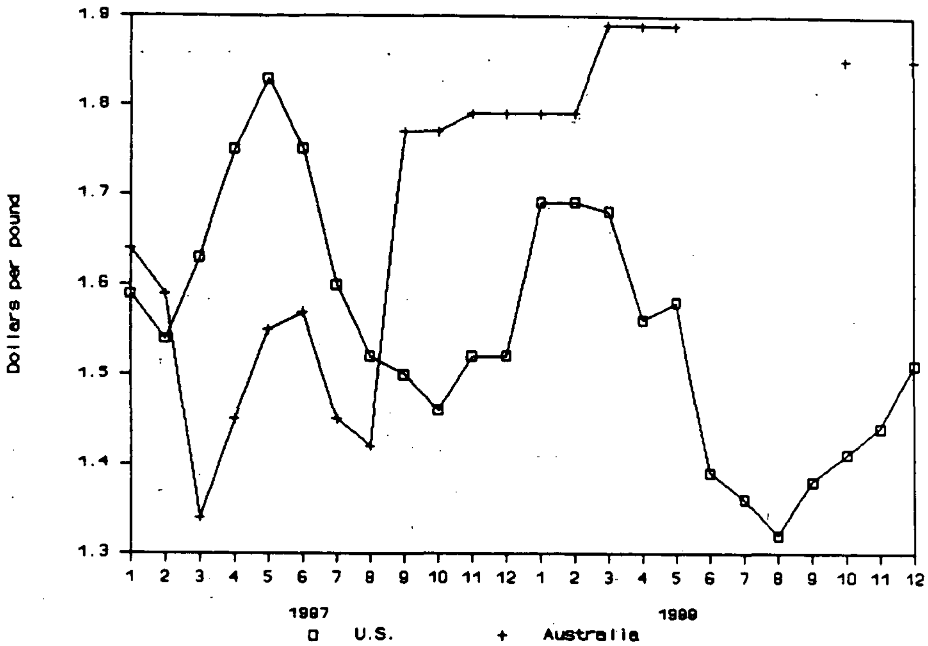
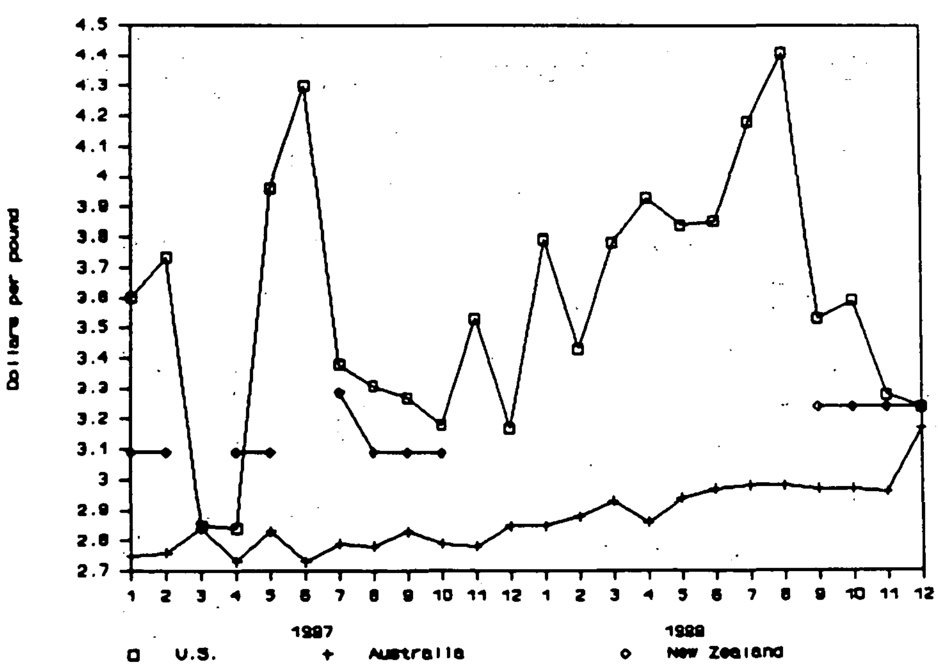


Figure 4-9
Purchase prices of domestic and imported lamb racks by grocery chains, by months, January 1987-December 1988



Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Figure 4-10
Purchase prices of domestic and imported lamb legs by grocery chains, by months, January 1987-December 1988

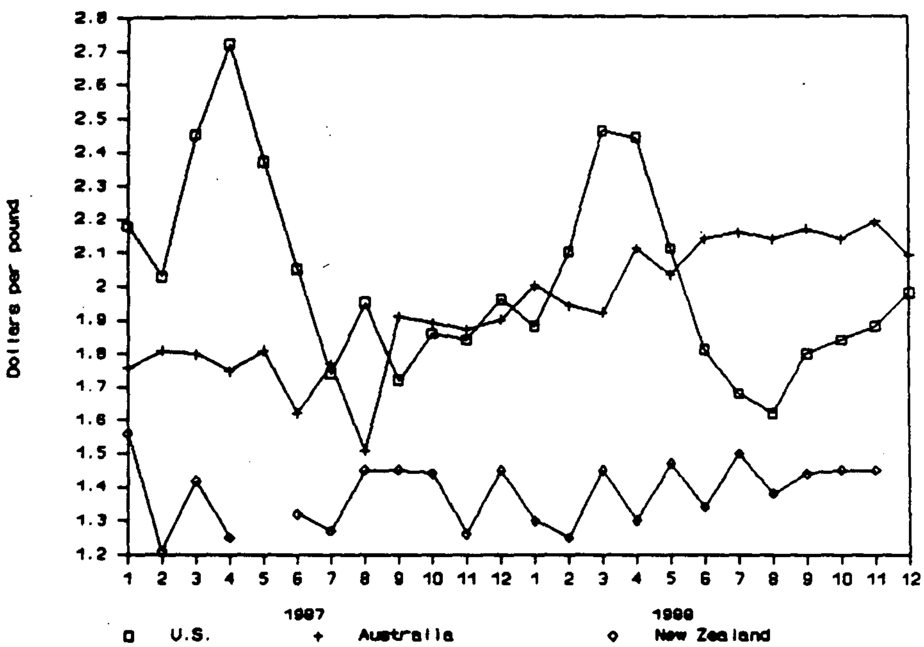
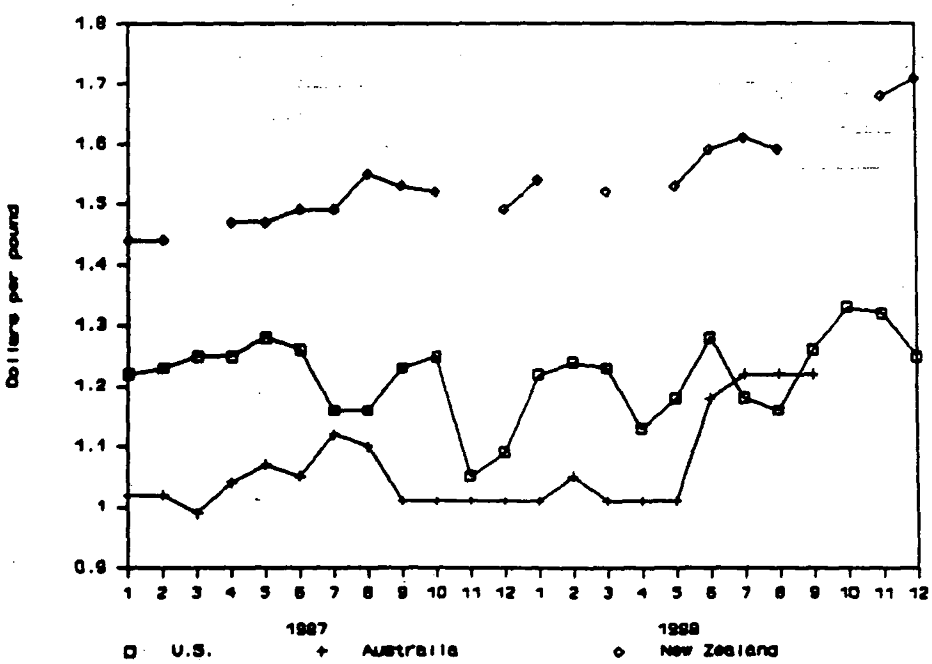


Figure 4-11
Purchase prices of domestic and imported lamb shoulders by grocery chains, by months, January 1987-December 1988



Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 4-4

Lamb meat: Prices of the largest purchase of selected lamb cuts, by U.S. grocery chains, by month and by country, January 1987-December 1988

		United States			*Australia*			*New Zealand*		
Year	*Month*	*legs*	*racks*	*shoulder*	*legs*	*racks*	*shoulder*	*legs frozen*	*racks frozen*	*shoulder frozen*
1987	1	2.18	3.60	1.22	1.76	2.75	1.02	1.56	3.09	1.44
	2	2.03	3.73	1.23	1.81	2.76	1.02	1.21	3.09	1.44
	3	2.45	2.85	1.25	1.80	2.84	0.99	1.42	NA	NA
	4	2.72	2.84	1.25	1.75	2.73	1.04	1.25	3.09	1.47
	5	2.37	3.96	1.28	1.81	2.83	1.07	NA	3.09	1.47
	6	2.05	4.30	1.26	1.62	2.73	1.05	1.32	NA	1.49
	7	1.74	3.38	1.16	1.77	2.79	1.12	1.27	3.29	1.49
	8	1.95	3.31	1.16	1.51	2.78	1.10	1.45	3.09	1.55
	9	1.72	3.27	1.23	1.91	2.83	1.01	1.45	3.09	1.53
	10	1.86	3.18	1.25	1.89	2.79	1.01	1.44	3.09	1.52
	11	1.84	3.53	1.05	1.87	2.78	1.01	1.26	NA	NA
	12	1.96	3.17	1.09	1.90	2.85	1.01	1.45	NA	1.49
1988	1	1.88	3.79	1.22	2.00	2.85	1.01	1.30	NA	1.54
	2	2.10	3.43	1.24	1.94	2.88	1.05	1.25	NA	NA
	3	2.46	3.78	1.23	1.92	2.93	1.01	1.45	NA	1.52
	4	2.44	3.93	1.13	2.11	2.86	1.01	1.30	NA	NA
	5	2.11	3.84	1.18	2.03	2.94	1.01	1.47	NA	1.53
	6	1.81	3.85	1.28	2.14	2.97	1.18	1.34	NA	1.59
	7	1.68	4.18	1.18	2.16	2.98	1.22	1.50	NA	1.61
	8	1.62	4.41	1.16	2.14	2.98	1.22	1.38	NA	1.59
	9	1.80	3.53	1.26	2.17	2.97	1.22	1.44	3.24	NA
	10	1.84	3.59	1.33	2.14	2.97	NA	1.45	3.24	NA
	11	1.88	3.28	1.32	2.19	2.96	NA	1.45	3.24	1.68
	12	1.98	3.24	1.25	2.09	3.17	NA	NA	3.24	1.71

Source: Compiled from U.S. International Trade Commission questionnaires.

chilled lamb. All but one respondent stated that price is negotiated.

There are a number of factors listed by respondents which may affect prices. One of the factors is the lead time from the date of purchase to the date the grocers receive the fresh or chilled lamb meat. Respondents stated that the lead time for fresh or chilled lamb was one week or less for orders placed with suppliers of U.S. lamb, one to three weeks for suppliers of Australian lamb, and 3 to 14 days for suppliers of New Zealand lamb. The lead time for frozen lamb is typically 30 days. Another factor which affects prices is quality. On interim report questionnaires, five grocers stated that imported lamb meat is inferior to U.S. lamb meat.[15] All respondents stated that imported lamb meat cuts are smaller than domestic cuts. On final report questionnaires, three chains stated that U.S. and imported lamb were roughly comparable in quality. One stated that inferior quality imported lamb was available at lower prices than the U.S. product. For another factor, the country of origin, eight of the grocery chains in interim report questionnaires and three grocery chains in final report questionnaires stated that their customers were aware of and/or interested in the country of origin.

On interim report questionnaires, six respondents stated that they purchase lamb weekly and three purchase daily. All respondents stated that they rarely deviate from the one to three suppliers with whom they deal. Price, quality, and availability were listed as the three most important factors considered when deciding from whom to purchase lamb meat.

Because of price fluctuations, a discussion of trends in prices is difficult. Any discussion of relative prices or price trends is also complicated by the fact that the Commission has data for only a few firms. The price of Australian carcasses was higher than that of domestic carcasses between September 1987 and May 1988 and also in October and December 1988 (fig. 4-8). (No data were available for the price of Australian carcasses in June through September or in November of 1988). Although carcass prices have had large fluctuations, mostly because of seasonal demand, Australian carcass prices were on a general upward trend between March 1987 and December 1988, while the price of U.S. lamb carcasses fluctuated seasonally during 1987 and 1988 and was slightly lower in December 1988 than in January 1987. There were no reported prices for lamb carcasses imported from New Zealand.

Domestic prices of racks also have large fluctuations resulting from seasonal demand (fig. 4-9). Prices of Australian racks are more stable and increased 15 percent from January 1987 to December 1988. Australian rack prices were lower than domestic rack prices from January 1987 to the end of 1988. The price of frozen New Zealand racks, which increased 5 percent from January 1987 to December 1988, was generally lower than the price of domestic lamb racks where comparisons could be made.

[15] One company stated that imported lamb was not as fresh as domestic lamb.

Domestic prices of lamb legs also had large fluctuations resulting from seasonal demand (fig. 4-10). Prices of Australian legs were more stable and increased 19 percent from January 1987 to December 1988. Australian leg prices were nearly the same or lower than U.S. leg prices except for June through December 1988. The price of frozen New Zealand lamb legs, although consistently below domestic prices in 1987 and 1988, fluctuated, showing no trend. New Zealand leg prices were lower than domestic leg prices from January 1987 to December 1988.

Prices of lamb shoulders behaved differently from those of the other lamb cuts (fig. 4-11). There is no seasonal fluctuation in U.S. or imported shoulder prices. U.S. prices, although fluctuating, show no apparent trend. Australian shoulder prices, which were generally lower than U.S. prices during the period 1987-88 increased nearly 10 percent from January to July 1987, but fell back 10 percent by September 1987. Australian prices then remained almost level through May 1988 before increasing nearly 21 percent by July-September 1988. Australian shoulder prices were lower than U.S. shoulder prices between January 1987 and June 1988. Prices of frozen shoulders from New Zealand increased almost 19 percent from January 1987 to December 1988 and were inexplicably higher than those of fresh or chilled U.S. and Australian shoulders.

Because of the small number of observations reported for foreign products on final report questionnaires (covering the period January 1989 to April 1990), it is not possible to report definitively on trends in the prices of foreign products, or to compare them with the prices of similar U.S. products. Similarly, data are insufficient to characterize price trends for U.S.-produced racks. For other U.S.-produced chilled cuts, the following price trends were observed. Carcass prices showed a slight downtrend over the period, ending about 10 percent lower than at the beginning. The price of legs moved down irregularly through the end of 1989, falling about 35 percent, then rose to end the period nearly 25 percent above the beginning price. The trend in the price of shoulders was virtually flat, the ending price being nearly identical to the beginning price.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that during January 1985-March 1990 the nominal value of the Australian dollar depreciated 1.9 percent relative to the U.S. dollar and the nominal value of the New Zealand dollar depreciated 22.6 percent relative to the U.S. dollar (table 4-5).[16] Adjusted for movements in producer price indices in the United States and Australia, the real value of the Australian currency appreciated 23.0 percent during the same period. Adjusted for movements in producer price indices in the United States and New Zealand, the real value of the New Zealand currency depreciated 2.0 percent during the same period.

[16] International Financial Statistics, October 1990.

Table 4-5

Exchange rates:[1] Nominal-exchange-rate equivalents of the selected currencies in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in specified countries,[2] indexed by quarters, January 1985–June 1990

Period	*U.S. Producer Price Index*	*Australia Producer Price Index*	*Nominal-exchange-rate index*	*Real-exchange-rate index*[3]	*New Zealand Producer Price Index*	*Nominal-exchange-rate index*	*Real-exchange-rate index*[3]
1985:							
January-March	100.0	100.0	100.0	100.0	100.0	100.0	100.0
April-June	100.1	103.0	112.7	116.0	104.8	100.9	105.7
July-September	99.4	104.8	107.7	113.5	106.3	88.2	94.3
October-December .	100.0	105.8	109.3	115.6	105.6	82.3	86.9
1986:							
January-March	98.5	107.4	107.1	116.8	107.8	87.4	95.7
April-June	96.7	106.9	105.4	116.5	109.0	82.7	93.2
July-September	96.2	109.6	120.8	137.7	110.6	90.9	104.5
October-December .	96.6	112.6	116.0	135.3	113.2	90.1	105.6
1987:							
January-March	97.7	114.5	112.0	131.2	115.8	83.8	99.4
April-June	99.3	116.0	105.2	122.9	118.4	79.1	94.4
July-September	100.4	118.0	105.2	123.6	120.1	75.9	90.8
October-December .	100.9	120.2	106.7	127.1	121.3	72.3	86.9
1988:							
January-March	101.5	123.0	104.4	126.5	122.4	69.4	83.7
April-June	103.1	125.0	96.5	117.0	124.3	67.2	81.0
July-September	104.6	126.8	94.0	113.9	126.1	71.2	85.9
October-December .	105.1	128.4	89.5	109.4	127.7	72.5	88.1
1989:							
January-March	107.4	130.5	88.6	107.7	130.1	74.2	89.8
April-June	109.3	133.7	96.6	118.2	132.3	76.8	92.9
July-September	108.9	135.7	98.4	122.6	135.8	78.4	97.7
October-December .	109.3	137.2	96.2	120.8	137.6	77.8	98.0
1990:							
January-March	110.9	139.1	98.1	123.0	138.6	77.4	96.8
April-June	110.6	[4]141.2	97.8	[4]124.8	([5])	79.4	([5])

[1] Exchange rates expressed in U.S. dollars per unit of foreign currency.

[2] Producer price indicators—intended to measure final product prices—are based on period-average quarterly indices presented in line 63 of the *International Financial Statistics*.

[3] The indexed real exchange rate is derived from the nominal rate adjusted for relative movements in Producer Price Indices in the United States and the specified countries. Producer prices in the United States increased 10.9 percent during the period January 1985 through March 1990 compared with a 39.1-percent increase in Australian prices and a 38.6-percent increase in New Zealand prices during the same period.

[4] Derived from Australian price data reported for April only.

[5] Not available.

Note.—January-March 1985=100.0.

Source: International Monetary Fund, *International Financial Statistics*, October 1990.

Chapter 5

U.S. Industry

Growers

U.S. sheep growers may be divided into two categories: (1) sheepherders (i.e., those who maintain flocks of sheep for the production of lambs, including purebred and commercial flocks), and (2) feeders (those who maintain feedlots where lambs are fed on grain or other concentrates until they reach slaughter weight). Some growers engage in both activities, and not all lambs are placed in feedlots. Some lambs go to slaughter directly from pasture where they may or may not have been provided with grains to supplement their diets of forage and milk from their mothers. Lambs are the only common farm animals that can be grown to the Choice grade without supplemental feed, and when pastures are good, they are frequently so handled.

In the United States, very few sheep are raised exclusively for the production of wool or pelts, although wool may account for a significant share of growers' income, as described in the section of this report entitled "Wool," and pelts add to the value received by the growers for the live animals. In some parts of the world, notably Australia, Argentina, and the Union of South Africa, sheep are kept for the production of wool. In some parts of the Middle East and the Soviet Union, specific breeds of sheep, such as Karakul and Astrakhan, are kept primarily for the production of pelts.

The number of sheep-raising operations[1] in the United States declined by 5 percent from 117,220 in 1985 to 111,040, in 1989, (table 5-1). Many operations consist of only a few sheep and belong to part-time or hobby farmers.

Officials of the American Sheep Industry Association (ASIA) contend that because the number of operations with sheep include those owned by hobbyists and others who are not primarily profit motivated, a better measure of the number of growers for profit is the number of payments under the Federal wool incentive program. (The wool incentive program is described later in Chapter 6.) The number of payments under the wool incentive program is shown in the following tabulation:

Year	*Number*
1985	76,580
1986	74,371
1987	76,906
1988	88,322
1989	82,072

In 1989, 46,100 U.S. operations with sheep (42 percent of the U.S. total) were located in the Corn Belt.[2] However, these operations averaged only 46 animals each and accounted for only 19 percent of the total U.S. sheep population as of January 1, 1990. In the Corn Belt, sheep are most commonly kept as components of diversified farming operations, or kept by part-time farmers. Sheep are frequently kept on land not suitable for raising grain or for other farming activities.

The Western States[3] accounted for 43,050 U.S. sheep operations (39 percent of the total) in 1989. These operations, which averaged 197 animals each, accounted for 75 percent of the total U.S. sheep population as of January 1, 1990. In the Western States, sheep are sometimes the primary or only source of income for the operator, although sheep are also frequently part of diversified farming operations. On the Edwards Plateau of Texas, for example, cattle, sheep, and goats may be kept on the same pasture because cattle will eat grass, sheep will eat forbs and weeds, and goats will eat leaves and browse. In many areas of the West, because of topography and climate, the only suitable agricultural crop is forage, and the only practical use for the forage is as a feed for ruminant animals, such as sheep.

Most of the remaining 19 percent of U.S. sheep operations, which accounted for 6 percent of the total U.S. sheep population on January 1, 1990, are located in the Northeastern United States and border regions of the Southeastern United States (figs. 5-1 and 5-2). The U.S. sheep population rose by 12 percent from January 1, 1986, to January 1, 1990 (table 5-2).

[1] An operation is any place having one or more sheep on hand at any time during the year.

[2] The Corn Belt consists of the States of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin.

[3] The Western States consist of Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, and Wyoming.

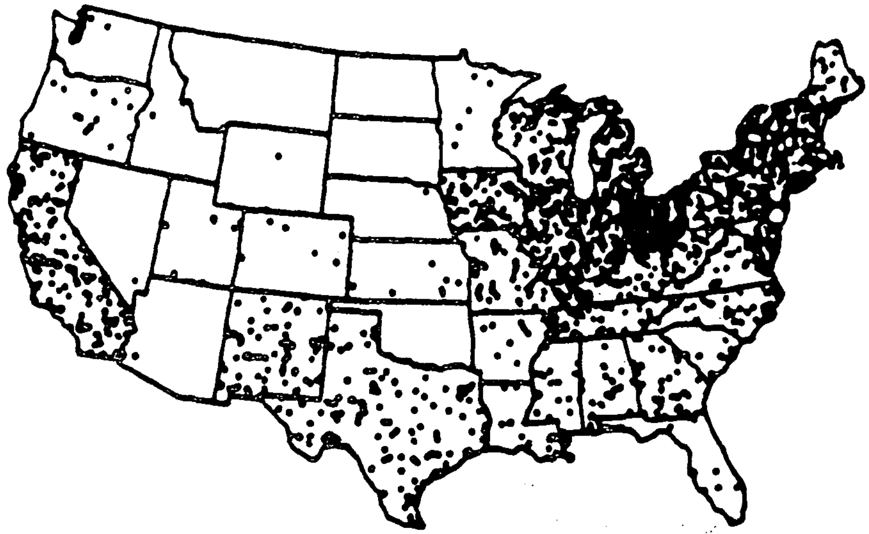
Table 5-1
Operations with sheep, by regions, 1985-89

Region	*1985*	*1986*	*1987*	*1988*	*1989*
Corn Belt	51,800	48,100	47,400	46,400	46,100
Western States	45,820	45,000	44,150	44,500	43,050
Other	19,600	19,480	22,090	22,540	21,890
Total	117,220	112,580	113,640	113,440	111,040

Source: Compiled from official statistics of the U.S. Department of Agriculture.

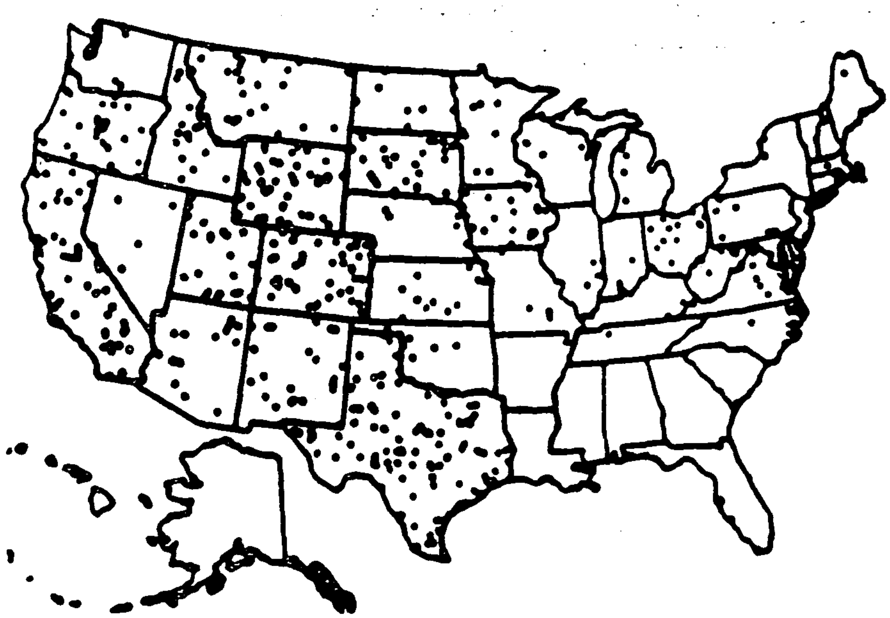
Figure 5-1
Location of U.S. sheep inventory

1867 SHEEP INVENTORY
UNITED STATES = 46.3 MILLION



1 Dot = 20,000 HEAD

1990 SHEEP INVENTORY
UNITED STATES = 11.4 MILLION

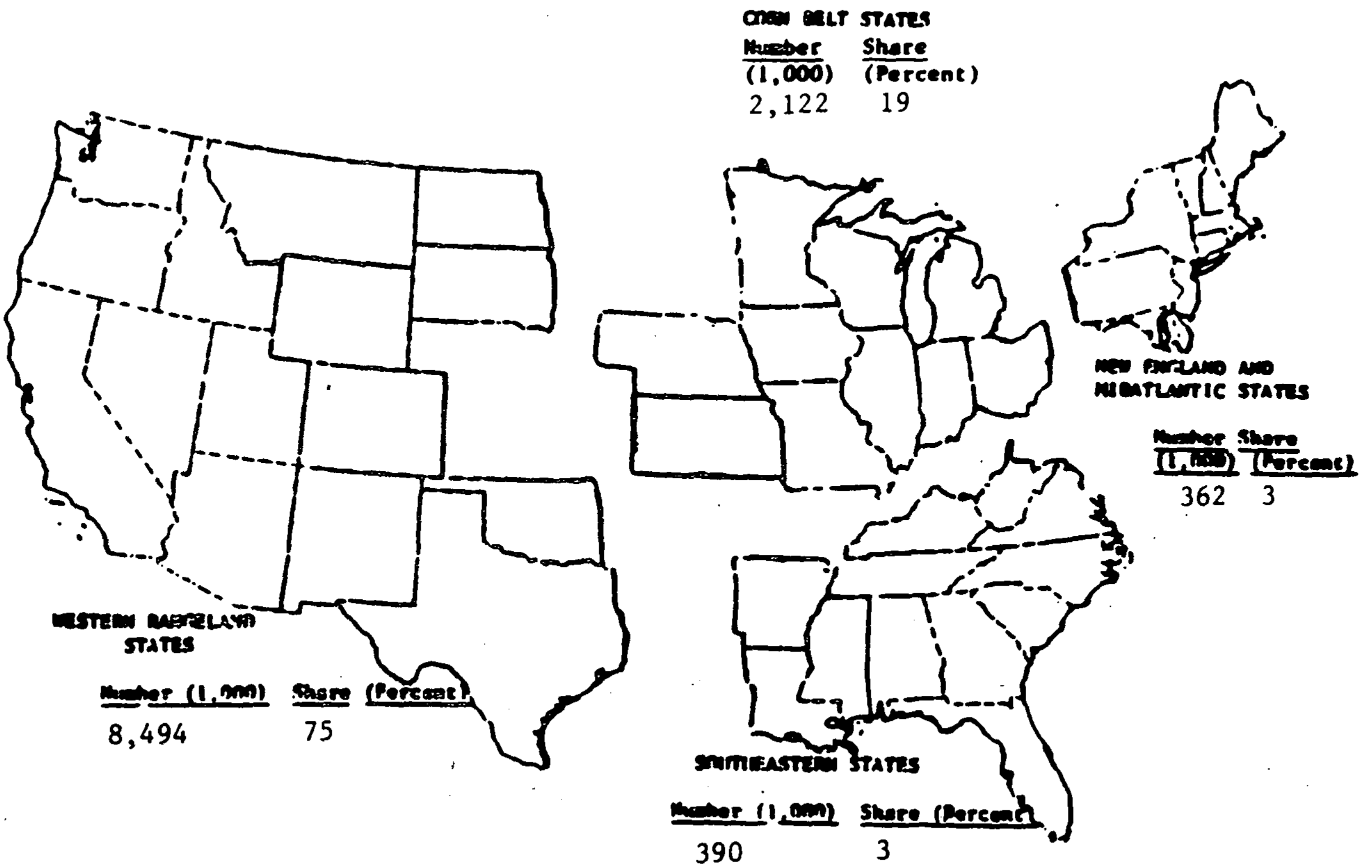


1 Dot = 20,000 HEAD

Note.—Map reproduced from Sheep and Goats, February 1989.

Source: AGRICULTURAL STATISTICS BOARD, NASS, USDA.

Figure 5-2
Regional location of U.S. sheep inventory as of January 1, 1990



Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 5-2

U.S. sheep and lamb population, by regions, as of Jan. 1 of 1986-90

(In thousands)

Region	*Jan. 1—* *1986*	*1987*	*1988*	*1989*	*1990*
Western States	7,843	8,079	8,363	8,188	8,494
Corn Belt	1,751	1,873	1,904	1,951	2,122
Other	551	620	678	719	752
Total	10,145	10,572	10,945	10,858	11,368

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Lambs may be sent directly from pasture to slaughter,[4] or alternatively, at about 6 months of age and about 55 to 90 pounds in weight, they may be shipped to feedlots for about 2 to 3 months of intensive feeding and finishing on grain (primarily corn) prior to slaughter. During this period, lambs are generally referred to as feeder lambs; when ready for slaughter, they are called fed lambs, slaughter lambs, or fat lambs.

Officials of the National Lamb Feeders Association report that there are probably only about 100 large-volume lamb feedlots in the United States, although there are many small-volume feedlots. Feedlot operators may feed lambs they own or may feed lambs for other people on a fee-for-service or some type of partnership basis. As shown in the following tabulation, lamb feeding tends to be concentrated in a few States as of January 1 (in thousands of animals):

State	*1987*	*1988*	*1989*	*1990*
Colorado	310	360	380	385
Texas	150	150	170	200
California	185	170	160	180
Oregon	90	90	125	110
Kansas	70	95	98	102
Wyoming	85	115	117	100
All other	623	601	596	640
Total	1,513	1,581	1,646	1,717

Meatpackers

Federally inspected (FI) plants accounted for 97 percent of sheep and lamb slaughter annually during 1985-89. The total number of FI sheep and lamb slaughtering plants declined 14 percent during 1985-89, as reflected in the following tabulation:

Year	*Number of FI plants*
1985	1,008
1986	954
1987	906
1988	877
1989	869

Factors that may have contributed to the decline include labor problems, industry concentration for economies of scale, packer/grower contractual arrangements, and competition from imports.

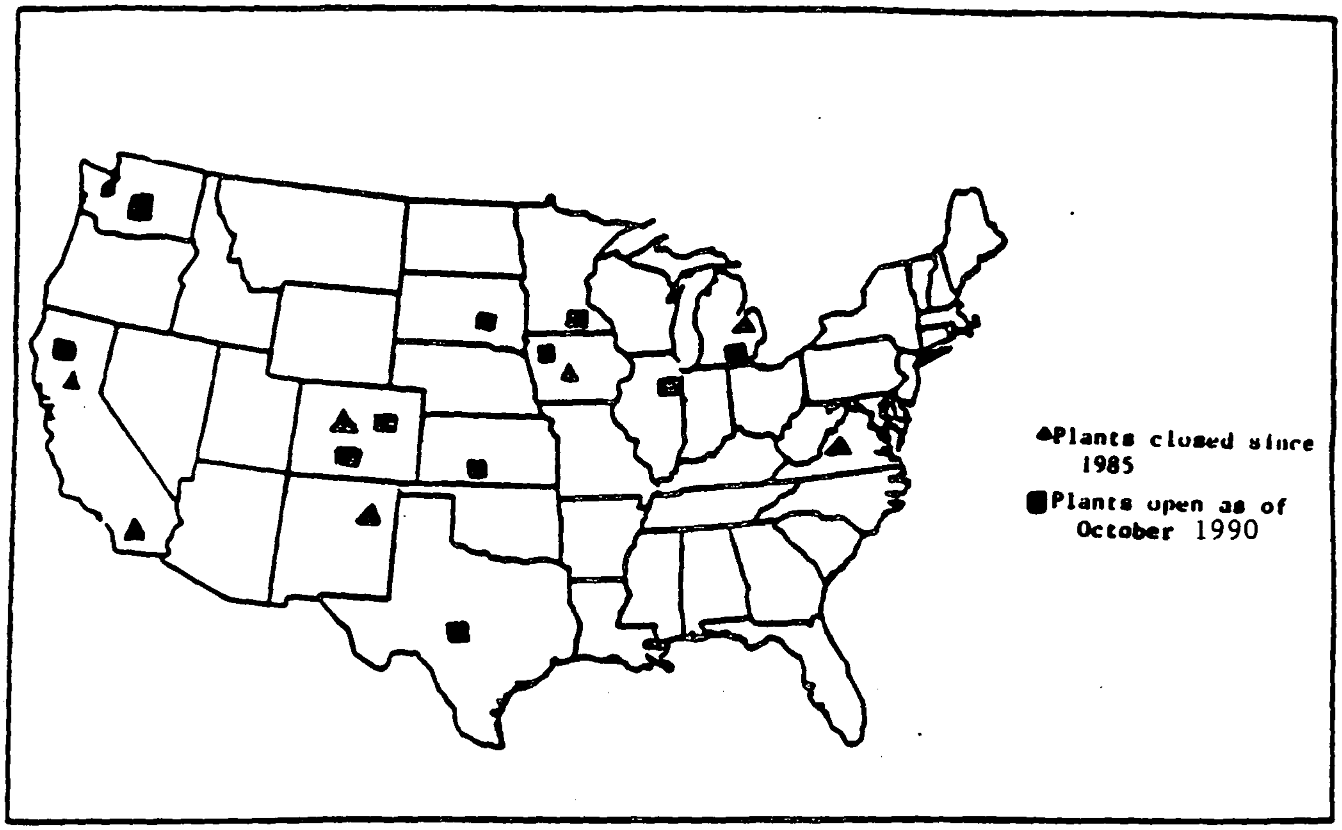
FI plants with a capacity to slaughter 10,000 or more sheep and lambs annually accounted for 90 percent or more of sheep and lamb slaughter annually during 1985-90. The total number of such FI plants declined during 1985-88 but increased in 1989 as shown in the following tabulation:

Year	*Number of large volume plants*
1985	28
1986	26
1987	22
1988	20
1989	26

Figure 5-3 shows the approximate location of the largest volume lamb slaughtering plants (those with a capacity to slaughter over 100,000 animals annually) in operation in the United States as of October 1990, and those large-volume plants that have closed since 1985. The largest volume plants accounted for 80 percent or more of total U.S. lamb slaughter annually during 1985-89. Whereas figure 5-3 suggests idling of productive facilities, it should be noted that one of the plants in Colorado, which opened in late 1988, is the largest volume plant in the United States. That plant is owned and operated by Monfort, Inc. (Monfort, Inc., was purchased by ConAgra, Inc., in November 1986). The other plant in Colorado is owned and operated as Denver Lamb Co.

[4] At the public conference on Investigations Nos. 701-TA-214 and 731-TA-188, domestic interests reported that in years when pastures are good because of ample rainfall, 60 to 80 percent of the lamb crop in some States would be sent directly from pasture to slaughter, without going through feedlots. See the transcript, p. 82.

Figure 5-3
Plants with a capacity to slaughter over 100,000 lambs annually, 1985-90



Source: Adapted from *U.S. Sheep Industry Market Situation Report 87/88*, p. 33.

Among other large-volume plants in operation as of October 1990, the plants in Texas and Kansas are also operated by Monfort, Inc. The plants in Northern California and Washington State are owned and operated by Superior Packing Co.; the plant in northwestern Iowa is owned and operated by the Iowa Lamb Corp.; the plant in Illinois is owned and operated by Den-Franco; and the plant in Michigan is owned and operated by Wolverine Packing Co. The plant in southeastern South Dakota is owned and operated by John Morrell & Co., and it stopped slaughtering lambs May 1, 1987 (although the slaughter of other species of livestock continues); the plant started to slaughter lambs again in the spring of 1989. The plant in Minnesota was owned and operated by Farmstead Foods, Inc. and was closed in March, 1990. The plant reopened in early October 1990, under the same management, but is now employee-owned.

Among large-volume plants that have closed since 1985, the plant located in Northern California was owned and operated by ConAgra and closed August 26, 1988. The plant in Southern California was owned and operated by various firms in recent years, including the American Lamb Co. and the Western Lamb Co. This plant was last closed April 11, 1986. The New Mexico plant, which closed May 16, 1986, after being in operation for one year, was operated by Clovis Lamb Co. The plant in northwestern Iowa that closed was owned and operated by Mid-American Lamb Co. and it closed June 21, 1986. The plant in Michigan was the Detroit Veal and Lamb Co. which closed January 31, 1986. The Virginia plant that closed was owned and operated by Rocco Further Processing and ceased slaughtering in December 1987. For about one more year, that plant reportedly continued to process lamb meat from other slaughtering plants. The plant in Colorado, Hi-Country Lamb Co., had been operated as a custom slaughter plant, under the name Colorado Lamb Co. It closed, reopened in November 1988, but closed again in June 1990.

Financial Experience of U.S. Packers

Packers accounting for over 75 percent of U.S. production of lamb meat in 1989, provided income-and-loss data on their operations producing lamb meat.

Income

The income-and-loss experience of U.S. packers of lamb meat is presented in table 5-3. Net sales increased 7.6 percent from $313 million in 1986 to $337 million in 1987 and increased an additional 15.5 percent to $389 million in 1988. Net sales decreased 7.8 percent to $359 million in 1989. Packers suffered operating losses of $3.9 million and $848,000 in 1986 and 1987, respectively. Operating income was $4.2 million in 1988 and $4.9 million in 1989. Operating income or (loss) margins were (1.2) in 1986, (0.3) in 1987, 1.1 in 1988, and 1.4 in 1989.

The combined income-and-loss experience, on an average per-pound basis, for the packers is presented in table 5-4. The average per-pound sales value increased 6.3 percent, from $1.43 in 1986 to $1.52 in 1987 and 1988 and then decreased to $1.43 in 1989. Gross profit doubled each year from 1 cent per pound in 1986 to 2 cents in 1987 and to 4 cents in 1988. Gross profit rose an additional 1 cent to 5 cents per pound in 1989. An operating loss of 1 cent per pound was incurred in 1986. The combined companies operated at approximately the breakeven point in 1987 on a per pound basis. The operating income in 1988 and 1989 was 2 cents on an average per pound basis.

Investment in productive facilities

The value of property, plant, and equipment for the U.S. packers and the return on the book value of fixed assets are presented in table 5-5.

Capital expenditures

U.S. packers provided data on their capital expenditures for lamb meat operations. Expenditures increased from 1986 to 1987 but declined in 1988. Capital expenditures increased substantially in 1989.

Production

Lambs

The number of lambs born during the year, the so-called lamb crop, is generally referred to as U.S. production.[5] The U.S. lamb crop declined steadily from 1985 to 1988, but increased in 1989. The January 1 inventory of the number of ewes kept for breeding purposes that were 1 year old and older, the lambing rate, and the U.S. lamb crop, is shown in table 5-6.

The number of lambs born during the year reflects primarily the number of female animals of breeding age. However, adverse weather, either during the breeding season or when the lambs are born, contributes to reduced lambing rate and lower lamb crops. Also, the lambing rate may reflect the nature of the January 1 inventory of ewes kept for breeding purposes that are 1 year old or older. Most ewes are bred when they are 18 to 19 months of age and have their first lambs when they are about 2 years old. If a large share of the January 1 inventory consists of ewes kept for breeding purposes that are more than 1 year old but not 2 years old and not bred, the lambing rate during the year will be lower than if the January 1 inventory consists of a larger share of bred ewes.

[5] In some States, especially the Western States, the lamb crop is estimated when the young lambs (about two weeks of age) are "worked," i.e., when the lambs have their tails removed (docked) and when the ram lambs are castrated. In years with adverse weather, many lambs die before they are "worked" and thus are not included in the lamb crop.

Table 5-3
Income-and-loss experience of U.S. packers on their operations producing lamb meat, accounting years 1986-89

Item	1986	1987	1988	1989
	Value (1,000 dollars)			
Net sales	313,175	336,858	389,071	358,760
Cost of goods sold	311,580	332,503	379,639	346,206
Gross profit	1,595	4,355	9,432	12,554
General, selling, and administrative expenses	5,485	5,203	5,206	7,598
Operating income or (loss)	(3,890)	(848)	4,226	4,956
Other income, (expense), net	(806)	(754)	(280)	(455)
Net income or (loss) before income taxes	(4,696)	(1,602)	3,946	4,501
Depreciation and amortization included above	1,075	1,072	1,172	1,574
Cashflow[1]	(3,621)	(530)	5,118	6,075
	Share of net sales (percent)			
Cost of goods sold	99.5	98.7	97.6	96.5
Gross profit	0.5	1.3	2.4	3.5
General, selling, and administrative expenses	1.8	1.5	1.3	2.1
Operating income or (loss)	(1.2)	(0.3)	1.1	1.4
Net income or (loss) before income taxes	(1.5)	(0.5)	1.0	1.3

[1] Cashflow is defined as net income or (loss) plus depreciation and amortization.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 5-4
Income-and-loss experience of U.S. packers on their operations producing lamb meat, accounting years 1986-89

(Unit value dollars per pound)

Item	1986	1987	1988	1989
Net sales	$1.43	$1.52	$1.52	$1.43
Cost of goods sold	1.42	1.50	1.48	1.38
Gross profit	.01	.02	.04	.05
General, selling, and administrative expenses	.02	.02	.02	.03
Operating income or (loss)	(.01)	([1])	.02	.02

[1] A loss of less than 0.005 dollars per pound.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 5-5
Lamb meat: Value of property, plant, and equipment of U.S. packers, accounting years 1986-89

Item	1986	1987	1988	1989
	Value (1,000 dollars)			
Lamb meat:				
Fixed assets:				
Original cost	8,403	10,605	12,295	24,208
Book value	5,490	6,776	7,236	17,024
	Return on book value of fixed assets (percent)			
Lamb meat:				
Operating return[1]	(70.9)	(12.5)	58.4	29.1
Net return[2]	(85.5)	(23.6)	54.5	26.4

[1] Defined as operating income or (loss) divided by asset value.
[2] Defined as net income or (loss) divided by asset value.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 5-6
Sheep and lambs: U.S. ewes kept, lambing rate, and lamb crop, 1985-1990

Year	Ewes kept (1,000 animals)	Lambing rate[1] (per 100 ewes)	Lamb crop (1,000 animals)
1985	7,431	101	7,501
1986	6,958	106	7,396
1987	7,087	103	7,289
1988	7,348	98	7,206
1989	7,187	108	7,739
1990	7,649	([2])	([2])

[1] Number of lambs born per ewe.
[2] Not available.

Source: Data compiled from official statistics of the U.S. Department of Agriculture.

Lamb meat

U.S. lamb meat production, as estimated by the staff of the U.S. International Trade Commission, declined by 10.2 percent from 1985 to 1987, increased 5.9 percent in 1988, and increased by 3.6 percent in 1989. Such production was 8.7 percent higher during January-August 1990 than in the corresponding period of 1989. Total domestic lamb meat production (table 5-7), as estimated by the staff of the Commission, is shown in the following tabulation (in thousands of pounds):

Period	Lamb meat production
1985	337,058
1986	322,683
1987	302,747
1988	320,756
1989	332,228
Jan.-Aug:	
1989	214,919
1990	233,519

Commercial lamb slaughter, as estimated by the staff of the Commission and shown in table 5-7, is shown in the following tabulation (in thousands of animals):

Period	Lamb slaughter
1985	5,754
1986	5,315
1987	4,921
1988	4,990
1989	5,121
Jan.-Aug:	
1989	3,344
1990	3,538

In addition to the number of lambs slaughtered, U.S. lamb meat production also is based on the average carcass weight of lambs slaughtered. The average, as reported by the USDA, increased during 1985-89 and during January-August 1989-90, as shown in the following tabulation (in pounds):

Period	Average carcass weight
1985	58
1986	59
1987	60
1988	63
1989	64
Jan.-Aug.:	
1989	63
1990	65

The increase in average carcass weight may reflect a trend to genetically larger animals, moderate grain prices that encourage feeding to heavier weights and, on the negative side, feeding to excessive weights as growers retain animals beyond optimum slaughter weights, hoping for higher prices.

Consumption

U.S. lamb meat consumption (table 5-8), as estimated by the staff of the Commission, is shown in the following tabulation (in thousands of pounds):

Period	Lamb meat consumption
1985	363,572
1986	350,787
1987	335,911
1988	351,466
1989	359,798
Jan.-July:	
1989	203,147
1990	216,509

Changes in the amount of lamb meat consumed during 1985-89 in the United States primarily reflect changes in production inasmuch as imports and inventories were relatively stable during the period and exports were negligible or nil.

