

# **LAMB MEAT FROM NEW ZEALAND**

**Determination of the Commission in  
Investigation No. 701-TA-214  
(Preliminary) Under the Tariff Act  
of 1930, Together With the  
Information Obtained  
in the Investigation**

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**Determination of the Commission  
in Investigation No. 731-TA-188  
(Preliminary) Under the Tariff Act  
of 1930, Together With  
the Information Obtained  
in the Investigation**

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Data which would disclose confidential operations of individual concerns may not be published and therefore have been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

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.

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1/ The record is defined in sec. 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 F.R. 17826). 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.

VIEWS OF CHAIRMAN ECKES AND COMMISSIONERS STERN, LIEBELER, AND ROHR

On the basis of the record in investigations Nos. 701-TA-214 (Preliminary) and 731-TA-188 (Preliminary), we determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of lamb meat from New Zealand that are allegedly subsidized and imports of lamb meat from New Zealand that are allegedly sold at less than fair value. 1/ 2/

Summary

On the basis of the record in these investigations, we find that there is no reasonable indication that the domestic industry as a whole is materially injured. Further, even if the domestic industry is experiencing difficulties, there is no reasonable indication that imports from New Zealand are a cause of these problems. While domestic consumption and production increased during the period of investigation, imports from New Zealand declined by 50 percent. Specifically, imports of legs declined substantially during the period. With regard to threat, this decline in imports should be examined in the context of increased exports of New Zealand lamb to the Middle East and other countries. We further note the termination of a voluntary restraint agreement with the European Communities (EC) in March of 1984. These factors indicate that there

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1/ Material retardation of establishment of an industry is not an issue in these investigations and will not be discussed further.

2/ Chairman Eckes wishes to distinguish his negative determination in these preliminary investigations from his earlier affirmative determination regarding these imports. Lamb Meat from New Zealand, Inv. No. 701-TA-80 (Preliminary), USITC Pub. 1191 (1981). The record of the present investigations contains substantially more complete information regarding the condition of the domestic industry and the impact of subject imports on the supply and price of domestic lamb meat. Further, the import data in the earlier investigation suggested gradual and steadily increasing trends in contrast to present import volume declines.

is no reasonable indication that imports from New Zealand are a threat of material injury to the domestic industry.

Definition of like product and domestic industry

The term "industry" is defined in section 771(4)(A) of the Act as consisting of "[t]he 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." 3/ The term "like product," in turn, is defined in section 771(10) as being "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject of an investigation." 4/

We adopt the definitions of the like product and domestic industry in the prior Commission determination on lamb meat from New Zealand. 5/ We therefore conclude that fresh domestic lamb meat is "like" or "most similar in characteristics and uses with" frozen imported lamb meat from New Zealand. Further, we conclude that the domestic industry includes the domestic packers, processors, growers and feeders of lamb meat. 6/

No reasonable indication of material injury

Packers and processors

According to U.S. Department of Agriculture (USDA) data, U.S. production of lamb meat rose by 9 percent, from 308 million pounds in 1981 to 335 million pounds in 1982, and then increased by 3 percent to 344 million pounds in

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3/ 19 U.S.C. § 1677(4)(A).

4/ 19 U.S.C. § 1677(10).

5/ Lamb Meat from New Zealand, Inv. No. 701-TA-80 (Preliminary), USITC Pub. 1191 (1981) at 3-6, 19. Commissioners Haggart, Lodwick, Rohr, and Liebeler did not participate in that determination. We note that neither the petitioners nor respondents contested the definition of the domestic industry in these investigations.

6/ Id. at 6-10, 19-20.



1983. Production further increased by 6 percent to 93 million pounds in January-March 1984 compared with 88 million pounds in January-March 1983. 7/ Reported capacity 8/ to produce lamb meat increased by 20 percent, from 221 million pounds in 1981 to 265 million pounds in 1982, and then decreased by 5 percent to 252 million pounds in 1983. Reported capacity rose by 15 percent to 69 million pounds in January-March 1984 compared with 60 million pounds in January-March 1983. 9/ Capacity utilization increased steadily during the period under investigation, from 76.2 percent in 1981 to 77.9 percent in 1982 and then to 87.1 percent in 1983. Capacity utilization further rose to 91.3 percent in January-March 1984 compared with 88.9 percent in January-March 1983. 10/

Employment of production workers by packers and processors of lamb meat increased by 5 percent, from 428 in 1981 to 450 in 1982. Employment fell by 1 percent to 444 in 1983. It then remained stable in January-March 1984 compared with that in January-March 1983. 11/

Three processors supplied full-year financial data for 1981-83. Net sales of these three firms rose from \$99 million in 1981 to \$125 million in 1982 and further increased to \$129 million in 1983. Operating income for the three years remained generally stable at about \$1.1 million in 1981 and 1982 and then increased to \$1.4 million in 1983. 12/

We recognize that in a livestock industry, such as the lamb meat industry, increasing levels of production and capacity utilization are not

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7/ Report at A-19-A-20.

8/ Capacity data are for producers that accounted for 65 percent of lamb meat production in 1983.

9/ Report at A-19.

10/ Id.

11/ Report at A-21-A-22.

12/ Report at A-22-A-23.

necessarily indicators of a healthy industry. However, taken in the context of stable or increasing cash flows from lamb-processing operations 13/ and stable ratios of income to sales, 14/ we do not find any indication of injury to this segment of the industry.

#### Growers

U.S. production of live lambs increased from 8.2 million in 1980 to 8.8 million in 1981, decreased to 8.6 million in 1982, and then returned to the 1980 level of 8.2 million in 1983. 15/ During the period under investigation, the number of sheep on farms increased from 12.7 million on January 1, 1980, to 12.9 million on January 1, 1981, and then increased to 13 million on January 1, 1982. The number of sheep then decreased to 12 million on January 1, 1983, and further decreased to 11.4 million on January 1, 1984. 16/ The slaughter rate during this period increased from 5.7 million in 1980 to 6.2 million in 1981 and then to 6.6 million in 1982. The slaughter rate increased again to 6.8 million in 1983. 17/

There is no compelling evidence that farmers are liquidating their herds. Although the population of sheep and lambs dropped to a historic low at yearend 1983, there is evidence that herds were depleted in part as a result of exogenous factors such as droughts and predators. The lamb crop was only one percent lower in 1983 than in 1980, and there is no reason to believe that the stock of sheep and lambs could not be restored to earlier levels within a relatively short period. 18/

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13/ Id.

14/ Id.

15/ Report at A-15-A-16.

16/ Id.

17/ Id.

18/ Report at A-10, A-16.

We are mindful of the admonition in the Senate Finance Committee Report that certain factors may appear to indicate a favorable situation for an agricultural industry when in fact the opposite is true. Thus, the Senate Finance Report gives the following example based on the beef industry which could be applicable to the lamb meat industry: "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." 19/ As noted above, however, there are no indications that the sheep herds are being liquidated. There is no straight-line decline in the production of live lambs. In 1981 and 1982, production of live lambs were above 1980 levels.

The only financial data available to the Commission for growers is USDA data showing sheep raisers' average cash receipts and expenses per ewe. During this period, cash receipts less cash expenses and capital replacement increased from \$4.04 per ewe in 1981 to \$4.29 per ewe in 1982 before declining to \$3.03 per ewe in 1983. 20/ However, despite this overall decline, cash receipts for lamb meat have increased steadily from \$30.21 per ewe to \$32.37 per ewe. 21/ Any decline in cash receipts is due to declines in the receipts for wool and other miscellaneous products. Although there are factors which could be interpreted to show problems in this segment of the industry, these factors are outweighed by other factors, such as the relatively stable levels of production of live lambs and the increasing returns on lamb meat per ewe that indicate the growers are not materially injured.

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19/ S. Rep. No. 96-249, 96th Cong., 1st Sess. 88 (1979).

20/ Report at A-18.

21/ Id.

On balance we find that there is no reasonable indication that the domestic industry is materially injured.

#### Causation

Even were we to find a reasonable indication that the domestic industry is materially injured, we cannot find any indication that imports from New Zealand are a cause of that injury. It is particularly significant that during the investigative period imports of lamb meat from New Zealand have declined by 50 percent, while domestic consumption and production of lamb meat have increased.

Imports of lamb meat from New Zealand declined by 44 percent from 28 million pounds in 1981 to 16 million pounds in 1982, and then by 6 percent to 15 million pounds in 1983. Imports further declined by 59 percent to 1.6 million pounds in January-March 1984 compared with 3.8 million pounds in January-March 1983. 22/ At the same time, from 1981 to 1983, U.S. consumption of lamb meat steadily increased. The U.S. producers' share of U.S. consumption also steadily increased from 1981 to 1983, consistently holding above 90 percent of the U.S. market. 23/

The petitioners allege that, in particular, imports of lamb legs from New Zealand are the cause of injury to the domestic industry. 24/ From 1981 to 1983, U.S. shipments of lamb legs from New Zealand, however, declined by more than 40 percent. 25/ Petitioners also allege that New Zealand has targeted the New York and Los Angeles markets for the Easter trade during March and April of each year. According to information provided by respondents,

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22/ Report at A-25-A-26.

23/ Report at A-6, A-28.

24/ The leg represents 33 percent of the weight and as much as 40 percent of the value of the lamb carcass.

25/ Report at A-27.

however, New Zealand Lamb Co.'s sales of legs in those markets declined substantially from March-April 1981 to March-April 1984. 26/

During the period under investigation, there was no demonstrable relationship between domestic prices and imported prices of lamb meat. Average farm prices for lamb meat dropped from 1981 to 1982, but then increased in 1983. Domestic prices for lamb legs showed great fluctuations from month to month, while the prices for New Zealand lamb legs remained unchanged during all of 1982 and 1983. The prices for New Zealand lamb legs declined in December 1983, and further declined during January-April 1984. 27/ During 1982-83, on average New Zealand lamb legs undersold domestic legs for the first half of the year, but oversold in the second half of the year. With the price break in December 1983, however, New Zealand lamb legs began to undersell domestic lamb legs. 28/ However, one would expect to see New Zealand lamb legs undersell domestic lamb legs, because New Zealand legs are frozen, whereas domestic legs are fresh. 29/ Domestic consumers would rather buy fresh meat, and therefore it can be assumed that domestic consumers would be willing to pay a premium for domestic fresh lamb legs. 30/ Our analysis of the trends with respect to shipments of New Zealand lamb legs and domestic prices does not support petitioners' allegations of price suppression. Although shipments of imported legs are greatest during the Easter season, this is also the time when prices are highest. Furthermore, during those periods in which prices are lowest, shipments of imported legs are lowest.

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26/ Report at A-28.

27/ Report at A-30, A-33, A-34.

28/ Report at A-33-A-34.

29/ Report at A-33.

30/ Id.

With regard to racks, the imported product oversold the domestic lamb racks except in four months where minimal levels of underselling were noted. 31/ 32/

Like the relationship between the price and supply of beef and pork, there appears to be a relationship between the price and supply of lamb. From 1981 to 1983, beef prices fell by 5 percent as supply rose by 5 percent, and pork prices increased by 5 percent as supply dropped by 5 percent. During the same period, farm prices for lamb declined by about 2 percent as supply rose by 10 percent. 33/

In light of the above, we find that there is no reasonable indication that imports of lamb meat from New Zealand are a cause of material injury to the domestic industry.

No reasonable indication of threat of material injury

We find no indication of a threat of material injury by reason of imports of lamb meat from New Zealand. During the period under investigation, imports, both in volume and as a share of domestic consumption, dropped by 50 percent. From 1981 to 1983, New Zealand's share of the imports also dropped. 34/ U.S. inventories of lamb meat from New Zealand have been significantly reduced. Further, exports of lamb meat from New Zealand to the

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31/ Report at A-35-A-36.

32/ Petitioner made no allegations of lost sales, stating that the imports of lamb meat from New Zealand do not act on the market by displacing sales of domestic lamb meat, but rather by depressing prices. Further, petitioners stated that since domestic lamb meat is fresh and therefore perishable, it is sold quickly at whatever price the market will bear. Thus, sales are not lost as a result of competition from imports. Report at A-37.

33/ Report at A-32.

34/ Report at A-25-A-26.

United States, as a share of its total exports of lamb meat, declined from nearly 4 percent in 1981 to less than 2 percent in 1983. 35/

Although New Zealand's sheep population and production of lamb meat increased from 1981 to 1983, a voluntary restraint agreement with the EC was terminated in March 1984. 36/ Furthermore, exports from New Zealand to the Middle East and other markets have increased substantially. 37/ In light of the above, we find that there is no reasonable indication of a threat of material injury to the domestic industry.

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35/ Report at A-13-A-14.

36/ Report at A-13-A-15.

37/ Report at A-13-A-14.





