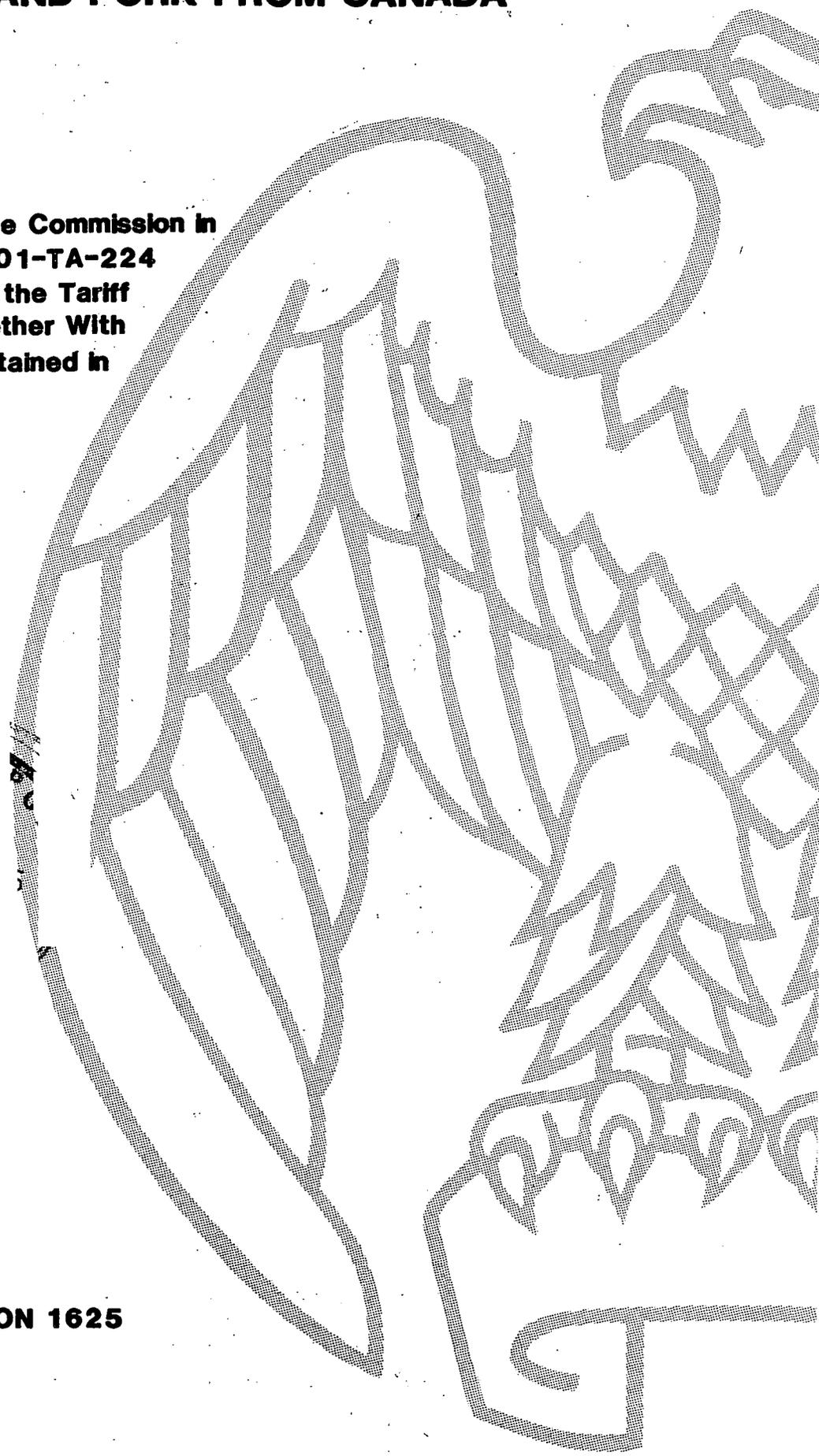


LIVE SWINE AND PORK FROM CANADA

**Determination of the Commission in
Investigation No. 701-TA-224
(Preliminary) Under the Tariff
Act of 1930, Together With
the Information Obtained in
the Investigation**



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DECEMBER 1984

UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information which would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 701-TA-224 (Preliminary)

LIVE SWINE AND PORK FROM CANADA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Canada of live swine and fresh, chilled, or frozen meat (except meat offal) of swine, provided for in items 100.85 and 106.40, respectively, of the Tariff Schedules of the United States, which are alleged to be subsidized by the Government of Canada.

Background

On November 2, 1984, a petition was filed with the Commission and the Department of Commerce by counsel on behalf of the National Pork Producers Council (NPPC), Des Moines, IA, alleging that imports of live swine and fresh, chilled, and frozen pork from Canada are being subsidized by the Government of Canada. Accordingly, effective November 2, 1984, the Commission instituted a preliminary countervailing duty investigation under section 703(a) of the Tariff Act of 1930.

Notice of the institution of the Commission's investigation and of a 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, DC, and by publishing the notice in the Federal Register on November 15, 1984 (49 F.R. 45275). The conference was held in Washington, DC on November 26, 1984, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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/ Chairwoman Stern and Commissioner Lodwick not participating.

VIEWS OF VICE CHAIRMAN LIEBELER

On the basis of the record developed in this preliminary investigation, I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Canada of live swine and pork, fresh, chilled, or frozen (pork), which are allegedly subject to subsidies.

In making this preliminary determination, I find that live swine and pork are like products and therefore that there is one domestic industry, composed of growers of live swine and packers, the slaughterers of the live swine into pork.

The limited information obtained during the preliminary investigation indicates that growers and packers have not been doing well recently, with their costs exceeding their revenues. Although the volume of imports compared with domestic production is small, given the price sensitivity of live swine and pork sales, I believe there is a reasonable indication that imports of allegedly subsidized live swine and pork from Canada are a cause of material injury to the domestic industry.

Like product and industry

The term "industry" is defined in section 771(4)(A) of the Trade Agreements Act 1/ as including the domestic producers of the "like product," which in turn is defined in section 771(10) as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." 2/ Thus, the statute requires the Commission first to determine the like product(s) in an

1/ 19 U.S.C. § 1677(4)(a).

2/ 19 U.S.C. § 1677(10).

investigation and from that base determine the appropriate domestic industry or industries.

The imported products which are the subject of this investigation are live swine and pork. Both are produced domestically. This is the first time the Commission has been faced with the question of whether a live product is "like" the meat obtained from it once it has been slaughtered. Although the Commission's determination in Lamb Meat from New Zealand ^{3/} has been much quoted throughout this preliminary investigation with respect to the question of the appropriate like product definition, the Commission in that case found only that there were no significant differences between the characteristics and uses of fresh lamb meat and frozen lamb meat and therefore found those to be a single like product. The question of whether a sheep was "like" lamb meat, fresh or frozen, was not raised. At best, Lamb Meat provides precedent for finding that fresh, chilled, and frozen pork are all like products because chilling or freezing fresh pork merely eases handling and prolongs the shelf life of the pork but does not substantially change the characteristics or uses of the meat. Indeed, no party has argued to the contrary.

For the following reasons, I believe that live swine and pork have some similar characteristics and uses and therefore are sufficiently like one another to constitute a single like product. (1) Live swine is the "raw product" for pork; ^{4/} (2) Both live swine and pork are used to produce further

^{3/} Investigation No. 701-TA-80 (Preliminary), USITC Publication 1191 (1981).

^{4/} I note that respondent argued that the fact that the swine is the raw material for the pork should not be a basis for finding a single like product because "the same claim can be made about practically any raw material of a finished product." November 21, 1984, letter from counsel for respondent to Alan F. Holmer, at 2, n.2. However, I believe that agricultural goods such as live swine and pork can be distinguished from items such as steel and pipes or valves, where the raw material can be used to produce a variety of end-products. In the case of live swine and pork, the live product can be used only to produce the "finished product," i.e., the pork. See Transcript of the conference (Tr.) at 60.

processed pork products; (3) Pork processors with slaughtering facilities could choose between purchasing live swine and pork, making live swine and pork at least somewhat interchangeable; and (4) According to petitioner, live swine accounts for approximately 90 percent of the value of unprocessed pork. 5/

Having found that live swine and pork are a single like product, the question of domestic industry is fairly simple. The domestic producers of the like product are the growers of the swine and the slaughterers of that swine into pork. 6/

I note also that a number of domestic packers import live swine and pork from Canada. For that reason, I have considered whether such packers should be excluded from the scope of the industry under the "related parties" provision, which states:

5/ Petitioner's supplemental submission at 4. Arguments can be made in favor of finding that live swine and pork are not alike. For example, live swine is a raw product which necessarily must be further "processed" in order to be usable whereas pork may be an end product or may be subject to further processing. Moreover, at least initially, live swine and pork are sold to different markets--live swine are sold to packers while pork is sold either to processors or retailers. At this stage of the investigation, however, I am compelled to believe that such characteristics and uses are insufficient to justify a finding of two like products.

6/ In making this determination, however, I note that if I had found that there were two like products, more information would have been necessary for me to make a determination regarding the appropriateness of including the growers of live swine in an industry producing pork. See the line of cases beginning with Lamb Meat from New Zealand, supra, including, e.g., Certain Red Raspberries from Canada, Inv. No. 701-TA-196 (Preliminary), USITC Publication 1565 (August 1984) and Certain Table Wine from France and Italy, Invs. Nos. 701-TA-210 and 211 (Preliminary), USITC Publication 1502 (March 1984), where the Commission has considered both a single continuous line of production and commonality of economic interest, in the form of interlocking ownerships or in terms of shared revenues, as factors in determining whether to include growers in an industry producing a product at least one step removed from the growing process. On both the issue of like product and the issue of domestic industry, I do not preclude the possibility that I may revise my definitions in any final investigation should additional information indicate the appropriateness of such action.

When some producers are related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped merchandise, the term 'industry' may be applied in appropriate circumstances by excluding such producers from those included in that industry. 7/

The analysis to determine whether to exclude related parties involves two steps. First, the Commission must determine whether the domestic producers are also importers or are related to importers or exporters of the merchandise under investigation. Here, there appears to be little question that at least some producers are importers. According to petitioner's own data, packers accounting for at least 39 percent of domestic slaughter import live swine or pork from Canada. 8/

Second, the Commission must determine whether appropriate circumstances exist for excluding the related parties from the domestic industry. Commission precedent on this issue has focused on the percentage of domestic producers that would be excluded, 9/ the reasons the domestic producer has chosen to import, e.g., to benefit from the dumping or subsidies or to stave off an adverse impact, 10/ and the position of the related party compared with the rest of the industry. 11/

The exclusion of the financial data of these domestic packers could seriously distort the data the Commission must analyze in determining whether

7/ 19 U.S.C. § 1677(4)(b).

8/ See the petition at 13-15 and the December 6, 1984, memorandum by counsel for petitioner. See also Report of the Commission (Report) at A-17.

9/ See, e.g., Unlasted Leather Footwear Uppers from India, Inv. No. 701-TA-1 (Final), USITC Publication 1045 (1980); and Melamine in Crystal Form from Austria and Italy, Invs. Nos. 731-TA-13 and 14 (Final), USITC Publication 1065 (1980).

10/ See, e.g., Motorcycle Batteries from Taiwan, Inv. No. 731-TA-42 (Final), USITC Publication 1228 (1982).

11/ See, e.g., Television Receiving Sets from Japan, Inv. No. 751-TA-2, USITC Publication 1153 (1981), and Sugars and Sirups from Canada, Inv. No. 731-TA-3 (Final), USITC Publication 1047 (1980).

there is a reasonable indication of material injury or threat thereof. Further, the record contains allegations that domestic packers import because of the unavailability of the domestic product due to cutbacks in U.S. production, the relatively low value of the Canadian dollar, the quality of the Canadian product, and the close proximity of the Canadian product. 12/

Under these circumstances, where indications are that packers that import account for a significant portion of the domestic pork production industry and there is at least some evidence that they do so for reasons other than to take advantage of subsidies, I will not apply the related parties provision in this preliminary investigation.

Condition of the domestic industry

Growers--Due to the large number of swine-raising operations 13/ and the availability of reliable secondary data regarding live swine and growers, no questionnaires were sent to growers. Official data from the U.S. Department of Agriculture indicate that swine growers' revenues have been insufficient to cover their costs. 14/ According to testimony presented at the conference in this investigation, the projected hog prices for 1984, upon which growers based their decisions to incur production expenses, failed to materialize. 15/ The costs of production for U.S. feeders exceeded the prices received for pigs in 22 of the last 24 months and by increasing amounts in every month between February and October 1984. 16/

12/ Tr. at 132-37. I note that letters to the Commission by packers opposing the petition support some of these allegations.

13/ In 1983, there were 466,410 such enterprises, and of those, only 6 percent raised 500 swine or more. Report at A-12.

14/ Id. at A-23-25.

15/ Tr. at 17 and 51-52.

16/ Report at A-27.

Packers--Very limited data are available at this point regarding the condition of the domestic pork-packing industry. 17/ Generally, the hog slaughter business has not been particularly profitable and 1984 saw hog packers average negative gross margins in 8 out of the 9 months for which data are available. 18/ In addition, we note that the earnings of pork packers were slightly lower than the earnings of beef packers in 1981 and 1982, and substantially lower in 1983. 19/ Further, earnings of pork packers were lower than the earnings of all manufacturers in 1981 and 1983. 20/

Reasonable indication of material injury

I find that at this early stage of the investigation, there is a reasonable indication that allegedly subsidized imports of live swine and pork are causing material injury to the domestic industry producing live swine and pork. The market share of imports of live swine and pork from Canada increased over the period of investigation. In 1981, imports of live swine from Canada accounted for only 0.2 percent of domestic consumption of live swine, but in January-September 1984, such imports accounted for only 1.5 percent of U.S. consumption, compared with 0.6 percent in January-September

17/ Of the 37 questionnaires sent to packer operations, only 12 were returned, and of those only one provided financial information, but even that packer was unable to provide segregated data on its packing operations. Id. at A-24. I note that under ordinary circumstances, I might have drawn an adverse inference from such a low response rate by the domestic industry. However, given the fact that the petition was filed by growers, valuable time was lost while the question of standing to file the petition on behalf of packers as well was argued and while packers assessed their support or opposition to the petition. Therefore, I am not making an adverse inference at this time.

18/ Id. at A-27.

19/ Id. at A-28. In any final investigation, I would want to explore what factors explain the differences in earnings between pork and beef packers.

20/ Id.

1983. 21/ Imports of pork from Canada captured 1.2 percent of the U.S. pork market in 1981, increased to 1.7 percent in 1983, and then increased to 2.3 percent of the domestic market in January-September 1984, compared with 1.8 percent in the corresponding period of 1983. 22/ When imports of live swine and pork are considered together, as a share of U.S. consumption of pork, Canada accounted for 1.4 percent in 1981, 2.3 percent in 1982 and 1983, and for 3.8 percent in January-September 1984, compared with 2.4 percent in January-September 1983. 23/

Data supporting petitioner's contention that imports of live swine and pork from Canada have suppressed domestic prices are limited at this point. However, live swine and pork are each homogeneous products with relatively high price elasticities of demand. Therefore, all pork sold at any point in time, whether from Canada or the United States, would be expected to sell at the same price, and that price would not be expected to be much affected by the increased presence of imports from Canada in the market. Thus, a finding of price suppression presents some inherent difficulty.

21/ Id. at A-30.

22/ Id. at A-31.

23/ Id. However, I note that domestic producers still accounted for over 95 percent of U.S. consumption of pork during the first 10 months of 1984.



VIEWS OF COMMISSIONER ECKES

On the basis of the record developed in this preliminary investigation, I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Canada of live swine and certain fresh, chilled, or frozen pork, which are allegedly subsidized.

Because my views 1/ on this investigation may differ somewhat from my two colleagues who participated in this determination, I am providing separate views. For the purposes of this preliminary determination, I have defined the domestic industry to be a pork-producing industry, one composed of both growers and packers.

In my judgment, the limited information obtained during this 45-day preliminary investigation indicates that domestic growers and packers have experienced losses recently. Frequently costs have exceeded revenues. Although the actual volume of imports is small compared to domestic production, these agricultural products are price sensitive. I believe the information available provides a reasonable indication that imports of allegedly subsidized live swine and pork from Canada are a cause of material injury to the domestic industry.