Table 5-7

Sheep and lamb slaughter: Share of federally inspected slaughter consisting of lambs and yearlings and dressed weight of same, estimated commercial lamb slaughter, meat production, farm lamb meat production, and total, by months, January 1985-December 1985

Item	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
1985:													
Commercial sheep & lamb slaughter (1,000 animals)	556.8	483.8	578.1	533.4	508.9	438	502.5	516.6	497.1	570.4	475.3	504.4	6,165.3
Federally inspected dressed weight of lambs and yearlings (pounds)	58	58	58	57	57	57	56	56	57	58	59	60	58
Share of federally inspected slaughter consisting of lambs and yearlings (Percent)	95.1	94.2	94.2	92.9	91.2	92.1	92	92.2	93.4	92.9	94.7	94.8	93.3
Estimated commercial:													
Lamb slaughter (1,000 animals)	529.5	455.7	544.6	495.5	464.1	403.4	462.3	476.3	464.3	529.9	450.1	478.2	5,753.9
Lamb meat production (1,000 pounds)	30,712.0	26,432.9	31,585.1	28,245.1	26,454.7	22,993.7	25,888.8	26,673.1	26,464.6	30,734.3	26,556.4	28,690.3	331,430.9
Estimated— Farm lamb meat production (1,000 pounds)	630.4	630.4	630.4	306.9	306.9	306.9	308.6	308.6	308.6	629.6	629.6	629.6	5,626.5
Total lamb meat production (1,000 pounds)	31,342.4	27,063.3	32,215.5	28,552.1	26,761.6	23,300.6	26,197.4	26,981.7	26,773.2	31,363.9	27,186.0	29,319.8	337,057.4

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 5-7—*Continued*

Sheep and lamb slaughter: Share of federally inspected slaughter consisting of lambs and yearlings and dressed weight of same, estimated commercial lamb slaughter, meat production, farm lamb meat production, and total, by months, January 1986-December 1986

Item	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
1986:													
Commercial sheep & lamb slaughter (1,000 animals)	518.0	451.6	540.4	492.5	431.6	419.5	449.5	443.6	510.8	510.5	412.8	454.3	5,635.1
Federally inspected dressed weight of lambs and yearlings (pounds)	60	60	60	60	59	58	58	58	59	60	60	61	59
Share of federally inspected slaughter consisting of lambs and yearlings (Percent)	95.1	95.2	95.4	93.2	91.9	93.5	93.9	94.2	94.7	94.4	95.0	95.0	94.3
Estimated commercial:													
Lamb slaughter (1,000 animals)	492.6	429.9	515.5	459.0	396.6	392.2	422.1	417.9	483.7	481.9	392.2	431.6	5,315.3
Lamb meat production (1,000 pounds)	29,557.1	25,795.4	30,932.5	27,540.6	23,401.8	22,749.5	24,480.7	24,236.5	28,539.9	28,914.7	23,529.6	26,326.7	316,005.0
Estimated —													
Farm lamb meat production (1,000 pounds)	954.4	954.4	954.4	310.5	310.5	310.5	327.5	327.5	327.5	633.5	633.5	633.5	6,677.7
Total lamb meat production (1,000 pounds)	30,511.5	26,749.8	31,886.9	27,851.1	23,712.3	23,060.0	24,808.2	24,564.0	28,867.4	29,548.2	24,163.1	26,960.2	322,682.6

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 5-7—*Continued*

Sheep and lamb slaughter: Share of federally inspected slaughter consisting of lambs and yearlings and dressed weight of same, estimated commercial lamb slaughter, meat production, farm lamb meat production, and total, by months, January 1987-December 1987

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1987:													
Commercial sheep & lamb slaughter (1,000 animals)	428.1	399.6	442.6	496.4	373.5	420.3	426.0	415.9	474.4	460.2	411.6	451.0	5,199.6
Federally inspected dressed weight of lambs and yearlings (pounds)	60	61	62	59	59	58	59	59	61	62	62	62	60
Share of federally inspected slaughter consisting of lambs and yearlings (Percent)	95.9	95.5	95.1	94.8	93.0	93.6	94.0	94.5	94.7	94.5	94.9	95.0	94.6
Estimated commercial:													
Lamb slaughter (1,000 animals)	410.5	381.6	420.9	470.6	347.4	393.4	400.4	393.0	449.3	434.9	390.6	428.5	4,921.1
Lamb meat production (1,000 pounds)	24,632.9	23,278.7	26,096.6	27,764.6	20,493.9	22,817.2	23,626.0	23,188.5	27,404.7	26,963.1	24,217.7	26,563.9	297,047.9
Estimated													
Farm lamb meat production (1,000 pounds)	637.2	637.2	637.2	313.0	313.0	313.0	315.3	315.3	315.3	634.1	634.1	634.1	5,698.9
Total lamb meat production (1,000 pounds)	25,270.1	23,915.9	26,733.8	28,077.6	20,806.9	23,130.2	23,941.3	23,503.8	27,720.0	27,597.2	24,851.8	27,198.0	302,746.7

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 5-7—*Continued*

Sheep and lamb slaughter: Share of federally inspected slaughter consisting of lambs and yearlings and dressed weight of same, estimated commercial lamb slaughter, meat production, farm lamb meat production, and total, by months, January 1988-December 1988

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1988 :													
Commercial sheep & lamb slaughter (1,000 animals)	389.3	416.7	548.1	404.6	427.4	427.7	405	461.5	469	452.1	431.9	459.7	5,293.0
Federally inspected dressed weight of lambs and yearlings (pounds)	62	63	66	65	65	63	61	61	61	63	63	64	63
Share of federally inspected slaughter consisting of lambs and yearlings (Percent)	95.2	95.2	95.8	93.6	93.5	93.5	93.7	94.0	94.0	93.3	93.7	95.4	94.3
Estimated commercial:													
Lamb slaughter (1,000 animals)	370.6	396.7	525.1	378.7	399.6	399.9	379.5	433.8	440.9	421.8	404.7	438.6	4,989.8
Lamb meat production (1,000 pounds)	22,978.0	24,992.0	34,655.3	24,615.9	25,975.2	25,193.7	23,148.6	26,462.4	26,892.5	26,574.0	25,495.5	28,067.4	315,050.4
Estimated —													
Farm lamb meat production (1,000 pounds)	637.4	637.4	637.4	313.1	313.1	313.1	314.2	314.2	314.2	637.1	637.1	637.1	5,705.6
Total lamb meat production (1,000 pounds)	23,615.5	25,629.4	35,292.7	24,929.0	26,288.4	25,506.8	23,462.8	26,776.6	27,206.6	27,211.1	26,132.6	28,704.5	320,756.0

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 5-7—*Continued*

Sheep and lamb slaughter: Share of federally inspected slaughter consisting of lambs and yearlings and dressed weight of same, estimated commercial lamb slaughter, meat production, farm lamb meat production, and total, by months, January 1989-December 1989

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1989:													
Commercial sheep & lamb slaughter (1,000 animals)	427.7	424.5	519.6	409.1	447.3	437.3	414.7	494.4	456.0	483.9	480.7	469.3	5,464.9
Federally inspected dressed weight of lambs and yearlings (pounds)	65	65	64	65	65	61	61	60	62	64	66	67	64
Share of federally inspected slaughter consisting of lambs and yearlings (Percent)	95.5	95.5	94.8	93.4	91.7	92.8	92.4	92.3	93.2	93.0	94.4	95.4	93.7
Estimated commercial:													
Lamb slaughter (1,000 animals)	408.5	405.4	492.6	382.1	410.5	405.8	383.2	456.3	425.0	450.0	453.8	447.7	5,120.9
Lamb meat production (1,000 pounds)	26,549.5	26,350.8	31,525.2	24,836.5	26,685.2	24,754.7	23,374.2	27,379.9	26,349.5	28,801.7	29,949.5	29,996.7	326,553.3
Estimated —													
Farm lamb meat production (1,000 pounds)	636.7	636.7	636.7	311.0	311.0	311.0	309.7	309.7	309.7	634.0	634.0	634.0	5,674.2
Total lamb meat production (1,000 pounds)	27,186.2	26,987.5	32,161.9	25,147.5	26,996.2	25,065.7	23,683.9	27,689.6	26,659.2	29,435.7	30,583.5	30,630.7	332,227.5

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 5-7—*Continued*

Sheep and lamb slaughter: Share of federally inspected slaughter consisting of lambs and yearlings and dressed weight of same, estimated commercial lamb slaughter, meat production, farm lamb meat production, and total, by months, January 1990-August 1990

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1990:													
Commercial sheep & lamb slaughter (1,000 animals)	489.4	440.9	492.7	487.2	478.4	440.3	447.1	482.4					
Federally inspected dressed weight of lambs and yearlings (pounds)	67	67	66	65	66	64	63	62					
Share of Federally inspected slaughter consisting of lambs and yearlings (Percent)	95.3	95.3	95.4	94.1	93.2	92.9	93.2	93.5					
Estimated commercial:													
Lamb slaughter (1,000 animals)	466.4	420.2	470.0	458.5	445.9	409.0	416.7	451.0					
Lamb meat production (1,000 pounds)	31,248.7	28,151.9	31,022.4	29,799.6	29,427.3	26,178.5	26,251.9	27,964.7					
Estimated—													
Farm lamb meat production (1,000 pounds)	635.3	635.3	635.3	313.7	313.7	313.7	313.7	313.7					
Total lamb meat production (1,000 pounds)	31,884.0	28,787.2	31,657.7	30,113.3	29,741.0	26,492.2	26,565.6	28,278.4					

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 5-8

Lamb meat: Estimated total production, beginning stocks, imports, ending stocks, apparent consumption, imports as a share of consumption, and the ratio of imports to production, by months, January 1985-December 1985

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1985:													
Estimated total lamb meat production (1,000 pounds)	31,342.4	27,063.3	32,215.5	28,552.1	26,761.6	23,300.6	26,197.4	26,981.7	26,773.2	31,363.9	27,186.0	29,319.8	337,057.5
Estimated beginning stocks (1,000 pounds)	6,733.9	6,994.1	6,457.0	6,173.8	7,124.2	7,374.2	8,234.4	8,457.6	8,815.9	8,645.8	9,380.9	11,923.8	6,733.9
Imports (1,000 pounds)	680.3	1,387.0	1,990.9	5,518.6	2,811.3	1,686.5	2,443.5	1,621.3	1,521.9	3,396.0	2,515.3	6,360.8	31,933.4
Estimated ending stocks (1,000 pounds)	6,994.1	6,457.0	6,173.8	7,124.2	7,374.2	8,234.4	8,457.6	8,815.9	8,645.8	9,380.9	11,923.8	12,153.2	12,153.2
Apparent consumption (1,000 pounds)	31,762.5	28,987.4	34,489.6	33,120.3	29,322.9	24,126.9	28,417.7	28,244.7	28,465.2	34,024.8	27,158.4	35,451.2	363,571.6
Imports as a share of consumption (percent)	2.1	4.8	5.8	16.7	9.6	7.0	8.6	5.7	5.3	10.0	9.3	17.9	8.8
Ratio of imports to production (percent)	2.2	5.1	6.2	19.3	10.5	7.2	9.3	6.0	5.7	10.8	9.3	21.7	9.5

Source: Lamb meat production estimated by the staff of the U.S. International Trade Commission, beginning stocks and ending stocks compiled from official statistics of the U.S. Department of Agriculture, imports compiled from official statistics of the U.S. Department of Commerce.

Table 5-8—*Continued*

Lamb meat: Estimated total production, beginning stocks, imports, ending stocks, apparent consumption, imports as a share of consumption, and the ratio of imports to production, by months, January 1986-December 1986

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1986:													
Estimated total lamb meat production (1,000 pounds)	30,511.5	26,749.8	31,886.9	27,851.1	23,712.3	23,060.0	24,808.2	24,564.0	28,867.4	29,548.2	24,163.1	26,960.2	322,682.7
Estimated beginning stocks (1,000 pounds)	12,153.2	11,092.3	13,205.2	11,303.1	11,937.7	11,786.4	13,167.6	13,473.2	14,593.3	13,698.6	13,879.7	13,206.2	12,153.2
Imports (1,000 pounds)	891.8	2,397.2	3,870.7	2,573.7	2,484.2	2,176.0	4,112.2	1,217.1	2,010.4	1,858.7	2,235.8	2,134.0	27,961.8
Estimated ending stocks (1,000 pounds)	11,092.3	13,205.2	11,303.1	11,937.7	11,786.4	13,167.6	13,473.2	14,593.3	13,698.6	13,879.7	13,206.2	12,010.7	12,010.7
Apparent consumption (1,000 pounds)	32,464.2	27,034.1	37,659.7	29,790.2	26,347.8	23,854.8	28,614.8	24,661.0	31,772.5	31,225.8	27,072.4	30,289.7	350,787.0
Imports as a share of consumption (percent)	2.7	8.9	10.3	8.6	9.4	9.1	14.4	4.9	6.3	6.0	8.3	7.0	8.0
Ratio of imports to production (percent)	2.9	9.0	12.1	9.2	10.5	9.4	16.6	5.0	7.0	6.3	9.3	7.9	8.7

Source: Lamb meat production estimated by the staff of the U.S. International Trade Commission, beginning stocks and ending stocks compiled from official statistics of the U.S. Department of Agriculture, imports compiled from official statistics of the U.S. Department of Commerce.

Table 5-8—*Continued*

Lamb meat: Estimated total production, beginning stocks, imports, ending stocks, apparent consumption, imports as a share of consumption, and the ratio of imports to production, by months, January 1987-December 1987

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1987:													
Estimated total lamb meat production (1,000 pounds)	25,270.1	23,915.9	26,733.8	28,077.6	20,806.9	23,130.2	23,941.3	23,503.8	27,720.0	27,597.2	24,851.8	27,198.0	302,746.6
Estimated beginning stocks (1,000 pounds)	12,010.7	11,099.6	12,981.7	12,956.0	12,572.4	13,031.2	11,250.6	8,780.3	8,019.2	6,629.1	6,684.2	8,231.1	12,010.7
Imports (1,000 pounds)	1,423.9	1,708.3	2,674.4	2,834.0	3,006.8	2,920.9	2,289.8	1,964.5	2,514.7	2,587.8	2,364.8	2,439.1	28,729.1
Estimated ending stocks (1,000 pounds)	11,099.6	12,981.7	12,956.0	12,572.4	13,031.2	11,250.6	8,780.3	8,019.2	6,629.1	6,684.2	8,231.1	7,575.4	7,575.4
Apparent consumption (1,000 pounds)	27,605.1	23,742.1	29,433.9	31,295.2	23,354.9	27,831.7	28,701.4	26,229.4	31,624.8	30,129.9	25,669.7	30,292.8	335,910.9
Imports as a share of consumption (percent)	5.2	7.2	9.1	9.1	12.9	10.5	8.0	7.5	8.0	8.6	9.2	8.1	8.6
Ratio of imports to production (percent)	5.6	7.1	10.0	10.1	14.5	12.6	9.6	8.4	9.1	9.4	9.5	9.0	9.5

Source: Lamb meat production estimated by the staff of the U.S. International Trade Commission, beginning stocks and ending stocks compiled from official statistics of the U.S. Department of Agriculture, imports compiled from official statistics of the U.S. Department of Commerce.

Table 5-8—*Continued*

Lamb meat: Estimated total production, beginning stocks, imports, ending stocks, apparent consumption, imports as a share of consumption, and the ratio of imports to production, by months, January 1988-December 1988

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1988:													
Estimated total lamb meat production (1,000 pounds)	23,615.1	25,629.1	35,292.6	24,929.0	26,288.3	25,506.8	23,462.8	26,776.6	27,206.7	27,211.1	26,132.6	28,704.5	320,756.0
Estimated beginning stocks (1,000 pounds)	7,575.4	7,697.8	7,498.7	6,766.7	7,180.7	7,514.3	8,147.5	8,033.3	6,664.1	6,384.1	5,872.2	5,557.0	7,575.4
Imports (1,000 pounds)	2,269.2	2,665.0	3,303.0	3,027.7	2,990.2	2,670.7	2,204.6	1,910.6	1,772.3	1,862.0	2,315.0	2,553.0	29,543.3
Estimated ending stocks (1,000 pounds)	7,697.8	7,498.7	6,766.7	7,180.7	7,514.3	8,147.5	8,033.3	6,664.1	6,384.1	5,872.2	5,557.0	6,408.5	6,408.5
Apparent consumption (1,000 pounds)	25,761.9	28,493.2	39,327.6	27,542.7	28,944.9	27,544.3	25,781.6	30,056.4	29,259.0	29,585.0	28,762.8	30,406.0	351,466.2
Imports as a share of consumption (percent)	.8.8	9.4	8.4	11.0	10.3	9.7	8.6	6.4	6.1	6.3	8.0	8.4	8.4
Ratio of imports to production (percent)	.9.6	10.4	9.4	12.1	11.4	10.5	9.4	7.1	6.5	6.8	8.9	8.9	9.2

Source: Lamb meat production estimated by the staff of the U.S. International Trade Commission, beginning stocks and ending stocks compiled from official statistics of the U.S. Department of Agriculture, imports compiled from official statistics of the U.S. Department of Commerce.

Table 5-8—*Continued*

Lamb meat: Estimated total production, beginning stocks, imports, ending stocks, apparent consumption, imports as a share of consumption, and the ratio of imports to production, by months, January 1989-December 1989

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1989:													
Estimated total lamb meat production (1,000 pounds)	27,186.2	26,987.5	32,161.9	25,147.5	26,996.2	25,065.7	23,683.9	27,689.6	26,659.2	29,435.7	30,583.7	30,630.7	332,227.6
Estimated beginning stocks (1,000 pounds)	6,408.5	6,940.0	6,195.1	6,585.8	5,730.1	6,260.4	7,284.4	7,276.4	6,823.9	6,605.4	7,236.9	7,622.5	6,408.5
Imports (1,000 pounds)	2,784.4	1,805.6	2,680.8	1,847.5	2,290.6	2,222.3	3,154.8	2,832.9	1,911.4	2,634.5	1,838.7	2,478.0	28,481.5
Estimated ending stocks (1,000 pounds)	6,940.0	6,195.1	6,585.8	5,730.1	6,260.4	7,284.4	7,276.4	6,823.9	6,605.4	7,236.9	7,622.5	7,320.0	7,320.0
Apparent consumption (1,000 pounds)	29,439.1	29,538.0	34,452.0	27,850.7	28,756.5	26,264.0	26,846.7	30,975.0	28,789.1	31,438.7	32,036.6	33,411.2	359,797.6
Imports as a share of consumption (percent)	9.5	6.1	7.8	6.6	8.0	8.5	11.8	9.1	7.2	8.4	5.7	7.4	8.1
Ratio of imports to production (percent)	10.2	6.7	8.3	7.3	8.5	8.9	13.3	10.2	6.6	9.0	6.0	8.1	8.8

Source: Lamb meat production estimated by the staff of the U.S. International Trade Commission, beginning stocks and ending stocks compiled from official statistics of the U.S. Department of Agriculture, imports compiled from official statistics of the U.S. Department of Commerce.

Table 5-8—*Continued*

Lamb meat: Estimated total production, beginning stocks, imports, ending stocks, apparent consumption, imports as a share of consumption, and the ratio of imports to production, by months, January 1990-July 1990

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1990:													
Estimated total lamb meat production (1,000 pounds)	31,884.0	28,787.2	31,657.7	30,113.3	29,741.0	26,492.2	26,565.6						
Estimated beginning stocks (1,000 pounds)	7,320.0	7,522.4	8,112.3	7,565.1	7,874.5	7,568.9	9,026.4						
Import (1,000 pounds	2,167.1	1,988.6	2,317.1	1,913.6	1,362.5	2,206.8	1,452.8						
Estimated ending stocks (1,000 pounds)	7,522.4	8,112.3	7,565.1	7,874.5	7,568.9	9,026.4	9,460.1						
Apparent consumption (1,000 pounds)	33,848.7	30,185.9	34,522.0	31,717.5	31,409.1	27,241.5	27,584.7						
Imports as a share of consumption (percent)	6.4	6.6	6.7	6.0	4.3	8.1	5.3						
Ratio of imports to production (percent)	6.8	6.9	7.3	6.4	4.6	8.3	5.5						

Source: Lamb meat production estimated by the staff of the U.S. International Trade Commission, beginning stocks and ending stocks compiled from official statistics of the U.S. Department of Agriculture, imports compiled from official statistics of the U.S. Department of Commerce.

Lamb Meat as a Share of All Meat Consumption

Table 5-9 shows that lamb meat accounted for only a small share of U.S. meat consumption during 1985-89. Lamb meat's share of U.S. meat consumption declined very slightly and irregularly during 1985-89 from 0.88 percent of red meat total, and 0.63 percent of red meat and poultry total, during 1985, to 0.86 percent of red meat total, and 0.57 percent of red meat and poultry total, during 1989.

U.S. per capita lamb meat consumption declined from 1.6 pounds carcass weight equivalent (1.4 pounds retail weight) in 1985 to 1.4 pounds (1.3 pounds retail weight) in 1986-89 (table 4-2).

Inventories

Data concerning estimated stocks of lamb meat are shown in table 5-7. That table shows that since mid-1987 through mid-1990 monthly inventories of lamb meat typically amounted to about 20 to 30 percent of monthly consumption and beginning and ending stocks during the month typically changed less than 1 million pounds. During 1986 and January-August 1987, monthly inventories were often equal to about 50 percent of monthly consumption and changes during the month were frequently in excess of 1 million pounds. The inventories during 1985 were more like the inventories during 1988. The monthly inventories are apparently normal working levels necessary to maintain normal distribution patterns.

Both live lambs for slaughter and fresh, chilled lamb decline in value rather rapidly from their quality peak if they are not utilized soon thereafter for the purposes for which they are intended.

As previously described, after about 14 months of age, ovines have matured physiologically to the extent that they are no longer lambs but are sheep and the meat derived from them (mutton) is of much lower value; thus, growers have a strong economic incentive to sell their animals as lambs. As shown in the *Sheep Production Handbook*, published by the American Sheep Producers Council (ASPC, the forerunner of the American Sheep Industry Association), a growers' trade association, as lambs approach physiological maturity, their daily rate of gain (the amount of weight they gain each day) increases and their feed efficiency (the weight gain achieved by a quantity of feed) decreases. As animals mature they add proportionally more weight as fat and less as muscle, and fat requires 2.5 times as much feed energy (calories) to deposit than does muscle. Beyond their optimal slaughter weights, lambs, on average, gain about 0.45 pounds per day which requires about 6 to 8 pounds of feed. Because consumers prefer leaner meat, packers pay less for fatter, or so-called heavy lambs. Whereas the price discount for heavy lambs varies throughout the year depending on availability of lambs for slaughter, the discount for heavy lambs is typically significant. For example, during the first six months of 1990, USDA statistics showed that the price for heavy lambs was on the average $124 per hundred weight, or 7 percent lower than the average price of $133 per hundred weight.[6]

In actual practice, it is not possible for growers to sell all lambs for slaughter at optimum times. Animals only gradually decrease in feed efficiency and exhibit no readily observable indication that they are doing so. Also, lambs for slaughter, whether in feedlots or on pasture, are almost always parts of a group (of up to hundreds) of lambs that are of varying weights, either because they are of different ages or have grown at different rates because of genetic predisposition. Because it is not practical to market small groups of lambs, they are typically sold in larger shipments with some animals being beyond and some not up to optimal weights at slaughter time.

Additionally, it is not practical to maintain a group of lambs at stable weights. In a group of lambs, the more dominant animals consume more feed and continue to gain weight; the less dominant animals will be deprived of feed. As a consequence, such a group of lambs will become less uniform and less valuable to packers. Also, even maintaining animals at stable weights would require significant quantities of feed that would not be adding to the value of the animals.

In an attempt to achieve a more stable supply of lambs for slaughter some feedlot operators maintain feeders on high-energy forages that are rather low-cost nonfattening feeds. These feeders typically confine the animals in rather small areas where vegetables (such as sugar beets, cabbages, or turnips) have been grown for the animals.

As a consequence of the economic incentives described above, inventories of lambs at optimum slaughter weights are typically small. Similarly, there are economic disincentives for significant buildups of inventories of fresh or chilled lamb meat.

Officials of the ASIA, the American Meat Institute (AMI, a meat packers' and processors' trade association), the U.S. Department of Agriculture, several meat packers, and buyers for grocery chains indicated that because of short shelf life, inventories of fresh or chilled meat do

[6] U.S. Department of Agriculture, *Livestock and Poultry* Situation and Outlook Report, Economic Research Service, July 1990, p. 34.

Table 5-9

Beef, veal, pork, lamb, mutton, and poultry meat: Apparent consumption, by years, 1985-89

(Million pounds, carcass weight equivalent)

Year	Beef	Veal	Pork	Lamb[1]	Mutton[1]	Total red meat	Poultry meat	Total
1985	25,472	533	15,733	364	20	42,125	16,668	58,793
1986	25,935	550	15,008	351	24	41,868	17,407	59,275
1987	25,205	449	15,237	336	26	41,251	18,985	60,236
1988	25,252	412	16,559	351	36	42,610	19,975	62,584
1989[2]	24,287	356	16,570	360	46	41,619	21,335	62,954

[1] Estimated by the staff of the U.S. International Trade Commission.
[2] Preliminary.

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Agriculture, except as noted.

not build up to any extent. Officials of the ASIA have provided the Commission with copies of several technical journal articles indicating that the maximum length of time after the slaughter in which lamb meat remains suitable for human consumption ranges from 21 to 24 days, given optimum care of the meat. Beyond that point, they said, bacterial growth, or so-called bacteria count, becomes excessive. Officials of the AMI indicated that by sealing lamb meat in certain plastic materials its shelf life could theoretically be extended up to 8 weeks.

Several officials of grocery chains indicated that, in practice, fresh or chilled lamb meat, and other meats, are sold well before they exceed their maximum shelf life. The officials indicated that as lamb meat and many other meats age, the color darkens, a condition that most consumers find objectionable and such meat can only be sold at significant discounts. They indicated that, therefore, most lamb meat is sold within a week or so after the lamb is slaughtered.

Freezing significantly extends the shelf life of lamb meat. Industry and Government officials indicate that frozen lamb, properly handled, is still suitable for human consumption after a year, or even longer. They also indicated, however, that because consumers prefer fresh over frozen meat, freezing lowers the value of the meat and is therefore avoided, if possible. They indicated that certain low-price cuts, produced in limited quantities, such as shanks, are frozen and collected until sufficient quantities are available for shipment. Also, at certain times of the year, such as at Easter, when seasonally large quantities of high-value cuts, especially racks, are in demand, other cuts in temporary excess supply, such as loins, are frozen or chilled for short periods of time.

Grower Profitability

Data concerning costs of production and gross value of production for sheep growers are published annually by the USDA. The most recent such publication, dated May 1989, is reproduced as Appendix M. The costs of production include expenses assumed to be cash costs (feed, hired labor, machinery and building repairs, taxes, interest, and various other expenses). The gross value of production includes the value of lambs raised, wool sold, income from the Federal wool incentive and unshorn lamb payment programs, and income from sales of cull ewes. Along with the costs and value of production, the USDA publishes a capital replacement cost. The value of production less cash costs and capital replacement costs during 1985-89 is shown in the following tabulation (per ewe):

Year	Value of production less cash costs and capital replacement costs
1985	$19.28
1986	20.09
1987	20.60
1988[1]	11.12
1989[2]	7.90

[1] Estimated.
[2] Projected.

The estimated decline in grower profitability in 1988 and the projected decline in 1989 reflect primarily lower estimated and projected returns because of lower prices for live animals and, to a lesser extent, higher costs, reflecting primarily rising feed prices.

Sheep Grower Concerns

At association meetings, in trade publications, and in contacts with Commission staff, domestic interests have expressed concern about a number of situations encountered by sheep growers in the United States. Members of Congress have at numerous times expressed the same concerns as the domestic interests. Imports of live lambs from New Zealand during 1989 and lamb meat from New Zealand and Australia are frequently cited as a cause of concern but all parties have stated that imports are by no means the only source of concern.

Probably the most frequently cited problem facing U.S. sheep growers is predators. In the Western United States, the most troublesome predator appears to be the coyote (prairie wolf) although other types of wolves, domesticated or feral dogs, mountain lions, bears, rattlesnakes, and birds of prey are also cited. Many growers have expressed total opposition to the proposed reintroduction of wolves, contending they are incompatible with animal agriculture. In the Eastern United States, domesticated dogs appear to be the most troublesome predator, although losses to coyotes have become more common in recent years. A retired USDA official has for many years compiled statistics concerning predator losses experienced by U.S. sheep growers. His estimated value of sheep and lambs lost to predators during 1984-87 (the most recent years for which data are available) are shown in the following tabulation (in millions of dollars):

Year	*Losses to predators*
1984	$57.7
1985	68.6
1986	71.5
1987	83.1

Another complaint frequently cited is the lack of suitable hired labor, specifically, sheepherders. Many growers report that they are unable to hire competent native U.S. sheepherders but could hire very good sheepherders from foreign countries including Mexico, Peru, Spain, and Greece. Although many growers report that recent modifications in migrant labor laws and regulations have improved the situation, nearly all expressed dissatisfaction with the difficulty in satisfying the requirements of the laws and regulations.

A number of growers in the Western United States complain about the administration of public lands used for sheep grazing. Both Federal and State administrations are cited. Some growers contend that wildlife and recreation concerns are addressed at the expense of livestock concerns and some growers complain of rates charged for grazing public lands. Some growers contend that public responsibilities such as fence maintenance are not adequately addressed.

Health perceptions among some consumers, especially perceptions about cholesterol, are cited by some as a possible adverse factor affecting demand for lamb meat. Also, many growers express discomfort about packer concentration and the share of lambs being fed to slaughter weights by packers. Some growers contend that by having an assured supply of lambs for slaughter, packers can time their purchases of other lambs to the packer's advantage and the grower's disadvantage. Some growers contend that such packer concentration and lamb feeding contribute to a related problem, market intelligence and price discovery, inasmuch as the packers financial arrangements are not publically available.

Chapter 6

Wool

U.S. Wool Production And Income

The share of growers' income derived from wool varies depending on the type of sheep raised, the relative lamb-to-wool price relationship, and the number of lambs marketed per ewe. In general, however, wool accounts for a greater share of growers' income in the Western States where wool-type sheep, mostly Merinos and Rambouillets, account for a larger share of the sheep herds than in the Corn Belt where meat-type sheep, especially Suffolks, account for a larger share of the sheep herds. Also, in part because flocks in the Corn Belt are typically smaller and receive more intensive care, the number of lambs marketed per ewe is higher there than in the Western States. In some Western State flocks, wool may account for as much as 40 percent of growers' annual income.

Income from wool is derived from both the marketing of wool grown and from Federal incentive payments. The incentive program is described later in this section of the report. The value of shorn wool grown and Federal incentive payments (including unshorn lamb payments and promotion deductions), as reported by the USDA, are shown in the following tabulation (in millions of dollars):

Year	Value of shorn wool grown	U.S. Federal Government payments	Total
1985	55.7	103.9	159.5
1986	56.3	102.4	158.7
1987	77.0	91.5	168.5
1988	125.0	39.4	164.4
1989	110.4	50.0	160.4

A small percentage of the wool incentive payments goes to U.S. meat packers. In 1986, for example, approximately 1.3 percent of the $102 million of government wool payments was collected by packers (identified by USITC staff to be packers).[1]

The gross income to growers from sheep and lambs (except from wool and wool incentive payments), the aforementioned total income from wool, total income (all of which are based on statistics of the USDA), and the share of total income from wool are shown in the following tabulation:

Year	Income from— sheep and lambs	Wool	Total	Share from wool
	— Million dollars		—	Percent
1985	515.6	159.5	675.1	23.6
1986	496.5	158.7	655.2	24.2
1987	559.2	168.5	727.7	23.2
1988	484.1	164.4	648.5	25.4
1989	500.8	160.4	661.2	24.3

The National Wool Act Incentive Program

The National Wool Act of 1954, as amended, which was extended through December 31, 1990, by the Food Security Act of 1985, provides for, among other things, incentive payments directly to sheep growers for wool their animals produce. The incentive payments, which are administered by the USDA's Agriculture Stabilization and Conservation Service (ASCS), are made to encourage wool production and wool quality. The money available to sheep growers is limited to a portion of the funds derived from the tariffs on imported wool.

In administering the act, a support price is determined and incentive payments are made based on the percentage needed to bring the average return (market price + payment) received by all wool growers up to the determined support level. The support price is determined by a formula set forth in the act, and the market price received by all growers is calculated on the basis of actual returns received by growers. Because incentive payments are a percentage needed to bring the average return received by all growers up to the determined support level, and all participants receive the same percentage, growers who receive a higher per unit price also receive a higher per unit incentive payment. For example, the incentive payment for 1989 was 43 percent of the average U.S. market price, which was $1.24 per pound. Thus growers who received less than the average U.S. market price for their wool, for example a grower who received $1.00 per pound, would receive an incentive payment of $0.43 per pound, and growers who received more than an average for their wool, for example a grower who received $2.00 per pound, would receive an incentive payment of $0.85 per pound.

[1] Bruce Ingersoll, "Bipartisan Support Is on the Rise in Congress to Bring Perestroika to U.S. Agriculture Policy," *The Wall Street Journal*, 11 Apr. 1990, p. A16.

Chapter 7

U.S. Imports and Exports

General

During 1985-89, annual U.S. imports of fresh, chilled, or frozen lamb meat declined irregularly from 31.9 million pounds, valued at $31.9 million, in 1985 to 28.5 million pounds, valued at $33.7 million, in 1989 (tables 7-1 and 7-2). During January-July 1990, such imports amounted to 13.4 million pounds, valued at $18.7 million. Imports as a share of the quantity of domestic consumption were 8.8 percent in 1985, 8.0 percent in 1986, 8.6 percent in 1987, 8.4 percent in 1988, and 8.1 percent in 1989. The ratio of imports to domestic production was 9.5 percent in 1985, 8.7 percent in 1986, 9.5 percent in 1987, 9.2 percent in 1988, and 8.8 percent in 1989 (table 5-7).

During January 1985-July 1990, monthly imports ranged from a high of 6.4 million pounds, valued at $6.2 million (17.9 percent of U.S. consumption and equal to 21.7 percent of U.S. production) during December 1985 to a low of 680,000 pounds, valued at $0.5 million (2.1 percent of U.S. consumption and equal to 2.2 percent of U.S. production) during January 1985. In general, as shown in figures 7-1 and 7-2, imports have shown less monthly fluctuation in recent years. Import interests contend that the stability reflects better market planning and ordering. Typically, monthly imports during January 1985-December 1989 accounted for about 8 percent of U.S. consumption and were equal to about 9 percent of U.S. production. During January-July 1990 such monthly imports typically accounted for 6 percent of U.S. consumption and were equal to about 7 percent of U.S. production. U.S. imports are typically larger in March and April than in January and February, apparently reflecting Easter demand, but in general it is difficult to discern a trend in the share of annual imports on a monthly basis, as shown in table 7-3.

Australia and New Zealand have been the largest suppliers of U.S. imports of fresh, chilled, or frozen lamb meat, accounting for 99.5 percent or more of such imports annually during 1985-89, with Canada, Finland, and Iceland being the only other suppliers (table 7-1). During 1986-88, U. S. Department of Commerce statistics showed U.S. imports of lamb meat from Japan totalled 37,119 pounds. Communications with Commerce revealed that the statistics were in error and that 27,654 pounds actually were imports of lamb meat from Australia. The Department of Commerce was unable to verify the source of the remaining 9,465 pounds.[1] The share of imports supplied by Australia increased from 17 percent (5.4 million pounds) during 1985, to 72 percent (20.7 million pounds) during 1987, before declining to 58 percent (16.5 million pounds) in 1989. Conversely, the share of imports supplied by New Zealand declined from 82 percent (26.3 million pounds) in 1985 to 28 percent (8.0 million pounds) in 1987 before increasing to 42 percent (11.9 million pounds) in 1989 (figure 7-3). During January-July 1990 the share of imports supplied by Australia was 50.5 percent (6.8 million pounds), and that supplied by New Zealand was 49.5 percent (6.6 million pounds). A number of factors may have contributed to the shift, including Australian development and promotion programs for exports of chilled lamb, packing house and later dock workers' strikes in New Zealand, and changes in U.S. countervailing duties applicable to imports of lamb from New Zealand. The U.S. countervailing duties were described in the section of this report entitled "U.S. Customs Treatment." Also, fluctuations in exchange rates, as described in the section of this report entitled "Exchange Rates" may have contributed to fluctuations in supplier shares.

Since adoption of the HTS on January 1, 1989, additional data have become available concerning U.S. imports of lamb. Under the HTS, statistics are reported on U.S. imports of fresh or chilled carcasses and half-carcasses, fresh or chilled bone-in cuts, fresh or chilled boneless lamb, frozen carcasses and half-carcasses, frozen bone-in cuts, and frozen boneless lamb.

Table 7-4 shows monthly U.S. imports of lamb meat from Australia, by the previously described categories, from January 1989 to July 1990. Frozen bone-in cuts accounted for 47 percent (7.8 million pounds) of the subject imports during 1989, and fresh or chilled bone-in cuts accounted for an additional 37 percent (6.1 million pounds). Of the remainder, 8 percent (1.3 million pounds) consisted of frozen boneless lamb; 4 percent (0.6 million pounds) consisted of fresh or chilled carcasses and half-carcasses; 3 percent (0.5 million pounds) consisted of fresh or chilled boneless lamb; and 1 percent (0.2 million pounds) consisted of frozen carcasses and half-carcasses.

During January-July 1990, 44 percent (3.0 million pounds) consisted of frozen bone-in-cuts and 40 percent (2.7 million pounds) consisted of fresh or chilled bone-in-cuts. The remainder consisted of fresh or chilled carcasses (5 percent, 0.4 million pounds), fresh or chilled boneless lamb (5 percent and 0.3 million pounds) and frozen boneless lamb (also 5 percent and 0.3 million pounds).

[1] Communication with Gloria M. Still, Chief, Food, Animal and Wood Section, Foreign Trade Division, Bureau of the Census, U.S. Department of Commerce, Dec. 6, 1988.

Table 7-1

Lamb meat, fresh, chilled, or frozen: U.S. imports for consumption from Australia, New Zealand, and all other sources, by months, January 1985-July 1990

(Thousands of pounds)

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1985:													
Australia	229	411	265	618	492	350	440	420	426	545	509	731	5,437
New Zealand	451	976	1,725	4,858	2,316	1,270	1,973	1,168	1,096	2,851	2,006	5,630	26,322
All other sources	0	0	0	42	3	66	30	34	0	0	0	0	175
Total	680	1,387	1,991	5,519	2,811	1,686	2,444	1,621	1,522	3,396	2,515	6,361	31,933
1986:													
Australia	723	1,147	1,772	1,321	1,181	966	1,139	785	996	953	1,409	1,090	13,480
New Zealand	166	1,251	2,099	1,253	1,304	1,210	2,964	432	1,015	893	827	1,044	14,457
All other sources	3	0	0	0	0	0	9	0	0	13	0	0	25
Total	892	2,397	3,871	2,574	2,484	2,176	4,112	1,217	2,010	1,859	2,236	2,134	27,962
1987:													
Australia	1,123	1,252	2,339	2,447	2,085	2,092	1,795	1,290	1,843	1,481	1,464	1,451	20,664
New Zealand	301	453	321	327	922	828	495	674	672	1,106	876	985	7,959
All other sources	0	4	14	60	0	0	0	0	0	1	25	3	106
Total	1,424	1,708	2,674	2,834	3,007	2,921	2,290	1,965	2,515	2,588	2,365	2,439	28,729
1988:													
Australia	1,713	1,818	2,456	1,973	1,476	1,286	1,262	791	863	992	1,152	1,584	17,341
New Zealand	511	847	841	1,052	1,514	1,379	942	1,108	909	870	1,163	969	12,105
All other sources	45	0	6	3	0	6	0	12	0	0	0	0	97
Total	2,269	2,665	3,303	3,028	2,990	2,671	2,205	1,911	1,772	1,862	2,315	2,553	29,543
1989:													
Australia	1,618	1,057	1,520	1,115	856	1,429	1,328	1,601	1,347	1,640	1,186	1,821	16,517
New Zealand	1,165	750	1,161	732	1,434	761	1,828	1,233	564	994	653	655	11,929
All other sources	0	0	0	0	0	33	0	0	0	0	0	2	35
Total	2,784	1,806	2,681	1,847	2,290	2,222	3,156	2,834	1,911	2,635	1,839	2,478	28,482
1990:													
Australia	1,316	968	1,347	1,087	608	871	582						
New Zealand	851	1,021	970	827	756	1,336	871						
All other sources	0	0	0	0	0	0	0						
Total	2,167	1,989	2,317	1,914	1,364	2,207	1,453						

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 7-2

Lamb meat, fresh, chilled, or frozen: U.S. imports for consumption from Australia, New Zealand, and all other sources, by months, January 1985-July 1990

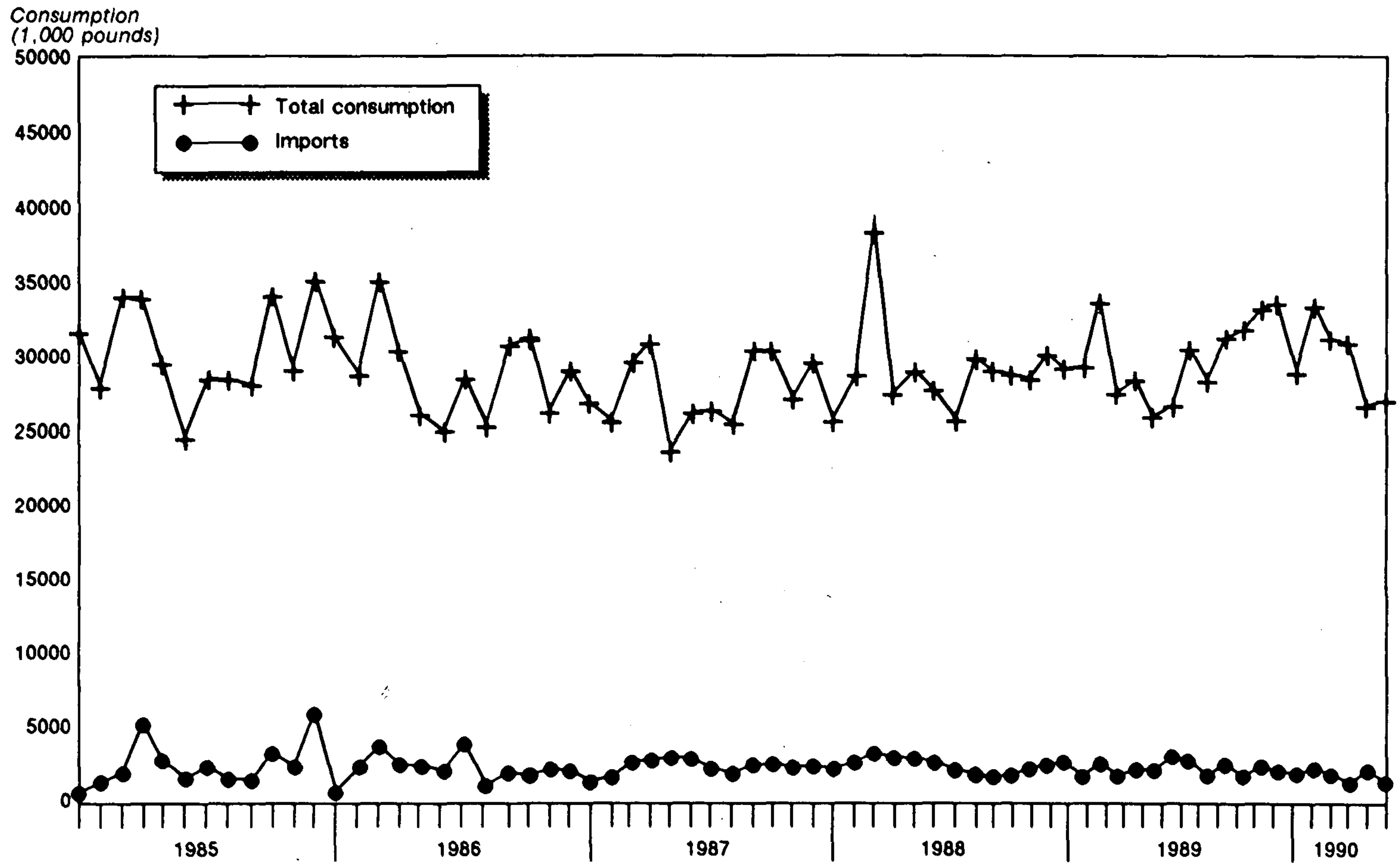
(Thousands of dollars)

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1985:													
Australia	203	370	256	606	475	354	391	396	413	458	422	606	4,949
New Zealand	276	885	1,791	4,479	1,884	1,269	2,039	943	1,383	4,362	1,957	5,567	26,835
All other sources	0	0	0	9	3	75	4	3	0	0	0	0	93
Total	479	1,255	2,047	5,094	2,362	1,697	2,434	1,343	1,795	4,820	2,378	6,173	31,877
1986:													
Australia	560	780	1,537	942	880	805	1,041	726	966	803	1,150	918	11,107
New Zealand	215	1,298	2,030	874	1,136	1,528	3,745	323	1,227	863	553	766	14,557
All other sources	2	0	0	0	0	0	6	0	0	12	0	0	20
Total	776	2,077	3,567	1,816	2,016	2,333	4,792	1,048	2,193	1,678	1,703	1,684	25,683
1987:													
Australia	1,021	1,131	2,034	2,124	1,854	1,869	1,680	1,296	1,745	1,422	1,289	1,085	18,551
New Zealand	289	495	327	618	1,026	983	584	735	632	1,253	1,238	1,066	9,247
All other sources	0	7	16	87	0	0	0	0	0	3	109	4	227
Total	1,310	1,634	2,377	2,829	2,880	2,852	2,264	2,031	2,378	2,678	2,636	2,155	28,025
1988:													
Australia	1,577	1,851	2,470	1,859	1,410	1,262	1,378	961	1,038	1,123	1,257	1,663	17,835
New Zealand	643	926	881	1,127	1,683	1,593	1,150	1,266	960	999	1,362	1,064	13,652
All other sources	60	0	8	3	0	9	0	24	0	0	0	0	118
Total	2,280	2,777	3,359	2,988	3,093	2,864	2,528	2,251	1,998	2,122	2,619	2,724	31,604
1989:													
Australia	1,551	1,245	1,681	1,237	1,108	1,634	1,449	1,859	1,438	1,830	1,397	1,824	18,254
New Zealand	1,452	853	1,289	1,087	1,844	968	2,201	1,621	1,006	1,269	914	939	15,442
All other sources	0	0	0	0	0	40	0	0	0	0	0	3	42
Total	3,003	2,098	2,970	2,324	2,952	2,642	3,650	3,480	2,444	3,098	2,311	2,766	33,739
1990:													
Australia	1,431	1,102	1,699	1,160	854	1,044	732						
New Zealand	1,366	1,566	1,592	1,412	1,441	1,863	1,453						
All other sources	0	0	0	0	0	0	0						
Total	2,797	2,668	3,291	2,572	2,295	2,907	2,185						

Note.—Because of rounding, figures may not add to totals shown.

