Fresh Atlantic Salmon From Chile

Investigations Nos. 701-TA-372 and
731-TA-768 (Preliminary)

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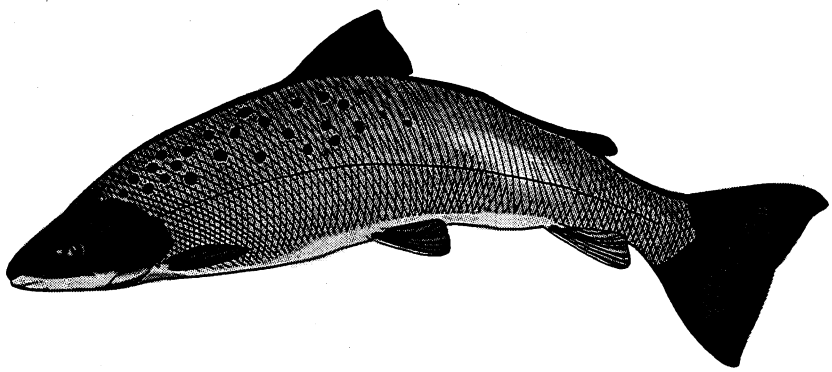
U.S. International Trade Commission



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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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.

GLOSSARY

Aquafarms	Aquafarms International
Aqua Star	Aqua Star Partners
ASM	Atlantic Salmon of Maine
Cooke	Cooke Aquaculture US, Inc.
Connors	Connors Aquaculture, Inc.
DE Salmon.	DE Salmon, Inc.
East Coast	East Coast Fish Farms, Inc.
FAST	Fair Atlantic Salmon Trade
Fiordo Blanco	Fiordo Blanco S.A.
Global Aqua	Global Aqua USA, LLC
HTS	Harmonized Tariff Schedule
Heritage	Heritage Salmon Co., Inc.
Island	Island Aquaculture Corp.
LTFV	Less than fair value
Maine Aqua	Maine Aqua Foods, Inc.
Marine Harvest	Marine Harvest International Sales, Inc.
Nordic.	Maine Coast Nordic, Inc.
Olympic	Olympic Seafarm, Inc.
PRWs	Production and related workers
Stolt USA	Stolt Sea Farm USA, Inc.
Stolt Canada	Stolt Sea Farm Canada, Inc.
Stolt Nielsen	Stolt Nielsen, S.A.
Scan Am	Scan Am Fish Farms
Treats	Treat's Island Fisheries
Trumpet	Trumpet Island Salmon Farm, Inc.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 701-TA-372 and 731-TA-768 (Preliminary)

FRESH ATLANTIC SALMON FROM CHILE

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission determines,[2] pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. §§ 1671b(a) and 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Chile of fresh Atlantic salmon, provided for in subheadings 0302.12.00 and 0304.10.40 of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized by the Government of Chile and sold in the United States at less than fair value (LTFV).

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, as amended in 61 FR 37818 (July 22, 1996), the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules upon notice from the Department of Commerce (Commerce) of affirmative preliminary determinations in the investigations under sections 703(b) and 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) and 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

BACKGROUND

On June 12, 1997, a petition was filed with the Commission and the Department of Commerce by the Coalition for Fair Atlantic Salmon Trade, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and LTFV imports of fresh Atlantic salmon from Chile. Accordingly, effective June 12, 1997, the Commission instituted countervailing and antidumping duty investigations Nos. 701-TA-372 and 731-TA-768 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S.

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

[2] Commissioner Newquist not participating.

International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of June 20, 1997 (62 F.R. 33678). The conference was held in Washington, DC, on July 3, 1997, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Based on the record in these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of fresh Atlantic salmon from Chile that are allegedly subsidized and sold in the United States at less than fair value ("LTFV").[1]

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured, or threatened with material injury, by reason of the allegedly LTFV or subsidized imports.[2] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[3]

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, the Commission first defines the "domestic like product" and the "industry."[4] Section 771(4)(A) of the Tariff Act of 1930, as amended, ("the Act") defines the relevant industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[5] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[6]

Our decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and we apply the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[7] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[8] The Commission looks for clear dividing

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[1] Commissioner Newquist did not participate in this determination.

[2] 19 U.S.C. §§ 1671b(a) and 1673b(a); *see also* American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1986).

[3] American Lamb, 785 F.2d at 1001; *see also* Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[4] 19 U.S.C. § 1677(4)(A).

[5] Id.

[6] 19 U.S.C. § 1677(10).

[7] *See, e.g.,* Nippon Steel Corp. v. United States, Slip Op. 95-57 at 11 (Ct. Int'l Trade Apr. 3, 1995). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. *See* Nippon Steel at 11 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[8] *See, e.g.,* S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

lines among possible like products, and disregards minor variations.[9] Although the Commission must accept the determination of Commerce as to the scope of the imported merchandise that is allegedly subsidized and sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.[10]

B. Product Description

In its notice of initiation, Commerce defined the imported merchandise within the scope of these investigations as:

> fresh, farmed Atlantic salmon, whether imported "dressed" or cut. Atlantic salmon is the species Salmo salar, in the genus Salmo of the family salmoninanae. "Dressed" Atlantic salmon refers to salmon that has been bled, gutted, and cleaned. Dressed Atlantic salmon may be imported with the head on or off; with the tail on or off; and with the gills in or out. All cuts of fresh Atlantic salmon are included in the scope of the investigation. Examples of cuts include, but are not limited to: crosswise cuts (steaks), lengthwise cuts (fillets), lengthwise cuts attached by skin (butterfly cuts), combinations of crosswise and lengthwise cuts (combination packages), and Atlantic salmon that is minced, shredded, or ground. Cuts may be subject to various degrees of trimming, and imported with the skin on or off and with the "pin bones" in or out.[11]

Commerce also excluded the following products from the scope of these investigations:

- fresh Atlantic salmon that is "not farmed" (*i.e.*, wild Atlantic salmon);

- species of salmon other that Atlantic salmon;

- live Atlantic salmon and salmon that has been subjected to further processing, such as frozen, canned, dried, and smoked Atlantic salmon;

- Atlantic salmon that has been further processed into forms such as sausages, hot dogs, and burgers.[12]

Fresh Atlantic salmon, whether sold as a whole, dressed fish or cut into fillets, steaks, or other forms is intended for human consumption.[13]

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[9] Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991).

[10] Hosiden Corp. v. Advanced Display Manufacturers, 85 F.3d 1561 (Fed. Cir. 1996) (Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

[11] *Initiation of Countervailing Duty Investigation: Fresh Atlantic Salmon from Chile, U.S. Department of Commerce*, 62 Fed. Reg. 36,772 (July 9, 1997); *Initiation of Antidumping Duty Investigation; Fresh Atlantic Salmon from Chile. U.S. Department of Commerce,* 62 Fed. Reg. 37,027 (July 10, 1997).

[12] *Id.*

[13] CR at I-3; PR at I-2.

C. Domestic Like Product Issues in These Investigations

In this section, we consider whether whole dressed fresh Atlantic salmon ("whole dressed salmon") and cuts of fresh Atlantic salmon constitute a single like product.[14] For the reasons discussed below, we find a single domestic like product, consisting of all products within the scope of investigation, including both whole dressed Atlantic salmon and salmon cuts.

Petitioners, the Coalition of Fair Atlantic Salmon Trade Alliance ("FAST") and eight member firms, argue that the Commission should find a single domestic like product.[15] They contend that fresh Atlantic salmon consists of a continuum of products and that there are no clear dividing lines among the whole dressed salmon and the various cuts of Atlantic salmon. Respondents, including the Asociacion de Productores de Salmon Y Trucha de Chile Ag, and various purchasers, including importers, have proposed two domestic like products, consisting respectively of whole dressed salmon and salmon cuts.[16] [17] None of the parties have argued for the adoption of a like product that is broader than the scope of investigation.

1. Physical Characteristics and Uses

As noted above, whole dressed salmon are complete gutted fish, with skin and bones intact, and usually with the head and tail still affixed when sold.[18] By contrast, salmon cuts are processed to nearly edible form with tail and head removed, and often times the bones and skin likewise are removed.[19] Fillets and steaks are the most common forms of salmon cuts, with fillets representing 60 percent of the salmon cuts shipped by domestic producers.[20] Despite the differences in appearance, whole dressed salmon and salmon cuts are similar in terms of the texture, taste, and color of the salmon meat of which they are composed. Both the whole dressed salmon and salmon cuts are also perishable, although the shelf life of the whole dressed salmon is longer than that of the salmon cuts, due largely to the protection provided by the skin covering the whole dressed salmon.[21]

Both whole dressed salmon and salmon cuts are ultimately destined for human consumption. Petitioners argue that both the whole dressed salmon and salmon cuts are purchased interchangeably for use in restaurants and for sale in groceries and specialty seafood stores. Respondents contend that there are distinct uses for salmon cuts and whole dressed salmon based on a number of factors, including relative freshness and convenience.

Although the respondents argue that cutting the whole dressed salmon into fillets, steaks, and other portions, gives rise to physical differences that go beyond mere differences in appearance, the basic use of

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[14] We base our domestic like product determination on the record in these investigations and are not bound by prior determinations concerning the same imported products. While we note that in the 1991 investigation in Fresh and Chilled Atlantic Salmon from Norway, Inv. No. 701-TA-302 (Final), USITC Pub.2371 (April 1991), the Commission concluded that there was a single like product consisting of only fresh and chilled Atlantic salmon, the scope of the investigation at that time was limited to whole dressed Atlantic salmon and did not include salmon cuts.

[15] Petitioners' Postconference Brief at pp. 2-3.

[16] Respondents' Postconference Brief at p.6.

[17] No information was provided by the parties regarding "minced, ground, or shredded salmon" cuts. The Commission will seek information regarding such products in any final phase investigations.

[18] CR at I-2, PR at I-2.

[19] CR at I-7, PR at I-4.

[20] CR at I-3; PR at I-2.

[21] CR at I-3; PR at I-2.

Atlantic salmon for human consumption is not altered in a material manner by the cutting process. Moreover, the Commission generally has been reluctant to conclude that differences in shape or size are sufficient alone to justify a finding of separate like products.[22]

2. Interchangeability; Producer and Customer Perceptions

Domestic producers were virtually unanimous in stating that whole salmon is interchangeable with salmon cuts and that their customers would not distinguish between the whole dressed salmon and salmon cuts except on the basis of price. Some domestic producers stated that they sell both whole dressed salmon and salmon cuts to the same customers.[23] According to respondents and several purchasers, the two products are not interchangeable as they are used largely for different purposes. In fact, several large grocery chains, restaurant associations, and other purchasers commented that they perceive fillets and other salmon cuts not to be interchangeable with whole dressed salmon and would not substitute one for the other.[24] They argue that purchasers, such as "white tablecloth" restaurants, that place a premium on freshness, buy the whole salmon. They further argue that some whole dressed salmon production goes to entirely independent uses such as smoking and freezing.[25]

The present record suggests that interchangeability may be limited for customers who place a premium on the availability of a convenient, ready to sell or prepared product. These customers apparently will not find a whole dressed salmon to be an acceptable substitute for salmon fillets or steaks.[26] The significance of this class of customers in terms of the proportion of total purchases of fresh Atlantic salmon is not clear, although it appears to be increasing in importance.[27] In any final phase investigations, we will explore the extent to which salmon cuts satisfy a newly created demand in the U.S. market, as well as collect additional information on the ability of purchasers to use salmon in its various forms.[28]

3. Channels of Distribution

The overwhelming majority of both whole dressed salmon and salmon cuts produced by the domestic industry is sold to regional distributors who then resell the salmon to groceries, fish vendors, restaurants, and other users. Domestic producers in 1996 shipped approximately 86 percent of their whole dressed salmon production to regional distributors with the remainder sold directly to end users.[29]

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[22] Steel Concrete Reinforcing Bars from Turkey, Inv. No. 731-TA-745, USITC Pub. 3034 at 5-6 (April 1997); Aramid Fiber from the Netherlands, Inv. No. 731-TA-652 (Final), USITC Pub. 2783 at 6 (June 1994); Polyethylene Terpthalate Film, Sheet, and Strip from Japan and the Republic of Korea, Inv. No. 731-TA-458-59, USITC Pub. 2382 at 8-10 (July 1993).

[23] Conference Transcript at 24; Petitioners' Postconference Brief at 11-12. This may also be an indication that whole dressed salmon and salmon cuts are perceived by customers to be distinct products.

[24] Darden Restaurants, which owns Red Lobster and The Olive Garden restaurants, stated that whole dressed salmon could not be substituted in its operations for salmon fillets, because their restaurants require a steady and reliable supply of ready to use salmon. According to Darden Industies, the restaurants do not possess the ability to cut whole dressed salmon into fillets or steaks, and thus can only use the salmon cuts. Respondents' Postconference Brief at Exhibit 2.

[25] Respondents' Postconference Brief at 20.

[26] CR at I-8-9; PR at I-5-6.

[27] Table IV-2, CR at IV-7, PR at IV-6.

[28] CR at III-5, PR at III-2.

[29] Figure I-1, CR at I-9, PR at I-6.

Virtually all domestically produced salmon cuts were shipped to regional distributors.[30] Thus, fairly uniform channels of distribution appear to exist for initial U.S. producer shipments of both whole dressed salmon and salmon cuts.[31] In any final phase investigations, we intend to explore further the role of regional distributors and any changes in the channels of distribution that may be occuring as new demand for existing, and relatively new, products increases.

4. Common Manufacturing Facilities, Employees and Methods

All forms of fresh Atlantic salmon are the product of a single production process that begins with the fertilization of salmon eggs and culminates in the harvesting of mature salmon from the ocean pens in which they are raised. The salmon are then dressed, which consists of slitting them lengthwise and removing their internal organs. This is where the production process ends for a whole dressed salmon. To this point in the production process, the production facilities, processes, and employees are identical for both whole dressed salmon and salmon cuts. To produce the fillets and steaks that comprise salmon cuts, an additional step is required. In the case of steaks, this step simply involves a crosswise cutting of the salmon without removal of the skin or bones. In the case of fillets, however, the process is more labor-intensive. Filleting requires the lengthwise cutting of the salmon into two slabs and the removal of the entire skeleton. The pin bones and skin are also often, but not always, removed.[32]

The capital required to establish a filleting line appears to be relatively modest when compared with the overall cost of producing whole dressed salmon. While the filleting of the salmon is labor-intensive, both the petitioners and respondents agreed that the total cost of the filleting process was approximately $.29 to $.39 per pound or between 7 and 22 percent of the cost of the finished fillet.[33] In any final phase investigations, we will further explore this issue, including the relative labor and capital costs and value-added by producers of each product.

5. Price

The available price information indicates that price differences between whole dressed salmon and salmon fillets, the only salmon cuts for which pricing was widely available, are fairly consistent over time. Prices for whole dressed salmon were almost uniformly lower than for salmon fillets.[34] Petitioners attribute this to the fact that approximately 30 percent of the weight of a whole dressed salmon consists of waste, *e.g.*, skin, bones, from converting the whole dressed salmon into fillets.[35] Respondents assert that the price differential is attributable to the value added in processing. An examination of available price data suggests that much, but not all, of the difference appears to result from the fact that virtually the entire weight of the fillet consists of useable salmon meat, whereas a significant portion of the weight of the whole dressed salmon consists of the inedible head, tail, skin, and bones. The similarity in price levels for whole salmon (when converted to an equivalent basis of edible salmon meat) and salmon cuts supports a finding

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[30] *Id.* We note that whole dressed salmon and cut salmon are subsequently shipped through more diverse channels before reaching the end-user. We intend to examine the relevance of this secondary distribution stage in any final phase investigations.

[31] While a higher percentage of imports of the subject merchandise consisting of salmon cuts, primarily fillets, were shipped directly to groceries and restaurants, a substantial majority of the subject imports were also shipped to regional distributors. Figure I-1, CR at I-9, PR at I-6.

[32] CR at I-6-7; PR at I-4-5.

[33] Petition Exhibit G-6; Conference Transcript at 113.

[34] *Compare* Tables V-1 and V-2, CR at V-10-11, PR at V-7-8, with Table V-3, CR at V-12, PR at V-9.

[35] CR at I-10; PR at I-7.

of a single like product in these preliminary investigations. In any final phase investigations, we intend to collect information on the extent to which price differences between whole dressed salmon and salmon cuts represent distinctions between these products, and whether price competition exists between the whole dressed salmon and salmon cuts, when considered on an equivalent basis of edible salmon meat.