Like Products and Domestic Industry

According to section 771(4)(A) of the Trade Agreements Act of 1979, the term "industry" 2/ includes the domestic producers of the "like product." In turn, section 771(10) defines the latter term as "a product which is like or

1/ Data referred to in this opinion are contained in the Commission Report, Transcript of the Preliminary Conference or briefs of the parties in this investigation.

2/ 19 U.S.C. § 1677(4)(A).

in the absence of like, most similar in characteristics and uses with, the article subject to an investigation." 3/

Petitioner, the National Pork Producers Council (NPPC) of Des Moines, Iowa, claims that growers and packers, but not processors, compose the pork industry. NPPC further alleges that imports of live swine and pork materially injure the domestic injury.

After reviewing the information and the complete record, including testimony presented to the Commission through the staff conference, I have accepted the petitioner's definition of the domestic industry in this preliminary investigation. Should this countervailing duty case return to the Commission for a final investigation, I note that the record in the final investigation will provide the opportunity to review these preliminary findings.

There are several reasons for my decisions to find two like products and a single pork-producing industry. With respect to the like product issue, it would seem obvious that live swine and pork have different characteristics and uses, and thus they cannot constitute a single like product. For instance, live swine and pork products represent a different stage of production. They also sell to different markets; packers buy swine, while processors or retailers buy pork. Finally, the two products are produced on quite different production facilities: one involves facilities for raising hogs; the other requires facilities for slaughtering hogs.

It is arguable that the appropriate domestic industry consists of two separate industries (one growing swine, the other slaughtering swine), or a

single integrated industry. As indicated earlier, I have chosen the second option, proposed by petitioner, for this preliminary investigation.

There are several reasons for this decision. From previous experience with agricultural product investigations, I know that this Commission frequently faces the question of whether to include both growers and processors within the scope of the industry producing the processed product. I also recall that the Senate Finance Committee stated in its discussion of the material injury standard in the Committee Report on the Trade Agreements Act of 1979 that:

Because of the special nature of agriculture . . . special problems exist in determining whether an agricultural industry is materially injured. For example, in the livestock sector, certain factors relating to the state of a particular industry within that sector may appear to indicate a favorable situation for that industry when in fact the opposite is true. Thus, gross sales and employment in the industry producing beef could be increasing at a time when economic loss is occurring, i.e., cattle herds are being liquidated because prices make the maintenance of the herds unprofitable. 4/

With that admonition in mind, as well as the Finance Committee's statement that the definition of like product should not "be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under investigation," 5/ I have accepted the notion of a single industry for the purpose of analyzing the effect of allegedly subsidized imports.

In any final investigation before the Commission on these swine and pork products, I would invite parties to discuss these issues more thoroughly. In particular, how in the view of parties to the case does this investigation

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

5/ S. Rep. No. 249, 96th Cong., 1st Sess. 91 (1979).

resemble or differ from the industry and like product issues raised in the Commission analysis of Lamb Meat from New Zealand, 6/ Frozen Concentrated Orange Juice from Brazil, 7/ Certain Red Raspberries from Canada, 8/ and Table Wine from France and Italy. 9/ I would also encourage parties to discuss how growers and packers are joined with common economic interests and ownership, if they are. To what extent do growers compose a continuous line of production? Finally, is it appropriate to treat live swine and pork packers as a unified industry if there is no clear demonstration that the effects of pork imports are being passed down the chain of production from packers to growers?

Related Parties

I note that a number of the domestic packers import live swine and pork from Canada. In this situation, one must consider whether such packers should be excluded from the scope of the domestic industry under the "related parties" provision. This provision states:

When some producers are related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped merchandise, the term 'industry' may be applied in appropriate circumstances by excluding such producers from those included in that industry. 10/

After reviewing the evidence presented, I have decided not to apply the related parties provision in this preliminary investigation. According to the petitioner, packers accounting for at least 39 percent of domestic slaughter

6/ Inv. No. 701-TA-80 (Preliminary), USITC Publication 1191 (1981).

7/ Inv. No. 701-TA-184 (Preliminary), USITC Publication 1283 (1982).

8/ Inv. No. 731-TA-196 (Preliminary), USITC Publication 1565 (August 1984).

9/ Invs. Nos. 701-TA-210 and 211 (Preliminary), USITC Publication 1502 (March 1984).

10/ 19 U.S.C. § 1677(4)(b).

import live swine or pork from Canada. Excluding the financial data of these domestic packers could seriously distort the data the Commission must analyze in determining whether there is a reasonable indication of material injury or threat thereof. Furthermore, the record contains allegations that domestic packers import because of the unavailability of domestic products, the exchange rate, qualitative differences, and the close proximity of Canadian suppliers to U.S. packers and processors. These factors seemingly are unrelated to the import of allegedly subsidized imports. In such circumstances, I feel it would be inappropriate to invoke the related parties exclusion provision at this stage of the investigation.

Condition of the Domestic Industry

In agricultural investigations with many producers it is sometimes difficult to obtain questionnaire data in a 45-day preliminary investigation. Instead, the Commission must rely on the best information available. Such was the situation in this investigation. With 466,000 swine growers in the United States, the Commission simply could not use questionnaires effectively in a 45-day investigation.

Instead, for information on growers, the Commission relied heavily on data compiled from official statistics of the U.S. Department of Agriculture and supplied by parties to this investigation. Such data indicate that growers' revenues have not covered their costs. For instance, for feeders, those who raise pigs from a weight of about 40 lbs. to a slaughter weight of 220 lbs., costs of production exceeded the prices received for pigs in 22 of the last 24 months. By increasing amounts these costs exceeded revenues in every month between February and October 1984. Testimony presented to the staff

conference indicated that higher hog price projections for 1984, which growers used as a basis for their own production decisions, simply failed to materialize.

With respect to packers the Commission did seek and obtain some questionnaire data. Out of 37 packers sent questionnaires, only 12 responded accounting for about 30 percent of U.S. swine slaughters in July, 1984. However, only one packer provided financial information and that company is a packer/processor which could not distinguish revenues and expenses derived from its slaughter operations versus its processing operations. But, limited secondary information, obtained from the American Meat Institute, did show that the hog slaughter business has not been particularly profitable. In 1984, hog packers experienced negative gross margins in 8 of 9 months for which data were available. Other data indicate that the earnings of pork packers were slightly lower than the earnings of beef packers in 1981 and 1982, and substantially lower than in 1983. Indeed, earnings of pork packers were lower than the earnings of all manufacturers in 1981 and 1983.

Based on the limited information available, I conclude there is reason to believe that the domestic pork-producing industry is experiencing material injury.

Reasonable Indication of Material Injury by Reason of Allegedly Subsidized Imports

At this stage of the present investigation, there is also a reasonable indication that allegedly subsidized imports of live swine and pork are causing material injury to the pork-producing industry. Import data show that Canada supplies virtually all imports of live swine and the vast majority of pork imports. Recently, imports of both products have increased

significantly. U.S. imports of Canadian swine more than doubled from 1981 to 1982, increased by 52 percent in 1983, and by 169 percent in January-September 1984 compared to imports of live swine during the same period of 1983.

Imports of pork from Canada increased 40 percent between 1981 and 1982, declined 1 percent between 1982 and 1983, and then rose 26 percent in January-September 1984 compared to the same 10-month period of 1983.

Similarly, Canadian imports of live swine and pork products have increased their share of the U.S. market during the period of this investigation. In 1981, imports of live swine from Canada accounted for only 0.2 percent of domestic consumption of live swine, but in January-September 1984, such imports accounted for 1.5 percent of U.S. consumption, compared to 0.6 percent in January-September 1983. Imports of pork from Canada captured 1.2 percent of the U.S. pork market in 1981, increased to 1.7 percent by 1983, but then increased to 2.3 percent of the domestic market in January-September 1984, compared to 1.8 percent in the corresponding period of 1983. Total pork from Canada, including both live swine and pork products, rose from 1.4 percent of U.S. consumption in 1981 to 3.8 percent in the first 10 months of 1984. ^{11/}

In assessing the causation issue, the Commission also looks at pricing trends. Published data show that market prices for U.S. and Canadian live swine generally remain close to one another. For gilts and barrows, which are live swine, limited data obtained from U.S. packers show some import underselling in 1983 and 1984. Canadian swine undersold U.S. produced swine in 7 of 21 months for which data are available.

^{11/} I note that nonetheless, the domestic industry still has over 95 percent of the domestic market for swine and pork, down from 98.4 percent in 1981.

For pork products the underselling is more pervasive. In 21 of 21 months imported Canadian pork legs undersold U.S. produced pork legs. And, in 14 of 21 months Canadian pork bellies undersold domestic pork bellies.

In my judgment, the information obtained in this preliminary investigation offers a basis for concluding that there is a reasonable indication that allegedly subsidized imports are materially injuring the domestic industry. However, should this investigation go to a final phase the question of the alleged price-suppressing effects of subsidized imports will warrant further consideration. In particular, when a domestic industry supplies over 95 percent of U.S. consumption, how do small quantities of imports depress or suppress domestic prices of these commodities? Also, it would be helpful to have more information on Canadian plans to expand swine and pork production and to increase exports.

CONCURRING VIEWS OF COMMISSIONER DAVID B. ROHR

In this investigation, petitioner, the National Pork Producers' Council (NPPC) has alleged that a domestic industry is being injured by subsidized imports of live swine and fresh, chilled, and frozen pork. Here, as in all investigations, I have begun by determining what domestically produced products are "like" the imported articles and by defining the domestic industry which produces those items. I have then proceeded to analyze whether there is a reasonable indication that such industry is experiencing material injury. Finally, I have considered whether there is a reasonable indication that the material injury is by reason of allegedly subsidized imports from Canada. Because I concur with my colleagues, Vice Chairman Liebeler and Commissioner Eckes, I focus in these views only on those issues where I differ or have supplemental comments.

Like Product and Domestic Industry

For purposes of this preliminary investigation, I have determined that there is a single domestically produced product that is "like" live swine and fresh, chilled, and frozen pork and a single domestic industry, the pork producing industry, producing that product. In making this determination, I am mindful that there are two alternatives to this definition, two products and one industry or two products and two industries. At this preliminary stage of the investigation, however, I am unpersuaded by either.

Several factors have led me to define live swine and fresh, chilled and frozen pork as a single like product produced by a single industry. First, as my colleagues recognize, Congress has admonished the Commission that injury to agricultural industries and, in particular, the livestock sectors of those industries may have to be analyzed differently from other industries.^{1/} The definition of like product and domestic industry are integrally related to how the Commission analyzes injury.^{2/} I believe therefore that the intent of Congress was to provide the Commission discretion to define the like product and domestic industry in particular investigations to reflect what is actually occurring in the market place.

Second, the nature of petitioner's allegations in this investigation are different than those which the Commission has heretofore considered.^{3/} No Commission investigation has involved the importation of live animals as well as the product of that livestock at subsequent stages of production. While there are acknowledged differences between live swine and pork which results

^{1/} The Committee Report of the Senate Finance Committee on the Trade Agreements Act of 1979 states:

Because of the special nature of agriculture . . . special problems exist in determining whether an agricultural industry is materially injured. For example, in the livestock sector, certain factors relating to the state of a particular industry within that sector may appear to indicate a favorable situation for that industry when in fact the opposite is true. Thus, gross sales and employment in the industry producing beef could be increasing at a time when economic loss is occurring, i.e., cattle herds are being liquidated because prices make the maintenance of the herds unprofitable. S. Rep. No. 249, 96th Cong., 1st Sess. 88 (1979).

^{2/} I believe this was the intent of Congress as reflected in the statement by the Senate Finance Committee that the definition of like product should not "be interpreted in such a fashion to prevent consideration of an industry adversely affected by the imports under investigation." S. Rep. No. 249, 96th Cong., 1st Sess. 91 (1979).

^{3/} Although the parties in this investigation made frequent references to the Commission's decision in Lamb Meat from New Zealand, Investigation No. 701-TA-80 (Preliminary), USITC Publication No. 1191 (November 1981), I find the analogy unpersuasive because that investigation did not involve the importation of live lambs.

from the slaughter of such swine, there are also similarities in their characteristics and uses. The live swine being complained of are slaughter hogs. These are hogs at a final stage of growing and are imported for one purpose only. That purpose is to be slaughtered by U.S. packers. The product of such swine is then in the form which competes with the second type of pork imports subject to this investigation, fresh, chilled, and frozen pork. Such pork is then usually subject to one or more forms of further processing before its final sale at retail for consumption. There is thus a single line of production between slaughter hogs and fresh chilled and frozen pork with a substantial amount of interchangeability between them.^{4/}

Further, while there is little evidence of formal integration between domestic producers of slaughter hogs and domestic packers and processors of pork, there does appear to be some evidence of economic integration. There appears to be only a small difference in the value of the two forms.^{5/} The prices of the two forms are closely related.^{6/}

With respect to the domestic industry which produces this like product, I determine that it is composed both of the domestic growers of slaughter hogs and the packers^{7/} of fresh, chilled and frozen pork. Further, because most

^{4/} For example, U.S. packers/processors can often choose between purchasing live swine or fresh, chilled, or frozen pork for their future processing operations.

^{5/} Report at A-32-33, Table 16. Over the period of investigation there has been, on average, less than a 10% difference between the value of packers' products and the cost of the hogs used to produce those products.

^{6/} *Id.* at pp. A-34, 38 and -40; Tables 22, 23 and 25.

^{7/} As to packers it appears that many U.S. packers are also processors of pork. The Commission does not have sufficient reliable data to separate the operations relating to packing of fresh, chilled, and frozen pork from operations involved in the further processing of pork products. I have chosen therefore in this investigation not to attempt to separate such packers/processors from the rest of the U.S. packers.

slaughter hogs are raised in so-called farrow-to-finish operations and the Commission does not possess information to separately identify growers of slaughter hogs from swine generally, I have included all growers of swine in the industry. Finally, as my colleagues note, to exclude those packers/processors who import live swine from Canada would improperly skew the data, so I have declined to do so.

The decision I have made today that there is a single like product and a single domestic industry is based solely on the information gathered by the Commission and on the arguments made by the parties during this preliminary investigation. While this information was not as complete as it would be in a final investigation, it is the best information available. I expect that these issues will be more fully considered in any future investigation in light of such new information as may be developed.^{8/}

Material Injury

With respect to the condition of the domestic industry, I concur with the description of the industry provided by my colleagues.^{9/} I conclude that it provides a reasonable indication of an industry which is experiencing material injury. The question which remains is whether this injury is by reason of the allegedly subsidized imports from Canada.

^{8/} In his views, Commissioner Eckes has asked several salient questions about the proper definition of like product and domestic industry. I agree that the answers to those questions will be important in any future consideration of this investigation.

^{9/} See Views of Vice Chairman Liebler at 7-8.

Causation

The role that imports play in causing the condition of the domestic industry is not clear at this preliminary stage of the investigation.^{10/} The Commission does have evidence that the prices of both imported live swine and imported pork closely parallel the price of domestic swine and pork.^{11/} Further, it appears that the historical pattern of pork prices has recently been interrupted and that this interruption corresponds to the period of recent rapid increases in the volume of Canadian exports of swine and pork to the United States. Further, while the volume of imports from Canada to U.S. consumption is relatively small, such volume in the context of the type of commodity can be a significant factor on price. In light of these factors, there is a reasonable indication that Canadian imports are a significant contributing factor to, and therefore a cause of, the conditions of the domestic industry.

In addition, while I have carefully considered the allegations of respondents that whatever injury is being experienced by the domestic industry is a result of factors other than allegedly subsidized imports, there is insufficient information available to persuade me that these other factors

^{10/} Both of my colleagues, Vice Chairman Liebeler and Commissioner Eckes set forth in their views their basic conclusions as to the trends in import volume, prices, and underselling with which I concur. I am compelled to add my additional comment because I do not believe that the information standing alone is sufficient to support a finding on the causation issue in this investigation.

^{11/} Report at A-34-38 and -40.

are the sole cause of the condition of the domestic industry. The changes in import volumes are too large to be explained merely as part of a normal cyclical pattern of imports between Canada and the United States.^{12/}

Second, while the labor problems of the Canadian pork packers/processors may have contributed to current import levels, a comparison of import trends between live swine and pork and the relationship of those imports to the timing of the Canadian labor problems do not offer substantial support for the argument of respondents.^{13/} There is also some evidence that Canadian imports are essential to the health of U.S. pork packers, enabling them to continue production at levels needed to maintain an efficient level of production.^{14/} While possibly true, this is not sufficient to remove the possibility of injury to the industry as a whole.^{15/}

I therefore conclude that there is a reasonable indication in this preliminary investigation that the allegedly subsidized Canadian imports of live swine, and fresh chilled and frozen pork are a cause of material injury to the domestic pork producing industry.