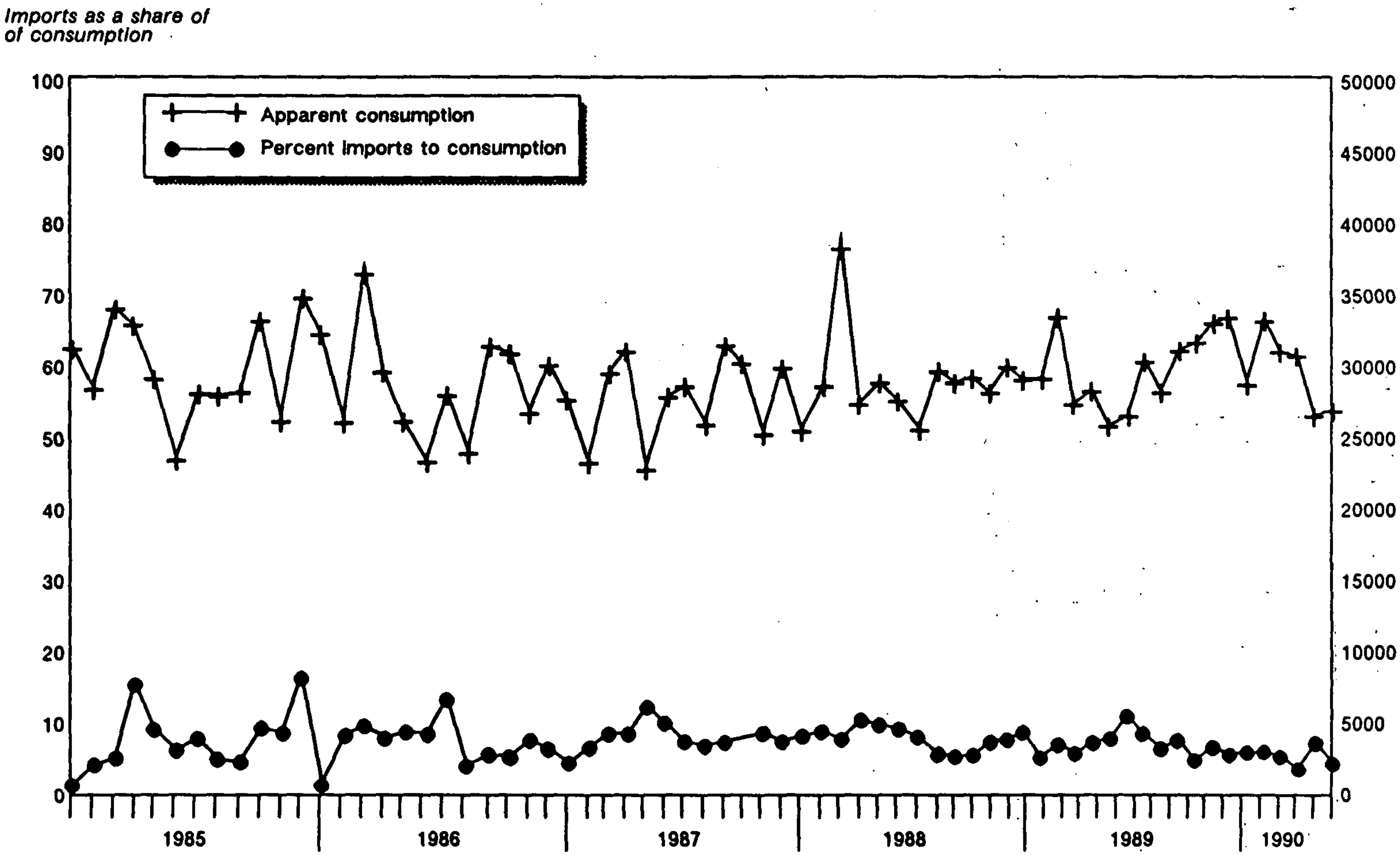
Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 7-1
Lamb meat, fresh, chilled, or frozen: U.S. consumption and imports, by month, January 1985 to July 1990



Source: Consumption estimated by the staff of the U.S. International Trade Commission; imports compiled from official statistics of the U.S. Department of Commerce.

Figure 7-2
Lamb meat, fresh, chilled, or frozen: U.S. consumption and U.S. imports as a share of consumption, by month, January 1985 to July 1990



Source: Consumption estimated by the staff of the U.S. International Trade Commission; imports compiled from official statistics of the U.S. Department of Commerce.

Table 7-3

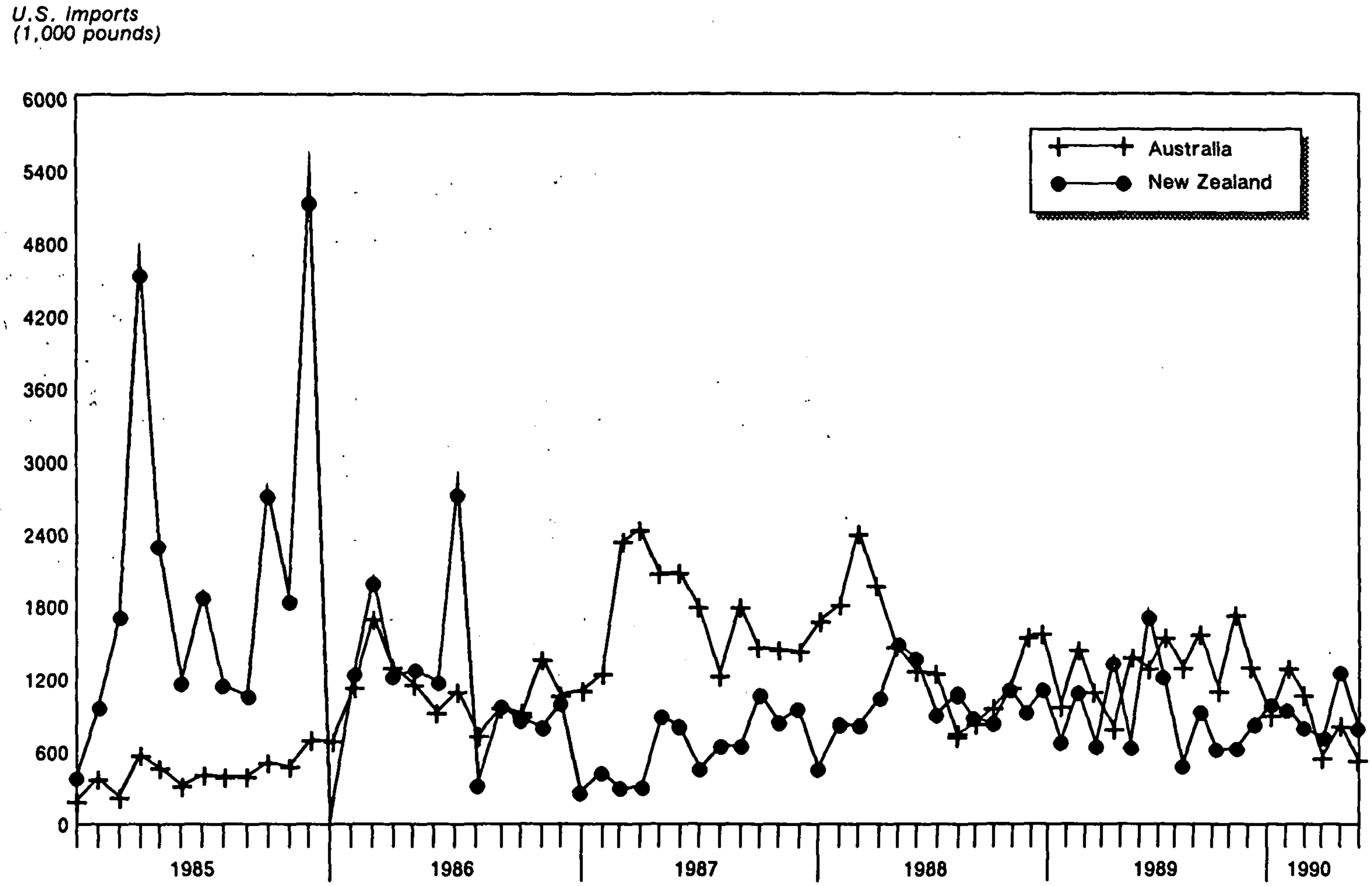
Fresh, chilled, or frozen lamb meat: Share of annual imports, by months, January 1985–July 1990

(Percent of quantity)

Month	*1985*	*1986*	*1987*	*1988*	*1989*	*1990*
January	2.1	3.2	5.0	7.7	9.8	16.2
February	4.3	8.6	5.9	9.0	6.3	14.8
March	6.2	13.8	9.3	11.2	9.4	17.3
April	17.3	9.2	9.9	10.2	6.5	14.3
May	8.8	8.9	10.5	10.1	8.0	10.2
June	5.3	7.8	10.2	9.0	7.8	16.5
July	7.7	14.7	8.0	7.5	11.1	10.8
August	5.1	4.4	6.8	6.5	10.0	na
September	4.8	7.2	8.8	6.0	6.7	na
October	10.6	6.6	9.0	6.3	9.3	na
November	7.9	8.0	8.2	7.8	6.5	na
December	19.9	7.6	8.5	8.6	8.7	na
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 7-3
Lamb meat, fresh, chilled, or frozen: U.S. imports from Australia and New Zealand, by month, January 1985 to July 1990



Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 7-4

Lamb meat, fresh, chilled, or frozen: U.S. imports from Australia, by HTS subheading, by months, January 1989-July 1990

(1,000 pounds)

Item	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
1989:													
Carcasses and half carcasses fresh or chilled[1]	57	33	77	91	58	57	32	52	42	51	46	46	644
Bone-in cuts, fresh or chilled[2]	518	386	766	424	493	466	494	355	571	461	553	584	6,074
Boneless, fresh or chilled[3]	18	54	92	20	30	18	48	25	46	51	35	88	525
Carcasses and half carcasses, frozen[4]	117	21	3	0	0	16	0	0	0	15	26	0	198
Bone-in cuts, frozen[5]	842	517	572	520	199	783	626	953	611	814	366	968	7,769
Boneless, frozen[6]	67	46	11	59	75	88	128	216	75	249	154	134	1,305
Total	1,618	1,057	1,520	1,115	856	1,429	1,328	1,601	1,347	1,640	1,186	1,821	16,517
1990:													
Carcasses and half carcasses fresh or chilled[1]	62	40	55	71	57	51	29						
Bone-in cuts, fresh or chilled[2]	465	401	608	467	342	313	141						
Boneless, fresh or chilled[3]	18	24	97	64	51	35	22						
Carcasses and half carcasses, frozen[4]	18	0	18	0	18	0	0						
Bone-in cuts, frozen[5]	677	423	547	414	128	454	353						
Boneless, frozen[6]	82	79	22	71	13	18	37						
Total	1,316	968	1,347	1,087	608	871	582						

[1] HTS subheading 0204.10.00.
[2] HTS subheading 0204.22.20.
[3] HTS subheading 0204.23.20.
[4] HTS subheading 0204.30.00.
[5] HTS subheading 0204.42.20.
[6] HTS subheading 0204.43.20.

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 7-5 shows that frozen bone-in cuts accounted for 56 percent (6.7 million pounds) of U.S. imports of lamb meat from New Zealand during January-December 1989; fresh or chilled bone-in cuts accounted for an additional 18 percent (2.1 million pounds) and frozen boneless lamb accounted for 17 percent (2.0 million pounds). Of the remainder, 5 percent (0.6 million pounds) consisted of frozen carcasses and half-carcasse and 4 percent (0.5 million pounds) consisted of fresh or chilled boneless lamb.

During January-July 1990, 69 percent of the imports from New Zealand consisted of frozen bone-in-cuts (4.6 million pounds), 14 percent (0.9 million pounds consisted of frozen boneless lamb and 12 percent (0.8 million pounds) consisted of fresh or chilled bone-in-cuts.

Table 7-6 shows that of total U.S. imports of lamb meat during January-December 1989, 51 percent (14.5 million pounds) consisted of frozen bone-in cuts; 29 percent (8.2 million pounds) consisted of fresh or chilled bone-in cuts; and 12 percent (3.4 million pounds) consisted of frozen boneless lamb. Of the remainder, 3 percent (1.0 million pounds) consisted of fresh or chilled boneless lamb; 3 percent (0.8 million pounds) consisted of frozen carcasses and half-carcasses; and 2 percent (0.6 million pounds) consisted of fresh or chilled carcasses and half-carcasses.

During January-July 1990, 57 percent (7.6 million pounds) of lamb meat from all sources consisted of frozen bone-in-cuts, 26 percent (3.5 million pounds) consisted of fresh or chilled bone-in-cuts and 9 percent (1.2 million pounds) consisted of frozen boneless lamb. Of the remaining, 4 percent (0.5 million pounds) consisted of boneless fresh or chilled lamb, 3 percent (0.4 million pounds) consisted of fresh or chilled carcasses or half-carcasses and 1 percent (0.2 million pounds) consisted of frozen carcasses and half carcasses.

Australia

During 1985-89, U.S. imports of fresh, chilled, or frozen lamb meat from Australia increased from 5.4 million pounds, valued at $4.9 million, in 1985, to 20.7 million pounds, valued at $18.6 million, in 1987 before declining to 16.5 million pounds, valued at $18.3 million, in 1989. During January-July 1990, such imports from Australia amounted to 6.8 million pounds, valued at $8.0 million.

According to counsel for Australian interest, no single business entity is known to account for the bulk of Australian exports of fresh, chilled, or frozen lamb meat to the United States. The Australian Meat and Live Stock Corporation (AMLC), although promoting sales of Australian lamb meat in the U.S. market, is not an importer and does not take title to the imported meat. Most Australian primal and subprimal cuts are sold to major grocery chains in the United States and are delivered to central distribution points where other meats, including domestic lamb meat, are assembled for delivery to individual grocery stores. The imported Australian carcasses generally are sold to breakers for fabrication into primal, subprimal, and retail cuts. The breakers then distribute their products to outlets including grocery chains, small-volume individual grocers, and restaurants.

Data on the mix of cuts of U.S. imports of lamb meat from Australia were presented in statistical tables supplied to the Commission by the AMLC. The tables are reproduced as appendix N. The tables, covering Australian fiscal years 1982-88 (July 1-June 30) and calendar year 1989 and January-May 1990, and reporting exports in kilograms, show that the mix of exports varied from year to year. For example, for chilled exports, carcasses accounted for 5 percent of the total during 1985, but 47 percent during 1987; legs accounted for 64 percent of exports during 1985, but 22 percent during 1987. In general in most recent years carcasses and legs were the leading chilled product exported, followed by loins, racks, and shoulders. Legs and shoulders were the leading frozen product exported, followed by racks and loins.

Data in the tables can also be compiled to show that, whereas both chilled and frozen exports of Australian lamb meat to the United States generally increased during 1985-88, the share of total exports accounted for by chilled products increased from 35 percent in Australian fiscal year 1985 to 70 percent in Australian fiscal year 1987 before declining to 60 percent in Australian fiscal year 1988.

Another set of statistical tables supplied to the Commission by the AMLC, and reproduced as appendix O shows, among other things, the amount of frozen and chilled lamb exported from Australia destined for the United States. Compilation of those data show that chilled lamb accounted for 41 percent of the lamb meat exported and destined for the United States in calendar 1985; 67 percent in calendar 1986; 65 percent in calendar 1987; and 55 percent during 1988, but 37 percent in 1989. Such exports accounted for 50 percent during January-June 1990.

The U.S. east coast (from Washington, DC, to Boston, MA) and the U.S. west coast (from San Francisco, CA, to San Diego, CA) constitute the largest markets for U.S. imports of lamb meat from Australia. Whereas about 37 percent of U.S. imports of lamb meat from Australia entered the United States directly at east coast ports in 1989, about 26 percent in 1988, and 20 percent in 1987, a large share of imports, especially of chilled lamb, that entered U.S. Customs territory at west coast ports was reportedly shipped by air to east coast markets for ultimate consumption. Chicago, IL, and Miami, FL, are reportedly the next largest U.S. markets for imported Australian lamb.

Table 7-5

Lamb meat, fresh, chilled, or frozen: U.S. imports from New Zealand, by HTS subheading, by months, January 1989-July 1990

(1,000 pounds)

Item	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Total*
1989:													
Carcasses and half carcasses fresh or chilled[1]	1	0	0	0	0	0	0	0	0	0	0	0	1
Bone-in cuts, fresh or chilled[2]	260	199	193	159	204	115	179	150	75	93	313	196	2,134
Boneless, fresh or chilled[3]	109	21	32	60	54	28	56	18	26	20	24	20	467
Carcasses and half carcasses, frozen[4]	68	52	126	16	42	46	0	37	18	154	0	35	593
Bone-in cuts, frozen[5]	619	454	563	404	687	558	1,107	767	355	617	284	289	6,704
Boneless, frozen[6]	109	23	247	93	447	15	486	261	93	112	31	115	2,030
Total	1,165	750	1,160	732	1,434	761	1,828	1,233	564	994	653	655	11,929
1990:													
Carcasses and half carcasses fresh or chilled[1]	0	0	0	0	0	15	18						
Bone-in cuts, fresh or chilled[2]	99	126	174	71	68	110	137						
Boneless, fresh or chilled[3]	29	31	49	20	22	37	24						
Carcasses and half carcasses, frozen[4]	0	20	31	0	7	37	29						
Bone-in cuts, frozen[5]	602	657	679	617	518	988	516						
Boneless, frozen[6]	121	187	37	119	141	148	148						
Total	851	1,021	970	827	756	1,336	871						

[1] HTS subheading 0204.10.00.
[2] HTS subheading 0204.22.20.
[3] HTS subheading 0204.23.20.
[4] HTS subheading 0204.30.00.
[5] HTS subheading 0204.42.20.
[6] HTS subheading 0204.43.20.

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 7-6
Lamb meat, fresh, chilled, or frozen: U.S. imports from all sources, by HTS subheading, by months, January 1989-July 1990
(1,000 pounds)

Item	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
1989:													
Carcasses and half carcasses fresh or chilled[1]	58	33	77	91	57	57	31	51	42	51	46	46	646
Bone-in cuts, fresh or chilled[2]	778	585	959	583	697	582	672	505	644	553	866	783	8,210
Boneless, fresh or chilled[3]	126	75	124	81	84	46	104	42	73	68	60	108	994
Carcasses and half carcasses, frozen[4]	185	72	129	16	42	62	0	37	18	170	26	35	791
Bone-in cuts, frozen[5]	1,461	972	1,135	924	886	1,340	1,733	1,720	966	1,431	653	1,254	14,476
Boneless, frozen[6]	176	69	257	152	522	137	615	476	168	362	187	249	3,369
Total	2,784	1,806	2,681	1,847	2,291	2,222	3,155	2,833	1,911	2,635	1,839	2,478	28,482
1990:													
Carcasses and half carcasses fresh or chilled[1]	61	40	55	71	57	68	46						
Bone-in cuts, fresh or chilled[2]	564	527	783	538	412	423	280						
Boneless, fresh or chilled[3]	46	55	148	84	73	73	44						
Carcasses and half carcasses, frozen[4]	18	20	49	0	22	37	29						
Bone-in cuts, frozen[5]	1,279	1,080	1,224	1,032	646	1,442	869						
Boneless, frozen[6]	201	267	57	187	154	163	185						
Total	2,167	1,989	2,317	1,914	1,364	2,207	1,453						

[1] HTS subheading 0204.10.00.
[2] HTS subheading 0204.22.20.
[3] HTS subheading 0204.23.20.
[4] HTS subheading 0204.30.00.
[5] HTS subheading 0204.42.20.
[6] HTS subheading 0204.43.20.

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Fresh lamb meat from Australia is flown to the United States, in shipments of 50,000 to 60,000 pounds. The fresh lamb is typically available to the consumer within 3 to 4 days after the lamb is slaughtered in Australia. Frozen lamb meat is transported to the United States on refrigerated ships and is typically available to the retail consumer between 6 weeks to 4 months after the animal is slaughtered in Australia. In the last 2 years, shipment sizes of frozen lamb meat have reportedly been reduced to provide for more orderly marketing.

New Zealand

U.S. imports of fresh, chilled, or frozen lamb meat from New Zealand declined from 26.3 million pounds, valued at $26.8 million, in 1985 to 8.0 million pounds, valued at $9.2 million, in 1987 before increasing to 12.1 million pounds, valued at $13.7 million, in 1988. In 1989, such U.S. imports from New Zealand amounted to 11.9 million pounds, valued at $15.4 million. During January–July 1990, such imports amounted to 6.6 million pounds, valued at $10.7 million. The New Zealand Lamb Co., Inc., imports lamb and sells it to distributors and retailers (generally major grocery chains). The New Zealand Lamb Co. between July 1986 and mid-1989 , operated a processing plant in California where imported New Zealand carcasses were fabricated into primal, subprimal, and retail-sized cuts. Although the New Zealand export market is open to other interests, the New Zealand Lamb Co. reportedly still handles the bulk of U.S. imports of lamb meat from New Zealand.

New Zealand export interests report that prior to 1986, imports of lamb from New Zealand were frozen, but that in 1986, chilled exports accounted for about 3 percent of the total. Chilled exports increased irregularly to about 22 percent of total lamb exports from New Zealand to the United States in 1989. Increased chilled lamb exports to the U.S. market are believed to reflect a competitive reaction to Australian chilled lamb exports and increased U.S. demand.

New Zealand exports of frozen lamb meat to the United States typically come in shipments that weigh about 500,000 pounds, although 1-million-pound shipments may also occur. In past years, individual shipments of as much as 2.5 million pounds have occurred.

Although not a subject of this investigation, U.S. imports of live sheep and lambs from New Zealand have been of concern to members of the domestic sheep and lamb industry. During 1985–89, total U.S. imports of live sheep and lambs increased irregularly from 24,199 animals to 141,999 animals. New Zealand accounted for 77 percent of the imports in 1989.[2] U.S. imports have declined significantly in the first 9 months of 1990 in comparison with the comparable period of 1989. Total U.S. live sheep and lamb imports during January–September 1990 were 18,586 animals (5 animals from New Zealand) compared with 135,923 animals (109,299 animals from New Zealand) during the comparable period of 1989.

Transshipments

Domestic interests have expressed concern over the difference existing between general imports and imports for consumption statistics for fresh, chilled, or frozen lamb meat. The following tabulation, compiled from official statistics of the U.S. Department of Commerce, shows how much larger, or, in parentheses, how much less, general imports were than imports for consumption annually during 1985–89 (in thousands of pounds):

Year	*Difference between general imports and imports for consumption*
1985	535
1986	10,048
1987	(786)
1988	(109)
1989	1,940

During January–July 1990 general imports were 3.3 million pounds more than imports for consumption.

Representatives of New Zealand interests reported to the Commission that between September 1986 and May 1989, between 6 and 7 million pounds of New Zealand lamb meat was transshipped through the United States into Canada and probably was classified as general imports in U.S. import statistics. Separately, the representatives reported that additional quantities of lamb meat were probably similarly handled prior to September 1986 but data on the quantity are not available. Subsequent to the publication of the Commission's interim report, additional information was received confirming the practice and continuation of transshipments of lamb meat through the United States to other markets.

Officials of the U.S. Embassy in Ottawa, Canada confirm that some lamb meat from Australia and New Zealand is transhipped through the United States into Canada. Whereas detailed statistics are not available, it appears that between April 1, 1988 and January 1, 1989, approximately 2.1 million pounds of such lamb meat was transshipped. Nearly 2 million pounds was transshipped through the port of Tacoma, WA, and most of the remainder was transshipped through Philadelphia, PA.

[2] Data from the American Sheep Industry Association indicates that about 98 percent of 1989 U.S. imports from New Zealand, entered under the HTS subheading 0104.10.00 (sheep) consisted of feeder lambs destined for slaughter.

The transshipments practice reportedly reflects transportation economics—it is cheaper to transport lamb by surface transportation from the United States to Canada than it would be to continue sea-going or air transport to Canada.

The transshipments apparently explain much of the difference in U.S. statistics collected by the U.S. Department of Commerce showing general imports and imports for consumption. General imports include transshipments, whereas imports for consumption do not. In addition, some of the difference between general imports and imports for consumption could represent entries into storage in bonded warehouses, which would be included in general imports, but not included in imports for consumption.

U.S. exports

Only limited data are available concerning U.S. exports of fresh, chilled, or frozen lamb meat. Such exports are classifiable in a provision including exports of mutton as well as lamb meat, and separate data for exports of lamb meat are not available. In any event, U.S. exports of lamb meat apparently amount to less than 1 percent of U.S. production. During 1985–88, U.S. exports of fresh, chilled, or frozen lamb meat and mutton averaged about 1.1 million pounds, valued at about $2.3 million annually. During 1989, such exports totalled 4.6 million pounds, valued at $6.1 million.

U.S. exports of lamb and mutton to Canada increased from 0.1 million pounds, valued at $0.2 million in 1988, to 0.7 million pounds, valued at $1.3 million in 1989, reflecting, in part, improved data collections. U.S. exports of lamb and mutton to Mexico increased from 0.5 million pounds, valued at $0.7 million in 1988, to 2.2 million pounds, valued at $1.9 million in 1989. According to an official of the ASIA, the increase in U.S. lamb and mutton exports reflects, in part, a Mexican Government ban on imports of certain live animals, including sheep and lambs. U.S. exports of meat to Mexico apparently increased to compensate for exports of live animals from the United States that would otherwise have been exported for slaughter. The ASIA official also reported that enhanced export promotion probably contributed to the increase.

Chapter 8

New Zealand Industry

Growers

Sheep are raised throughout New Zealand, where climatic and grazing conditions for livestock are nearly ideal, and much of the land is too steep for row crops. Sheep there generally require no shelter and little or no supplemental feed (grain) as grazing in most of New Zealand is available nearly year-round. Many of New Zealand's sheep are dual-purpose breeds, producing both high-quality wool and meat. The most common breed is the Romney, a breed not commonly raised in the United States.

Sheep on New Zealand farms as of June 30, 1989, totalled 60.6 million. Principal sheep-raising boroughs include Southland, Clutha-Central Otaga, Aorangi, Hawkes Bay, Canterbury, Waikato, Wangamio, Manawatu, and Wairarapa. Sheep farming in New Zealand can be divided into three regions—the high mountain country, the hill country, and the lowland. The high mountain region is the mountain area on the dry eastern side of the Southern Alps in the South Island. The high mountain region supports 2 million to 3 million sheep. Most farms range in size from 25,000 to 37,000 acres with 6,000 to 10,000 sheep per farm, or about one sheep per 5 acres. The hill country region is mostly located on the North Island and is developed out of bush or forest. In general, the sheep farms there range in size from 1,000 to 2,000 acres and an average flock has about 3,600 sheep. The lowland region including Southland on the South Island, the most intensive sheep belt in New Zealand, is generally located on flat or rolling country. This region is capable of being plowed and currently employs a controlled grazing system, in which the grazing areas are constantly being rotated. An average flock consists of 2,300 sheep and the farms average 475 acres.[1]

Typically a New Zealand sheep producer also raises cattle. This is especially true in the hill country where it is customary to maintain one cow for every 10 sheep. The cattle control pasture growth and maintain the quality of the pasture for the sheep as well as provide diversification of income to the producer.

Meatpackers and processors

The New Zealand Meat Producers Board, a statutory body established under the Meat Export Control Act 1921-22, (Meat Board) assumed control of sheep meat exports between 1982 and 1985. After that, the export of sheep meat was passed back to individual meat exporters.

Figure 8-1 shows major New Zealand meat-processing plants, meat-packing houses, and meat exporting ports. Meat processing is handled mainly by a number of private-sector companies, some of which are owned by producer cooperatives. Among the larger lamb meat processors are Affco New Zealand Ltd. (Affco), formerly Auckland Farmers Freezing Cooperative Ltd.; Alliance Freezing Company, Ltd.; Primary Producers Cooperative Ltd. (PPCS); Waitaki International (the largest meat processor with major shareholders being Fletcher Challenge Ltd. (FCL), Goodman Fielder Wattie Corp. (GFW), and Freesia Investments, Ltd. (Freesia)); and Weddel Crown Corporation, Ltd. Freesia, a semiautonomous investment company under the Meat Board, was established in 1986 to invest in the meat industry in response to the concerns of farmers and the Meat Board relating to the marketing of New Zealand meat exports. Freesia's intent is to set up producer-oriented processing and marketing companies.

Problems facing the New Zealand meat industry as it continues to restructure reportedly include lower production levels and excess processing capacity resulting in higher unit costs. Industry sources confirm that at the present time there are too many processors and thus, excess capacity. In July 1988, FCL and GFW (New Zealand's two largest companies) agreed to merge their meat industry interests by closing down two large plants, accounting for 11 percent of national killing capacity; selling two plants to a rival company; and bringing the two FCL plants into what is effectively a joint venture of FCL, GFW, and Freesia Meats Ltd.[2]

During 1989-90, Waitaki, the ony New Zealand publicly listed meat company, was acquired by two producer-cooperative companies. Affco purchased Waitaki's North Island facilities and Alliance purchased Waitaki's South Island facilities. No plants or facilities were closed as a result of the takeover but down sizing of some plants has occurred. The acquisition of Waitaki by two producer cooperative companies signifies the withdrawal of some of New Zealand's major corporate investors from the New Zealand meat industry.[3]

In addition, many older processing facilities are reported to be lacking flexible automation and are regarded as inefficient. Strikes have disrupted meat-processing operations. A 7-week meat workers' strike in February-March 1986, disrupted shipping schedules, upsetting meat production and meat exports. Some processors are attempting to spread out the killing season by requesting farmers to experiment with autumn and winter lambing, instead of having a peak spring killing season.

[1] Dana R. Hamilton, Competitiveness Analysis of the United States Sheep Industry in Comparison to Australia and New Zealand, Fall 1987, p. 100.

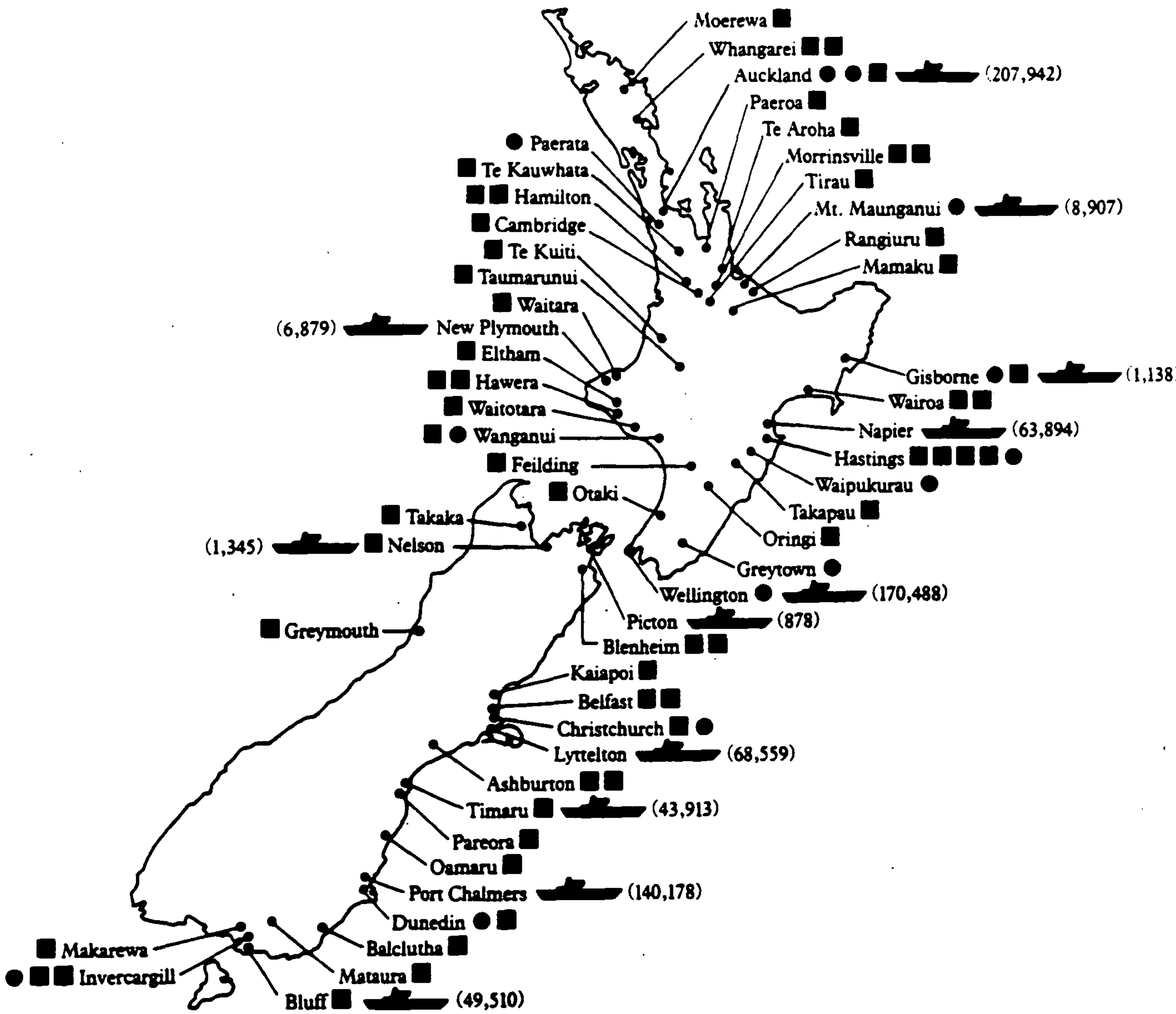
[2] GEDES Voluntary Report, Subject: Recent Changes to Marketing in the New Zealand Meat Industry, report No. NZ8073, dated 10-18-88.

[3] "Agricultural Production and Markets," *Situation and Outlook for New Zealand Agriculture 1990*, p. 16.

Figure 8-1
Major New Zealand meat-processing plants, meat-packing houses, and meat-exporting ports

At 1 December 1989

Key to symbols
Meat processing plant ■ (ME)
Meat packing house ● (PH)
Meat exporting port (Tonnes Shipped)



Source: New Zealand Producers Board, Annual Report, 1989.

A significant development in the processing sector is the decline of the large multi-functional plants and the rise of the single-function plants using modern technology and shift work. The new processing plants can slaughter up to 900,000 lambs a year and requires lower labor input than larger works but are more capital intensive.

About half of New Zealand's lamb meat (on a carcass weight basis) is exported in frozen carcass form. Increasing amounts are now being processed into frozen cuts and frozen boneless lamb by New Zealand processors, thus adding value for the meat processors. Some headway has been made in exporting chilled lamb meat products but from a very small base.

Exporters

The primary responsibilities of The New Zealand Meat Producers Board (Meat Board) are to oversee the marketing of meat for export and create an environment which ensures the highest returns to the New Zealand producer for meat exported. DEVCO (a North American subsidiary of the Meat Board) was established to market lamb meat exports in North America. All lamb meat exports to the United States up until 1986 were done solely through DEVCO. DEVCO is 50-percent owned by the Meat Board and 50-percent owned by a number of meat processors. As of December 21, 1985, the Meat Board ceased its purchasing operations but continued to sell off inventories on hand. In 1987 the export rights to the U.S. market were relaxed and other exporters were permitted to operate in the market under a strictly controlled test market licensing system. At the same time, DEVCO's name was changed to the New Zealand Lamb Company, Inc. The Meat Board now issues licenses to meat exporters that can devote the necessary resources to develop markets overseas. There are approximately 50 exporters licensed by the Meat Board in New Zealand, many of whom are also processors.

Production

New Zealand production of live lambs, as measured by the number of lambs tailed (docked), declined from 50.7 million animals in 1985 (year ending June 30) to 39.3 million animals in 1989 (table 8-1). The decline in lamb production reflects, in large part, the decline in the total sheep flock and the decline in the number of ewes kept for breeding purposes. The removal of some of New Zealand's price support programs for sheep meat reportedly contributed to the decline in the number of lambs, sheep, and ewes as some sheep producers began to look at alternative sources of income, including a change to cattle.

The total sheep flock generally fell from 67.9 million animals on June 30, 1985, to 60.6 million animals on June 30, 1989, or by 11 percent (table 8-1).

The number of ewes kept for breeding purposes declined 17 percent during the period, from 50.2 million animals at yearend June 30, 1985, to 41.4 million animals at yearend June 30, 1989 (table 8-1). The lambing rate (lambs tailed as a percentage of ewes mated in the previous autumn) is shown in the following tabulation (in percent):[4]

Year	*Lambing rate*
1985	103.2
1986	98.5
1987	97.7
1988	102.4
1989	101.8

Drought in parts of New Zealand contributed to the lower lambing percentages in 1986 and 1987.

[4] Season ended June 30.

Table 8-1

Sheep and lambs: New Zealand total sheep numbers, of ewes, of lambs docked, and of lambs slaughtered, 1985-89

(In thousand of animals)

Year	*Total number of— Sheep*	*Ewes*	*Number of lambs— Docked*	*Slaughtered*
1985	67,854	50,187	50,700	40,000
1986	67,470	47,491	46,400	34,500
1987	64,244	45,382	46,480	31,600
1988	64,600	44,041	44,780	30,320
1989	[1]60,569	[1]41,414	[1]39,260	30,210

[1] Estimated.

Note.—Total number of sheep, ewes, and lambs docked are for yearend June 30, whereas the number of lambs slaughtered are for yearend Sept. 30.

Source: Data compiled from official statistics of Ministry of Agriculture and Fisheries, *Situation and Outlook for New Zealand Agriculture*, various issues.

During 1985–89, New Zealand's production of fresh, chilled, or frozen lamb meat (on a carcass weight basis) generally declined from a high of 552,000 tons in 1985 to a low of 432,000 tons in 1989, or by 22 percent (table 8–2). The average export lamb carcass weight declined to 12.9 kilograms (28 pounds) in 1989. A decrease in live lamb production, contributed to the decline in lamb meat production during most of the period. The number of lambs slaughtered fell from 40.0 million animals in 1985 to 30.2 million animals in 1989, representing a 24-percent decline. Although fresh, chilled, or frozen lamb meat production in 1988 rose 3 percent over 1987 production, the actual number of lambs slaughtered during this period declined from 31.6 million animals to 30.4 million animals, or by 4 percent. The increase in meat production in 1988 reflects, in part, the increase in the average export lamb carcass weight from 12.9 kilograms (28 pounds) in 1987 to 13.7 kilograms (30 pounds) in 1988, representing an increase of 6 percent. The meat industry strike in February–March of 1986 also contributed to the decline in lamb meat slaughter. The decline in fresh, chilled, or frozen lamb meat reflects the continued decline in sheep farming, despite the high wool prices, and also a drought, causing low lambing rates in 1986 and 1987.

Exports

New Zealand has a human population of approximately 3.3 million and a sheep population of approximately 60.6 million in 1989; thus, the bulk of New Zealand's lamb meat production is destined for export markets. Table 8–2 shows New Zealand lamb meat production, exports, and exports as a share of production on a carcass weight basis for 1985–89. During those years, exports accounted for between 95 percent and 98 percent of New Zealand's lamb meat production.

New Zealand lamb meat export shipments on a product weight basis fell from 446,000 tons in 1986 to 356,000 tons in 1988 (fiscal years ending Sept. 30), or by 20 percent. Such exports rose slightly in 1989 to 362,000 tons (table 8–3).

The EC and Iran were the principal export markets for New Zealand lamb meat during 1985–89. Lamb meat exports to the EC totalled 182,300 tons with the United Kingdom accounting for 113,300 tons, or 62 percent in 1989. Other significant export markets within the EC were Germany and Greece (table 8–3). The New Zealand meat industry strike in early 1986 contributed to the decline in exports to the United Kingdom that year. The strike delayed the arrival of lamb meat that normally would have gone straight into United Kingdom consumption. When New Zealand slaughtering resumed, the United Kingdom had sufficient numbers of domestic lambs for slaughter, which resulted in depressed sales volumes and prices for imported New Zealand lamb meat for the remainder of 1986. Iran was the second largest export market for New Zealand lamb meat during fiscal years 1985–89, accounting for 17 percent, or 61,900 tons in 1989. Japan was the third largest market for New Zealand lamb meat, accounting for 6 percent of total exports in 1989. Exports to Peru, the fourth largest market in 1988, dropped to zero in 1989 primarily due to the lack of foreign exchange in Peru which has made it difficult for New Zealand exporters to receive payment for earlier lamb shipments. During the period 1985–89, exports to the United States declined from a high of 16,000 tons in 1986 to 4,000 tons in 1987, then began to increase gradually, totalling 7,000 tons in 1989.

Table 8–2
Lamb meat: New Zealand production, exports, and exports as a share of production, 1985–89
(In thousands of tons, carcass weight)

Yearend Sept. 30	*Total production*[1]	*Exports*	*Exports as a share of production*
1985	552	541	98
1986	511	491	96
1987	447	433	97
1988	459	435	95
1989[2]	432	412	95

[1] Includes inspected slaughter for local and export markets.
[2] Estimated.

Source: Total lamb meat production compiled from official statistics of Ministry of Agriculture and Fisheries, *Situation and Outlook for New Zealand Agriculture*, various issues; export data compiled from New Zealand Meat & Wool Board's Economic Service, *Annual Review of The New Zealand Sheep and Beef Industry, 1988-89.*

Table 8-3
Fresh, chilled, or frozen lamb meat: New Zealand exports, by principal markets, 1985-89[1]

Country	*1985*	*1986*	*1987*	*1988*	*1989[2]*
	In thousands of tons, product weight				
United Kingdom	149	109	122	113	113
Islamic Republic of Iran	132	137	122	60	62
Japan	16	19	21	18	20
Germany	([3])	10	10	12	14
Greece	([3])	15	9	14	13
Jordan	([3])	7	7	8	11
Saudia Arabia	12	11	10	10	10
Canada	9	9	8	8	9
United States	13	16	4	6	7
Peru	3	23	29	18	-
Subtotal	332	333	317	249	260
All other	99	113	109	107	102
Grand total	432	446	426	356	362
	Share of total percent				
United Kingdom	34	24	29	32	31
Islamic Republic of Iran	31	31	29	17	17
Japan	4	4	5	5	6
Germany	([3])	2	2	3	4
Greece	([3])	3	2	4	4
Jordan	([3])	2	2	2	3
Saudia Arabia	3	2	2	3	3
Canada	2	2	2	2	2
United States	3	4	1	2	2
Peru	1	5	7	5	-
Subtotal	77	75	74	70	72
All other	23	25	26	30	28
Grand total	100	100	100	100	100

[1] Yearend Sept. 30.
[2] Preliminary.
[3] Included in all other category.
Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the *New Zealand Meat Producers Board Annual Report, 1986-89.*

Table 8-4 shows New Zealand's exports of lamb meat, by types, shipping weight basis, 1985-89. Frozen carcasses was the predominant form of lamb exports, however, its share of total lamb meat exports decline from 77 percent in 1985 to 59 percent in 1989. Exports of frozen lamb cuts have generally increased in relation to total lamb meat exports from 22 percent in 1985 to 34 percent in 1989. Frozen boneless lamb also increased from a low of 2,000 tons in 1986 to 6,000 tons in 1989, accounting for 6 percent of total exports in the latter year. Exports of chilled lamb, although accounting for only 2 percent or less of New Zealand's lamb meat shipments during 1985-89, increased from 2,000 tons in 1985 to 8,000 tons in 1989. The bulk of the chilled lamb shipments consisted of lamb cuts.

Table 8-4
Lamb meat: New Zealand exports, by types, (shipping weight basis), 1985-89[1]

Type	*1985*	*1986*	*1987*	*1988*	*1989*
	1,000 tons				
Frozen:					
Lamb carcasses	386	329	286	211	212
Lamb cuts	109	113	122	125	122
Lamb boneless	3	2	15	14	20
Chilled:					
Lamb cuts	2	2	3	5	6
Lamb carcasses	(2)	1	(2)	1	1
Lamb boneless	(2)	(2)	(2)	(2)	1
Total	500	447	385	356	362
	Share of total percent				
Frozen:					
Lamb carcasses	77	74	67	59	59
Lamb cuts	22	25	29	35	34
Lamb boneless	1	(1)	4	4	6
Chilled:					
Lamb cuts	(3)	(3)	1	1	2
Lamb carcasses	(3)	(3)	(3)	(3)	(3)
Lamb boneless	(3)	(3)	(3)	(3)	(3)
Total	100	100	100	100	100

[1] Yearend Sept. 30.
[2] Less than 500 tons.
[3] Less than 0.5 percent.