## VIEWS OF VERONICA A. HAGGART AND SEELEY G. LODWICK

Domestic industry

We concur with our colleagues that the like product consists of all domestically produced lamb meat, whether fresh or frozen, and that the domestic industry consists of those producers involved in the growing, feeding, and processing of lamb meat. 1/

Condition of the domestic industry

The information on the current condition of the domestic industry indicates that the industry is experiencing difficulties. U.S. production of live lambs increased by 7 percent from 1980 to 1981 and then decreased by 8 percent from 1981 to 1983. Meanwhile, the total lamb and sheep slaughter rose steadily from 1980 to 1983 by a total of 18 percent. Specifically, production of lamb meat rose by 9 percent from 1981 to 1982 and by 3 percent from 1982 to 1983. Meat production further increased by 6 percent in January-March 1984 compared with production in January-March 1983. 2/ The decline in production of live lambs, together with the increasing slaughter, resulted in a record low stock of sheep and lambs at the end of 1983. Such developments reflect the growers' inability to retain animals to build up herds. 3/ That farmers are liquidating their herds is further demonstrated by the fact that the number of sheep-raising operations in the Western States, which account for nearly 80 percent of the U.S. sheep population, declined by 9 percent from 1981 to 1983. 4/

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1/ See discussion, supra, at 4.

2/ Report at A-15, A-19.

3/ Report at A-10, A-15.

4/ The high capacity utilization rate for processors, over 91 percent in 1984, is another indication of herd liquidation. Report at A-9, A-19.

The Senate Finance Committee singled out precisely such a manifestation of injury to a domestic agricultural industry:

Because of the special nature of agriculture, including the cyclical nature of much of agriculture production, 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. 5/

Although growers' cash receipts attributable to lamb meat increased slightly during the period under investigation, cash expenses plus capital replacement increased by an even larger amount, thereby netting sheep growers substantially smaller returns per ewe in 1983 than 1981. 6/ 7/

Material injury by reason of allegedly subsidized and LTFV imports of lamb meat from New Zealand

In assessing material injury, the Commission is directed to consider among other factors, (i) the volume of imports under investigation, (ii) the effect of those imports on domestic prices of the like product, and (iii) the impact of the imports on the domestic producers of the like product.

Imports of lamb meat from New Zealand declined from 28 million pounds in 1981 to nearly 15 million pounds in 1983, with January-March 1984 imports at

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5/ S. Rep. No. 249, 96th Cong., 1st. Sess. 88 (1979).

6/ Financial data were available for approximately 36 percent of domestic packers and processors of lamb meat. Report at A-22-A-23. If these preliminary investigations had been continued to final investigations, it would be expected that such financial information would be developed from other portions of the domestic industry including growers, feedlot operators, and growers' cooperatives. Commissioner Lodwick also notes that further information regarding the growers' financial condition could have been obtained from various Land Grant Universities and the U.S. Department of Agriculture had these investigations been continued to final.

7/ Report at A-18.

1.6 million pounds compared with 3.8 million pounds in the corresponding period of 1983. Market penetration declined from less than 8 percent in 1981 to less than 5 percent in 1983 and was approximately 5 percent in the first quarters of 1983 and 1984. Market penetration data in these investigations must be viewed in the context of the unusually high domestic production of lamb meat which is related to the recent liquidation of herds. 8/

Furthermore, monthly data on domestic shipments of selected cuts of New Zealand lamb meat show a substantially smaller decline over the period than the absolute quantity of imports for consumption. 9/ In fact, domestic shipments of all New Zealand lamb meat show an increase in the first four months of 1984 compared with those in the corresponding period of 1983. Thus, the shipment data reflect a draw down of U.S. inventories of New Zealand lamb meat which had grown to high levels over the period of investigation. 10/ There was an even larger percentage increase in the quantity of domestic shipments of New Zealand lamb legs in the first four months of 1984 over those in the corresponding period of 1983. 11/

Petitioners claim that injury to the domestic industry has "primarily been a result of lower price levels during the recent period." 12/ Specifically, petitioners allege that importers of New Zealand lamb meat have targeted lower priced lamb legs to the New York and Los Angeles areas during the important Easter season, thereby suppressing prices and exacerbating price declines. 13/

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8/ See discussion, *supra*, at 12.

9/ Domestic shipments include shipments out of inventory as well as imports for consumption, as compiled from Commission questionnaire data. Report at A-27.

10/ Report at A-24-A-26.

11/ Report at A-27.

12/ Petitioners' Post-Conference Submission at 5.

13/ *Id.* at 17.

Lamb and other meats are marketed at two separate and distinct levels before being sold by wholesalers to retailers. Initially, the live lambs are sold by farmers or feedlot operators to slaughterhouses. Subsequently, the slaughtered animals are sold to wholesalers that, in turn, sell the meat to retailers, hotels, restaurants, and other institutions. 14/ Growers of lamb meat, as producers of other perishable agricultural products, face uncertainties, including weather conditions, feed costs, and competitive prices of substitute meats which affect the supply of their product in the marketplace. 15/ This results in wider and less controllable price fluctuations compared with those for manufactured goods. Such phenomena accentuate the vulnerability of this industry to even small price changes.

As previously noted, 16/ petitioners' claim of injury is largely based on the pricing of New Zealand lamb legs. 17/ Domestic prices of lamb legs showed a general pattern of increasing prices for November-April and decreasing prices for May-October during 1982 and 1983, which is to be expected in view of the importance of the Easter or Spring season for lamb meat. However, January-April 1984 prices were at significantly lower levels than they were during the corresponding periods of 1982 and 1983. The prices for New Zealand lamb legs remained unchanged during practically all of 1982 and 1983. Prices for New Zealand lamb legs declined in January-April 1984 at the same time that domestic prices were at lower levels than in previous years. 18/ Coincident with the drop in price of New Zealand legs in January 1984, the price of

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14/ Report at A-29.

15/ Id.

16/ See discussion, supra, at 14.

17/ Legs are the cut sold in the greatest volume to the retail trade. Report at A-32.

18/ Report at A-33-A-34.

domestic legs, which had increased during January-April of 1982 and 1983 in response to peak seasonal demand, actually decreased during January-April 1984. Underselling occurred in 20 of 28 months for which data were collected, with margins of underselling ranging from 0.7 to 25.7 percent. Furthermore, most of the highest margins of underselling took place during the critical Easter season for each year under investigation. 19/ 20/ Moreover, the New Zealand importer has made use of discount coupons in promotion of its legs of lamb in the New York and Los Angeles areas, 21/ which has the effect of further undercutting domestic prices and substantiates petitioners' claim that the importer of New Zealand lamb meat has targeted lamb legs in these two areas during the important Easter season. 22/

In conclusion, the information available in these preliminary investigations provide reasonable indications that the domestic industry is sustaining the type of material injury envisioned by the Senate Finance Committee, 23/ and it appears that the impact of frozen New Zealand lamb meat on the U.S. market is greater than the total level of imports from New Zealand would imply. The supply-demand equilibrium is particularly delicate in the case of perishable agricultural products. 24/ Thus, we find that there is a reasonable indication of material injury to the domestic lamb industry by reason of allegedly LTFV and subsidized imports from New Zealand.

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19/ Report at A-34.

20/ Petitioners did not make any allegations of lost sales or lost revenues. Rather, petitioners' claim that New Zealand lamb meat has increased the supply pressure on price. See discussion, supra, at 14.

21/ Report at A-37.

22/ Report at A-25.

23/ See discussion, supra, at 13.

24/ If these preliminary investigations had been continued to final investigations, we would have been able to gain specific information concerning the activities of the wholesale purchasers which would have provided the Commission insight as to the nuances of the marketing of this highly complex agricultural commodity.



## INFORMATION OBTAINED IN THE INVESTIGATIONS

### Introduction

On April 18, 1984, the U.S. International Trade Commission and the U.S. Department of Commerce received petitions filed by counsel for the American Lamb Co., the Denver Lamb Co., and the Iowa Lamb Corp., on behalf of sheep ranchers, feedlot operators, and lamb meatpackers and processors. The petitions allege 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 and which are allegedly being sold in the United States at less than fair value (LTFV). Accordingly, the Commission instituted preliminary countervailing duty and antidumping investigations under sections 703(a) and 733(a) 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 threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the importation of lamb meat. The statute directs that the Commission make its determinations within 45 days after receipt of a petition, or in this case, by June 4, 1984.

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 of April 25, 1984 (49 F.R. 17828). 1/ The public conference was held in Washington, D.C., on May 10, 1984. 2/ The Commission voted on these investigations on May 25, 1984.

### Previous Commission Investigation

The Commission conducted a previous countervailing duty investigation (No. 701-TA-80 (Preliminary)) concerning lamb meat from New Zealand in response to a petition filed by the National Wool Growers Association, Inc., and the National Lamb Feeders Association, Inc. On November 5, 1981, the Commission determined by a 4-to-2 vote that there was a reasonable indication that an industry in the United States was materially injured, or was threatened with material injury, by reason of imports of lamb meat from New Zealand. Commerce subsequently made a preliminary affirmative determination that there was reason to believe or suspect that certain benefits which constituted subsidies within the meaning of section 701 of the Tariff Act of 1930 were being provided to manufacturers, producers, or exporters of lamb meat in New Zealand. The net subsidy was 6.19 percent. Following Commerce's preliminary determination, the petition was withdrawn.

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1/ A copy of the Commission's notice of institution of preliminary antidumping and countervailing duty investigations is presented in app. A. A copy of the Department of Commerce's notice is presented in app. B.

2/ A copy of the list of witnesses appearing at the conference is presented in app. C.

## The Product

Description and uses

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 figure 1.

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

<u>Primal cut</u>	<u>Share of carcass weight (percent)</u>
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 imported product

U.S. imports of lamb meat from New Zealand are frozen to facilitate shipping and to extend the shelf life of the product. Frozen lamb meat can be stored indefinitely, although most is purchased by the retail consumer within 6 months of the time the lamb is slaughtered. Frozen lamb meat from New Zealand does not have an expiration date stamped on the package.

Lamb meat from New Zealand is inspected and graded in New Zealand by New Zealand meat graders rather than in the United States by USDA. <sup>1/</sup> 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 to the USDA Choice grade. All New Zealand 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 the New Zealand meat a stronger flavor and aroma.

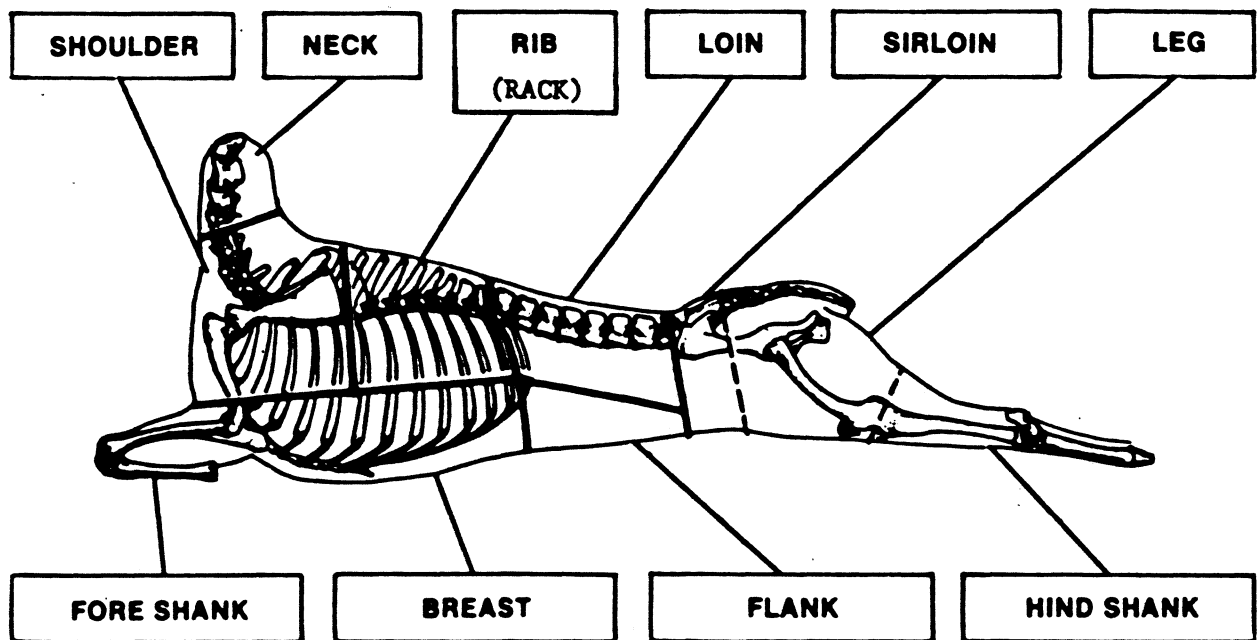
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<sup>1/</sup> However, the New Zealand meat inspection system is approved by the USDA and representative samples of imports are inspected by the USDA prior to entry. During 1983, 60,884 pounds of lamb and mutton from New Zealand were denied entry.



Figure 1

## PRIMAL (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: Uniform Retail Meat Identity Standards, National Livestock & Meat Board, figure 1.

Most of the imports are 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 the importer's two domestic processing facilities which are located in \* \* \*, or by grocery store butchers for sale in the retail outlets.

New Zealand lamb carcasses typically weigh about 32 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. To be authorized for shipment to the United States, the lamb must be slaughtered between October 23 and May 31. Imports are labeled "New Zealand Spring Lamb" in both English and French because some of the meat is sold in Canada, where the French labeling is required.