^{12/} Tr. at 110-113.

^{13/} Tr. at 149.

^{14/} Tr. at 137.

^{15/} Respondent has alleged that factors other than the alleged subsidies are the cause of increased imports into the U.S. market, including the exchange rate, product quality, geographic consideration, other markets and prices. Respondents' Postconference brief at 25-31. It is no doubt true that these factors affect the volume of imports but do not address the issue of whether the allegedly subsidized imports are causing material injury.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On November 2, 1984, the U.S. International Trade Commission and the U.S. Department of Commerce received petitions filed by counsel on behalf of members of the National Pork Producers Council (NPPC), Des Moines, IA, alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from Canada of live swine and of fresh, chilled, and frozen pork (the latter hereafter referred to as pork), provided for in items 100.85 and 106.40, respectively, of the Tariff Schedules of the United States (TSUS), which are alleged to be subsidized. Accordingly, the Commission instituted a countervailing duty investigation under section 703(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 imports of live swine and pork from Canada. The statute directs that the Commission make its determination within 45 days after receipt of a petition, or in this case, by December 17, 1984.

Notice of the institution of the Commission's investigation 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, the U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of November 15, 1984 (49 F.R. 45275). 1/ The public conference was held in Washington, DC, on November 26, 1984. 2/ The Commission voted on this investigation on December 11, 1984.

Previous Commission Investigation

The Commission recently conducted an investigation under section 332(g) of the Tariff Act of 1930 (No. 332-186) 3/ for the purpose of gathering and presenting information on the competitive and economic factors affecting the U.S. and Canadian live swine and pork industries. The investigation was requested by Senator Robert J. Dole, Chairman, U.S. Senate Committee on Finance. The Commission's findings were delivered to that Committee on November 21, 1984.

The scope of the 332 investigation was somewhat broader than the scope of the instant investigation due to the inclusion of prepared and preserved pork (processed pork) in the 332 investigation. In addition, certain data that were presented in the 332 investigation have been revised by the U.S. Department of Agriculture (USDA). Consequently, any comparisons of data or trends between the two reports should be made cautiously.

1/ A copy of the Commission's notice of institution is presented in app. A. A copy of the Department of Commerce's notice is presented in app. B.

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

3/ Conditions of Competition Between the U.S. and Canadian Live Swine and Pork Industries, USITC Publication 1615, November 1984.

Nature and Extent of Alleged Subsidies

The petitioner alleges that Canadian hog producers receive direct cash payments through pork stabilization programs maintained by both Federal and Provincial governments which allegedly constitute subsidies within the meaning of the countervailing duty law. Petitioner provided the following data on net subsidy payments made under the Federal and Provincial stabilization programs (in Canadian dollars):

<u>Province</u>	<u>Average net subsidy</u> <u>(per hog)</u>
Quebec-----	Can \$11.28
Saskatchewan-----	7.52
Ontario-----	6.54
British Columbia-----	13.60
Manitoba-----	6.54
Alberta-----	6.54
Maritime Provinces-----	10.70

Petitioner also alleges that subsidies paid directly to Canadian hog producers ultimately benefit Canadian producers of fresh, chilled, or frozen pork. Since such products compete with U.S. produced swine after slaughtering, petitioner included imports of Canadian pork in its countervailing duty petition.

The Product

Description and uses

This investigation covers all domesticated live swine and all fresh, chilled, or frozen meat of swine fit for human consumption. Prepared or preserved meat of swine such as ham, bacon, and sausage is not included.

Live swine.--In general usage, swine are referred to as hogs and pigs. The term "hogs" generally refers to mature animals, and "pigs," to young animals. The provision for live swine in the Tariff Schedules of the United States (TSUS) under item 100.85 applies to all domesticated swine regardless of age, sex, size, or breed. 1/

Swine are monogastric, litter-bearing animals that may weigh from 400 to 600 pounds at maturity depending on breed and sex. In the United States, most

1/ Certain purebred swine are classifiable under TSUS item 100.01 (pt.) and, theoretically, under TSUS items 100.03 and 100.04, but such imports are negligible. Also, wild swine and meat of wild swine are considered game animals and meat of game animals for tariff purposes and, therefore, are not included in this investigation.

swine are slaughtered for meat when they weigh about 220 pounds and are about 6 months old. Such animals are referred to as slaughter hogs. A few of the more desirable animals are retained for breeding purposes, although they are slaughtered for meat when they are no longer used for breeding. Carcasses of boars (male swine) sometimes acquire boar odor, an unacceptable odor that renders the meat unfit for human consumption. When such odor is detected by U.S. Department of Agriculture (USDA) inspectors, the carcass is condemned.

Worldwide, live swine are divided into three types based on usage--meat type, lard type, and bacon type, although all three types yield at least some of the other products. For many years, almost all swine raised in the United States have been of the meat type, and meat production is virtually the only purpose for which they are kept.

Swine may be white, dark red, brown, black, or any combination, depending on breed. The most common breeds of swine in the United States are the Duroc, Yorkshire, Hampshire, Spotted Swine (commonly called "Spots"), Landrace, Chester White, Berkshire, and Poland China. Most swine in the United States are not purebred, but instead have bloodlines of two or more breeds.

Meat of swine.--In common usage, meat of swine is referred to as pork, which is light red in color. White fat covers much of the swine carcass, and some fat is dispersed throughout the meat. Most slaughtered U.S. swine yield a carcass that weighs about 156 pounds, or about 71 percent of the live weight. Carcasses (and live swine) are graded by the USDA on the basis of yield, that is the percentage of primal cuts (hams, loins, picnic shoulders etc.) obtained from the major parts of the carcass. There are five yield grades: one, two, three, four, and utility. Grade one has the highest percentage of primal cuts, and grade utility has the lowest. In place of the USDA system, many meatpacking companies administer their own grading systems. Figures 1 and 2 show the location of the various cuts of the swine carcass.

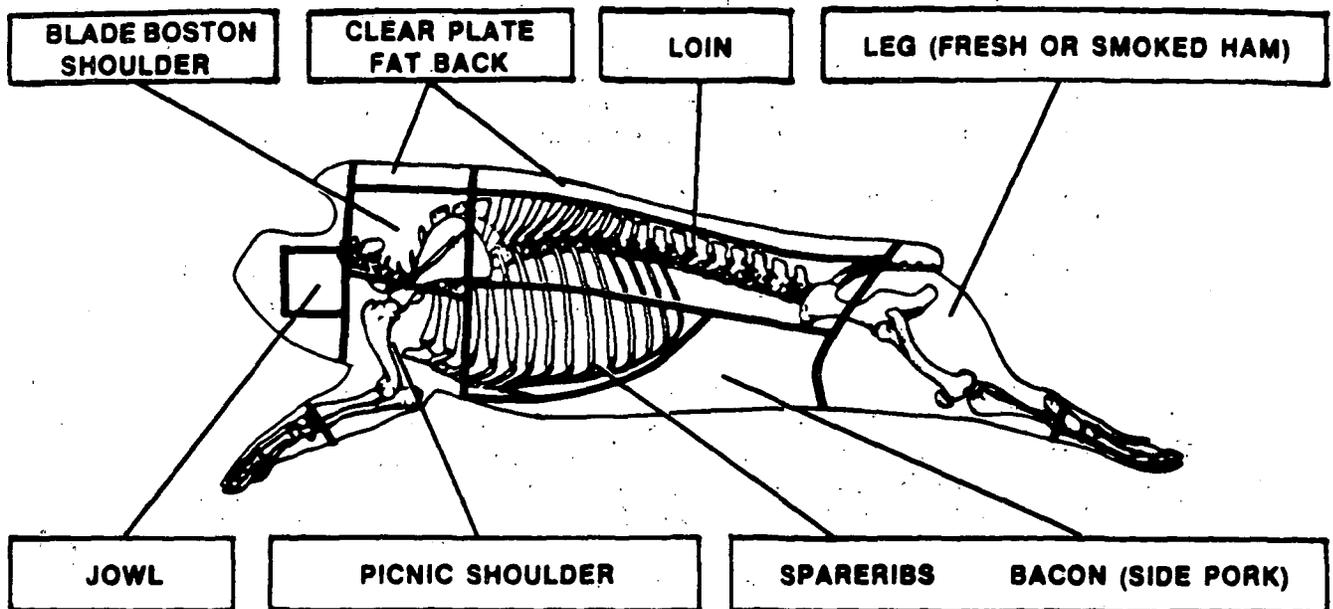
Pork that is ready for cooking and consumption without further processing is often referred to as fresh pork (TSUS item 106.40), and a significant portion of some pork cuts, such as loins, are so consumed. Overall, fresh pork accounts for about one-third of total U.S. consumption of all fresh, chilled, frozen, prepared, or preserved pork. The fresh pork that is consumed in the United States is primarily from U.S.-raised slaughter hogs (swine slaughtered at about 220 pounds and about 6 months of age).

Manufacturing process

The live swine industry in the United States may be divided into three types of businesses: feeder pig producers; feeders or finishers; and farrow-to-finish enterprises, the most common type. Gross income to farmers from live swine was \$9.8 billion in 1983, down 9 percent from a record high of \$10.8 billion in 1982.

Live swine are slaughtered and processed by meatpacking businesses. A few of the companies are owned and operated by live swine growers. Most of these are cooperatives. Consumer expenditures for pork amounted to about \$24.5 billion in 1983, up 3 percent from \$23.8 billion in 1982.

Figure 1.-- PRIMAL (WHOLESALE) CUTS AND BONE STRUCTURE OF PORK.



FRESH PORK RETAIL NAMES

While there are many ways to cut beef, the method of cutting pork carcasses is much the same in all sections of the United States (Fig. 1). Pork is fabricated and processed before it leaves the packing plant. About 35% is sold fresh, and the remaining 65% is cured by various methods or used in manufactured meat products.

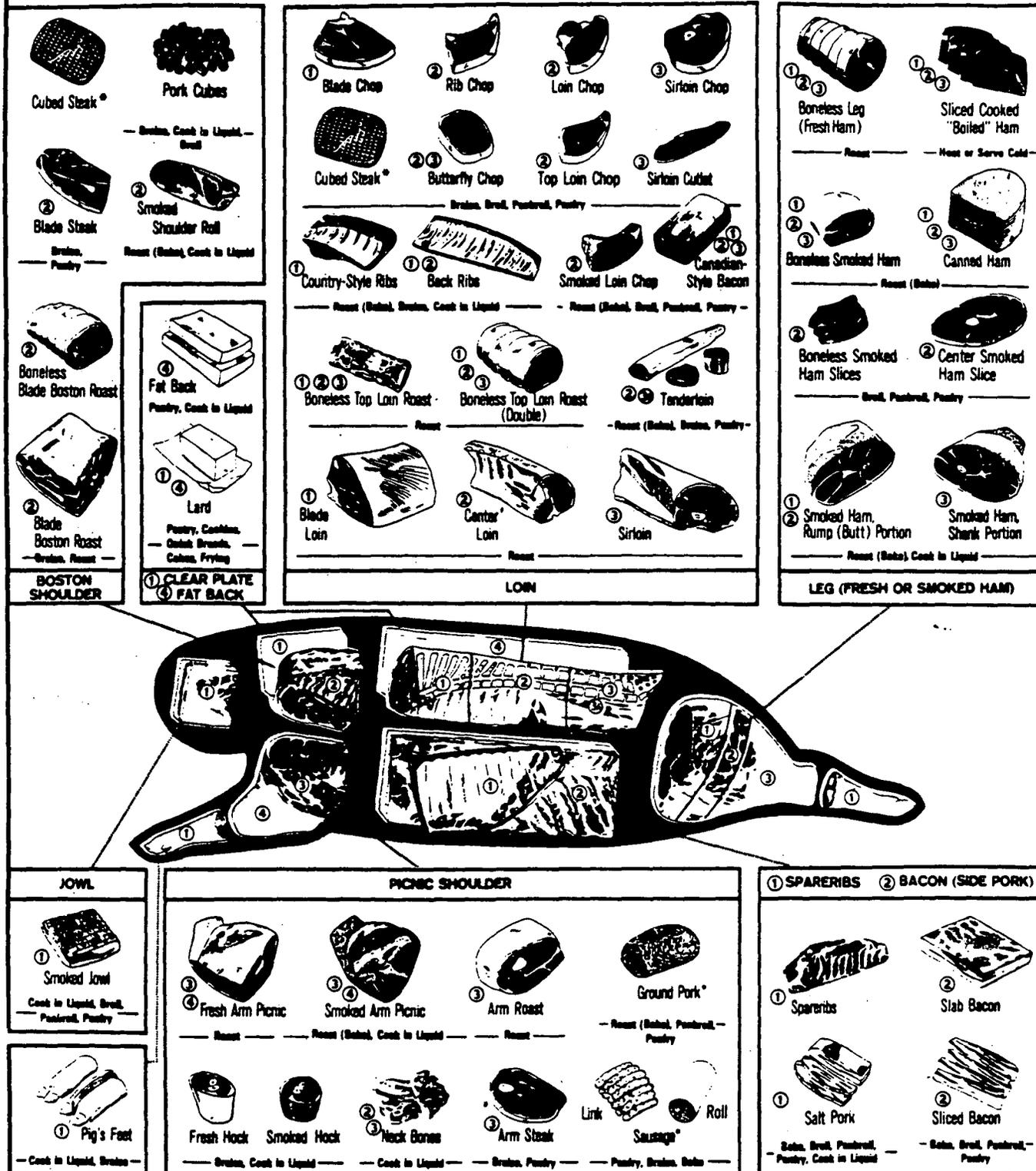
Pork Shoulder

The pork shoulder may be sold to the retailer by the packer as a whole New York Style Shoulder (untrimmed with the neck bones in and fat on) or as a trimmed N.Y. Style Shoulder with the neck bones removed and part of the clear plate (fat cover) removed. The most common practice, however, is for the packer to cut the N.Y. Style Shoulder, trimmed, into pieces: 1. Arm Picnic Shoulder and 2. Blade Boston Shoulder.

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

Figure 2. -- RETAIL CUTS OF PORK

WHERE THEY COME FROM AND HOW TO COOK THEM.



*May be made from Boston Shoulder, Picnic Shoulder, Loin or Leg.

This chart approved by
National Live Stock and Meat Board

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Live swine.--Pigs are born (farrowed) after a gestation period which is normally 114 days. A few days after birth, most male pigs are castrated and are thereafter referred to as barrows. The barrows and gilts (female swine that have not farrowed) are raised to a weight of about 40 pounds in about 2 months. These animals are referred to as feeder pigs, and the businesses that raise them are referred to as feeder pig producers. The feeder pigs may be sold to so-called feeders or finishers, who raise them to a slaughter weight of about 220 pounds in about 4 months. At that point these animals are referred to as slaughter hogs. However, most U.S. swine today are produced by so-called farrow-to-finish enterprises, which combine the feeder pig production and finishing businesses into one operation. A few enterprises specialize in raising purebred animals for breeding.

Swine are hardy, adaptable animals that can be raised under minimal shelter, although the death rate for baby pigs can be quite high under those conditions. In the United States, live swine shelter systems range from small, A-frame buildings for individual sows (female swine that have farrowed) and their litters to large-volume, total confinement systems in which swine are maintained in total environmentally controlled buildings throughout their lives. In recent years the trend has been toward more confinement in order to reduce labor requirements and to meet environmental protection regulations.

Meatpackers.--In the slaughtering operation, live swine are stunned (usually by an electric charge), bled, scalded, dehaired, decapitated, and eviscerated. The animal's carcass is then generally split along the spinal column and chilled. The carcass may be partially or fully processed at the meatpacking plant or shipped to retail outlets for processing. The carcass is cut up to yield hams, loins, chops, and other parts.