Note.—Because of rounding figures may not add to the totals shown.

Source: Compiled from official statistics of the *New Zealand Meat Producers Board Annual Report*, 1986-89.

Chapter 9

Australian Industry

Growers

The number of sheep in Australia, the world's largest sheep producing country, increased from 150 million in 1985 (sheep numbers on Mar. 31) to 163 million in 1989, or by 9 percent (table 9-1). The increase in sheep numbers was prompted in part by the profitability of wool production.[1] Sheep production is widely distributed throughout Australia, with most large operations located in Queensland, South Australia, Western Australia, and New South Wales (fig. 9-1).

Sheep producers in Australia generally fall in one of two categories—1) those that raise sheep primarily for wool production and 2) those that raise sheep primarily for lamb meat (range lamb). The majority of sheep in Australia are of the Merino breed, known for its fine wool. The growth in sheep production, mostly of the Merino breed, has occurred largely because of the demand for wool and favorable weather conditions. The predominant breed of sheep raised in Australia for its meat is the First Cross Bolcross.

Meatpackers and processors

According to members of the Australian sheep industry, most Australian slaughter plants are privately owned and operate 52 weeks of the year, with some closing 2 weeks for maintenance. There is considerable excess capacity in the slaughter plants; for example, in New South Wales, slaughter plants operate at approximately 75 percent of capacity for sheep, reflecting reduced lamb slaughter.[2] Detailed data are not available on the number of packers and processors in Australia.

Exporters

The Australian Meat and Live-stock Corp. (AMLC) was established under the Australian Meat and Live-stock Corporation Act of 1977. It is a statutory authority whose main responsibility is to facilitate the marketing of Australian meat and livestock, both domestically and in foreign markets.

The AMLC has administrative responsibility for the licensing and quality assurance programs of exporters. The number of meat export licenses issued in Australia increased from 268 as of July 1985 to 295 as of July 1988. In 1987, the Authority for Uniform Specification for Meat and Livestock (AUS-MEAT) was established under AMLC to initiate uniform product descriptions and to maintain quality control and meat standards. Since then, export slaughter plants have to be accredited by AUS-MEAT, but accreditation of plants that slaughter for domestic consumption remains on a voluntary basis.[3] As of June 30, 1989, a total of 143 export and 84 domestic establishments were accredited.

[1] The world price for wool appears to have peaked in the spring of 1988. Although global wool demand declined sharply over the next two years, the price support system operated by the Australian Wool Corporation (AWC) kept the average price paid to growers in

[1]—*Continued*
Australia at a relatively high level and as a result production increased. The AWC, a statutory entity, operates the price support system by setting a floor under which prices cannot fall. In periods of low demand, the AWC buys wool as prices approach or reach the floor level. By June 1990, the AWC stockpile of wool purchased under the price support system reached an unprecedented 3 billion bales (1 bale = 170 kg). In June 1990 the Australian Government had the AWC lower the floor price of wool.

In October 1990 the AWC proposed, and the Australian Government approved, plans to continue to support the price of wool, albeit at a somewhat reduced level. Among other things, the plans provide for AWC funds to be used to facilitate the slaughter of sheep. As of mid-October 1990 there was apparently no agreement on the number of animals that were to be slaughtered. According to one report, economists estimated that Australia's sheep population should be reduced by 30 million animals in view of the reduced demand for wool.

In any event there will likely be little or no effect on U.S. imports of lamb meat inasmuch as sheep kept for the production of wool in Australia do not contribute to exports of lamb meat to the United States.

[2] Personal interview with Mr. William N. Bonthrone, Sheep Meat Council of Australia and Mr. Brian J. Mernagh, Australian Meat and Live-stock Corp., Jan. 24, 1989.

[3] Australian Meat & Live-stock Corporation, Annual Report, July 1988-June 1989, p. 34.

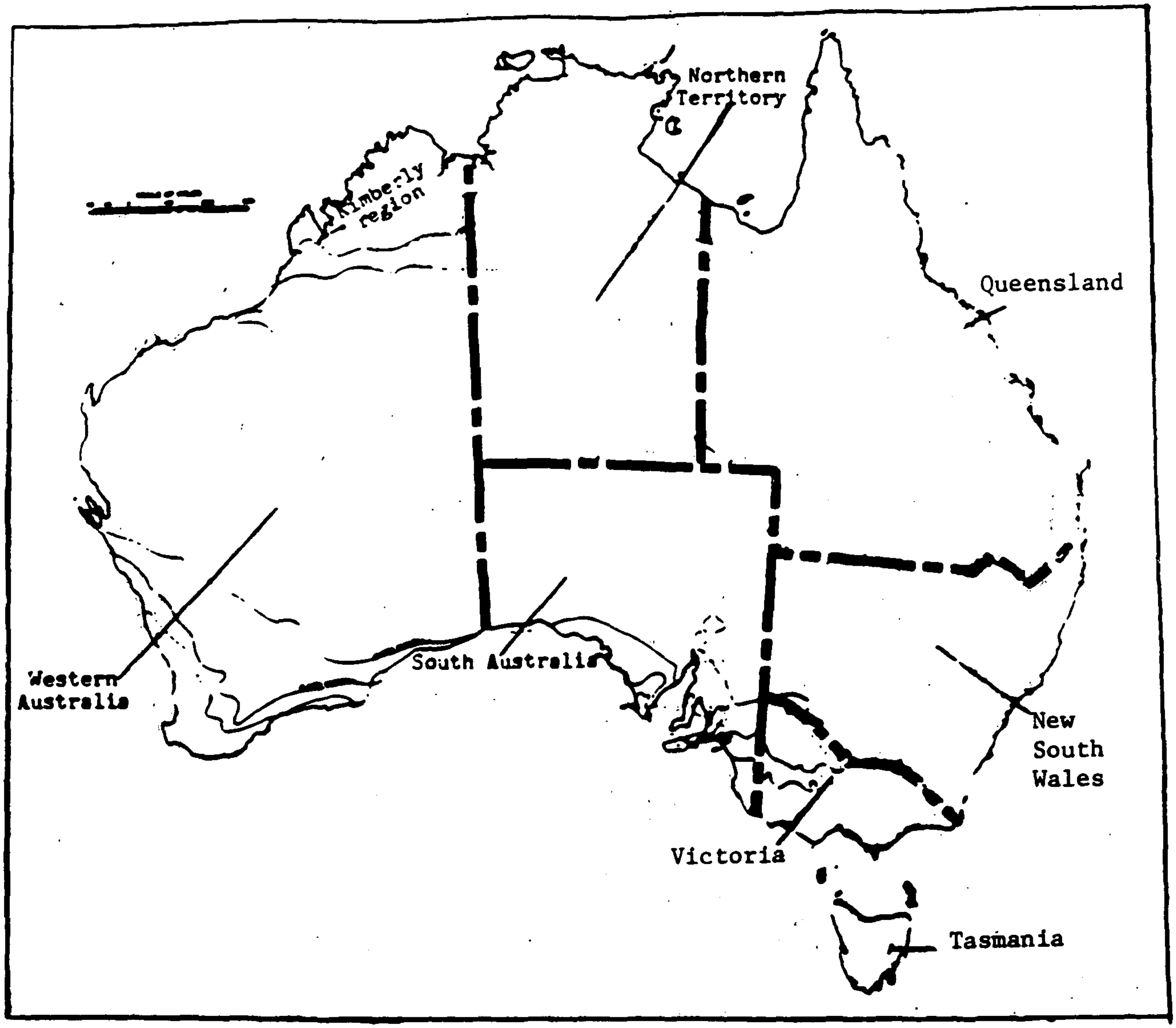
Table 9-1
Sheep and lambs: Australian total sheep inventory, ewes, lambs, and lambs slaughtered, 1985-89
(In thousands of animals)

Year	Total sheep inventory	Number of— Ewes	Lambs	Lambs slaughtered
1985	149,747	76,330	38,313	17,477
1986	146,776	74,248	34,424	19,109
1987	149,157	76,273	33,596	17,697
1988	152,443	75,953	35,662	17,239
1989	162,639	80,798	36,635	15,977

Note.—Total sheep inventory, ewes, and lambs are for yearend Mar. 31, whereas the number of lambs slaughtered are for yearend June 30.

Source: Data compiled from *Australian Meat & Live-Stock Corporation, Statistical Review, July 1988-June 89.*

Figure 9-1
Map of Australia



Source: Adapted from Figure 6, *Beef and Beef Products* TC Publication 128, June 1964, p. 74.

Production

During 1985–89, Australian production of live lambs (lambs born by Mar. 31 of each calendar year) declined from 38.3 million animals in 1985 to 33.6 million animals in 1987, or by 12 percent (table 9–1). Such production increased to 36.6 million animals in 1989 or by 9 percent. The total inventory of sheep in Australia increased by 9 percent, from 149.7 million animals in 1985 to 162.6 million animals in 1989 (table 9–1). The number of ewes also increased by 9 percent, from 74.2 million animals in 1986 to 80.8 million animals in 1989. Live lamb production (the lamb crop) in Australia is less dependent on the total sheep inventory than is such production in the United States and New Zealand because many sheep in Australia, mostly Merinos, (including wethers) are maintained solely for the production of wool.

Australian production of fresh, chilled, or frozen lamb meat (carcass weight basis) decreased from a high of 353,000 tons in 1986 (year ended June) to 308,000 tons in 1989, or by 13 percent (table 9–2). The average carcass weight of the slaughtered lambs averaged 17 kilograms, or 37.5 pounds in 1989.

Production of fresh, chilled, or frozen lamb meat (measured by the number of lambs slaughtered) fell from a high of 19.1 million animals in 1986 to 16.0 million animals in 1989, or by 16 percent (table 9–1). As the table indicates, approximately 50 percent of the lamb crop during 1985–89 was retained instead of going for slaughter, indicating that more lambs are being raised primarily for wool and not for lamb meat. Most of these lambs are believed to have been of the Merino breed.

Consumption

During 1985–89, Australian apparent consumption of fresh, chilled, or frozen lamb meat (carcass weight basis) generally declined from a high of 297,000 tons in 1986 to 264,000 tons in 1989, or by 11 percent as shown in table 9–2. Several factors contributed to the decline in domestic consumption of lamb meat, including an increase in poultry meat consumption (perceived by some to be more nutritional), sharply rising retail prices, periodic stock shortages caused by seasonal conditions, and strong export demand. Exports as a share of production rose from 11 percent in 1985 to 18 percent in 1988, then declined to 14 percent in 1989 (table 9–2). On a per capita basis, Australian lamb meat consumption fell from a high of 17.0 kilograms (37 pounds) in 1985 to 14 kilograms (31 pounds) in 1989, or by 18 percent.

Lamb Meat As a Share of All Meat Consumption

During 1985–89, total red meat consumption (includes beef, veal, mutton, and pork) and poultry consumption in Australia increased from 1,550,000 tons (retail weight) in 1985 to 1,596,000 tons in 1989, or by 3 percent (table 9–3). Total red meat consumption declined but poultry consumption increased during the period.

During 1985–89, total red meat consumption in Australia generally declined from 1,176,000 tons (retail weight equivalent) in 1985 to 1,156,000 tons in 1989, or by 2 percent. Lamb meat accounted for approximately 21 percent of the red meat consumption during the period.

Australian poultry consumption (production) offset the decline in red meat consumption, increasing from 374,000 tons in 1985 to 440,000 tons in 1989, or by 18 percent. The share of Australian consumption of red meat and poultry accounted for by lamb meat fell from 17 percent in 1985 to 15 percent in 1989.

Exports

During 1985–89, exports of Australian lamb meat ranged from a low of 35,700 tons (shipped weight) in 1985 to a high of 58,300 tons in 1987 (table 9–4). Kuwait and the Gulf States area (Oman, Qater, Saudia Arabia, Abu Dhabi, Dubai, and Bahrain) was the leading market for Australian lamb meat during the period. Such exports rose from 18,000 tons in 1985 to 21,400 tons in 1987, then declined to 18,400 tons in 1988 and further declined to 11,700 tons in 1989. Although the quantity of lamb meat exports to Kuwait and the Gulf States area rose during 1985–87, such exports as a share of total exports declined from 50 percent in 1985 to 28 percent in 1989. Australian lamb meat exports to New Guinea and the Pacific Islands increased significantly—from 2,300 tons in 1985 (6 percent of total Australian lamb meat exports) to 8,800 tons in 1989 (21 percent of Australian lamb meat exports). Exports of Australian lamb meat to the U.S. market grew from 1,800 tons in 1985 (5 percent of Australian exports) to 10,400 tons in 1988 (19 percent of Australian exports), then fell by 32 percent to 7,100 tons in 1989, accounting for 17 percent of Australian lamb meat exports that year. During 1985–89, exports to the EC, primarily the United Kingdom, accounted for between 8 and 13 percent of total exports. Exports to Japan declined from a high of 8,900 tons in 1986 to 3,600 tons in 1989, or by 60 percent. During 1985–89, Australian lamb meat exports to Canada ranged from a low of 600 tons in 1985 to a high of 2,300 tons in 1987. Such exports accounted for 2 percent of total exports in 1985, increasing to 4 percent in 1989.

Table 9-2

Lamb meat: Australian production, exports, apparent consumption, ratio of exports to production, and ratio of exports to consumption, 1985-89[1]

(In thousands of tons, carcass weight)

Year	*Produc-tion*	*Exports*	*Apparent consump-tion*	*Ratio of exports to— Produc-tion*	*Consump-tion*
1985	332	37	295	11	13
1986	353	56	297	16	19
1987	327	60	267	18	22
1988	325	57	268	18	21
1989	308	44	264	14	17

[1] Data are reported on crop year basis July 1-June 30.
Note.—Because of rounding, figures may not add to the totals shown.

Source: Data compiled from *Australian Meat and Live-Stock Statistical Review, July 1987-June 1988*, p 25.

Table 9-3

Red meat and poultry: Consumption in Australia, by types, 1985-89

(In thousands of tons, retail weight equivalent)

Year	*Red meat— Beef and veal*	*Mutton*	*Lamb*	*Pork*	*Total red meat*	*Poultry*	*Total*
1985	552	102	262	260	1,176	374	1,550
1986	529	105	259	270	1,163	399	1,562
1987	490	114	237	285	1,126	441	1,567
1988	506	127	240	299	1,172	440	1,612
1989	514	101	233	308	1,156	440	1,596

Note.—Because of rounding, figures may not add to the totals shown.

Source: Data on red meat compiled from *Australian Meat & Live-Stock Corporation, Statistical Review, July 88-June 89*. Data on poultry meat compiled from USDA, Foreign Agricultural Service, *World Poultry Situation*, Sept. 1989, p. 16. Red meat converted from carcass weight equivalent to retail weight equivalent.

Table 9-4

Lamb meat: Australian exports, by major markets, 1985-89[1]

(In thousands of tons, shipped weight)

Market	*1985*	*1986*	*1987*	*1988*	*1989*
Kuwait and Gulf States[2]	18.0	21.1	21.4	18.4	11.7
New Guinea and Pacific Islands	2.3	5.0	6.1	8.9	8.8
United States	1.8	5.0	9.0	10.4	7.1
EC	3.2	7.2	5.7	4.3	4.7
Japan	6.5	8.9	6.9	5.4	3.6
Canada	0.6	1.4	2.3	2.1	1.8
All other	3.3	5.7	6.9	4.5	3.9
Total	35.7	54.3	58.3	54.0	41.6

[1] Exports are reported on crop year basis July 1-June 30.
[2] Includes Abu Dhabi, Bahrain, Dubai, Oman, Qatar, and Saudi Arabia.

Note.—Because of rounding, figures may not add to the totals shown.

Source: Data compiled from *Australian Meat & Live-Stock Corporation Statistical Review July 88-June 89*.

During 1985-88, according to data derived from unofficial statistics provided to the USITC by the Australian sheep industry, Australia experienced significant growth in exports of chilled lamb meat exports versus frozen lamb meat, by types, (in thousands of tons):

Type	*1985*	*1986*	*1987*	*1988*	*1989*
Chilled	13.3	20.6	25.6	24.1	na
Frozen	22.4	33.8	32.7	29.9	na
Total	35.7	54.4	58.3	54.0	41.6

Australian exports of chilled lamb meat increased from 13,300 tons in 1985 to 25,600 tons in 1987, or by 92 percent, then fell by 6 percent to 24,100 tons in 1988. Further expansion of exports of Australian chilled lamb meat is reportedly restricted by air-freight capacity problems. Australian frozen lamb meat exports peaked at 33,800 tons in 1986, then declined to 29,900 tons in 1988, or by 12 percent. Increased chilled lamb exports to all markets are thought to have reflected a desire to improve profitability or increase market share.

Among the leading markets for Australian chilled lamb are Kuwait and the Gulf States (accounting for 56 percent of total Australian chilled lamb meat exports); the United States (accounting for 26 percent); Canada and Japan (each accounting for 6 percent); and the European Community (accounting for 4 percent).

APPENDIX A
SECTION 1937 OF THE
"OMNIBUS TRADE AND COMPETITIVENESS ACT OF 1988"

initiation of long-term sourcing relationships between such companies.

(c) REPORT ON OUTCOME.—The United States Trade Representative and the Secretary of Commerce shall report to Congress at the conclusion of the MOSS talks on the outcome of the talks and on any agreements reached with Japan with respect to purchases by Japanese firms of United States automotive parts.

SEC. 1928. EFFECT OF IMPORTS ON CRUDE OIL PRODUCTION AND REFINING CAPACITY IN THE UNITED STATES.

Reports.

The Secretary of Energy shall send to the Secretary of Commerce the results of the study conducted under section 3102 of the Omnibus Budget Reconciliation Act of 1986. Within 180 days of the receipt of the results of such study, the Secretary of Commerce shall report to the President and the Congress recommendations for actions which may be appropriate to address any impact of imports of crude oil and petroleum products on domestic crude oil exploration and production and the domestic petroleum refining capacity.

SEC. 1926. STUDY OF TRADE BARRIERS ESTABLISHED BY AUTO PRODUCING COUNTRIES TO AUTO IMPORTS AND THE IMPACT ON THE UNITED STATES MARKET.

(a) STUDY.—The United States Trade Representative shall conduct a study of formal and informal barriers which auto producing countries have established toward automobile imports and the impact of such barriers on diverting automobile imports into the United States. The study shall consider the impact of such barriers on automobile imports into the United States in the presence of, and in the absence of, voluntary restraint agreements between the United States and Japan.

(b) REPORT.—The United States Trade Representative shall include the findings of the study conducted under subsection (a) in the first report that is submitted under section 181(b) of the Trade Act of 1974 (19 U.S.C. 2241) after the date of enactment of this Act.

SEC. 1927. LAMB MEAT IMPORTS.

Within 15 days after the date of the enactment of this Act, the United States International Trade Commission, pursuant to section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), shall monitor and investigate for a period of 2 years the importation into the United States of articles provided for in item 106.30 of the Tariff Schedules of the United States (19 U.S.C. 1202) (relating to fresh, chilled, and frozen lamb meat). For purposes of any request made under subsection (d) of section 202 of the Trade Act of 1974 (as amended by section 1401 of this Act) within such 2-year period for provisional relief with respect to imports of such articles, the monitoring and investigation required under this section shall be treated as having been requested by the United States Trade Representative under paragraph (1)(B) of such subsection.

PART 3—OTHER PROVISIONS

SEC. 1941. WINDFALL PROFIT TAX REPEAL.

26 USC 4986–4998.

(a) IN GENERAL.—Chapter 45 of the Internal Revenue Code of 1986 is repealed.

(b) CONFORMING AMENDMENTS.—

APPENDIX B
COMMISSION'S NOTICE OF INVESTIGATION

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Agency for International Development

Public Information Collection Requirements Submitted to OMB for Review

The Agency for International Development (A.I.D.) submitted the following public information collection requirements to OMB for review and clearance under the Paperwork Reduction Act of 1980, Pub. L. 96-511. Comments regarding these information collections should be addressed to the OMB reviewer listed at the end of the entry no later than ten days after publication. Comments may also be addressed to, and copies of the submissions obtained from the Reports Management Officer, John H. Elgin, (703) 875-1608, IRM/PE, Room 1100B, SA-14, Washington, DC 20523.

Date Submitted: October 28, 1988
Submitting Agency: Agency for International Development
OMB Number: 0412-0520
Type of Submission: Renewal
Title: Information Collection Elements in the A.I.D. Acquisition Regulations (AIDAR)-A.I.D. Procedures for Protest
Purpose: A.I.D. is authorized to make contracts with any corporation, international organization, or other body of persons whether within or without the United States in furtherance of the purposes and within the limitations of the Foreign Assistance Act (FAA). Information collections and recordkeeping requirements placed on the public by the A.I.D. Acquisition Regulation (AIDAR), are published as 48 CFR Part 7. These are all A.I.D. unique procurement requirements which have not otherwise been submitted to OMB for approval. The preaward requirements are based on a need for prudent management in the determination that an offeror either has or can obtain the ability to competently manage development assistance programs utilizing public funds. The requirements for information during the post-award period are based on the need to administer public funds prudently. Respondents will have a submission burden of three responses and an estimated annual recordkeeping burden of 12 hours per recordkeeper.
Reviewer: Francine Picoult (202) 395-7340, Office of Management and Budget, Room 3201, New Executive Office Building, Washington, DC 20503.

Date: October 28, 1988.
Wayne H. Van Vechten,
Planning and Evaluation Division.
[FR Doc. 88-25972 Filed 11-8-88; 8:45 am]
BILLING CODE 6116-01-M

INTERNATIONAL TRADE COMMISSION

[Inv. No. 337-TA-284]

Certain Electric Power Tools, Battery Cartridges and Battery Chargers; Change of Investigative Attorney

Notice is hereby given that, as of this date, in addition to George C. Summerfield, Esq., Gary Hnath, Esq., of the Office of Unfair Import Investigations will be the Commission Investigative Attorney in the above-captioned investigation.

The Secretary is requested to publish this Notice in the **Federal Register.**

Respectfully submitted.
Lynn I. Levine,
Director, Office of Unfair Import Investigations, International Trade Commission, 500 E Street SW., Suite 401, Washington, DC 20436.

Date: November 4, 1988.
[FR Doc. 88-25941 Filed 11-8-88; 8:45 am]
BILLING CODE 7020-02-M

[Investigation No. 337-TA-276]

Certain Erasable Programmable Read Only Memories and Products Containing Such Memories; Decision to Review and Modify an Initial Determination Amending the Notice of Investigation

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined (1) to review on its own motion an initial determination (ID) (Order No. 137) issued by the presiding administrative law judge (ALJ) amending the notice of investigation in the above-captioned investigation, (2) to modify the ID to correct the omission of the specific patent claims in controversy from the amended notice of investigation, and (3) to deny respondents' petition to review the ID on other grounds.

ADDRESS: Copies of the ID and all other non-confidential documents filed in connection with this investigation are available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436, telephone 202-252-1000.

FOR FURTHER INFORMATION CONTACT: Michael J. Buchenhorner, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436, telephone 202-252-1097. Hearing impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal at 202-252-1810.

SUPPLEMENTARY INFORMATION: On September 30, 1988, the presiding ALJ issued an ID amending the notice of investigation to reflect amendments made to section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) effected by the Omnibus Trade and Competitiveness Act of 1988 (Pub. L. No. 100-418, 102 Stat. 1107) (the OTCA). The notice of investigation was also amended to reflect the fact that complainant Intel Corporation has withdrawn its allegations of infringement of U.S. Letters Patent 4,519,849. However, the claims of the patents remaining in controversy were omitted from the scope of the investigation as set forth in the ID. The Commission on its own motion reviewed and modified the ID to correct that omission.

Respondents Hyundai Electronics Industries Co., Ltd. and Atmel Corporation petitioned for review of the ID, arguing that the OTCA does not apply to section 337 investigations instituted prior to the effective date (August 23, 1988) of the OTCA amendments to section 337. Intel and the IAs both filed responses in opposition to respondents' petition for review.

By order the Commission.
Kenneth R. Mason,
Secretary.

Issued: November 2, 1988.
[FR Doc. 88-25942 Filed 11-8-88; 8:45 am]
BILLING CODE 7020-02-M

[332-264]

U.S. Imports of Lamb Meat

AGENCY: United States International Trade Commission.

ACTION: Institution of Investigation.

EFFECTIVE DATE: October 20, 1988.

SUMMARY: As required by section 1937 of the Omnibus Trade and Competitiveness Act of 1988 (Pub. Law 100-418, 102 Stat. 110, approved Aug. 23, 1988), the Commission has instituted investigation No. 332-264 under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), for the purpose of monitoring and investigating for two years U.S. imports of fresh, chilled, or frozen lamb meat. The Commission will issue reports after the first and second year of monitoring.

FOR FURTHER INFORMATION CONTACT: David E. Ludwick, Agriculture, Fisheries, and Forest Products Division, U.S. International Trade Commission, Washington, DC 20436; Telephone (202) 252-1329.

Background and Scope of Investigation

In the course of this investigation, the Commission will monitor and investigate U.S. imports of fresh, chilled, or frozen lamb meat and the primary components of the U.S. market for the product. The Commission will gather data and information, to the extent possible, on U.S. producing facilities in such areas as sales, market share, employment levels, inventories, profit levels, and capital generation, and will examine U.S. imports in relation to levels of domestic production and to imports by other major consuming countries. The Commission will also analyze the relative strengths and weakenesses of U.S. imports and the domestic product in the U.S. market.

Written Submissions

Interested persons are invited to submit written statements at any time during the investigation but no later than May 1, 1990. Commercial or financial information which a submitter desires the Commission to treat as confidential must be submitted on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirement of section 201.6 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.6). All written submissions, except for confidential business information, will be made available for inspection by interested persons. All submissions should be addressed to the Secretary at the Commission's office in Washington, DC.

Hearing-impaired persons are advised that information on this matter can be obtained by contacting our TDD terminal on (202) 252-1810.

By order of the Commission.

Kenneth R. Mason,

Secretary.

Issued: November 3, 1988.

[FR Doc. 88-25943 Filed 11-8-88; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 337-TA-281]

Certain Recombinant Erythropoietin; Commission Decision Not To Review an Initial Determination Designating the Investigation More Complicated

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined not to review an initial determination (ID) (Order No. 24) issued by the presiding administrative law judge (ALJ) designating the above-captioned investigation "more complicated" and extending the administrative deadline for issuance of the final ID by two months, *i.e.*, from November 10, 1988, to January 10, 1989. The Commission has also extended the deadline for completion of the investigation by two months, *i.e.*, from February 10, 1989, to April 10, 1989.

ADDRESSES: Copies of the ID and all other nonconfidential documents filed in connection with this investigation are available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436, telephone 202-252-1000.

FOR FURTHER INFORMATION CONTACT: Jean Jackson, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436, telephone 202-252-1104.

Hearing impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1810.

SUPPLEMENTARY INFORMATION: On October 12, 1988, the presiding ALJ issued an ID designating the subject investigation "more complicated" because of the complexity of the technology underlying the investigation and because of the complex legal issues involved. No petitions for review of the ID or government agency comments were received.

This action is taken under the authority of section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) and § 210.59(a) of the Commission's Interim Rules of Practice and Procedure (53 FR 33307, Aug. 29, 1988).

By order of the Commission.

Kenneth R. Mason,

Secretary.

Issued: November 2, 1988.

[FR Doc. 88-25944 Filed 11-8-88; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 337-TA-282]

Certain Venetian Blind Components; Decision Not To Review an Initial Determination Amending the Notice of Investigation

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined not to review an initial determination (ID) (Order No. 10) issued by the presiding administrative law judge (ALJ) amending the notice of investigation in the above captioned investigation.

ADDRESS: Copies of the ID and all other non-confidential documents filed in connection with the investigation are available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436, telephone 202-252-1000.

FOR FURTHER INFORMATION CONTACT: Andrea Casson, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436, Telephone 202-252-1105.

SUPPLEMENTARY INFORMATION: On September 30, 1988, the presiding ALJ issued an ID amending the notice of investigation to reflect amendments to section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) effected by the Omnibus Trade and Competitiveness Act of 1988 (Pub. L. 100-418, 102 stat. 1107). The notice of investigation was amended to delete the reference to the former requirement that an industry in the United States be efficiently and economically operated and to delete the reference to the former requirement that complainant be required to prove that the effect or tendency of the alleged unfair act of patent infringement or registered trademark infringement is to destroy or substantially injure an industry in the United States. No petitions for review or agency comments regarding the ID were received.

This action is taken under authority of section 337 of the Tariff Act of 1930 (19

APPENDIX C
PERTINENT PARTS OF THE
HARMONIZED TARIFF SCHEDULES OF THE UNITED STATES

Heading/ Subheading	Stat. Suf. & cd	Article Description	Units of Quantity	Rates of Duty 1 General	Special	2
0204	1/	Meat of sheep or goats, fresh, chilled or frozen:				
0204.10.00	00 2	Carcasses and half-carcasses of lamb, fresh or chilled	kg	1.1¢/kg	Free (E,IL) 0.8¢/kg (CA)	15.4¢/kg
		Other meat of sheep, fresh or chilled:				
0204.21.00	00 9	Carcasses and half-carcasses	kg	3.3¢/kg	Free (E,IL) 2.9¢/kg (CA)	11¢/kg
0204.22		Other cuts with bone in:				
0204.22.20	00 4	Lamb	kg	1.1¢/kg	Free (E,IL) 0.8¢/kg (CA)	15.4¢/kg
0204.22.40	00 0	Other	kg	3.3¢/kg	Free (E,IL) 2.9¢/kg (CA)	11¢/kg
0204.23		Boneless:				
0204.23.20	00 3	Lamb	kg	1.1¢/kg	Free (E,IL) 0.8¢/kg (CA)	15.4¢/kg
0204.23.40	00 9	Other	kg	3.3¢/kg	Free (E,IL) 2.9¢/kg (CA)	11¢/kg
0204.30.00	00 8	Carcasses and half-carcasses of lamb, frozen	kg	1.1¢/kg	Free (E,IL) 0.8¢/kg (CA)	15.4¢/kg
		Other meat of sheep, frozen:				
0204.41.00	00 5	Carcasses and half-carcasses	kg	3.3¢/kg	Free (E,IL) 2.9¢/kg (CA)	11¢/kg
0204.42		Other cuts with bone in:				
0204.42.20	00 0	Lamb	kg	1.1¢/kg	Free (E,IL) 0.8¢/kg (CA)	15.4¢/kg
0204.42.40	00 6	Other	kg	3.3¢/kg	Free (E,IL) 2.9¢/kg (CA)	11¢/kg
0204.43		Boneless:				
0204.43.20	00 9	Lamb	kg	1.1¢/kg	Free (E,IL) 0.8¢/kg (CA)	15.4¢/kg
0204.43.40	00 5	Other	kg	3.3¢/kg	Free (E,IL) 2.9¢/kg (CA)	11¢/kg
0204.50.00	00 3	Meat of goats	kg	Free		11¢/kg
0205.00.00	00 3	Meat of horses, asses, mules or hinnies, fresh, chilled or frozen	kg	Free		Free
0206		Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies, fresh, chilled or frozen:				
0206.10.00	00 0	Of bovine animals, fresh or chilled	kg	Free		30%
		Of bovine animals, frozen:				
0206.21.00	00 7	Tongues	kg	Free		30%
0206.22.00	00 6	Livers	kg	Free		30%
0206.29.00	00 9	Other	kg	Free		30%
0206.30.00	00 6	Of swine, fresh or chilled	kg	Free		30%
		Of swine, frozen:				
0206.41.00	00 3	Livers	kg	Free		30%
0206.49.00	00 5	Other	kg	Free		30%
0206.80.00	00 5	Other, fresh or chilled	kg	Free		30%
0206.90.00		Other, frozen		Free		30%
	20 9	Of sheep (including lamb)	kg			
	40 5	Of goats, horses, asses, mules or hinnies	kg			

1/ P.L. 88-482, as amended, provides that certain meats may be made subject to an absolute quota by Presidential Proclamation.

APPENDIX D
TARIFF AND TRADE AGREEMENT TERMS

TARIFF AND TRADE AGREEMENT TERMS

The *Harmonized Tariff Schedule of the United States* (HTS) replaced the *Tariff Schedules of the United States* (TSUS) effective January 1, 1989. Chapters 1 through 97 of the HTS are based upon the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description, with additional U.S. product subdivisions at the 8-digit level. Chapters 98 and 99 of the HTS contain special U.S. classification provisions and temporary rate provisions, respectively.

The *Harmonized Commodity Description and Coding System*, known as the Harmonized System or HS, is intended to serve as the single modern product nomenclature for use internationally in classifying products for customs tariff, statistical, and transport documentation purposes. Based on the Customs Cooperation Council Nomenclature, the HS is a detailed classification structure containing approximately 5,000 headings and subheadings describing articles in trade. The provisions are organized in 96 chapters arranged in 20 sections which, along with the interpretative rules and the legal notes to the chapters and sections, form the legal text of the system. Parties to the HS Convention agree to base their customs tariffs and statistical programs upon the HS nomenclature. Recent legislation replaced the TSUS as of January 1, 1989, with an HS-based tariff schedule known as the Harmonized Tariff Schedule of the United States (HTS).

The rates of duty in rate *column 1-general* of the HTS are most-favored-nation (MFN) rates and, in general, represent the final stage of the reductions granted in the Tokyo Round of the Multilateral Trade negotiations. Column 1-general duty rates are applicable to imported products from all countries except those Communist countries and areas enumerated in general note 3(b) to the HTS, whose products are dutiable at the rates set forth in *column 2*; the People's Republic of China, Hungary, Poland, and Yugoslavia are the only Communist countries eligible for MFN treatment. Among articles dutiable at column 1-general rates, particular products of enumerated countries may be eligible for reduced rates of duty or for duty-free treatment under one or more preferential tariff programs. Such tariff treatment is set forth in the *special rates of duty subcolumn* of column 1.

The *Generalized System of Preferences* (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 and renewed in the Trade and Tariff Act of 1984, applies to merchandise imported on or after January 1, 1976, and before July 4, 1993. Indicated by the symbol "A" or "A*" in the special duty rates subcolumn of column 1, the GSP provides duty-free entry to eligible articles the product of, and imported directly from, designated beneficiary developing countries, as set forth in general note 3(c)(ii) to the HTS.

The *Caribbean Basin Economic Recovery Act* (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67 and implemented by Presidential Proclamation 5133 of November 30, 1983, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984; it is scheduled to remain in effect until September 30, 1995. Indicated by the symbol "E" or "E*" in the special duty rates subcolumn of column 1, the CBERA provides duty-free entry to eligible articles the product of, and imported directly from, designated Basin countries, as set forth in general note 3(c)(v) to the HTS.

Preferential rates of duty in the special duty rates subcolumn of column 1 followed by the symbol "IL" are applicable to products of Israel under the *United States-Israel Free Trade Area Implementation Act* of 1985, as provided in general note 3(c)(vi) to the HTS. Where no rate of duty is provided for products of Israel in the special rates subcolumn for a particular subheading, the rate of duty in the general subcolumn of column 1 applies.

Preferential rates of duty in the special duty rates subcolumn of column 1 followed by the symbol "CA" are applicable to eligible goods originating in Canada under the *United States-Canada Free-Trade Agreement*, as provided in general note 3(c)(vii) to the HTS.

The *General Agreement on Tariffs and Trade* (GATT) (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) is the multilateral agreement which sets forth the basic principles governing international trade among its more than 90 signatories. The GATT's main obligations relate to most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national (nondiscriminatory) treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, and other measures. The results of GATT-sponsored multilateral tariff negotiations are set forth by way of separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX.

Officially known as "The Arrangement Regarding International Trade in Textiles," the *Multifiber Arrangement* (MFA) provides a framework for the negotiation of bilateral agreements between importing and producing countries, or for unilateral action by importing countries in the absence of an agreement. These bilateral agreements establish quantitative limits on imports of textiles and apparel, of cotton and other vegetable fibers, wool, man-made fibers and silk blends, in order to prevent market disruption in the importing countries—restrictions that would otherwise be a departure from GATT provisions. The United States has bilateral agreements with more than 30 supplying countries, including the four largest suppliers: China, Hong Kong, the Republic of Korea, and Taiwan.

APPENDIX E
COMMISSION'S DETERMINATION IN INVESTIGATION NO. 701-TA-80

Subject to compliance with these conditions, under 49 U.S.C. 10505(a) we find that the 30 day notice requirements in these instances is not necessary to carry out the transportation policy of 49 U.S.C. 10101a and is not needed to protect shippers from abuse of market power. Further, we will consider revoking these exemptions under 49 U.S.C. 10505(c) if protests are filed within 15 days of publication in the Federal Register.

This action will not significantly affect the quality of the human environment or the conservation of energy resources.

(49 U.S.C. 10713(e))

Dated: November 9, 1981.

By the Commission, Division 1, Commissioners Clapp, Gresham and Taylor. Commissioner Taylor did not participate.

Agatha L. Mergenovich,

Secretary.

[FR Doc. 81-33165 Filed 11-17-81; 8:45 am]

BILLING CODE 7035-01-M

[Finance Docket No. 29744]

Consolidated Rail Corp.; Exemption—Sale of 2 Miles of Track and Retention of Trackage Rights Near Lockport, NY

AGENCY: Interstate Commerce Commission.

ACTION: Notice of exemption.

SUMMARY: The Commission exempts the sale of 2 miles of rail line near Lockport, NY by Consolidated Rail Corporation (Conrail) to the Somerset Railroad Corporation, and retention by Conrail of trackage rights over the same line.

DATES: Exemption effective 30 days from this publication. Petitions for reconsideration must be filed within 20 days.

ADDRESSES: Send pleadings to: (1) Section of Finance, Room 5415, Interstate Commerce Commission, 12th St. and Constitution Ave., Washington, D.C. 20423 and (2) petitioner's representative: Charles E. Mechem, 1138 Six Penn Center, Philadelphia, PA 19104

FOR FURTHER INFORMATION CONTACT: Ellen D. Hanson, (202) 275-7245.

SUPPLEMENTARY INFORMATION: Copies of the complete decision may be obtained from Room 2227 at the Commission's Headquarters at 12th and Constitution Avenue, NW., Washington, D.C. 20423, or by calling the Commission's toll-free number for copies at 800-424-5403.

Decided: November 5, 1981.

By the Commission, Chairman Taylor, Vice-Chairman Clapp, Commissioners Gresham and Gilliam.

Agatha L. Mergenovich,

Secretary.

[FR Doc. 81-33166 Filed 11-17-81; 8:45 am]

BILLING CODE 7035-01-M

ICC Senior Executive Service; Performance Review Board

November 9, 1981.

Richard A. Kelly, Assistant Deputy Director and Assistant Chief, Section of Finance, Office of Proceedings, has been appointed as a third alternate to the Performance Review Board.

Reese H. Taylor, Jr.,

Chairman.

[FR Doc. 81-33167 Filed 11-17-81; 8:45 am]

BILLING CODE 7035-01-M

[Ex Parte No. 415]

Railroad Cost of Capital; 1981

AGENCY: Interstate Commerce Commission.

ACTION: Extension of time for reply comments.

SUMMARY: By notice published in the Federal Register on August 27, 1981 (46 FR 43320), we instituted a limited revenue adequacy proceeding to update our estimate of the railroads' cost of capital rate for 1981. By notice published on October 2, 1981, (46 FR 48793), we extended, at the request of the railroads, the statement date of the railroads to October 23, 1981, and the date for statements from other parties to November 17, 1981. The National Industrial Traffic League, et al. has requested a 20 day extension to file opening statements. The petition shall be granted. Additional time is necessary to study and respond to the highly complex evidence submitted by the railroads on October 23, 1981.

DATES: Statements of other interested parties are due December 7, 1981, and rebuttal statements by the railroads are due December 22, 1981.

ADDRESSES: Send the original and 15 copies to: Office of Proceedings, Room 5340, Interstate Commerce Commission, Washington, D.C. 20423.

FOR FURTHER INFORMATION CONTACT: Jane F. Mackall (202) 275-7656.

Decided: November 10, 1981.

By the Commission, Reese H. Taylor, Jr., Chairman.

Agatha L. Mergenovich,

Secretary.

[FR Doc. 81-33164 Filed 11-17-81; 8:45 am]

BILLING CODE 7035-01-M

INTERNATIONAL TRADE COMMISSION

[Investigation No. 701-TA-80 (Preliminary)]

Lamb Meat From New Zealand

Determination

On the basis of the record [1] developed in investigation No. 701-TA-80 (Preliminary), the Commission determines [2] that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, [3] by reason of imports from New Zealand of lamb meat, provided for in items 106.30 of the Tariff Schedules of the United States (TSUS), which are allegedly being subsidized by the Government of New Zealand.

Background

On April 23, 1981, a petition was filed with the U.S. Department of Commerce by counsel for the National Wool Growers Association, Inc., Salt Lake City, Utah, alleging that imports of lamb meat from New Zealand are being subsidized within the meaning of section 303 of the Tariff Act of 1930 (19 U.S.C. 1303). The National Lamb Feeders Association, Inc., Menard, Tex., became a copetitioner on May 12, 1981. As New Zealand was not at that time a "county under the Agreement" within the meaning of section 701(b) of the act (19 U.S.C. 1671(b)), there was no requirement for the petition to be filed with the Commission pursuant to section 702(b)(2) (19 U.S.C. 1671a(b)(2)) and no requirement for the Commission to conduct a preliminary material injury investigation pursuant to section 703(a) (19 U.S.C. 1671b(a)).

However, on September 17, 1981, the United States Trade Representative announced that New Zealand had become a "country under the Agreement" (46 FR 46263). Accordingly, Commerce terminated its investigation under section 303, initiated an investigation under section 702, and

[1] The record is defined in § 207.2(j) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(j)).

[2] Chairman Alberger and Commissioner Stern dissenting.

[3] Commissioner Frank finds only that there is a reasonable indication of threat of material injury.

notified the Commission of its action on September 21, 1981.

Therefore, effective September 21, 1981, the Commission, pursuant to section 703(a) of the act (19 U.S.C. 1671b(a)), instituted preliminary countervailing duty investigation No. 701-TA-80 (Preliminary) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from New Zealand of lamb meat, provided for in item 106.30 of the TSUS, upon which bounties or grants are alleged to be paid.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on September 30, 1981 (46 FR 47898). The conference was held in Washington, D.C., on October 16, 1981, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of Vice Chairman Calhoun and Commissioners Bedell, Eckes, and Frank

The Domestic Industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as—

> The domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product.[4]

Section 771(10), in turn, defines "like product" as—

> (A) product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title.[5]

Thus, in order to determine the appropriate domestic industry for purposes of a Title VII investigation, we must first determine the domestic product that is "like, or in the absence of like, most similar in characteristics and uses, with" the imported product under investigation. Then, we must identify the domestic producers of that "like product."

The imported product under investigation is lamb meat from New Zealand. The meat is imported frozen to prolong shelf life and to facilitate shipping. Most of the imports are primal cuts (e.g., loins, racks), although some smaller cuts (e.g., lamb chops) and whole carcasses are imported as well.[6] New Zealand lamb carcasses are typically smaller than the U.S. product, in part because of the breed of lamb, and in part because New Zealand lambs are never fattened with grain. Only the top five grades of New Zealand meat are exported to the United States.[7] These five grades correspond approximately to the U.S. Choice grade, the grade of lamb meat strongly preferred by the U.S. consumer. New Zealand lamb meat is marketed by the New Zealand Lamb Co., Inc., through grocery chains and through hotel, restaurant, and institutional (HRI) outlets. New Zealand Lamb Co., Inc. was established by New Zealand lamb producers as a subsidiary of the Meat Export Development Company (DEVCO) to promote and expand the sale in the United States of New Zealand lamb meat.

Lamb of the same cut and the equivalent grade is produced in the United States. However, domestic lamb is sold fresh or chilled, rather than frozen. U.S. consumers have a strong preference for fresh meat. Most of the lambs slaughtered, as well as most of the lamb carcasses destined for table use, are graded Choice. As with New Zealand lamb meat, the U.S. product is sold in grocery chains and through HRI outlets.

Counsel for the New Zealand Meat Board argues that fresh lamb and frozen lamb are not like products, because they are sold at different lcoations in the retail store, and because frozen lamb competes with items other than fresh lamb for shelf space. In addition, other distinctions are cited, namely, that the appearance of frozen lamb is not as appealing to the U.S. consumer, that the taste and texture of New Zealand Lamb are slightly different, and that it has a longer shelf life.

We find no significant differences between the characteristics and uses of fresh lamb and those of frozen lamb. U.S. frozen lamb meat accounts for a negligible percentage of total domestic production, substantially all of which is fresh. In such circumstances, there can be no serious question as to domestic lamb meat being a like product to the imports under investigation. While freezing lamb meat eases handling and prolongs shelf life for the long distance supplier, it does not substantially change the characteristics or uses of the meat, nor is that the purpose of freezing the product. Any distinction in taste and texture between fresh domestic meat and the frozen imported meat does not appear to be commercially significant, based on the record developed to date.