New Zealand lamb meat is primarily sold through distributors (wholesalers) to grocery stores (retail trade) and to hotel, restaurant, and institutional (HRI) outlets. In 1983, \* \* \* percent of shipments of New Zealand lamb meat were sold through distributors to the retail trade, \* \* \* percent were sold through distributors to the HRI trade, and \* \* \* percent were sold directly to the retail trade. \* \* \*. \* \* \* percent of legs and \* \* \* percent of shoulders were sold to the retail trade, whereas \* \* \* percent of racks, \* \* \* percent of loins, \* \* \* percent of shanks, and \* \* \* percent of whole carcasses were sold to the HRI trade.

#### The domestic product

The vast majority of U.S.-produced lamb meat is sold fresh or chilled, rather than frozen. <sup>1/</sup> 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. Most lamb meat in grocery stores is packaged with stamped expiration dates. U.S. lamb carcasses are larger than New Zealand carcasses, usually ranging in weight from 35 to 65 pounds and averaging 55 pounds.

The official USDA grades of lamb are Prime, Choice, Good, and Utility. Most purchasers prefer cuts from carcasses that are Choice, and most of the lamb carcasses destined for table use are so graded. Expenses associated with feeding lambs for the Prime grade are generally not recoverable in the marketplace. As with New Zealand lamb meat, the U.S. product is sold through distributors to grocery stores and HRI outlets or directly to the retail or HRI trade.

Packers and processors of domestic lamb meat generally sell whole carcasses, which make up about 50 percent of the weight of the live lamb, to distributors or to the retail or HRI trade. According to questionnaire data,

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<sup>1/</sup> Occasionally certain cuts, particularly legs, are frozen because of irregular seasonal demand.

carcasses accounted for 93 percent of reported shipments by packers and processors in 1983, and primal cuts accounted for 7 percent. Sixty-four percent of reported shipments in 1983 were to distributors, also known as wholesalers or "breakers" because of their function of separating the carcass into primal cuts. The remaining 35 percent and 1 percent of reported shipments were made directly to the retail and HRI trades, respectively. It is not known what share of shipments to distributors was ultimately sold to the retail versus HRI trade. Much of the lamb meat sold in grocery stores is further reduced to retail-sized cuts.

#### U.S. tariff treatment

U.S. imports of fresh, chilled, or frozen lamb meat are classified under item 106.30 of the TSUS. U.S. imports of fresh, chilled, or frozen lamb meat from New Zealand, and from all other countries receiving the column 1 rate of duty, <sup>1/</sup> are dutiable at 0.5 cent per pound (0.6 percent ad valorem equivalent in 1983). That rate has been in effect since January 1, 1980. From January 1, 1972, to January 1, 1980, the rate had been 1.7 cents per pound. The current rate is not scheduled for reduction, and imports are not eligible for duty-free entry under the GSP nor for reduced rates if entered from LDDC's.

#### Health and sanitary regulations of the USDA and other U.S. trade policy factors

The health and sanitary regulations administered by the USDA are designed to protect the health of the U.S. livestock industry and to ensure an adequate supply of meat to the consumer. For example, sources of imports of lamb meat are limited to those countries that have been declared free of rinderpest and foot-and-mouth diseases <sup>2/</sup> by the U.S. Secretary of Agriculture. The general effect of such prohibitions has been to allow imports of fresh, chilled, or frozen lamb meat only from New Zealand, Australia, North America, and certain areas of Europe. Under the Federal Meat Inspection Act, only plants in those countries which have meat inspection systems with standards at least equal to those of the USDA program are permitted to ship meat to the United States. As of December 31, 1983, there were 61 plants in New Zealand authorized to ship meat to the United States, although not all shipped lamb. During 1983, three new plants were authorized. U.S. imports of lamb meat are not currently and have not been subject to quantitative limitations.

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<sup>1/</sup> Col. 1 rates of duty are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

<sup>2/</sup> Rinderpest and foot-and-mouth diseases are highly contagious, infectious diseases which can afflict cloven-footed animals (cattle, sheep, hogs, deer, and so forth). Because the diseases are so easily transmitted and debilitating, they are a threat to the U.S. livestock industry.

## Apparent U.S. Consumption

Apparent U.S. consumption of lamb meat increased by \* \* \* percent from 1981 to 1982, by \* \* \* percent from 1982 to 1983, and by \* \* \* percent in January-March 1984 compared with consumption in January-March 1983, as shown in the following tabulation (in thousands of pounds):

<u>Period</u>	<u>Consumption</u>
1981-----	***
1982-----	***
1983-----	***
January-March--	
1983-----	***
1984-----	***

Per capita U.S. consumption of lamb meat, according to USDA data, fluctuated downward from 1970 to 1979 and then increased slightly from 1979 to 1983 as shown in the following tabulation (in pounds per person per year):

1970-----	3.2	:	1977-----	1.7
1971-----	3.2	:	1978-----	1.6
1972-----	3.3	:	1979-----	1.5
1973-----	2.6	:	1980-----	1.5
1974-----	2.3	:	1981-----	1.6
1975-----	2.0	:	1982-----	1.7
1976-----	1.8	:	1983-----	1.7

Lamb meat accounted for less than 1 percent of total U.S. consumption of red meat 1/ in 1983.

## Allegations of Unfair Imports

Nature and extent of alleged subsidies

The countervailing duty petition alleges that producers or exporters of lamb meat in New Zealand benefit from 10 forms of export subsidies and 9 forms of domestic subsidies, as summarized below.

Export subsidies:

1. Government Supplementary Minimum Prices Scheme.--This program allegedly sets minimum prices for exports of meat, wool, and milkfat. The petitioners estimate the value of this subsidy to be at least 8 percent ad valorem.

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1/ Beef, veal, pork, lamb, and mutton.

2. New Zealand Meat Producers' Board (Meat Board) Price Support Scheme.--This program also allegedly sets minimum prices for exports of meat products. When farm prices fall below the minimum price, the Meat Board must make deficiency payments to farmers, or purchase meat at the support price. The estimated value of this subsidy is at least 17.25 percent ad valorem.

3. Meat Board Operations.--The Meat Board is alleged to subsidize sales promotions of New Zealand lamb meat in the United States, to subsidize research related to the export of meat, and to pay for the costs of grading meat for export. The total estimated value of these subsidies is 3.405 percent ad valorem.

4. Meat Board Loans and Guarantees.--The Meat Board has allegedly provided guarantees and loans to the exporter to offset operating deficits. The value of this subsidy is unknown.

5. Meat Industry Hygiene Grant.--The New Zealand Government allegedly makes grants for meat industry hygiene for export. The estimated value of the subsidy is 0.2 percent ad valorem.

6. Export Performance Tax Incentive Scheme.--This program allegedly provides income tax rebates to exporters of processed cuts of lamb. The value of the subsidy is unknown.

7. Export Market Development Taxation Incentive.--This program allegedly provides tax credits on expenditures for advertising, travel, salary, and other costs of sending representatives abroad. The value of the subsidy is unknown.

8. Exports Program Grants Scheme.--This program allegedly provides cash advances for approved market promotion expenditures. The value of the subsidy is unknown.

9. Rural Export Suspensory Loans.--Petitioners are unable to obtain information on this program or the value of the subsidy, if any.

10. Export Suspensory Loan Scheme.--This program allegedly provides for exporters to have loans converted to grants if their exports reach a predetermined level. The value of the subsidy is unknown.

Domestic subsidies:

1. Fertilizer Price Subsidy.--The New Zealand Government allegedly provides a subsidy on all fertilizer used by New Zealand farmers. The estimated value of the subsidy is 0.8 percent ad valorem.

2. Fertilizer and Lime Bounty.--The estimated value of this alleged subsidy used to encourage the application of lime and fertilizer is 0.06 percent ad valorem.

3. Fertilizer and Lime Transport Subsidy.--The estimated value of this alleged subsidy on the transport of lime and fertilizer is 0.555 percent ad valorem.

4. Noxious Plants.--This program allegedly provides subsidies to protect New Zealand livestock from noxious plants. The estimated value of the subsidy is 0.3 percent ad valorem.

5. Suspension of Government Inspection Fees.--The New Zealand Government allegedly bears the cost of inspection of meat for export. The value of the subsidy is unknown.

6. Livestock Incentive Scheme.--This program is administered by the Rural Banking and Finance Corp. (RBFC), which allegedly provides suspensory loans or tax incentives to encourage farmers to increase their number of livestock. The estimated value of this subsidy is 0.6 percent ad valorem.

7. Land Development Loans.--This program, also administered by the RBFC, allegedly provides for interest-free and reduction-in-principal loans to encourage farmers to develop underutilized land. The estimated value of the subsidy is 1.2 percent ad valorem.

8. Standard Value and Nil Value.--Under New Zealand tax laws, livestock inventory may allegedly be valued at cost, market, or replacement value. The value of this subsidy is unknown.

9. Deductions for Capital Expenditure for Development of Domestic Farmland.--This provision of New Zealand tax laws allegedly confers beneficial tax deductions on farmers for certain development expenditures. The value of the subsidy is unknown.

#### Nature and extent of alleged sales at LTFV

The antidumping petition alleges that lamb meat from New Zealand is being sold in the United States at LTFV. The sole exporter of New Zealand lamb meat to the United States is the Meat Export Development Co. (DEVCO). According to the petition, DEVCO sells insignificant quantities of North American cuts in its home market. Therefore, the petitioner compared DEVCO's sales in the United States with its sales in Canada, the exporter's only other foreign market. DEVCO's prices in Canada were found to approximate its prices in the United States. However, the petitioner alleges that the U.S. price is below the cost of production in New Zealand. The petitioner used a constructed-value approach to arrive at the foreign-market value of various cuts of New Zealand lamb meat and compared those figures with the importer's estimated U.S. prices by cut. The resulting dumping margins varied from a low of 26 percent for racks to a high of 485 percent for legs.

#### U.S. Producers

##### Growers

U.S. sheep growers may be divided into two categories: (1) sheep raisers (i.e., those who maintain flocks of sheep for the production of lambs), 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 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.

The number of sheep-raising operations 1/ in the United States increased by 2 percent from 1981 to 1982 and then declined by 1 percent from 1982 to 1983 (table 1). Many operations consist of only a few sheep and belong to part-time or hobby farmers.

Table 1.--Operations with sheep, by regions, 1981-83

Region	1981	1982	1983
Corn Belt-----	58,300	60,000	59,000
Western States-----	47,020	43,420	42,770
Other-----	20,240	24,670	24,730
Total-----	125,560	128,090	126,500

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

In 1983, 59,000 U.S. operations with sheep (47 percent of the U.S. total) were located in the Corn Belt. 2/ However, these operations averaged only 33 animals each and accounted for only 17 percent of the total U.S. sheep population as of January 1, 1984. 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 42,770 U.S. sheep operations (34 percent of the total) in 1983. These operations, which averaged 209 animals each, accounted for 78 percent of the total U.S. sheep population as of January 1, 1984. 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

1/ An operation is any place having one or more sheep on hand at any time during the year. Although detailed statistics are not available, it appears that most operations with sheep are sheep raisers; growers report that there are relatively few feeders. No single operation accounts for as much as 2 percent of the total U.S. stock of sheep and lambs.

2/ Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin.

3/ Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, and Wyoming.

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, 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.

Almost all of the remaining 19 percent of U.S. sheep operations, which accounted for 5 percent of the total U.S. sheep population as of January 1, 1984, are located in the Northeastern United States. Because of climate, sheep are less frequently raised in the Southeastern United States (see fig. 2).

The total U.S. sheep population fell by 12 percent from January 1, 1982, to January 1, 1984 (table 2). The January 1, 1984, level was the lowest on record. USDA officials report that recent droughts, especially in the important sheep-raising regions of Texas, contributed to the decline.