6. Conclusion

Evidence in these preliminary phase investigations supports a finding of a single like product, including whole dressed salmon and the different cuts of salmon.[36] While physical differences between whole dressed Atlantic salmon and salmon cuts may give rise to limited interchangeability, we believe the similarities outweigh the differences.[37]

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[36] As the discussion above indicates, we have relied principally on a traditional like product analysis in these investigations. However, the Commission may consider, where appropriate, the like product using a vertical, finished/semi-finished product analysis because the production process for fresh Atlantic salmon fillets could be viewed as a continuum, with whole dressed Atlantic salmon at the "unprocessed" stage and salmon fillets at the "most processed" stage. See Cut-to-Length Steel Plate from China, Russia, South Africa, and Ukraine, Inv. Nos. 731-TA-753-756 (Preliminary), USITC Pub. 3009 (Dec. 1996) at 6 n.25. Under this analysis, we examine (1) whether the upstream article is dedicated to the production of the downstream article or has independent uses; (2) whether there are perceived to be separate markets for the upstream and downstream articles; (3) differences in the physical characteristics and functions of the upstream and downstream articles; (4) differences in the costs or value of the vertically-differentiated articles; and (5) significance and extent of the processes used to transform the upstream into the downstream articles.

Under this analysis, we would also determine in these preliminary phase investigations that the sole like product is fresh Atlantic salmon, including both whole dressed salmon and salmon cuts. Whole dressed salmon are frequently used to produce salmon cuts, and although they are often sold through distributors to restaurants and other retail outlets as whole salmon, those restaurants and seafood stores cut the salmon into fillets and steaks. CR at I-9-10; PR at I-5-6; Table III-2, CR at III-11, PR at III-7; CR at III-5, PR at III-2. Thus, the evidence in these preliminary phase investigations indicates that whole dressed salmon is largely dedicated to use in producing salmon cuts. Moreover, both salmon cuts and whole dressed salmon are sold to regional distributors and, as discussed above, share many physical characteristics although they differ in appearance and degree of perishability. However, while the processing of whole salmon into fillets and steaks is a fairly simple operation, the value added is estimated to range between 7.5 and 22 percent. Petitioners' Postconference Brief at exhibit 11; Respondents' Postconference Brief at exhibit 15. We believe that, on balance, consideration of the above factors supports a finding of a single like product, including both whole dressed salmon and salmon cuts.

We will consider additional arguments by the parties and data pertaining to the vertical analysis in any final phase investigations.

[37] The Commission generally has not found differences in physical characteristics, which do not alter the essential nature of the product, to be sufficient to create distinct like products, particularly where only basic mechanical processes, such as cutting and grinding, are involved. See, e.g., Dry Film Photoresists from Japan, Inv. No. 731-TA-622, USITC Pub. 2630 (April 1993) (majority finding that slit and unslit photoresist to be part of the same like product); Manganese Metal from the People's Republic of China, Inv. No. 731-TA-724, USITC Pub. 2844 (Dec. 1994) at I-7, n.15 (mechanical grinding process found not to be significant and insufficient to establish separate like product). The Commission also has generally declined to find separate domestic like products based solely on differences in size or shape. Steel Concrete Reinforcing Bars from Turkey, Inv. No. 731-TA-745, USITC Pub. 3034 (April 1997); Certain Seamless Carbon and Alloy Standard, Line, and Pressure Steel Pipe from Argentina, Brazil, Germany, and Italy, Inv. Nos. 701-TA-362 and 731-TA- 707-710 (Final), USITC Pub. 2910 at I-8 (July 1995) (Commission found "no clear dividing line between pipe two inches or less and pipe greater than two inches outside diameter." Moreover, Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to

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Although respondents have alleged that there are distinct uses for salmon cuts and whole Atlantic salmon and that customers, as a result, have different perceptions of the articles, distinct end uses generally have not been the sole basis for finding separate like products.[38] Because of the limited information in the current record regarding interchangeability, distinct end uses for whole dressed salmon and salmon cuts, head-to-head price competition, value-added in the processing of cuts, and the rapid growth in domestic consumption of salmon cuts, we will seek additional information on these like product factors in any final phase investigations and give careful consideration to whether there are one or two like products.

D. Domestic Industry and Related Parties

1. Definition of the Industry

The Commission is directed to consider the impact of the subject imports on the domestic industry, defined as "the producers as a [w]hole of a domestic like product."[39] In defining the domestic industry, the Commission's general practice has been to include in the industry all producers of the domestic like product, including toll producers, whether the product is captively consumed, or sold in the domestic merchant market.[40] In these investigations, we find that the domestic industry consists of all domestic producers of fresh Atlantic salmon including those firms that cut whole dressed salmon into salmon cuts, such as fillets and steaks.[41]

In deciding whether a firm qualifies as a domestic producer, we examine the overall nature of a firm's production-related activities in the United States.[42] In these preliminary phase investigations, we

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[37] (...continued)
the conclusion that the imported product and domestic article are not 'like' each other." S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

[38] Polyethylene Terephthalate Film, Sheet, and Strip from Japan and the Republic of Korea, USITC Pub. 2383 at 8 (May 1991); Professional Electric Cutting and Sanding/Grinding Tools from Japan, Inv. No. 731-TA-571 (Final), USITC Pub. 2658 at 8-10, and 49-51 (July 1993).

[39] 19 U.S.C. §1677(4)(A).

[40] *See* United States Steel Group v. United States, 873 F. Supp. 673, 682-83 (Ct. Int'l Trade 1994), *aff'd*, 96 F.3d 1352 (Fed. Cir. 1996); Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, from Germany and Japan, Inv. Nos. 731-TA-736 and 737 (Final), USITC Pub. 2988 (Aug. 1996) at 7-8.

[41] For purposes of these preliminary investigations, Chairman Miller defines the domestic industry to include those producers that grow, harvest, and process fresh Atlantic salmon in all of its various cut forms. She does not include in the domestic industry firms (generally processors or toll producers) that perform solely the cutting of salmon into whole, dressed or cut products. She intends to carefully examine in any final phase investigations the operations of these firms in terms of their levels of capital investment, employment, technical expertise dedicated to cutting of salmon, and value-added, to assess whether these operations are sufficient to constitute domestic production of fresh Atlantic salmon.

[42] The Commission has examined six specific factors in this regard: (1) the extent and source of a firm's capital investment; (2) the technical expertise involved in U.S. production activity; (3) the value added to the product in the United States; (4) employment levels; (5) the quantities and types of parts sourced in the United States; and (6) any other costs and activities in the United States leading to production of the like product, including where production decisions are made. Cut-to-Length Carbon Steel Plate from China, Russia, South Africa, and Ukraine, Inv. No. 731-TA-753-756 (Preliminary), USITC Pub. 3009 (December 1996) at 8 n.38. The Commission has emphasized that no single factor--including value added--is determinative and that value added information becomes more meaningful when other indicia of production activity are taken into account. See, e.g., Compact
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have found that the toll producers and other processors that dress the salmon, dress and cut the salmon, or only cut the salmon are domestic producers of the like product.[43] Our decision is based on the limited information that we have on the role of processors in production, as well as the limited information in the record relating to the cutting process. We will seek more information on the nature of their contribution to production of the like product in any final phase investigations.[44]

2. Related Parties

Connors Aquaculture, Maine Aquafoods, Inc., and Stolt Sea Farm Maine, Inc., either are importers of the subject merchandise or are related through common ownership with importers or foreign producers of the subject merchandise, and therefore are related parties.[45] The Commission may exclude these producers from the domestic industry if "appropriate circumstances" exist.[46]

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[42] (...continued)
Ductile Iron Waterworks Fittings and Parts Thereof from the People's Republic of China, Inv. No, 731-TA-621 (Final), USITC Pub. 2671 at 23 (Aug. 1993).

[43] Once Atlantic salmon is harvested, two separate cutting operations may be performed. The first, which involves dressing the salmon by bleeding and gutting it, is performed on virtually all salmon either by the salmon farmer or by a toll producer. CR at I-6, PR at I-4. The dressing process is comparatively quick and not demanding in terms of either capital or labor resources. Whole dressed salmon may also be cut into fillets, steaks, and other types of cuts. Such processing, while more labor-intensive than dressing the salmon, does not involve a substantial capital investment, but information in the record is mixed regarding the amount of value added in the process. The petitioners estimate the value added to be approximately 7.5 percent. Petitioners' Postconference Brief at Exhibit 11, Petition at Exhibit G-6. The respondents indicate that the value added is as high as 22 percent. Conference Transcript at 113; Letter from Respondents dated July 1, 1997, at Appendix E. Relatively few of the domestic salmon farmers are vertically integrated with respect to the processing of the dressed Atlantic salmon into fillets. Instead, some of the salmon farmers contract with tollers to fillet the salmon, while others sell it outright to processors.

[44] The limited data received from processors were not useable and their inclusion in the domestic industry has not affected our determination respecting a reasonable indication of material injury by reason of allegedly subsidized and LTFV imports from Chile.

[45] CR at III-2-5, PR at III-1-2. Connors and Heritage Salmon, Inc., an importer and distributor of the subject imports *** as are a Chilean salmon producer and exporter. Stolt is *** and Maine Aquafoods has a majority ownership interest in a Chilean salmon producer. A producer is a related party if the partial owner directly or indirectly controls its operation or if the producers directly or indirectly control the exporters or importers. See 19 U.S.C. 1677(4)(B)(ii). Neither the statute nor the legislative history establishes a numerical percentage requirement for determining control. We believe the situations of both Connors Aquaculture and Maine Aquafoods indicate sufficient evidence of control to treat Connors Aquaculture and Maine Aquafoods, as well as Stolt, as related parties.

[46] Factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the percentage of domestic production attributable to the importing producer; the reason the U.S. producer has decided to import the product subject to investigation; whether inclusion or exclusion of the related party will skew the data for the rest of the industry; the ratio of import shipments to U.S. production for related producers; and whether the primary interest of the related producer lies in domestic production or importation. *See, e.g.*, Torrington Co. v. United States, 790 F. Supp. 1161 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993). *See also* Open-End Spun Rayon Singles Yarn from Austria, Inv. No. 731-TA-751 (Preliminary), USITC Pub. 2999 at 7 n.39 (Oct. 1996).

Stolt imported subject merchandise from Chile ***. Although Stolt accounts for *** percent of domestic production volume, Stolt's subject imports were equal to ***.[47] Connors Aquaculture, accounted for *** percent of domestic production of dressed Atlantic salmon and *** percent of reported U.S. production of salmon cuts during 1996.[48] Connors' salmon imports from Chile during 1996 ***.[49] Maine Aquafoods, on the other hand, did not import fresh Atlantic salmon from Chile during the period of investigation and accounted in 1996 for *** percent of domestic production.[50]

Although two of the three related domestic producers are involved, directly or indirectly, in *** import activities, we believe that certain considerations justify their retention in the domestic industry for purposes of these preliminary determinations. While the three producers each individually account for significant amounts of domestic industry production and U.S. shipments of fresh Atlantic salmon, in the preliminary phase of these investigations we are reluctant to exclude them from the domestic industry absent an indication that they have benefitted financially from their importation of the subject merchandise or their relationship with importers or foreign producers of the subject merchandise.[51] Because none of the related parties appears to have derived a significant benefit vis-a-vis the rest of the domestic industry from their relationship with a foreign producer or its importation, we have determined not to exclude any producers from the domestic industry. In any final phase investigations, the Commission will seek all relevant information pertaining to such relationships, the effect of such relationships on company operations, and whether the interests of any of these producers is primarily in domestic production of the like product or in importation of the subject product.

III. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of allegedly LTFV and subsidized imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[52] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[53]

Several conditions of competition are pertinent to our analysis of the domestic industry.[54] First, demand in the U.S. market for fresh Atlantic salmon expanded rapidly during the period of investigation with apparent domestic consumption increasing from 100.5 to 156.0 million pounds between 1994 and

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[47] CR at III-3; PR at III-1.

[48] CR at III-3: PR at III-1.

[49] CR at III-4; PR at III-1.

[50] CR at III-4, PR at III-2.

[51] The record indicates that there is extensive cross-owership between U.S. and foreign firms in general and between foreign firms and Connors Aquaculture and Stolt, in particular. In any final phase investigations, we intend to examine the significance of such cross-ownership on related parties.

[52] 19 U.S.C. § 1677(7)(C)(iii).

[53] Id.

[54] Commissioner Crawford joins her colleagues in this investigation in a discussion of the "condition of the industry" even though she does not make her determination based on industry trends. Rather, she views the discussion as a factual recitation of the data collected concerning the statutory impact factors.

1996, or by 55 percent.[55] The expansion in domestic consumption was fueled by almost equal growth in demand for whole dressed salmon and salmon fillets in both established and new markets.[56] Apparent consumption for each salmon category grew by approximately 25 million pounds over the period of investigation. Although the rate of growth for fillets was significantly higher, this increase was from a base which was only 20 percent of that for whole dressed salmon in 1994. At the end of the period of investigation, total U.S. shipments of whole dressed Atlantic salmon produced by both domestic and foreign producers were still more than double the volume of shipments of salmon cuts.[57] Second, the three year cycle, from fertilized egg to mature, harvestable adult Atlantic salmon, places significant constraints on the flexibility of salmon producers to respond to changes in market demand.[58] A third condition of competition is the availability of non-subject imports from Canada and elsewhere.[59] [60]

The quantity of apparent U.S. consumption of fresh Atlantic salmon rose from 100.5 million pounds in 1994 to 128.1 million pounds in 1995 and to 156.0 million pounds in 1996, for a total increase of 55.2 percent.[61] [62] Apparent consumption was higher, 44.1 million pounds in the interim period of 1997 than in the interim period of 1996 when it equaled 40.4 million pounds. During the same period, U.S. producers' share of consumption rose from 18.0 percent in 1994 to 21.1 percent in 1995, and then declined to 18.2 percent in 1996.[63] U.S. producers' share of domestic consumption was 18.3 percent in interim 1997 compared to 16.3 percent in interim 1996.

The domestic industry's capacity to produce whole dressed salmon increased from 34.7 million pounds in 1994 to 45.8 million pounds in 1995, then rose to 50.0 million pounds in 1996, an overall increase of 44.3 percent.[64] Capacity was higher in interim 1997 at 13.6 million pounds than the 12.4 million pounds in interim 1996. The industry's production volume rose from 18.6 million pounds in 1994 to 29.6 million pounds in 1995 and to 31.0 million pounds in 1996, a total increase of 66.7 percent. Production volume was also higher at 8.3 million pounds in interim 1997 compared to 7.1 million pounds in interim 1996. Capacity utilization rose from 53.6 percent in 1994 to 64.6 percent in 1995, then fell to 62.0 percent in 1996.[65] Capacity utilization was slightly higher, at 61.3 percent, in interim period 1997 than in the comparable period of 1996, when it was 56.9.[66]

The domestic industry's total U.S. shipments of fresh Atlantic salmon, by volume, increased from 18.1 million pounds in 1994 to 27.0 million pounds in 1995, then rose to 28.5 million pounds in 1996, for

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[55] Table IV-5, CR at IV-12, PR at IV-6.

[56] *Compare* Table IV-6,CR at IV-13, PR at IV-10 *with* Table IV-7,CR at IV-14, PR at IV-10.

[57] *Id.*

[58] CR at II-2, PR at II-1-2.

[59] Table IV-5, CR at IV-12, PR at IV-9.

[60] Commissioner Crawford intends to examine the importance of cross-ownership and the general internationalization of this market to competition in the United States.

[61] Table IV-5, CR at IV-12, PR at IV-9.

[62] Processors that dress whole salmon and firms that process whole dressed salmon into fillets and other salmon cuts did not provide useable information. Therefore, the following discussion of the condition of the industry does not contain information pertaining to companies that perform these operations. We will seek information from these entities in any final phase investigations.

[63] Table IV-5, CR at IV-12, PR at IV-9.

[64] Table III-1, CR III-8, PR at III-4.

[65] Table III-1; CR at III-8, PR at III-4.