The fact that imported lamb is sold frozen rather than fresh does not alter the market in which it competes. Although it may affect some of the factors in marketing the product, it does not alter the goods with which it competes, or the ultimate consumer for which it competes. While frozen lamb meat is in competition with products other than fresh lamb and other fresh meats for shelf space, its primary competitor remains fresh lamb meat. Similarly, the New Zealand product has to overcome the U.S. consumer's preference for fresh meat, but that does not alter the fact that imported lamb is competing to provide the same product to the same customer as is fresh lamb. The record evidences the fact that frozen New Zealand lamb competes directly with fresh, domestic lamb.[8]

The issue here is whether fresh lamb meat is "like" or "most similar in characteristics and uses with" frozen lamb meat. Since domestically produced lamb meat is, in essence, all fresh meat, nothing is gained in this preliminary proceeding by distinguishing between the two.[9] Plainly, fresh lamb meat is at the least "most similar." It may well be "like." Thus, for purposes of this preliminary investigation, we conclud that fresh domestic lamb meat is "like" or "most similar in characteristics and uses with" the imported lamb meat from New Zealand under investigation.

One of the major issues in this investigation is to decide what group of producers constitutes the "domestic producers as a whole of [the] like product." [10] Based on the statute, our finding concerning the domestic industry is a matter of first defining the like product, then aggregating those entitites which produce that product. In most

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[4] 19 U.S.C. § 1677(4)(A) (Supp. III 1980).

[5] 19 U.S.C. § 1677(10) (Supp. III 1980).

[6] Commission report on Inv. No. 701-TA-80 (Preliminary), *Lamb Meat From New Zealand* at A-2 (hereinafter cited as "Report").

[7] New Zealand's grading system, which uses 11 different grades, is more complex than that of the United States. Report at A-2.

[8] *For example*, advertisements showing frozen lamb meat from New Zealand being marketed side by side with fresh, domestic lamb meat were submitted as exhibits at the Conference. Mr. Sims of the National Wool Growers Association (NWGA) also testifies at the Conference that as much as 10%-15% of the frozen New Zealand meat is thawed and sold as fresh. Respondents did not deny this, although they do not condone it. See also the testimony of Mr. Graeme Lindsay, Executive Vice President of the New Zealand Lamb Co., Inc., Conference transcript at 117-18.

[9] Congress indicated in its discussion of the definition of the like product that the statute should not be interpreted "in such a fashion as to prevent consideration of an industry adversely impacted by the imports under investigation." S. Rep. No. 96-249, 96th Cong., 1st Sess. 91 (1979).

[10] 19 U.S.C. 1677(4)(A) (Supp. III 1980).

investigations, such an approach is easy to undertake and results in no serious anomalies.

In this investigation, such an approach, as a mechanical process, is ather easy to undertake. In the strictest nse, fresh lamb meat cuts and arcasses are "produced" by meat packers who process live lambs into cuts and carcasses. But such a mechanical analysis leads to a troublesome practical anomaly: to define the domestic industry as only processors and not growers and feedlot operators would seem, at this point in the investigation, to ignore the highly interdependent nature of lamb meat production.

Ignoring such a high degree of interdependence and otherwise defining the industry as comprising only processors would focus our assessment of the impact of the allegedly subsidized imports on that segment of the lamb meat production process most able to minimize the impact of these imports, thereby disregarding the impact of such imports on the growers, that segment least able to adjust.

Because the true value of our analysis is a function of how well we integrate realities in the market place with the requirements of the statute, this case seems to compel us to view the industry as more than an aggregate of those entities producing cuts and carcasses. We must also take note of the structure he system by which lamb meat is duced domestically.

The production of lamb meat for consumption begins with the breeding and raising of the ewe and ends with the slaughter and packing of lamb meat.[11] The industry structure is highly integrated, with each step having as its primary, if not sole purpose, the production of one end product—lamb meat. In the United States today, sheep are raised for the primary purpose of producing lamb meat. The revenue from wool and other byproducts of sheep is secondary to that obtained from the production of lamb meat. Similarly, the principal purpose of the feeding stage of processing is to make the meat on the lamb the preferred grade for consumption. The process of slaughtering, dressing, cutting the carcass, and packing the meat represents the final stage of preparing the lamb meat for consumption.

The structure of this production process is accurately characterized as a single, continuous line of production, starting with one raw material that yields only one commercially significant end product. In this regard, this process is distinguishable from, for example, those in the industrial sector characterized by a high degree of interdependence between parts/components suppliers and manufacturers. Here, the initial raw material, a live lamb, yields only one major product, lamb meat. The lamb meat is not transformed into a different article throughout the process. The product remains substantially unchanged. The product yielded by each stage of the process has no commerical use except as a "raw material" for the next stage of processing. The structure of this industry is significantly different from, for example, a structrue in which several different raw materials yield one end product, or one raw material yields several different end products.

We note that, in addition to integration, there is a high level of interlocking ownership in the U.S. lamb meat industry. Two major packers are owned by feedlot owners.[12] One packer is owned by growers.[13] Two packing companies are fully integrated: they produce, feed, slaughter and pack lambs.[14] The petitioner estimates that these five packers account for over 50 percent of domestic packer capacity.[15] Similarly, a number of commercial-scale feedlots are owned by growers.[16]

Were we to exclude the growers from the scope of this domestic industry, we would effectively preclude a significant portion of the domestic industry from any relief against subsidized imports. Such an anomalous result was not intended by Congress, as indicated by the legislative history. The purpose of the countervailing duty statute is to provide relief to industries adversely impacted by subsidized imports.[17] In this regard, Congress foresaw special problems in the application of the countervailing duty provisions of the Trade Agreements Act of 1979 to agricultural products. The Senate Committee on Finance stated in the Committee report on the Trade Agreements Act of 1979:

> Because of the special nature of agriculture, * * *, special problems exist in determining whether an agricultural industry is materially injured. For example, in the livestock sector, certain factors relating to the state of a particular industry within that sector may appear to indicate a favorable situation for that industry when in fact the opposite is true. Thus, gross sales and employment in the industry producing beef could be increasing at a time when economic loss is occurring, i.e., cattle herds are being liquidated because prices make the maintenance of the herds unprofitable.[18]

We note that, in its discussion, the Committee in the context of analyzing material injury to an agricultural industry by reason of subsidized imports refers to the "industry producing beef," which clearly includes meat packers and processors, and "cattle herds," which encompasses ranchers and feeders. Thus, it is clear that Congress not only aniticipated this very issue, but also contemplated the inclusion of processors and growers in one industry. It is clear that Congress recognized the highly interdependent nature of the livestock sector of the economy, and did not intend the statutory definition of industry to preclude an assessment of material injury to an adversely impacted segment of a meat producing industry. For these reasons, we find the domestic industry to be comprised of packers, processors, growers and feeders.

Reasonable Indication of Material Injury[19]

In assessing material injury, the Act directs the Commission to consider, among other factors, (i) the volume of the imports under investigation, (ii) the effect of those imports on domestic prices of the like products, and (iii) the impact of the imports under investigation on domestic producers of like products.[20]

Volume of Imports.—The average of annual imports of lamb meat from New Zealand for the period of 1970 through 1977 is approximately 19 million pounds.[21] Since 1976 the volume of imports from New Zealand has gradually increased, with import levels remaining higher than the 1976 level for all years except 1977.[22] Despite a small decline from 1979 to 1980, the 1980 level

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[11] See Report at A-9 for a more detailed description of the production of live lambs.

[12] Denver Lamb Co. and Texas Lamb Co. Report at A-12; Petitioner's Brief at 8.

[13] American Lamb Co. Petitioner's Brief at 8.

[14] Mike Chiapetti Co. and Superior Packing Co. Petitioner's Brief at 8.

[15] Petitioner's Brief at 8-9.

[16] For a partial list of feed lots owned by growers, see Petitioner's Brief at 9. It is worthy of note here that two-thirds of all lambs slaughtered spend some time on feed lots.

[17] 19 U.S.C. 1671 (Supp. III 1980).

[18] S. Rep. No. 96-249, 96th Cong., 1st Sess. 88 (1979). Although it was discussed under the legislative history of § 771(7), the definition of the term "material injury," it unquestionably evidences congressional awareness of unique problems that could be confronted in providing relief under the statute for certain agricultural commodities.

[19] Commissioner Frank found a reasonable indication of threat of material injury only.

[20] 19 U.S.C. 1677(7) (Supp. III 1980).

[21] Compiled by the Commission investigative staff from official statistics of the U.S. Department of Commerce.

[22] Compiled from official statistics of the U.S. Department of Commerce. In thousands of pounds, total imports from New Zealand were as follows: 27,217 in 1976; 17,230 in 1977; 28,378 in 1978; 30,530 in 1979; and 28,782 in 1980.

was 1,565,000 pounds higher than the 1978 import total.[23]

The share of apparent U.S. consumption held by imports from New Zealand rose from 7.3 percent in 1976 to 9.9 percent in 1979, decreasing to 8.9 percent in 1980.[24] The 1980 level of import penetration represents a 22 percent increase in the market share held by New Zealand lamb imports in 1976.[25]

Thus, data presently available indicate clear trends regarding these imports. With regard to volume and market penetration, New Zealand lamb exports have increased gradually and steadily. This pattern together with the apparent market conditions warrants further inquiry.

Effect of imports on prices.—In evaluating the effect of imports on prices, we have examined domestic lamb prices at two levels: sale of live lambs to a meatpacker, and sale of carcasses and selected primal cuts to wholesalers. Since 1979, domestic live lamb prices have declined 12 percent.[26] Wholesale prices dropped similarly,[27] reflecting the pricing relationship inherent between these two levels of trade.

During the period since 1979, a period of relatively flat apparent domestic consumption and declining domestic wholesale lamb prices, import prices were steadily increasing, with the carcass equivalent price increasing at an average annual rate of 8 percent.[28] At the same time the margins of underselling for carcasses and legs, which were considerable at the beginning of the period, decreased as imported lamb prices continued to increase and domestic prices decreased.[29] However, there continues to be underselling. This pattern of underselling during the period since 1979 may have contributed to the domestic price decline.

DEVCO, through its U.S. subsidiary, has been able to maintain prices that are free of the fluctuations common to an agricultural commodity sector. These are, in large part, due to the U.S. producers' inability to control supply in the short run in response to changing market conditions. In contrast, DEVCO has control of the supply of the allegedly subsidized imports for marketing in that the imports are frozen and have much longer shelf life.[30] Further, DEVCO has the ability to determine prices for all lamb supplied from New Zealand.[31] These factors facilitate DEVCO's ability to control the price of imports. It also appears that both the domestic producers and DEVCO offer discounts on meat sales as part of advertising/marketing strategies.[32] Although import prices appear to be without fluctuation, further information regarding price data reflecting these discount practices may demonstrate more clearly how import prices affect domestic pricing.

Domestic producers contend that imported lamb prices act to limit domestic price increases commensurate with increased costs. They believe that, if they raise prices too far above the imported price, they will lose further market share to imported lamb. The loss of market share is critical because of the industry's low profitability, if not losses. Each incremental loss in market share becomes an additional loss of income needed to cover increasing production costs. That the total value of imports has increased significantly since 1979 along with consistent price increases, while domestic prices have declined indicates the possibility of an adverse impact of imports on domestic pricing.

It is evident that the complex relationship between import prices and domestic prices in this agricultural commodity market warrants further inquiry.

Impact of imports on the domestic industry.—We turn now to an examination of the impact of the imported lamb meat on the domestic industry. Our analysis, which is based upon the best information available to us in a rather limited amount of time, has included a careful review of the state of this industry and the conditions of trade, competition, and trends regarding it.[33] We conclude that the domestic industry is in such a weakened condition that, even with the rather limited presence of allegedly subsidized lamb meat in the market place, there is a reasonable indication that these imports are a cause of material injury.

Several factors are immediately striking in an assessment of the state of the industry. First, from 1976 to 1980, annual lamb meat consumption in the United States declined from 372 million pounds to 323 million pounds.[34] Also, the production of lamb meat fell from 341 million pounds in 1976 to 291 million pounds in 1980.[35] Operations with sheep declined from 122,460 in 1976 to 115,530 in 1980.[36] The number of sheep and lambs in feedlots declined irregularly from 1.884 million in 1976 to 1.622 million in 1980 before increasing in 1981 to 1.624 million, still less than the 1976 level.[37] The number of lamb slaughtering plants has fluctuated, but generally has declined in recent years from 878 in 1976 to 849 in 1980.[38] Lamb slaughter declined from 6.3 million head in 1976 to 5.2 million head in 1980.[39] During the most recent period of this downturn, the returns above cash costs of producing sheep declined steadily per breeding ewe from $27.65 in 1978 to $24.87 in 1979 and $20.93 in the preliminary 1980 figures for a total 24 percent decline.[40] When allowances for long run costs associated with borrowing capital are included in the analysis of costs and returns of producing sheep, the declining profits become net losses for 1979, 1980 and 1981 (projected).[41] In contrast, total non-land costs have increased steadily from $42.34 per breeding ewe in 1978 to a projected $60.37 in 1981.[42] Thus, the declines in the lamb crop and lamb slaughter obviously have not led, as might have been expected, to price increases which would offset the rise in costs associated with lamb production.

This long term deterioration in the output of the U.S. lamb meat industry must have seriously weakened its ability to withstand even slightly increasing import competition. Given this clearly

[23] *Id.*

[24] Report at A-29. The 1976 figure is based on data compiled by the Commission investigative staff from official statistics of the U.S. Department of Commerce.

[25] Based on official statistics of the U.S. Department of Commerce.

[26] Report at A-32, Table 19.

[27] See Report at A-39, Table 21.

[28] See Report at A-38.

[29] See Report at A-40.

[30] See Report at A-2.

[31] See Report at A-12.

[32] Report at A-39.

[33] See, S. Rep. No. 96-249, 96th Cong., 1st Sess. 88 (1979).

[34] Compiled by the Commission investigative staff from official statistics of the U.S. Department of Agriculture and Commerce.

[35] Report at A-22. Because of an insufficient number of responses to questionnaires by lamb meat packers/processors, the Commission was unable to examine their capacity, capacity utilization and profitability. Data, if it were available, would be of limited assistance because most lamb meat production occurs in plants which can switch from processing one meat to another, based largely on market demand. We do know that lamb accounted for less than 1 percent of total red meat production in 1980. *Id.* Since the Commission does have reliable secondary source data concerning growers, who represent a major portion of the industry, our anlysis is based largely on that data.

[36] Report at A-4.

[37] Report at A-7, Table 3. The 1976 figure is based on data compiled the Commission investigative staff from official statistics of the U.S. Department of Agriculture.

[38] Report at A-10.

[39] Report at A-11, Table 6.

[40] Report at A-21, Table 13. 1978 data for returns above cash costs are not on the record.

[41] Report at A-21.

[42] Report at A-21. 1978 data for total non land costs of raising sheep are not on the record.

vulnerable, though viable, industry, we have found that the impact of imports of lamb meat from New Zealand has been such that the continuation of this investigation is warranted.

In the past, the market share held by imports may not have been significant with regard to its impact on the domestic industry. However, because the domestic industry has suffered several years of economic decline, it obviously has a decreasing ability to withstand a level of competition from allegedly subsidized imports which in prior years it countered. Thus, the impact of these imports might well be sufficient now to be found to be a cause of material injury or threat. Moreover, it is likely that the sustained presence of allegedly subsidized lamb over the past three years, even at a level of approximately 10 percent, during a period of rather steady decline in the health of the domestic industry, might have a cumulative impact of material injury today that was only marginal in any given period in the past.

For these reasons, we determine there is a reasonable indication of material injury to the domestic industry by reason of allegedly subsidized imports. A more complete investigation will afford all parties and the Commission an opportunity to develop information which will address the concerns we have expressed here.

Reasonable Indication of Threat of Material Injury

New Zealand is the world's largest exporter of sheep meat, exporting more than twice as much as the second largest exporter, Australia. New Zealand has the third largest sheep population, and preliminary estimates for 1981 indicate that its total sheep population exceeds that of the United States by over 5 times. Moreover, both sheep population and lamb meat production in New Zealand have been increasing in recent years.[43]

Additionally, the record evidences intent on the part of the New Zealanders to expand their share of the U.S. lamb market. Petitioners submitted an article from *The New Zealand Herald*, Feb. 28, 1980, which stated that "The [United States] market has reached a point where DEVCO believes that sales can improve by 20 percent a year and eventually reach a total of 5 million lambs." In addition, letters submitted on behalf of two lamb processors [44] stated that the Executive Vice-President of the New Zealand Lamb Co., Inc. had indicated to them at regional woolgrower association meetings that New Zealand exports to the United States would increase by 7 to 10 percent next year. Further, inventory levels indicate that New Zealand has the capacity to vastly increase its current level of exports to the United States. Inventories of lamb meat imports from New Zealand increased by 13 percent from December 31, 1979, to December 31, 1980, and by 34 percent from August 31, 1980, to August 31, 1981, showing an increase from * to * percent of apparent U.S. domestic comsumption for the latter comparative year to year period.[45] This capacity is demonstrated by New Zealand's dramatic growth of exports of lamb meat to the Middle East. The May 1980 adoption by the European Economic Community (EEC) of a voluntary restraint agreement for imports of New Zealand lamb meat commencing October 1980, apparently precludes any opportunity for significant increase in such exports to the EEC by New Zealand.[46]

Commissioner Frank, in making his determination of a reasonable indication of threat of material injury, notes that New Zealand in recent years has also evidenced skillful and aggressive marketing capabilities, with an ability to fill particularized demands of new market opportunities with speed and agility.[47] In this regard, it bears reiteration that New Zealand authorizes only one company, DEVCO, through its U.S. subsidiary the New Zealand Lamb Co. to import and sell lamb in the United States. DEVCO has stated that its pricing policy in the United States is to maintain a relatively stable price, with general price levels based on its costs.[48] However, it is worthy of note that, as import prices generally increased while domestic wholesale prices of lamb were in decline during 1979 through September 1981, thus lessening margins of underselling; nonetheless imports were able to maintain relatively stable market penetration in a relatively flat domestic market. Imports certainly are subject to certain other exogenous factors in the domestic market affecting prices of domestic products which may dampen prices (e.g., competition with other domestic meats, dicretionary personal income levels). Yet, the import products' sole U.S. "distributor" is insulated from the vagaries of the domestic commodity market, unlike domestic grower/feedlot operators and packers, by virtue of its ability to control inventory quantities and timing of entry of the imported product and therefore potentially more precisely control pricing; and it is reasonable to assume New Zealand's advertising and promotional programs are tailored to exploit or are, in effect, exploiting domestic seasonality and commodity market fluctuations to which it is comparably immune.

In view of New Zealand's large capacity to produce sheep, the stated intent to significantly expand sales in the U.S. market, the evident comparative advantage in shaping a pricing policy that appears at this juncture to have some possible adverse impact on domestic prices, coupled with an indication of potential domestic industry vulnerability to the above, we have determined that there is a reasonable indication of threat of material injury to the domestic lamb industry by reason of imports of New Zealand lamb.

Dissenting Views of Chairman Bill Alberger and Commissioner Paula Stern

On the basis of the record developed in this preliminary investigation we have found that there is no reasonable indication that an industry in the United States is materially injured or is threatened with material injury by reason of imports of frozen lamb meat from New Zealand, for which subsidies are allegedly provided by the Government of New Zealand.

The Domestic Industry

We concur with the majority's definition of the scope of the domestic industry. We agree with their conclusion that the "like product" for the purpose of this investigation is domestic lamb meat, the bulk of which is retailed in fresh or chilled form. Respondents argue that fresh or chilled domestic lamb meat is not "like" the frozen product from New Zealand. However, the record establishes that all these products have identical uses and very similar characteristics. The form in which they are retailed does not alter the fact that they are virtually interchangeable and compete head to head in the marketplace.

Another issue upon which there was controversy is whether our analysis of the industry should include growers who raise live lamb for slaughter. For various reasons, we believe it should. First, there is evidence of common ownership among growing and processing operations. Second, and more important, growers appear to depend on lamb meat

[43] Report at A-14 to A-15.

[44] Denver Lamb Co., letter of October 13, 1981, to Kenneth Mason; American Lamb Co., letter of October 20, 1981, to Kenneth R. Mason.

[45] Report at A-28.

[46] Report at A-17.

[47] E.g., New Zealand has rapidly increased its exports of lamb to Iran recently.

[48] Report at A

revenue. While there are other commercial by-products from growing lamb, the only reason for the extensive and costly feeding operations is to prepare the lamb meat for human consumption. Thus, the industry appears to be a continuous line of production, with growing, feeding, and processing all inseparably connected with the marketing of lamb meat.

For all of these reasons, we find that the domestic industry includes not only the packers and processors of lamb meat, but also those entities which grow and feed live lambs for eventual slaughter. We note that this approach is consistent with *Fish from Canada*,[49] where the industry was defined to include fishermen and fish processors even though the imported product was frozen and fresh fish fillets. It should be noted that this definition of the industry also gives petitioners benefit of the best possible case in their favor, which is appropriate in this preliminary phase.

The Question of a Reasonable Indication of Material Injury by Reason of Allegedly Subsidized Imports

Although information presented to the Commission does indicate a decline in lamb grower's profitability and prices in 1980 and 1981, with an accompanying decline in employment and feed-lot capacity utilization, the record clearly establishes that the allegedly subsidized imports from New Zealand did not contribute to such declines. The quantity of lamb from New Zealand has remained virtually stable since 1978, and actually declined in both 1980 and the period January-August 1981.[50] Even if 1978 is taken as the base year, New Zealand's imports have increased only slightly (from 27.2 million pounds in 1978 to 28.8 million pounds in 1980). Obviously, an increase in imports from New Zealand of 1.6 million pounds is insignificant in a market which consumed an average of 330 million pounds of lamb meat annually from 1978 to 1980, and has not contributed to the decrease in domestic production, which totaled 50 million pounds over the same period. In addition to the lack of any increase in absolute volume, the market share of imports from New Zealand has remained steady at approximately 9–10 percent.[51] In fact, it declined somewhat in 1980. Hence, declines in domestic firms' profitability can hardly be attributed to significant increases in the volume or market share of the allegedly subsidized goods.

A further indication of the lack of any causal link lies in the total absence of any discernible correlation between domestic and imported prices. In fact, while domestic prices have declined irregularly since 1978, prices of the subject imports have steadily increased. Clearly, the recent reductions in domestic prices have not been in response to price suppression or sudden price cuts by importers. It is true that importers generally undersold domestic products during the period under investigation, but the gap has been steadily narrowing. Since 1978, prices of imports from New Zealand have increased about 20 percent on a weighted average basis. For some cuts, the domestic product now undersells the imported article. Thus, the deterioration in domestic prices which has taken place since April 1979 has occurred in the face of rising import prices and declining import volume. Obviously, the problems currently being experienced by domestc growers must be attributed entirely to factors other than imports.

There are several recent developments totally unrelated to imports which explain the decline in growers' profitability in 1980 and early 1981. First, there has been a fairly dramatic increase in lamb slaughter since 1979.[52] This reversed the trends from 1964–79, during which slaughter was curtailed and prices rose steadily. The result was an apparent glut of lamb meat on the market in November 1980. The President of the National Lamb Feeders Association was quoted in the April 1981 *National Wool Grower* as saying the following about American lamb supply:

> Instead of being scattered out from October to January, they were all ready for slaughter by November and a lot carrying too much weight. We had created a drastic over-supply of heavy lamb for the present demand.[53]

In the same issue, the Chairman of the Board of Directors of the National Wool Growers Association said:

> The real market break seems to be triggered by too many lambs marketed at one time in the fall.[54]

The result of this phenomenon has been a decline in growers' return per breeding ewe during a period when their costs were increasing substantially. Commenting on this problem, a recent Task Force on lamb noted that:

> Domestic lamb producers should realize they are competing with the New Zealand product, but there should be no great danger providing they supply the consumer with a lean handy weight product consistently and not very the supply and the weights drastically throughout the year.[55]

Despite the recent decline in growers' prices for live lamb, retail prices of lam' meat have risen considerably since 197· This has affected annual per capita consumption of lamb and mutton, which has declined from 2.0 pounds (1975) to 1.4 pounds (1980). At the same time, the price of lamb relative to other red meats has increased considerably since 1974. Pork prices, for example, have only increased 30 percent during this period, while lamb prices have risen approximately 70 percent.[56] This has made substitute meat products more attractive to consumers and has contributed to declining per capita consumption of lamb. A final complicating factor is the overall decline in annual per capita consumption of all meat products, which has fallen by almost 14 pounds since 1975.[57] While this decline does not threaten the continued viability of the lamb industry, it does help to explain why domestic growers are beginning to see their prices, sales, and profitability drop.

All of these factors in conjunction with one another have caused a reversal in the fortunes of domestic growers. These growers benefited from increasing prices and sharply limited supply from 1964–79. When their costs began to increase dramatically in recent years, they found it impossible to raise their prices because of reduced demand for lamb and the lower prices of substitute meats. Efforts to increase their rate of slaughter since 1979 have not produced higher revenues, because uneven marketing patterns caused a glut on the market and a further reduction in prices.

We believe these problems are transitory in nature. Eventually, more even marketing of domestic products will eliminate rapid price fluctuations and moderate cycles of glut followed by shortage. This would lead to more stable prices, higher per capita consumption (because of greater availability during periods of peak consumption), and higher returns for growers. In connection with this theory, we cannot help but note that some industry sources believe New Zealand lamb has had a beneficial effect on the market by making certain cuts available on a wider geographic

[49] Investigation 701-TA-40, USITC Publication 1066 (May 1980).

[50] Report, p. A-23.

[51] Report, p. A-30.

[52] Report, p. A-18, 33.

[53] *National Wool Grower*, Volume 71, Number 4, at p. 10.

[54] Id. at p. 4.

[55] *National Wool Grower*, Volume 71, Number 4, at p. 23.

[56] Brief of Respondents, New Zealand Meat Producers Board, p. A-13 (Citing U.S. Department of Agriculture figures).

[57] Id., p. A-8 (Citing U.S. Department of Agriculture figures and AMI *Meat Facts* 1980).

and seasonal basis. As one questionnaire respondent noted:

We have experienced no negative effect. To the contrary, the N.Z. product has filled gaps in the market when domestic supply was inadequate. This has the positive effect of keeping lamb available to the consumer. A case in point is the N.Z. rack which has kept rack of lamb a popular menu item when domestic racks were so short that the restaurants considered taking them off their menu.

The overwhelming evidence of New Zealand's prudent pricing behavior and stagnant market share, together with the many indications that any injury is attributable to factors totally unrelated to imports, compels us to find that there is no reasonable indication of material injury by reason of the allegedly subsidized imports.

The Question of the Threat of Material Injury

There is no credible evidence of a threat of material injury. The majority views cite the capacity of New Zealand to export lamb meat and the optimistic forecast of Devco that exports to the U.S. could improve by 20 percent per year. This ignores the recent trend in imports from New Zealand, which are declining, as well as the steady expansion of export markets other than the United States for New Zealand lamb. The predictions of a growing U.S. market were obviously wrong, and in any event there have been similar predictions regarding domestic shipments.[58] Absent any empirical evidence which actually demonstrates a trend, such as a history of predatory pricing, substantial U.S. import inventories, or recent increases in the volume or market share of imports, a finding of possible threat is nothing more than speculation and conjecture. Such a standard for finding a threat has recently been rejected by the Court of International Trade.[59]

Conclusion

The purpose of preliminary investigations is to cut off at an early stage those cases in which there is no reasonable indication that a meritorious final case can be made. The record in the present case is well established and does not support an affirmative finding.

By order of the Commission.

[58] *American Sheep Industry Highlights*, 1979-80, Prepared by Market Analysis Department, American Sheep Producers Council, Inc.

[59] *Alberta Gas Chemicals Inc. v. United States*, Docket 79-8-01293, Slip Opinion 81-48 (May 28, 1981).

Issued: November 10, 1981.

Kenneth R. Mason

Secretry

[FR Doc. 81-33258 Filed 11-17-81; 8:45 am]

BILLING CODE 7020-02-M

Termination of Countervailing Duty Investigation Concerning Die Presses From Italy

AGENCY: International Trade Commission.

ACTION: Termination of countervailing duty investigation under section 104(b)(1) of the Trade Agreements Act of 1979, with regard to die presses from Italy.

EFFECTIVE DATE: November 11, 1981.

FOR FURTHER INFORMATION CONTACT: Mr. Daniel Leahy, Office of Investigations, telephone number (202) 523-1369.

SUPPLEMENTARY INFORMATION: The Trade Agreements Act of 1979, section 104(b)(1), requires the Commission in the case of a countervailing duty order issued under section 303 of the Tariff Act of 1930, upon the request of a government or group of exporters of merchandise covered by the order, to conduct an investigation to determine whether an industry in the United States would be materially injured, or threatened with material injury, or whether the establishment of such an industry would be materially retarded, if the order were to be revoked. On March 28, 1980, the Commission received a request from the Delegation of the Commission of the European Communities for the review of the outstanding countervailing duty order on die presses from Italy (T.D. 74-165).

On August 24, 1981, the Commission was notified by letter that Herman Schwabe, Inc., the original petitioner for the countervailing duty order, wished to withdraw its petition on die presses.

While there is no provision in the Trade Agreements Act of 1979, or in its legislative history, permitting termination of a transition case investigation, termination of a properly instituted countervailing duty investigation is permitted under section 704(a) of the Tariff Act of 1930. That section directs the Commission to solicit public comment prior to termination and approve such termination only if it is in the public interest. Termination authority is explicit in cases based on newly filed countervailing duty petitions; it is implied with respect to existing countervailing duty orders.

On September 23, 1981, (46 FR 47032) the Commission published a notice in the Federal Register requesting public comment by October 23, 1981 on the proposed termination of the Commission investigation on die presses from Italy. No adverse comments were received in response to the Commission's notice.

The Commission is therefore terminating its investigation under section 104(b)(1) of the Trade Agreements Act of 1979 on die presses from Italy (T.D. 74-165). The termination of this investigation has the same effect as a determination that an industry in the United States would not be materially injured, or threatened with material injury, nor would the establishment of such an industry be materially retarded, if the countervailing duty order were to be revoked.

In addition to publishing this Federal Register notice, the Commission is serving a copy of this notice on all persons who have written the agency in connection with this investigation and is also notifying the Department of Commerce of its action in this case.

By order of the Commission.

Issued: November 13, 1981.

Kenneth R. Mason,

Secretary.

[FR Doc. 81-33343 Filed 11-17-81; 8:45 am]

BILLING CODE 7020-02-M

[731-TA-38 (Final)]

Truck Trailer Axle-and-Brake Assemblies and Parts Thereof From Hungary; Cancellation of Hearing

AGENCY: International Trade Commission.

ACTION: Cancellation of hearing.

SUMMARY: On November 12, 1981, the United States Department of Commerce notified the Commission that pursuant to the provisions of section 734 of the Tariff Act of 1930 (19 U.S.C. 1673c), that Commerce and the Hungarian Railway Carriage and Machine Works by their counsel, accepted a proposed agreement on the basis of which Commerce proposes to suspend its investigation concerning less-than-fair-value sales of truck trailer axle-and-brake assemblies, and parts thereof, provided for in items 692.32 and 692.60 of the Tariff Schedules of the United States (TSUS).

Accordingly, the Commission hereby gives notice of the cancellation of its hearing, originally scheduled for December 9, 1981, (46 FR 49687; October 7, 1981) in connection with investigation No. 731-TA-38 (Final) to determine whether an industry in the United States is materially injured or is threatened with material injury, or the establishment of an industry in the

APPENDIX F
INTERNATIONAL TRADE ADMINISTRATION
AFFIRMATIVE DETERMINATION OF SUBSIDY (1981)

The review covers the only known exporter of this merchandise to the United States, Plasser & Theurer, GmbH, Linz, Austria, and is limited to two product lines, ballast regulators and tamping machines. The review covers the time period January 1, 1980 through January 31, 1981. There were no known shipments to the U.S. of this merchandise from Austria during the period. There are no known unliquidated entries.

As a result of the review, the Department has preliminarily determined that no cash deposit is required because of the *de minimis* nature of the calculated margin on the last known shipments. Interested parties are invited to comment on these preliminary results.

EFFECTIVE DATE: November 30, 1981.

FOR FURTHER INFORMATION CONTACT: Susan Crawford or Sheila Forbes, Office of Compliance, International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230 (202-377-2209/5253).

SUPPLEMENTARY INFORMATION:

Background

On August 13, 1981, the Department of Commerce ("the Department") published in the Federal Register (46 FR 40913) the final results of its first administrative review of the antidumping finding on railway track maintenance equipment from Austria (43 FR 6937, February 17, 1978). The Department announced in the Federal Register of March 16, 1981 (46 FR 16921) its intent to conduct the next administrative review by the end of February 1982. As required by section 751 of the Tariff Act, the Department has conducted that administrative review.

Scope of the Review

The imports covered by this review are shipments of ballast regulators and tamping machines, two specific types of railway track maintenance equipment. Any other types of machinery used in the maintenance of railway track are excluded from this finding. All railway track maintenance equipment is currently classifiable under item 690.2000 of the Tariff Schedules of the United States Annotated (TSUSA).

Plasser & Theurer, GmbH, is the only known exporter to the United States of Austrian railway track maintenance equipment. The review covers the period January 1, 1980 through January 31, 1981. There are no known shipments to the United States during the review period and there are no known unliquidated entries.

Preliminary Results of the Review

Because there were no shipments during this period and the margins on the last shipments were *de minimis*, the Department shall waive requiring a cash deposit, as provided for in § 353.48(b) of the Commerce Regulations, on any shipment of Austrian railway track maintenance equipment entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final results. This deposit waiver shall remain in effect until publication of the final results of the next administrative review.

Interested parties may submit written comments on these preliminary results on or before December 28, 1981 and may request disclosure and/or a hearing on or before December 7, 1981. The Department will publish the final results of the administrative review including the results of its analysis of any such comments or hearing.

This administrative review and notice are in accordance with section 751(a)(1) of the Tariff Act of 1930 (19 U.S.C. 1675(a)(1)) and § 353.53 of the Commerce Regulations (19 CFR 353.53).

November 23, 1981.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 81-34366 Filed 11-27-81; 8:45 am]

BILLING CODE 3510-25-M

Lamb Meat From New Zealand; Preliminary Affirmative Countervailing Duty Determination

AGENCY: International Trade Administration, Commerce

ACTION: Preliminary affirmative countervailing duty determination.

SUMMARY: We have preliminarily determined that the Government of New Zealand is giving its producers, processors, and exporters of lamb meat benefits that are subsidies within the meaning of the countervailing duty law. We estimate the net subsidy to be 6.19 percent of the f.o.b. value of lamb meat exports to the United States. Therefore, we are directing the U.S. Customs Service to temporarily suspend the liquidation of duties on U.S. entries of this merchandise and to require a cash deposit, bond, or other security equal to the estimated net subsidy. We expect to make our final determination by February 4, 1982.

EFFECTIVE DATE: November 30, 1981.

FOR FURTHER INFORMATION CONTACT: Miguel Pardo De Zela or Roland MacDonald, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th and Constitution Avenue, NW., Washington, D.C. 20230 (202-377-1279).

SUPPLEMENTARY INFORMATION:

Preliminary Determination

Based on our investigation, we have preliminarily determined that there is reason to believe or suspect that the Government of New Zealand gives its producers, processors, and exporters of lamb meat certain benefits that are subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act). We estimate the net subsidy to be 6.19 percent of the f.o.b. value of lamb meat exports to the United States. We expect to make our final determination by February 4, 1982.

Scope of the Investigation

The merchandise covered by this investigation is lamb meat currently provided for in 106.30 of the Tariff Schedules of the United States

Case History

On April 23, 1981, we received a petition from the National Wool Growers Association of Salt Lake City, Utah, filed on behalf of the U.S. industry producing lamb meat, alleging that the New Zealand government grants subsidies to its producers and exporters of lamb meat. They were joined in this petition by the National Lamb Feeders Association on May 12, 1981. After reviewing the petition, we decided that it contained sufficient grounds to initiate a countervailing duty investigation. Therefore, on May 18, 1981, we announced the initiation of the investigation in the Federal Register (46 FR 27151).

Because the case was "extraordinarily complicated," on July 1, 1981, we postponed our preliminary determination from July 17, 1981, to September 19, 1981 (46 FR 34357).

On September 17, 1981, the office of the United States Trade Representative announced that New Zealand had signed the Agreement on Subsidies and Countervailing Measures and was now a "country under the Agreement," as defined in section 701(b) of the Act (46 FR 46283). As a result, Title VII of the Act became applicable to the then pending countervailing duty investigation and required that the International Trade Commission make a determination on whether imports of New Zealand lamb meat cause, or threaten to cause, material injury to a domestic industry.

Therefore, this case is treated as if it were initiated under section 702 as of September 17, 1981, the date Title VII first applied to the case. In an earlier notice (46 FR 47106, later amended) we announced the date for the preliminary determination to be December 11, 1981. We determined subsequently that the appropriate date for the preliminary determination should be November 23, 1981.

We notified the U.S. International Trade Commission (ITC) and made available to it information relating to the matter under investigation. On October 29, 1981, the ITC found that there is a reasonable indication that imports of lamb meat from New Zealand are materially injuring a U.S. industry.

Programs Believed To Be Subsidies

We have preliminarily determined that certain programs identified in the petition and investigated are used by New Zealand's producers, by its slaughterhouses, and by The Meat Development Company Ltd (Devco) and are subsidies within the meaning of the U.S. countervailing duty law.

The petitioner alleged that programs from the Income Tax Act 1976 and the 1978 and 1979 Amendments provide tax incentives for producing, processing, and exporting lamb meat.

We have preliminarily determined that Devco uses the Increased Exports of Goods, and the Export Market Development and Tourist Promotion Incentive programs, and that the producers use the Livestock Incentive Scheme and miscellaneous production assistance programs.

Increased Exports of Goods (Section 156, Income Tax Act 1976)

The Increased Exports of Goods (IETI) permits a deduction (1) when exports for the income tax year have increased or (2) there are export sales for the income tax year and increased exports from the preceding income tax year. The program allows the taxpayer to deduct from assessable income (taxable income) the greater of the following amounts: (1) 25 percent of the value of the qualifying f.o.b. export sales in excess of the average annual level of export sales in the base period (defined as the first three of the seven years immediately preceding the income tax year); or (2) an amount equal to the value of the export sales during the current income tax year (e.g., 1980), divided by the value of the export sales during the preceding income tax year (e.g., 1979), multiplied by 25 percent of the increase in export sales for the preceding income tax year (e.g., 1979).

After taking normal deductions, Devco used this special deduction to reduce further its current year assessable income and consequently eliminate all 1980 income tax liability. In addition, since the special deduction exceeded net assessable income, Devco is eligible for a tax refund per section 17 of the 1978 Income Tax Amendment, *Credit in Relation To Export of Goods (section 157A)*. The refund equals the amount by which the special deduction exceeds net assessable income times 45 percent (the corporate tax rate).

This special deduction and tax refund relating to export performance constitute an export subsidy under the meaning of the countervailing duty law. For the deduction and tax refund we computed a subsidy of 3.86 percent *ad valorem* of the value of lamb meat exports to the United States.

Export Market Development and Tourist Promotion Incentive (Section 156F, Income Tax Act 1976)

Under the 1979 Amendment of the Income Tax Act 1976, export market development expenditures include expenses incurred principally for seeking and developing markets, retaining existing markets, and obtaining market information. These experter expenditures may qualify for a tax credit of 67.5 percent of the total expenditure. If the exporter takes advantage of this section 156F, however he may not deduct these expenditures as ordinary business expenses in calculating the assessable income derived by the taxpayer in any income year. Consequently, we have offset the tax credit rate of 67.5 percent by 45 percent, the normal corporate income tax rate. The net benefit is 22.5 percent of the qualifying expenditure amount.

Devco used this program and received a tax credit from the Government of New Zealand. Because this program provided direct incentives for exports, it is an export subsidy within the meaning of the countervailing duty law. By allocating the tax credit amount for U.S. expenditures over Devco's total U.S. sales of lamb meat, we found a subsidy amount of .31 percent *ad valorem*.

Livestock Incentive Scheme

The Rural Banking and Finance Corporation (RBFC) was established by statute on April 1, 1974, as a domestic program to provide loans to individuals or organizations engaged in any type of farming, the fishing industry, or "industries in these areas". Its powers include the acquisition of land and other property by purchase or lease and the management, development, sale, or lease of such property.

The organization consists of a chairman and four other directors appointed by the Minister of Finance, with two of the directors appointed after consultation with the Federated Farmers of New Zealand, Inc.

The RBFC administers the Livestock Incentive Scheme, which encourages farmers to permanently increase the number of livestock carried on an existing holding. A farmer whose property has an unused carrying capacity and who intends to permanently increase pastoral production may use one of two options: a suspensory loan or a taxation incentive.

The loan is an interest-free suspensory loan of NZ $12 for each additional qualifying unit of stock. If the farmer sustains the increase in livestock numbers for two years after completing the development program, the government will forgive the loan. Where the farmer does not achieve or sustain this increase, or where he has otherwise defaulted before the loan is forgiven, it becomes repayable to the RBFC.

The taxation option is a deduction of NZ $24 from assessable income for each additional qualifying stock unit. The tax deduction may be used in whole or in part in any of the three tax years after the increase has been sustained for two years (Farmers Increase in Stock Units, Section 130, Income Tax Act 1976).

Because the loan and tax option are directed at the farm sector to encourage the increase in livestock numbers, and since this domestic program benefits exports, we believe the Livestock Incentive Scheme is a subsidy. *The 1980 New Zealand Official Yearbook* has estimated that for fiscal year 1979–80, the value of the loan option was NZ $15.18 million, and that the value of the tax option was NZ $1.43 million. Of the total benefit of NZ $16.61 million we allocated NZ $188,082 to U.S. lamb meat shipments (based on the proportion of total New Zealand lamb production to U.S. imports of New Zealand lamb). On this basis we calculated a subsidy of 0.68 percent *ad valorem*.

Production Assistance

The Government of New Zealand administers a variety of production assistance programs for the agricultural sector. Although the payments under these programs usually are not made directly to the farmer by the Government, the Government does require that the subsidy be passed through to the farmer. This reduces the farmer's production costs, such as the costs for transporting and spreading fertilizers and herbicides, and for land development.

Fertilizer Price Subsidy

From June 2, 1978 through 1979, the Government of New Zealand paid NZ $32 per ton on locally manufactured and imported fertilizer. For superphosphate, the payment reduced the fertilizer producer's cost of raw materials by NZ $32 per ton. For imported fertilizers, it reduced by NZ $32 per ton the price at point of first sale in New Zealand. The Government reduced the payment to NZ $15 per ton for 1980 and 1981. These cost reductions are passed through to the farmer in the form of price reductions equal to the Government payment.

Since these payments to the producers of fertilizer are required by the Government to be passed through to the farmer in the form of reduced prices, we regard them as a subsidy. Since lamb meat shipments to the United States were about 0.3807 percent of total agricultural production, we allocated this percentage of the total fertilizer price subsidy as the benefit to U.S. lamb meat shipments. This subsidy is 0.43 percent *ad valorem* of the value of lamb meat exports to the U.S.

Fertilizer Aerial Spreading Subsidy

Since June 2, 1978, fertilizer spread by a commercial aerial-spreading contractor has qualified for a payment of NZ $2 per ton. The contractor invoices the farmer for this service, less the amount of the subsidy payment. Again, because the Government requires that the payment be passed through to the farmer, we regard this program as a subsidy. We allocated 0.3807 percent (the percent of U.S. lamb meat shipment to total agricultural production) of the total fertilizer aerial spreading subsidy paid by the Ministry of Agriculture and Fisheries in fiscal year 1981 as the benefit to U.S. lamb meat shipments. The subsidy is 0.03 percent *ad valorem*.

Transport Subsidies on Fertilizer and Lime

The Government pays a subsidy on the transport of fertilizer and lime from the works, merchant's store, or port of entry, to the farm gate. The rates for both domestic and imported fertilizers are: first 65 kilometers—8 cents per ton per kilometer, next 165 kilometers—5 cents per ton per kilometer, and over 230 kilometers—3 cents per ton per kilometer.

The supplier invoices the farmer for the delivered price less an amount equal to the Government transport payment. Because the Government requires that this payment be passed through to the farmer, we regard this program as a subsidy. We allocated 0.3807 percent (U.S. lamb meat shipments to total agricultural production) of the total fertilizer and lime transport subsidy paid by the government in FY '81 as the benefit to U.S. lamb meat shipments, which is 0.35 percent *ad valorem*.

Noxious Plant Control Scheme

Under this program, the Government provides payments to farmers equal to 75 percent of the cost of the chemicals used to control specified noxious weeds. We allocated 0.3807 percent (U.S. lamb meat shipments to total agricultural production) of the total noxious plant control payments paid by the government in FY '81 as the benefit to U.S. lamb meat shipments (NZ $34,371), which we calculate to be a subsidy of 0.13 percent *ad valorem*.

Land Development Loans

This program encourages farmers to develop underutilized land. Interest on these loans is not collected and only half the principal portion is ever recovered, if the borrower complies with the terms of the loan. Using the latest data available to us (FY '79) we allocate the amount of the loans and interest above by 0.3807 percent (U.S. lamb meat shipments to total agricultural production). We calculate the subsidy to U.S. lamb meat shipments to be of 0.25 percent *ad valorem*.

Meat Industry Hygiene Grant

These grants were made to meet export processing companies to upgrade plant and equipment to meet certain hygiene standards. This benefit amounted to about 0.12 percent of total meat production (NZ $2.313 million divided by NZ $1.871 billion) which we calculate to be a subsidy of 0.12 percent *ad valorem*.

Programs Believed Not To Be Subsidies

New Zealand's producers, processors, and exporters use the following incentives and assistance. For the purpose of the preliminary determination we believe, however, that these benefits do not constitute subsidies within the meaning of the Act.

Tax Incentives

We have determined that the "standard and nil value of livestock" provision in the Income Tax Act of 1976, is not a subsidy within the meaning of the countervailing duty law.