Table 2.--U.S. sheep and lamb population, by regions,  
as of Jan. 1 of 1981-84

Region	(In thousands)			
	Jan. 1--			
	1981	1982	1983	1984
Western States-----	10,145	10,079	9,391	8,949
Corn Belt-----	2,200	2,279	2,097	1,941
Other-----	591	608	538	521
Total-----	12,936	12,966	12,026	11,411

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

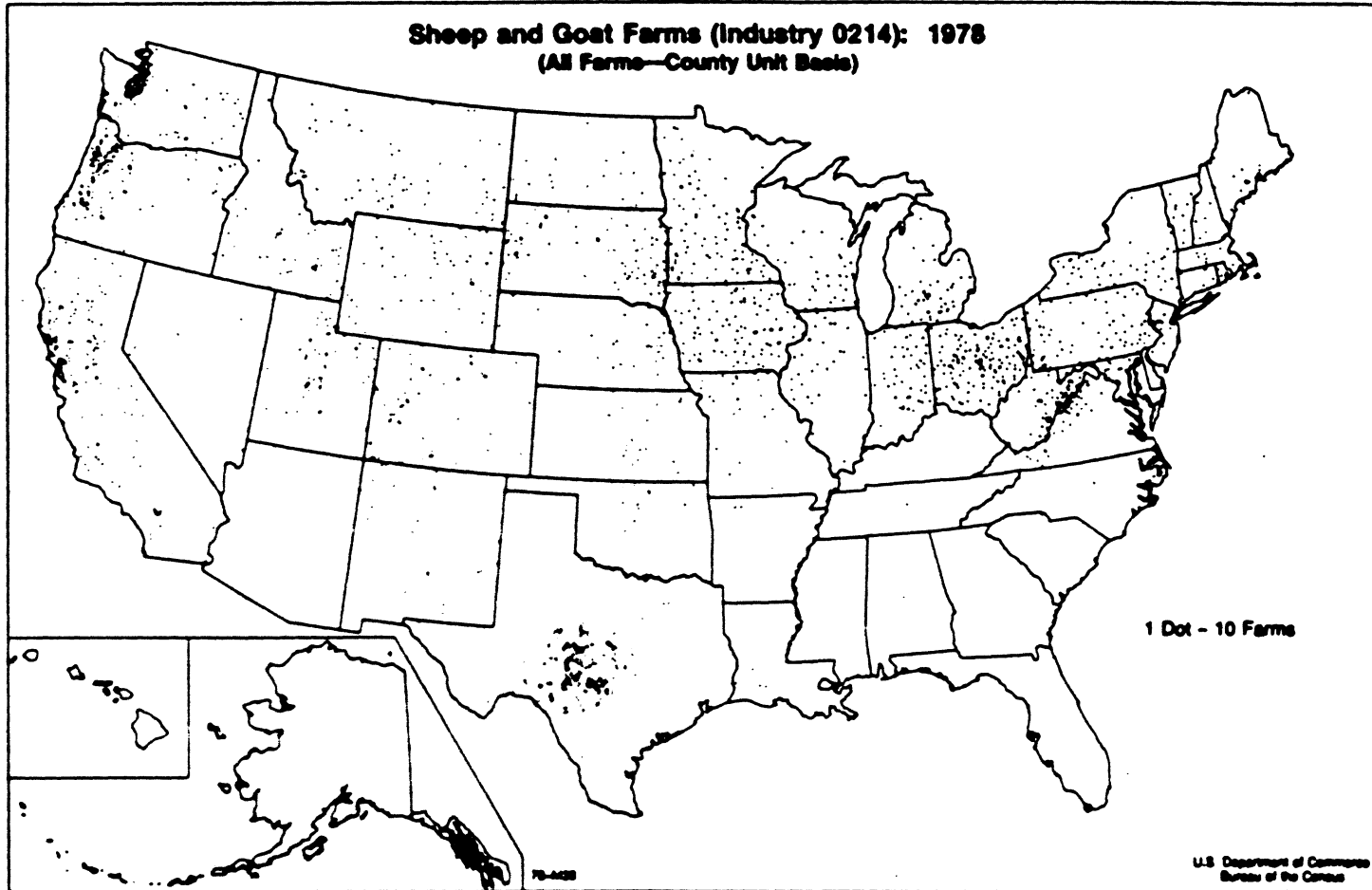
Lambs may be sent directly from pasture to slaughter, <sup>1/</sup> or alternatively, at about 6 months of age and about 55 to 90 pounds in weight, may be shipped to feedlots for about 2 to 3 months of intensive feeding and finishing on grain (primarily corn) prior to slaughter. During this period, lambs 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

<sup>1/</sup> At the public conference on these investigations, 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 2



Source: U.S. Department of Commerce, Bureau of the Census.

lambs they own or may feed lambs for other people on a consignment or fee-for-service basis.

### Packers and processors

Although there are hundreds of plants that slaughter lambs in the United States, the industry is concentrated among a few firms. The top nine firms in the industry, some of which have several plants, account for approximately 90 percent of the total U.S. lamb slaughter. The major producers of lamb meat and their approximate shares of U.S. production in 1983, according to USDA and questionnaire data, are shown in the following tabulation:

<u>Producer</u>	<u>Share of production (percent)</u>
* * *-----	***
* * *-----	***
* * *-----	***
* * *-----	***
* * *-----	***
* * *-----	***
* * *-----	***
All other <u>1/</u> -----	<u>35.1</u>
total-----	100.0

1/ \* \* \*.

Some of the above firms are large meatpackers that process other species, and some process lambs only. Packers and processors that submitted data in response to the Commission's questionnaire reported that lamb meat accounted for the following shares of their total meat production during 1981-83 (in percent):

<u>Producer</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
* * *-----	***	***	***
* * *-----	***	***	***
* * *-----	***	***	***
* * *-----	***	***	***
* * *-----	***	***	***
* * *-----	***	***	***
* * *-----	***	***	***
weighted-average-----	<u>3</u>	<u>4</u>	<u>4</u>

At least one large lamb-packing firm (the Denver Lamb Co.) is owned by lamb feeders. Most packers buy lambs from feeders or sheep raisers and slaughter the lambs themselves, although custom slaughter, for fees, does occur. For example, \* \* \*. California and Colorado each accounted for about

20 percent of the total U.S. lamb slaughter in 1982 and Texas accounted for another 14 percent.

#### U.S. Importer

Under authority of the Meat Export Control Act of 1921-22, New Zealand authorizes only one company, the Meat Export Development Co. (New Zealand), Ltd., (DEVCO), to export meat to the United States. Since 1981, DEVCO has been 50-percent owned by the New Zealand Meat Producers Board, an entity empowered to handle all meat exports, and 50-percent owned by a number of meat processors. Exporting lamb to North America is DEVCO's sole business and the reason for which it was founded. The New Zealand Lamb Co., Inc., headquartered in White Plains, N.Y., is DEVCO's U.S. subsidiary which imports lamb and sells it to distributors and retailers (generally major food distributors). The Meat Board is a participant, contributor, and cofounder of the Lamb Promotion Coordination Committee, a committee formed jointly by U.S., Australian, and New Zealand interests to promote lamb consumption in the United States.

#### The New Zealand Industry

New Zealand's principal agricultural products and exports to the world and to the United States are livestock products (beef, milk products, lamb, and wool). New Zealand has nearly ideal climatic and grazing conditions for livestock, and much of the land is too steep for row crops. The climate is mild, and grazing in most of New Zealand is available nearly year round. Sheep there generally require no shelter and little or no supplemental feed (grain). 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.

New Zealand is the largest exporter of lamb meat in the world. Its exports are more than double those of the second largest exporter, Australia. Lamb meat exports by New Zealand, which accounted for \* \* \* percent of its total sales of lamb meat during 1981-83, fell by \* \* \* percent from 1981 to 1982 and then rose by \* \* \* percent from 1982 to 1983 (table 3). Exports to the United States decreased by \* \* \* percent from 1981 to 1983. In 1983, \* \* \* percent of New Zealand's exports of lamb meat were to the United States, compared with \* \* \* percent to the EC and \* \* \* percent to the Middle East. A voluntary restraint agreement, which limited exports to the EC to 541 million pounds annually during 1981-83, was in effect from October 1980 to March 1984. USDA officials report that no new agreement has been negotiated.

New Zealand's production of lamb meat rose by \* \* \* percent from 1981 to 1982 and by \* \* \* percent from 1982 to 1983. Home-market sales were an estimated \* \* \*. Total sales declined by \* \* \* percent from 1981 to 1982 and then rose by \* \* \* percent from 1982 to 1983. Inventories of lamb meat increased by \* \* \* percent from yearend 1981 to yearend 1982 and then fell by \* \* \* percent from yearend 1982 to yearend 1983. Capacity data are not maintained by the industry.

In April 1984, the Australian sheep-producing industry filed a complaint with the Government of Australia alleging that imports of subsidized sheep meat (mutton) from New Zealand were causing or threatening to cause injury to the Australian industry. New Zealand's exports of mutton to Australia during the 11 months prior to the complaint were about 6.6 million pounds, or about 1.5 percent of Australia's annual mutton production.

Table 3.--Lamb meat: New Zealand's production, export sales, and home-market sales, 1/ by years ending Sept. 30 of 1981-83, and inventories as of Dec. 31 of 1981-83

(In thousands of pounds)				
Item	1981	1982	1983	
Production <u>2/</u> -----	***	***	***	***
Sales:				
Exported to--				
Total EC-----	***	***	***	***
The United Kingdom-----	***	***	***	***
Total Middle East-----	***	***	***	***
Iran-----	***	***	***	***
The United States-----	***	***	***	***
Canada-----	***	***	***	***
All other countries-----	***	***	***	***
Subtotal-----	***	***	***	***
Home-market <u>3/</u> -----	***	***	***	***
Total-----	***	***	***	***
Inventories-----	***	***	***	***

1/ These statistics are on the basis of a fiscal year ending Sept. 30.

2/ Production data are reported in terms of untrimmed weight, i.e., including bone and excess fat, whereas the remainder of data in this table are reported on the basis of trimmed weight.

3/ Estimated.

Source: Compiled from official statistics of the New Zealand Meat Producers Board.

New Zealand's sheep and lamb population increased each year from 1980 to 1983, according to USDA statistics, as shown in the following tabulation (in thousands):

<u>Period</u>	<u>Quantity</u>
As of--	
Jan. 1, 1980-----	63,523
Jan. 1, 1981-----	68,772
Jan. 1, 1982-----	69,884
Jan. 1, 1983-----	<u>1/</u> 70,301
Jan. 1, 1984-----	<u>2/</u> 70,000

1/ Preliminary.

2/ Forecast.

### The Question of Material Injury

Because of the lack of concentration of production of live lambs (no single operation accounts for as much as 2 percent of production 1/), the Commission did not send questionnaires to growers in these preliminary investigations but rather relied on USDA data. However, the production of lamb meat is highly concentrated and the data on lamb meat in this section of the report were obtained from questionnaire responses by packers and processors as well as from USDA data.

The Commission sent questionnaires to 12 producers of lamb meat that accounted for more than 90 percent of U.S. production in 1983. Seven producers, accounting for 65 percent of U.S. production, submitted data in response to the questionnaire. Each of the seven producers provided usable capacity and production data, but only five producers, accounting for 55 percent of reported production in 1983 (36 percent of total production), provided usable income-and-loss data.

### Growers: U.S. production, domestic shipments, exports, and imports

U.S. production of live lambs, referred to as the lamb crop by USDA and the industry, increased by 7 percent from 1980 to 1981 and then decreased by 8 percent from 1981 to 1983 (table 4). The total sheep and lamb slaughter rose steadily during 1980-83, increasing by 18 percent overall. The declining lamb crop combined with the increasing slaughter resulted in a record low stock of sheep and lambs at yearend 1983, reflecting a reluctance on the part of growers to retain animals to build up herds. U.S. exports of live sheep and lambs as a percent of sheep and lamb stocks varied from a little less than 1 percent to a little more than 2 percent during 1980-83. Principal export markets are Mexico and Canada. Imports of live sheep and lambs, chiefly from Canada, accounted for only 0.1 percent of the U.S. stock during 1980-83.

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1/ According to officials of the U.S. Department of Agriculture and the National Wool Growers Association.

Table 4.--Sheep and lambs: 1/ Number on U.S. farms as of Jan. 1 of 1980-83, lamb crop, imports for consumption, exports, slaughter, and deaths, 2/ 1980-83, and number on U.S. farms as of Dec. 31 of 1980-83

(In thousands)							
Year	: Number : on farms, : Jan. 1	: Lamb crop	: Imports	: Exports	: Slaughter	: Deaths	: Number : on farms, : Dec. 31
1980--	12,687	8,249	21	124	5,744	2,153	12,936
1981--	12,936	8,825	7	221	6,196	2,385	12,966
1982--	12,966	8,576	9	281	6,643	2,601	12,026
1983--	12,026	8,154	7	221	6,796	1,759	11,411

1/ In 1983, lambs accounted for 90 percent of the total slaughter and sheep accounted for 10 percent of the slaughter.

2/ The death rate for sheep is high in comparison with other range animals because as small, relatively slow animals, sheep are easy prey for coyotes, dogs, and other animals. Also, the yield from each sheep is relatively small, so that it usually is not economically feasible to transport ill or injured sheep from the range to the market.

Source: Imports and exports compiled from official statistics of the U.S. Department of Commerce; other data compiled from official statistics of the U.S. Department of Agriculture.

There is some seasonality to the slaughter of lambs, with the spring kill being somewhat lower than that of the other seasons, as shown in table 5. U.S. lamb slaughter increased by 7 percent from 1981 to 1982, by 2 percent from 1982 to 1983, and by 5 percent in January-March 1984 compared with the slaughter in January-March 1983. Monthly and quarterly slaughter levels during January 1982-March 1984 were for the most part approximately equal to or greater than the levels of the corresponding periods of the previous year.

Table 5.--Lambs: U.S. commercial slaughter, 1/ by months,  
January 1981-March 1984

(In thousands)					
Period	1981	1982	1983	1984	
January-----	485	<u>2/</u>	492	517	
February-----	420	<u>2/</u>	440	531	
March-----	479	<u>2/</u>	599	563	
Subtotal-----	1,384	1,522	1,532	1,611	
April-----	504	<u>2/</u>	484	-	
May-----	399	<u>2/</u>	479	-	
June-----	412	<u>2/</u>	478	-	
Subtotal-----	1,316	1,407	1,441	-	
July-----	419	<u>2/</u>	475	-	
August-----	448	<u>2/</u>	562	-	
September-----	525	<u>2/</u>	561	-	
Subtotal-----	1,392	1,499	1,597	-	
October-----	533	<u>2/</u>	553	-	
November-----	459	<u>2/</u>	488	-	
December-----	508	<u>2/</u>	514	-	
Subtotal-----	1,500	1,555	1,554	-	
Total-----	5,591	5,983	6,125	-	

1/ Includes yearlings.