[66] We note that the capacity and production increases are somewhat overstated because the capacity and production of the firms that changed ownership during the period for which data were collected were only reported by the current and not the prior owners. We will seek complete data on this issue in any final phase investigations.

an overall increase of 57.4 percent. Those shipments were also higher in interim 1997 at 8.0 million pounds than in interim 1996 when they equaled 6.6 million pounds.[67] The industry's total U.S. shipments by value rose from $47.8 million in 1994 to $67.2 million in 1995, then fell to $64.2 million in 1996, for a total increase of 34.2 percent. The value of shipments in interim 1997, $16.6 million, however, was higher than the $15.1 million during interim 1996.[68] [69]

The average number of production and related workers employed by the domestic industry producing fresh Atlantic salmon increased from 296 in 1994 to 405 in 1995 and to 441 in 1996, an overall increase of 49 percent.[70] The number of workers was also higher at 390 in interim 1997 than in interim 1996 when the total number of workers was 380. Hours worked increased from 600,000 in 1994 to 742,000 in 1995, then rose to 805,000 in 1996.[71] Hours worked were also higher, at 204,000 hours, in interim 1997 than in interim 1996 when they totaled 175,000 hours. Wages paid rose from $7.0 million in 1994 to $8.5 million in 1995 and $9.2 million in 1996.[72] Total wages of $2.4 million were also approximately 14 percent higher in interim 1997 than in interim 1996. Productivity rose from 31.5 pounds per hour in 1994 to 39.9 pounds per hour in 1995, then fell slightly to 38.5 pounds per hour in 1996. Productivity remained relatively constant in both interim periods.[73] Unit labor costs declined from $0.37 per pound in 1994 to $0.29 per pound in 1995 and held relatively steady at $0.30 per pound in 1996, and during the interim periods.[74]

The domestic industry's net sales of fresh Atlantic salmon by volume rose from 17.3 million pounds in 1994 to 27.5 million pounds in 1995 and to 30.2 million pounds in 1996, an overall increase of 75.0 percent. Net sales were also higher in interim 1997 at 8.3 million pounds than in interim 1996 when net sales were 7.1 million pounds.[75] Net sales value rose from $45.8 million in 1994 to $67.1 million in 1995, then increased to $67.6 million in 1996, for an overall increase of 47.8 percent. Net sales value was also higher at $17.3 million in interim 1997 compared to $16.1 million in interim 1996.[76] Unit sales value declined from $2.65 in 1994 to $2.44 in 1995 and to $2.24 in 1996.[77] Moreover, the interim 1997 unit sales value of $2.07 was also lower then the interim 1996 sales value of $2.27. The domestic industry's profitability declined over the period of investigation as average unit values fell. Gross profits rose from $8.8 million in 1994 to $14.6 million in 1995, then fell sharply to $5.6 million in 1996, a total decline of nearly 37 percent.[78] Gross profits were also lower at $1.4 million in interim 1997 when compared to $2.4 million in interim 1996. Operating income followed the same pattern, rising from $4.5 million in 1994 to $9.6 million in 1995, then becoming an operating loss of $677,000 in 1996, for an overall decline of over

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[67] Table III-2, CR at III-11, PR at III-7.

[68] Table III-2, CR at III-11, PR at III-7.

[69] The perishability of whole dressed fresh Atlantic salmon does not permit the domestic industry to maintain inventory of the domestic like product.

[70] Table III-3, CR at III-15, PR at III-10.

[71] *Id.*

[72] *Id.*

[73] Table III-3, CR at III-15, PR at III-10.

[74] Table III-3, CR at III-15, PR at III-10.

[75] Table VI-1 CR at VI-2 PR at VI-2.

[76] Table VI-1, CR at VI-2, PR at VI-2.

[77] Table VI-1, CR at VI-2, PR at VI-2.

[78] Table VI-1 , CR at VI-2, PR at VI-2.

100 percent between 1994 and 1996.[79] Operating income was $571,000 in the first quarter of 1996 compared to a loss of $304,000 in the comparable period of 1997. The industry's operating income margin rose from 9.8 percent in 1994 to 14.2 percent in 1995, then fell to a negative 1 percent in 1996. Similarly, whereas the domestic industry in interim 1996 showed an operating income, in interim 1997 the industry experienced an operating loss.[80] Unit COGS were reduced by 3.7 percent overall, from $2.14 in 1994 to $1.91 in 1995 and $2.06 in 1996.[81] Unit COGS were also slightly lower in interim 1997 at $1.90 per pound compared to $1.93 per pound in interim 1996. Unit SG&A expenses fell from $0.25 in 1994 to $0.18 in 1995, then rose to $0.21 in 1996, for an overall decline of 16 percent.[82]

The value of U.S. producers' fixed assets rose from 1994 to 1996, both in terms of original cost and book value, reflecting both new or upgraded facilities and the revaluation of facilities purchased during the period of investigations.[83] The industry's capital expenditures first rose and then declined, increasing from $3.5 to $12.5 million between 1994 and 1995, and then declining to $8.3 million in 1996.[84] Capital expenditures were also lower at $1.4 million in interim 1997 when compared to $2.7 million in interim 1996.[85] The domestic industry reported relatively constant research and development expenses over the period.[86]

IV. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS

In preliminary antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the allegedly subsidized and LTFV imports under investigation.[87] In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[88] Although the Commission may consider causes of injury to the industry other than the allegedly subsidized and LTFV imports,[89] it is not to weigh causes.[90] [91]

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[79] Table VI-1, CR at VI-2, PR at VI-2.

[80] Table VI-1, CR at VI-2, PR at VI-2.

[81] Table VI-1, CR at VI-2, PR at VI-2.

[82] Table VI-2, CR at VI-3, PR at VI-3.

[83] Table VI-5, CR at VI-11, PR at VI-6. The book value of fixed assets increased from $20.8 to $31.4 million between 1994 and 1996 and increased further between the interim periods in 1996 and 1997 from $31.4 to $32.8 million. *Id.*

[84] Table VI-5, CR at VI-11, PR at VI-6.

[85] *Id.*

[86] Table VI-5, CR at VI-11, PR at VI-6. Only one domestic producer reported research and development expenses.

[87] 19 U.S.C. §§ 1671b(a) and 1673b(a). The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant." 19 U.S.C. § 1677(7)(A).

[88] 19 U.S.C. § 1677(7)(B)(I). The Commission "may consider such other economic factors as are relevant to the determination," but shall "identify each [such] factor . . . and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[89] Alternative causes may include the following:

> [T]he volume and prices of imports sold at fair value, contraction in demand or changes in patterns of

(continued...)

For the reasons discussed below, we determine that there is a reasonable indication that the domestic industry producing fresh Atlantic salmon is materially injured by reason of the subject imports from Chile.

1. Volume of the Subject Imports

The volume of subject imports of fresh Atlantic salmon rose by 87 percent over the period of investigation, from 37.6 million pounds in 1994 to 49.3 million pounds in 1995 and to 70.3 million pounds in 1996. The volume of subject imports, however, was lower in the interim period of 1997 than in the 1996 interim period, 15.7 million pounds as compared to 17.9 million pounds.[92] Measured by value, the subject imports increased somewhat less rapidly, rising by 57 percent from $85.7 million in 1994 to $106.2 million in 1995 and to $134.5 million in 1996. The value of shipments during the interim period of 1997, $29.7 million, was similarly lower than the $33.7 million in interim 1996.[93] The market share of the subject imports by volume rose from 37.4 percent in 1994 to 38.5 percent in 1995, then increased to 45.1

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[89] (...continued)
consumption, trade, restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry.

S. Rep. No. 249, 96th Cong., 1st Sess. 74 (1979). Similar language is contained in the House Report. H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979).

[90] *See, e.g.,* Gerald Metals, Inc. v. United States, Slip Op. 96-142 at 12 (Ct. Int'l Trade, Aug. 21, 1996); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988).

[91] For a detailed description of Commissioner Crawford's analytical framework, *see* Polyvinyl Alcohol from China, Japan, and Taiwan, Inv. Nos. 731-TA-726, 727, and 729 (Final), USITC Pub. 2960 at 25-26 (May 1996). Both the Court of International Trade and the United States Court of Appeals for the Federal Circuit have held that the "statutory language fits very well" with Commissioner Crawford's mode of analysis, expressly holding that her mode of analysis comports with the statutory requirements for reaching a determination of material injury by reason of the subject imports. United States Steel Group v. United States, 96 F.3d 1352, 1361 (Fed. Cir. 1996), *aff'g* 873 F. Supp. 673, 694-95 (Ct. Int'l Trade 1994). Commissioner Crawford notes that the statute requires that the Commission determine whether a domestic industry is "materially injured by reason of" the allegedly subsidized and LTFV imports. She finds that the clear meaning of the statute is to require a determination of whether the domestic industry is materially injured by reason of subsidized and LTFV imports, not by reason of the subsidized and LTFV imports among other things. Many, if not most, domestic industries are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently are causing material injury to the domestic industry. It is assumed in the legislative history that the "ITC will consider information which indicates that harm is caused by factors other than less-than-fair-value imports." S. Rep. No. 249, 96th Cong., 1st Sess. 75 (1979). However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. Id. at 74; H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979). The Commission is not to determine if the subsidized and LTFV imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 96-249 at 74 (1979). Rather, it is to determine whether any injury "by reason of" the subsidized and LTFV imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. "When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry." S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis added).

[92] Table IV-1, CR at IV-3, PR at IV-2.

[93] Table IV-1, CR at IV-3, PR at IV-2.

percent in 1996.[94] Subject import market share was lower, 35.7 percent, in interim 1997 than in the interim period of 1996 when it was 44.2 percent.[95] [96]

Based on the rising volume and market share of the subject imports and the extent to which subject imports captured virtually all of the increase in apparent domestic consumption between 1995 and 1996, we find both the volume of subject imports and the increase in that volume over the period of investigation to be significant.

2. Price Effects of the Subject Imports [97]

The record in these investigations indicates that price is an important factor in purchasing decisions in the market for fresh Atlantic salmon, and that imports and the domestic like product are reasonably good substitutes for each other.[98]

During the period of investigation, U.S. producers' prices for both whole dressed Atlantic salmon and salmon cuts declined. Prices for whole dressed salmon declined erratically during 1995, but then moved steadily downward during 1996 and continued to decline in the first calendar quarter of 1997.[99] Prices for whole dressed salmon deteriorated by approximately 14 percent to a level of between $2.11 to $2.27 per pound in January 1997 from a price range of $2.55 to $2.67 per pound in January 1995. Prices for domestic producers' salmon fillets declined in a similar manner. Fillet prices dropped by approximately

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[94] Table IV-5, CR at IV-12, PR at IV-6.

[95] *Id.*

[96] Commissioner Crawford joins only in the factual discussion of the volume of imports. She does not rely on any analysis of trends in the market share of subject imports and other factors in her determination of material injury by reason of allegedly dumped or subsidized imports. She makes her finding of the significance of volume in the context of the price effects and impact of these imports, given the conditions of competition. For the reasons discussed below, she finds that the volume of subject imports is significant in this investigation.

[97] To evaluate the effects of the alleged dumping, or alleged subsidy, on domestic prices, Commissioner Crawford compares domestic prices that existed when the imports were dumped, or subsidized, with what domestic prices would have been if the subject imports had been fairly traded. In most cases, if the subject imports had not been traded unfairly, their prices in the U.S. market would have increased. In these investigations, the alleged dumping margins for subject imports are relatively high and there are a large number of alleged subsidy programs. Thus subject imports likely would have been priced higher had they been fairly traded. Subject imports, domestic fresh Atlantic salmon and nonsubject imports all appear to be fairly good substitutes, although I intend to examine substitutability very closely in any final phase investigations, particularly with regard to new demand and product mix. Thus, at least a portion of the demand for subject imports likely would have shifted to nonsubject and domestic producers, had subject imports been fairly traded. Nonsubject imports appear to have a moderate elasticity of supply, based in part on the internationalization of the fresh Atlantic salmon market, which suggests that increased amounts of nonsubject imports could be diverted from other markets. The domestic industry, however, appears to have a lower elasticity of supply, based on the production life cycle of the domestic industry. Nonetheless, since subject imports held a market share of 45.1 percent by quantity in 1996 and nonsubject supply elasticity appears to be only moderate, the shift in demand away from subject imports and towards the domestic like product would have been significant, had subject imports been fairly traded. (Table IV-5, CR at IV-12, PR at IV-9) Because the domestic industry has only a limited ability to increase supply in response to higher demand, the domestic industry would have been able to increase its prices significantly, had subject imports been fairly traded. Consequently, Commissioner Crawford finds that in these preliminary phase investigations, there is a reasonable indication that subject imports are having significant effects on prices for domestic fresh Atlantic salmon.

[98] CR at II-7, PR at II-5.

[99] Tables V-1 and V-2; CR at V-10-11, PR at V-7-8.

*** percent to a range between $*** and $*** in January 1997, from a price range between $*** and $*** in January 1995.[100] These price declines occurred despite rapidly rising domestic consumption, that, all other things being equal, might have been expected to result in higher or at least steady prices.

Subject imports undersold the comparable domestic product in 157 out of 162 possible quarterly price comparisons, for a total of 96.9 percent of such comparisons, with margins of underselling ranging from 1.2 to 32.7 percent.[101] Underselling was most pronounced with respect to subject imports of fresh Atlantic salmon fillets, which undersold the domestic fillets by 11.3 to 33.3 percent, with an average of 25.7 percent.[102] The average margin of underselling for Chilean whole salmon was 10.2 percent.[103] In light of the importance of price in purchasing decisions,[104] the significant underselling by the subject imports and the rapidly declining prices for both whole dressed salmon and salmon fillets, we find that the subject imports have depressed domestic producers' prices for fresh Atlantic salmon to a significant degree.

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[100] Table V-3, CR at V-12, PR at V-9.

[101] CR at V-18; PR at V-12.

[102] *Id.*

[103] *Id.*

[104] Although it appears that the domestic like product has a reputation for greater freshness, both importers and domestic producers reported that few customers were willing to pay a price premium for a fresher product. CR at II-7, PR at II-5.

3. Impact of the Subject Imports on the Domestic Industry[105] [106] [107]

The large volume of low-priced subject imports from Chile had several adverse effects on the domestic industry over the period of investigation. Although the domestic industry's production and shipments did increase, the domestic industry was not fully able to benefit from the production capacity it added in the expectation of market growth. Accordingly, 1996 capacity utilization declined as production levels were constrained by subject imports.[108] In fact, between 1995 and 1996, when the market share of

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[105] The statute specifies that the Commission consider "the magnitude of the margin of dumping" in its evaluation of the impact of imports on the domestic industry. 19 U.S.C. § 1677(7)(C)(iii)(V); see also, 19 U.S.C. § 1677(35)(C); URAA Statement of Administrative Action ("SAA"), H.R. Doc. 316, 103rd Cong., 2nd Sess., vol. 1, at 850. New section 771(35)(C), defines the "margin of dumping" to be used by the Commission in a preliminary determination as the margin or margins published by Commerce in its notice of initiation. In its notice of initiation, Commerce found the weighted-average dumping margin to be 41.78 percent based on price to constructed value comparisons. 62 Fed. Reg. 37,027, 37,029 (July 10, 1997). The statute contains no comparable provision requiring the Commission to consider the nature or magnitude of the alleged subsidies in the context of its present material injury analysis in the countervailing duty investigations. SAA at 850.

[106] As previously stated, Commissioner Crawford does not evaluate impact based on trends in statutory impact factors. In her analysis of material injury by reason of alleged dumped, or alleged subsidized, imports, Commissioner Crawford evaluates the impact of subject imports on the domestic industry by comparing the state of the industry when the imports were dumped, or subsidized, with what the state of the industry would have been had the imports been fairly traded. In assessing the impact of the subject imports on the domestic industry, she considers, among other relevant factors, output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors as required by 19 U.S.C. § 1677(7)(C)(iii). These factors together either encompass or reflect the volume and price effects of the allegedly dumped and subsidized imports, and so she gauges the impact of the dumping, or subsidy, through those effects. In this regard, the impact on the domestic industry's prices, sales and overall revenues is critical, because the impact on the other industry indicators (e.g., employment, wages, etc.) is derived from this impact. As noted above, there is a reasonable indication that the domestic industry would have been able to increase its prices significantly if subject imports had been sold at fairly traded prices. The impact of the allegedly dumped or subsidized imports on the domestic industry would have also been on the domestic industry's sales. Had subject imports been fairly priced, supply restrictions would have prevented the domestic industry from increasing its output significantly in response to a shift in demand away from subject imports to the domestic product. Accordingly, the domestic industry likely would not have increased its output significantly. However, as discussed above, the domestic industry would have been able to increase its prices, and therefore its revenues, significantly had subject imports been fairly priced. Consequently, the domestic industry likely would have been materially better off if subject imports had been fairly traded. Therefore, Commissioner Crawford determines that there is a reasonable indication that the domestic industry producing fresh Atlantic salmon is materially injured by reason of allegedly subsidized and LTFV imports of fresh Atlantic salmon from Chile.

[107] Vice Chairman Bragg notes that she does not ordinarily consider the margin of dumping to be of particular significance in evaluating the effects of subject imports on domestic producers. *See* Separate and Dissenting views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731(Final), USITC Pub. 2968 (June 1996).

[108] Table III-1, CR at III-8, PR at III-4.

subject imports increased most dramatically, such imports significantly constrained the growth in both domestic producers' production and shipments.[109] [110]

Thus, while the volume of the industry's production and domestic shipments increased throughout the period, the rate of increase slowed virtually to a stop in 1996,[111] as subject imports surged by 42.6 percent.[112] The quantity of U.S. shipments by domestic producers, in contrast, increased by only 5.3 percent in the same period[113] as subject imports captured virtually all of the 1996 increase in domestic consumption. As subject imports increased their market presence, U.S. producers also experienced a decline in the value of domestic shipments. Between 1995 and 1996, the value of domestic producers' shipments declined from $67.2 to $64.2 million, or by 4.6 percent.[114]

Although domestic producers reduced production costs, prices declined at a rate significantly greater than their cost reductions. The depressed prices translated directly to the industry's bottom line as both profit margins and operating income fell sharply despite these reductions in costs, coincident with the surge in subject imports in 1996. By the end of 1996, a majority of the domestic industry reported operating losses.[115]

Given these largely declining results and, in particular, the significant financial reversal suffered by the industry in 1996, we conclude that the significantly increased volumes of the lower-priced subject imports depressed domestic prices and caused a reduction in revenues, profits, and capital expenditures. Accordingly, we find a reasonable indication that the domestic industry producing fresh Atlantic salmon is materially injured by reason of subject imports.