Many of the large packers also process pork into sausage, ground pork, and other pork related products (hereafter referred to as a packer/processor). Some cuts of pork are usually prepared or preserved so as to alter the taste, consistency, or appearance of the meat and extend the shelf life. Smoking, drying, or injection of curing agents are common methods used to prepare or preserve pork. 1/

U.S. tariff treatment

Virtually all imports of live swine enter the United States under TSUS item 100.85 and come from countries receiving the column 1 rate of duty, 2/ which for this tariff item is free. A few minor breeds of swine are eligible for entry under the provision for purebred animals (included in TSUS item 100.01) and theoretically, swine can enter under certain provisions for animals

1/ Pork that is prepared, preserved, or processed is not within the scope of this countervailing duty investigation.

2/ 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.

temporarily exported (TSUS items 100.03 and 100.04). However, these provisions are seldom used, inasmuch as item 100.85 provides for duty-free entry. Thus, there is no incentive to use other provisions of the TSUS.

U.S. imports of fresh, chilled or frozen pork are classified under item 106.40 of the TSUS. These imports also enter free of duty from countries receiving the column 1 rate of duty.

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

Certain health and sanitary regulations with respect to U.S. imports of live swine and pork are administered by the USDA to protect the U.S. livestock industry and to ensure an adequate supply of safe meat for the consumer. For example, sources of imports of pork are limited to those countries that have been declared free of rinderpest and foot-and-mouth diseases ^{1/} by the U.S. Secretary of Agriculture. Canada has been declared free of such diseases, but because of the existence of these diseases in many of the pork producing countries of Europe, pork imported from these countries is usually cooked, canned, or cured. 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.

During 1983, approximately 5.7 million pounds of pork--about 1 percent of U.S. imports--were refused entry for the following reasons: unsound cans; adulteration with extraneous material; short weight; failure to meet composition standards; undercooked; and, biological residues. Approximately 1.9 million pounds of that total was from Canada (0.6 percent of total pork imports from that country).

Canadian customs treatment and health and sanitary regulations

Live swine imported into Canada from the United States enter duty free; fresh, chilled, or frozen pork, which accounts for the bulk of U.S. exports of pork to Canada, also enters duty free.

Canadian imports of live swine and pork from the United States are not subject to quantitative limitations, but imports of live swine from the United States are subject to regulations regarding Pseudorabies (Aujeszky's disease), a contagious disease of swine and cattle found in the United States. Swine imports are permitted only from herds that are certified as having been free

^{1/} 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.

of Pseudorabies for 1 year, and imported animals even then must be quarantined for 30 days. The general effect of the regulations has been to limit U.S. exports of live swine to Canada to a small number of high-value, breeding animals. These regulations also apply to Canadian swine that were exported to the United States and presented for reentry into Canada, thus precluding their return.

Channels of distribution

In the United States almost all live swine marketing reflects the individual decision of the farmer to sell his animals through an outlet he chooses. Most swine are purchased from the farmer by meatpackers on a per 100-pound-live-weight basis. Among major packers, only Farmland Foods is a cooperative, and cooperatives are estimated by officials of the USDA to account for approximately * * * percent of live swine purchases. ^{1/} Officials of the NPPC estimate that at most 5 to 10 percent of live swine sales are hedged through commodities futures exchanges.

In the United States live swine are marketed through three major types of outlets: (1) country dealers, or directly to packers; (2) terminal markets; or (3) auction markets. An auction market is a stockyard or related facility at which farmers publicly offer livestock for sale simultaneously to prospective buyers with the purchase going to the highest bidder.

At terminal markets two or more commission firms represent both sellers and buyers in arranging purchases.

Direct or country dealer markets are farmer sales directly to packers through packer representatives or brokers or so-called country dealers. In recent years marketings through country dealers or directly to packers have accounted for about three-fourths of sales, terminal markets, for about 12 percent, and auction markets, for about 10 percent, as shown in the following tabulation (in percent of total):

Type of market	1980	1981	1982
Direct, country dealers-----	76.7	78.4	79.0
Terminal markets-----	13.5	11.6	12.0
Auction markets-----	9.8	10.0	8.9
Total-----	100.0	100.0	100.0

^{1/} In its post conference brief the NPPC reported that Farmland Foods slaughters about 2.8 million hogs per year and another cooperative, Arizona Pork Products, slaughters 260,000 hogs per year. See postconference brief of NPPC at pp. 4 and 5.

With increased concentration in the live swine industry over the years, direct sales and sales through country dealers have grown. Terminal markets are located near large population centers and were more important many years ago prior to practical shipments of refrigerated meat. Auction markets are more common outlets for small lots of livestock.

In Canada, approximately 65 percent of the swine for slaughter are sold by the Provincial marketing boards through a number of different processes. 1/ In Ontario, an electronic auction process is employed. 2/ In Saskatchewan, buying stations and long-term contracts are the marketing mechanisms, whereas in Manitoba a traditional auction system is used. 3/

U.S. Producers

Live swine growers

In 1983, there were 466,410 enterprises 4/ with swine in the United States, down 30 percent from a high of 670,350 enterprises in 1980 (table 1). Swine are grown throughout the United States, but production is concentrated

1/ Marketing boards in Canada are operated for separate agricultural products in each province. They are independent of the government and are responsible for their operations directly to their constituent members (in most cases the producers of the commodity involved).

2/ Transcript of the conference, p. 97. Ontario's electronic auction is a "Dutch clock system" operated on teletype to the various packers that are hooked into it. When the Ontario marketing board receives a bid from an American packer, the board will convert that bid to Canadian currency using the prevailing exchange rate, as well as the marketing board's average index. The marketing board will also calculate the average weight that it expects that load to have and the freight costs that will be incurred to transport the load from the marketing area that the board will select to the purchaser's door. Ibid., pp. 167-8.

3/ Saskatchewan does not operate a teletype or electronic auction. The Saskatchewan marketing board operates 14 buying stations (to purchase live swine from producers) throughout the Province, and in addition sells a portion of its hogs to Canadian packers on long-term contracts. The board also negotiates for live swine sales directly with U.S. and Canadian packers. Ibid., pp. 170-1. A buying station was described by a University of Missouri Agricultural Economist who testified on behalf of the National Pork Producers Council as a place "where you walk in and they will bid you so much, weigh your hogs, and pay you, contracted to the auction, where it has to go through the auction arena and the auction process for developing the price." Ibid.

4/ An enterprise is any place having one or more swine on hand during the year.

Table 1.--U.S. swine enterprises, 1/ by regions, 1979-83

Region	1979	1980	1981	1982	1983
Quantity					
Corn Belt <u>2/</u> -----	285,600	282,600	252,200	215,700	214,200
Southeastern States <u>3/</u> --	240,500	253,500	209,500	168,000	158,600
All other-----	127,500	134,250	118,360	98,490	93,610
Total-----	653,600	670,350	580,060	482,190	466,410
Percent of total					
Corn Belt <u>2/</u> -----	44	42	43	45	46
Southeastern States <u>3/</u> --	37	38	36	35	34
All other-----	19	20	20	20	20
Total-----	100	100	100	100	100

1/ An enterprise is any place having 1 or more swine on hand at any time during the year.

2/ The Corn Belt States are Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin.

3/ The Southeastern States are Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

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

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

in the Corn Belt States. 1/ During 1983, 214,200 of the swine enterprises (46 percent of the U.S. total) were located in the Corn Belt States, and these States accounted for 42,350,000 animals, or 76 percent of the December 1, 1983, swine inventory of 55,819,000 animals (table 2). The Corn Belt States have large supplies of competitively priced swine feed; a large share of the most modern and efficient swine production facilities, and a large pool of skilled managers.

During 1983, the Southeastern States 2/ accounted for 158,600 swine enterprises (34 percent of the U.S. total) but only 8,055,000 animals, or 14 percent of the inventory, as of December 1, 1983. Although the Southeastern States are less competitive in the production of grain, their pig mortality is lower, and feed conversion ratios (the amount of weight gained from feed consumed) are higher than in the Corn Belt States because of the less severe climate in the Southeastern States.

1/ The following States make up the Corn Belt States: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin.

2/ The Southeastern States include Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

Table 2.--U.S. swine population, by regions, as of Dec. 1 of 1979-83

Region	1979	1980	1981	1982	1983
Quantity (1,000 animals)					
Corn Belt <u>1/</u> -----	48,780	46,840	44,540	40,910	42,350
Southeastern States <u>2/</u> ---	11,830	11,030	8,452	7,895	8,055
All other-----	6,743	6,642	5,696	5,130	5,414
Total-----	67,353	64,512	58,688	53,935	55,819
Percent of total					
Corn Belt <u>1/</u> -----	72	73	76	76	76
Southeastern States <u>2/</u> ---	18	17	14	15	14
All other-----	10	10	10	9	10
Total-----	100	100	100	100	100

1/ The Corn Belt States are Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin.

2/ The Southeastern States are Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

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

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

In recent years there has been a trend toward concentration in the live swine industry. However, even the largest swine-raising operations are believed to account for only a small share of total U.S. production. The share of live swine businesses with 500 animals or more increased from 4.2 percent 1/ in 1979 to 6.0 percent in 1983 (table 3). The share of the U.S. swine population kept on these large units increased from 40 percent in 1979 to 51 percent in 1983. Most live swine businesses are family owned, although a few large companies also are producers.

1/ The percentage reflects average distributions based primarily on midyear surveys.

Table 3.--Percentage distribution of U.S. swine enterprises and swine inventories, by size of enterprises, 1979-83

(In percent)				
Year	1 to 99 head	100 to 499 head	500 or more head	Total
Enterprises				
1979	76.8	19.0	4.2	100
1980	77.3	18.5	4.2	100
1981	76.8	18.5	4.7	100
1982	76.1	18.8	5.1	100
1983	73.7	20.3	6.0	100
Swine inventory				
1979	16.5	43.1	40.4	100
1980	15.8	42.2	42.0	100
1981	14.4	39.9	45.7	100
1982	12.6	38.9	48.5	100
1983	11.3	37.8	50.9	100

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

Meatpackers

In 1983, there were about 1,400 federally inspected swine-slaughtering plants in the United States. In recent years, federally inspected plants have accounted for more than 90 percent of the U.S. swine slaughter.

Concentration in the meatpacking industry is much greater than in the live swine industry. The number of plants slaughtering 100,000 or more swine per year and the share of total U.S. swine slaughter accounted for by these plants are shown in the following tabulation:

	<u>Number of plants slaughtering 100,000 head or more annually</u>	<u>Percent of total federally inspected slaughter</u>
1979	114	92.4
1980	115	91.5
1981	110	90.7
1982	101	90.7
1983	104	91.8

Swine slaughter tends to be concentrated in and near areas of swine production, as shown in the following tabulation:

<u>State</u>	<u>Share of commercial swine slaughter in 1983 (percent)</u>
Iowa-----	24.5
Illinois-----	8.9
Minnesota-----	6.6
Michigan-----	6.0
Nebraska-----	5.3
Virginia-----	4.5
Missouri-----	4.3
Ohio-----	4.1
Indiana-----	3.8
South Dakota-----	3.4
All other-----	28.6

Although plants that slaughter 100,000 swine or more annually account for a large share of total federally inspected swine slaughter, they account for less than 10 percent of all federally inspected slaughtering plants; two-thirds of the federally inspected plants each slaughter less than 1,000 swine per year. During 1980, the latest year for which data are available, swine-feeding activities by, or contracted by, meatpacking companies totaled about 58,400 animals, less than 1 percent of U.S. marketings. Plants that slaughter swine are generally not equipped to slaughter other species of animals.

The Canadian Industry

The imported product

Live swine are raised in Canada in much the same way as in the United States. The most common breeds of swine in Canada are the Yorkshire, which accounts for nearly one-half of the total, and Landrace, which accounts for about one-third; other breeds include the Hampshire, Duroc, and Lacombe. In Canada, the Yorkshire, Landrace, and Lacombe are referred to as white breeds, and the Hampshire (which is black with a white band around the shoulder) and Duroc (which is brick red) are referred to as colored breeds. Many farmers breed so-called colored boars with white sows. These farmers contend that the resulting litters are more hardy and profitable than purebred animals of any single breed. Canadian animals tend to be slaughtered at slightly lighter weights than the U.S. swine (200 and 220 pounds, respectively). Canadian researchers contend that on average Canadian swine are somewhat leaner and less heavily muscled than U.S. swine. The leanness and lighter muscling reflects, in part, the greater influence of bacon-type swine on Canadian breeds.

In addition to the Canadian Pork Council (CPC) at the national level, swine farmers in every Province of Canada are represented by Provincial boards. The boards are funded primarily by mandatory marketing charges for all swine sold for slaughter and are controlled by the farmer members through elections. In addition, in all Provinces except Newfoundland and Quebec, where farmers market their own swine or they are marketed by companies that have contracted to supply services, the Provincial boards are responsible for the marketing of all swine for slaughter. These marketing boards have sole legal authority to market swine for slaughter. Generally these boards market the swine to meatpackers, including U.S. meatpackers, through auction systems. ^{1/}

Although every Province in Canada has a live swine industry, roughly two-thirds of production is concentrated about equally in the Eastern Provinces of Quebec and Ontario (table 4). The Prairie Provinces (Alberta,

Table 4.---Canadian live swine: Share of production,
by Provinces, 1979-83

(In percent)					
Province	1979	1980	1981	1982	1983
Eastern Canada:					
Quebec-----	36	37	36	37	34
Ontario-----	32	31	31	31	33
Atlantic Provinces ^{1/-} -----	4	4	4	4	4
Total-----	71	71	71	73	72
Western Canada:					
Alberta-----	12	13	12	12	12
Manitoba-----	9	9	9	8	9
Saskatchewan-----	5	5	5	4	4
British Columbia-----	2	2	3	2	2
Total-----	29	29	29	27	28

^{1/} The Atlantic Provinces are Nova Scotia, Prince Edward Island, New Brunswick, and Newfoundland.

Source: Compiled from official statistics of Agriculture Canada.

Note: Figures may not add to totals shown due to rounding.

^{1/} At the conference on the investigation, Jim Morris, General Manager, Saskatchewan Pork Producers Marketing Board, indicated that in that Province, some swine are sold to Canadian packers on long-term contracts, transcript of conference at p. 170.

Manitoba, and Saskatchewan, with about 12, 9, and 5 percent of production, respectively) together account for most of the remaining one-third of production.

Swine-slaughtering and swine-processing procedures in Canada are basically the same as those in the United States. Canadian slaughterers, meat processors, and distributors that deal in the interprovince commerce and export of meat are subject to Federal inspection regulations administered by Agriculture Canada. Other meat plants are subject to Provincial regulations. In 1984, there were about 520 meat (including poultry) establishments operating under Canadian Federal inspection. In recent years, Federal inspection has accounted for 85 to 90 percent of the Canadian meat industry. Canadian officials report that 23 processing plants account for a large share of Canadian swine slaughter.

Officials of the Canadian Meat Council, the meatpackers' trade association, contend that declining worker wage rates in the United States have placed the Canadian industry at a competitive disadvantage compared with the U.S. industry.

The capacity to generate exports

Canadian production of live swine decreased by 1 percent from 1981 to 1982, and then increased 4 percent in 1983 (table 5). The consumption (slaughter) of swine in Canada declined 5 percent between 1981 and 1982, and then increased 4 percent in 1983. In the meantime, Canadian exports of swine more than doubled between 1981 and 1982, and then increased by 52 percent in 1983.

Table 5.--Live swine: Canadian beginning inventory, production, imports, exports, apparent consumption, losses, and ending inventory, 1979-85

(In thousands of head)								
Year	: Beginning inventory	: Production 1/	: Im-ports	: Ex-ports	: Apparent consumption 2/	: Losses	: Ending inventory	
1979-----	: 8,009	: 14,100	: 3/	: 138	: 12,216	: 67	: 9,688	
1980-----	: 9,688	: 14,500	: 1	: 248	: 14,311	: 4/	: 10,190	
1981-----	: 10,190	: 14,200	: 1	: 147	: 14,152	: 56	: 10,035	
1982-----	: 10,035	: 14,000	: 1	: 296	: 13,449	: 221	: 10,070	
1983-----	: 10,070	: 14,600	: 3/	: 451	: 13,964	: 4/	: 10,741	
1984-----	: 10,741	: 5/ 14,750	: 3/ 5/	: 5/ 1100	: 5/ 13,800	: 4/ 5/	: 5/ 10,944	
1985 5/--	: 10,944	: 14,700	: 3/	: 500	: 14,000	: 4/	: 10,130	

1/ Pig births.

2/ Commercial slaughter.

3/ Less than 500 head.

4/ Negligible.

5/ Forecast.