2/ Not available.

Source: Estimated on the basis of official statistics of the U.S.  
Department of Agriculture.

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

The average appraised value of lambs in the United States, according to USDA statistics, 1/ decreased by 34 percent from January 1, 1980, to January 1, 1983, before increasing slightly as of January 1, 1984, as shown in the following tabulation:

<u>Period</u>	<u>Value</u>
As of--	
Jan. 1, 1980-----	\$78.20
Jan. 1, 1981-----	69.80
Jan. 1, 1982-----	57.00
Jan. 1, 1983-----	51.80
Jan. 1, 1984-----	52.10

1/ Based on an annual USDA survey of growers in which the growers estimated the average price they thought they could sell their lambs for at the time.

Data on sheep raisers' capacity and capacity utilization are not available. However, capacity is related to the number of sheep that are retained for breeding purposes. That number has declined in recent years as indicated earlier in this section.

Neither the USDA nor the American Meat Institute, the two principal sources of data on the industry, publish employment data on sheep-raising operations. However, the USDA does maintain financial data showing sheep raisers' average cash receipts and expenses per ewe. These data include receipts and expenses related to wool as well as to meat. Cash receipts less cash expenses and capital replacement increased from \$4.04 per ewe in 1981 to \$4.29 per ewe in 1982 before declining to \$3.03 per ewe in 1983 (table 6).

Table 6.--Average cash receipts and expenses for  
U.S. sheep-growing operations, 1981-83

(Per ewe)				
Item	1981	1982	1/ 1983	
Cash receipts:				
For lamb meat-----	\$30.21	\$31.59		\$32.37
For wool-----	12.06	12.56		12.35
Miscellaneous-----	3.43	3.05		2.36
Total-----	45.70	47.20		47.08
Cash expenses:				
Feed-----	13.91	13.38		13.92
General farm overhead, taxes, insurance, and interest-----	12.05	13.19		13.08
Other (veterinary, hauling, machinery, hired labor, etc.)-----	14.22	14.72		15.35
Total cash expenses-----	40.18	41.29		42.35
Capital replacement 2/-----	1.48	1.62		1.70
Cash receipts less total cash expenses and capital replacement-----	4.04	4.29		3.03

1/ Estimated by staff of the U.S. International Trade Commission in collaboration with staff of the U.S. Department of Agriculture.

2/ Replacement of capital equipment such as machinery and fencing.

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

From 1981 to 1982, increases in cash receipts per ewe, including those related to lamb meat, more than compensated for increased expenditures. However, from 1982 to 1983, receipts per ewe declined (although receipts related to lamb meat increased) while expenditures continued to rise. Feed costs increased somewhat in 1983, reflecting both the U.S. Government's payment-in-kind (PIK) program and drought conditions. Grain prices would have been even higher if not for large inventories of grain at the beginning of



1983, a large winter wheat crop which was only slightly affected by the PIK program, and reduced exports of grain.

#### Packers and processors

U.S. production, capacity utilization, shipments, and inventories.--U.S. production of lamb meat, according to USDA data, rose by 9 percent from 1981 to 1982 and by 3 percent from 1982 to 1983 (table 7). Production further increased by 6 percent in January-March 1984 compared with production in January-March 1983.

Production of lamb meat is typically high during March and April to satisfy the strong Easter demand. From May through July, output is lower, reflecting both reduced supplies and lower demand. Production begins to rise in August as a larger share of the U.S. lamb crop reaches slaughter weight. Thereafter, lamb meat production is sustained by lambs which were born later in the season and by those from feedlots.

According to data provided in response to the Commission's questionnaire, reported capacity 1/ to produce lamb meat increased by 20 percent from 1981 to 1982, declined by 5 percent from 1982 to 1983, and then rose by 15 percent in January-March 1984 compared with capacity in January-March 1983. Capacity utilization, based on reported capacity and production, rose steadily from 1981 to 1983 and in January-March 1984 compared with capacity utilization in January-March 1983. Data on reported capacity and capacity utilization are shown in the following tabulation:

<u>Period</u>	<u>Capacity <u>1/</u></u> <u>(1,000</u> <u>pounds)</u>	<u>Capacity</u> <u>utilization</u> <u>(percent)</u>
1981-----	220,954	76.2
1982-----	265,142	77.9
1983-----	251,812	87.1
January-March--		
1983-----	59,516	<u>2/</u> 88.9
1984-----	68,615	<u>2/</u> 91.3

1/ \* \* \*.

2/ Annualized.

---

1/ Capacity in this industry is closely related to the number of lambs brought to slaughter in any one season, because given the extremely limited consumer appeal of mutton in the U.S. market, lambs intended for slaughter must be harvested within 14 months of birth or be drastically discounted in price. Thus, capacity utilization tends to be relatively high. Capacity data are not kept by the USDA or the American Meat Institute, the two major sources of statistics on the industry.

Table 7.--Lamb meat: U.S. production, 1/ by months,  
January 1981-March 1984

(In thousands of pounds)				
Period	1981	1982	1983	1984
January-----	28,599	<u>2/</u>	28,072	29,488
February-----	24,764	<u>2/</u>	25,515	30,797
March-----	28,281	<u>2/</u>	34,759	33,197
Subtotal-----	81,644	86,748	88,346	93,482
April-----	27,735	<u>2/</u>	28,086	-
May-----	21,563	<u>2/</u>	27,774	-
June-----	21,836	<u>2/</u>	27,258	-
Subtotal-----	71,134	78,776	83,118	-
July-----	21,786	<u>2/</u>	26,108	-
August-----	23,292	<u>2/</u>	30,880	-
September-----	27,809	<u>2/</u>	29,164	-
Subtotal-----	72,887	82,466	86,152	-
October-----	28,805	<u>2/</u>	30,390	-
November-----	25,262	<u>2/</u>	27,331	-
December-----	28,418	<u>2/</u>	28,773	-
Subtotal-----	82,485	87,091	86,494	-
Total-----	308,150	335,082	344,110	-

1/ Includes yearlings.

2/ Not available.

Source: Estimated on the basis of official statistics of the U.S.  
Department of Agriculture.

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

Because fresh lamb meat is a perishable commodity, 1/ the bulk of lamb meat is processed, shipped, and consumed within 2 weeks of slaughter. Shipments are approximately equal to production. Inventories of lamb meat are minor compared with production, as shown in the following tabulation based on USDA data:

1/ The vast majority of domestically produced lamb meat is marketed fresh (chilled).

<u>Period</u>	<u>Inventories</u> <u>(million</u> <u>pounds)</u>	<u>Share of U.S.</u> <u>production</u> <u>(percent)</u>
As of--		
Dec. 31, 1981-----	11	3.6
Dec. 31, 1982-----	9	2.7
Dec. 31, 1983-----	10	2.9
Mar. 31, 1983-----	8	<u>1/</u> 2.3
Mar. 31, 1984-----	8	<u>1/</u> 2.1

1/ Annualized.

Purchases of imported lamb meat by packers and processors that submitted data in response to the Commission's questionnaire amounted to less than 0.5 percent of reported production during the period covered by the investigations. Total exports of lamb meat as a share of domestic production declined from 1.2 percent in 1981 to 0.7 percent in 1982 and to 0.6 percent in 1983, according to USDA and Commerce data. Principal export markets are the Bahamas, the United Kingdom, Canada, and Mexico.

Employment and productivity.--Employment of production workers by packers and processors of lamb meat increased by 5 percent from 1981 to 1982, fell by 1 percent from 1982 to 1983, and was essentially unchanged in January-March 1984 compared with employment in January-March 1983 (table 8). Average weekly hours worked per employee rose steadily during the period covered by the investigations. Average hourly wages and total compensation increased steadily from 1981 to 1983 and declined or remained unchanged in January-March 1984 compared with levels in January-March 1983. Productivity rose by 5 percent from 1981 to 1983 and by 5 percent in January-March 1984 compared with productivity in January-March 1983.

Production workers at three of the seven firms that responded to the questionnaire are not unionized; the remainder are represented by the National Brotherhood of Packing House & Industrial Workers, the United Food & Commercial Workers Union, the International Union of Operating Engineers, and the Amalgamated Meat Cutters Union.

Table 8.--Average number of production and related workers engaged in the production of lamb meat, hours worked, wages, total compensation, and productivity, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March--	
				1983	1984
Average number of workers <u>1/</u> -----	428	450	444	441	440
Hours worked--per worker, per week <u>2/</u> -----	34.4	37.8	38.2	38.0	43.0
Wages--per worker, per hour <u>2/</u> -----	\$7.94	\$9.13	\$9.69	\$8.93	\$8.73
Total compensation--per worker, per hour <u>2/</u> -----	\$10.13	\$11.41	\$12.13	\$11.06	\$11.06
Productivity--pounds per worker, per hour <u>2/</u> -----	173	172	182	177	185

1/ \* \* \*.

2/ \* \* \*.

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

#### Income-and-loss experience

Five U.S. processors, \* \* \*, furnished income-and-loss data relative to their operations processing lamb meat. Only three of these firms, \* \* \*, supplied full-year data for 1981-83. 1/ Net sales of lamb meat for these three firms rose annually from \$99 million in 1981 to \$129 million in 1983, or by 31 percent (table 9). The three firms earned operating incomes of \$1.1 million in both the 1981 and 1982 reporting periods. The 1981 operating income was equal to 1.2 percent of net sales and the 1982 operating income was equal to 0.9 percent of net sales. Their aggregate operating income rose to \$1.4 million, or 1.1 percent of net sales, in 1983. \* \* \*.

Three firms, \* \* \*, furnished interim data for 1984. \* \* \* reported an operating income of \* \* \*, or \* \* \* percent of net sales, \* \* \* reported an operating income of \* \* \*, or \* \* \* percent of net sales (\* \* \*), and \* \* \* reported an operating loss of \* \* \*, or \* \* \* percent of net sales.

Meatpacking operations in general are characterized by a rapid turnover of inventory and a low rate of return. According to Forbes magazine, 2/ net

1/ \* \* \*.

2/ Annual Report on American Industry, 34th ed., p. 206, 35th ed., p. 183, and 36th ed., p. 207.

Table 9.--Income-and-loss experience of 5 U.S. producers on their operations processing lamb meat, 1981-83 and interim 1984 <sup>1/</sup>

Year and producers	Net sales	Cost of goods sold	Gross income	General, selling, and administrative expenses	Operating income or (loss)	Cash flow from operations	Ratio of operating income or (loss) to net sales
	1,000 dollars						Percent
1981:							
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
Subtotal--	98,651	92,016	6,635	5,503	1,132	1,175	1.2
* * *	***	***	***	***	***	***	***
Total--	***	***	***	***	***	***	***
1982:							
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
Subtotal--	126,964	117,827	7,137	6,061	1,076	1,127	.9
* * *	***	***	***	***	***	***	***
Total--	***	***	***	***	***	***	***
1983:							
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
Subtotal--	129,200	122,178	7,022	5,655	1,367	1,428	1.1
* * *	***	***	***	***	***	***	***
Total--	***	***	***	***	***	***	***
1984:							
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
Total--	***	***	***	***	***	***	***

<sup>1/</sup> \* \* \*.

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

income margins after taxes for producers of all types of red meat rose from 0.9 percent in 1981 to 1.6 percent in 1982 and then fell to 0.9 percent in 1983.

### The Question of the Threat of Material Injury

In its examination of the question of a reasonable indication of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of the alleged subsidized and LTFV imports, the rate of increase of U.S. market penetration by such imports, the quantities of such imports held in inventory in the United States, and the capacity of producers in New Zealand to generate exports (including the availability of export markets other than the United States).

Trends in imports and U.S. market penetration are discussed in the section of this report that addresses the causal relationship between the alleged injury and the alleged subsidized and LTFV imports. Information regarding the capacity of the New Zealand producers to generate exports is discussed in the section of this report that covers the New Zealand industry.

U.S. inventories of lamb meat from New Zealand were lower at the end of every month during the period September 1982-March 1984 compared with inventories at the end of the corresponding month of the previous year (table 10). Inventories were seasonably higher in July-December of 1981-83 than in the corresponding January-June periods.

U.S. inventories of New Zealand lamb meat as a share of domestic shipments of imports were relatively high throughout the period covered by the investigations. The ratio of inventories to domestic shipments of imports increased from about \* \* \* percent at yearend 1981 to about \* \* \* percent at yearend 1982 and 1983 and then declined to about \* \* \* percent as of March 31, 1984, compared with a level of \* \* \* percent as of March 31, 1983, as shown in the following tabulation (in percent):

As of--	<u>As a share of</u> <u>U.S. shipments</u>
Dec. 31, 1981-----	***
Dec. 31, 1982-----	***
Dec. 31, 1983-----	***
Mar. 31, 1983-----	<u>1/</u> ***
Mar. 31, 1984-----	<u>1/</u> ***

1/ Annualized.

The New Zealand Lamb Co. operates 17 warehouses located throughout the United States. Each facility carries a full range of cuts at all times. 1/

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1/ See the transcript of the public conference, pp. 133-134.