CONCLUSION

For the foregoing reasons, we determine that there is a reasonable indication that the domestic industry producing fresh Atlantic salmon is materially injured by reason of allegedly subsidized and LTFV imports from Chile.

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[109] Table IV-5, CR at IV-12, PR at IV-9. The domestic industry's market share declined from 21.1 percent in 1995 to 18.2 percent in 1996. The market share of non-subject imports also declined, falling from 40.4 to 36.7 percent between 1995 and 1996.

[110] Respondents argue that the degree of competition between subject imports and the domestic like product is limited because subject imports are increasingly concentrated in salmon cuts, particularly fillets, which respondents contend the domestic industry is incapable of supplying in significant quantities. Respondents' Postconference Brief at 26-27. We will seek more information regarding the existence of different markets in any final phase investigations. We note that while market demand for salmon cuts increased, both in absolute and relative terms, at a greater rate than whole dressed salmon during 1996, the volume and market share of subject imports of whole dressed salmon continued to increase in 1996. Tables IV-2 and IV-6, CR at IV-7 and IV-13, PR at IV-6 and IV-10.

[111] Table IV-2, CR at IV-7, PR at IV-6.

[112] *Id.*

[113] *Id.*

[114] Table IV-2, CR at IV-8, PR at IV-6.

[115] Table VI-1, CR at VI-2, PR at VI-2.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed by the Coalition for Fair Atlantic Salmon Trade (FAST) and eight individual members of FAST[1] on June 12, 1997, alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports of subsidized and less-than-fair-value (LTFV) imports of fresh or chilled Atlantic salmon[2] from Chile. Information relating to the background of the investigations is provided below.[3]

Date	*Action*
June 12, 1997	Petition filed with Commerce and the Commission;[4] institution of Commission investigations (62 F.R. 33678, June 20, 1997)
July 3, 1997	Commission's conference[5]
July 9, 1997	Commerce's notice of initiation of countervailing duty investigation (62 F.R. 36772)
July 10, 1997	Commerce's notice of initiation of antidumping duty investigation (62 F.R. 37027)
July 24, 1997	Commission's vote
July 28, 1997	Commission determination transmitted to Commerce

SUMMARY DATA

A summary of data collected in the investigations is presented in appendix C. Data concerning all fresh Atlantic salmon, dressed fresh Atlantic salmon, and cuts of fresh Atlantic salmon are presented in tables C-1, C-2, and C-3, respectively. Except as noted, U.S. industry data are based on questionnaire responses of 13 firms that accounted for virtually all U.S. production of fresh Atlantic salmon during 1996. U.S. imports are based on official U.S. import statistics and 22 U.S. importer questionnaire responses.

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[1] The petitioning U.S. producers are Atlantic Salmon of Maine (ASM), Fairfield, ME; Cooke Aquaculture US, Inc. (Cooke), Calais, ME; DE Salmon, Inc. (DE Salmon), Calais, ME; Global Aqua USA, LLC (Global Aqua), Seattle, WA; Island Aquaculture Corp. (Island), Swan's Island, ME; Maine Coast Nordic, Inc. (Nordic), Calais, ME; Scan Am Fish Farms (Scan Am), Anacortes, WA; and Treat's Island Fisheries (Treats), Lubec, ME.

[2] Fresh or chilled Atlantic salmon is provided for in subheadings 0302.12.00 and 0304.10.40 of the Harmonized Tariff Schedule (HTS), with a free rate of duty applicable to products of Chile.

[3] *Federal Register* notices cited in the tabulation are presented in app. A.

[4] Based on price to constructed value comparisons, the petition alleged LTFV margins ranging from 31.76 to 47.37 percent. Commerce adjusted the weighted-average LTFV margin to be 41.78 percent. The petition also alleged 26 subsidies provided by the Government of Chile that bestowed countervailable benefits on Chilean producers of fresh Atlantic salmon. Commerce included 19 of these programs in their countervailing duty investigation.

[5] A list of witnesses appearing at the conference is presented in app. B.

THE PRODUCT

The imported product subject to these investigations is fresh Atlantic salmon, defined as fresh, farmed Atlantic salmon, whether imported "dressed"[6] or as cuts. Dressed Atlantic salmon may be imported with the head on or off, with the tail on or off, and with the gills in or out. All cuts of fresh Atlantic salmon are included in the scope of the investigations. Examples of cuts include but are not limited to: crosswise cuts (steaks), lengthwise cuts (fillets), lengthwise cuts attached by skin (butterfly cuts), combinations of crosswise and lengthwise cuts (combination packages), and Atlantic salmon that is minced, shredded, or ground. Cuts may be subjected to various degrees of trimming, and imported with the skin on or off and with the "pin bones" in or out.[7]

Petitioners argue that the appropriate domestic like product consists of all fresh Atlantic salmon, whether sold dressed or cut.[8] They note that fresh Atlantic salmon can take on varying forms and sizes and that there is no clear dividing line within the fresh salmon category that would warrant segmenting it into more than one like product.[9] Respondents argue that dressed fresh Atlantic salmon and cuts of fresh Atlantic salmon constitute two distinct like products produced by two separate industries. They argue that the value added in the processing of dressed whole salmon into cuts results in significant differences in end uses, channels of distribution, and production processes between the two forms.[10]

Physical Characteristics and Uses

In the United States, fresh Atlantic salmon is sold for commercial consumption either in its whole dressed form or in various cut forms, including fillets, steaks, or other types of portions. Accounting for about 92 percent of U.S. production, dressed fresh Atlantic salmon is whole salmon that has been bled, gutted, and cleaned. It is generally packaged wet, on ice in 50 to 70 pound boxes and has a shelf life of about 10 to 14 days. The remaining 8 percent of production is further processed into a variety of cut forms, with the fillet being the most popular of these forms. Shipments of fillets accounted for over 60 percent of U.S. production of cuts and over 95 percent of Chilean imports of cuts during 1996. Fillets and other cuts are generally packaged dry, with frozen gel packs in 10-pound Styrofoam boxes, and have a shelf life of about 8 to 10 days.

Petitioners argue that regardless of form, all fresh Atlantic salmon are of a single species and are comprised largely of the salmon meat that is ultimately consumed as food. Although the whole dressed salmon may appear somewhat different from a fillet, petitioners contend that the only real difference is that a certain amount of waste (i.e., head, tail, and possibly some bones) have been removed. The essential

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[6] Dressed fresh Atlantic salmon is whole salmon that has been bled, gutted, and cleaned.

[7] Excluded from these investigations are fresh Atlantic salmon that is "not farmed" (i.e., wild Atlantic salmon); live Atlantic salmon and Atlantic salmon that has been subjected to further processing, such as frozen, canned, dried, and smoked Atlantic salmon; and Atlantic salmon that has been further processed into forms such as sausages, hot dogs, and burgers.

[8] Petitioners further argue that the appropriate domestic like product should exclude all other species of salmon as well as other fish and all further processed salmon, such as frozen, smoked, or canned salmon (petitioners' postconference brief, pp. 2-3).

[9] Petitioners' postconference brief, pp. 4-5.

[10] Respondents' postconference brief, p. 6.

component of the salmon, the meat, is the same, regardless of the form in which it is sold.[11] Petitioners further argue that physical appearance is not a basis on which to distinguish like product, and for that matter, point to significant differences in the physical appearance between fillets and steaks, which the respondents include as one like product.[12]

Respondents argue that there are obvious and significant differences in physical characteristics and uses between whole and cut salmon. They note that cuts not only have a different appearance than whole salmon, but have different shelf lives, which they contend is a critical distinction for highly perishable products such as salmon. They conclude that these physical differences significantly affect the way the two product forms are used, perceived, and sold.[13]

Use of Common Manufacturing Facilities and Production Employees

All commercial production of fresh Atlantic salmon in the United States and by all major foreign suppliers, including Chile, is farmed using three stages of production: a freshwater stage where salmon eggs are hatched and raised in tanks into smolt; the saltwater stage where the smolt are raised in ocean pens to market-size salmon, and the harvesting/processing stage where the salmon are killed, bled, cleaned, gutted, and sometimes further processed into cuts.[14] It generally takes about three years for an Atlantic salmon to grow from the egg stage to a harvestable-size salmon.

The freshwater stage begins in late fall when Atlantic salmon typically spawn. The eggs and milt are drawn from the brood stock and are mixed to create fertilized "green" eggs. Around January, the green eggs will become "eyed" eggs, with visible eyes and yolk sacs. Generally in late February, the eyed eggs hatch and tiny fish-like creatures emerge; these "alevins" continue to feed from the yolk sacs. By late March, the yolk sacs are consumed and the juvenile "fry" markings appear. At this point feeding begins and within a couple of months the fish are transferred from incubator tanks to large freshwater grow-out tanks. During the summer the fry grow rapidly and by the fall mature into "parr." Parr remain in the freshwater tanks until they lose their juvenile markings and develop the silver skin which identifies them as smolt. Smolt are generally ready for transfer to the saltwater grow-out pens by the following April, which is about 18 months from the egg stage.

In order for the juvenile salmon to develop properly and yield a flesh quality similar to wild salmon, the environment experienced by farmed salmon must simulate a natural environment. For that reason, the hatchery and freshwater grow-out tanks are set up with cold, quickly circulating fresh water, like a natural river current. Oxygen levels, water temperature, and biomass are monitored closely to avoid impairing the health or growth of the young fish. The diet of the fish changes as it grows; as a parr, its diet prepares it for the transfer to salt water. At each stage of the development process, fish of inferior size and/or health are culled.

At the end of the freshwater stage, the salmon smolt are transferred to ocean sites typically located in protected harbors off the coasts of Maine and Washington. Successful salmon farming requires clean water, strong currents or tides, and water temperatures that remain above freezing. An ocean site is typically made up of between 8 and 16 attached pens. The pens must be able to be accessed and serviced 24 hours a day and are, therefore, usually placed in an area near land and protected from strong winds and

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[11] Conference transcript, p. 32.

[12] Petitioners' postconference brief, p. 6.

[13] Respondents' postconference brief, p. 7.

[14] The commercial harvest of wild Atlantic salmon is prohibited in the United Sates and in most other countries in order to conserve the resource for the sport fishery (petitioners' postconference brief, p. 2).

seas. A pen is typically constructed of nets secured to a moored metal frame. An inner net holds the fish and an outer net protects them from predators. The ocean sites of the more advanced U.S. producers have electronic equipment that enable the site workers to most efficiently feed the salmon, monitor their health, and detect predators (such as seals) and equipment failures (such as net pen holes).[15]

Smolt are transferred to saltwater pens in the spring and remain there for about 18 months. During the summer, the fish feed voraciously and gain weight rapidly; however, their appetite and weight gain fade in the winter. Because salmon mature at different rates, producers separate the fish according to size to encourage uniform feeding and growth.[16] Some producers separate and grade the fish up to five times per year. After one year in saltwater, the salmon are designated as "1SW" salmon, meaning they have spent one "sea winter" in saltwater. Beginning three months later (i.e., July/August), the largest of the 1SWs will reach market size of about 8-10 pounds. Harvesting of this salmon class will take place over the next 12 months, as it is needed to service the market. Salmon that remain unharvested after the second anniversary of the class' entry into saltwater are referred to as 2SWs.[17] Salmon that are selected for brood stock are left to mature in their fourth year.

About 10 to 14 days before harvesting the fish are not fed, so they will be free of any food debris upon slaughter. On harvest day, a harvest barge, with a crew of four or five, will dock alongside the designated pen. The workers harvest fresh Atlantic salmon with a small purse seine, a cylindrical net with a draw-string at one end. The fish are entrapped by tightening the draw-string, closing off the bottom of the net, as the catch is hauled in. Salmon are generally killed and bled at the pen site[18] and then transported as "round" fish to a facility where they are further processed.

At the processing facility, workers using specially designed knives cut the salmon length-wise through the belly, and then "clean" the salmon by removing all of its internal organs and thoroughly bathing the gutted fish in water. The salmon are then inspected for defects and graded by weight. Salmon that are sold as "dressed, head-on" are then packaged for sale in specially designed boxes.[19]

Salmon designated for sale as cuts are, after inspection, placed in cool-storage for one to two days. The cooling stage makes removing the bones easier. The most common cut is the fillet, or lengthwise cut of a salmon, in which the salmon's head and tail are removed and the body is split lengthwise into two halves. The backbone and belly bones (the equivalent of ribs, about four sets of two to each inch of backbone) are removed. Fillets can be sold with or without the skin and with or without the remaining pin bones (small bones still in the salmon flesh). The most popular fillet cut is sold with the skin off and pin bones out.[20] Fillets can be sold as whole or in smaller portions. For steak cuts, the bones are not removed from the carcass and the salmon is cut in cross sections from top to bottom. As the salmon's body tapers to the tail, the cross section typically is not large enough to yield a market-sized steak, so that portion is filleted. Steaks and small-portion fillets may be packed in the same box and sold as a "combo" box.[21]

Respondents argue that the additional production required to process dressed fresh Atlantic salmon into cuts is significant, requiring extensive capital and labor. They argue that this operation substantially

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[15] Petition, p. 89.

[16] Conference transcript, p. 64.

[17] Petition, p. 89.

[18] Alternatively, the salmon may be sucked through a vacuum hose into a tank and transported live to a gutting and packing facility.

[19] Field trip, June 26, 1997; petition, pp. 91-92.

[20] Conference transcript, p. 103.

[21] Field trip, June 26, 1997; petition, pp. 91-93.

transforms the product of a fresh whole fish into a new and different product that does not have the shape or appearance of a fish. They further argue that the production of cuts of fresh Atlantic salmon is not completed using common manufacturing facilities and employees, as the majority of this processing is performed by toll producers or independent processors.[22]

Petitioners argue, however, that the additional processing adds very little value to the final product. They point to major differences in the capital investment, technical expertise, and employment levels required to produce fresh Atlantic salmon as compared to the processing of the Atlantic salmon cuts. They note that the contrast between the production of fresh Atlantic salmon, which requires a three-year capital intensive operation, and the processing of fresh Atlantic salmon cuts, which requires several minutes, argues against any suggestion that the processed product be considered a separate like product. Petitioners also argue that U.S. producers that processed both dressed and cut salmon produced both products using the same manufacturing facilities and production employees.[23] [24]

Channels of Distribution

In the U.S. market, fresh Atlantic salmon is generally sold to regional distributors that in turn sell the salmon to grocery stores, restaurants, and seafood retailers. As indicated in figure I-1, both U.S. producers and U.S. importers reported the majority of their sales to distributors, regardless of salmon type. However, U.S. importers did report substantially more sales to retailers, particularly for cuts of fresh Atlantic salmon. These retailers generally were mass marketers, such as grocery and restaurant chains.

Respondents argue that cuts of fresh Atlantic salmon are sold primarily to grocery and restaurant chains that require a processed product that is convenient, ready to prepare, and boneless, while the whole product is sold to processors, upscale "white tablecloth" restaurants, and specialty seafood stores, that require quality and freshness.[25] They argue that the mass marketers do not have the infrastructure, labor, or expertise to purchase the whole product and prepare the fillets and portions themselves. Petitioners argue, however, that regardless of type, fresh Atlantic salmon is generally sold to regional distributors, and that the distributors sell both whole and cut salmon to the same types of retailers. They cite to examples of retail chains, such as Safeway, Lucky Supermarkets, and QFC, and upscale restaurants that purchase both types of salmon on a continuous basis.[26] They also note that because both products are sold as fresh seafood, they are sold through the same channels in grocery chains.[27]

Interchangeability and Customer and Producer Perceptions of the Product

Petitioners argue that dressed fresh Atlantic salmon and cuts of fresh Atlantic salmon are interchangeable, as both are sold to the same types of purchasers and, in fact, to the same firms. They argue that purchasing decisions are largely driven by price. Noting that most salmon sales are to distributors that have the capability to cut salmon, petitioners argue that purchasing decisions are influenced more by pricing than by any value added in processing. Petitioners further argue that given that

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[22] Respondents' postconference brief, p. 13.

[23] Conference transcript, p. 34.

[24] ***.