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

The trend in Canadian production and consumption of pork followed a pattern similar to that exhibited by swine (table 6). Canadian pork exports increased 45 percent between 1981 and 1982 and decreased 4 percent in 1983.

Table 6.--Pork: Canadian beginning inventory, production, imports, exports, apparent consumption, and ending inventory, 1979-85

(Million pounds, carcass weight equivalent)

Year	Beginning inventory	Production	Imports	Exports	Apparent consumption	Ending inventory
1979-----	26	1,653	74	175	1,552	26
1980-----	26	1,933	43	260	1,716	32
1981-----	32	1,916	44	248	1,718	26
1982-----	27	1,836	31	359	1,514	20
1983-----	21	1,878	42	346	1,572	22
1984-----	23	<u>1/</u> 1,896	<u>1/</u> 31	<u>1/</u> 364	<u>1/</u> 1,559	<u>1/</u> 26
1985 <u>1/</u> ---	26	1,907	26	364	1,570	26

1/ Forecast.

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

Canadian exports of live swine and pork, by markets, during 1981-83 are presented in table 7.

During 1981-83 Canada exported a small but increasing share of its swine production, as shown in the following tabulation (in percent):

	<u>Ratio of exports to production</u>
1981-----	1.0
1982-----	2.1
1983-----	3.1

Canadian exports of pork as a share of its pork production are considerably larger than the ratios of its exports of swine to its swine production. These exports as a share of Canadian production fluctuated upward during 1981-83, as shown in the following tabulation (in percent):

	<u>Ratio of exports to production</u>
1981-----	12.9
1982-----	19.6
1983-----	18.4

Table 7.--Live swine and pork: 1/ Canadian exports, by principal markets, 1981-83

Market	1981	1982	1983
Quantity (1,000 head)			
Live swine:			
United States-----	143.8	302.5	453.9
Other Western Hemisphere-----	1.2	1.2	2.5
Europe-----	<u>2/</u>	.0	.0
Far East-----	<u>2/</u>	.0	.0
Total-----	145.0	303.7	456.4
Quantity (1,000 pounds)			
Pork:			
United States-----	226,257	299,527	296,333
Japan-----	94,924	97,154	92,808
United Kingdom-----	38,472	33,985	28,410
New Zealand-----	3,620	4,121	3,203
All other-----	5,063	32,561	25,923
Total-----	388,336	467,348	446,677

1/ Data shown in this table are derived from Statistics Canada and are not necessarily comparable with statistics of the USDA or the U.S. Department of Commerce.

2/ Less than 500 head.

Source: Compiled from Statistics Canada.

U.S. Importers

Large-volume U.S. meatpackers account for by far the great bulk of U.S. imports of live swine. 1/ U.S. farmers' imports of feeder pigs and swine for breeding purposes account for only a small share of imports. 2/ At the Commission's public conference in this investigation, Mr. Helmut Loewen, general manager, Ontario Pork Producers' Marketing Board, indicated that the bulk of Canadian live swine sales go to Michigan, Ohio, and the border States of the West. 3/ In its postconference brief the NPPC indicated its belief that the bulk of the imports were by packers located close to the Canadian border. 4/

1/ Packers, accounting for at least 39 percent of domestic slaughter, import live swine or pork from Canada.

2/ See posthearing brief of CPC on investigation 332-186, at pp. 11 and 12.

3/ See transcript of public conference at p. 135.

4/ See postconference brief of NPPC at p. 9.

U.S. meat processors, including some U.S. meatpackers, account for most of U.S. imports of fresh, chilled, or frozen pork inasmuch as the great bulk of the imports are for further processing. Importers ranged from small-volume specialty meat processors in New England to the large-volume major meatpackers-processors in the Corn Belt States. In its postconference brief, the CPC indicated that the northeastern U.S. markets of New York, Boston, and Philadelphia were important markets for Canadian pork. ^{1/}

U.S. Consumption

U.S. consumption (commercial slaughter) of swine declined 10 percent from 1981 to 1982 and then increased 6 percent in 1983 (table 8). The reduced slaughter in 1982 reflected, in part, reduced swine numbers. The beginning inventory was reduced at the start of 1982 following more than 2 years of economically difficult times for swine farmers. Lower feed costs and higher prices for live swine during 1982 encouraged swine farmers to once again build up their herds, contributing to reduced slaughter. Higher feed prices and additional swine numbers the following year led to an increase in slaughter in 1983. Swine slaughter declined slightly in January-September 1984 compared with the corresponding period of 1983.

Table 8.--Live swine: U.S. beginning inventory, commercial slaughter, and ending inventory, 1981-83, January-September 1983, and January-September 1984

(In thousands of head)				
Period	: Beginning ^{1/} : : inventory	: Apparent : : consumption ^{2/} :	: Ending : : inventory	
1981-----	64,512	91,575	^{3/} 58,688	
1982-----	58,688	82,678	^{3/} 53,935	
1983-----	53,935	87,259	^{3/} 55,819	
January-September--				
1983-----	53,935	63,251	58,223	
1984-----	55,819	62,416	53,879	

^{1/} Inventory as of Dec. 1 of the previous year.

^{2/} Commercial slaughter.

^{3/} Inventory as of Dec. 1.

Source: Compiled from official statistics of the USDA, except for January-September 1984, which was estimated from official USDA statistics.

^{1/} See postconference brief of CPC at p. 28.

Pork consumption in the United States closely paralleled commercial swine slaughter. Consumption of pork fell from 15.9 billion pounds in 1981 to 14.4 billion pounds in 1982, or by 9 percent, and then rose to 15.4 billion pounds in 1983, or by 7 percent. In January-September 1984, consumption of pork was up only slightly compared with consumption in the corresponding period of 1983, as shown in the following tabulation (in millions of pounds carcass weight equivalent):

<u>Period</u>	<u>Pork consumption</u>
1981-----	15,927
1982-----	14,425
1983-----	15,369
January-September--	
1983-----	11,177
1984-----	11,271

Per capita U.S. consumption of pork has fluctuated from 1979 to 1983, as shown in the following tabulation (in pounds):

1981-----	65.0
1982-----	59.0
1983-----	66.2
January-September--	
1983-----	48.0
1984-----	48.1

Consideration of Material Injury to an Industry in the United States

Due to the lack of concentration of production of live swine (no single operation accounted for as much as 2 percent of production 1/), the Commission did not send questionnaires to growers in this preliminary investigation but rather has relied on USDA data.

All packers listed in the petition and those identified as importers during the earlier 332 investigation were sent questionnaires by the Commission. From a total of 37 packers sent questionnaires, 12 responded, accounting for about 30 percent of U.S. swine slaughter in July 1984. Of these 12, only 1 packer completed the entire questionnaire. 2/ Subsequent to the mailing of the questionnaires, counsel for the National Pork Producers

1/ Information from National Pork Producers Council.

2/ The Commission received 11 letters from packers or processors (accounting for approximately 20 percent of swine slaughter), as of July 1984, expressing opposition to the petition.

Council identified six additional packers. 1/ 2/ At the conference, counsel was asked to have these additional packers complete the packers' questionnaire. No questionnaire was returned by any of these packers. Consequently, official statistics were used for production, domestic shipments, and exports by packers.

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

U.S. production of live swine, referred to as the swine crop by USDA and the industry, decreased by 10 percent to 84 million head from 1981 to 1982 and then increased by 10 percent to 92 million head in 1983 (table 9). Swine production declined 9 percent in January-September 1984 compared with that in the corresponding period of 1983.

Table 9.--Live swine: U.S. production, 1/ commercial slaughter, imports for consumption, exports, and domestic shipments, 2/ 1981-83, January-September 1983, and January-September 1984

(In thousands of head)						
Period	Production	Commercial slaughter	Imports	Exports	Domestic shipments	
1981-----	93,776	91,575	146	24	91,429	
1982-----	84,021	82,678	295	37	82,383	
1983-----	92,244	87,259	447	23	86,812	
January-September--						
1983-----	69,943	63,251	354	19	62,897	
1984-----	<u>3/</u> 63,874	62,416	952	9	61,464	

1/ Births from Dec. 1 of the previous year through Nov. 30 of the indicated year.

2/ Commercial slaughter minus imports.

3/ Estimated from official statistics of USDA.

Source: Production and commercial slaughter, compiled from official statistics of the U.S. Department of Agriculture; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

Domestic shipments of live swine fluctuated downward during 1981-83. Shipments fell 10 percent from 1981 to 1982 and then increased 5 percent in 1983. In January-September 1984, shipments declined 2 percent compared with those in the corresponding period of 1983.

1/ See submission by counsel for the petitioners, Nov. 19, 1984.

2/ Two of these packers have sent letters to the Commission expressing support of the petition. These packers account for approximately 3 percent of swine slaughter.

U.S. exports of live swine account for a very small share of U.S. production. In 1981, exports totaled 24,000 head; they increased to 37,000 head in 1982, and then fell to 23,000 head in 1983. As a rule, these hogs are not exported for slaughter in the receiving country, but rather for breeding stock. The Dominican Republic, Japan, and Taiwan were the primary recipients of U.S. swine in 1983.

Packers: Domestic shipments, exports,
and inventories

Pork is primarily sold to meat processors, which prepare, preserve, or alter the pork. Packer/processors may purchase pork when sufficient live swine is not available to support their process operations.

Domestic shipments have fluctuated during the period examined (table 10). Such shipments declined by 10 percent from 1981 to 1982, increased by 7 percent in 1983, and then declined slightly in January-September 1984 compared with shipments in the corresponding period of 1983.

Table 10.--Pork: Domestic shipments, exports, and total shipments, 1981-83, January-September 1983, and January-September 1984

(In millions of pounds)						
Item	1981	1982	1983	January-September--		
				1983	1984	
Domestic shipments-----	15,677	14,090	15,015	10,904	10,764	
Exports-----	191	129	137	99	79	
Total-----	15,868	14,219	15,152	11,003	10,843	

Source: Domestic shipments calculated from U.S. consumption minus imports of swine (carcass weight equivalent) and pork; exports, compiled from official statistics of the U.S. Department of Commerce.

Exports of pork have fluctuated downward during January 1981-September 1984 and have accounted for less than 1 percent of total shipments since 1982. Japan, Mexico, and Canada received over 80 percent of U.S. exports of pork in 1983 (table 11).

Table 11.--Pork: U.S. exports, by major markets, 1981-83,
January-September 1983, and January-September 1984

(In thousands of pounds)

Market	1981	1982	1983	January-September--	
				1983	1984
Japan-----	87,760	66,664	75,392	55,256	35,001
Mexico-----	28,266	20,210	21,574	17,476	17,833
Canada-----	27,216	16,776	18,235	13,354	8,398
Dominican Republic-----	14,444	7,378	3,309	2,259	473
France-----	931	257	2,602	969	3,174
All other countries-----	32,415	17,773	15,882	10,149	13,993
Total-----	191,032	129,058	136,994	99,462	78,872

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

U.S. inventories of pork (cold-storage stocks) are shown in the following tabulation:

<u>Period</u>	<u>Inventories</u> <u>(million pounds)</u>
As of--	
Dec. 31, 1981-----	255
Dec. 31, 1982-----	225
Dec. 31, 1983-----	301
Aug. 31, 1984-----	270

Although inventories can build during periods of depressed prices, historically inventories have averaged less than 2 percent of total shipments. Fresh pork is a perishable commodity and unless frozen will spoil in a matter of weeks.

Financial experience of hog producers

Questionnaires were not sent to hog producers; therefore, the financial experience of this group has been gathered through secondary sources and consists primarily of updated information found in investigation No. 332-186, Conditions of Competition Between the U.S. and Canadian Live Swine and Pork Industries.

Feed is the major cost for hog producers, accounting for between 50 to 60 percent of all the costs incurred by such producers. Fuel or utility expenses, maintenance on machinery and building repairs, and labor and veterinary expenses are other significant cost factors, ranging in total

between 28 percent of the expenses of the farrow-to-finish hog producer to 33 percent of the cost of the feeder pig producer. Tables 12 and 13 show the prices of No. 2 yellow corn and 44-percent protein soybean meal 1/ at two markets in the United States over the past 5 years and 9 months. As shown in the following tables, prices for both products generally rose in 1980, fell in 1981 and 1982, rose again in 1983, and then began another fall in mid-1984.

Table 12.--No. 2 yellow corn: Average cash prices at St. Louis, MO, by quarters, 1979-84

(Per bushel)						
Year	January- March	April- June	July- September	October- December	Average	
1979-----	\$2.40	\$2.63	\$2.79	\$2.59	\$2.60	
1980-----	2.56	2.60	3.19	3.49	2.96	
1981-----	3.50	3.41	2.99	2.55	3.11	
1982-----	2.64	2.77	2.47	2.35	2.56	
1983-----	2.77	3.25	3.56	3.49	3.27	
1984-----	3.42	3.59	3.28	<u>1/</u>	<u>1/</u>	

1/ Not available.

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

Table 13.--44 percent protein soybean meal: Prices at Decatur, IL, by quarters, 1979-84

(Per ton)						
Year	January- March	April- June	July- September	October- December	Average	
1979-----	\$190	\$194	\$193	\$183	\$190	
1980-----	173	175	210	242	200	
1981-----	215	215	199	182	203	
1982-----	189	189	171	170	180	
1983-----	178	183	219	224	201	
1984-----	194	184	152	<u>1/</u>	<u>1/</u>	

1/ Not available.

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

1/ Soybean meal is a much less significant cost since it is used in far smaller quantities than corn.

Table 14 shows the hog-to-corn price ratio, which is one measure of profitability for the hog producing industry. The ratio is the number of bushels of corn equal in value to 100 pounds of hog, live weight.

Table 14.--Hog-corn price ratio, by quarters, 1979-84

(Bushels of corn equal in value to 100 pounds of hog)						
Year	January- March	April- June	July- September	October- December	Average	
1979-----	23.3	17.9	14.5	14.9	17.8	
1980-----	14.7	12.3	15.4	14.7	14.3	
1981-----	12.5	13.2	17.3	17.5	15.1	
1982-----	18.9	21.4	26.1	25.5	23.0	
1983-----	21.0	15.1	14.3	13.1	15.9	
1984-----	15.3	14.5	16.5	<u>1/</u>	<u>1/</u>	

1/ Not available.

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

Another, and probably better measure of profitability is the difference between hog selling price and production costs. These margins are shown in table 15.

Financial experience of packers

Questionnaires were received from 12 packers. Only one packer provided financial information and that company is a packer/processor that could not distinguish revenues and expenses derived from its slaughter operations versus its processing operations. Therefore, secondary information has been gathered and is presented herein.

Table 15.--Swine: Net margins ^{1/} to U.S. feeders, by months, January 1979-October 1984

(Per hundredweight)						
Month	1979	1980	1981	1982	1983	1984
January	\$2.50	-\$5.24	-\$8.35	-\$5.62	-\$2.50	\$1.94
February	4.63	-1.94	-9.89	1.79	2.47	-.09
March	1.11	-7.10	-13.64	3.22	-.58	-1.24
April	-2.19	-12.26	-8.40	6.98	-5.77	-1.00
May	-2.64	-13.63	-8.61	11.21	-9.51	-4.40
June	-11.89	-10.59	-4.46	8.56	-13.03	-6.32
July	-14.12	.15	-2.05	3.14	-12.25	-6.92
August	-14.18	8.41	-4.17	3.98	-5.92	-9.25
September	-9.21	8.58	-3.49	2.54	-5.81	-10.18
October	-8.68	8.09	-8.01	-.80	-5.60	-11.12
November	-6.31	3.63	-9.02	-4.26	-5.93	^{2/}
December	-2.45	-4.28	-12.60	-5.06	-1.76	^{2/}

^{1/} Difference between price received by farmers for slaughter hogs and all costs (feeder animal, feed, labor and management, interest on purchase, and so forth) for raising feeder pigs from 40 pounds to a slaughter weight of 220 pounds.

^{2/} Not available.

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

Table 16 presents the financial experience of hog packers over the past 4 years. There is no discernible long-term pattern in revenues and expenses. However, the margin between revenues and production expenses fell sharply from \$1.01 per live hundredweight (cwt) in 1980 to \$0.52 in 1981 and \$0.21 in 1982. The margin rose to \$0.42 in 1983, but again fell sharply in January-September 1984, when hog packers experienced profitable operations in only 1 out of 9 months. This was caused, at least in part, by the increased cost of hogs, which rose from \$47.53 per live cwt in 1983 to \$49.54 per live cwt for the 9 months ended September 30, 1984, representing an increase of 4.2 percent.