Table 10.--U.S. inventories of New Zealand lamb meat,  
by months, January 1981-March 1984

(In thousands of pounds)				
Period	1981	1982	1983	1984
January-----	***	***	***	***
February-----	***	***	***	***
March-----	***	***	***	***
April-----	***	***	***	-
May-----	***	***	***	-
June-----	***	***	***	-
July-----	***	***	***	-
August-----	***	***	***	-
September-----	***	***	***	-
October-----	***	***	***	-
November-----	***	***	***	-
December-----	***	***	***	-

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

Consideration of the Causal Relationship Between the Alleged Injury  
and the Alleged Subsidized and LTFV Imports

U.S. imports

Imports of fresh, chilled, or frozen lamb meat from New Zealand, the leading exporter of this product to the United States, decreased by 44 percent from 1981 to 1982, by 6 percent from 1982 to 1983, and by 59 percent in January-March 1984 compared with imports in January-March 1983 (table 11). New Zealand's share of total imports of lamb meat fell steadily from 90 percent in 1981 to 82 percent in 1983 and to 60 percent in January-March 1984 compared with a share of 87 percent in January-March 1983.

Australia is the only other significant exporter of lamb meat to the United States. Imports from Australia were relatively constant during 1981-83 and then nearly doubled in January-March 1984 compared with imports in January-March 1983.

Domestic shipments of imports from New Zealand

The petitioner has alleged that large volumes of imports of specific cuts of lamb meat from New Zealand have been shipped into certain market areas at times of the year when those cuts are in greatest demand. In particular, legs are alleged to have been marketed in the New York and Los Angeles metropolitan areas in large quantities during the Easter season. As shown in table 12, shipments of legs of lamb from New Zealand varied greatly from month to month but generally peaked during January-May. Shipments of other cuts fluctuated

Table 11.--Fresh, chilled, or frozen lamb meat: U.S. imports for consumption, by principal sources, 1981-83, January-March 1983, and January-March 1984

Item	1981	1982	1983	January-March--		
				1983	1984	
	Quantity (1,000 pounds)					
New Zealand-----	27,845	15,617	14,743	3,784	1,550	
Australia-----	3,227	3,038	3,154	531	1,017	
All other-----	9	16	101	11	1	
Total-----	31,081	18,671	17,998	4,326	2,569	
	Value (1,000 dollars)					
New Zealand-----	33,730	21,913	19,092	4,942	1,294	
Australia-----	3,375	3,364	3,243	632	993	
All other-----	12	18	115	19	1	
Total-----	37,117	25,294	22,450	5,592	2,287	
	Unit value (per pound)					
New Zealand-----	\$1.21	\$1.40	\$1.29	\$1.31	\$0.83	
Australia-----	1.05	1.11	1.03	1.19	.98	
All other-----	1.33	1.12	1.14	1.68	1.00	
Average-----	1.19	1.35	1.25	1.29	.89	
	Percent of total quantity					
New Zealand-----	89.6	83.6	81.9	87.5	60.4	
Australia-----	10.4	16.3	17.5	12.3	39.6	
All other-----	1/	.1	.6	.2	1/	
Total-----	100.0	100.0	100.0	100.0	100.0	

1/ Less than 0.05 percent.

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

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

significantly from month to month but followed no clear seasonal pattern. Total shipments of New Zealand lamb meat declined by \* \* \* percent from 1981 to 1982 and by \* \* \* percent from 1982 to 1983 and then rose by \* \* \* percent in January-April 1984 compared with shipments in January-April 1983.



Table 12.--Domestic shipments of selected cuts of New Zealand lamb meat,  
by months, January 1981-April 1984

(In thousands of pounds)

Period	Legs	Shoulders	Racks	All other	Total
1981:					
January-----	***	***	***	***	***
February-----	***	***	***	***	***
March-----	***	***	***	***	***
April-----	***	***	***	***	***
May-----	***	***	***	***	***
June-----	***	***	***	***	***
July-----	***	***	***	***	***
August-----	***	***	***	***	***
September-----	***	***	***	***	***
October-----	***	***	***	***	***
November-----	***	***	***	***	***
December-----	***	***	***	***	***
Total-----	***	***	***	***	***
1982:					
January-----	***	***	***	***	***
February-----	***	***	***	***	***
March-----	***	***	***	***	***
April-----	***	***	***	***	***
May-----	***	***	***	***	***
June-----	***	***	***	***	***
July-----	***	***	***	***	***
August-----	***	***	***	***	***
September-----	***	***	***	***	***
October-----	***	***	***	***	***
November-----	***	***	***	***	***
December-----	***	***	***	***	***
Total-----	***	***	***	***	***
1983:					
January-----	***	***	***	***	***
February-----	***	***	***	***	***
March-----	***	***	***	***	***
April-----	***	***	***	***	***
May-----	***	***	***	***	***
June-----	***	***	***	***	***
July-----	***	***	***	***	***
August-----	***	***	***	***	***
September-----	***	***	***	***	***
October-----	***	***	***	***	***
November-----	***	***	***	***	***
December-----	***	***	***	***	***
Total-----	***	***	***	***	***
1984:					
January-----	***	***	***	***	***
February-----	***	***	***	***	***
March-----	***	***	***	***	***
April-----	***	***	***	***	***

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

The New Zealand Lamb Co.'s sales of legs in the New York and Los Angeles markets for the Easter trade decreased during March-April of each year from 1981 to 1984, 1/ as shown in the following tabulation (in thousands of pounds):

March-April 1981-----	***
March-April 1982-----	***
March-April 1983-----	***
March-April 1984-----	***

The petitioner has also alleged that "the New Zealand Lamb Company disproportionally imports selected primal cuts such as the leg and rack leaving cuts less desirable in the U.S. market to be sold in other markets by other New Zealand exporters." 2/ According to questionnaire data, legs accounted for \* \* \* percent of New Zealand's total shipments of cuts of lamb meat in 1981, for \* \* \* percent in 1982, and for \* \* \* percent in 1983. Legs account for \* \* \* percent of the weight of the lamb carcass as broken by New Zealand producers. Racks accounted for \* \* \* percent of shipments of cuts in 1981, for \* \* \* percent in 1982, and for \* \* \* percent in 1983. Racks account for \* \* \* percent of the weight of the New Zealand lamb carcass. Counsel for the New Zealand Lamb Co. indicated that DEVCO sells proportionally more \* \* \* in the United States than in Canada and sells proportionally more \* \* \* in Canada than in the United States. 3/

#### Market penetration of imports

The U.S. producers' share of U.S. consumption of lamb meat increased steadily from \* \* \* percent in 1981 to \* \* \* percent in 1983 and rose from \* \* \* percent in January-March 1983 to \* \* \* percent in January-March 1984 (table 13). Conversely, imports from New Zealand as a share of U.S. consumption fell steadily from \* \* \* percent in 1981 to \* \* \* percent in 1983 and declined from \* \* \* percent in January-March 1983 to \* \* \* percent in January-March 1984. Imports from other countries did not exceed \* \* \* percent of U.S. consumption during the period covered by the investigations.

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1/ As reported in table 7 of the respondent's postconference brief.

2/ See the countervailing duty petition, p. 51.

3/ The shares of total carcass weight accounted for by legs and racks and the proportional differences in sales of specific cuts by market were provided by counsel for the New Zealand Lamb Co. in a telephone conversation with Commission staff on May 16, 1984. See also the transcript of the public conference, pp. 109-110.

Table 13.--Lamb meat: Ratios of U.S. production and of imports 1/ to U.S. consumption, 1981-83, January-March 1983, and January-March 1984

(In percent)						
Item	1981	1982	1983	January-March--		
				1983	1984	
U.S.-produced-----	***	***	***	***	***	***
Imported from New Zealand----	***	***	***	***	***	***
Imported from other countries-----	***	***	***	***	***	***
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

1/ Calculated on the basis of domestic shipments of imports from New Zealand and actual imports from other countries. Domestic shipments of imports from other countries are not available. Domestic shipments of U.S.-produced lamb meat are not available but are approximately equal to production..

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the U.S. Department of Commerce and the U.S. Department of Agriculture.

### Prices

Lamb and other meats are marketed at two separate and distinct levels before being sold by wholesalers to retailers. Initially, the live animals are sold by farmers or feedlot operators to slaughterhouses. Then the carcasses and selected choice cuts of slaughtered animals are sold to wholesalers who, in turn, sell the meat to retailers, hotels, restaurants, and other institutions.

Prices of most meats traditionally have been influenced by seasonal slaughter and demand patterns. Slaughter of lamb takes place at different times in different parts of the country, and aggregation of price data smoothes regional price fluctuations.

The price analysis presented below deals separately with the two levels of distribution, farm prices, and the producers' and importer's prices to wholesalers.

Farm prices.--The prices paid for imported lamb meat at the wholesale level have an effect on prices at the farm level. Furthermore, the prices in the meat-producing sector of U.S. agriculture are generally subject to wider and less controllable price fluctuations than are manufactured goods. These price fluctuations are brought about mainly by the nature of agriculture as such, where some key elements deciding the levels of production are clearly out of the hands of the farmers or growers, such as weather conditions, feed costs, and unpredictable rates of interest. Lamb meat consumption is influenced by prices at which other red meats are sold as well as chicken and

fish prices, the general state of the economy, the availability of discretionary income, and other similar factors.

From 1981 through 1983, farm prices of lamb showed a slight gradual decline, amounting to 2 percent during the 3-year period, resulting mainly from significantly increased availability of lamb meat on the market (table 14 and fig. 3). Although the lamb meat prices during January-April 1984 were higher than the averages for 1981-83, they were in line with the prices noted during January-April of the two preceding years (1982-83).

Table 14.--Farm prices and slaughter of lamb, by months,  
January 1981-April 1984

Month	1981		1982 <sup>1/</sup>		1983		1984	
	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity
		<u>1,000</u>		<u>1,000</u>		<u>1,000</u>		<u>1,000</u>
	<u>Per lb.</u>	<u>head</u>	<u>Per lb.</u>	<u>head</u>	<u>Per lb.</u>	<u>head</u>	<u>Per lb.</u>	<u>head</u>
January----	\$0.541	485	\$0.504	)	\$0.555	492	\$0.600	517
February----	.554	420	.533	) 1,522	.605	440	.592	531
March-----	.565	479	.603	)	.632	599	.582	563
April-----	.558	504	.615	)	.615	484	.599	<u>2/</u>
May-----	.631	399	.635	) 1,407	.596	479	-	-
June-----	.650	412	.678	)	.542	478	-	-
July-----	.595	419	.563	)	.498	475	-	-
August-----	.562	448	.529	) 1,499	.483	562	-	-
September--	.504	525	.509	)	.475	561	-	-
October----	.506	533	.491	)	.509	553	-	-
November----	.474	459	.477	) 1,555	.558	488	-	-
December----	.475	508	.509	)	<u>2/</u>	514	-	-
Total--		5,591		5,983		6,125		-
Average:	.549		.531		.539		.593	

<sup>1/</sup> Only quarterly lamb slaughter available for 1982.

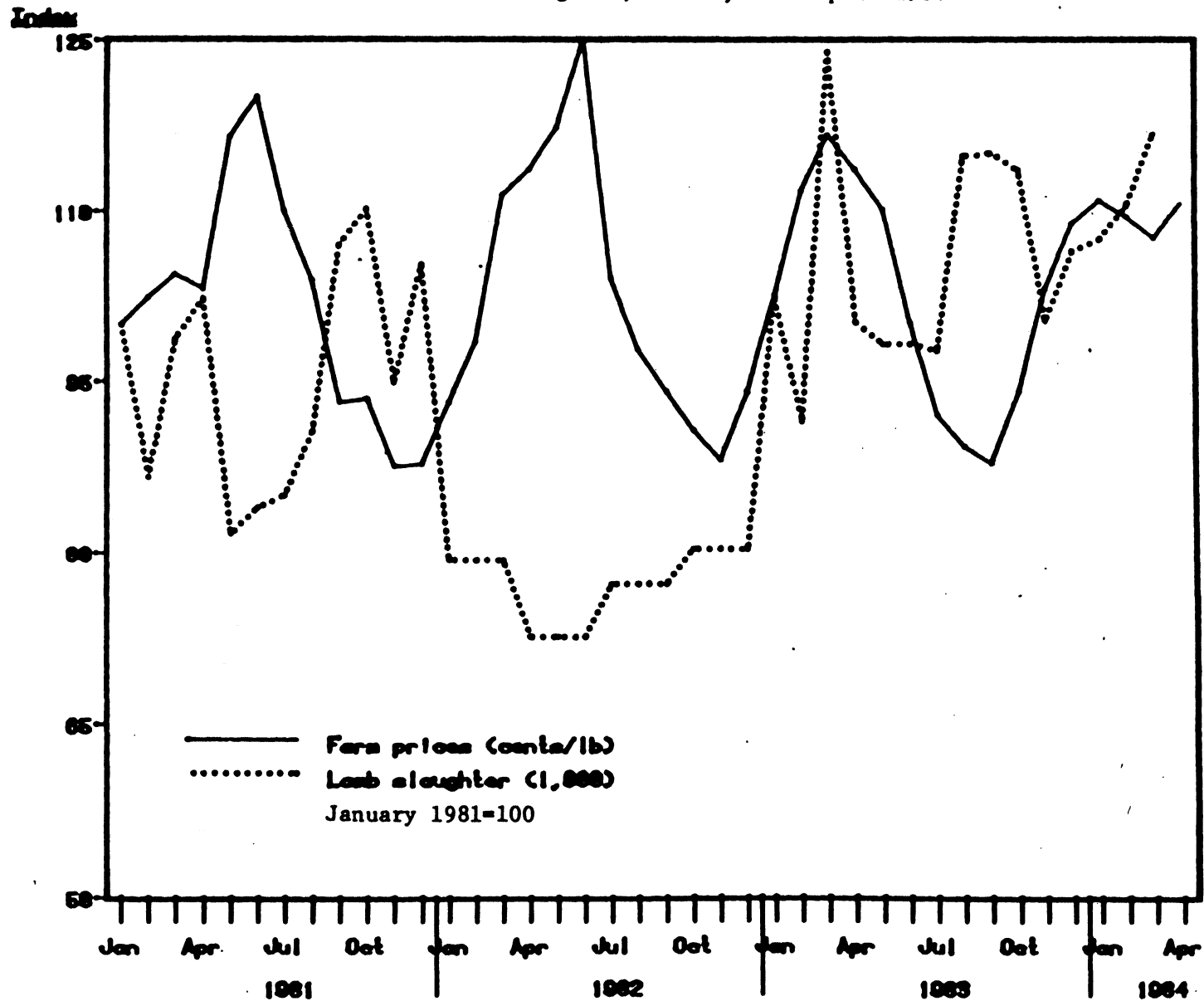
<sup>2/</sup> Not available.