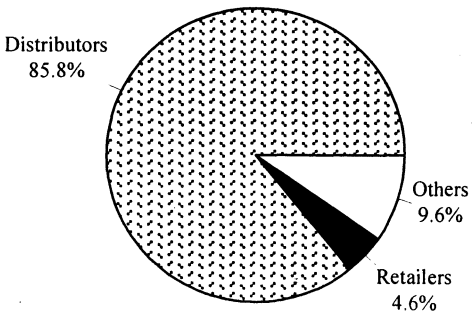
[25] Conference transcript, pp. 112 and 120; respondents' postconference brief, pp. 8-9.

[26] Conference transcript, p. 24.

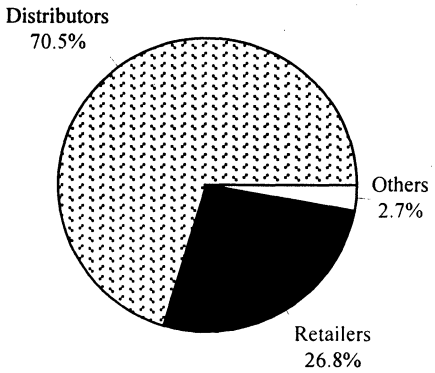
[27] Petitioners' postconference brief, pp. 11-12.

Figure I-1
Shares of U.S. producers' and U.S. importers' U.S. shipments of fresh Atlantic salmon, by channels of distribution, 1996

Dressed fresh Atlantic salmon:

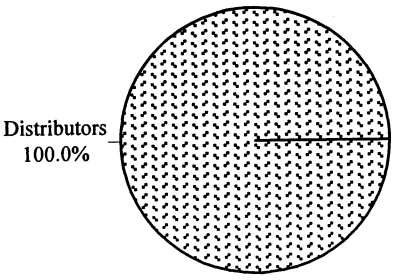


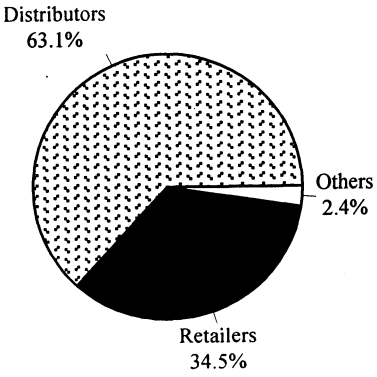
U.S. Producers' Shipments



U.S. Importers' Shipments

Cuts of fresh Atlantic salmon:





Source: Compiled from data submitted in response to Commission questionnaires.

the whole dressed product will ultimately be cut before sale to the consumer, there is complete interchangeability of the product at the consumer level.[28]

Respondents argue that there is very little interchangeability between the two forms of fresh Atlantic salmon. They note that salmon cuts are sold to grocery and restaurant chains that do not normally have the capability to skin, de-bone, and cut whole salmon into fillets. Roger Chapin of Darden Restaurants submitted a letter to the Commission asserting that it was the availability of fillets that enabled Red Lobster and Olive Garden to include salmon on their menus and that they could not substitute whole fish for the purchase of fillets because it would require the hiring of a highly trained individual to cut the fish to meet their specifications. *** stated in the Commission's questionnaire that to view the two forms

[28] Petitioners' postconference brief, pp. 9-10.

of salmon as interchangeable is unreasonably simplistic since the whole dressed fish does not offer the mass marketers any of the advantages that they require, such as ease of handling, reduced transportation costs, and the elimination of any processing.

Prices

U.S. producers' 1996 wholesale prices for dressed fresh Atlantic salmon ranged from $2.02 to $2.72 per pound for a 6-8 pound salmon and from $2.14 to $2.72 per pound for an 8-10 pound salmon. For 3-4 pound salmon fillets, 1996 wholesale prices ranged from $3.49 per pound to $4.23 per pound. Respondents note that consumers generally are willing to pay a 12 to 22 percent premium for fillets and that the price differences described above support their argument for two separate like products.[29] Petitioners argue, however, that these price differences are largely the result of the elimination of waste from the whole salmon, as opposed to any addition of value in the cutting process.[30] They also assert that there is a direct correlation between the prices of dressed and cut salmon as reported by Urner Barry. Petitioners note that the fact that the prices for both product forms moved in tandem during the period for which data were collected supports their argument that the products are clearly related and should constitute a single like product.[31]

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[29] Respondents' postconference brief, p. 16.

[30] Conference transcript, pp. 34-35, 121.

[31] Petitioners' postconference brief, p. 16.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

CHANNELS OF DISTRIBUTION

Sales of fresh Atlantic salmon in the U.S. market have generally been made to regional distributors/wholesalers who in turn sell the salmon to grocery stores, restaurants, and seafood stores. Available information indicates that the majority of sales by U.S. producers have been made to distributors, while importers tend to sell significant amounts to both distributors and to retailers (primarily grocery stores). Data reported by U.S. producers indicate that between 84.9 and 89.7 percent of their shipments of whole fish went to distributors during the period for which data were collected; U.S. producers reported shipping only relatively small amounts (i.e., between 1.9 and 4.6 percent) directly to grocery stores. The remainder of their shipments were made to other types of customers, such as smokers. With regard to domestic cuts of salmon, producers sent virtually all of their product (i.e, over 98 percent in each year) to distributors. Data from importers indicate that between 61.1 and 76.6 percent of shipments of whole fish went to distributors, while between 58.0 and 69.5 percent of salmon cuts went to this customer group. With regard to sales to retailers, between 20.6 and 34.8 percent of whole fish and between 28.4 and 40.5 percent of cuts were shipped to this customer group.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on available information, U.S. fresh Atlantic salmon producers are likely to respond to changes in demand with small changes in the quantity of shipments of U.S.-produced fresh Atlantic salmon to the U.S. market. The main factor contributing to the low responsiveness of supply is the nature of the production/growing cycle; other factors include the lack of significant alternate markets, and the lack of inventories due to the perishable nature of the product.

Growing cycle

The ability of U.S. producers to alter production levels in response to price changes is constrained by the growth/life cycle of the farmed Atlantic salmon. The maturation of farmed Atlantic salmon takes approximately 3 years; however, production decisions (e.g., for expansion) are often made 4-5 years prior to the actual harvesting of the fish.[1] Therefore, once decisions on the number of eggs to be fertilized are made, it would be very difficult for producers to increase the number of fish to be harvested.

While the number of fish able to be harvested is fixed by earlier decisions, there are some measures that producers can take to alter the number of fish harvested. If U.S. producers want to increase the number of fish harvested at a given time, they could harvest the fish early; however, this would result in salmon being harvested and sold that perhaps had not reached their optimum market size. Thus, these fish may not command as high a price compared to salmon that are held to maturity.[2]

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[1] Conference transcript, p. 70.

[2] Some firms may harvest salmon early in order to generate needed cash. In fact, one producer that appeared at (continued...)

Another option for U.S. producers would be to delay the harvesting of the fresh Atlantic salmon in an attempt to wait for better pricing. Petitioners reported that this strategy of delayed harvesting is a regular practice and has been a major factor in the survival of certain farms.[3] However, this practice is constrained by the added cost of holding the salmon and by the biological features of the fish. Fresh Atlantic salmon can be held in their pens but at some point producers run out of space as the fish get too big and the pen space is needed for the next "class" of young fish. Another problem with delayed harvesting is that the salmon can only go so far in the life cycle because they must be harvested before they mature.[4]

Therefore, while U.S. producers may use either of the above-mentioned strategies to alter the level of salmon harvested and made available for sales, these changes are only temporary and would not allow for significant changes in production levels.

Industry capacity

Data reported by U.S. producers indicate that there is available capacity with which U.S. producers could expand production. Capacity utilization rates ranged from 53.6 percent to 64.6 percent during 1994-96 and from 56.9 to 61.3 percent in the interim periods (i.e., January-March 1996 and January-March 1997). While these data indicate that U.S. producers could expand production in response to price changes, there would be a lag in their ability to do so based on the three-year maturation cycle of the salmon.[5]

Export markets

Available data indicate that U.S. producers have increased their exports of fresh Atlantic salmon since 1994. As a share of total shipments, exports accounted for 2.7 percent in 1994 but rose to 8.8 percent in 1996; interim data, however, indicate a decline in this percentage from 6.7 percent in January-March 1996 to 3.6 percent in January-March 1997.[6] These data indicate that U.S. producers may have some ability to respond to changes in prices in the U.S. market by diverting salmon to or from the U.S. market.

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[2] (...continued)
the conference reported that his company has had to harvest fish early in order to pay creditors. However, in doing so, his company reportedly forfeited $1.5 million that it could have made had the fish been held until they had reached an average harvest size of about 9 pounds (conference transcript, pp. 14-15).

[3] Conference transcript, p. 66.

[4] Fresh Atlantic salmon must be harvested before they reach maturity because when they mature they undergo physical changes that make them unsuitable for the market for 6 to 8 months. Theoretically, mature salmon can be "reconditioned" for the market after they finish a reproductive cycle but this is rarely done because of costs associated with maintaining the salmon over this period (petition, p. 90).

[5] Some firms may fertilize eggs in the hope of being able to grow them to mature salmon. However, some firms have had to destroy young fish before they reach the smolt stage and before they are put out to sea. Petitioners stated that this has been done because the market is not developing positively (conference transcript, p. 71).

[6] The vast majority of these exports are sales to affiliated firms in Canada.

Production alternatives

Currently, U.S. producers are only growing Atlantic salmon on their production sites. While it may be possible for producers to grow other types of farmed fish on their sites (e.g., steelhead trout), there is no information at this preliminary phase that indicates that this is a feasible option for producers.

Subject Imports

Data provided in foreign producer questionnaires suggest that the supply of fresh Atlantic salmon from Chile is likely to be constrained by the same main factor as U.S. producers' supply (i.e., the growth cycle of the Atlantic salmon). Because the species of fish that is being farm-grown is the same in Chile as it is in the United States (i.e., *Salmo Salar*), fresh Atlantic salmon grown in Chile would also take about 3 years to reach maturation. Chilean producers, however, have somewhat more flexibility than U.S. producers in that they have alternate markets to or from which they could divert shipments of salmon. Therefore, based on available information at this preliminary stage, Chilean fresh Atlantic salmon producers are likely to respond to changes in demand with moderate changes in the quantity of shipments of imported fresh Atlantic salmon to the U.S. market.

Industry capacity

Available data submitted by Chilean salmon producers indicate that there is little excess capacity with which Chilean producers could increase production in the event of a price increase in the U.S. market. Capacity utilization rates for Chilean producers ranged from 84.2 to 87.1 percent during 1994-96 and from 96.8 to 97.0 percent in the interim periods.

Alternative markets

Information obtained from Chilean producers suggests that these firms have some flexibility with regard to shipments of whole dressed fish but they are constrained in their ability to divert shipments of fresh Atlantic salmon cuts. Exports of whole dressed salmon to the U.S. market were the single largest outlet for Chilean salmon, accounting for between 57.9 and 73.5 percent of total shipments during 1994-96 and between 48.7 and 71.3 percent in the interim periods. Chilean salmon suppliers also shipped fairly significant quantities of product to the home market and to export markets outside of the United States; shipments to these two markets accounted for between 26.5 and 42.1 percent of total shipments during 1994-96 and between 28.7 and 51.3 percent during the interim periods. Therefore, with regard to whole dressed salmon, these data indicate that Chilean producers have some ability to divert shipments to or from the U.S. market in response to price changes.

With regard to cuts of salmon, the vast majority of shipments of Chilean product were made to the U.S. market. In fact, these shipments accounted for between 94.2 and 98.2 percent of all shipments during 1994-96 and between 97.2 and 98.4 percent during the interim periods. The lack of a home market and alternative markets suggests that Chilean salmon suppliers would be constrained in their ability to divert shipments of fresh Atlantic salmon cuts to or from the U.S. market.

U.S. Demand

Demand Characteristics

Overall demand for fresh Atlantic salmon in the United States increased significantly in the period for which data were collected. While apparent consumption of whole dressed salmon and cuts of salmon both increased, the growth in the consumption of cuts of salmon was larger than that for whole fish. Available data indicate that apparent consumption of whole dressed fish rose 35 percent from 1994 to 1996, while consumption of cuts of salmon increased over 150 percent in that time. Producers and importers were in agreement that the overall demand for fresh Atlantic salmon increased significantly since 1994. Most U.S. producers reported that the changes in demand were caused by several factors, including consumers' desire to eat more healthy foods, increased availability and affordability of farm-raised salmon, and increased promotion of seafood in general and salmon in particular. While importers also mentioned these same factors, many of the importers emphasized the fact that sales of value-added products, such as pin-bone-out (PBO) fillets, have had a very strong impact on the overall demand for fresh Atlantic salmon. Several importers reported that the introduction of PBO fillets into the U.S. market has increased demand in that customers that either had not previously purchased salmon or had not purchased significant quantities of salmon are now buying much more of the product. Grocery stores and restaurant chains are cited as being two customer groups that have increased purchases of salmon because of the ease of using and of selling salmon fillets.

Substitute Products

There are several products, both fish and non-fish, that can be considered to be substitutes for fresh Atlantic salmon. With regard to other fish products, the closest substitutes are various species of Pacific salmon (e.g., Coho, Chinook, etc.) as well as steelhead trout. While some producers and importers noted these products as potential substitutes for fresh Atlantic salmon, others reported that there are no substitutes for fresh Atlantic salmon.[7] [8] Firms that cited various species of Pacific salmon as substitutes noted that competition between Atlantic and Pacific salmon tends to be more intense during the summer months.[9] It is during that time that Pacific salmon is available in greater quantities and thus at lower prices.

In addition, respondents and some importers have reported that salmon is not only in competition with seafood products but also with other protein foods, such as beef or chicken.

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[7] A few of the responding importers reported that while there are substitutes for whole salmon, substitute products for salmon fillets do not exist; these firms specifically stated that whole fish do not substitute for fillets. However, at the conference, respondents stated that the demand for fillets is reasonably highly elastic because there are a lot of substitutes (conference transcript, p. 163).

[8] In general, producers and importers were in agreement that there is little, if any, substitution between fresh Atlantic salmon and frozen salmon.

[9] One importer, ***, reported that fresh Atlantic salmon is also easily substitutable with swordfish, sea bass, tuna, and mahi mahi. During periods of unusually strong landings of any of these species, the customers' attention will be drawn to the temporary price discounts.

Cost Share

Fresh Atlantic salmon is sold as such to consumers and is not used as an intermediate product in the production of another product. Therefore, the issue of the relative cost share is not relevant.[10]

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported fresh Atlantic salmon depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, defect rates, etc.) and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product service, etc.). Based on available data at this preliminary phase, staff believes that there is at least a moderate degree of substitution between the domestic fresh Atlantic salmon and the fresh Atlantic salmon imported from Chile.

Factors Affecting Purchasing Decisions

Available information indicates that there are a variety of factors that are considered important in the purchasing decision for fresh Atlantic salmon. While price has been mentioned as being an important factor in the sale of fresh Atlantic salmon, other factors such as freshness, shelf life, and quality are important considerations.

Because of the perishability of fresh salmon, shelf life is important to customers. As one importer stated, shelf life is of very keen interest to the distributors and retailers that have a limited amount of time to resell the product. Product that spoils must be thrown away and the cost of that spoiled product must come directly from the sales profits of the product.

In addition to shelf life, customers of fresh salmon are concerned with the freshness of the product. Freshness can generally be gauged by the amount of time that it takes to get the salmon from the supplier to the customer. Information obtained from questionnaires indicates that freshness of the product can sometimes become more important than price. Producers and importers were asked whether or not they had any customers that were willing to pay a premium for domestic salmon because of perceived freshness. The majority of producers (11 of 12) and of importers (11 of 17) reported that they did in fact have some customers that were willing to pay a higher price for perceived freshness. Most of these firms reported, however, that the number of customers willing to pay this premium is small.

Because of the importance of freshness, lead times for delivery are also important considerations in the purchasing of fresh Atlantic salmon. In general, lead times for delivery of domestic salmon are shorter than those for imported salmon. U.S. producers reported that the average lead time for delivery of fresh Atlantic salmon ranged from 1-3 days, with most firms reporting lead times of about 1-2 days. Importers, on the other hand, reported that lead times for delivery of fresh Atlantic salmon ranged from 1 to 15 days, with most reporting lead times of around 2-3 days. It is important to note that these lead times refer to the time it takes to get the product from the importers' warehouse or other U.S. facility and not from the harvesting or processing site in Chile. It has been estimated that it takes several days for the product to get from Chile to Miami; therefore, the lead time for Chilean salmon may be somewhat longer than it appears from the importers' questionnaire responses.

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[10] Respondents argue that there are two like products: whole dressed salmon and fillets. Under this scenario, the cost share would be relevant with regard to the percentage of the total cost of the fillet that is accounted for by the whole fish.