Standard and Nil Values of Livestock (Section 86, Income Tax Act 1976)

Under section 86 of the Income Tax Act 1976, trading stock (inventory) must be valued at either cost, market, or replacement value. The choice and use of the valuation method is subject to review by the Commissioner. If trading stock (inventory) increased in value and is recorded as such by the taxpayer, the increase in value must be included as assessable (taxable) income for that year. If an end of the year valuation of trading stock results in a decrease in value, the loss is allowed as a deduction in calculating the assessable income for that year. In addition, owners of livestock have another method of valuation offered to them: the standard value and nil value of livestock.

Briefly, the standard and nil value is a method by which livestock inventory may be valued for income tax purposes. Establishment of a standard and nil value must be approved by the Commissioner of Inland Revenue. Once the value is established, changes are not permitted in the method unless approved by the Commissioner.

While not appearing to constitute a subsidy, we will seek further clarification of these tax provisions.

Export Promotional Assistance

We have determined that the benefits resulting from the Meat Producers Board, the Adjustment in Exchange Rates, Negotiated Ocean Freight Rates, and the Meat Export Development Company are not subsidies within the meaning of the countervailing duty law.

Meat Producers Board

The New Zealand parliament established the Meat Producers Board (MPB) through the Meat Export Control Act of 1921–22.

The MPB controls virtually all aspects of the meat trade, including grading, handling, polling, slaughtering, storing, shipping, selling, and disposing of all meat exported from New Zealand.

Although established by Act of Parliament, the MPB is not an agency of the Government. Of the nine members of the Board, only two are appointed by the Government. Six are elected as representatives of sheep and dairy farmers and one is appointed by the Dairy Board. While the MPB is subject to Government audit of its activities and finances, it does not report to the Government nor is there any legal requirement that the MPB follow the policies of the Government. Furthermore, the MPB is liable for payment of property taxes.

The MPB has two principal sources of revenue: (1) an export levy set by the MPB and collected by processors from lamb growers at the time of slaughter; and (2) return on investments from the Meat Industry Reserve Account, which was established in the 1940's with a portion of profits realized on exports of lamb meat to the United Kingdom. In view of the sources of these revenues and the fact that the MPB is not an agency of the Government of New Zealand, we have determined preliminarily that the MPB and its programs are not subsidies within the meaning of the countervailing duty law. We will seek further information on these programs in the course of verification.

Preferred Loans, Debentures and Guarantees

The petitioner alleged that the MPB was issuing loans, holding debentures, and providing guarantees for various companies involved in lamb production and exports. We determined that the MPB entered into these financial transactions as one independent party, whose funds are its own, dealing with another. Therefore we find preliminarily that these programs operated by the MPB are not subsidies within the meaning of the countervailing duty law.

Adjustment of Exchange Rates

Since the New Zealand exchange rate is the same for all sectors of the economy, for export as well as import transactions, and are freely available to all to use in converting currencies, we do not consider the periodic adjustment of the rate to be a subsidy within the meaning of the countervailing duty law.

Negotiated Ocean Freight Rates

The Meat Export Control Act of 1921-22, as amended by the Meat Export Control Amendment Act 1968, empowers the MPB, acting as the agent of the owners of the meat, to contract for the carriage by sea or by air of any meat to be exported from New Zealand. The petitioner claims that the Meat Producers Board's control of lamb exports is likely to lower rates for ocean freight. Since these rates are freely negotiated and are not preferential, we determine that they are not subsidies within the meaning of the countervailing duty law.

Meat Export Development Company (Devco)

The Meat Export Development Company (Devco) is the sole exporter of New Zealand lamb meat to North America. Devco purchases lamb in carcass form and has it cut (leg, shoulder, loin, rack, and shank) and packaged according to specifications developed for the North American market. Exporting companies sell lamb carcasses to Devco at prices that meet or exceed returns they could receive from other markets. Devco pays for the fabrication, packaging, and freight of lamb sold in the United States.

Devco is a corporate entity which receives income through the sale of lamb meat and is subject to corporate income taxes. We therefore have preliminarily determined that the business operations of Devco are not subsidies within the meaning of the countervailing duty law.

Program No Longer in Existence

Special Payment for Sheep and Livestock

In its 1978 budget, the New Zealand Government provided for special taxable cash payments to compensate farmers for loss of income from drought. Payments were made at the rate of NZ $0.50 per head of sheep, NZ $2.00 per head of beef cattle, and NZ $3.00 per head of dairy cattle. In the year ending March 31, 1981, the goverment spent NZ $13,000 under this program. As of March 31, 1981, payments under this program have ceased, and there are no residual benefits.

Programs Not Currently Used

Export Performance Incentive for Qualifying Goods (Section 156A, Income Tax Act 1976)

This program provides an incentive on total rather than increased exports and relates directly to the product's added domestic value. Under this program all goods exported are assigned a "value-added band" to which a specified percentage is allocated. In the case of qualifying goods, the specified percentage rebate is between 1.4 and 11.9 percent. The incentive is a credit against tax payable, or a cash payment if the taxpayer's loss exceeds his profits.

This program may be used as an alternative to section 156 which is described above under the programs believed to be subsidies. Only one of the two programs (156 or 156A) may be utilized. In the 1980 tax year, Devco chose the section 156 program. For the 1981 tax year and up through March 1983 (transitional period), Devco may choose between these two programs.

Production Assistance

Price Stabilization Program

Since the Price Stabilization Program was not used during the period of investigation we have made no determination as to whether or not it would constitute a subsidy on its face.

Sulphuric Acid Transport Payments

Payments under this program were not made to producers of lamb exported to the U.S.

Export Guarantee Office

Established by the Export Guarantee Act of 1964, the Export Guarantee Office provides credit insurance for goods supplied or/services provided beyond New Zealand. Devco is the only exporter of lamb meat to the United States and is not a client of the Export Guarantee Office. Therefore, while we make no determination whether the Export Guarantee Office operates any program which is a subsidy on its face, we have found that no benefit is conferred upon exports of lamb to the U.S.

Suspension of Liquidation

In accordance with section 703 of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries for consumption or withdrawals from warehouse for consumption of the subject merchandise on or after the date of this notice's publication. We are also directing Customs to require a cash deposit, bond, or other security in the amount of 6.19 percent *ad valorem* to be posted on this merchandise. Until further notice, this suspension will remain in effect.

Public Comment

As described in § 355.34 of the Commerce Department Regulations, we will hold a public hearing to afford interested parties an opportunity to comment orally on this preliminary determination. If requested, this hearing is scheduled to be held at 10:00 AM on December 15, 1981, at the U.S. Department of Commerce, Room 3611, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. All requests for hearing must be submitted within 10 days of this notice's publication, to the Deputy Assistant Secretary for Import Administration, Room 2800, at the same address. They should contain (1) the party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. Prehearing briefs must be submitted to the Deputy Assistant Secretary by December 8, 1981. Oral presentations will be limited to the issues raised in the briefs and rebuttals.

In accordance with § 355.43, Commerce Regulations, all written views must be filed within thirty days of this notice's publication, at the above address, and in at least ten copies.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 81-34252 Filed 11-27-81; 8:45 am]

BILLING CODE 3510-25-M

Sodium Gluconate From the European Economic Community; Suspension of Investigation

AGENCY: International Trade Administration, Commerce.

ACTION: Suspension of Countervailing Duty Investigation on Sodium Gluconate from the European Economic Community.

SUMMARY: The Department of Commerce has decided to suspend the countervailing duty investigation involving sodium gluconate from the European Economic Community ("EC"). The basis for the suspension is an agreement by Joh. A. Benckiser GmbH, a manufacturer and exporter who accounts for substantially all of the imports of sodium gluconate from the EC, to renounce all export restitution payments on sodium gluconate exports to the United States.

EFFECTIVE DATE: November 30, 1981.

FOR FURTHER INFORMATION CONTACT: Mary A. Martin, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, D.C. 20230, (202-377-3534).

SUPPLEMENTARY INFORMATION: On June 16, 1981, we received a petition from counsel representing Pfizer, Inc. of New York, New York. Petitioner simultaneously filed a copy of the petition with the United States International Trade Commission ("ITC"). The petition alleged that the EC which is a "country under the Agreement" as defined by section 701(b) of the Tariff Act of 1930, as amended ("the Act") is providing subsidies for the production and exportation of sodium gluconate and that the sodium gluconate industry in the United States is being materially injured, or is threatened with material injury, by reason of the importation of sodium gluconate into the United States. After conducting a summary review of the petition, we instituted an investigation, and notice was published in the Federal Register of July 14, 1981 (46 FR 3621).

On July 31, 1981, the ITC notified us that it had determined, as required by section 703(a) of the Act, that there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, by reason of the importation of the subject imports. The Commission's determination and the reasons therefore were published in the Federal Register of August 12, 1981 (46 FR 40839).

Counsel for Joh. A. Benckiser GmbH ("Benckiser"), a manufacturer of sodium gluconate in the Federal Republic of Germany, in a letter dated August 14, 1981, proposed to enter into a suspension agreement pursuant to section 704 of the Act and § 355.31 of the Commerce Department Regulations. In the proposal Benckiser stated that it produces sodium gluconate from dextrose and glucose, which it purchases in arms length transactions from an unrelated supplier, and therefore it received no production refunds. Benckiser received export restitution payments under the EC Common Agricultural Policy ("CAP") regulations which cover sodium gluconate exports. Benckiser renounced all export restitution payments on sales of sodium gluconate to the United States effective August 18, 1981.

On September 9, 1981, we preliminarily determined that the EC is subsidizing the manufacture, production, and exportation of sodium gluconate within the meaning of the countervailing duty law. The programs found preliminary countervailable were the production refund payments on corn and potatoes and the export restitution payments on sodium gluconate. We directed the U.S. Customs Service to suspend liquidation of all unliquidated entries of the merchandise entered, or withdrawn from warehouse, and to require a cash deposit, bond, or other security in the amount of $107.05 per metric ton to be posted on this merchandise. Notice of the preliminary affirmative countervailing duty determination was published in the Federal Register on September 16, 1981 (46 FR 45975).

On October 7-8, 1981, we verified Benckiser's response to the producer's questionnaire. We determined that Benckiser's exports of sodium gluconate to the United States exceeded 85 percent of total EC exports of the merchandise to the United States during the period July 1, 1980-June 30, 1981. We also verified that Benckiser has received no export restitution payment on sodium gluconate exports to the United States since it renounced the payments.

On October 21, 1981, the Department and counsel for Benckiser initialled a proposed suspension agreement. Copies of the proposed agreement were provided to the petitioner for its consultation and to other parties to the proceeding for their comments. The proposal concerning suspension of the investigation was published in the Federal Register of October 30, 1981 (45 FR 53738).

The Department consulted with the petitioner and has considered the comments submitted with respect to the proposed suspension agreement. We have determined that the criteria for suspension of an investigation pursuant to section 704(b) of the Act have been satisfied. We are satisfied that the agreement offsets completely the amount of the net subsidy on exports to the United States, can be monitored effectively, and is in the public interest. The terms and conditions of the agreement are set forth in Annex 1 to this notice.

Pursuant to section 704(f)(2)(A) of the Act, the liquidation of entries of sodium gluconate from the EC suspended effective September 16, 1981, as directed in the Preliminary Affirmative Countervailing Duty Determination is terminated. Any cash deposits on entries of sodium gluconate from EC pursuant to that suspension of liquidation shall be refunded and any bonds or other security shall be released.

The Department intends to conduct an administrative review within twelve months of the publication of this suspension as provided in section 751 of the Act.

Notwithstanding the suspension agreement, the Department and the ITC will continue the investigation, if we receive such a request in accordance with section 704(g) of the Act on or before December 21, 1981.

This notice is published pursuant to section 704(f)(1)(A) of the Act.

Gary N. Horlick

Deputy Assistant Secretary for Import Administration.

November 23, 1981.

Annex I—Sodium Gluconate From the European Economic Community Agreement

Pursuant to the provisions of section 704 of the Tariff Act of 1930 ("the Act") and section 355.31 of the Commerce Department Regulations, the United States Department of Commerce ("the Department") enters into the following agreement with Joh. A. Benckiser GmbH, Benckiserplatz 1, D-6700, Ludwigshafen/Rhein, Federal Republic of Germany ("Benckiser"). On the basis of this agreement, the Commerce Department shall suspend its countervailing duty investigation with respect to sodium gluconate from the European Economic Community ("EC") in accordance with the terms and provisions set forth below.

A. Product Coverage

This suspension agreement is applicable to all sodium gluconate manufactured by

APPENDIX G

COMMISSION'S DETERMINATIONS IN INVESTIGATION NOS. 701-TA-214 and 731-TA-188

August 10, 1984. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10 a.m. on August 17, 1984, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is August 16, 1984. A public version of the prehearing staff report containing preliminary findings of fact in this investigation will be placed in the public record on August 6, 1984.

FOR FURTHER INFORMATION CONTACT: Larry Reavis (202-523-0296), Office of Investigations, U.S. International Trade Commission, Washington, D.C. 20436.

Issued: June 7, 1984.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 84-15900 Filed 6-12-84; 8:45 am]

BILLING CODE 7020-02-M

[Investigations Nos. 701-TA-214 (Preliminary) and 731-TA-188 (Preliminary)]

Lamb Meat From New Zealand

Determinations

On the basis of the record [1] developed in the subject investigations, the Commission determines,[2] pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)), that there is no reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from New Zealand of lamb meat, provided for in item 106.30 of the Tariff Schedules of the United States (TSUS), which are alleged to be subsidized by the Government of New Zealand.

The Commission also determines,[3] pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), that there is no reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from New Zealand of lamb meat, provided for in TSUS item 106.30, which are alleged to be sold in the United States at less than fair value.

[1] The record is defined in § 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(i)).

[2] Commissioners Haggart and Lodwick determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of lamb meat from New Zealand which are alleged to be subsidized by the Government of New Zealand.

[3] Commissioners Haggart and Lodwick determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of lamb meat from New Zealand which are alleged to be sold at less than fair value.

Background

On April 18, 1984, petitions were filed with the United States International Trade Commission and the U.S. Department of Commerce by counsel on behalf of the American Lamb Co., the Denver Lamb Co., and the Iowa Lamb Corp., alleging that imports of lamb meat from New Zealand are being subsidized and are being sold in the United States at less than fair value. Accordingly, the Commission instituted preliminary countervailing and antidumping investigations under sections 703(a) and 733(a), respectively, of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise.

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on April 25, 1984 (49 FR 17828). The conference was held in Washington, D.C., on May 10, 1984, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its report on the investigations to the Secretary of Commerce on June 4, 1984. A public version of the Commission's report, *Lamb Meat from New Zealand* (investigations Nos. 701-TA-214 (Preliminary) and 731-TA-188 (Preliminary), USITC Publications 1534, 1984), contains the views of the Commission and information developed during the investigations.

Issued: June 4, 1984.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 84-15898 Filed 6-12-84; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 337-TA-164]

Certain Modular Structural Systems; Review of Initial Determination and Termination of Investigation

AGENCY: U.S. International Trade Commission.

ACTION: Notice is hereby given that the Commission has determined to review the presiding officer's initial determination that there is a violation of section 337 in the above-captioned investigation and to terminate this investigation on the basis that the investigation is moot and that, in any event, there is no violation of section 337.

Authority: The authority for the Commission's disposition of this matter is contained in section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) and in §§ 210.53–210.56 of the Commission's Rules of Practice and Procedure (47 FR 25134, June 10, 1982 and 48 FR 9242, March 4, 1983; codified at 19 CFR 210.53–210.56.

SUPPLEMENTARY INFORMATION: On March 29, 1984, the presiding officer issued an initial determination that there is a violation of section 337 in the importation and sale of certain modular structural systems. On April 30, 1984, the Commission extended the time for determining whether to review the initial determination until June 4, 1984, and ordered the complainant to show cause why this investigation should not be terminated as moot as a result of a judgment of the Federal Court of Canada, issued January 10, 1984. 49 FR 19746 (May 9, 1984).

After considering the record and the initial determination, the Commission determined to review the initial determination and to terminate this investigation because it is moot and because, in any event, there is no violation of section 337.

Notice of this investigation was published in the Federal Register of September 15, 1983 (48 FR 41531).

Copies of the Commission's Action and Order, the Memorandum Opinion to be issued by the Commission, and all other nonconfidential documents filed in connection with this investigation are available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street NW., Washington, D.C. 20436, telephone 202-523-0161.

FOR FURTHER INFORMATION CONTACT: Wayne W. Herrington, Esq., Office of the General Counsel, U.S. International Trade Commission, tel. 202-523-0480.

Issued: June 4, 1984.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 84-15895 Filed 6-12-84; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX H
INTERNATIONAL TRADE ADMINISTRATION
AFFIRMATIVE DETERMINATION OF SUBSIDY (1985)

determination in this case not later than October 23, 1985.

The public hearing is also being postponed until 9:30 a.m. on September 26, 1985 at the U.S. Department of Commerce, Room 1412, 14th Street and Constitution Avenue NW, Washington, DC 20230. Accordingly, prehearing briefs must be submitted to the Deputy Assistant Secretary by September 23, 1985.

This notice is published pursuant to section 735(d) of the Act.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

September 3, 1985.

[FR Doc. 85-22216 Filed 9-16-85; 8:45 am]

BILLING CODE 3510-DS-M

International Trade Administration

[C-614-503]

Final Affirmative Countervailing Duty Determination and Countervailing Duty Order; Lamb Meat from New Zealand

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that certain benefits which constitute bounties or grants within the meaning of the countervailing duty law are being provided to producers, processors or exporters in New Zealand of lamb meat as described in the "Scope of Investigation" section of this notice. The net bounty or grant for the review period is NZ$0.3602/lb. Therefore, we are directing the U.S. Customs Service to continue to suspend liquidation of all entries of lamb meat from New Zealand which are entered, or withdrawn from warehouse, for consumption, and to require a cash deposit on these products equal to the net bounty or grant.

EFFECTIVE DATE: September 17, 1985.

FOR FURTHER INFORMATION CONTACT: Gary Taverman or Mary Martin, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 377-0161 or 377-3464.

SUPPLEMENTARY INFORMATION:

Final Determination

For purposes of this investigation, the following programs have been found to confer bounties or grants:

- Meat Producers Board Price Support Scheme
- Supplementary Minimum Price Scheme
- Export Market Development Taxation Incentive
- Export Performance Taxation Incentive
- Export Suspensory Loan Scheme
- Regional Development Suspensory Loan Scheme
- Livestock Incentive Scheme

The net bounty or grant for the review period is NZ$0.3602/lb.

Case History

On March 26, 1985, we received a petition from the American Lamb Company of Chino, California; the Denver Lamb Company of Denver, Colorado; and the Iowa Lamb Corporation of Hawarden, Iowa, filed on behalf of the U.S. lamb meat industry. In compliance with the filing requirements of § 355.26 of our regulations (19 CFR 355.26), the petition alleged that producers, processors or exporters of lamb meat in New Zealand directly or indirectly receive benefits which constitute bounties or grants within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act).

On April 11, 1985 (after the filing of the petition and prior to the intitiation of this investigation), the Office of the United States Trade Representative terminated New Zealand's status as a "country under the Agreement" within the meaning of section 7019(b)(1) of the Act.

Since New Zealand is no longer a "country under the Agreement" within the meaning of section 701(b) of the Act and the merchandise under investigation is dutiable, sections 303(a)(1) and 303(b) of the Act apply to this investigation. Accordingly, the ITC is not required to determine whether imports of these products cause or threaten material injury to a U.S. industry, or are materially retarding the establishment of an industry in the United States.

We found that the petition contained sufficient grounds upon which to initiate a countervailing duty investigation, and on April 15, 1985, we initiated the investigation (50 FR 15949). We stated that we expected to issue our preliminary determination by June 19, 1985.

On April 25, 1985, we presented a questionnaire to the New Zealand government in Washinton, D.C. concerning the petitioner's allegations. Responses to the questionnaire were received on May 31, 1985, with supplementary information submitted on June 17, 1985.

On June 25, 1985, we published our preliminary determination that benefits which constitute bounties or grants are being provided to producers, processors, or exporters in New Zealand (50 FR 26236).

During the period July 1 to 16, 1985, we conducted a verification of the response submitted by the government of New Zealand.

At the request of the petitioners, we held a public hearing on July 30, 1985, to allow the parties an opportunity to address the issues arising in the investigation. Both petitioners and respondents filed briefs discussing these issues.

Scope of Investigation

The product covered by this investigation is lamb meat from New Zealand, currently classified in the *Tariff Schedules of the United States* (TSUS) under item 106.30.

Analysis of Programs

Throughout this notice, we refer to certain general principles applied to the facts of this investigation. These principles are described in the "Subsidies Appendix" attached to the notice of "Cold-Rolled Carbon Steel Flat-Rolled Products from Argentina; Final Affirmative Contervailing Duty Determination and Countervailing Duty Order," which was published in the April 26, 1984, issue of the **Federal Register** (49 FR 18006).

For purposes of this determination, the period for which we are measuring bounties or grants ("the review period") is April 1, 1984, through March 31, 1985, which corresponds to the 1985 fiscal year of the government of New Zealand.

Based upon our analysis of the petition, the responses to our questionnaire, our verification, and comments submitted by interested parties, we determine the following:

I. Programs Determined To Confer Bounties or Grants

We determine that bounties or grants are being provided to producers, processors, or exporters in New Zealand of lamb meat under the following programs:

A. Meat Producers' Board Price Supports Scheme

Pursuant to the Meat Export Prices Act of 1955 (amended in 1976 and 1982), the Meat Board Price Support Scheme was established to compensate meat producers for fluctuations in market prices and to guarantee them a minimum return on export sales of their products. The scheme is administered by the Meat Producers Board (the Board), the Ministry of Agriculture and Fisheries, and the Meat Export Prices Committee.

It is financed through the Meat Income Stabilization Account (MISA), an overdraft account maintained by the Board at the Reserve Bank of New Zealand.

The New Zealand Parliament established the Board through the Meat Export Control Act of 1921–22. The Board controls virtually all aspects of the meat trade including grading, handling, polling, slaughtering, storing, shipping, selling and disposing of all meat exported from New Zealand. Although established by Act of Parliament, the Board is not an agency of the government. Of the nine members of the Board, two are appointed by the government, six are elected as representatives of sheep and diary farmers and one is appointed by the Dairy Board. While the Board is subject to government audit of its activities and finances, it does not report to the government and is not legally required to follow government policy.

The Board appears to have four primary sources of funds: (1) A levy set by the board and collected by processors from lamb, sheep and cattle growers at the time of slaughter; (2) return on investments; (3) short-term borrowings from commercial lenders in New Zealand and overseas; and (4) advances from the Meat Industry Reserve Account (the MIRA).

Each production season, the Meat Export Prices Committee (the Committee), an independent, non-governmental committee, establishes a "schedule (minimum) price" for each grade of lamb slaughtered for export. Those prices are set at the beginning of the season and remain in effect for the entire season. At the time of slaughter, the processing company pays the schedule price, less slaughtering and freezing costs, to the producers. The processing company, in turn, is reimbursed by the Board at the schedule price. The Board, in effect buys all the meat which is subsequently exported. In addition, the Committee annually establishes a "trigger price" above which the meat income stabilization levy is collected from producers. The meat income stabilization levy is deposited into the MISA when the market price exceeds the trigger price.

The Board has two methods by which it can support the price of meat. If the market price falls below the schedule price, the Board may either: (1) Purchase meat at the schedule price, or (2) purchase meat at the market price and make a stablization payment equal to the difference between the market price and the schedule price. In either case, the funds used to support the price are drawn from the MISA. Since November, 1983, the Board has elected to purchase all export lamb meat at the schedule price.

According to the questionnaire response, the MISA is meant to be self-balancing, *i.e.*, producer levies collected during periods of high prices cover the cost of support payments made during periods of low prices. When the MISA is in a deficit position, the government authorizes the Board to meet its commitments through a low-cost overdraft arrangement with the Reserve Bank of New Zealand (MISA Account No. 1). On October 1, 1984, a new overdraft account (MISA Account No. 2) was established to provide coverage on deficits incurred subsequent to the date. The New Zealand Meat Producers Board 1984 Annual Report indicate that the MISA Account No. 1 deficit would be converted to a 30-year subordinated loan, with no interest or principal repayable until September 30, 1989.

We do not consider the minimum price support payments funded by producer levies to constitute a bounty or grant within the meaning of the countervailing duty law. However, this program does operate to guarantee producers a minimum return on export sales, and provides government funds to the Meat Producers Board on terms that are not available from commercial sources. Therefore, we determine that the portion of the payments represented by government funds provides an indirect bounty or grant on exports within the meaning of the countervailing duty law.

In our preliminary determination, we treated the accumulated lamb meat deficit in the MISA Account No. 1 as a one-year, interest-free loan. However, we have reconsidered this issue and have now determined that the government's coverage of the MISA deficit should be viewed *de facto* as a continuing price support payment to lamb meat producers and, as such, countervailable in the year of receipt. This support program has been in operation since 1976 and, while in theory the MISA is self-funding, deficits on lamb meat have grown to a level of NZ$332 million as of March 31, 1984. Counsel for petitioners has stated, and we concur, that it is unrealistic to expect the MISA Account No. 1 deficit to be repaid. Trigger prices have consistently been higher than market prices and, as such, producer levies have not been generated. Given the current pricing mechanism in effect, producer levies are not likely to be generated in the immediate future. Although the Board, in its 1984 Annual Report, discussed the conversion of the accumulated deficit in the MISA Account No. 1 into a 30-year loan, we have verified that the conversion agreement has not been finalized. Therefore, we have no evidence that the deficit will in fact be repaid, nor do we have evidence indicating that additional deficits will not be incurred. To the contrary, we were informed at verification that the first advance against the MISA Account No. 2 overdraft facility is expected later this year to cover current deficits. Therefore, consistent with our treatment of government price support payments in the *Final Affirmative Countervailing Duty Determination: Live Swine and Fresh, Chilled and Frozen Pork Products from Canada* (50 FR 25097), we have determined that benefits provided under this program are, in fact, recurring price support payments and should be allocated to the year of receipt. Dividing the value of the MISA Account No. 1 deficit attributable to lamb meat during the period of investigation by the total weight of the lamb products exported resulted in a net bounty or grant amount of NZ$0.10171/lb.

B. Supplementary Minimum Prices Scheme (SMP)

The Ministry of Agriculture and Fisheries established the SMP in 1978 to augment the support payments provided under the Meat Producers Board Price Support Scheme. Each year, the government established a supplementary minimum price support level (supplementary price) which was set above the Board's schedule price level. Support payments equal to the difference between those two prices were drawn from the government-funded Supplementary Minimum Meat Prices Account (SMMPA). If the market price falls below the Board's schedule price, payments are then made from both the Meat Board's Minimum Price Support Scheme *and* the Supplementary Minimum Price Support Scheme. Supplementary payments are made only on meat sold for export consumption.

In September, 1984, the Minister of Finance terminated the SMP and instead provided the SMMPA with a lump-sum payment estimated to equal the value of payments that were provided under the SMP. Because of the overlap between the government's fiscal year (April-March) and the production period (October-September), the Board received payments under both the SMP and the lump-sum disbursement during the review period.

Because price support payments provided under the SMP and lump-sum schemes represent direct government payments limited to the exported product, we determine them to be bounties or grants within the meaning of the countervailing duty law. To calculate the benefit from this program, we divided the value of the 1984–85 payments (SMP's and lump-sum payments) by the total weight of lamb products exported during the review period. This resulted in net bounty or grant of NZ$0.1741/lb.

C. Export Market Development Taxation Incentive (Section 156F, Income Tax Act 1976) (EMDTI)

Under the 1999 Amendment of the Income Tax Act 1976, export market development expenditures, such as expenses incurred principally for seeking and developing markets, retaining existing markets, and obtaining market information, qualify for a tax credit equal to 67.5 percent of the total expenditure. However, an exporter who takes advantage of this program may not deduct the qualifying expenditures as ordinary business expenses in calculating taxable income. Because the normal corporate tax rate in New Zealand is 45 percent, the net benefit to exporters under this program is 22.5 percent of the qualifying expenditure amount. We have verified that the Meat Export Development Company (Devco) received benefits under this program during the review period.

According to our tax methodology, tax benefits earned during a given fiscal/tax year are treated as received the following year, the year the tax return is filed.

Because eligibility for this program is limited to exporters, we determine that the EMDTI provides a bounty or grant within the meaning of the countervailing duty law. Accordingly, we divided 22.5 percent of the U.S.-related qualifying expenditures incurred by Devco in 1983/84 by the weight of its lamb products exported to the United States during the review period. This resulted in a bounty or grant amount of NZ$0.0348/lb.

D. Export Performance Taxation Incentive (Section 156A, Income Tax Act 1976) (EPTI)

Under the 1979 Amendment of the Income Tax 1976, exporters receive a tax credit based on the f.o.b. value of qualifying goods exported. Credits are available as a deduction against income tax payable and, if the tax credit exceeds the income tax payable, the balance is paid to the taxpayer in cash. The rate, or specified percentage of the tax credit is dependent upon the predetermined government value-added category into which the product falls. The amount of the tax credit is calculated by multiplying the specified percentage corresponding to the value-added category into which the product falls by the f.o.b. value of export sales. Lamb meat processed beyond the primal cut stage falls into value-added category D, for which the corresponding specified percentage is 7.7 percent. The specified percentages under this program will be reduced in the tax years ending on March 31, 1986, and March 31, 1987. Devco received benefits under this program during the review period.

Becaues eligibility for this program is limited to exporters, we determine that it provides a bounty or grant within the meaning of the countervailing duty law. To calculate the tax benefit, we divided the amount of the tax credit claimed for qualifying laws products exported to the United States in 1983/84 by the weight of lamb products exported to the United States during the review period. This resulted in a net bounty or grant of NZ$0.0292/lb.

E. Export Suspensory Loan Scheme

The Export Suspensory Loan Scheme (ESLS), administered by the Department of Trade & Industry and the Development Finance Corporation (DFC), was establisned in the 1973 budget and modified by Cabinet decision in 1978. The purpose of the program is to provide loans to assist exporters in purchasing equipment needed to expand their production of export goods. The loans cover up to 40 percent of eligible expenditures and are converted to grants if pre-determined export targets are met. If the export targets are not met, the loans may be partially converted to grants or called in full at the DFC's long-term interest rates. The ESLS terminated on March 31, 1985; no new loans under this program will be granted.

Because this program is contingent on export performance and provides loans: (1) That may be at rates lower than those available from commercial sources, and (2) that may be converted to grants, we determine it confers bounties or grants within the meaning of the countervailing duty law.

To calculate the benefit from this program, we treated the loans which had not yet been forgiven as a series of one-year loans rolled over each year. For our benchmark, we used national average commercial interest rate on overdraft accounts, as this is the preponderant source of short-term financing in New Zealand. In this case, the interest rates charged were above our benchmark rate and, therefore, no countervailable benefits were bestowed. For loans which had been forgiven because the export targets were met, the amount forgiven was treated as a grant. The amounts forgiven prior to the review period were small enough that the benefits would have been allocated to the year of forgiveness. Therefore, we have not included these grants in our calculation. We have included the forgiveness that occurred during the review period and allocated the entire benefit to the review period because the *ad valorem* benefit was less than 0.5%.

Dividing the benefit from the grant portion of the program by the total weight of the lamb products exported during the review period resulted in a net bounty or grant amount of NZ$0.00005/lb. We have not adjusted the net bounty or grant amount to account for this program's termination because there are still loans outstanding that may be converted to grants in the future.

F. Regional Development Suspensory Loan Scheme (RDSL)

The New Zealand Government established the Regional Development Assistance Program to encourage utilization of resources in priority regions of New Zealand. Regions designated by the government as non-priority do not qualify for regional developement assistance. The RDSL program, one of a variety of regional development programs administered by the DFC, provides interest-free loans which are later converted to grants if development objectives are met. One freezing works (*i.e.*, a company that slaughters lambs and processes lamb meat) located in a priorty region in New Zealand has received a loan under this program to be used for the production of products subjects to this investigation.

Because this program provides government-funded financing to specific regions in New Zealand on terms inconsistent with commercial considerations, we determine it to be a regional subsidy, and is therefore countervailable. To calculate the benefit from this program, we treated the loans which had not yet been forgiven as a series of one-year loans rolled over each year. For our benchmark, we used the national average commercial interest rate on overdraft accounts. For loans which had been forgiven because the development targets were met, the amounts forgiven were treated as grants, and because the *ad valorem* benefit was less than 0.5%, were allocated to the year the conversion occurred. There were no conversions made during the review period.

Dividing the value of the benefits from the loan portion of the program by the total weight of the lamb portion of the program by the total weight of the lamb products sold during the review period resulted in a net bounty or grant amount of NZ$0.00001/lb.

G. Livestock Incentive Scheme

The Livestock Incentive Scheme (the scheme) was introduced in 1976 under section 174 of the Income Tax Act 1976, and is administered by the Rural Banking and Finance Corportion (RBFC). The RBFC was established to provide loans and other development assistance for farming, other primary industries, and related service industries.

This particular schemes encourages farmers to increase permanently the numbers of livestock carried. Under the scheme, a farmer employing a stock increase program for a minimum of one and a maximum of three years may opt for one of two incentives: (1) An interest-free suspensory loan of NZ$12.00 for each additional qualifying stock unit carried, or (2) a deduction of NZ$24.00 from assessable income for each additional qualifying stock unit carried. (A "stock unit" represents one breeding-ewe equivalent; *e.g.*, one breeding ewe = 1 stock unit, other sheep = 0.7 stock units, a dairy cow = 7 stock units, *etc.*) The last date for making applications under the scheme was March 31, 1982.

Under the loan option, no interest was charged on the loan if the recipient complied with the conditions of the scheme. Upon breach of the conditions, the principal was repayable in cash or over a term with interest at the RBFC rate for development loans.

Farmers choosing the tax incentive could claim deductions at the time of livestock increases or at the end of the program plus the two-year sustaining period. All other qualifying criteria are the same as for the loan option.

If the livestock increase was sustained for two years following the development program's completion, farmers who elected to take out suspensory loans could write the loans off as tax-free grants. For farmers electing the tax option, the provisional tax deduction was confirmed and could be applied toward tax liability in any of the three years after completion of the development program.

Because benefits under this program are limited to farmers with livestock herds and are on terms inconsistent with commercial considerations, we determine that it is limited to a specific enterprise or industry, or group of enterprises or industries, and is therefore countervailable.

To calculate the benefit received from the loan option portion of this program, we treated the amounts forgiven as grants and allocated those benefits over five years, the average useful life of breeding stock. The discount rate chosen for allocation purposes was the national weighted-average trading-bank loan rate. For the portion that has not yet been forgiven, we treated the amount as a one-year loan and compared the interest rate to the benchmark as described above. The benefit under the tax option was determined to be the amount of the tax deductions that were available to be used during the review period. We added the value of the benefits from the loan and tax option portions of the program, and multiplied the result by a factor determined to represent the value of lamb meat as a percentage of total sheep production. Dividing that result by the total weight of the lamb products sold during the review period resulted in a net bounty or grant amount of NZ$0.0149/lb.

II. Programs Determined Not To Confer Bounties or Grants

We determine that bounties or grants are not being provided to producers, processors, or exporters of lamb meat in New Zealand under the following programs:

A. Loans and Loan Guarantees Provided by the Meat Producers Board

The petitioners alleged that the Board is issuing loans and providing guarantees for various companies involved in lamb production and exportation, loans and guarantees that they claim are countervailable. In our preliminary determination, we stated that the Meat Board entered into these financial transactions as one independent party, whose funds are its own, dealing with another. We have since verified that the funds used for the loans and loan guarantees are not its own, but those of the MIRA.

During World War II, the government of New Zealand took control of the marketing of all meat products, and entered into a bulk-purchasing agreement with the United Kingdom. The profits from the sale of meat products remaining when that agreement was terminated in 1942 were put into the Meat Pool Account, the stated purpose of which was to provide a fund for the future benefit of the industry. Additional profits resulting from increases in the price paid by the United Kingdom for meat products were credited to the Meat Income Stabilization Account.

Note.—This Meat Income Stablization Account is different from the one discussed previously in this notice.

Like the Meat Pool Account, the funds in this account were also to be held for the future benefit of the industry. These two accounts were eventually combined and provided the seed money for the MIRA. Since its establishment, the MIRA has grown through investment to approximately NZ$150 million. There have no government infusions of funds into the account. The Board administers the account for the benefit of the industry, and determines how its funds are to be used.

Therefore, because the MIRA contains industry money, which the Board administers for the benefit of the industry, we determine that the use of the MIRA to fund these programs operated by the Meat Producers Board is not a bounty or grant within the meaning of the countervailing duty law.

B. Fertilizer Price Subsidy

Under the administration of the Ministry of Agriculture and Fisheries, the government of New Zealand provides payments to wholesalers or importers of phosphate rock, phosphatic, potassic, nitrogenous and compound fertilizers, and on all organic fertilizers. The response indicates that wholesalers and fertilizer producers pass these payments on to farmers in the form of reduced prices.

In our preliminary determination, we stated that the purpose of this program was to maintain a low cost of fertilizer to farmers in order to encourage adequate *pasture* maintenance and development. As such, we determined that its benefits were limited to a specific enterprise or industry, or group of enterprises or industries, and were countervailable.

We have since verified that benefits under this program were available to and used by a wide variety of agricultural producers. We found no government restrictions, either *de jure* or *de facto*, that would lead us to conclude that the provision of benefits under this program was limited by industry, sector or region. Therefore, we find this program not countervailable.

C. Fertilizer and Lime Transportation Subsidy

Under the administration of the Ministry of Agriculture and Fisheries, the government of new Zealand provided payments to retailers and wholesalers of fertilizer and lime to cover their costs of transporting those products from the superphosphate works, ports of landing, or approved limeworks. We verified that these payments are, in turn, passed on to farmers in the form of reduced prices

In our preliminary determination, it was our understanding that the purpose of the program was to ensure that the rate of fertilizer application was kept at levels allowing for adequate *pasture* maintenance and development. We stated that because benefits under this program appeared to be provided primarily to sheep and other livestock farmers, we determined that its benefits were limited to a specific enterprise or industry, or group of enterprises or industries, and were countervailable.

We have since verified that benefits under this program were available to and used by a wide variety of agricultural producer's. We found no government restriction, either *de jure* or *de facto*, that would lead us to conclude that the provision of benefits under this program was limited. Therefore, we find this program not countervailable.

D. Fertilizer and Lime Bounty

Under the administration of the Ministry of Agriculture and Fisheries, the government of New Zealand sponsored two programs under this heading. The first, called "The Fertilizer and Lime Bounty," was terminated in 1979. The second, called "The Fertilizer Aerial Spreading Bounty," provided payments to aerial spreading companies, payments which were then credited to the farmer.

In our priliminary determination, we found this program to be limited to a specific enterprise or industry, or group of enterprises or industries, because the majority of payments appeared to be provided to sheep and other livestock farmers.

We have since verified that benefits under this program were available to and used by a wide variety of agricultural producers. We found no government restriction, either *de jure* or *de facto*, that would lead us to conclude that the provision of benefits under this program was limited by industry, sector or region. Therefore, we find this program not countervailable.

E. Deductions for Capital Expenditures for Development of Domestic Farmland

This program is administered by the Inland Revenue Department. Under sections 126, 127 and 129 of the Income Tax Act 1976, a deduction is available for certain expenditures incurred in clearing and preparing farming and agricultual land. The deductions may be taken in the year incurred or spread over that year and the next four tax years. Any taxpayer engaged in farming or agricultural business on land in New Zealand may claim a deduction for qualifying capital expenditures.

We verified that any taxpayer engaged in any farming or agricultural business or land in New Zealand may apply for this deduction. Therefore, we determine that this program is not limited to a specific enterprise or industry, or group of enterprises or industries, and is not countervailable.

F. Land Development Encouragement Loans

Under the administration of the Rural Bank, contingent liability loans were provided for the development of pastoral and agricutural land. All farmers were eligible for financing provided the minimum area for development was 10 hectares. Expenditures qualifying for these loans included sowing of permanent pastures, clearing, cultivation, seeding, fertilizing, and drainage. The program, which was open for applications from August 1, 1978, to March 1981, offered maximum loans of NZ$250 per hectare of land. The loans were for a 15-year term and, provided the land was maintained to the satisfaction of the Rural Bank, no interest was charged on the loan and half of the principal could be written off.

This program was preliminarily found to be countervailable in our 1981 *Preliminary Affirmative Countervailing Duty Determination: Lamb Meat from New Zealand* (46 FR 58128). However, we have verified that this program neither designates specific agricultual products for receipt of funding, nor established differing terms for specific products. Therefore, we determine it is not countervailable. *See Final Affirmative Countervailing Duty Determination: Live Swine and Fresh, Chilled and Frozen Pork Products from Canada* (50 FR 25097, 25107).

G. Standard and Nil Value of Livestock

Under section 85 of the Income Tax Act 1976, trading stock (inventory) must be valued at either cost, market, or replacement value. The choice and use of the valuation method is subject to review by the Commissioner of Inland Revenue. If inventory increased in value and is recorded as such by the taxpayer, that increase must be included as (assessable) taxable income for that year. If an end-of-the-year valuation of trading stock results in a decrease of value, the loss is allowed as a deduction in calculating the assessable income for that year. As an alternative to this system, owners of livestock may adopt the standard value and a nil value of livestock method for recording inventory for income tax purposes.

Under the standard value of livestock system, the Commissioner of Inland Revenue will periodically establish minimum acceptance levels of standard value, *i.e.*, value per head of livestock. These values are based on average market returns over a period of time, taking into account costs of production, and serve as a buffer against price fluctuations. A farmer may elect to value his inventory using the standard value or any higher value. However, once a standard value has been adopted by a farmer for a class of livestock, it cannot be reduced without the approval of the Commissioner. This system has been in operation since 1915.

Under the nil value of livestock system, a farmer can elect to adopt a nil value for all or part of the increase in his herd over a basic number of livestock. That basic number is established as the greater of the number of livestock on hand at the end of either of the two income years immediately preceding the year in which the decision is made to join the system. By using this scheme, the farmer can defer part of his tax liability by not paying tax on increases in stock until the livestock is actually sold. Upon sale, income taxes are payable on the net proceeds.

This program appears merely to be a method of taxation accounting, used not only by livestock producers, but by other manufacturers in New Zealand as well that hold reserve stocks for maturity purposes (*e.g.*, manufacturers of wine, brandy, and whiskey). As such, we determine that this program does not bestow a countervailable bounty or grant within the meaning of the Act.

H. Government Contributions to the Meat Industry Research Institute

In 1955, under the administration of the Department of Scientific and Industrial Research (DSIR), the government of New Zealand established the Meat Industry Research Institute (MIRINZ) to carry out research and development in all aspects of meat and meat by-product processing and to promote the adoption of new technology in the meat industry. MIRINZ is funded by the Meat Board, the New Zealand Freezing Companies Association and the government.

In our preliminary determination, we found government contributions to MIRINZ research limited to the meat industry. At the time, we had no indication that the results of the research and development were publicly available. However, at verification, we learned that MIRINZ is one of many DSIR-funded research institutions. Other institutions conduct research for the fertilizer, logging, dairy, leather and shoe, heavy engineering, building, concrete, coal, textile and wool industries. The results of government-funded DSIR/MIRINZ research are published in scientific papers, technical reports, journals, digests and bulletins.

Because DSIR funds are provided to a variety of industrial and agricultural sectors and because the results of such government-funded research are publicly available, we find that government funding of MIRINZ does not provide a countervailable bounty or grant. *See, Final Affirmative Countervailing Duty Determination: Certain Carbon Steel Products from Belgium* (47 FR 39304), Appendix 2.

I. Noxious Plants Control Scheme

The Ministry of Agriculture and Fisheries provides to farmers payments that are equal to 50 percent of their costs for chemical or mechanical control of specified weeds, *i.e.*, sweet briar, blackberry, broom, gorse, and barberry. While projects must be approved in order to receive funding under this scheme, there is no indication that this scheme is limited to producers of any particular agricultural commodities. In fact, we are informed that the control of these weeds is as crucial to producers of corn, soybean and other grain as it is to livestock farmers. Therefore, we determine that this program is not limited to a specific enterprise or industry or group of enterprises or industries, nor to a specific region, and is not countervailable.

J. Suspension of Government Inspection Fees

This service, administered by the Ministry of Agriculture and Fisheries, ensures that all meat and meat by-products comply with domestic inspection and hygiene standards, and the requirements of overseas importing countries. Since 1978, government inspection fees on meat for domestic consumption, as well as for export, have been waived. It is reported that the government of New Zealand will phase in a partial cost recovery program, *i.e.*, a collection of some inspection fees, beginning October 1985.

As the government bears the cost of inspecting meat for both the domestic and export markets, inspection fee waivers do not confer a subsidy on exports. Moreover, numerous other agricultural products, such as poultry, fish, rabbits and margarine are similarly inspected. We find the provision of this type of service to be a legitimate function of government, namely ensuring that agricultural products sold domestically and abroad meet minimum health and quality standards. In addition, the provision by the government of this type of service is as beneficial to consumers as to producers, *i.e.*, consumers get a better quality product and producers receive higher returns for their commodities. Thus, we determine that this practice is not countervailable as an export subsidy, nor is it limited to a specific enterprise or industry, or group of enterprises or industries.

III. Programs Determined Not To Be Used

Based on our verification of the responses of the New Zealand Meat Producers Board, various freezing companies, and the government, we determine that producers, processors, or exporters in New Zealand of lamb meat did not use the following programs:

A. Export Programme Grant Scheme (EPGS/Export Programme Suspensory Loan Scheme (EPSLS)

The EPGS was established in the 1979 Budget to encourage marketing research in targeted foreign markets. The grants, amounting to 64 percent of budgeted expenditures, were available for up to three years. In 1982, the grant program was converted to the EPSLS, a suspensory loan program. Loans covering up to 40 percent of eligible expenditures are available to established exporters who increase their net foreign exchange earnings through the marketing of specific goods or services in a designated foreign market. If a predetermined sales forecast is accomplished, the suspensory loan is converted into a grant; if the forecast is not met, the exporter repays the loan with interest.