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

The number of lambs slaughtered increased steadily during 1981-83, rising from 5.6 million in 1981 to 6.1 million in 1983, or increasing by 9.6 percent for the whole period. Judging by the lamb slaughter figures available for January-March 1984, it appears that the lamb slaughter in 1984 will exceed the 1981-83 production, and will in turn tend to keep the prices down to the levels noted during those years.

Figure 3

Monthly indexes of farm prices paid for live lambs  
and of lamb slaughter, January 1981-April 1984



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

Price comparisons for lamb, beef, and pork, as well as slaughter data, are presented in table 15. In general, the data presented in that table indicate that rising production of meat causes a decline in prices. Thus, the farm prices for lamb meat sold during 1981-83 have declined by about 2 percent, whereas lamb production rose by 10 percent; beef prices declined by about 5 percent, whereas beef supply rose by 5 percent; only pork prices have risen during the same period by 5 percent due mainly to a decline in production by 5 percent.

Table 15.--Farm prices and slaughter of lamb, beef cattle, and hogs, 1981-83

Year	Lamb <sup>1/</sup>		Beef		Hogs	
	Value	Quantity	Value	Quantity	Value	Quantity
		<u>1,000</u>		<u>1,000</u>		<u>1,000</u>
	<u>Per lb.</u>	<u>head</u>	<u>Per lb.</u>	<u>head</u>	<u>Per lb.</u>	<u>head</u>
1981-----	\$0.549	5,591	\$0.586	34,953	\$0.439	91,575
1982-----	.531	5,983	.567	35,843	.523	82,191
1983-----	.539	6,125	.557	36,663	.462	87,242

<sup>1/</sup> Includes lamb and yearling slaughter.

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

Producers' and importer's prices.--The level of distribution at which the prices of domestic and imported primal cuts of lamb are compared are sales by packers and processors and by the importer to wholesalers. Although wholesalers purchase both domestic and imported lamb, the domestic product is generally bought from packers as a fresh whole carcass, and the imported product is generally bought as frozen primal cuts. However, a number of packers and processors that provided price data in response to the Commission's questionnaire sold sufficient quantities of primal cuts to wholesalers to permit price comparisons. <sup>1/</sup> Domestic and import price data were collected for two primal cuts, legs and racks. Legs are the cut sold in the greatest volume to the retail trade and racks are the cut sold in the greatest volume to the HKI trade, according to data provided by the New Zealand Lamb Co.

Inland transportation costs range from about 12 to 14 cents per pound from coast to coast for less-than-carload lots and can be as low as 6 cents per pound over the same distance for full carload lots (40,000 pounds). <sup>2/</sup>

<sup>1/</sup> The total quantity of shipments of legs and racks by producers that provided price data was of the same order of magnitude as shipments of those cuts by the importer.

<sup>2/</sup> See the transcript of the public conference, p. 85.

Prices of domestic lamb and imports from New Zealand are presented in tables 16 and 18. Since the slaughter of domestic lamb takes place at different times in different parts of the country, the seasonality of prices disappears in aggregate price data. Therefore, the price changes noted in tables 16 and 18 do not show clear seasonality changes. In general, domestic lamb prices have traditionally been strongest at Easter and in the fall and weakest during the summer months.

It is difficult to accurately determine to what extent differences in prices of the domestic product, which is fresh, and the imported product, which is frozen, are related to consumer preferences for either fresh or frozen meat. However, in response to a question at the public conference on these investigations, domestic interests indicated that there is a significant preference for fresh lamb meat over frozen lamb meat in the United States, and that in general fresh lamb meat commands a higher price. 1/

Lamb legs.--The producers' and importer's prices for domestic lamb legs and those imported from New Zealand are presented in table 16. According to the data shown in that table, the domestic prices for lamb legs noted a general pattern of increasing prices for November-April and decreasing prices for May-October during 1982 and 1983, with January-April 1984 prices lower than they were during the same periods of 1982 and 1983. The prices for New Zealand's lamb legs remained unchanged during practically all of 1982 and 1983, at \* \* \* per pound, with the prices declining to \* \* \* in December 1983, then further to \* \* \* during January-April 1984. The recent decline in the price of New Zealand legs was attributed to favorable exchange rates and lower world prices. 2/

As was the case with the domestic prices for legs of lamb, the margins show great movement, from high underselling to high overselling margins. Thus, during the January-July 1982 period, the New Zealand lamb undersold the domestic product by between 3.2 and 25.7 percent, then oversold it during August-November at from 1.4 to 7.9 percent, and ended the year in December by showing a margin of underselling of 3.2 percent.

During 1983, overselling by New Zealand was shown only during the summer and early fall months (July-October), with the margins of overselling ranging between 3.4 and 11.9 percent. During the rest of 1983, margins of underselling were shown for 8 months, and ranged between 0.7 and 23.3 percent.

During January-April 1984, the imported product undersold the domestic lamb legs by a margin of between 3.1 and 25.0 percent.

Table 17 presents weekly price data for domestic lamb legs sold in the New York area during 1983. The data indicate rather significant price fluctuations during some of the months, as well as the fact observed earlier, that the lamb leg prices are highest during the winter and early spring months, and lowest during the summer months, especially August.

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1/ See the transcript of the public conference, pp. 90-91.

2/ See the respondent's postconference brief, p. 16.

Table 16.--Lamb legs: Producers' and importer's prices, 1/  
by months, January 1982-April 1984

Period	Average U.S. price	Average New Zealand price	Margin of underselling/ (overselling)
	Per pound		Percent
1982:			
January-----	***	***	*** : 10.2
February-----	***	***	*** : 13.8
March-----	***	***	*** : 20.6
April-----	***	***	*** : 25.7
May-----	***	***	*** : 19.8
June-----	***	***	*** : 12.8
July-----	***	***	*** : 3.2
August-----	***	***	*** : (1.4)
September-----	***	***	*** : (2.0)
October-----	***	***	*** : (7.9)
November-----	***	***	*** : (2.0)
December-----	***	***	*** : 3.2
1983:			
January-----	***	***	*** : 10.7
February-----	***	***	*** : 17.1
March-----	***	***	*** : 23.0
April-----	***	***	*** : 20.6
May-----	***	***	*** : 11.8
June-----	***	***	*** : .7
July-----	***	***	*** : (3.4)
August-----	***	***	*** : (11.9)
September-----	***	***	*** : (10.3)
October-----	***	***	*** : (6.4)
November-----	***	***	*** : 5.7
December-----	***	***	*** : 23.3
1984:			
January-----	***	***	*** : 25.0
February-----	***	***	*** : 18.5
March-----	***	***	*** : 20.1
April-----	***	***	*** : 3.1

1/ F.o.b. point of shipment.

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



Table 17.--Lamb legs: 1/ Wholesale prices in the New York metropolitan area, by weeks, 1983

Month and week	Price	Month and week	Price	Month and week	Price
January:		May:		September:	
Week 1-----	\$1.60	Week 1-----	\$1.55	Week 1-----	\$1.28
Week 2-----	1.70	Week 2-----	1.30	Week 2-----	1.28
Week 3-----	1.63	Week 3-----	1.30	Week 3-----	1.25
Week 4-----	1.58	Week 4-----	1.33	Week 4-----	1.25
February:		June:		October:	
Week 1-----	1.63	Week 1-----	1.40	Week 1-----	1.30
Week 2-----	1.53	Week 2-----	1.40	Week 2-----	1.35
Week 3-----	1.50	Week 3-----	1.28	Week 3-----	1.40
Week 4-----	1.50	Week 4-----	1.15	Week 4-----	1.38
March:		July:		November:	
Week 1-----	1.50	Week 1-----	1.28	Week 1-----	1.28
Week 2-----	1.63	Week 2-----	1.30	Week 2-----	1.30
Week 3-----	1.70	Week 3-----	1.25	Week 3-----	1.38
Week 4-----	1.90	Week 4-----	1.15	Week 4-----	2/
April:		August:		December:	
Week 1-----	1.85	Week 1-----	1.15	Week 1-----	1.40
Week 2-----	1.63	Week 2-----	1.13	Week 2-----	1.45
Week 3-----	1.63	Week 3-----	1.25	Week 3-----	1.45
Week 4-----	1.63	Week 4-----	1.28	Week 4-----	1.70

1/ Prices are for domestic legs only.

2/ Not available.

Source: Compiled from statistics of the American Sheep Producers Council, Inc.

Lamb racks.--The producers' and importer's prices for domestic lamb racks and those imported from New Zealand are presented in table 18. The prices for domestic lamb racks fluctuated significantly but generally increased from a low of \* \* \* per pound noted in February 1982 to a high of \* \* \* per pound in January 1984. During subsequent months of 1984, the prices declined and reached \* \* \* per pound in April of that year.

In practically all months under consideration, the imported product oversold the domestic lamb racks except in four cases where an underselling was noted. Some of the highest margins of overselling by New Zealand were noted during January-March 1982, with the margins ranging from 32.4 to 42.2 percent. During June-September of that year, the margins of overselling dropped to between 3.9 and 6.2 percent, then rose again to 23.4 to 31.0 percent in October-December 1982. The year 1983 began with a 29.5 percent margin of overselling, declining to a 0.3 percent margin of underselling in July, then varying between margins of overselling of 5.5 and 11.1 percent during August-November. Three additional instances of underselling occurred

Table 18.--Lamb racks: Producers' and importer's prices, 1/  
by months, January 1982-April 1984

Period	Average U.S. price	Average New Zealand price	Margin of underselling/ (overselling)
		Per pound	Percent
1982:			
January-----	***	***	*** : (40.1)
February-----	***	***	*** : (42.2)
March-----	***	***	*** : (32.4)
April-----	***	***	*** : (25.5)
May-----	***	***	*** : (12.4)
June-----	***	***	*** : (3.9)
July-----	***	***	*** : (5.5)
August-----	***	***	*** : (5.8)
September-----	***	***	*** : (6.2)
October-----	***	***	*** : (23.4)
November-----	***	***	*** : (27.3)
December-----	***	***	*** : (31.0)
1983:			
January-----	***	***	*** : (29.5)
February-----	***	***	*** : (20.8)
March-----	***	***	*** : (12.4)
April-----	***	***	*** : (9.0)
May-----	***	***	*** : (1.0)
June-----	***	***	*** : (.7)
July-----	***	***	*** : .3
August-----	***	***	*** : (5.5)
September-----	***	***	*** : (6.1)
October-----	***	***	*** : (11.1)
November-----	***	***	*** : (6.2)
December-----	***	***	*** : 2.7
1984:			
January-----	***	***	*** : 8.3
February-----	***	***	*** : 2.0
March-----	***	***	*** : (10.7)
April-----	***	***	*** : (49.7)

1/ F.o.b. point of shipment.

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

during December 1983-February 1984, with margins ranging from 2.0 to 8.3 percent. Overselling then occurred in March and April, at 10.7 and 49.7 percent, respectively.

The New Zealand rack has been marketed successfully in the HRI trade, often at a premium price, because it is smaller than the domestic rack and more suitable for a single serving. The ultimate consumer in the HRI trade does not object to the rack having been frozen because it is served ready to eat.

Importer's use of coupons in promotion of lamb sales.--The sole importer of New Zealand lamb meat reported that it uses advertising and coupons for promotion of its sales. The coupons have been utilized for both leg and shoulder chops in markets on both the East and West coasts. They have been utilized during periods of highest demand, including leg coupons in Easter  
\* \* \*.