Comparisons of Domestic Products and Subject Imports

The degree of substitution between domestic fresh Atlantic salmon and fresh Atlantic salmon imported from Chile is enhanced by the fact that the products are the same salmon species, *Salmo Salar*. Producers and importers, however, disagreed over whether or not the U.S. and Chilean products were used interchangeably. While all responding U.S. producers reported that fresh Atlantic salmon from the United States can be used interchangeably with the Chilean product, importers were mixed on the question of interchangeability, with eight reporting "yes" and nine reporting "no." Those firms reporting that the two products were not interchangeable focused on the fact that the majority of U.S. Atlantic salmon is sold as whole dressed fish, while most of the imported product is sold in the form of fillets.

The fact that much of the Atlantic salmon imported from Chile is sold in fillet form is the main reason that respondents believe that the degree of substitution between domestic and imported products is low.[11] Respondents and some importers reported that PBO fillets from Chile created a new market and that customers that are buying them are doing so because of the characteristics of the fillet. Several purchasers have submitted letters to the Commission commenting on the differences between the whole fish and fillets. Grocery stores, such as Giant, Stop and Shop, and Harris Teeter, all provided information to the Commission regarding the similarities/differences between the products offered by U.S. producers and U.S. importers of Chilean product.[12] These firms reported that whole salmon and salmon fillets are generally different products. In its letter to the Commission, Stop and Shop referred to the two products as complementary products which are purchased by different customers. Stop and Shop reported that it markets both products because some customers prefer whole fish, while others want the convenience of the PBO fillets.

The degree of substitutability between domestic and Chilean fresh Atlantic salmon is lessened by the fact that U.S. producers and importers both reported that there are differences in product characteristics that tend to differentiate the products. Most of the U.S. producers reported that the domestic product has the advantage of being fresher because of its proximity to the market. Importers tended to agree that the proximity of U.S. producers' farms to the market tends to make the domestic product fresher. As stated earlier, many importers noted that the primary difference between the domestic and imported products is the consistent availability of salmon fillets from Chilean suppliers. Respondents point to the fact that demand for fillets has been increasing and domestic producers do not have the ability to supply this market. Several importers reported that Chilean suppliers have created a new market with the salmon fillets and offer a continuous supply that U.S. producers cannot.[13]

Comparisons of Domestic Products and Nonsubject Imports

Fresh Atlantic salmon is available from several countries that are not subject to these investigations; these countries include Canada, Iceland, Ireland, Norway, and Scotland. All responding producers and most importers agreed that domestic Atlantic salmon and Atlantic salmon imported from nonsubject countries are used interchangeably in the same applications. Many of the importers specified

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[11] Data indicate that salmon cuts accounted for 54.9 percent of total imports from Chile during 1996.

[12] Giant and Stop and Shop sent letters to the Commission (see letters dated July 9, 1997), and Harris Teeter presented testimony at the conference (conference transcript, pp. 124-131).

[13] One retail grocery chain store purchaser, Stop and Shop, reported that if duties are put on fresh Atlantic salmon fillets from Chile, price sensitive customers would purchase less salmon in total (letter to the Commission dated July 9, 1997, a copy of which can be found in respondents' postconference brief, exhibit 13).

the Canadian product as being a close substitute for the domestic product; one firm noted that "these groups are totally synonymous with each other." This firm also added that some farms own pens on both sides of the Canada/U.S. border and do not make any distinctions between the countries of origin.[14] While many U.S. importers reported that there were no significant differences between the domestic salmon and the salmon imported from nonsubject countries, most U.S. producers reported that differences did exist. U.S. producers differentiated between imports from Canada and imports from other nonsubject sources, stating that the differences also occurred between the domestic and non-Canadian imports. Factors cited as differentiating domestic and nonsubject imported products include better freshness, longer shelf life, and quicker delivery time for the domestic product.

Comparisons of Subject Imports and Nonsubject Imports

Many of the responding producers and importers reported that salmon imported from Chile and salmon imported from nonsubject countries are generally used interchangeably; however, several firms noted some differences in product characteristics. These firms cited the availability of Chilean PBO fillets and the perceived freshness of the Canadian whole fish product as differences between the products.

[14] Questionnaire response of ***.

PART III: CONDITION OF THE U.S. INDUSTRY

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margin of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in parts IV and V. Information on the other factors specified is presented in this section and/or part VI and (except as noted) is based on the questionnaire responses of 13 firms that accounted for virtually all of U.S. production of fresh Atlantic salmon during 1996.

U.S. PRODUCERS

The U.S. fresh Atlantic salmon industry is currently composed of 12 producers, 10 of which are located in Maine and 2 in Washington.[1] The two Washington producers, Global Aqua and Scan Am, together accounted for *** percent of total U.S. production of fresh Atlantic salmon during 1996. Their saltwater operations are concentrated in the Puget Sound area. Global Aqua, which operates two freshwater hatchery facilities and 100 pens on six saltwater grow-out sites,[2] is the largest U.S. producer of fresh Atlantic salmon, accounting for *** percent of U.S. production during 1996. Scan Am, which accounted for *** percent of U.S. production during 1996, ***.[3] ***.[4]

The majority of the producers located in Maine have saltwater facilities in the Cobscook Bay area. Fresh Atlantic salmon production is concentrated in this bay because of its optimal water temperature and strong currents and tides. Accounting for *** percent of U.S. production during 1996, ASM ***.[5]

***, Connors Aquaculture, Inc. (Connors), Eastport, ME; Stolt Sea Farm USA, Inc. (Stolt USA), Lubec, ME; and Maine Aqua Foods, Inc. (Maine Aqua), Eastport, ME, are non-petitioning U.S. producers of fresh Atlantic salmon that have some affiliation with Chilean producers.[6] Connors, a wholly owned subsidiary of George Weston Limited of Canada, has *** percent common ownership with Heritage Salmon Co., Inc. (Heritage), an importer and distributor of fresh Atlantic salmon from Chile,[7] and Fiordo Blanco S.A. (Fiordo Blanco), a Chilean salmon producer and exporter. Heritage acts as the sales and marketing agent for all of Connors' production of fresh Atlantic salmon. ***.[8] Connors accounted for *** percent of U.S. production of fresh Atlantic salmon during 1996. One of the most vertically integrated of the fresh Atlantic salmon producers, Connors operates ***.[9] ***.[10]

Stolt USA, a wholly owned subsidiary of Stolt Nielsen, S.A. (Stolt Nielsen) of London, UK, accounted for *** percent of U.S. production of fresh Atlantic salmon during 1996. Stolt Nielsen is one of

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[1] ***.

[2] Conference transcript, pp. 9-10.

[3] Cascade Aqua Farms, Winlock, WA, and Rainbow Ranch, Chehalis, WA, are the only known independent Atlantic smolt producers in the United States. *** (petitioners' postconference brief, app. 11, p. 20).

[4] Morten Blumso, President of Global Aqua, stated that his company toll processes its fresh Atlantic salmon because it is unable to raise the capital needed to build its own processing facility (conference transcript, p. 49).

[5] Field trip, June 26, 1997.

[6] ***.

[7] Heritage accounted for *** percent of U.S. imports of fresh Atlantic salmon from Chile during 1996.

[8] ***.

[9] ***.

[10] ***.

the largest producers of fresh Atlantic salmon in the world, with operations in Norway, Canada, and the United States. ***.[11]

The following tabulation shows production and import data, in terms of quantity (1,000 pounds of dressed weight),[12] for Connors and Stolt USA.

* * * * * * *

Maine Aqua, a wholly owned subsidiary of International Aqua Foods, Ltd., is related to Ocean Horizons S.A. of Chile by virtue of a majority ownership interest. Maine Aqua *** as a result of its affiliation with the Chilean producer of fresh Atlantic salmon. ***.[13] ***. During 1996, Maine Aqua accounted for *** percent of U.S. production of fresh Atlantic salmon.

Cooke, a wholly owned subsidiary of Cooke Aquaculture, Inc. of Canada, began operation in September 1995 with the purchase of an ocean site off Treat's Island. ***. During 1996, Cooke accounted for *** percent of U.S. production of fresh Atlantic salmon.

DE Salmon and Island are both independently owned companies that began production of fresh Atlantic salmon during 1995. ***. DE Salmon and Island accounted for *** and *** percent of U.S. production during 1996, respectively. Trumpet Island Salmon Farm, Inc. (Trumpet), Mt. Desert, ME, which accounted for *** percent of U.S. production during 1996, ***. The other two U.S. producers, Nordic and Treats, accounted for *** and *** percent of U.S. production during 1996, respectively.

U.S. PROCESSORS

In addition to the 12 U.S. producers of fresh Atlantic salmon, there are a large number of small processors that cut fresh Atlantic salmon into fillets, steaks, and other cuts.[14] ASM estimates that there are over 100 processors in Maine alone. Questionnaires were sent to 40 firms believed to have been major U.S. processors during the period for which data were collected. The information that the Commission received from these questionnaires was inconclusive. Of the eight companies that responded to the Commission's request for data, three processors merely acted as distributors in most sales but had processing capabilities if their purchasers required it. Two others processed fresh Atlantic salmon into smoked or frozen products, which are not subject to these investigations. The responses revealed that the U.S. processors' sales of fresh Atlantic salmon generally accounted for a small percentage of their total sales, making it difficult for them to properly allocate financial and other production-related data. Only one U.S. processor was able to provide these data based on its fresh Atlantic salmon sales. Two of the responding processors were also importers of fresh Atlantic salmon from Chile, including the one processor that provided financial and production data.

Respondents argue for the inclusion of the U.S. processors in the U.S. industry producing fresh Atlantic salmon. They argue that the processors are not merely minor finishers, but substantially add to the value of the like product as defined by the petitioners.[15] Petitioners argue against their inclusion in the industry. They point to major differences in the capital investment, technical expertise, and employment

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[11] ***.

[12] Dressed weight is defined as the weight of the salmon after it has been bled, gutted, and cleaned.

[13] ***.

[14] Four of the responding U.S. importers also do some processing.

[15] Respondents' postconference brief, p. 22.

levels required to produce fresh Atlantic salmon as compared to the processing of the Atlantic salmon cuts.[16]

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

A producer's capacity to produce fresh Atlantic salmon is determined by its ability to raise smolt in freshwater hatcheries, its availability of saltwater sites and its ability to obtain government permits for these sites, and its capacity to process fish into a dressed or cut product. Four producers do not have freshwater facilities and thus rely on purchases of smolt from two independent Atlantic smolt producers or other U.S. and Canadian fresh Atlantic salmon producers.[17] As noted in table III-1, the production of eyed eggs, fry, and smolt were well below capacity. The capacity of most freshwater producers is generally constrained by their capacity to produce smolt, but with capacity utilization rates ranging from 51.6 to 76.9 percent, freshwater production is operating well below capacity. In terms of the availability of saltwater grow-out sites, petitioners report that in Maine, there are currently 860 licensed acres, of which only 425 acres are currently utilized. Petitioners estimate that about 19.9 million pounds of salmon could be produced on the unused, already licensed sites. In Washington, ***.[18] In terms of processing plant capacity, the majority of U.S. producers do not operate their own plants but instead have their salmon processed under toll agreements. ***.

As indicated in table III-1 and figure III-1, total U.S. producers' average-of-period capacity to produce dressed fresh Atlantic salmon increased during 1994-96 and continued to increase between January-March 1996 and January-March 1997. Of the responding 13 producers, 10 reported capacity expansions during the period for which data were collected. ***.[19] In addition to these acquisitions, five U.S. producers reported the addition of new ocean grow-out sites. ***.[20]

U.S. producers' production increased during 1994-96 and continued to increase between January-March 1996 and January-March 1997. The increase in production is largely related to the increases in capacity described above. Several U.S. producers, including ***, noted that they increased production in an effort to become more efficient producers. By increasing their production, they were able to decrease their per-pound cost of production. Petitioners also argue that the increases in production must be evaluated in the context of the three-year growth cycle of Atlantic salmon production. They argue that current production levels are dependent on decisions and projections made by producers three years earlier. They argue that during 1993-94, U.S. producers reacted to very favorable market conditions and invested in increased

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[16] Petitioners' postconference brief, p. 19.

[17] Petitioners' postconference brief, app. 11, p. 20.

[18] ***.

[19] Petitioners argue that the conditions of these purchases reflect signs of material injury. They allege that the companies that were bought were suffering significant losses. *** (petitioners' postconference brief, app. 11, pp. 2-3).

[20] Friendship Fisheries and Penobscot Salmon are known to have ceased all production of fresh Atlantic salmon during 1996 (petitioners' postconference brief, app. 11, p. 1).

Table III-1
Fresh Atlantic salmon: U.S. producers' production capacity, production, and capacity utilization for Atlantic salmon eyed eggs, fry, smolt, and dressed Atlantic salmon, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997[1]

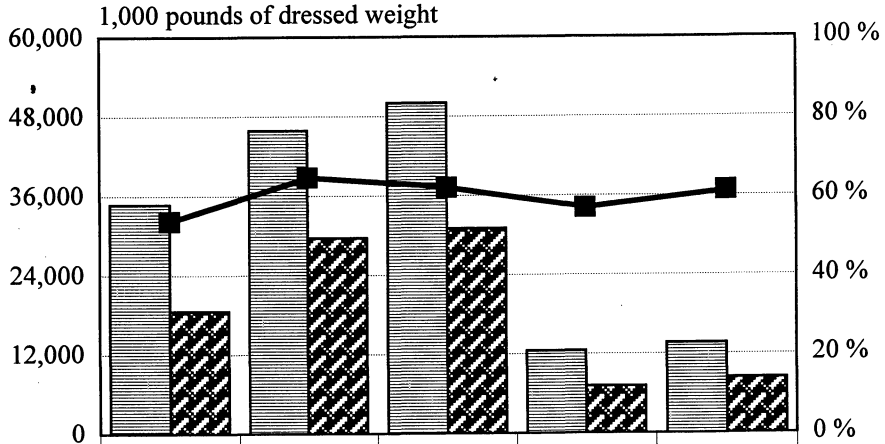
Item	Calendar year--			January-March--	
	1994	1995	1996	1996	1997
Eyed eggs:					
Capacity (*1,000 eyed eggs*)	64,200	67,900	86,500	29,600	43,200
Production (*1,000 eyed eggs*)	12,205	16,490	14,737	10,150	6,350
Capacity utilization (*percent*)	19.0	24.3	17.0	34.3	14.7
Fry:					
Capacity (*1,000 fry*)	11,540	13,040	17,420	7,870	10,940
Production (*1,000 fry*)	6,864	8,922	9,044	7,218	9,850
Capacity utilization (*percent*)	59.5	68.4	51.9	91.7	90.0
Smolt:					
Capacity (*1,000 smolt*)	5,100	5,870	6,588	4,300	5,915
Production (*1,000 smolt*)	3,302	4,153	5,067	2,217	3,067
Capacity utilization (*percent*)	64.7	70.7	76.9	51.6	51.9
Dressed Atlantic salmon:					
Capacity (*1,000 pounds of dressed weight*)[2]	34,659	45,835	50,011	12,446	13,616
Production (*1,000 pounds of dressed weight*)[2]	18,589	29,594	30,989	7,078	8,346
Capacity utilization (*percent*)	53.6	64.6	62.0	56.9	61.3

[1] The data in the table are for 13 producers, accounting for virtually all U.S. production of fresh Atlantic salmon during 1996.

[2] Capacity and production increases are somewhat overstated because the capacity and production of the firms that changed ownership during the period for which data were collected were only reported by the current and not the prior owners.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure III-1
Fresh Atlantic salmon: U.S. capacity, production, and capacity utilization, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997



	1994	1995	1996	Jan.-Mar. 1996	Jan.-Mar. 1997
Capacity	34,659	45,835	50,011	12,446	13,616
Production	18,589	29,594	30,989	7,078	8,346
Capacity utilization	53.6 %	64.6 %	62 %	56.9 %	61.3 %

Source: Table III-1.

brood stock, egg, and smolt production. The consequences of these decisions were not allegedly felt until three years later when the U.S. market conditions had changed significantly.[21] [22]

The reported capacity and production increases, as noted in table III-1, are somewhat overstated because the capacity and production of the firms that changed ownership during the period for which data were collected were only reported by the current and not the prior owners. *** was the only U.S. producer to have ceased production of fresh Atlantic salmon to submit a response to the Commission's questionnaire.

TOLL PRODUCTION

Seven of the 13 responding U.S. producers relied upon toll production for their processing operations, which primarily included the gutting, cleaning, and packaging of dressed fresh Atlantic salmon. Three firms also reported using toll production for cuts of fresh Atlantic salmon, but this production accounted for only 3.3 percent of the total toll production during 1996. As indicated in the tabulation on the next page, the value that toll producers added to the final product ranged from $0.26 to $0.29 per pound during 1994-96, which was about 12 to 15 percent of the per-unit cost of production. Slightly more than half (51.9 percent) of the total U.S. production of fresh Atlantic salmon was processed into dressed or cut salmon under a toll agreement during 1996.

[21] Conference transcript, pp. 69-70; petitioners' postconference brief, p. 33.

[22] Global Aqua indicated at the conference that the lead time for decisions regarding production expansion is up to 5 years because of the brood stock selection process (conference transcript, p. 69).