As shown in table 17, the hog slaughter business has not been particularly profitable, as evidenced by the industry's very low return on investment (earnings as a share of net worth), return on assets (earnings as a share of assets), and profit margins. The low returns and profits have contributed to a number of plant closings and some consolidation within the industry over the past 7 years.

In comparison with beef packers and all manufacturers, hog packers have performed poorly, especially in 1983.

Table 16.--Average gross margins by hog packers, 1/ by months, January 1980-September 1984

(Per hundredweight)				
Month	Product value	Cost of hogs	Procurement labor	Gross margin
1980:				
January	\$43.48	\$37.74	\$4.15	\$1.59
February	42.56	37.79	4.08	.69
March	41.15	36.25	4.16	.74
April	35.92	28.51	4.29	3.12
May	35.16	29.50	4.14	1.52
June	34.65	30.13	4.15	.37
July	46.25	41.76	4.34	.15
August	50.22	45.50	4.41	.31
September	53.35	46.34	4.35	2.66
October	53.47	48.32	4.38	.77
November	52.41	47.33	4.55	.53
December	50.00	45.80	4.50	(.30)
Average	44.89	39.58	4.29	1.01
1981:				
January	47.76	42.10	4.67	.99
February	46.39	41.54	4.66	.19
March	45.23	40.45	4.47	.31
April	45.82	39.58	4.44	1.80
May	45.20	40.10	4.51	.59
June	52.42	47.63	4.46	.33
July	54.95	51.46	4.73	(1.24)
August	53.51	49.46	4.84	(.79)
September	55.25	49.95	5.05	.25
October	52.64	47.09	4.88	.67
November	48.86	43.12	4.61	1.14
December	46.73	39.91	4.87	1.95
Average	49.56	44.37	4.68	.52
1982:				
January	48.53	40.51	4.99	3.03
February	55.29	50.65	4.49	.15
March	53.34	48.32	4.69	.33
April	56.26	51.15	4.65	.46
May	59.10	55.83	4.51	(1.24)
June	61.06	56.97	4.24	(.15)
July	63.91	60.07	4.88	(1.04)
August	65.51	61.10	4.64	(.23)
September	69.57	64.58	4.85	.14
October	63.99	59.43	4.47	.09
November	59.94	53.47	4.35	1.72
December	57.97	54.36	4.37	(.76)
Average	59.50	54.70	4.59	.21

See footnotes at end of table.

Table 16.--Average gross margins by hog packers, 1/ by months, January 1980-September 1984--Continued

(Per cwt)				
Month	Product value	Cost of hogs	Procurement labor	Gross margin
1983:				
January	\$59.07	\$54.90	\$4.23	\$(.06)
February	62.04	59.01	4.30	(1.27)
March	57.03	52.77	4.13	.13
April	53.42	48.38	4.26	.78
May	51.51	47.07	4.14	.30
June	51.26	46.16	4.13	.97
July	49.15	44.78	4.29	.08
August	52.39	47.68	4.35	.36
September	50.34	46.21	4.21	(.08)
October	47.47	43.34	4.01	.12
November	44.45	38.43	3.90	2.12
December	46.99	41.63	3.73	1.64
Average	52.09	47.53	4.14	.42
1984:				
January	53.57	49.64	4.02	(.09)
February	51.54	48.80	3.89	(1.15)
March	48.81	44.34	3.67	.80
April	52.00	48.65	3.72	(.37)
May	51.74	48.31	3.70	(.27)
June	52.99	49.68	3.91	(.60)
July	58.19	54.44	3.96	(.21)
August	56.37	53.34	3.92	(.89)
September	51.74	48.62	3.87	(.75)
October	2/	2/	2/	2/
November	2/	2/	2/	2/
December	2/	2/	2/	2/
Year-to-date average	52.99	49.54	3.85	(.39)

1/ Represents approximately 30 percent of hog slaughter in the United States at between 18 to 26 plants.

2/ Not available

Source: Compiled from statistics of the American Meat Institute.

Table 17.--U.S. pork packers, beef packers, and all manufacturing companies:
Earnings as a share of sales, assets, and net worth, 1981-83

(In percent)			
Item	1981	1982	1983
Earnings of pork packers			
as a share of--			
Net worth-----	6.1	9.4	3.9
Assets-----	3.0	4.6	1.9
Sales-----	.7	1.0	.4
Earnings of beef packers			
as a share of--			
Net worth-----	7.5	10.4	11.1
Assets-----	3.6	5.3	5.1
Sales-----	.6	.8	.6
Earnings of all manufacturers			
as a share of--			
Net worth-----	13.3	9.1	10.3
Assets-----	6.5	4.4	5.1
Sales-----	4.7	3.5	4.1

Source: Compiled from statistics of the American Meat Institute and the U.S. Department of Commerce.

The Question of 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 allegedly subsidized 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 Canada 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 imports. Information regarding the capacity of the Canadian producers to generate exports is discussed in the section of this report that covers the Canadian industry.

U.S. inventories of Canadian pork were reported by only two packers. These inventories totaled under * * * pounds, as of December 31, 1983, representing only a fraction of domestic shipments. 1/

1/ * * * percent.

**Consideration of the Causal Relationship Between Alleged Material Injury
or the Threat Thereof and the Allegedly Subsidized Imports**

U.S. imports

Almost all U.S. imports of swine originate in Canada (table 18). U.S. imports of Canadian swine more than doubled from 1981 to 1982, increased by 52 percent in 1983, and by 169 percent in January-September 1984 compared with those in January-September 1983.

Table 18.--Live swine: U.S. imports for consumption, by principal sources, 1981-83, January-September 1983, and January-September 1984

(Number of swine)						
Source	1981	1982	1983	January-September---		
				1983	1984	
Canada-----	145,652	294,933	447,391	353,730	951,744	
Mexico-----	0	0	74	0	0	
Ireland-----	43	4	0	0	0	
Total, all countries-----	145,695	294,937	447,465	353,730	951,744	

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

Imports of fresh, chilled or frozen pork from all sources increased by 28 percent from 1981 to 1982, but then declined by 3 percent in 1983 (table 19). Pork imports increased by 64 percent in January-September 1984 compared with those in January-September 1983.

Imports of fresh, chilled, or frozen pork from Canada, again the leading exporter of this product to the United States, increased by 40 percent from 1981 to 1982. These imports declined by 1 percent in 1983 and then rose by 26 percent in January-September 1984 compared with those imports in January-September 1984.

Table 19.--Pork: U.S. imports for consumption, 1981-83, January-September 1983, and January-September 1984

(In thousands of pounds)

Source	1981	1982	1983	January-September--	
				1983	1984
Canada-----	191,700	269,122	265,775	205,476	258,954
Finland-----	0	0	1,504	1,103	2,133
Sweden-----	0	0	539	39	9,362
Australia-----	401	253	497	392	289
Denmark-----	24,258	6,618	0	0	69,200
All other-----	189	200	1/	1/	212
Total, all countries-----	216,548	276,194	268,314	207,010	340,150

1/ Less than 500 pounds.

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

U.S. market penetration

As stated previously, Canada accounted for virtually all imports of swine during the period examined. Market penetration of imports of Canadian swine increased from 0.2 percent in 1981 to 0.5 percent in 1983 (table 20). Canadian swine imports accounted for 1.5 percent of consumption in January-September 1984.

Canada was also the principal supplier of imported pork consumed in the U.S. market, accounting for about 75 percent of these imports during the period examined. Total pork from Canada captured 1.4 percent of the U.S. market in 1981 and rose to 2.3 percent in 1982 (table 21). Market share held by Canada remained at 2.3 percent in 1983 but then increased to 3.8 percent in January-September 1984. Denmark, Sweden, and Finland also increased their market share during January-September 1984. Imports of pork from these three countries and from all other sources accounted for 0.7 percent of U.S. consumption during that period.

Table 20.--Live swine: Ratios of shipments of U.S.-produced swine and imports of Canadian swine to U.S. consumption, 1981-83, January-September 1983, and January-September 1984

(In percent)						
Item	1981	1982	1983	January-September--		
				1983	1984	
U.S. produced-----	99.8	99.6	99.5	99.4	98.5	
Imported from						
Canada-----	0.2	0.4	0.5	0.6	1.5	
Total-----	100.0	100.0	100.0	100.0	100.0	

Source: Consumption (commercial slaughter), compiled from official statistics of the USDA; imports, compiled from official statistics of the U.S. Department of Commerce; shipments of U.S. produced swine calculated from commercial slaughter minus imports.

Table 21.--Pork: Ratios of shipments of pork produced from U.S. swine and of imported pork to U.S. consumption, 1981-83, January-September 1983, and January-September 1984

(In percent)						
Item	1981	1982	1983	January-September--		
				1983	1984	
U.S.-produced pork----	98.4	97.7	97.7	97.6	95.5	
Pork from Canadian						
swine <u>1/</u> -----	0.2	0.4	0.6	0.6	1.5	
Canadian pork <u>2/</u> -----	1.2	1.9	1.7	1.8	2.3	
Total pork from						
Canada-----	1.4	2.3	2.3	2.4	3.8	
From all other						
countries-----	0.2	3/	3/	3/	0.7	
Total imports-----	1.6	2.3	2.3	2.4	4.5	

1/ Carcass weight equivalent.

2/ Fresh, chilled, or frozen.

3/ Less than 0.05 percent.

Source: Consumption, compiled from official statistics of the USDA; imports, compiled from official statistics of the U.S. Department of Commerce; shipments of pork produced from U.S. swine calculated by subtracting imports (carcass weight equivalent of live swine plus pork) from consumption.

Prices

The Commission, in its questionnaires, requested price data for certain types of live swine and pork products sold to packers and processors by U.S. and Canadian producers. Delivered prices were requested for each purchaser's largest purchase of U.S. and Canadian product in the second week of each month during January 1983-September 1984 for the following types of live swine and pork products:

Live swine: Barrows or gilts. Barrows are male swine castrated a few days after birth. Gilts are female swine that have not farrowed.

Pork products: Pork leg (fresh ham). This includes the rump, center, or shank sections of the leg.

Pork products: Pork belly. This includes that portion of the center section of the side which remains after the loin and spareribs have been removed.

To complement questionnaire data, the Commission also obtained statistics published by the U.S. Government and the Ontario Pork Producers' Marketing Board on monthly market prices for barrows and gilts sold in the United States and in Ontario, Canada during 1982-84. Barrows and gilts account for 95 percent of all swine slaughtered in the United States, as well as a similar share of all swine slaughtered in Canada. ^{1/} Therefore, these published data show price trends for the major share of live swine in the two principal North American markets. Margins of underselling were not, however, computed for these published market prices because they do not generally include delivery costs and the Canadian published prices are for the province of Ontario only. ^{2/}

Price trends for live swine (barrows and gilts).--Market prices for both U.S.- and Canadian-produced barrows and gilts, as shown by published statistics, generally increased through September of 1982, decreased until late 1983, and increased again in 1984.

^{1/} Sows account for 4 percent and boars for 1 percent of all U.S. swine slaughtered. USDA, Statistical Research Service, Livestock Slaughter, August 1984; staff telephone conversation with J.A. Rollings of the Ontario Pork Producers' Marketing Board, Nov. 28, 1984.

^{2/} In 1983, Ontario accounted for 33.2 percent of total Canadian hog production. Ontario Pork Producers' Marketing Board and Ontario Hog Producers' Association, Report to the Forty-Third Annual Meeting, March, 1984.

The U.S. price for barrows and gilts, according to USDA statistics, increased from \$46 per hundredweight in January 1982 to \$63 in September 1982, or by 38 percent (table 22). The price then declined through the subsequent 14 months, with some fluctuations, to \$39 in November 1983, or by 38 percent. The U.S. price increased gradually to \$52 per hundredweight in August 1984, or by 35 percent, compared with the U.S. price in November 1983.

The market price for Canadian (Ontario) barrows and gilts, as shown by statistics published by the Ontario Pork Producers' Marketing Board and the Ontario Hog Producers' Association closely paralleled the U.S. published market price for this product (table 22 and fig. 3). The published market price increased from \$45 in January 1982 to \$63 in September 1982, or by 32 percent. It then decreased irregularly to \$41 in November 1983, or by 36 percent. The Canadian price generally increased through 1984 to \$53 in August 1984, or by 30.4 percent compared with the Canadian price in November 1983.

Margins of underselling for live swine.--Although the Commission requested data on actual purchase prices from 37 packers and processors of U.S. and Canadian swine, only 3 packers, accounting for 17.9 percent of total U.S. slaughter in 9 months of 1984, provided usable price data for barrows and gilts. Additionally, only one of the three packers provided data on purchases between February 1983 and February 1984. Commission staff calculated weighted averages of the data submitted by the three packers. As shown in the figures in appendix D, the prices reported for both U.S.- and Canadian-produced swine closely paralleled the prices gathered from published sources. Because the questionnaire data represent specific concurrent purchases made by packers for swine delivered to their locations, and because it is generally supported by official statistics, margins of underselling were computed from these data.

Table 22.--Barrows and gilts: Published market prices of U.S.-produced and Ontario, Canada-produced barrows and gilts, by months, January 1982-August 1984

(Per hundredweight)		
Period	Canadian <u>1/</u>	United States <u>2/</u>
1982:		
January-----	\$45.68	\$45.63
February-----	45.91	49.29
March-----	49.35	49.38
April-----	52.98	52.08
May-----	59.24	58.14
June-----	62.07	59.16
July-----	61.91	59.83
August-----	63.03	63.13
September-----	63.02	63.01
October-----	58.12	56.94
November-----	52.83	53.49
December-----	55.00	54.94
1983:		
January-----	56.19	56.78
February-----	57.65	57.27
March-----	52.77	50.94
April-----	48.56	47.50
May-----	48.38	47.02
June-----	46.67	45.71
July-----	45.17	45.66
August-----	47.30	49.35
September-----	45.98	45.70
October-----	41.64	41.38
November-----	40.56	38.79
December-----	42.88	46.37

See footnote at end of table.

Table 22.--Barrows and gilts: Published market prices of U.S.-produced and Ontario, Canada-produced barrows and gilts, by months, January 1982-August 1984--Continued

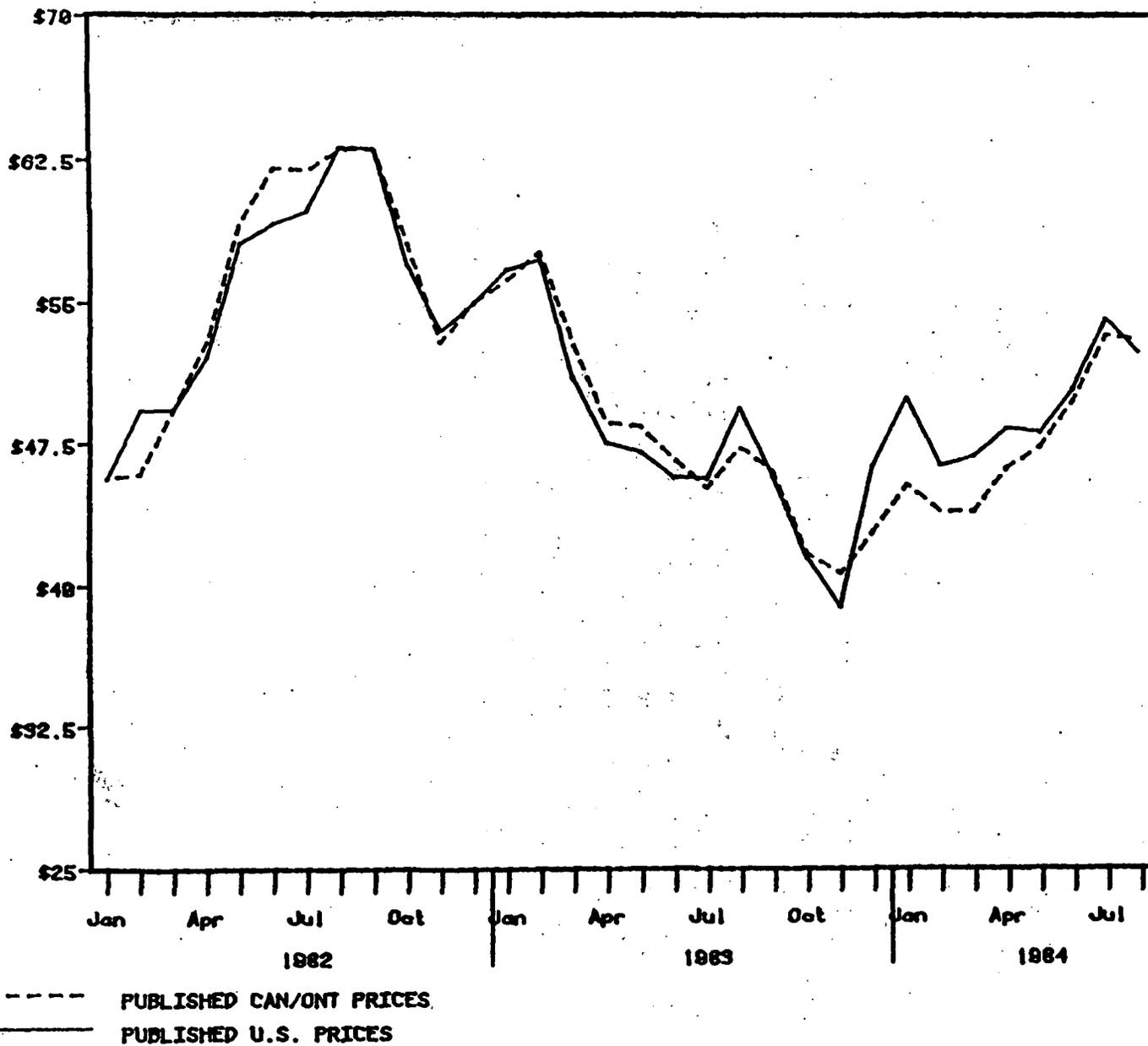
(Per hundredweight)		
Period	Canadian	United States ^{1/}
1984:		
January-----	\$45.32	\$49.91
February-----	43.87	46.31
March-----	43.93	46.83
April-----	46.21	48.30
May-----	47.36	48.06
June-----	49.72	50.36
July-----	53.22	54.04
August-----	52.92	52.26

^{1/} A weighted-average seven-market price for the following U.S. auction markets: St. Louis, Kansas City, Omaha, Sioux City, South St. Joseph, South St. Paul, and Indianapolis.