\* \* \* \* \*

#### Lost sales and lost revenues

Packers and processors did not make any allegations of lost sales or lost revenues. The petitioner stated that "DEVCO's sales of New Zealand lamb cuts do not act on the market by displacing sales of domestic product (except temporarily) but rather, increasing the supply pressures on price." <sup>1/</sup> The three co-petitioners included a statement in their questionnaire responses indicating that since domestic lamb is fresh and therefore perishable, it is sold quickly at whatever price the market will bear; thus sales are not lost as a result of competition from imports. Prices fluctuate daily around a weekly price which is a function of supply and demand. Although these firms indicated that price suppression and depression exist as a result of imports from New Zealand, no specific allegations were made.

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<sup>1/</sup> See the countervailing duty petition, p. 57.



**APPENDIX A**

**NOTICE OF THE COMMISSION'S INSTITUTION OF PRELIMINARY  
COUNTERVAILING DUTY AND ANTIDUMPING INVESTIGATIONS**

are alleged to be sold in the United States at less than fair value.

**FOR FURTHER INFORMATION CONTACT:** Mr. Robert Carpenter, Office of Investigations, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. 20436, telephone 202-523-0399.

**SUPPLEMENTARY INFORMATION:**

**Background**

These investigations are being instituted in response to petitions filed on April 18, 1984, by the American Lamb Co., of Chino, Calif., a cooperative engaged in the packing, processing and sale of lamb meat, principally derived from lambs produced by its constituent members which are sheep ranchers. The petitions are filed on behalf of sheep ranchers, feed lot operators, and lamb meat packing and processing companies. The Commission must take its determinations in these investigations within 45 days after the date of the filing of the petitions, or by June 4, 1984 (19 CFR 207.17).

**Participation**

Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11), not later than seven (7) days after the publication of this notice in the *Federal Register*. Any entry of appearance filed after this date will be referred to the Chairman who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

**Service of documents**—The Secretary will compile a service list from the entries of appearance filed in these investigations. Any party submitting a document in connection with the investigations shall, in addition to complying with § 201.8 of the Commission's rules (19 CFR 201.8), serve a copy of each such document on all other parties to the investigations. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b)).

In addition to the foregoing, each document filed with the Commission in the course of these investigations must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of document. Documents not accompanied by a certificate of service will not be accepted by the Secretary.

**Written submissions**

Any person may submit to the Commission on or before May 14, 1984, a written statement of information pertinent to the subject matter of these investigations (19 CFR 207.15). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8).

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

**Conference**

The Director of Operations of the Commission has scheduled a conference in connection with these investigations for 9:30 a.m. on May 10, 1984, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact Robert Carpenter (202-523-0399), not later than May 7, 1984, to arrange for their appearance. Parties in support of the imposition of antidumping and countervailing duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

**Public inspection**

A copy of the petitions and all written submissions, except for confidential business data, will be available for public inspection, during regular 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.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Kenneth R. Mason,  
Secretary.

Issued: April 20, 1984.

[FR Doc. 84-11147 Filed 4-24-84; 8:45 am]

BILLING CODE 7020-02-M

[Investigations Nos. 701-TA-214 (Preliminary) and 731-TA-188 (Preliminary)]

**Lamb Meat From New Zealand**

**AGENCY:** International Trade Commission

**ACTION:** Institution of preliminary countervailing duty and antidumping investigations and scheduling of a conference to be held in connection with the investigations

**EFFECTIVE DATE:** April 18, 1984

**SUMMARY:** The United States International Trade Commission hereby gives notice of the institution of investigation No. 701-TA-214 (Preliminary) under section 701(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) 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 Tariff Schedules of the United States (TSUS), upon which bounties or grants are alleged to be paid.

The Commission also gives notice of the institution of investigation No. 731-TA-188 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) 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 TSUS item 106.30 which

**APPENDIX B**

**NOTICE OF THE DEPARTMENT OF COMMERCE'S INSTITUTION OF PRELIMINARY  
COUNTERVAILING DUTY AND ANTIDUMPING INVESTIGATIONS**

meat from New Zealand is being, or is likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product are materially injuring, or are threatening to materially injure, a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before June 4, 1984, and we will make ours on or before September 25, 1984.

**EFFECTIVE DATE:** May 14, 1984.

**FOR FURTHER INFORMATION CONTACT:** Richard Rimlinger, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone (202) 377-3965.

**SUPPLEMENTARY INFORMATION:**

**The Petition**

On April 18, 1984, we received a petition in proper form from counsel for the American Lamb Company, Chino, California, the Denver Lamb Company, Denver, Colorado, and the Iowa Lamb Corporation, Hawarden, Iowa, filed on behalf of the United States industry which is comprised of sheep ranchers, feed lot operators, and lamb meat packing and processing companies.

In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleges that imports of the subject merchandise from New Zealand are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act), and that these imports are materially injuring, or are threatening to materially injure, a United States industry.

The allegation of sales at less than fair value is supported by comparing the U.S. price to the estimated foreign market value based on constructed value. The U.S. price is derived from price list quotes and the foreign market value is based on adjusted data published by the New Zealand Meat Producers Board.

**Initiation of Investigation**

Under section 732(c) of the Act, we must determine within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and whether it contains information reasonably available to the petitioners supporting the allegations. We have

examined the petition on lamb meat, and we have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping investigation to determine whether lamb meat from New Zealand is being, or is likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by September 25, 1984.

**Scope of Investigation**

The merchandise covered by this investigation is lamb meat, currently classified under item number 108.30 of the *Tariff Schedules of the United States*.

**Notification to ITC**

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information publicly either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration.

**Preliminary Determination by ITC**

The ITC will determine by June 4, 1984, whether there is a reasonable indication that imports of lamb meat from New Zealand are materially injuring, or threatening to materially injure, a United States industry. If its determination is negative, the investigation will terminate, otherwise, it will proceed according to the statutory procedures.

Dated May 8, 1984.

Alan F. Holmer,

Deputy Assistant Secretary for Import Administration.

(FR Doc. 84-12885 Filed 5-11-84, 8:45 am)  
BILLING CODE 3510-08-01

**DEPARTMENT OF COMMERCE**

**International Trade Administration**

[A-614-401]

**Lamb Meat From New Zealand;  
Initiation of Antidumping Duty  
Investigation**

**AGENCY:** International Trade Administration, Import Administration, Commerce.

**ACTION:** Notice

**SUMMARY:** On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether lamb

[C-614-402]

**Lamb Meat From New Zealand;  
Initiation of Countervailing Duty  
Investigation**

**AGENCY:** International Trade Administration/Import Administration, Commerce.

**ACTION:** Notice.

**SUMMARY:** On the basis of a petition filed in proper form with the United



States Department of Commerce, we are initiating a countervailing duty investigation to determine whether producers or exporters in New Zealand of lamb meat, as described in the "Scope of Investigation" section of this notice receive benefits which constitute subsidies within the countervailing duty law. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product are materially injuring, or are threatening to materially injure, a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before June 4, 1984, and we will make ours on or before July 12, 1984.

**EFFECTIVE DATE:** May 14, 1984.

**FOR FURTHER INFORMATION CONTACT:** Rick Herring, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue NW., Washington, D.C. 20230, telephone (202) 377-0187.

#### **SUPPLEMENTARY INFORMATION:**

##### **The Petition**

On April 18, 1984, we received a petition in proper form from counsel for the American Lamb Company, Chino, California, the Denver Lamb Company, Denver, Colorado, and the Iowa Lamb Corporation, Hawarden, Iowa, filed on behalf of the United States industry which is comprised of sheep ranchers, feed lot operators, and lamb meat packing and processing companies.

In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that producers or exporters in New Zealand of lamb meat receive subsidies within the meaning of section 771 of the Tariff Act of 1930, as amended (the Act), and that these imports are materially injuring, or are threatening to materially injure, a United States industry.

New Zealand is a "country under the Agreement" within the meaning of section 701(b) of the Act. Title VII of the Act, therefore, applies to this investigation and an injury determination is required.

##### **Initiation of Investigation**

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of a countervailing duty investigation and whether it contains information reasonably available to the petitioners supporting the allegations. We have

examined the petition on lamb meat, and we have found that it meets the requirements of section 702(b) of the Act. Therefore, in accordance with section 720 of the Act, we are initiating a countervailing duty investigation to determine whether producers or exporters in New Zealand of lamb meat as described in the "Scope of Investigation" section of this notice receive subsidies. If our investigation proceeds normally, we will make our preliminary determination by July 12, 1984.

##### **Scope of Investigation**

The merchandise covered by this investigation is lamb meat, currently classified under item number 106.30 of the *Tariff Schedules of the United States*.

##### **Allegations of Subsidies**

The petition alleges that producers or exporters in New Zealand of lamb meat receive the following benefits that constitute subsidies:

- Minimum Price Guarantees for Exported Lamb Meat Under the Supplementary Minimum Prices Scheme (SMP) and Minimum Price Levels as Set by the Meat Export Prices Committee and Administered by the Meat Board.
- Loans and Loan Guarantees Provided to the Meat Export Development Company, the Sole Exporter of New Zealand Lamb Meat to the United States.
- Services Provided by the Meat Board
- Government Grants for Meat Industry Hygiene.
- Income Tax Rebates Under the Export Performance Tax Incentive Scheme.
- Tax Credits for Export Market Development.
- Government Grants for Marketing Promotion Under the Exports Program Grants Scheme (EPCS).
- Loans Which Can be Converted to Grants Provided for Investment in Plants and Equipment Used to Increase Exports.
- Subsidies on Fertilizer Used by Farmers.
- Subsidies to Encourage the Application of Lime and Fertilizer.
- Subsidies on the Transport of Fertilizer.
- Subsidies Under the Noxious Plant Control Scheme to Assist Livestock.
- Suspension of Government Inspection Fees on Exported Meat.
- The Livestock Incentive Scheme Providing Benefits to Farmers that Increase the Number of Their Livestock.

- Preferential Land Development Loans Provided to Farmers by the Rural Banking and Finance Corporation.

- Special Methods to Value Livestock Inventory for Tax Purposes Under the Standard Value and Nil Value Program.

We will also investigate any other program found or uncovered during the course of this investigation that may confer a subsidy upon the production or exportation of New Zealand lamb meat.

We are not initiating on the following programs:

- Petitioners allege that the Meat Board contributes to the Lamb Promotion Coordinating Committee (LPCC) to support the consumption of lamb meat in the United States. The LPCC is comprised of representatives of the U.S. and New Zealand lamb industry. Their purpose is to promote the consumption of lamb meat in the U.S. without regard to the source of the lamb meat. Since there is no allegation that the program targets New Zealand lamb meat, the generic promotion does not constitute a subsidy to producers or exporters of lamb meat in New Zealand within the meaning of the countervailing duty law.

- Petitioners allege that deductions for capital expenditures used for the development of domestic farmlands provides a subsidy to producers of New Zealand lamb meat. This program is available to all farmers in New Zealand and, therefore, is not limited to "a specific enterprise or industry, or group of enterprises or industries" within New Zealand as specified in section 771(5)(B) of the Act. This allegation differs from the allegations regarding fertilizer subsidies to farmers and the preferential land development loans provided to farmers, on which we are initiating an investigation. Petitioners supplemented their petition to support their allegation that the fertilizer subsidies may in fact be utilized primarily to benefit livestock development. In the land development loan program priority is given to the development of pasture land for livestock grazing.

##### **Notification to ITC**

Section 702(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without

the consent of the Deputy Assistant Secretary for Import Administration.

**Preliminary Determination by ITC**

The ITC will determine by June 4, 1984, whether there is a reasonable indication that imports of lamb meat from New Zealand are materially injuring, or threatening to materially injure, a United States industry. If its determination is negative, the investigation will terminate, otherwise, it will proceed according to the statutory procedures.

Dated: May 8, 1984.

**Alan F. Holmer,**  
*Deputy Assistant Secretary for Import Administration.*

[FR Doc. 84-12894 Filed 5-11-84; 8 45 am]  
BILLING CODE 3510-08-M

**APPENDIX C**

**THE COMMISSION'S CALENDAR OF THE PUBLIC CONFERENCE**

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 701-TA-214 (Preliminary)  
and 731-TA-188 (Preliminary)

LAMB MEAT FROM NEW ZEALAND

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigations on May 10, 1984, in the hearing room of the USITC Building, 701 E Street, NW., Washington, D.C.

In support of the imposition of countervailing and  
antidumping duties

Robert Wray Associates--Counsel  
Washington, D.C.  
on behalf of

American Lamb Co.  
Denver Lamb Co.  
Iowa Lamb Corp.

Neil Jorgenson, Chairman of the Board, American Lamb Co.  
Verner Averch, General Manager, Denver Lamb Co.  
Larry Rule, Feedlot Operator  
Scott Lilien, President of Angel Pride, Inc.

Robert Wray--OF COUNSEL

In opposition to the imposition of countervailing and  
antidumping duties

Bronz & Farrell--Counsel  
Washington, D.C.  
on behalf of

New Zealand Lamb Co., Inc.

Graeme Lindsay, Executive Vice President, New Zealand  
Lamb Co., Inc.  
Maurice Jones, North American Director, New Zealand Meat  
Producers Board

Edward Farrell--OF COUNSEL