We verified that neither producers, processors, nor exporters of lamb meat to the United States received benefits under either portion of this program.

B. Rural Export Suspensory Loans

The purpose of this program, which was introduced in 1974 and closed to new applicants on March 31, 1985, was to promote the export of non-traditional agricultural, horticultural, fish products not previously exported, and products for which market expansion was possible. We verified that lamb meat, considered a traditional export product, has never been eligible for this program, and that no loans have been granted to the producers, processors, or exporters of lamb. Therefore, we determine that this program was not used.

IV. Program Determined To Be Terminated

A. Meat Industry Hygiene Grants

The government of New Zealand, in its 1977 budget, provided special temporary grants to assist meat export processing companies in upgrading buildings, plant and machinery, and operations in freezing works required to meet the hygiene standards imposed by importing countries. We verified that the scheme expired on September 30, 1981, and that final payments were made in 1983/84.

In our preliminary determination, we stated that since this program provided benefits which were limited to processors who produce meat for export, we determined it to be countervailable. Despite the fact that payments had been terminated, because these were grants, we allocated the benefits over 10 years, the average useful life of machinery and equipment used for freezing-works facilities.

We have since verified that the total value of grants bestowed in any given year was less than 0.5 percent of the value of production of lamb meat in those years, and are therefore allocable to the year in which they were received. Since the federal payments under this program were made in 1983/84, no products now entering the United States are benefiting from grants provided under this program. Therefore, we determine this program to be terminated.

Petitioners' Comments

Comment 1. Petitioner argue that because statistics on domestic and non-U.S. export sales are reported on a carcass-weight basis, and are reported on a product-weight basis for exports to the United States, a conversion factor must be applied to achieve weight equivalency. They believe that most of the lamb legs and shoulders exported to the United States are in boneless form and therefore the appropriate conversion factor should be either the one published by Devco for boneless cuts (excluding breast/flap and neck) of 59.6 percent, or an average of that factor and the one published by Devco for bone-in cuts of 80.4 percent. Respondents rebut this argument by stating that boneless cuts enter the United States under TSUS 107.76 (lamb or mutton (prepared or preserved)), a duty-free classification and not subject to this investigation.

DOC Position. We agree with petitioners that weight equivalency should be achieved in order to determine the proper denominator used in our benefit calculations. However, we disagree with their proposal that a factor of 59.6 percent be used. There is no verified evidence on the record indicating: 1) that most of the lamb legs and shoulders entering the United States are in boneless form, or 2) what the product mix (legs, loins, racks, shoulders shanks, breast/flap) of lamb meat exported to the United States was during our period of investigation. We do known, however, that most of the imported product does indeed enter the United States in cartons (*i.e.*, cut form), and that the TSUS classification covering the products subject to this investigation does include "meat even though completely detendonized or deboned". Therefore, since both boneless and bone-in cuts are entering the United States, we are using and average of the boneless and bone-in factors. We have, however, included the breast/flap and neck because this factor is being used to convert total lamb meat production, and not only that portion exported to the United States.

Comment 2. Petitioners state that the establishment of a risk premium for uncreditworth institutions should be based, not on the difference between the Moddy's Aaa and Baa corporate bond rates calculated as a percentage of the prime rate in the United States, but instead on the difference in rates between high yield bonds, (as reported by Morgan Stanley & Company) and Moody's Aaa rated bonds. They claim that this methodology more closely approximates the risk premium for uncreditworthy institutions.

DOC Position. This issue is moot. None of the calculation methodologies used in this determination required the use of a risk premium.

Comment 3. Petitioners suggest that, with respect to grants to sheep producers under the Livestock Incentive Scheme, benefits should be spread over five years, and not ten years as was done for the preliminary determination. This would be in accordance with the U.S. Internal Revenue Service Class Life Asset Depreciation Range System for breeding sheep. Respondents contend that a four year range should be used, as this is the standard for breeding stock in New Zealand.

DOC Position. We agree with petitioners. When determining the period over which to allocate benefits resulting from grants, our practice is to use the Internal Revenue Service's depreciation range. We followed that practice in this case.

Comment 4. Petitioners contend that, if duties are assessed uniformly on a per pound basis, it will act as an incentive for New Zealand to export only the higher-valued cuts and thereby significantly avoid the remedial nature of a countervailing duty. They suggest that the amount of the bounties or grants be countervailed by apportionment to the primal cuts imported from New Zealand according to their relative value. They believe that there would be no significant administrative inconvenience in the assessment of duties based on the method suggested.

DOC Position. We disagree. First, none of the programs found to be countervailable provides benefits on a per cut basis. Both the SMP and Meat Board Price Support Schemes provide benefits on the basis of a certain dollar amount per kilogram of lamb. Other programs found to be countervailable provide benefits without regard for the type of cut produced or the relative value of individual cuts. Second, we believe that any future increase in New Zealand's export to the United States of more valuable cuts would be the result of market demand, not because the duty rate is on a per pound basis. We do not believe that the New Zealand exporters would ship more valuable cuts in order to evade the effect of a countervailing duty order if those cuts could not be sold in the United States. Finally, it has been our practice in recent countervailing duty investigations to establish countervailing duty rates that are on terms consistent with the costoms duty rates published in the TSUS. In this case, lamb meat classified under TSUS 106.30 has a duty rate 0.5 cents per pound. *See Final Affirmative Countervailing Duty Determination: Live Swine and Fresh, Chilled and Frozen Pork Products from Canada* (50 FR 25097).

Comment 5. Petitioners argue that the MISA has no assets and will generate income only in the event that market prices for lamb meat exceed the trigger prices, an event they claim is unlikely to occur. As such, if government funding of the MISA through September 30, 1984, is not regarded as a continuing, recurring price support payment to producers, they claim that it should be treated as a long-term loan to an uncreditworthy borrower (*e.e.*, the Meat Board) and the benchmark interest rate should reflect that fact. They further argue that the government funding of the MISA since October 1, 1984, should be regarded as a continuing, recurring price support payment to producers, and therefore countervailed at the time of receipt. While the theoretical framework is in place for repayment of the MISA advances, petitioners contend that such repayments can hardly be expected given the current and projected condition of the industry.

DOC Position. We have treated the MISA deficit as a price support payment countervailable in the year of receipt, and, therefore, the benchmark issue is moot.

Comment 6. Petitioners question the accuracy of the amount of the SMP payments reported for the 1984/85 fiscal year (our period of investigation) given (1) the intent of the government of New Zealand's to keep SMP payments on an equivalent basis with the preceding year, and (2) the fact that payments for the year ended September 30, 1984, were considerably higher than those reported for the 1984/85 fiscal year.

DOC Position. We have verified the value of the actual SMP and lump-sum payments made during the period of investigation and have used these figures in calculating the net bounty or grant.

Comment 7. Petitioners claim that a benchmark interest rate based on prime commercial bills is inappropriate for purposes of calculating benefits under the Export Suspensory Loan Scheme. They claim that these loans are provided to farmers, and that even in the United States, borrowers such as these would have to pay at least 2 percentage points over the prime lending rate.

DOC Position. For the preliminary determination, we used the rate for prime commercial bills because, at that time, we believed that it was the most representative rate for alternative short-term financing. For the final determination, we have used the national average commercial interest rate on overdraft accounts, published by the Reserve Bank of New Zealand in the *Reserve Bank Bulletin*, and reported in the questionnarie response. Because this is a weighted-average rate on all overdraft loans, and not just a rate for prime borrowers, the question of including an additional spread over prime is moot. This choice of benchmark is consistent with the policy for short-term loans outlined in the Subsidies Appendix (49 FR 18006) loans.

Comment 8. Petitioners suggest that government contributions to the Meat Industry Research Institute be allocated only over export production because the activities of that organization are related solely to export production and export processing of lamb.

DOC Position. We have found this program not countervailable. See section II.H of this notice.

Comment 9. Petitioners contend that nearly all of the benefits provided under the Livestock Incentive Scheme are attributable to increases in sheep stock, not only 8.6 percent as was allocated in the preliminary determination. They reference the Meat Producers Board's 1983 Annual Report, which indicates that while the number of dairy cattle has remained unchanged and the number of year of receipt. Therefore, the benchmark issue is moot.

Comment 6. Respondents submit that because the SMP program was terminated as of September 20, 1984, the bonding rate for this program should be based solely on the lump-sum payment allocable to the period of investigation.

DOC Position. We disagree. While we have verified that the SMP program was terminated, we note that the state purpose of its replacement, the lump-sum payment, was to provide an equivalent level of benefits to lamb meat producers for the 1984/85 production year. While the lump-sum program itself is scheduled to be terminated on September 30, 1985, we have verified that the price supports for subsequent periods are being considered. At its August 1984 mid-year meeting, the Meat Board's Electoral Committee stated that a review would be undertaken to identify an alternative means of support for the period after 1984/85. Therefore, given that the lump-sum program is not scheduled to terminate until September 30, 1985, and because there may be another support system in place after that date, we do not believe that it is appropriate to reduce the bonding rate for this program.

Comment 7. Respondents argue the EPTI is not a tax program requiring a cash flow analysis under the Department's traditional tax methodology. Respondents maintain that EPTI tax benefits are earned on a sale-by-sale basis for specific tax years. The Department has verified that under the New Zealand government's schedule for phasing-out the EPTI program, Devco's exports of lamb meat to the United States will earn a 3.85 percent EPTI credit during Devco's 1986 tax year (October 2, 1984—October 1, 1985), a 1.925 percent EPTI credit during Devco's 1987 tax year (October 2, 1985—October 1, 1986), and no more credits on or after October 2, 1986. Respondents conclude that any EPTI tax credits can be offset precisely by assessing a countervailling duty rate equal to the specified EPTI credit rates in effect during the tax years of the phase-out period.

DOC Position. We disagree. We consider tax benefits to the countervailable when a company actually receives the benefits, rather than when a company becomes eligible to receive them. Tax law changes, such as the EPTI phase-out schedule, cannot be considered to be in effect until fully implemented by the government and used by the respondent. We verified that Devco claimed and received a 7.7 percent EPTI tax credit in its most recently completed tax return. The 3.85 percent EPTI credit will not be available to Devco until the company's 1986 fiscal year, and, under our tax methodology, these benefits are not realized until the 1986 tax return is filed. As such, current exports to the U.S. of lamb meat are benefiting from a bounty or grant equal to the 7.7 percent EPTI rate, which is the rate we are using for duty deposit purposes. If the scheduled EPTI changes are claimed in future tax returns, we will consider these changes in a section 751 administrative review, if one is required.

Verification

In accordance with section 776(a) of the Act, we verified the data used in making our final determination. During verification we followed normal verification procedures, including meeting with government officials and inspection of documents, as well as on-site inspection of the accounting records of the company producing and exporting the merchandise under investigation to the U.S.

Administrative Procedures

We afforded interested parties an opportunity to present oral views in accordance with our regulations (19 CFR 355.35). A public hearing was held on July 30, 1985. In accordance with the Department's regulation (19 CFR 355.34(a)), written views have been received and considered in this determination.

Suspension of Liquidation

The suspension of liquidation ordered in our preliminary affirmative countervailing duty determination shall remain in effect until further notice. The net bounty or grant is NZ$0.3602/lb. Therefore, in accordance with section 706(a)(3) of the Act, we are directing the United States Customs Service to require a cash deposit in the amount indicated above for each entry of the subject merchandise from New Zealand which is entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register** and to assess countervailing duties in accordance with section 706(a)(1) and 751 of the Act.

This notice is published in accordance with section 703(f) of the Act (19 U.S.C 1671b(f))

Dated: September 3, 1985.

Walter J. Olson, Jr.,

Acting Assistant Secretary for Trade Administration.

[FR Doc. 85-22190 Filed 9-16-85; 8:45 am]

BILLING CODE 3510-DS-M

Wool From Argentina; Final Results of Administrative Review of Countervailing Duty Order

AGENCY: International Trade Administration/Import Administration, Commerce.

ACTION: Notice of Final Results of Administrative Review of Countervailing Duty Order.

SUMMARY: On May 6, 1985, the Department of Commerce published the preliminary results of its administrative review of the countervailing duty order on wool from Argentina The review covers the period July 1, 1983, through June 30, 1984, and six programs.

We gave interested parties an opportunity to comment on the preliminary results. After review of the comment received, the final results of the review are the same as the preliminary results.

EFFECTIVE DATE: September 17, 1985.

FOR FURTHER INFORMATION CONTACT: Sylvia Chadwick or Lorenza Olivas, Office of Compliance, International Trade Administration, U.S. Department of Commerce, Washington, DC 20230; telephone; (202) 377-2786.

SUPPLEMENTARY INFORMATION:

Background

On May 6, 1985, the Department of Commerce ("the Department") published in the **Federal Register** (50 FR 19046) the preliminary results of its administrative review of the countervailing duty order on wool from Argentina (48 FR 14423, April 4, 1983). The Department has now completed that administrative review, in accordance with section 751 of the Tariff Act of 1930 ("the Tariff Act").

Scope of the Review

Imports covered by the review are shipments of Argentine wool. Such merchandise is currently classifiable under items 306.3152, 306.3172, 306.3253, 306.3273, 306.3354, and 306.3374 of the Tariff Schedules of the United States Annotated.

The review covers the period July 1, 1983, through June 30, 1984, and six programs: (1) Incentives for exports from southern ports; (2) the reembolso, a cash rebate of taxes; (3) perferential pre-export financing; (4) multiple exchange rates; (5) government assistance to wool growers in Patagonia; and (6) financial reorganization aids.

Analysis of Comments Received

We gave interested parties an opportunity to comment on the beef cattle has declined since 1978, the number of sheep has increased by approximately 15 percent. In addition, they contend that virtually every livestock farm eligible for benefits under this program carries sheep.

DOC Position. Our preliminary analysis was based on unverified information contained in the response. We have since verified that, in fact, sheep farms have received well over 90 percent of the money provided under this program. Our final calculations reflect this fact.

Comment 10. With respect to the Fertilizer and Lime Transport Subsidy and the Fertilizer Price Subsidy, petitioners assert that the Department's 46 percent allocation of the total benefit to sheep production was too low. They claim that a more reasonable allocation would be 75 percent, the allocation used by the government of New Zealand for the Fertilizer and Lime Bounty.

DOC Position. We have found the three programs not countervailable. See section II.B, II.C, and II.D of this notice.

Comment 11. Petitioners assert that the source of funds for the Meat Board loans and loan guarantees is the MIRA, which they claim is an account of the government. Therefore, those loans and loan guarantees should be found countervailable to the extent that their terms are inconsistent with commercial considerations.

DOC Position. While we agree that, technically, the MIRA is an account of the Ministry of Agriculture and Fisheries, we do not agree with petitioners' assertion that the use of MIRA funds as the source of the Meat Board's loans and loan guarantees provides a countervailable benefit. See section II.A of this notice.

Comment 12. Petitioners argue that, while inspection of meat for domestic consumption is an appropriate action of government, inspection of meat to meet special standards of importing countries is a service designed solely to benefit export marketing, and is therefore countervailable.

DOC Position. We disagree. See section II.J of this notice.

Comment 13. Petitioners contend that the Noxious Plants Control Scheme is limited to specific weeds which are solely pastoral and that the program is of benefit only to livestock producers; therefore, this program should be found countervailable.

DOC Position. We disagree. See section II.I of this notice.

Comment 14. Petitioners argue that, because the MISA and SMP complement one another, the time periods for calculating the two programs' benefits should be identical. They contend that the appropriate period should be October 1, 1983, through September 30, 1984 (the Meat Board's financial year).

DOC Position. When selecting the period used for the measurement of bounties or grants, the Department attempts to look at the most recent fiscal period for which complete information is available. In this case, we selected the government of New Zealand's 1985 fiscal year (April 1, 1984, through March 31, 1985). Choosing this period enabled us to tie the information contained in the response to audited government budget documents and financial statements. While the two price support programs do operate on an October through September basis, the government of New Zealand was able to compile, and we were able to verify, expenditures on these programs made during our period of investigation.

Comment 15. Petitioners take issue with the respondents' ratio of the value of lamb meat:pelts:wool:offal. They argue that, based on information available to them, the lamb meat accounts for a significantly higher portion of the value of a lamb than that reported by respondents.

DOC Position. We are required to use verified information for our final determination. In this case, while petitioners have provided data on this issue, we note that the sources of their information are (1) a three-year old New Zealand Meat and Wool Board Report, and (2) U.S. domestic industry experience. On the other hand, respondents have provided, and we have verified, information on the product ratios that is current and reflective of the New Zealand industry. Accordingly, we have used respondents' information for allocation purposes.

Respondents' Comments

Comment 1. Respondents contend that the Fertilizer and Lime Transportation Subsidy, the Fertilizer and Lime Bounty, and the Fertilizer Price Subsidy programs are generally available and, even though the Department recognized the termination of the first two programs in its preliminary determination, all three programs should be found not countervailable for the final determination.

DOC Position. We agree. See sections II.B, II.C, and II.D of this notice.

Comment 2. Respondents also contend that government contributions to the Meat Industry Research Institute are not countervailable because government funding in New Zealand is available to a wide variety of research associations and industries, and that the findings of government funded research is publicly available.

DOC Position. We agree. See section II.H of this notice.

Comment 3. Respondents state that because the Meat Industry Hygiene Grant program was terminated in September, 1981, and that the value of grants in any given year were verified to be less than 0.5 percent *ad valorem*, the Department should find this program terminated with no benefits bestowed during the period of investigation.

DOC Position. We agree. See section IV of this notice.

Comment 4. With respect to the Export Suspensory Loan Scheme, respondents contend that the bonding rate should reflect the program's termination and take into account only those loans outstanding. They also argue that there is no concessional element in the rate of interest charged on those loans and, therefore, there is no countervailable element with respect to interest.

DOC Position. We recognize the termination of the program. With respect to any concessional element in the rate of interest charged, we verified that the DFC charges its borrowers rates of interest that are higher than its own costs to borrow. Our benchmark interest rate, however, is not based on the DFC's borrowing history, but on what comparable commercial loans would cost in New Zealand.

Comment 5. Respondents assert that, with respect to the Meat Board Price Support Scheme: (a) Devco has not contributed to the MISA deficit, (b) our preliminary determination did not take into account the fact that 1 percent interest was paid by the Meat Board on the deficit, and (c) that the appropriate benchmark interest rate should be a weighted-average of term-loans and overdraft rate in New Zealand, *i.e.*, the commercial rates that are charged to prime borrowers such as packing companies in New Zealand.

DOC Position. There is no evidence on the record to support respondents' assertion that Devco's sales to North America have not contributed to the MISA deficit. We did not take into account the 1 percent interest charged on the MISA deficit in our preliminary determination because the Board's annual report indicated that the deficit has been converted to a 30-year loan, interest-free for the first five years. We have since verified that 1 percent interest had been paid and, accordingly, have taken the interest payment into account for the final determination. We are now treating the deficit as a price support payment to lamb meat producers and countervailing it in the

APPENDIX I
INTERNATIONAL TRADE ADMINISTRATION
REVIEW OF SUBSIDY

Notices

Federal Register
Vol. 53, No. 112
Friday, June 10, 1988

This section of the FEDERAL REGISTER contains documents other than rules or proposed rules that are applicable to the public. Notices of hearings and investigations, committee meetings, agency decisions and rulings, delegations of authority, filing of petitions and applications and agency statements of organization and functions are examples of documents appearing in this section.

DEPARTMENT OF COMMERCE

International Trade Administration

[C-559-002 and C-549-002]

Postponement of Preliminary Countervailing Duty Determinations: Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From Singapore and Thailand

AGENCY: Import Administration, International Trade Administration; Commerce.

ACTION: Notice.

SUMMARY: Based upon the request of petitioner, the Torrington Company, the Department of Commerce (the Department) is postponing its preliminary determinations in the countervailing duty investigations of antifriction bearings (other than tapered roller bearings) and parts thereof from Singapore and Thailand. The preliminary determinations will be made on or before August 29, 1988.

EFFECTIVE DATE: June 10, 1988.

FOR FURTHER INFORMATION CONTACT: Gary Taverman or Eleanor Shea, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 377-0161 or 377-0184.

SUPPLEMENTARY INFORMATION: On April 20, 1988, the Department initiated countervailing duty investigations on antifriction bearings from Singapore and Thailand. In our notices of initiation we stated that we would issue our preliminary determinations on or before June 24, 1988 (53 FR 15084-15086, April 27, 1988).

On May 27, 1988, the petitioner filed a request that the preliminary determinations in these investigations be postponed for 65 days.

Section 703(c)(1)(A) of the Tariff Act of 1930, as amended (the Act), provides that a preliminary determination in a countervailing duty investigation may be postponed where the petitioner has made a timely request for such a postponement. Pursuant to this provision, and the timely request by petitioner in these investigations, the Department is postponing its preliminary determinations until no later than August 29, 1988.

This notice is published pursuant to section 703(c)(2) of the Act.

June 3, 1988.

Joseph A. Spetrini,

Acting Assistant for Import Administration.

[FR Doc. 88-13137 Filed 6-9-88; 8:45 am]

BILLING CODE 3510-DS-M

[C-614-503]

Lamb Meat From New Zealand; Final Results of Countervailing Duty Administrative Review

AGENCY: International Trade Administration/Import Administration; Commerce.

ACTION: Notice of final results of countervailing duty administrative review.

SUMMARY: On January 4, 1988, the Department of Commerce published the preliminary results of its administrative review of the countervailing duty order on lamb meat from New Zealand. We have now completed that review and determine the total bounty or grant during the period June 25, 1985 through March 31, 1986 to be NZ$0.31/lb.

EFFECTIVE DATE: June 10, 1988.

FOR FURTHER INFORMATION CONTACT: Cynthia Sewell or Paul McGarr, Office of Compliance, International Trade Administration, U.S. Department of Commerce, Washington, DC 20230; telephone: (202) 377-3337.

SUPPLEMENTARY INFORMATION:

Background

On January 4, 1988, the Department of Commerce ("the Department") published in the Federal Register (53 FR 47) the preliminary results of its administrative review of the countervailing duty order on lamb meat from New Zealand (50 FR 37708; September 17, 1985). The Department has now completed that administrative review in accordance with section 751 of the Tariff Act of 1930 ("the Tariff Act").

Scope of Review

Imports covered by the review are shipments of lamb meat from New Zealand. Such merchandise is currently classifiable under item number 106.3000 of the Tariff Schedules of the United States Annotated and under item numbers 0204.10.00—0, 0204.22.20—0, 0204.23.20—0, 0204.30.00—0, 0204.42.20—2, and 0204.43.20—0 of the Harmonized System.

The review covers the period June 25, 1985 through March 31, 1986 and ten programs: (1) Export Market Development Taxation Incentive ("EMDTI"); (2) Export Performance Taxation Incentive; (3) Livestock Incentive Scheme; (4) Meat Producers Board Price Support Scheme ("MPBPS"); (5) Supplementary Minimum Prices/Lump Sum Scheme ("SMP/LS"); (6) Export Programme Grant Scheme; (7) Export Programme Suspensory Loan Scheme; (8) Export Suspensory Loan Scheme; (9) Regional Development Investigation Grants Scheme; and (10) Regional Development Suspensory Loan Scheme.

Analysis of Comments Received

We gave interested parties an opportunity to comment on the preliminary results. We received written comments from the New Zealand Meat Producers Board ("the Board").

Comment 1: The Board contends that the Department's preliminary results, which propose a change from a cents-per-pound to an *ad valorem* assessment rate, are contrary to the duty structure set forth in the Tariff Schedules of the United States ("TSUS"). The Board argues that, because regular duties are assessed in cents-per-pound, Congressional intent suggests that countervailing duties for this product be assessed on a specific-rate basis (*i.e.*, any basis other than *ad valorem*). Further, the Board asserts that importers and exporters made pricing and marketing decisions on a cents-per-pound basis and that such decisions would be rendered hopelessly inaccurate by a change to an *ad valorem* assessment rate. Finally, the Board contends that the Department's method of calculating the amount of the bounty or grant from the MPBPS and the SMP/LS schemes overstated the benefit. Because the benefits from these programs are paid in cents-per-kilogram of carcass weight rather than on the export value of lamb cuts, the Department's calculation of the countervailing duty should be on the same basis as that on which the benefit was bestowed.

Department's Position: Congressional direction concerning the method of collecting regular duties, as manifested in the TSUS, is unrelated to the assessment of countervailing duties. In determining the rate of countervailing duty to be assessed on any product, the Department calculates the amount of the benefit from each program and allocates each benefit over the basis on which it was received (*e.g.*, total sales, total exports, exports to the U.S.).

In our final determination, we considered the fact that the MPBPS and SMP/LS schemes provided benefits on the basis of cents-per-kilogram and determined that the collection of cash deposits of estimated countervailing duties on a specific-rate basis was more appropriate. When assessing countervailing duties, however, the Department concerns itself with countervailing the aggregate benefit received. Allocating that benefit in cents-per-pound, over the volume of exports to the United States, or on an *ad valorem* basis, as a percentage of the value of those exports, makes no difference in the total amount of the countervailing duties collected. For this reason, the Department proposed to change to an *ad valorem* assessment rate, which is consistent with the way countervailing duties are assessed in nearly all other countervailing duty proceedings. Further, with the termination of the MPBPS and SMP/LS schemes, there was no reason to continue collection of cash deposits of estimated countervailing duties on a specific-rate basis. Nonetheless, because importers and exporters made pricing and marketing decisions on a cents-per-pound basis we will assess countervailing duties for the review period in cents-per-pound.

Finally, we agree with the Board's claim that we overstated the benefits received from the MPBPS and SMP/LS schemes. Lamb meat exports to the United States are predominantly cuts, whereas a much larger percentage of New Zealand's total lamb meat exports are carcasses. Consequently, the average value per pound of exports to the United States is much higher than the average value per pound of total exports. Therefore, in our revised calculations, we took into account the fact that benefits from these programs were received on a carcass-weight basis and, by using the ratio of the weight (adjusted for waste) of U.S. sales to total export sales to all countries, we calculated the benefits attributable to lamb meat exports to the United States.

Based on our revision in the method of calculating the amount of benefit from the MPBPS and SMP/LS schemes and the change from our preliminary results to assessing countervailing duties on a specific-rate basis, we determine the total bounty or grant to be NZ$0.31/lb. during the review period. The rate of cash deposit of estimated countervailing duties remains unchanged from the preliminary results.

Comment 2: The Board contends that, when calculating the rate of cash deposit of estimated countervailing duties, the Department did not take into account the reduction in the benefit resulting from the continuing phase-out of the EMDTI program.

Department's Position: In calculating the rate of cash deposit of estimated countervailing duties, we considered changes that occurred prior to publication of our preliminary results. At verification we examined the New Zealand Lamb Company's 1985 and 1986 federal income tax returns. Based on a comparison of the tax credit rate and the normal corporate tax rate, we determined that the rate of the benefit from this program declined after the review period. We reduced the rate for cash deposits of estimated countervailing duties accordingly.

Final Results of Review

After considering all the comments received, we determine the total bounty or grant during the period June 25, 1985 through March 31, 1986 to be NZ$0.31/lb.

Section 707 of the Tariff Act provides that the difference between the deposit of an estimated countervailing duty and the final assessed duty under a countervailing duty order shall be disregarded to the extent that the estimated duty is less than the final assessed duty and refunded to the extent that the estimated duty is higher than the final assessed duty, for merchandise entered, or withdrawn from warehouse, for consumption before the date of publication of a countervailing duty order, which in this case was September 17, 1985 (50 FR 37708).

Therefore, the Department will instruct the Customs Service to assess countervailing duties of NZ$0.25/lb. on all shipments of this merchandise entered, or withdrawn from warehouse, for consumption on or after June 25, 1985 and before September 17, 1985 and to assess countervailing duties of NZ$0.31/lb. on all shipments of this merchandise entered, or withdrawn from warehouse, for consumption on or after September 17, 1985 and exported on or before March 31, 1986.

The Department will instruct the Customs Service to collect a cash deposit of estimated countervailing duties of 4.55 percent of the f.o.b. invoice price on all shipments of this merchandise entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice. This deposit requirement shall remain in effect until publication of the final results of the next administrative review.

This administrative review and notice are in accordance with section 751(a)(1) of the Tariff Act (19 U.S.C. 1675(a)(1)) and 19 CFR 355.10.

Joseph A. Spetrini,

Acting Assistant Secretary, Import Administration.

Date: June 3, 1988.

[FR Doc. 88-13138 Filed 6-9-88; 8:45 am]

BILLING CODE 3510-DS-M

University of Colorado et al.; Consolidated Decision on Applications for Duty-Free Entry of Scientific Instruments

This is a decision consolidated pursuant to section 6(c) of the Educational, Scientific, and Cultural Materials Importation Act of 1966 (Pub. L. 89-651, 80 Stat. 897; 15 CFR Part 301). Related records can be viewed between 8:30 a.m. and 5:00 p.m. in Room 1523, U.S. Department of Commerce, 14th and Constitution Avenue NW., Washington, DC.

Docket Number: 88-115. Applicant: University of Colorado, Boulder, CO 80309-0440. Instrument: FT-IR Spectrometer System, Model IZM01. Manufacturer: BOMEM, Inc., Canada. Intended Use: See notice at 53 FR 15102, April 27, 1988. Reasons for This Decision: The foreign instrument provides an unapodized resolution of .026 cm − [1].

Docket Number: 88.129. Applicant: University of California, Los Alamos National Laboratory, Los Alamos, NM 87545. Instrument: Inductively Coupled Plasma-Mass Spectrometer, Model VG PlasmaQuad. Manufacturer: VG Elemental, Ltd., United Kingdom. Intended Use: See notice at 53 FR 15103, April 27, 1988. Reasons for This Decision: The foreign instrument provides detection of less than 0.1 ppb for elements greater than mass eighty (80).

Docket Number: 88-130. Applicant: Dartmouth College, Hanover, NH 03775.

APPENDIX J
INTERNATIONAL TRADE ADMINISTRATION
SUBSEQUENT REVIEW OF SUBSIDY

an affirmative presentation at the public hearing only on arguments included in that party's case brief, and may make a rebuttal presentation only on arguments included in that party's rebuttal brief. Written argument should be submitted in accordance with § 355.38 of the Commerce Department's regulations published in the Federal Register on December 27, 1988 (53 FR 52306) (to be codified at 19 CFR section 355.38), and will be considered if received within the time limits specified in this notice.

This determination is published pursuant to section 703(f) of the Act (19 U.S.C. 1671b(f)).

May 1, 1989.

Timothy N. Bergan,

Acting Assistant Secretary for Import Administration.

[FR Doc. 89-10893 Filed 5-5-89; 8:45 am]

BILLING CODE 3510-DS-M

[C-614-603]

Lamb Meat From New Zealand; Final Results of Countervailing Duty Administrative Review

AGENCY: International Trade Administration/Import Administration, Department of Commerce.

ACTION: Notice of Final Results of Countervailing Duty Administrative Review.

SUMMARY: On January 13, 1989, the Department of Commerce published the preliminary results of its administrative review of the countervailing duty order on lamb meat from New Zealand. We have now completed that review and determine the total bounty or grant during the period April 1, 1986 through March 31, 1987 to be NZ$0.21/lb. for all firms.

EFFECTIVE DATE: MAY 8, 1989.

FOR FURTHER INFORMATION CONTACT: Paul McGarr or Bernard Carreau, Office of Countervailing Compliance, International Trade Administration, U.S. Department of Commerce, Washington, DC 20230; telephone: (202) 377-3337.

SUPPLEMENTARY INFORMATION:

Background

On January 13, 1989, the Department of Commerce ("the Department") published in the Federal Register (54 FR 1402) the preliminary results of its administrative review of the countervailing duty order on lamb meat from New Zealand (50 FR 37708; September 17, 1985). The Department has now completed that administrative review in accordance with section 751(a)(1) of the Tariff Act of 1930 ("the Tariff Act").

Scope of Review

Imports covered by the review are shipments of lamb meat from New Zealand. During the review period, such merchandise was classifiable under item number 106.3000 of the Tariff Schedules of the United States Annotated. This merchandise is currently classifiable under item numbers 0204.10.0000, 0204.22.2000, 0204.23.2000, 0204.30.0000, 0204.42.2000 and 0204.43.2000 of the Harmonized Tariff Schedule.

The review covers the period April 1, 1986 through March 31, 1987 and eight programs: (1) Export Market Development Taxation Incentive ("EMDTI"); (2) Export Performance Taxation Incentive ("EPTI"); (3) Livestock Incentive Scheme ("LIS"); (4) Meat Producers Board Price Support Scheme ("MPBPS"); (5) Supplementary Minimum Prices/Lump Sum Scheme; (6) Export Programme Suspensory Loan Scheme; (7) Export Suspensory Loan Scheme; and (8) Regional Development Suspensory Loan Scheme.

Analysis of Comments Received

We gave interested parties an opportunity to comment on the preliminary results. We received written comments from the New Zealand Meat Producers Board and lamb meat exporters.

Comment 1: The respondents contend that the Department, when converting the volume figures in the response from tons to pounds, incorrectly used the conversion factor for short tons rather than metric tons. Consequently, dividing the EMDTI, the EPTI and the MPBPS benefits by the corrected volume figures in pounds reduces the bounty or grant from these programs.

Department's Position: We agree. We have recalculated the volume figures in pounds using a metric ton conversion factor. Using these corrected volume figures, the EMDTI benefit is NZ$0.14/lb. for all firms, the EPTI benefit is NZ$0.03/lb. for all firms, and the MPBPS benefit is NZ$0.03/lb. for all firms (see also Comment 2).

Comment 2: The respondents maintain that, in calculating the benefit under the MPBPS, the Department inadvertently used the total amount of the benefit provided for lamb meat exports to all countries rather than only that portion of the total benefit attributable to lamb meat exports to the United States.

Department's Position: We agree and have corrected our MPBPS calculations accordingly (see Comment 1).

Comment 3: The respondents contend that, with respect to the LIS, the Department inadvertently calculated a benefit based on the total loans outstanding to all livestock producers rather than on the portion of those loans attributable to sheep production.

Department's Position: We agree and have corrected our calculations accordingly. Therefore, the benefit under the LIS is NZ$0.005/lb. for all companies.

Comment 4: The respondents argue that, for the EMDTI program, the Department should calculate the cash deposit of estimated countervailing duties based on the tax credit rate available for the fiscal year ending March 31, 1989.

Department's Position: We disagree. At the time our notice of preliminary results was published, the fiscal year ending March 31, 1989 was not completed, and the change in the EMDTI program was not yet in effect. It is our policy to take into consideration only those program-wide changes that occur prior to our notice of preliminary results. Therefore, we have calculated the cash deposit of estimated countervailing duties based on the tax credit rate in effect for the fiscal year ending March 31, 1988.

Final Results of Review

After considering all the comments received, we determine the total bounty or grant during the period April 1, 1986 through March 31, 1987 to be NZ$0.21/lb. for all firms.

The Department will instruct the Customs Service to assess countervailing duties of NZ$0.21/lb. on all shipments of this merchandise entered, or withdrawn from warehouse, for consumption on or after April 1, 1986 and exported on or before March 31, 1987.

Because of the termination of the EPTI and the MPBPS programs and changes to the EMDTI program, the Department will instruct the Customs Service to collect a cash deposit of estimated countervailing duties of 0.67 percent of the f.o.b. invoice price for Weddel Crown and 6.07 percent of the f.o.b. invoice price for all other firms on all shipments of this merchandise entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice. This deposit requirement shall remain in effect until publication of the final results of the next administrative review.

This administrative review and notice are in accordance with section 751(a)(1) of the Tariff Act (19 U.S.C. 1675(a)(1)) and § 355.22 of the Commerce

Regulations published in the Federal Register on December 27. 1988 (53 FR 52306) (to be codified at 19 CFR 355.22).

Date: April 24. 1989.

Michael J. Coursey

Acting Assistant Secretary. for Import Administration

[FR Doc. 89-10894 Filed 5-5-89; 8:45 am]

BILLING CODE 3510-DS-M

United States-Canada Free-Trade Agreement, Article 1904 Binational Panel Reviews; Request for Panel Review Respecting Polyphase Induction Motors

AGENCY: United States-Canada Free-Trade Agreement. Binational Secretariat. United States Section. International Trade Administration. Commerce.

ACTION: Notice of Request for Panel Review of Final Determination of Dumping and Subsidizing Respecting Polyphase Induction Motors of an Output Exceeding 200 Horsepower or 150 Kilowatts made by the Canadian Deputy Minister of National Revenue for Customs and Excise which was filed by Toshiba International Corporation with the Canadian Section of the Binational Secretariat on May 1. 1989.

SUMMARY: On May 1. 1989. Toshiba International Corporation (Houston. Texas) filed a Request for Panel Review with the Canadian Section of the Binational Secretariat pursuant to Article 1904 of the United States-Canada Free-Trade Agreement. Panel review was requested of the final determination of dumping and subsidizing respecting polyphase induction motors of an output exceeding 200 horsepowsr or 150 kilowatts. Revenue Canada File Number 4248-67 (DPC). issued by the Canadian Deputy Minister of National Revenue for Customs and Excise and published in the "Canada Gazette" Part I. No. 14. vol. 123. p. 1745. on April 8. 1989. The Binational Secretariat has assigned Case Number CDA-89-1904-01 to this Request for Panel Review.

FOR FURTHER INFORMATION CONTACT: James R. Holbein, Acting U.S. Secretary. Binational Secretariat. Suite 4012. 14th and Constitution Avenue. Washington. DC 20230. (202) 377-5438.

SUPPLEMENTARY INFORMATION: Chapter 19 of the U.S.-Canada Free-Trade Agreement ("Agreement") establishes a mechanism for replacing domestic judicial review of final determinations in antidumping and countervailing duty cases involving imports from the other country with review by independent binational panels. When a Request for Panel Review is filed. a panel will be established to act in place of national courts to expeditiously review the final determination to determine whether it conforms with the antidumping or countervailing duty law of the country that made the determination.

Under Article 1904 of the Agreement. which came into force on January 1. 1989. the Government of the United States and Government of Canada established "Rules of Procedure for Article 1904 Binational Panel Reviews" ("Rules"). These Rules were published in the Federal Register on December 30. 1988. (53 FR 53212). The panel review in this matter will be conducted in accordance with these Rules.

Rule 35(2) requires the Secretary to publish Notice of the receipt of a Request for Panel Review stating that a Request for Panel Review was filed with the United States Section of the Binational Secretariat on April 28. 1989. pursuant to Article 1904 of the Agreement.

Rule 35(1)(c) of the Rules provides that:

(a) A Party or interested person may challenge the final determination in whole or in part by filing a Complaint in accordance with Rule 39 within 30 days after the filing of the first Request for Panel Review (the deadline for filing a Complaint is May 31. 1989);

(b) A Party. investigating authority or interested person that does not file a Complaint may participate in the panel review by filing a Notice of Appearance in accordance with Rule 40 within 45 days after the filing of the first Request for Panel Review (the deadline for filing a Notice of Appearance is June 15. 1989); and

(c) The panel review shall be limited to the allegations of error of fact or law. including the jurisdiction of the investigating authority. that are set out in the Complaints filed in the panel review and the procedural and substantive defences raised in the panel review.

Date: May 3. 1989.

James R. Holbein.

Acting U.S. Secretary. FTA Binational Secretariat.

[FR Doc. 89-10945 Filed 5-5-89; 8:45 am]

BILLING CODE 3510-DA-M

United States-Canada Free-Trade Agreement, Article 1904 Binational Panel Reviews; Request for Panel Review

AGENCY: United States-Canada Free-Trade Agreement. Binational Secretariat. United States Section. International Trade Administration. Commerce.

ACTION: Notice of request for panel review of final results of an Administrative Review of an antidumping duty order made by International Trade Administration. Import Administration. respecting certain dried heavy salted codfish from Canada filed by the Canadian Saltfish Corporation with the United States Section of the Binational Secretariat on April 28. 1989.

SUMMARY: On April 28. 1989. Canadian Saltfish Corporation filed a Request for Panel Review with the United States Section of the Binational Secretariat pursuant to Article 1904 of the United States-Canada Free-Trade Agreement. Panel review was requested of the Final Results of an Administrative Review of an Antidumping Duty Order. respecting Certain Dried Heavy Salted Codfish from Canada. Import Administration File Number A-122-057. issued by International Trade Administration. Import Administration. and published in 54 FR 61 on March 31. 1989. The Binational Secretariat has assigned Case Number USA 89-1904-04 to this Request for Panel Review.

FOR FURTHER INFORMATION CONTACT: James R. Holbein. Acting U.S. Secretary. Binational Secretariat. Suite 4012. 14th and Constitution Avenue. Washington. DC 20230. (202) 377-5438.

SUPPLEMENTARY INFORMATION: Chapter 19 of the U.S.-Canada Free-Trade Agreement ("Agreement") establishes a mechanism for replacing domestic judicial review of final determinations in antidumping and countervailing duty cases involving imports from the other country with review by independent binational panels. When a Request for Panel Review is filed. a panel will be established to act in place of national courts to expeditiously review the final determination to determine whether it conforms with the antidumping or countervailing duty law of the country that made the determination.

Under Article 1904 of the Agreement. which came into force on January 1. 1989. the Government of the United States and Government of Canada established *Rules of Procedure for Article 1904 Binational Panel Reviews* ("Rules"). These Rules were published in the Federal Register on December 30. 1988. (53 FR 53212). The panel review in this matter will be conducted in accordance with these Rules.

Rule 35(2) requires the Secretary to publish Notice of the receipt of a Request for Panel Reviw stating that a Request for Panel Review was filed with the United States Section of the

APPENDIX K
INTERNATIONAL TRADE ADMINISTRATION
RESULTS OF COUNTERVAILING DUTY
ADMINISTRATIVE REVIEW

These administrative reviews and notice are in accordance with section 751(a)(1) of the Tariff Act (19 U.S.C. 1675(a)(1)) and § 353.22 of the Department's regulations.

Dated: June 28, 1990.

Eric I. Garfinkel,

Assistant Secretary for Import Administration.

[FR Doc. 90-15781 Filed 7-6-90; 8:45 am]

BILLING CODE 3510-DS-M

[C-614-503]

Lamb Meat From New Zealand Final; Results of Countervailing Duty Administrative Review

AGENCY: International Trade Administration/Import Administration, Department of Commerce.

ACTION: Notice of final results of countervailing duty administrative review.

SUMMARY: On February 28, 1990, the Department of Commerce published the preliminary results of its administrative review of the countervailing duty order on lamb meat from New Zealand. We have now completed that review and determine the total bounty or grant to be 28.01 percent *ad valorem* for Taumaranui and 3.90 percent *ad valorem* for all other firms during the period April 1, 1987 through March 31, 1988.

EFFECTIVE DATE: July 9, 1990.

FOR FURTHER INFORMATION CONTACT: Gayle Longest or Paul McGarr, Office of Countervailing, Compliance, International Trade Administration, U.S. Department of Commerce, Washington, DC 20230; telephone: (202) 377-2786.

SUPPLEMENTARY INFORMATION:

Background

On February 28, 1990, the Department of Commerce ("the Department") published in the Federal Register (55 FR 6872) the preliminary results of its administrative review of the countervailing duty order on lamb meat from New Zealand (50 FR 37708; September 17, 1985). The Department has now completed that administrative review in accordance with section 751 of the Tariff Act of 1930, as amended ("the Tariff Act").

Scope of Review

Imports covered by this review are shipments of lamb meat, other than prepared, preserved or processed, from New Zealand. During the review period, such merchandise was classifiable under item number 106.3000 of the *Tariff Schedules of the United States Annotated*. This merchandise is currently classifiable under item numbers 0204.10.0000, 0204.22.2000, 0204.23.2000, 0204.30.0000, 0204.42.2000 and 0204.43.2000 of the *Harmonized Tariff Schedule* (HTS). The HTS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

The review covers the period April 1, 1987 through March 31, 1988 and four programs: (1) Export Market Development Taxation Incentive ("EMDTI"); (2) Livestock Incentive Scheme ("LIS"); (3) Meat Producers Board Price Support Scheme ("MPBPS"); and (4) Export Performance Taxation Incentive ("EPTI").

Analysis of Comments Received

We gave interested parties an opportunity to comment on the preliminary results. We received comments from Lamb Gourmet Co., Ltd., the New Zealand Meat Producers Board and lamb meat exporters.

Comments 1: Lamb Gourmet Co., Ltd. (previously Taumaranui) argues that it should not be subject to a company-specific rate because the EMDTI benefits reported in its April 5, 1989 questionnaire response were for exports of a lamb meat product not subject to the order. Taumaranui claims that it did not export lamb meat covered by the order during the review period.

Department's Position: We disagree. We calculated Taumaranui's EMDTI benefit based on data in Taumaranui's questionnaire response of April 5, 1989 which indicated that Taumaranui received EMDTI benefits on exports of the subject merchandise to the United States. Taumaranui did not submit contrary factual information until March 28, 1990, after the publication of our preliminary results. In accordance with 19 CFR 355.31(a)(1)(ii) and (a)(3), we have not considered factual information submitted after the preliminary results and have returned it to the submitter.

Comment 2: The New Zealand Meat Producers Board and the lamb meat exporters contend that the value of sheep production used in the Department's calculation of the benefit from the Livestock Incentive Scheme (LIS) does not accurately reflect LIS benefits to the producer. They claim that the LIS benefits are related to farm gate returns, not a hypothetical export value that the imputed FOB value utilized represents.