Source: USDA, Economic Research Service, Livestock and Meat Statistics: Supplement for 1982 (Statistical Bulletin No. 522); USDA, Economic Research Service, Livestock and Poultry: Outlook and Situation Report (LPS-13; October, 1984; Ontario Pork Producers' Marketing Board and Ontario Hog Producers' Association, Report to the Forty-Third Annual Meeting, Mar. 13 and 14, 1984; telephone inquiries by U.S. International Trade Commission staff; International Monetary Fund, International Financial Statistics, September 1984 (for exchange-rate conversion tables).

Note.--All figures are in U.S. dollars and cents per hundredweight.

Figure 3.-- PUBLISHED PRICES FOR BARROWS AND GILTS, U.S. DOLLARS AND CENTS PER CWT
 JANUARY 1982 TO AUGUST 1984



Each of the three responding packers is in a different location, and may represent somewhat different competitive conditions as a result of transportation costs. In addition, only one of these packers reported prices of Canadian swine for the entire period requested. ^{1/} Accordingly, the weighted averages shown in table 23 and figure 4 include prices for any one packer only in those periods where that packer reported prices for both U.S. and Canadian swine and had made a decision to purchase both products. ^{2/} Prices shown for February 1983-February 1984, except for January 1984, represent both U.S. and Canadian prices from one packer; other periods represent either two or three packers. The data in table 23 show price movements similar to those in table 22, but the earlier table more accurately shows the general market trends.

The weighted-average price of Canadian gilts and barrows to the three responding packers was below that for U.S. produced swine in 7 of 21 months for which data are available. Generally, however, these margins of underselling were small, ranging from 0.1 percent in * * * to 3.3 percent in * * *; however, in * * * the margin reached 5.1 percent. The period in which underselling was most frequent, * * *, corresponds with the sharp declines in both U.S. and Canadian market prices at that time. The weighted-average price of Canadian barrows and gilts sold to U.S. packers was higher than the weighted-average price of U.S. barrows and gilts sold to the same packers in 14 of the 21 periods. These margins of apparent overselling ranged from 0.2 percent in * * * to 7.6 percent in * * *.

Price trends for pork products.--Weighted-average prices of U.S.-produced and Canadian-produced pork legs (fresh ham) reported by five responding packers/processors fluctuated considerably during January 1983-September 1984 (table 24), but generally followed the same trends. The weighted-average price of U.S.-produced pork legs decreased from \$97 in January 1983 to \$77 in June 1983, or by 21 percent. After mid-1983, however, the price of the U.S. product appears to have settled into 4-month cycles, reaching peaks in August and December 1983 and in April and August 1984. In September 1984, the average price of pork legs was \$12 (12 percent) below the average price of January 1983.

^{1/} * * *.

^{2/} Purchases of Canadian swine were a small part of these packers' total swine purchases. There were no instances where a packer reported purchases of Canadian swine without also reporting purchases of U.S.-produced swine.

Table 23.--Barrows and gilts: Weighted-average purchase prices reported by U.S. packers of U.S.-produced and Canadian-produced barrows and gilts, by months, January 1983-September 1984

* * * * *

Figure 4.--ITC questionnaire prices for barrows and gilts, January 1982-September 1984.

* * * * *

Table 24.--Pork legs (fresh ham): Weighted-average prices of U.S.-produced and Canadian-produced pork legs purchased by packers and processors, by months, January 1983-September 1984

Period	Canadian produced	U.S. produced	Margin of underselling (overselling)
	Per hundredweight		Percent
1983:			
January-----	\$89.21	\$96.84	7.8
February-----	92.02	96.71	4.8
March-----	84.38	95.12	11.3
April-----	79.63	81.27	2.0
May-----	72.48	78.97	8.2
June-----	1/ ***	76.83	***
July-----	1/ ***	79.36	***
August-----	84.17	1/ ***	***
September-----	81.51	86.13	5.3
October-----	79.87	84.79	5.8
November-----	78.94	87.26	9.5
December-----	82.34	93.61	12.0
1984:			
January-----	74.61	81.29	8.2
February-----	74.93	81.02	7.5
March-----	73.18	85.43	14.3
April-----	82.64	88.35	6.4
May-----	80.07	83.72	4.3
June-----	73.88	81.94	9.8
July-----	82.23	90.07	8.7
August-----	86.48	91.14	5.1
September-----	84.51	84.87	.4

1/ Represents response of only 1 packer.

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

The weighted-average prices of Canadian-produced pork legs followed similar trends, decreasing from \$89 in January 1983 to \$72 in May 1983, or by 19 percent, but generally increasing through the remainder of the year. The Canadian price stayed relatively low, at about \$74 per hundredweight, during January-March 1984, but increased slowly and irregularly during the subsequent 6 months of 1984.

The weighted-average prices of both U.S.- and Canadian-produced pork bellies also fluctuated considerably during 1983-84 but generally declined in 1983 and increased in 1984 (table 25). The U.S. weighted-average price decreased irregularly from \$109 in January 1983 to \$70 in October 1983, or by 36 percent. The U.S. price for pork bellies then increased slowly to \$96 in June 1984 before declining again, to \$80 in September 1984.

The weighted-average price of Canadian-produced pork bellies decreased from \$107 in January 1983 to \$69 in November 1983, or by 35 percent, compared with that of July 1983. The price for Canadian pork bellies then increased irregularly to \$94 in August 1984, or by 36 percent, before declining slightly in September 1984.

Margins of underselling for pork products.--Margins of underselling for pork legs ranged from 0.4 percent in September 1984 to 14.3 percent in March 1984 (table 24). At no time were prices of Canadian pork legs above the price of the U.S. product. Margins of underselling for pork bellies existed in 14 of 21 months covered by the available data, ranging from 0.6 percent to 13.2 percent. In 7 months the price of the Canadian pork bellies was above the U.S. price, by margins of 2.2 percent to 11.4 percent (table 25).

Transportation costs

Several U.S. processors familiar with the operation of meat processing plants near the Canadian border indicated that geographic location is a major factor affecting both the cost and quality, and therefore the value, of Canadian live swine and fresh pork to packers. 1/ The actual costs of transportation are a factor, but usually more to the producer than to the purchaser. The provincial marketing boards in Canada "absorb" the transportation costs. 2/ Testimony at the conference indicated that, in most instances, U.S. producers of live swine assume the transportation costs to their buyers. 3/ Such costs in both Canada and the United States are

1/ Bar-S Foods Co. (letter, Nov. 21, 1984), which operated a meat processing plant in Seattle, WA; Jos. Kirschner Co., Inc. (letter, Nov. 16, 1984), which operates a processing plant in Augusta, ME; Joseph DeCosta, Inc. (telegram, Nov. 28, 1984), which operates a processing plant in Woburn, MA.

2/ Transcript of the conference, p. 178.

3/ Ibid., pp. 96-97. A U.S. producer testified that if he sells his live swine to either a packer or a buying station, he will necessarily "absorb the transportation cost either way. If I send them to the terminal, I pay the freight to the terminal."

Table 25.--Pork bellies: Weighted-average prices of U.S.- and Canadian-produced pork bellies purchased by packers and processors, by months, January 1983-September 1984

Period	Canadian produced	U.S. produced	Margin of-- underselling (overselling)
	Per hundredweight		Percent
1983:			
January-----	\$106.51	\$108.94	2.2
February-----	101.24	105.08	3.6
March-----	85.83	95.92	10.5
April-----	84.72	97.17	12.8
May-----	92.26	90.22	(2.2)
June-----	91.79	82.11	(11.7)
July-----	72.50	81.89	11.4
August-----	96.75	94.67	(2.2)
September-----	95.55	84.24	(13.4)
October-----	69.24	70.07	1.1
November-----	68.96	72.58	4.9
December-----	69.83	80.48	13.2
1984:			
January-----	79.23	84.90	6.6
February-----	81.41	78.27	(4.0)
March-----	75.92	76.54	.8
April-----	85.26	86.12	.9
May-----	80.03	80.58	.6
June-----	87.17	95.90	9.1
July-----	87.90	91.64	4.0
August-----	94.11	88.49	(6.3)
September-----	88.87	79.70	(11.5)

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

estimated to average about \$1 per hundredweight in 1983 using truck transport. ^{1/}

Proximity of meatpackers and processors to the swine producer apparently yields certain benefits to these sellers. Shrinkage of live swine, the extent to which a live hog will decrease in weight during the period in which it is transported, is reduced. The real value of the product to the seller is

^{1/} Ontario Pork Producers' Marketing Board and Ontario Hog Producers' Association, Report to the Forty-Third Annual Meeting, March, 1984, p. 16; staff telephone discussion with USDA Agricultural Economist, Economic Research Service, Nov. 29, 1984.

greater, therefore, when transportation distances are shorter. For pork products, close geographical proximity to Canada allows a U.S. meat processor to obtain fresh pork products from Canada immediately after they are cut, whereas this may not always be the case for pork products purchased from U.S. producers. ^{1/} Other U.S. processors may gain similar benefits from proximity to U.S. producers of live swine.

Exchange rates

Table 26 presents the nominal-and real-exchange-rate indexes for U.S. dollars per Canadian dollars. The real-exchange-rate index that is displayed represents the nominal exchange rate index adjusted for the difference in the relative inflation rates between the United States and Canada.

Table 26.--U.S.-Canadian exchange rates: Nominal and real exchange-rate indexes for U.S. dollars per Canadian dollars, January 1982-June 1984

January-March 1982 = 100			
Period	Nominal-Exchange-Rate Index (US\$/Can\$)	Real Exchange Rate Index (US\$/Can\$)	
1982:			
Jan.-Mar.-----:	100.0	100.0	
Apr.-June-----:	97.1	98.2	
July-Sep.-----:	96.7	98.6	
Oct.-Dec.-----:	98.1	100.3	
1983:			
Jan.-Mar.-----:	98.5	101.3	
Apr.-June-----:	98.2	102.1	
July-Sep.-----:	98.0	101.8	
Oct.-Dec.-----:	97.6	101.4	
1984:			
Jan.-Mar.-----:	96.3	100.5	
Apr.-June-----:	96.3	100.5	

Source: International Monetary Fund, International Financial Statistics (Washington, DC: IMF, October 1984).

As can be seen from the table, the nominal value of the Canadian dollar depreciated against the nominal value of the U.S. dollar by 3.7 percent between January-March 1982 and January-March 1984. The real (inflation-adjusted) index, however, shows that the Canadian dollar actually appreciated slightly against the U.S. dollar, by 2.1 percent as of April-June 1983 and by 0.5 percent as of January-March 1984.

^{1/} Letters, Bar-S Co., Jos. Kirschner Co.; telegram, Joseph De Costa, Inc.

Lost sales and lost revenues

No specific allegations of lost sales or lost revenues were made by the growers. According to the petition, the presence of the allegedly subsidized Canadian swine and pork did not displace sales of U.S. swine but rather depressed market prices.

Packers of pork were asked to supply specific allegations of lost sales and lost revenues via questionnaires sent by the Commission. No allegations, either specific or general, were supplied.

Nine packers did report their purchases of swine and pork by country source. A summary of their responses is presented in table 27. Total swine purchased by packers declined from 4.4 billion pounds in 1981 to 3.6 billion pounds in 1982, or by 17 percent. Total purchases increased 4 percent in 1983, and by 16 percent in January-September 1984 compared with those in the corresponding period of 1983. U.S. growers supplied over 99 percent of the swine purchased by these packers during 1981-83, and just over 98 percent in January-September 1984. Canada supplied the remainder of the swine purchased by these packers.

Fresh, chilled, or frozen pork purchased by processors increased irregularly during 1981-83. Total pork purchased rose from 267 million pounds in 1981 to 308 million pounds in 1983, or by 15 percent. Total pork purchased increased by 4 percent in January-September 1984. U.S. produced pork, as a share of total purchases, fluctuated downward between January 1981 and September 1984, but continued to account for the great bulk of total supply.

Twelve companies which had reported purchases of Canadian products were contacted by the Commission's staff. When asked what factors led each firm to source from Canada, three indicated availability of supply, two indicated quality, one indicated lower price, and one located in New England indicated freshness and quick delivery. The other companies responded that a combination of factors--availability of supply, quality, and price--led to the purchase of Canadian swine and pork.

Table 27.--Live swine and pork: U.S. purchases, by sources, 1981-83,
January-September 1983, and January-September 1984

Item	1981	1982	1983	January-September--	
				1983	1984
<u>Live swine</u>					
U.S. produced:					
Quantity purchased					
million pounds--	4,350	3,613	3,749	2,761	3,208
Average unit values					
per pound--	\$0.43	\$0.52	\$0.48	\$0.49	\$0.49
Share of total purchases					
percent--	99.8	99.8	99.5	99.5	98.1
From Canada:					
Quantity purchased					
million pounds--	6	5	17	13	63
Average unit values					
per pound--	\$0.42	\$0.52	\$0.46	\$0.46	\$0.51
Share of total purchases					
percent--	0.2	0.2	0.5	0.5	1.9
Total quantity purchased					
million pounds--	4,355	3,618	3,766	2,774	3,271
<u>Pork</u>					
U.S. produced:					
Quantity purchased					
million pounds--	258	206	204	135	146
Average unit values					
per pound--	\$0.89	\$0.85	\$0.81	\$0.84	\$0.78
Share of total purchases					
percent--	96.7	84.0	85.3	83.7	85.0
From Canada:					
Quantity purchased					
million pounds--	9	39	25	19	19
Average unit values					
per pound--	\$0.78	\$0.95	\$0.84	\$0.85	\$0.77
Share of total purchases					
percent--	3.3	16.0	14.7	16.3	15.0
Total quantity purchased					
million pounds--	267	246	308	211	219

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



APPENDIX A

NOTICE OF THE COMMISSION'S INSTITUTION OF PRELIMINARY
COUNTERVAILING DUTY INVESTIGATION

For further information concerning the conduct of this investigation 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).

EFFECTIVE DATE: November 2, 1984.

FOR FURTHER INFORMATION CONTACT: Lawrence Rausch (202-523-0286), Office of Investigations, U.S. International Trade Commission, 701 E Street, NW., Washington, DC 20436.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted in response to a petition filed on November 2, 1984 by counsel on behalf of members of The National Pork Producers Council, Des Moines, Iowa.