	Quantity (*1,000 lbs*)	Value added (*$1,000*)	Unit value (*per pound*)
1994	9,511	2,760	$0.29
1995	13,628	3,994	0.29
1996	16,085	4,167	0.26
Total	39,224	10,921	0.28

U.S. PRODUCERS' SHIPMENTS

As indicated in table III-2, U.S. producers' domestic shipments, by quantity, of fresh Atlantic salmon increased by 57.4 percent from 1994 to 1996 and continued to increase, by 21.8 percent, between January-March 1996 and January-March 1997. Export shipments also increased during 1994-96, but declined slightly between the interim periods. Five U.S. producers reported export shipments. The vast majority of those exports were U.S. producers' shipments to affiliated Canadian producers or processors.[23] ***. Because fresh Atlantic salmon has a shelf life of between 10 and 14 days, U.S. producers do not maintain inventories.

The U.S. producers' shipments of fresh Atlantic salmon were predominantly dressed fresh Atlantic salmon. Accounting for 91.2 percent of their U.S. shipments of fresh Atlantic salmon during 1996, these shipments increased during 1994-96 and between the interim periods. All but one U.S. producer reported shipments of dressed fresh Atlantic salmon.[24] U.S. producers' shipments of cuts of fresh Atlantic salmon also increased during the period for which data were collected. Although five U.S. producers reported some shipments of cuts of fresh Atlantic salmon, ***.

Respondents argued that the U.S. industry's concentration in the dressed market limited its ability to compete for sales in the fillet and other cuts market.[25] They further argued that the U.S. industry does not have the capacity to supply even a fraction of this market.[26] Petitioners argued that the U.S. producers could supply these markets if it were not for the surge of lower-priced Chilean imports. They noted that the U.S. producers were not more in the fillets and other cuts market because it was not profitable to cut the product at the prices at which the Chilean product competed.[27]

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

U.S. producers' employment and productivity data are presented in table III-3. Consistent with the increases in production, the average number of production and related workers (PRWs) and hours worked by PRWs increased for both the U.S. producers' farming and processing operations during the period for which data were collected. Since the fresh Atlantic salmon industry is capital intensive, employment costs account for a small percentage of the U.S. producers' total cost of production. Petitioners estimate that

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[23] ***.

[24] ***.

[25] Conference transcript, p. 117; respondents' postconference brief, p. 34.

[26] Conference transcript, p. 114; respondents' postconference brief, p. 35.

[27] Conference transcript, p. 29.

Table III-2
Fresh Atlantic salmon: U.S. producers' shipments, by types, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997[1]

Item	Calendar year--			January-March--	
	1994	1995	1996	1996	1997
	Quantity *(1,000 pounds of dressed weight)*				
Dressed fresh Atlantic salmon:					
Commercial shipments	***	***	***	***	***
Company transfers	***	***	***	***	***
Total U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Cuts of fresh Atlantic salmon:					
Commercial shipments	***	***	***	***	***
Company transfers	***	***	***	***	***
Total U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Total fresh Atlantic salmon:					
Commercial shipments	14,735	22,083	24,392	5,448	6,992
Company transfers	3,357	4,950	4,077	1,157	1,054
Total U.S. shipments	18,092	27,033	28,469	6,605	8,046
Export shipments	498	2,561	2,520	473	300
Total shipments	18,590	29,594	30,989	7,078	8,346

Table continued on next page.

Table III-2--Continued
Fresh Atlantic salmon: U.S. producers' shipments, by types, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997[1]

Item	Calendar year--			January-March--	
	1994	1995	1996	1996	1997
	Value (*$1,000*)				
Dressed fresh Atlantic salmon:					
Commercial shipments	***	***	***	***	***
Company transfers	***	***	***	***	***
Total U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Cuts of fresh Atlantic salmon:					
Commercial shipments	***	***	***	***	***
Company transfers	***	***	***	***	***
Total U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Total fresh Atlantic salmon:					
Commercial shipments	39,228	55,791	55,180	12,449	14,278
Company transfers	8,587	11,437	8,973	2,634	2,369
Total U.S. shipments	47,815	67,228	64,153	15,083	16,647
Export shipments	1,367	5,423	4,800	988	653
Total shipments	49,182	72,651	68,953	16,071	17,300

Table continued on next page.

Table III-2--Continued
Fresh Atlantic salmon: U.S. producers' shipments, by types, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997[1]

Item	Calendar year--			January-March--	
	1994	1995	1996	1996	1997
	Unit value (*per pound*)				
Dressed fresh Atlantic salmon:					
Commercial shipments	$***	$***	$***	$***	$***
Company transfers	***	***	***	***	***
Total U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Cuts of fresh Atlantic salmon:[2]					
Commercial shipments	***	***	***	***	***
Company transfers	***	***	***	***	***
Total U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
Total fresh Atlantic salmon:					
Commercial shipments	2.66	2.53	2.26	2.29	2.04
Company transfers	2.56	2.31	2.20	2.28	2.25
Total U.S. shipments	2.64	2.49	2.25	2.28	2.07
Export shipments	2.74	2.12	1.90	2.09	2.18
Total shipments	2.65	2.45	2.23	2.27	2.07

[1] The data in the table are for 13 producers, accounting for virtually all U.S. production of fresh Atlantic salmon during 1996.
[2] For consistency, unit values are based on pounds of dressed weight; actual values would be about 43 percent greater.

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-3
Fresh Atlantic salmon: Average number of PRWs, hours worked, wages paid to such PRWs, and hourly wages, productivity, and unit labor costs, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997[1]

Item	Calendar year--			January-March--	
	1994	1995	1996	1996	1997
	Average number of PRWs				
Dressed Atlantic salmon:					
Farming operations	***	***	***	***	***
Processing operations	***	***	***	***	***
Cuts of Atlantic salmon in the processing operations	***	***	***	***	***
Total[2]	296	405	441	380	390
	Hours worked by PRWs (*1,000*)				
Dressed Atlantic salmon:					
Farming operations	***	***	***	***	***
Processing operations	***	***	***	***	***
Cuts of Atlantic salmon in the processing operations	***	***	***	***	***
Total	600	742	805	175	204
	Wages paid to PRWs (*$1,000*)				
Dressed Atlantic salmon:					
Farming operations	***	***	***	***	***
Processing operations	***	***	***	***	***
Cuts of Atlantic salmon in the processing operations	***	***	***	***	***
Total	7,006	8,533	9,196	2,073	2,443
	Hourly wages paid to PRWs				
Dressed Atlantic salmon:					
Farming operations	$***	$***	$***	$***	$***
Processing operations	***	***	***	***	***
Cuts of Atlantic salmon in the processing operations	***	***	***	***	***
Total	11.67	11.50	11.42	11.88	11.95

Table continued on next page.

Table III-3--Continued
Fresh Atlantic salmon: Average number of PRWs, hours worked, wages paid to such PRWs, and hourly wages, productivity, and unit labor costs, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997[1]

Item	Calendar year--			January-March--	
	1994	1995	1996	1996	1997
	Productivity (*pounds per hour*)				
Total fresh Atlantic salmon	31.5	39.9	38.5	41.1	41.3
	Unit labor costs (*$ per pound*)				
Total fresh Atlantic salmon	$0.37	$0.29	$0.30	$0.29	$0.29

[1] The data in the table are for 13 producers, accounting for virtually all U.S. production of fresh Atlantic salmon during 1996.
[2] The employees used in the processing operations for dressed fresh Atlantic salmon are the same employees used in the processing of cuts of fresh Atlantic salmon, thus the total PRWs were calculated using just the operations for dressed fresh Atlantic salmon.

Source: Compiled from data submitted in response to Commission questionnaires.

labor costs account for about *** percent of costs associated with the farming operations.[28] However, for the producers' processing facilities, labor would account for a much larger percentage of the cost of production. The PRWs' primary responsibilities include feeding, harvesting, net care, fish transfers and handling, and processing (i.e., gutting, cleaning, cutting, and packaging). Productivity increased from 31.5 pounds per hour in 1994 to 39.9 pounds per hour in 1995, but declined slightly to 38.5 pounds per hour in 1996. Between the interim periods, productivity was relatively stable at about 41 pounds per hour.

[28] Petitioners' postconference brief, app. 11, p. 4.

PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

Questionnaires were sent to 42 firms named in the petition and in Customs records as importing fresh Atlantic salmon. Thirty-one, of which 22 were usable, responded to the Commission's request for information, accounting for about 75 percent of Chilean exports to the United States during 1996. The three largest importers, ***, each reported fresh Atlantic salmon sales of more than $*** during 1996, which was more than the largest U.S. producer, ***. Three more companies reported import sales of more than $*** during 1996, ***. The majority of the U.S. importers are located in the Miami, FL area; however, significant importers are located throughout the United States, including Seattle, WA; Dallas, TX; and Canton, MA. Some importers, such as ***, are major U.S. processors that purchase substantial quantities of both U.S. and Chilean fresh Atlantic salmon.[1]

U.S. IMPORTS

U.S. imports of fresh Atlantic salmon are presented in table IV-1 and figure IV-1. Data in this section regarding the quantity and value of U.S. imports of fresh Atlantic salmon are based on official trade statistics.[2] In terms of quantity, imports of fresh Atlantic salmon from Chile increased 86.8 percent from 1994 to 1996, then declined by 11.9 percent between January-March 1996 and January-March 1997. All but two small importers reported increases in their imports during 1994-96. ***. Chilean imports of cuts of fresh Atlantic salmon particularly increased during the period for which data were collected. Accounting for 54.9 percent of the imports from Chile during 1996, imports of cuts of fresh Atlantic salmon increased 170.0 percent during 1994-96 and by 10.2 percent between the interim periods. Chile was the predominant import source for cuts of fresh Atlantic salmon during the period for which data were collected. In terms of quantity, 95.3 percent of U.S. imports of cuts of fresh Atlantic salmon were from Chile in 1996.

Respondents argue that this growth in imports was a result of Chilean producers creating and developing a new market for cuts of fresh Atlantic salmon, specifically the PBO fillet. David Solomon of Aquafarms explained at the conference that the Chileans first started exporting PBO fillets in the late 1980s but their first attempts were poorly prepared and packaged. In an attempt to expand their sources of supply, U.S. importers sent teams to Chile to teach the Atlantic salmon producers how to grade, cut, and package PBO fillets. The importers specifically targeted the supermarket chains as their potential buyers and organized exchanges between the producers and potential purchasers, so that the producers would have a good understanding of the needs of the U.S. supermarket industry. Sales were reportedly targeted to geographic regions not already serviced by the U.S. fresh Atlantic salmon producers, i.e., the Southeast and Midwest. As sales to the supermarkets grew, importers reportedly started targeting chain restaurants as

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[1] ***.

[2] Imports of fresh Atlantic salmon from Chile as reported in the Commission's questionnaires track fairly closely in terms of quantity to the official trade statistics as reported under HTS subheadings 0302.12.00 and 0304.10.40. They were 33,125,000 pounds in 1994, 43,478,000 pounds in 1995, 74,418,000 pounds in 1996, 14,651,000 pounds in Jan.-Mar. 1996, and 19,070,000 pounds in Jan.-Mar. 1997. However, both sources of import data are believed to be understated. The Commission is aware of significant importers that did not respond to its request for data. Data on Chilean exports to the United States (shown in table VII-1) are substantially greater than the import data from both sources in all periods.

Table IV-1
Fresh Atlantic salmon: U.S. imports, by types and sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	Calendar year--			January-March--	
	1994	1995	1996	1996	1997
	Quantity *(1,000 pounds of dressed weight)*				
Dressed fresh Atlantic salmon:					
Chile	23,214	28,434	31,384	8,030	4,903
Other sources	43,727	50,470	55,321	15,586	19,108
Total	66,940	78,903	86,706	23,616	24,012
Cuts of fresh Atlantic salmon:[1]					
Chile	14,410	20,876	38,910	9,840	10,840
Other sources	1,072	1,310	1,932	379	1,187
Total	15,483	22,186	40,843	10,219	12,027
Total fresh Atlantic salmon:					
Chile	37,624	49,310	70,295	17,869	15,744
Other sources	44,799	51,780	57,254	15,965	20,296
Total	82,423	101,089	127,548	33,835	36,039
	Value *($1,000)*				
Dressed fresh Atlantic salmon:					
Chile	55,847	63,983	63,719	16,424	10,019
Other sources	123,308	139,777	148,904	41,039	51,422
Total	179,156	203,759	212,623	57,463	61,441
Cuts of fresh Atlantic salmon:					
Chile	29,857	42,266	70,795	17,255	19,662
Other sources	3,040	3,328	4,434	760	2,923
Total	32,897	45,593	75,229	18,015	22,585
Total fresh Atlantic salmon:					
Chile	85,704	106,248	134,514	33,679	29,681
Other sources	126,348	143,105	153,338	41,799	54,345
Total	212,052	249,353	287,852	75,478	84,026

Table continued on next page.

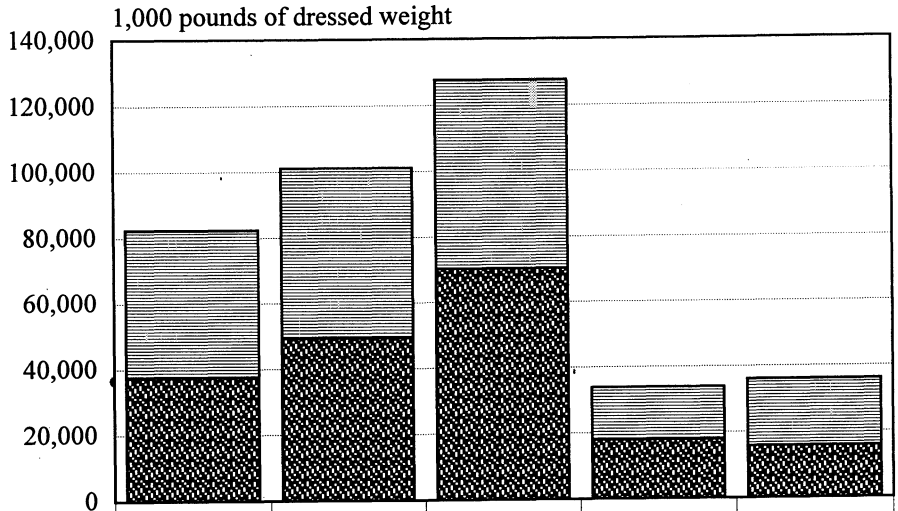
Table IV-1--Continued
Fresh Atlantic salmon: U.S. imports, by types and sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	Calendar year--			January-March--	
	1994	1995	1996	1996	1997
	Unit value (*per pound*)				
Dressed fresh Atlantic salmon:					
Chile	$2.41	$2.25	$2.03	$2.05	$2.04
Other sources	2.82	2.77	2.69	2.63	2.69
Total	2.68	2.58	2.45	2.43	2.56
Cuts of fresh Atlantic salmon:[2]					
Chile	2.07	2.02	1.82	1.75	1.81
Other sources	2.83	2.54	2.29	2.01	2.46
Total	2.12	2.06	1.84	1.76	1.88
Total fresh Atlantic salmon:					
Chile	2.28	2.15	1.91	1.88	1.89
Other sources	2.82	2.76	2.68	2.62	2.68
Total	2.57	2.47	2.26	2.23	2.33
	Share of total quantity (*percent*)				
Dressed fresh Atlantic salmon:					
Chile	34.7	36.0	36.2	34.0	20.4
Other sources	65.3	64.0	63.8	66.0	79.6
Total	100.0	100.0	100.0	100.0	100.0
Cuts of fresh Atlantic salmon:					
Chile	93.1	94.1	95.3	96.3	90.1
Other sources	6.9	5.9	4.7	3.7	9.9
Total	100.0	100.0	100.0	100.0	100.0
Total fresh Atlantic salmon:					
Chile	45.6	48.8	55.1	52.8	43.7
Other sources	54.4	51.2	44.9	47.2	56.3
Total	100.0	100.0	100.0	100.0	100.0

[1] Cuts of fresh Atlantic salmon were converted to dressed weight by using a 70 percent yield factor.
[2] For consistency, unit values are based on pounds of dressed weight; actual values would be about 43 percent greater.

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

Figure IV-1
Fresh Atlantic salmon: U.S. imports, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997



	1994	1995	1996	Jan.-Mar. 1996	Jan.-Mar. 1997
Other sources	44,799	51,780	57,254	15,965	20,296
Chile	37,624	49,310	70,295	17,869	15,744

Source: Table IV-1.

well.[3] Respondents argue that these importers recognized the potential for growth in markets and regions that generally were not being supplied by domestic producers, such as the South and non-coastal areas, and in the mass markets of the large grocery and restaurant chains.[4] Respondents further argue that the U.S. producers do not have the capacity to produce even a fraction of the PBO fillets the market requires and project the market to shrink if imports from Chile were to be subject to any antidumping or countervailing duties.[5]

U.S. imports of dressed fresh Atlantic salmon from Chile increased by 35.2 percent during 1994-96 but declined by 38.9 percent between January-March 1996 and January-March 1997. All but four importers reported increases in their imports of dressed fresh Atlantic salmon during 1994-96. Major importers of dressed fresh Atlantic salmon during 1996 include ***, which imported *** pounds from Chile, and ***, which imported *** pounds. These firms' imports were equivalent to *** percent and *** percent, respectively, of total U.S. production of dressed fresh Atlantic salmon during 1996.