Department's Position: We disagree. We calculated the benefit from the LIS program based on data submitted by the New Zealand government in its April 5, 1989 questionnaire response. Furthermore, the methodology used in the current review is the same used in the previous review and was the basis on which the New Zealand government submitted the data. The factual information upon which the claim for a change in the method of calculating LIS benefits is based was not submitted until after the preliminary results and was returned in accordance with our regulations.

Comment 3: The New Zealand Meat Producers Board and lamb meat exporters contend that, because of the termination of the EMDTI program on March 31, 1990, the Department should establish a zero deposit rate with respect to that program.

Department's Position: We disagree. Because the termination of the EMDTI program occurred after the publication of the preliminary results, we have not considered this program-wide change in calculating the rate of cash deposit of estimated countervailing duties. Furthermore, although EMDTI was generally scheduled to terminate on March 31, 1990, certain companies may claim benefits on income tax returns covering a period through September 1990, depending on the end of their corporate fiscal year. However, as did take into account the discussed in the preliminary results, we program-wide change effective for the fiscal year ending March 31, 1989 in calculating the cash deposit of estimated countervailing duties.

Following publication of the preliminary results, we discovered a clerical error in the calculation of the weighted-average "all other" rate. We have corrected this error and, consequently, the "all other" rate is different from that calculated for the preliminary results.

Final Results of Review

As a result of our review, we determine the total bounty or grant to be 28.01 percent *ad valorem* for Taumaranui and 3.90 percent *ad valorem* for all other firms during the period April 1, 1987 through March 31, 1988.

Therefore, the Department will instruct the Customs Service to assess countervailing duties of 28.01 percent *ad valorem* for Taumaranui and 3.9 percent *ad valorem* for all other firms on all shipments of this merchandise exported on or after April 1, 1987 and on or before March 31, 1988.

Because of the phase-down of the EMDTI program, the Department will instruct the Customs Service to collect a cash deposit of estimated countervailing duties of 22.84 percent of the f.o.b. invoice price for Taumaranui and 3.50 percent of the f.o.b. invoice price for all other firms on all shipments of this merchandise entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice. This deposit requirement shall remain in effect until publication of the final results of the next administrative review.

This administrative review and notice are in accordance with section 751(a)(1) of the Tariff Act (19 U.S.C. 1675(a)(1)) and 19 CFR 355.22.

Eric I. Garfinkel

Assistant Secretary for Import Administration.

Dated: June 27, 1990.

[FR Doc. 90-15762 Filed 7-6-90; 8:45 am]

BILLING CODE 3510-DS-M

The Salk Institute for Biological Studies; Consolidated Decision on Applications for Duty-Free Entry of Scientific Instruments

This is a decision consolidated pursuant to section 6(c) of the Educational, Scientific, and Cultural Materials Importation Act of 1966 (Pub. L. 89-651, 80 Stat. 897; 15 CFR 301). Related records can be viewed between 8:30 a.m. and 5 p.m. in room 2841, U.S. Department of Commerce, 14th and Constitution Avenue, NW., Washington, DC.

Comments: None received. *Decision:* Approved. No instrument of equivalent scientific value to the foreign instruments described below, for such purposes as each is intended to be used, is being manufactured in the United States.

Docket Number: 89-244. *Applicant:* The Salk Institute for Biological Studies, La Jolla, CA 92037. *Instrument:* Mass Spectrometer, Model JMS-HX110. *Manufacturer:* JEOL Ltd., Japan. *Intended Use:* See notice at 54 FR 47253, November 13, 1989. *Reasons:* The foreign instrument provides resolution to 125 000 and a mass range to 12 000 at an accelerating potential of 10 kV. *Advice Submitted By:* National Institutes of Health, April 19, 1990.

Docket Number: 89-246. *Applicant:* Medical University of South Carolina, Charleston, SC 29425. *Instrument:* Mass Spectrometer, Model JMS-HX110/HX110. *Manufacturer:* JEOL Ltd., Japan. *Intended Use:* See notice at 54 FR 47253, November 13, 1989. *Reasons:* The foreign instrument provides (1) mass range to 14 000 at an accelerating potential of 10 kV, (2) resolution of 125 000 and (3) FAB and MS/MS capability. *Advice Submitted By:* National Institutes of Health, April 19, 1990.

Docket Number: 89-247. *Applicant:* Thomas Jefferson University, Philadelphia, PA 19107. *Instrument:* Muscle Transducer System. *Manufacturer:* Dr. K. Guth, West Germany. *Intended Use:* See notice at 54 FR 47253, November 13, 1989. *Reasons:* The foreign instrument can clamp very small and delicate specimens and provides a sensitivity to 0.3mg of force. *Advice Submitted By:* National Institutes of Health, April 19, 1990.

Docket Number: 89-252. *Applicant:* University of Pennsylvania, Philadelphia PA 19104. *Instrument:* Hybrid Piezo-Manipulator, Model PM 20N. *Manufacturer:* Biomedizinische Instrumente, West Germany. *Intended Use:* See notice at 54 FR 47703, November 16, 1989. *Reasons:* The foreign instrument provides an advance velocity of 25 μm/ms with variable step size in the range from 0.5 to 10 μm. *Advice Submitted By:* National Institutes of Health, April 19, 1990.

Docket Number: 89-143R. *Applicant:* Wayne State University, Detroit, MI 48202. *Instrument:* Mass Spectrometer System, Model MS40 RF. *Manufacturer:* Kratos Analytical, United Kingdom. *Intended Use:* See notice at 54 FR 22000, May 22, 1989. *Reasons:* The foreign instrument provides a mass range to 10 000 daltons at 8 kV and a resolution to 10 000 at a mass of 10 000. *Advice Submitted By:* National Institutes of Health, May 3, 1990.

Docket Number: 89-253. *Applicant:* La Jolla Cancer Research Center, La Jolla, CA 92037. *Instrument:* Mass Spectrometer, Model VG 70250SE. *Manufacturer:* VG Analytical, Ltd., United Kingdom. *Intended Use:* See notice at 54 FR 47702, November 16, 1989. *Reasons:* The foreign instrument provides a mass range to 3000 daltons at 8 kV and FAB capability with a scan rate of 0.1/seconds per decade. *Advice Submitted By:* National Institutes of Health, May 3, 1990.

Docket Number: 89-270. *Applicant:* FDA-Center for Biologics Evaluation and Research, Bethesda, MD 20892. *Instrument:* Mass Spectrometer, Model BIOION 20. *Manufacturer:* BIOION Nordic AB, Sweden. *Intended Use:* See notice at 55 FR 1074, January 11, 1990. *Reasons:* The foreign instrument provides: (1) a plasma desorption source, (2) mass range to 20 000, and (3) rapid scan and time-of-flight capabilities. *Advice Submitted By:* National Institutes of Health, May 3, 1990.

Docket Number: 89-277. *Applicant:* Mt. Sinai Medical Center, New York, NY 10029. *Instrument:* Single Photon Emission Computerized Tomographic Brain Scanner, Model Tomomatic 504. Manufacturer: Medimatic A/S, Denmark. *Intended Use:* See notice at 55 FR 1075, January 11, 1990. *Reasons:* The foreign instrument is capable of absolute measurement of regional cerebral blood float from Xenon-133 distribution and can measure subjects in an upright, seated position. *Advice Submitted By:* National Institutes of Health, May 22, 1990.

Docket Number: 89-283. *Applicant:* Rutgers University, Newark, NJ 07102. *Instrument:* WATSMART 3-Dimensional Movement Tracking Device. *Manufacturer:* Northern Digital, Inc., Canada. *Intended Use:* See notice at 55 FR 1075, January 11, 1990. *Reasons:* The foreign instrument provides three-dimensional digital analysis of eight hand/arm positions with a reconstruction rate of at least 100 markers per second. *Advice Submitted By:* National Institutes of Health, May 22, 1990.

Docket Number: 89-284. *Applicant:* Emory University, Atlanta, GA 30311. *Instrument:* Motion Analysis System: Optotrack. *Manufacturer:* Northern Digital, Inc., Canada. *Intended Use:* See notice at 55 FR 2125, January 22, 1990. *Reasons:* The foreign instrument provides three-dimensional digital analysis of motion with a resolution of 1:10 000, an inaccuracy of 0.05% and can be operated in a normally lighted room. *Advice Submitted By:* National Institutes of Health, May 22, 1990.

The National Institutes of Health advises that (1) the capabilities of each of the foreign instruments described above are pertinent to each applicant's intended purpose and (2) it knows of no domestic instrument or apparatus of equivalent scientific value for the intended use of each instrument.

We know of no other instrument or apparatus being manufactured in the United States which is of equivalent scientific value to any of the foreign instruments.

Frank W. Creel,

Director, Statutory Import Programs Staff.

[FR Doc. 90-15763 Filed 7-6-90; 8:45 am]

BILLING CODE 3510-DS-M

University of California; Consolidated Decision on Applications for Duty-Free Entry of Electron Microscopes

This is a decision consolidated pursuant to section 6(c) of the Educational, Scientific, and Cultural

APPENDIX L
INTERNATIONAL TRADE ADMINISTRATION RESULTS OF THE MOST RECENT COUNTERVAILING DUTY ADMINISTRATIVE REVIEW

Dated: October 17, 1990.

Francis J. Sailer,

Deputy Assistant Secretary for Investigations, Import Administration.

[FR Doc. 90-25038 Filed 10-22-90; 8:45 am]

BILLING CODE 3510-DS-M

[C-614-503]

Lamb Meat From New Zealand; Final Results of Countervailing Duty Administrative Review

AGENCY: International Trade Administration/Import Administration, Department of Commerce.

ACTION: Notice of final results of countervailing duty administrative review.

SUMMARY: On August 30, 1990, the Department of Commerce published the preliminary results of its administrative review of the countervailing duty order on lamb meat from New Zealand. We have now completed that review and determine the total bounty or grant to be 16.25 percent *ad valorem* for Waitaki, 11.31 percent *ad valorem* for Richmond, 0.47 percent *ad valorem* for Weddel Crown, 0.38 percent *ad valorem* for Lamb Gourmet and 2.74 percent *ad valorem* for all other firms during the period April 1, 1988 through March 31, 1989. In accordance with 19 CFR 355.7, any rate less than 0.50 percent *ad valorem* is *de minimis*.

EFFECTIVE DATE: October 23, 1990.

FOR FURTHER INFORMATION CONTACT: Gayle Longest or Paul McGarr, Office of Countervailing Compliance, International Trade Administration, U.S. Department of Commerce, Washington, DC 20230; telephone: (202) 377-2786.

SUPPLEMENTARY INFORMATION:

Background

On August 30, 1990, the Department of Commerce (the Department) published in the Federal Register (55 FR 35443) the preliminary results of its administrative review of the countervailing duty order on lamb meat from New Zealand (50 FR 37708; September 17, 1985). The Department has now completed that administrative review in accordance with section 751 of the Tariff Act of 1930, as amended (the Tariff Act).

Scope of Review

Imports covered by this review are shipments of lamb meat, other than prepared, preserved or processed, from New Zealand. During the review period, such merchandise was classifiable under items 106.3000 of the *Tariff Schedules of the United States Annotated* (TSUSA). Such merchandise is currently classifiable under items 0204.10.0000, 0204.22.2000, 0204.23.2000, 0204.30.0000, 0204.42.2000 and 0204.43.2000 of the *Harmonized Tariff Schedule* (HTS). The TSUSA and HTS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

The review covers the period April 1, 1988 through March 31, 1989 and two programs: (1) Export Market Development Taxation Incentive (EMDTI) and (2) Livestock Incentive Scheme (LIS).

Analysis of Comments Received

We gave interested parties an opportunity to comment on the preliminary results. We received no comments.

Final Results of Review

As a result of our review, we determine the total bounty or grant to be 16.25 percent *ad valorem* for Waitaki, 11.31 percent *ad valorem* for Richmond, 0.47 percent *ad valorem* for Weddel Crown, 0.38 percent *ad valorem* for Lamb Gourmet and 2.74 percent *ad valorem* for all other firms during the period April 1, 1988 through March 31, 1989. In accordance with 19 CFR 355.7, any rate less than 0.50 percent *ad valorem* is *de minimis*.

Therefore, the Department will instruct the Customs Service to assess countervailing duties of 16.25 percent *ad valorem* for Waitaki, 11.31 percent *ad valorem* for Richmond, and 2.74 percent *ad valorem* for all other firms, except Weddel Crown and Lamb Gourmet, on all shipments of this merchandise exported on or after April 1, 1988 and on or before March 31, 1989. For Weddel Crown and Lamb Gourmet, the Department will instruct the Customs Service to liquidate, without regard to countervailing duties, all shipments of this merchandise exported on or after April 1, 1988 and on or before March 31, 1989.

The termination of the EMDTI program reduces the total estimated bounty or grant to 0.38 percent *ad valorem*, a rate which is *de minimis*. Therefore, the Department will instruct the Customs Service to waive cash deposits of estimated countervailing duties on all shipments of this merchandise entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice. This deposit requirement shall remain in effect until publication of the final results of the next administrative review.

This administrative review and notice are in accordance with section 751(a)(1) of the Tariff Act (19 U.S.C. 1675(a)(1)) and 19 CFR 355.22.

Dated: October 16, 1990.

Marjorie A. Chorlins,

Acting Assistant Secretary for Import Administration.

[FR Doc. 90-25039 Filed 10-22-90; 8:45 am]

BILLING CODE 3510-DS-M

Scope Rulings

AGENCY: International Trade Administration/Import Administration, Department of Commerce.

ACTION: Notice of scope rulings.

SUMMARY: The International Trade Administration (ITA) hereby publishes a list of scope rulings completed between April 1, 1990 and June 30, 1990. In conjunction with this list, the ITA is also publishing a list of pending scope inquiries. The ITA intends to publish future lists within thirty days of the end of each quarter.

EFFECTIVE DATE: October 23, 1990.

FOR FURTHER INFORMATION CONTACT: Melissa G. Skinner, Compliance, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-4851.

SUPPLEMENTARY INFORMATION:

Background

Sections 353.29(d)(8) and 355.29(d)(8) of the Department's regulations (19 CFR 353.29(d)(8) and 355.29(d)(8)) provide that on a quarterly basis the Secretary will publish in the Federal Register a list of scope rulings completed within the last three months. The lists are to include the case name, reference number, and brief description of the ruling.

This notice lists scope rulings completed between April 1, 1990 and June 30, 1990, and pending scope clarification requests. The ITA intends to publish in October 1990, a notice of scope ruling completed between July 1, 1990 and September 30, 1990.

The following lists provide the country, case reference number, requester(s), and a brief description of either the ruling or product subject to pending request.

Scope Rulings Completed Between April 1, 1990 and June 29, 1990

Country: Canada

A-122-401: Red Raspberries: Various Canadian growers and sellers—berries in tankers and berries in flats

APPENDIX M
U.S. DEPARTMENT OF AGRICULTURE
PROFITABILITY STUDY

Table 55A--U.S. sheep production cash costs and returns, all sizes of operation, 1987-89

Item	1987	1988	1989
		Dollars per ewe	
Cash receipts:			
Slaughter lambs (31.8 lbs) 1/	22.64	20.36	19.51
Feeder lambs (26.7 lbs)	23.19	21.06	19.54
Cull ewes (29.3 lbs)	6.69	6.76	6.74
Wool (10 lbs)	10.05	15.17	13.43
Wool incentive payment	9.77	4.41	6.07
Unshorn lamb payment	1.94	.87	1.21
Total	74.28	68.63	66.50
Cash expenses:			
Feed--			
Grain (0.75 bu)	1.39	2.00	2.16
Protein supplements (0.38 cwt)	3.80	4.30	4.54
Salt and minerals (0.07 cwt)	.40	.40	.42
Hay (0.10 ton)	2.85	3.89	3.48
Pasture	2.89	3.12	3.36
Public grazing	.67	.77	.93
Crop residue	.05	.05	.06
Other--			
Veterinary and medicine	1.10	1.13	1.22
Livestock hauling	1.23	1.27	1.36
Marketing	.30	.32	.34
Ram death loss	.33	.30	.28
Shearing and tagging	1.20	1.26	1.30
Fuel, lube, and electricity	1.17	1.19	1.38
Machinery and building repairs	2.35	2.44	2.54
Hired labor (1.41 hrs)	6.53	6.76	6.99
Miscellaneous	1.17	1.25	1.32
Total, variable cash expenses	27.43	30.45	31.68
General farm overhead	4.46	3.43	3.48
Taxes and insurance	2.75	2.82	2.87
Interest	6.69	6.18	5.82
Total, fixed cash expenses	13.90	12.43	12.17
Total, cash expenses	41.33	42.88	43.85
Value of production less cash expenses	32.95	25.75	22.65
Capital replacement 2/	7.83	7.96	8.14
Total, cash expenses and replacement	49.16	50.84	51.99
Net cash returns	25.12	17.79	14.51

See footnotes at end of Table 55B.

Table 55B--U.S. sheep production economic costs and returns, all sizes of operation, 1987-89

Item	1987	1988	1989
		Dollars per ewe	
Total, cash receipts	74.28	68.63	66.50
Economic (full ownership) costs:			
Variable cash expenses	27.43	30.45	31.68
General farm overhead	4.46	3.43	3.48
Taxes and insurance	2.75	2.82	2.87
Capital replacement	7.83	7.96	8.14
Operating capital 3/	.83	1.05	1.27
Other nonland capital 4/	3.24	3.77	4.16
Land 5/	5.81	6.61	7.13
Unpaid labor (2.09 hrs)	7.48	7.93	8.20
Total, economic costs	59.83	64.02	66.93
Residual returns to management and risk	14.45	4.61	-.43

1/ Quantities per unit in parentheses are for the latest year and will vary for earlier years. 2/ Capital replacement cost is treated as a cash cost. 3/ Variable expense items multiplied by part of year used and 6-month U.S. Treasury bill rate. 4/ Value of machinery and equipment multiplied by longrun real rate of return to production assets in farm sector. 5/ Value of land multiplied by longrun real rate of return to production assets in farm sector.

Source: U.S. Department of Agriculture, Economic Research Service, Economic Indicators of the Farm Sector: Costs of Production--Livestock and Dairy, 1989, ECIFS 9-1, August 1990, pp. 72-73.

APPENDIX N
MIX OF LAMB MEAT CUTS
IMPORTED FROM AUSTRALIA

Report date 09/25/90

Cut No	Cut Name	Chilled lamb cuts to USA, Tonnes shipped weight, fiscal years: 1990	1989
4500	Carcase	299.365	416.865
4505	Telescoped carcase	-	263
4790	Chump	-	1.990
4800	Leg - Chump on	262.004	116.519
4810	Leg - Chump on - Shnk off	695.334	912.584
4820	Leg Chump off	1.491	-
4830	Leg - Chump off-Shank off	360	1.520
4840	Loin Chump on 8 ribs	6.599	-
4860	Loin 8 ribs	82.121	75.357
4860P	Loin chop	-	31
4861	Loin 7 ribs	6.651	-
4880	Shortloin 1 rib	264.357	303.468
4881	Shortloin 0 ribs	3.225	3.084
4910	Saddle 8 ribs	1.431	4.562
4930	Rack 7 ribs	211.272	306.123
4930P	Rib chop	-	49
4931	Rack 6 ribs	33.467	22.401
4932	Rack 8 ribs	133.303	120.536
4933	Rack 9 ribs	6.003	-
4980	Shoulder Blade Oyster cut	48.093	21.042
4990	Sq cut shoulder 5 ribs	42.825	64.121
4991	Sq cut shoulder 4 ribs	45.684	40.216
5010	Breast & flap	2	23
5015	Spare ribs	1.767	4.080
5030	Fore shank	4.236	3.109
5036	Assorted cuts	121.948	325.029
5040	Side	60	-
5045	Fqtr 5 ribs	4.972	-
5046	Fqtr 4 ribs	-	1.382
5050	Sq Cut Shoulder 5 ribs	17.645	517
5051	Sq Cut Shoulder 4 ribs	3.159	655
5052	Sq Cut Shoulder 6 ribs	3.444	-
5060	Leg chump on	89.001	98.430
5060W	Leg chump on (W)	-	11
5065	Leg cuts	16.346	1.260
5070	Leg chump off	673	2.936
5080	Tenderloin	9.957	4.097
5100	Backstrap	5.829	898
5101	Backstrap 1st Thoracic	277	3.144
5102	Backstrap 4th Thoracic	93	-
5104	Backstrap 6th Thoracic	-	979
5105	B.strap 1st Thor. eye only	1.194	-
5109	Backstrap 1st cervical	1.459	40
5130	Chump	813	923
5140	Striploin 1 rib	21.745	18.808
5145	Loin 8 ribs	2.810	1.579
5146	Loin 7 ribs	1.853	753
5147	Loin 9 ribs	1.092	-
5150	Eye of shortloin	6.627	1.011
5199	Assorted cuts	5.052	3.257
5250	Diced	11.581	10.778
5270	Trimmings	22	-
5280	Fqtr	522	-
	Total chilled	2,477.764	2,894.430

Source: Unofficial statistics of the Australian Meat and Live-stock Corporation.

Report date 09/25/90		Frozen lamb cuts to USA, Tonnes shipped weight, fiscal years:	
Cut No	Cut Name	1990	1989
4500	Carcase	-	61.641
4800	Leg - Chump on	-	153.775
4810	Leg - Chump on - Shnk off	-	648.121
4830	Leg - Chump off-Shank off	-	471
4840	Loin Chump on 8 ribs	-	7.019
4841	Loin Chump on 7 ribs	-	327
4860	Loin 8 ribs	-	62.067
4880	Shortloin 1 rib	-	174.420
4881	Shortloin 0 ribs	-	1.881
4930	Rack 7 ribs	-	194.915
4931	Rack 6 ribs	-	972
4932	Rack 8 ribs	-	260.320
4980	Shoulder Blade Oyster cut	-	22.000
4990	Sq cut shoulder 5 ribs	-	676.639
4991	Sq cut shoulder 4 ribs	-	108.683
5010	Breast & flap	-	10.511
5020	Neck	-	1.036
5030	Fore shank	582.243	617.809
5031	Hind shank	3.244	-
5036	Assorted cuts	232	9.557
5046	Fqtr 4 ribs	1.553	-
5050	Sq Cut Shoulder 5 ribs	5.501	7.410
5051	Sq Cut Shoulder 4 ribs	4.795	60.929
5055	Shoulder blade (oys cut)	47	-
5060	Leg chump on	322.178	290.507
5065	Leg cuts	25.947	30.848
5070	Leg chump off	18.815	6.923
5080	Tenderloin	3.864	278
5100	Backstrap	1.862	-
5101	Backstrap 1st Thoracic	103	815
5108	B.strap 6th Thor. eye only	31	-
5109	Backstrap 1st cervical	606	-
5130	Chump	2.021	3
5140	Striploin 1 rib	2.828	4.198
5141	Striploin 0 ribs	352	-
5146	Loin 7 ribs	1.408	-
5147	Loin 9 ribs	1.335	-
5150	Eye of shortloin	2.303	-
5170	Thin flank	-	5.665
5199	Assorted cuts	-	12.460
5201	Full carcase	165	11.613
5202	Carcase meat	46.376	-
5220	Trunk meat	32.106	16.874
5250	Diced	8.987	4.629
5260	Mince	-	5.448
5270	Trimmings	60.198	32.735
5290	Fqtr meat	39.269	-
	Total frozen	4,092.545	3,503.499

Source: Unofficial statistics of the Australian Meat and Live-stock Corporation.

Chilled Lamb Exports to the U.S. by Cut
12 Months Ended June
Kilograms

	1982	%	1983	%	1984	%	1985	%	1986	%	1987	%	1988	%
Carcase--------	151 090	46.9	143 550	31.1	35 809	6.6	28 445	5.0	1 076 018	39.9	2 729 829	47.2	1 777 896	31.4
Boneless mfg lamb-----	-		-		-		1 418	0.3	22 393	0.8	1 182	0.02	27 127	0.5
Legs-----------	144 430	44.9	175 595	38.1	326 080	59.8	362 034	64.1	829 338	30.7	1 291 386	22.3	1 686 079	29.8
Loins----------	9 846	3.1	137 249	29.7	177 977	32.6	170 095	30.1	323 106	12.0	630 589	10.9	731 436	12.9
Racks----------	102	0.03	32	-	1 137	0.2	436	0.1	126 318	4.7	451 453	7.8	622 010	11.0
Shoulders------	16 366	5.12	4 915	1.1	4 568	0.8	1 894	0.3	129 922	4.8	410 825	7.1	512 859	9.1
Breast, flap /spare ribs--	-		-		-		-		33	-	1 378	0.02	2 517	0.04
Foreshank------	1	-	4	-	40	-	690	0.1	56	-	3 469	0.1	18 544	0.3
Assorted cuts--	-		-		-		-		192 115	7.1	260 713	4.5	282 924	5.0
Total-----	321 835	100	461 345	100	545 611	100	565 012	100	2 699 299	100	5 780 824	100	5 661 392	100

Frozen Lamb Exports to the U.S. by Cut
12 Months Ended June
Kilograms

	1982	%	1983	%	1984	%	1985	%	1986	%	1987	%	1988	%
Carcase--------	72 299	5.5	48 458	5.7	482 907	40.4	138 328	13.3	56 039	3.1	162 579	6.6	277 392	7.4
Boneless mfg lamb-----	181 348	13.8	147 932	17.4	245 872	20.6	395 791	36.2	546 117	30.3	74 764	3.0	93 025	2.5
Legs-----------	942 281	71.2	497 372	58.4	268 182	22.4	136 125	13.1	401 007	22.2	774 645	31.5	1 260 828	33.7
Loins----------	15 289	1.2	8 871	1.0	46 484	3.9	72 787	7.0	147 668	8.2	252 298	10.3	319 241	8.5
Racks----------	64 102	4.9	99 562	11.7	76 354	6.4	137 657	13.3	289 071	16.0	321 170	13.1	421 599	11.3
Shoulders------	-		18 307	2.1	35 184	2.9	109 751	10.6	168 178	9.3	470 298	19.1	733 182	19.6
Breast, flap /spare ribs--	-	-	-	-	4 181	0.3	-	-	2 320	0.1	40 076	1.6	10 281	0.3
Foreshank------	41 604	3.2	31 540	3.7	35 187	2.9	45 794	4.4	194 163	10.8	364 346	14.8	620 447	16.6
Assorted cuts--	-	-	-	-	369	0.3	20	-	173	-	866	0.04	113	-
Total-----	1 316 923	100	852 042	100	1 194 720	100	1 036 723	100	1 804 736	100	2 461 042	100	3 736 108	100

Source: Unofficial statistics of the Australian Meat and Live-stock Corporation.

APPENDIX O
FORM OF LAMB MEAT IMPORTED FROM AUSTRALIA

CHILLED/FROZEN LAMB SHIPMENTS TO USA BY STATISTICAL MONTH OF RECEIPT OF FORMS 4 (TONNES SHIPPED WEIGHT)

Statistical	CHILLED LAMB								
	East Coast				West Coast				Total
Month	Bone-in		Boneless		Bone-in		Boneless		Chilled
1990	C'se	Cuts	C'se	Cuts	C'se	Cuts	C'se	Cuts	Lamb
Jan	-	1.0	-	0.3	28.8	182.1	-	11.8	224.0
Feb	-	0.5	-	1.9	21.3	152.2	-	15.9	191.8
Mar	-	-	-	-	30.6	238.6	-	28.5	297.7
Apr	-	0.4	-	0.8	32.1	228.7	-	20.4	282.4
May	-	0.3	-	0.8	32.9	153.4	-	22.3	209.7
Jun	-	-	-	-	20.6	136.3	-	16.9	173.8
Jul									
Aug									
Sep									
Oct									
Nov									
Dec									
TOTAL	-	2.2	-	3.8	166.3	1091.3	-	115.8	1379.4

Total Chilled (tonnes)

Forms 4 Received to

JUN 1990

E.C.	6.0
W.C.	1373.4
Total:	1379.4

JUN 1989

E.C.	24.0
W.C.	1608.0
Total:	1632.0

Statistical	FROZEN LAMB								
	East Coast				West Coast				Total
Month	Bone-in		Boneless		Bone-in		Boneless		Frozen
1990	C'se	Cuts	C'se	Cuts	C'se	Cuts	C'se	Cuts	Lamb
Jan	15.4	232.0	-	20.2	-	39.7	-	9.8	317.1
Feb	-	135.5	-	18.3	-	168.1	-	6.5	328.4
Mar	-	49.6	-	2.6	-	105.7	-	4.0	161.9
Apr	7.5	23.3	0.2	15.2	-	122.0	-	5.6	173.8
May	-	56.4	-	8.1	-	111.4	-	18.3	194.2
Jun	7.3	33.1	-	7.7	-	126.9	-	18.4	193.4
Jul									
Aug									
Sep									
Oct									
Nov									
Dec									
TOTAL	30.2	529.9	0.2	72.1	-	673.8	-	62.6	1368.8

Total Frozen (tonnes)

Forms 4 Received to

JUN 1990

E.C.	632.4
W.C.	736.4
Total	1368.8

JUN 1989

E.C.	984.6
W.C.	908.1
Total	1892.7

COMPONENTS MAY NOT ADD TO TOTALS DUE TO ROUNDING

Source: Unofficial statistics of the Australian Meat and Live-stock Corporation.

Doc. 0005A(1)

CHILLED/FROZEN LAMB SHIPMENTS TO USA BY STATISTICAL MONTH OF RECEIPT OF FORMS 4 (TONNES SHIPPED WEIGHT)

Statis-tical Month 1989	CHILLED LAMB								Total Chilled Lamb
	East Coast				West Coast				
	Bone-in		Boneless		Bone-in		Boneless		
	C'se	Cuts	C'se	Cuts	C'se	Cuts	C'se	Cuts	
Jan	-	3.1	-	2.1	31.8	253.6	-	7.6	298.6
Feb	-	3.1	-	1.3	21.8	305.8	-	14.9	347.0
Mar	-	1.2	-	3.4	48.0	280.6	-	10.0	343.3
Apr	-	2.6	-	1.1	36.0	167.9	-	15.5	223.0
May	-	1.4	-	1.1	29.5	146.7	-	10.2	188.8
Jun	-	1.2	-	2.4	27.9	187.6	-	12.3	231.4
Jul	-	0.8	-	1.7	19.9	142.0	-	6.3	170.7
Aug	-	0.5	-	0.8	28.9	136.1	-	8.1	174.3
Sep	-	0.9	-	2.0	22.1	123.2	-	7.2	155.4
Oct	-	0.9	-	1.6	24.1	119.1	-	13.7	159.4
Nov	-	4.8	-	8.8	20.8	208.7	-	22.9	266.0
Dec	-	1.4	-	2.7	17.2	140.4	-	10.5	172.2
TOTAL	-	21.9	-	29.0	328.0	2212.0	-	139.2	2730.3

Total Chilled (tonnes)

Forms 4 Received to

DEC 1989

E.C.	50.9
W.C.	2679.2
Total:	2730.1

DEC 1988

E.C.	35.6
W.C.	4366.9
Total:	4402.5

Statis-tical Month 1989	FROZEN LAMB								Total Frozen Lamb
	East Coast				West Coast				
	Bone-in		Boneless		Bone-in		Boneless		
	C'se	Cuts	C'se	Cuts	C'se	Cuts	C'se	Cuts	
Jan	8.9	136.5	-	2.9	-	26.7	-	24.1	199.3
Feb	-	121.8	-	25.4	-	129.4	-	16.0	292.7
Mar	21.3	86.6	-	6.2	-	142.8	-	15.1	272.0
Apr	-	66.3	-	7.0	-	91.5	-	13.1	177.8
May	-	247.7	-	35.4	-	217.8	-	63.7	564.6
Jun	-	167.7	-	50.9	-	158.0	-	9.9	386.5
Jul	-	263.3	-	44.5	-	180.8	-	15.0	503.6
Aug	-	177.6	-	59.2	-	151.6	-	24.9	413.3
Sep	7.2	189.2	-	39.9	-	257.9	-	46.1	540.4
Oct	-	227.1	-	70.9	-	114.3	-	11.8	424.1
Nov	1.4	281.9	-	52.5	-	125.8	-	46.4	508.0
Dec	-	234.0	-	15.4	-	63.6	-	21.0	334.0
TOTAL	39.3	2199.7	-	410.2	-	1660.2	-	307.1	4616.3

Total Frozen (tonnes)

Forms 4 Received to

DEC 1989

E.C.	2649.2
W.C.	1967.3
Total	4616.5

DEC 1988

E.C.	2002.7
W.C.	1559.6
Total	3562.3

COMPONENTS MAY NOT ADD TO TOTALS DUE TO ROUNDINGS

Source: Unofficial statistics of the Australian Meat and Live-stock Corporation.

CHILLED LAMB SHIPMENTS TO USA BY

STATISTICAL MONTH OF RECEIPT OF FORMS 4 (TONNES SHIPPED WEIGHT)

Statistical Month 1988	CHILLED LAMB: East Coast: Bone-in: C'se	Cuts	Boneless: C'se	Cuts	West Coast: Bone-in: C'se	Cuts	Boneless: C'se	Cuts	Total Chilled Lamb
Jan	-	-	-	-	230.4	298.3	-	11.5	540.2
Feb	-	-	-	-	121.9	422.5	-	21.2	565.6
Mar	-	-	-	-	157.9	574.3	-	54.2	786.4
Apr	-	-	-	-	204.2	265.6	-	14.6	484.4
May	-	-	-	-	115.6	275.0	-	17.6	408.2
Jun	-	-	-	-	127.6	217.4	-	10.4	355.4
Jul	7.9	-	-	-	53.4	129.5	-	6.8	197.6
Aug	-	-	-	-	23.0	181.7	-	23.3	228.0
Sep	1.3	-	-	-	32.8	106.0	-	12.2	152.3
Oct	-	10.8	-	-	26.3	194.5	-	9.5	241.1
Nov	15.6	-	-	-	30.2	196.4	-	10.3	252.5
Dec	-	-	-	-	31.4	151.9	-	7.5	190.8
TOTAL	24.8	10.8	-	-	1154.7	3013.1	-	199.1	4402.5

Forms 4 Received to DEC 1988

Total Chilled (tonnes)

E.C. 35.6
W.C. 4366.9

Total: 4402.5

Source: Unofficial statistics of the Australian Meat and Live-stock Corporation.

FROZEN LAMB SHIPMENTS TO USA BY

STATISTICAL MONTH OF RECEIPT OF FORMS 4 (TONNES SHIPPED WEIGHT)

Statistical Month 1988	FROZEN LAMB: East Coast: Bone-in C'se	Cuts	Boneless C'se	Cuts	West Coast: Bone-in C'se	Cuts	Boneless C'se	Cuts	Total Frozen Lamb
Jan	-	155.0	-	17.8	-	90.3	-	-	263.1
Feb	8.0	158.0	-	19.3	5.2	94.1	-	19.2	303.8
Mar	11.5	267.9	-	30.5	-	167.1	-	21.5	498.5
Apr	7.4	118.9	-	0.6	8.6	112.1	-	5.1	252.7
May	14.3	177.6	-	0.6	-	131.9	-	11.4	335.8
Jun	-	105.5	-	12.5	-	159.8	-	20.1	297.9
Jul	-	-	-	-	-	67.3	-	10.7	78.0
Aug	-	106.0	-	17.2	-	51.9	-	12.9	188.0
Sep	4.3	121.1	-	12.9	-	107.4	-	35.2	280.9
Oct	8.7	128.5	-	17.4	-	89.2	-	14.4	258.2
Nov	8.1	209.7	-	16.4	2.5	175.3	-	45.0	457.0
Dec	7.9	200.9	-	38.2	-	100.4	-	1.0	348.4
TOTAL	70.2	1749.1	-	183.4	16.3	1346.8	-	196.5	3562.3

Forms 4 Received to DEC 1988

Total Frozen (tonnes)

E.C.	2002.7
W.C.	1559.6
Total	3562.3

COMPONENTS MAY NOT ADD TO TOTALS DUE TO ROUNDINGS

Source: Unofficial statistics of the Australian Meat and Live-stock Corporation.

Doc. 0139F(4)

CHILLED/FROZEN LAMB SHIPMENTS SHIPMENTS TO USA BY STATISTICAL MONTH OF RECEIPT OF FORMS 4 (TONNES SHIPPED WEIGHT)

Statistical Month 1987	CHILLED LAMB								Total Chilled Lamb
	East Coast				West Coast				
	Bone-in		Boneless		Bone-in		Boneless		
	C'se	Cuts	C'se	Cuts	C'se	Cuts	C'se	Cuts	
Jan	-	-	-	-	138.2	209.6	-	7.8	355.6
Feb	-	-	-	-	192.1	177.5	-	7.4	377.0
Mar	-	-	-	-	419.9	405.7	-	33.5	859.1
Apr	5.3	-	-	-	411.1	381.1	-	37.7	835.2
May	-	-	-	-	374.6	321.8	-	11.4	707.8
Jun	-	0.1	-	-	327.6	278.4	-	13.5	619.6
Jul	-	-	-	-	209.9	272.8	-	11.3	494.0
Aug	-	-	-	-	167.7	222.6	-	8.6	398.9
Sep	-	-	-	-	151.5	238.0	-	13.0	402.5
Oct	-	-	-	-	127.4	315.5	-	14.9	457.8
Nov	-	-	-	-	118.6	271.6	-	23.9	414.1
Dec	-	0.5	-	0.7	45.3	292.3	-	15.3	354.1
TOTAL	5.3	0.6	-	0.7	2683.9	3386.9	-	198.3	6275.7

Forms 4 Received to Dec 1987

Total Chilled (tonnes)

E.C. 6.6
W.C. 6269.1

Total: 6275.7

Statistical Month 1987	FROZEN LAMB								Total Frozen Lamb
	East Coast				West Coast				
	Bone-in		Boneless		Bone-in		Boneless		
	C'se	Cuts	C'se	Cuts	C'se	Cuts	C'se	Cuts	
Jan	15.0	-	-	-	-	17.0	-	-	32.0
Feb	21.4	78.6	-	23.0	7.4	120.9	-	0.4	251.7
Mar	7.0	104.4	-	-	-	155.2	-	-	266.6
Apr	6.5	171.2	-	11.1	-	165.1	-	13.8	367.7
May	8.4	148.5	-	26.7	-	86.3	-	20.0	289.9
Jun	-8.4	144.0	-	22.8	-	155.3	-	19.1	332.8
Jul	35.2	151.9	-	12.0	-	112.7	-	13.3	325.1
Aug	-	58.0	33.7	20.6	11.3	121.0	-	47.7	292.3
Sep	43.7	32.5	-	53.6	20.2	116.9	-	17.6	284.5
Oct	15.1	172.4	-	15.1	19.8	94.2	-	16.6	333.2
Nov	23.9	99.4	-	8.9	-	85.9	-	7.1	225.2
Dec	10.4	166.3	-	47.2	-	99.8	-	-	323.7
TOTAL	178.2	1327.2	33.7	241.0	58.7	1330.3	-	155.6	3324.7

Forms 4 Received to Dec 1987

Total Frozen (tonnes)

E.C. 1780.1
W.C. 1544.6

Total 3324.7

COMPONENTS MAY NOT ADD TO TOTALS DUE TO ROUNDINGS

Source: Unofficial statistics of the Australian Meat and Live-stock Corporation.

Doc. 0139F(4)

CHILLED/FROZEN LAMB SHIPMENTS SHIPMENTS TO USA BY STATISTICAL MONTH OF RECEIPT OF FORMS 4 (TONNES SHIPPED WEIGHT)

Statistical Month 1986	CHILLED LAMB: East Coast: Bone-in: C'se	Cuts	Boneless: C'se	Cuts	West Coast: Bone-in: C'se	Cuts	Boneless: C'se	Cuts	Total Chilled Lamb
Jan	51.6	41.1	-	6.2	67.7	135.1	-	0.2	301.9
Feb	57.1	78.9	-	2.7	64.1	108.7	-	6.7	318.2
Mar	52.1	90.1	-	0.5	74.0	219.9	-	1.1	437.7
Apr	44.7	83.1	-	0.6	94.8	116.1	-	1.3	340.6
May	15.7	13.6	-	-	92.2	137.3	-	0.6	277.4
Jun	3.0	2.4	-	-	110.9	114.6	-	1.7	232.6
Jul	-	-	-	-	137.6	130.4	-	1.2	269.2
Aug	-	-	-	-	130.3	138.9	-	1.8	271.0
Sep	-	2.7	-	-	122.0	176.6	-	2.4	303.7
Oct	-	6.8	-	-	169.5	197.5	-	3.5	377.3
Nov	6.9	1.4	-	-	137.8	215.0	-	18.5	379.6
Dec	-	-	-	-	156.7	249.9	-	18.7	425.3
TOTAL	231.1	338.1	-	10.0	1357.6	1940.0	-	57.7	3934.5

Forms 4 Received to December 1986

Total Chilled (tonnes)

E.C.	579.2
W.C.	3355.3
Total:	3934.5

Statistical Month 1986	FROZEN LAMB: East Coast: Bone-in: C'se	Cuts	Boneless: C'se	Cuts	West Coast: Bone-in: C'se	Cuts	Boneless: C'se	Cuts	Total Frozen Lamb
Jan	1.0	21.8	-	66.2	-	13.8	-	21.5	124.3
Feb	7.6	49.6	-	49.7	-	91.0	-	4.6	202.5
Mar	14.3	59.3	-	37.4	-	12.4	-	-	123.4
Apr	7.3	75.1	-	33.6	-	104.8	-	-	220.8
May	7.3	51.3	-	16.7	-	105.7	-	4.6	185.6
Jun	11.0	10.7	2.8	87.0	-	27.6	-	-	139.1
Jul	-	32.5	0.3	12.6	-	21.8	-	-	67.2
Aug	7.7	36.8	-	19.7	-	46.2	-	-	110.4
Sep	7.2	0.7	16.9	-	-	74.0	-	-	98.8
Oct	20.3	82.5	-	4.1	2.4	70.1	-	-	179.4
Nov	13.9	75.8	13.2	21.6	-	44.0	-	-	168.5
Dec	21.2	74.0	-	-	10.4	190.4	-	-	296.0
TOTAL	118.8	570.1	33.2	348.6	12.8	801.8	-	30.7	1916.0

Forms 4 Received to December 1986

Total Frozen (tonnes)

E.C.	1070.7
W.C.	845.3
Total	1916.0

COMPONENTS MAY NOT ADD TO TOTALS DUE TO ROUNDINGS

Source: Unofficial statistics of the Australian Meat and Live-stock Corporation.

Doc. 0139F(4)

CHILLED/FROZEN LAMB SHIPMENTS SHIPMENTS TO USA BY STATISTICAL MONTH OF RECEIPT OF FORMS 4 (TONNES SHIPPED WEIGHT)

Statistical Month 1985	CHILLED LAMB								
	East Coast				West Coast				Total Chilled Lamb
	Bone-in		Boneless		Bone-in		Boneless		
	C'se	Cuts	C'se	Cuts	C'se	Cuts	C'se	Cuts	
Jan	-	-	-	-	-	47.9	-	-	47.9
Feb	-	-	-	-	2.8	47.3	-	-	50.1
Mar-	-	-	-	-	1.4	85.0	-	-	86.4
Apr	-	-	-	-	7.7	37.0	-	-	44.7
May	0.6	0.3	-	-	3.3	22.5	-	-	26.7
Jun	2.0	-	-	-	10.7	55.0	-	0.8	68.5
Jul	25.4	2.3	-	-	10.2	33.2	-	-	71.1
Aug	22.6	2.4	-	-	18.2	51.9	-	0.2	95.3
Sep	23.4	10.2	-	-	24.9	18.2	-	0.4	77.1
Oct	28.0	30.9	-	-	41.2	77.0	-	0.1	177.2
Nov	42.9	41.7	-	-	35.8	67.0	-	0.1	187.5
Dec	29.5	11.5	-	-	46.1	94.7	-	0.9	182.7
TOTAL	174.4	99.3	-	-	202.5	636.7	-	2.5	1115.2

Forms 4 Received to December 1985

Total Chilled (tonnes)

E.C. 273.7
W.C. 841.7

Total: 1115.2

Statistical Month 1985	FROZEN LAMB								
	East Coast				West Coast				Total Frozen Lamb
	Bone-in		Boneless		Bone-in		Boneless		
	C'se	Cuts	C'se	Cuts	C'se	Cuts	C'se	Cuts	
Jan	-	6.0	-	49.6	-	23.8	-	35.9	115.3
Feb	7.6	7.3	-	66.7	-	31.2	-	9.1	121.9
Mar	21.4	23.2	-	49.8	7.4	47.6	-	16.7	166.1
Apr	-	15.3	9.2	64.4	-	50.9	-	52.4	192.2
May	1.3	4.4	-	26.8	-	36.2	-	4.4	73.1
Jun	-	10.4	-	59.2	-	12.1	-	27.5	109.2
Jul	1.3	21.0	-	93.9	-1.3	49.2	-	-	164.1
Aug	-	27.3	-	64.7	-	39.1	-	13.5	144.6
Sep	1.4	16.6	-	115.9	-	25.1	-	-	159.0
Oct	-	6.0	-	54.7	-	47.0	-	4.7	112.4
Nov	-	12.9	-	60.1	-	-	-	-	73.0
Dec	3.3	30.7	-	55.1	-	66.7	-	-	155.8
TOTAL	36.3	181.1	9.2	760.9	6.1	428.9	-	164.2	1586.7

Forms 4 Received to December 1985

Total Frozen (tonnes)

E.C. 987.5
W.C. 599.2

Total: 1586.7

COMPONENTS MAY NOT ADD TO TOTALS DUE TO ROUNDINGS

Source: Unofficial statistics of the Australian Meat and Live-stock Corporation.