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

Service list.—Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with § 201.16(c) of the rules (19 CFR § 201.16(c)), each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on November 26, 1984 at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Lawrence Rausch (202-523-0286) not later than November 21, 1984 to arrange for their appearance. Parties in support of the imposition of countervailing duties in this investigation 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.

Written submissions.—Any person may submit to the Commission on or before November 28, 1984 a written statement of information pertinent to the subject of the investigation, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6, as amended by 49 FR 32569, Aug. 15, 1984).

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: November 9, 1984.

By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 84-30080 Filed 11-14-84; 8:45 am]
BILLING CODE 7020-02-M

[Investigation No. 701-TA-224
(Preliminary)]

Live Swine and Fresh, Chilled and Frozen Pork From Canada

AGENCY: United States International Trade Commission.

ACTION: Institution of a preliminary countervailing duty investigation and scheduling of a conference to be held in connection with the investigation.

SUMMARY: The Commission hereby gives notice of the institution of preliminary countervailing duty investigation No. 701-TA-224 (Preliminary) under section 703(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 Canada of live swine and of fresh, chilled and frozen meat (except meat offal) of swine, provided for in items 100.85 and 106.40, respectively, of the Tariff Schedules of the United States, which are alleged to be subsidized by the Government of Canada. As provided in section 703(a), the Commission must complete preliminary countervailing duty investigations in 45 days, or in this case by December 17, 1984.

APPENDIX B

**NOTICE OF THE DEPARTMENT OF COMMERCE'S INSTITUTION OF
COUNTERVAILING DUTY INVESTIGATION**

[C-122-404]

Initiation of Countervailing Duty Investigation: Live Swine and Fresh, Chilled and Frozen Pork Products From Canada

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether the producers or exporters in Canada of live swine and fresh, chilled and frozen pork products, as described in the "Scope of Investigation" section below, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) so that it may determine whether imports of the subject merchandise materially injure or threaten material injury to a U.S. industry. If our investigation proceeds normally, we will make our preliminary determination on or before January 26, 1985.

EFFECTIVE DATE: November 30, 1984.

FOR FURTHER INFORMATION CONTACT: Laurel LaCivita or Peter Sultan, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230. Telephone: (202) 377-3530 (LaCivita) or (202) 377-2815 (Sultan).

SUPPLEMENTARY INFORMATION:

Petition

On November 2, 1984, we received a petition from the National Pork Producers Council, filed on behalf of domestic pork producers, which includes hog producers and packers of unprocessed pork products. Because the National Pork Producers Council represents domestic hog growers, we will further evaluate petitioner's standing with respect to fresh, chilled and frozen pork products. A number of domestic packers support the petition.

In compliance with the filing requirements of section 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that producers or

exporters of live swine and fresh, chilled and frozen pork products in Canada directly or indirectly receive benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930 as amended (the Act), and that these imports materially injure or threaten material injury to a U.S. industry.

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

Initiation of Investigation

Under section 702(c) of the Act, within 20 days after a petition is filed, we must determine whether the petition sets forth the allegations necessary for the initiation of a countervailing duty investigation and whether it contains information reasonably available to the petitioner to support the allegations. We have examined the petition on live swine and fresh, chilled and frozen pork products from Canada and we have found that the petition meets the requirements for initiation.

A petitioner must file a petition "on behalf of an industry," defined in section 771(4) of the Act as domestic producers of a "like product." It is unclear that the NPPC, whose members produce live swine, also represents the producers of fresh, chilled and frozen pork products; *i.e.*, it is unclear that the petitioner has filed on behalf of an industry. It is similarly unclear that fresh, chilled and frozen pork products are like products to live swine.

Nevertheless, we are initiating a countervailing duty investigation on these products because Congress recognized the special nature of agriculture and apparently contemplated the inclusion of growers and packers in one industry. We note that in previous cases the ITC included growers and processors in a single industry (*e.g.*, *Lamb Meat from New Zealand*, Investigation No. 701-TA-80 (Preliminary)). In doing so, however, the ITC relied in part upon the interdependence and vertical integration of the industries involved. In this case, the petitioner's membership consists entirely of hog growers who do not further process the product and are not related to packers and processors of fresh, chilled and frozen pork. Because of the novelty of this issue, we invite interested parties to submit briefs to the Department of Commerce within fourteen days of the publication date of this notice.

We are initiating a countervailing duty investigation to determine whether

producers or exporters in Canada of live swine and fresh, chilled and frozen pork products, as described in the "Scope of the Investigation" section of this notice, receive benefits which constitute subsidies. If our investigation proceeds normally, we will make our preliminary determination by January 28, 1985. We note, however, that we may rescind the investigation if the petitioner lacks standing.

Scope of the Investigation

For the purposes of this proceeding, the merchandise covered by this investigation is defined as live swine and fresh, chilled and frozen meat (except meat offal) of swine as currently provided for in items 100.8500, 106.4020 and 106.4040 of the *Tariff Schedules of the United States, Annotated* (TSUSA).

Allegations of Subsidies

The petition alleges that the Canadian hog producers receive benefits which constitute subsidies. We are initiating on the following allegations:

1. The Federal Stabilization Program which provides deficiency payments to selected agricultural producers, including hog growers.
2. Provincial stabilization program in:
 - Quebec,
 - Saskatchewan,
 - Manitoba,
 - British Columbia,
 - Alberta,
 - The Maritime Provinces (New Brunswick, Nova Scotia and Prince Edward Island), and
 - Ontario.
3. Other federal subsidies:
 - Industry specific low-interest loans,
 - The Hog Carcass Grading Settlement Program, and
 - The Record Performance Program.
4. Other Canadian provincial subsidies:
 - Grants and subsidized interest provided in Quebec,
 - Livestock Tax Credit Law in Saskatchewan,
 - Ontario Farm Tax Reduction Program,
 - Programs which Ontario and other governments have independently introduced to help farmers cope with the high cost of credit, and
 - Interest free-loans and loan guarantees in British Columbia, Alberta, Manitoba and the Atlantic provinces.

Notification of ITC

Section 702(d) of the Act requires us to notify the U.S. International Trade Commission (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 written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by December 17, 1984, whether there is a reasonable indication that imports of live swine and fresh, chilled and frozen pork products materially injure or threaten material injury to a U.S. industry. If the ITC's determination is negative, the investigation will be terminated; otherwise, the investigation will proceed to conclusion.

Dated: November 23, 1984.

Alan F. Holmer,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 84-31453 Filed 11-29-84; 9:45 am]

BILLING CODE 3510-06-0

APPENDIX C

LIST OF WITNESSES APPEARING AT THE COMMISSION'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 701-TA-224 (Preliminary)

LIVE SWINE AND PORK FROM CANADA

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigation on November 26, 1984, in the Hearing Room of the USITC building, 701 E Street, NW., Washington, D.C.

In support of the petition

Thompson, Hine and Flory--Counsel
Washington, D.C.
on behalf of

The National Pork Producers Council

John Saunders, Hog Producer from Osborn, Missouri

Russell Rowe, Hog Producer from Mason, Michigan

Dave Hinman, Hog Producer from St. Ansgar, Iowa

Glenn Grimes, Agricultural Economist, University of Missouri

Mark Roy Sandstrom--OF COUNSEL

In opposition to the petition

Cameron, Hornbostel, Adelman & Buttermann--Counsel
Washington, D.C.
on behalf of

Canadian Pork Council

Howard Malcolm, President, Canadian Pork Council

Bill Vaags, Vice President, Canadian Pork Council
and Chairman, Manitoba Hog Producers' Marketing Board

William Hamilton, Executive Secretary,
Canadian Pork Council

Martin T. Rice, Assistant Secretary,
Canadian Pork Council

Helmut F. Loewen, General Manager,
Ontario Pork Producers' Marketing Board

Jim Morris, General Manager,
Saskatchewan Pork Producers' Marketing Board

William K. Ince--OF COUNSEL

APPENDIX D

FIGURES

Figure D-1. ---COMPARISON OF PUBLISHED MARKET PRICES FOR UNITED STATES
 BARROWS AND GILTS WITH WEIGHTED-AVERAGE PRICE DATA OBTAINED
 FROM COMMISSION QUESTIONNAIRE RESPONSES (ITC DATA)
 JANUARY 1983 - AUGUST 1984

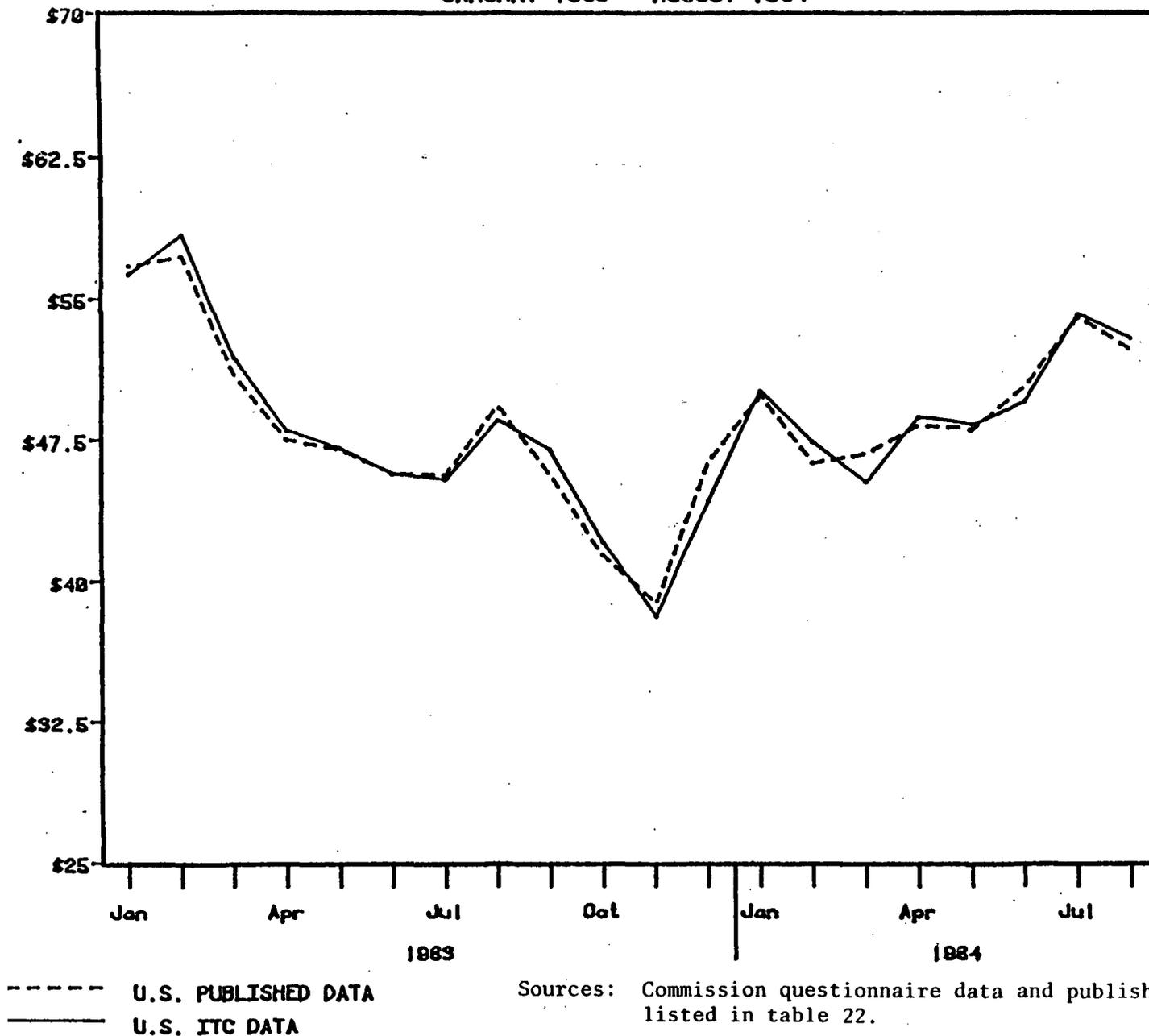
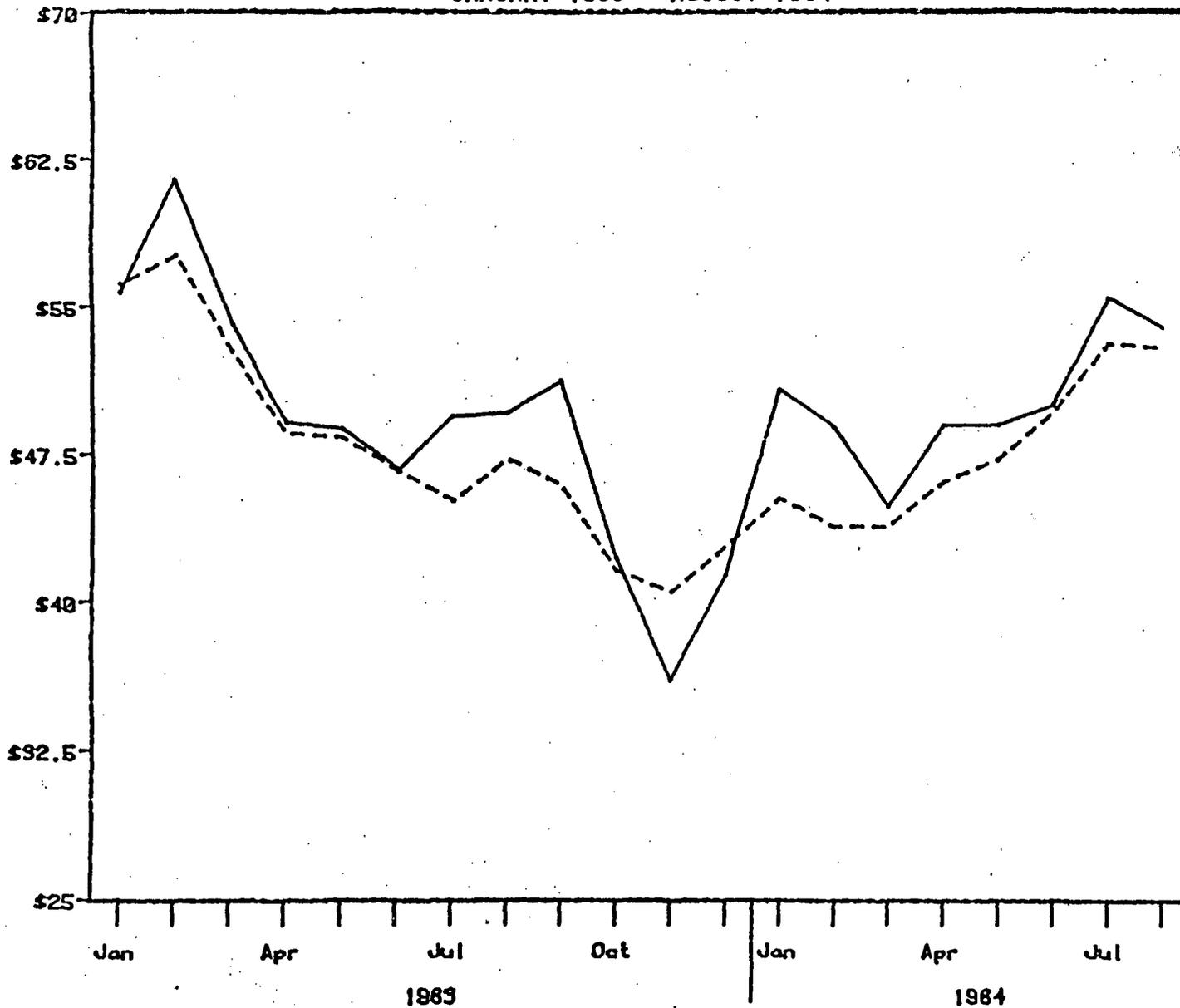


Figure D-2. -- COMPARISON OF PUBLISHED MARKET PRICES FOR ONTARIO, CANADA
 BARROWS AND GILTS WITH WEIGHTED AVERAGE PRICE DATA OBTAINED
 FROM COMMISSION QUESTIONNAIRE RESPONSES (ITC DATA)
 JANUARY 1983 - AUGUST 1984



----- CANADIAN PUBLISHED DATA
 _____ CANADIAN ITC DATA

Sources: Commission questionnaire data and published sources listed in table 22.