The Commission requested importing firms to report orders for imports of fresh Atlantic salmon from Chile to be delivered after March 31, 1997. Virtually all importers' responses revealed that they have continued to supply scheduled weekly and biweekly shipments to their purchasers that are reflective of first quarter 1997 quantities.

[3] Conference transcript, pp. 121-124.

[4] Conference transcript, pp. 110-111.

[5] Respondents' postconference brief, pp. 35-36.

APPARENT U.S. CONSUMPTION

Data on apparent consumption of fresh Atlantic salmon based on U.S. producers' shipments and U.S. imports are shown in table IV-2 and figure IV-2. The quantity and value of apparent consumption increased significantly from 1994 to 1996 and between January-March 1996 and January-March 1997. This increase was driven by consumer preferences for salmon and other seafood products as healthier food sources and by the consistent availability of salmon year-round. A consumer study showed that per-capita consumption of salmon in the United States increased from 0.44 pound in 1988 to 1.11 pounds in 1994, representing the highest growth rate among all seafood.[6] Respondents argue that with the introduction of the PBO fillet, U.S. importers have created a mass market that was previously unavailable. By supplying new geographic regions (i.e., the Southeast and Midwest) and new markets (i.e., grocery and restaurant chains), U.S. importers have reportedly created a new demand for fresh Atlantic salmon, for which the U.S. producers did not compete. Respondents conclude that the U.S. producers do not have the capacity to supply the fillet market, which they maintain they are responsible for creating.[7]

Petitioners argue that the U.S. importers have been able to increase demand by significantly cutting prices of fresh Atlantic salmon and not by the introduction of any new products to the market. They argue that purchasing decisions are driven by price and that with the surge of allegedly subsidized and LTFV imports from Chile, U.S. producers have not been able to benefit from a growing market.[8] Furthermore, petitioners argue that they have the capacity to supply the U.S. fillet market, but claim that the flood of low-priced Chilean imports has made it financially unfeasible for them to do so.[9]

FRESH ATLANTIC SALMON SHIPMENTS BY SIZES AND TYPES

Shipments by sizes of dressed fish and types of cuts of fresh Atlantic salmon reported by U.S. producers and U.S. importers of Chilean product are presented in tables IV-3 and IV-4, respectively. As noted, the PBO fillet is the most popular type of cut in the U.S. market and is predominantly supplied by imports from Chile.

U.S. MARKET SHARES

Market shares based on U.S. producers' shipments and U.S. imports are presented in table IV-5 and figure IV-3. As a share of total apparent consumption, based on quantity, imports of fresh Atlantic salmon from Chile increased from 37.4 percent in 1994 to 45.1 percent in 1996. In 1996, Chile surpassed Canada as the primary source of fresh Atlantic salmon in the United States. Chile's market share in January-March 1997 was 35.7 percent compared to 44.2 percent in January-March 1996.

U.S. MARKET SHARES BY TYPES OF FRESH ATLANTIC SALMON

Market shares for dressed fresh Atlantic salmon are presented in table IV-6 and figure IV-4; market shares for cuts of fresh Atlantic salmon are shown in table IV-7 and figure IV-5.

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[6] Petition, p. 105.

[7] Respondents' postconference brief, pp. 33-36.

[8] Petitioners' postconference brief, pp. 45 and 49.

[9] Conference transcript, p. 17.

Table IV-2
Fresh Atlantic salmon: U.S. shipments of domestic product and U.S. imports, by types and sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	Calendar year--			January-March--	
	1994	1995	1996	1996	1997
	Quantity *(1,000 pounds of dressed weight)*				
Dressed fresh Atlantic salmon:					
Producers' U.S. shipments	***	***	***	***	***
Imports from--					
Chile	23,214	28,434	31,384	8,030	4,903
Other sources	43,727	50,470	55,321	15,586	19,108
Total	66,940	78,903	86,706	23,616	24,012
Apparent consumption	***	***	***	***	***
Cuts of fresh Atlantic salmon:[1]					
Producers' U.S. shipments	***	***	***	***	***
Imports from--					
Chile	14,410	20,876	38,910	9,840	10,840
Other sources	1,072	1,310	1,932	379	1,187
Total	15,483	22,186	40,843	10,219	12,027
Apparent consumption	***	***	***	***	***
Total fresh Atlantic salmon:					
Producers' U.S. shipments	18,092	27,033	28,469	6,605	8,046
Imports from--					
Chile	37,624	49,310	70,295	17,869	15,744
Other sources	44,799	51,780	57,254	15,965	20,296
Total	82,423	101,089	127,548	33,835	36,039
Apparent consumption	100,515	128,122	156,017	40,440	44,085

Table continued on next page.

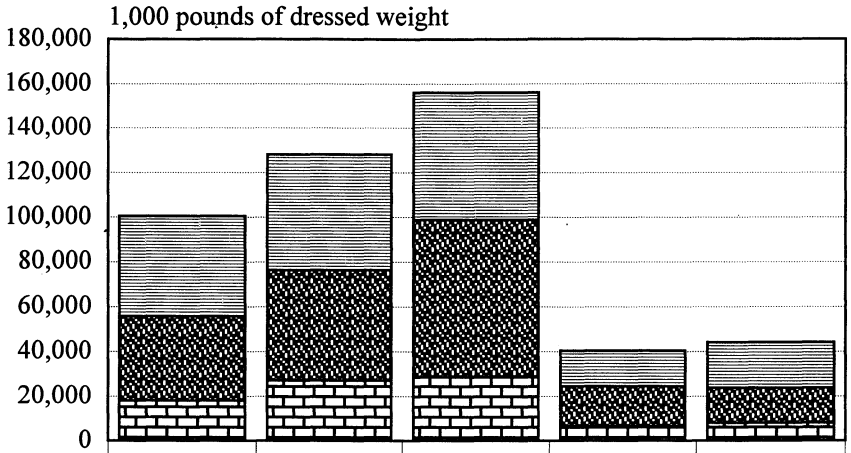
Table IV-2--Continued
Fresh Atlantic salmon: U.S. shipments of domestic product and U.S. imports, by types and sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	Calendar year--			January-March--	
	1994	1995	1996	1996	1997
	Value (*$1,000*)				
Dressed fresh Atlantic salmon:					
Producers' U.S. shipments	***	***	***	***	***
Imports from--					
Chile	55,847	63,983	63,719	16,424	10,019
Other sources	123,308	139,777	148,904	41,039	51,422
Total	179,156	203,759	212,623	57,463	61,441
Apparent consumption	***	***	***	***	***
Cuts of fresh Atlantic salmon:[1]					
Producers' U.S. shipments	***	***	***	***	***
Imports from--					
Chile	29,857	42,266	70,795	17,255	19,662
Other sources	3,040	3,328	4,434	760	2,923
Total	32,897	45,593	75,229	18,015	22,585
Apparent consumption	***	***	***	***	***
Total fresh Atlantic salmon:					
Producers' U.S. shipments	47,815	67,228	64,153	15,083	16,647
Imports from--					
Chile	85,704	106,248	134,514	33,679	29,681
Other sources	126,348	143,105	153,338	41,799	54,345
Total	212,052	249,353	287,852	75,478	84,026
Apparent consumption	259,867	316,581	352,005	90,561	100,673

[1] Cuts of fresh Atlantic salmon were converted to dressed weight by using a 70 percent yield factor: data on cuts reflect only operations of the primary suppliers, not downstream processors.

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

Figure IV-2
Fresh Atlantic salmon: Apparent U.S. consumption, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997



	1994	1995	1996	Jan.-Mar. 1996	Jan.-Mar. 1997
Other sources	44,799	51,780	57,254	15,965	20,296
Chile	37,624	49,310	70,295	17,869	15,744
U.S. producer	18,092	27,033	28,469	6,605	8,046

Source: Table IV-2.

Table IV-3
Dressed fresh Atlantic salmon: U.S. shipments by U.S. producers and U.S. importers of Chilean fresh Atlantic salmon, by sizes, 1996

* * * * * * *

Table IV-4
Cuts of fresh Atlantic salmon: U.S. shipments by U.S. producers and U.S. importers of Chilean fresh Atlantic salmon, by types, 1996

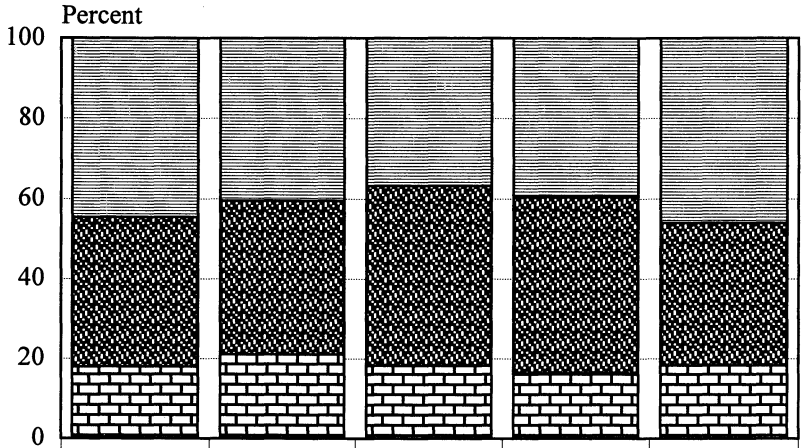
* * * * * * *

Table IV-5
Total fresh Atlantic salmon: Shares of apparent U.S. consumption, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item	Calendar year--			January-March--	
	1994	1995	1996	1996	1997
	Quantity (*1,000 pounds of dressed weight*)				
Apparent consumption	100,515	128,122	156,017	40,440	44,085
	Value (*$1,000*)				
Apparent consumption	259,867	316,581	352,005	90,561	100,673
	Share of quantity (*percent*)				
Producers' U.S. shipments	18.0	21.1	18.2	16.3	18.3
Imports from--					
Chile	37.4	38.5	45.1	44.2	35.7
Other sources	44.6	40.4	36.7	39.5	46.0
Total	82.0	78.9	81.8	83.7	81.7
	Share of value (*percent*)				
Producers' U.S. shipments	18.4	21.2	18.2	16.7	16.5
Imports from--					
Chile	33.0	33.6	38.2	37.2	29.5
Other sources	48.6	45.2	43.6	46.2	54.0
Total	81.6	78.8	81.8	83.3	83.5

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

Figure IV-3
Total fresh Atlantic salmon: Shares of the quantity of U.S. consumption, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997



	1994	1995	1996	Jan.-Mar. 1996	Jan.-Mar. 1997
Other sources	44.6	40.4	36.7	39.5	46
Chile	37.4	38.5	45.1	44.2	35.7
U.S. producer	18	21.1	18.2	16.3	18.3

Source: Table IV-5.

Table IV-6
Dressed fresh Atlantic salmon: Shares of apparent U.S. consumption, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

* * * * * * *

Figure IV-4
Dressed fresh Atlantic salmon: Shares of the quantity of U.S. consumption, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

* * * * * * *

Table IV-7
Cuts of fresh Atlantic salmon: Shares of apparent U.S. consumption, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

* * * * * * *

Figure IV-5
Cuts of fresh Atlantic salmon: Shares of the quantity of U.S. consumption, by sources, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

* * * * * * *

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

The main raw material used in the production of fresh Atlantic salmon is the feed that the fish consume. The importance of feed costs in the overall cost structure varies from firm to firm, but such costs are estimated to account for between *** percent of the total materials costs and about *** percent of the total cost of production of farmed Atlantic salmon. Petitioner reported that trends in the cost of feed have varied; while some, often larger, firms may not have seen any change in the past few years, other firms have seen slight increases. The cause of the slight increase in the feed costs is due to an increase in the cost of fish meal that is contained in the feed.[1]

Transportation Costs to the U.S. Market

Transportation costs for fresh Atlantic salmon from Chile to the United States (excluding U.S.-inland costs) are estimated to be approximately 23.0 percent for whole fresh Atlantic salmon and 19.5 percent for cuts. These estimates are derived from official import data and represent the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value.[2]

U.S.-Inland Transportation Costs

Transportation costs of fresh Atlantic salmon for delivery within the United States vary from firm to firm but in general are estimated to account for a moderate percentage of the total cost of the fresh Atlantic salmon. Producers and importers were asked to estimate the percentage of the total delivered cost of the salmon that is accounted for by U.S.-inland transportation costs. U.S. producers reported that these costs accounted for between 3 and 10 percent, with the average around 5 percent. Importers of fresh Atlantic salmon from Chile reported that these transportation costs accounted for between 2 and 20 percent of the total delivered cost of the product, with the average around 7 percent.[3]

While transportation costs were reported to be a moderate proportion of the total cost of the salmon, many U.S. producers reported that their sales of fresh Atlantic salmon tend to be concentrated in specific regions of the United States. Of the 11 responding firms, 7 of these reported that their sales of fresh Atlantic salmon tend to be made in the Eastern portion of the United States.[4] Three of the remaining firms reported selling fresh Atlantic salmon throughout the United States. Similarly, many responding importers of fresh Atlantic salmon from Chile reported selling in certain regions of the United States. In

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[1] Staff interview with ***, July 14, 1997.

[2] Respondents reported that it is due to high transportation costs that Chilean fresh Atlantic salmon producers have focused on fillets. Because transportation costs for fillets are less than those for whole fish, it is less expensive to send fillets from Chile to the United States than it is to send whole, dressed fillets (conference transcript, p. 117).

[3] One importer, ***, provided separate estimates for U.S.-inland transportation costs for fillets and for whole, dressed fish. These costs account for approximately 5.7 percent of the whole salmon and 3.8 percent of the fillet.

[4] One of these firms, ***, reported that its product is sold primarily to Northeast-based brokers/distributors who then sell the product throughout the United States.

fact, of the 19 responding firms, only 7 reported selling fresh Atlantic salmon nationwide.[5] Factors cited by producers and importers as being determinants of their market areas include pricing, transportation costs, and the shelf life of the product.

Producers and importers were also requested to provide estimates on the percentages of their total shipments that were made within specified distance ranges. Eight of the 12 responding U.S. producers reported that at least 90 percent of their shipments are made within 500 miles of their plant and/or warehouse. Three of the four remaining firms reported that 70 percent or more of their sales were made to customers located more than 500 miles from the producers' facility. Data reported by importers indicate that they tend to ship fresh Atlantic salmon to customers located more than 500 miles from the importers' warehouse. Of the 15 firms that provided information, 8 reported that at least 50 percent of their sales are made to customers located 500 or more miles from the importers' warehouse or storage facility.

Packaging Costs

Because of the perishability of fresh Atlantic salmon, proper packaging of the product is important.[6] Packaging methods tend to vary depending on the type of fresh Atlantic salmon being shipped. Whole salmon needs to be packaged and shipped wet, on ice, because the product requires moisture. On the other hand, fillets and other cuts must be packaged dry because exposure to moisture will damage the flesh of the product. Therefore, cuts of fresh Atlantic salmon tend to be packed with frozen gel packs, not ice. *** reported that cut product is chilled prior to packing and the gel is used to exchange heat within the box. Petitioners provided information on the average costs for some firms to package fresh Atlantic salmon for shipment within the U.S. market. These data indicate that packaging costs average about $*** to $*** per pound and account for approximately *** percent of the sales price of the whole dressed salmon. Packaging costs for salmon cuts average between $*** and $*** per pound, which accounts for about *** percent of the sales price of fillets.[7]

Brand Names

Some fresh Atlantic salmon is sold in the U.S. market under brand names. ASM reported that it is attempting to establish a brand name to distinguish itself in the marketplace.[8] At least two other U.S. producers, Connors and Stolt USA, use brand names to sell their fresh Atlantic salmon in the U.S. marketplace. *** market fresh Atlantic salmon from a variety of sources under the same brand name.[9] While fresh Atlantic salmon is advertised using these brand names, these advertisements are generally aimed at purchasers in the first level of distribution (e.g., wholesalers) rather than the ultimate consumer.

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[5] One of these firms, ***, reported that its sales of fillets are not restricted to a particular geographical area but that its sales of whole dressed fish are sold primarily on the East and West Coasts of the United States.

[6] Questionnaire responses support this as a couple of firms reported that the shelf life of both whole salmon and salmon cuts depends on good storage/temperature conditions.

[7] Percentages are based on the average sales price in March 1997 as reported in responses to Commission questionnaires.

[8] Conference transcript, pp. 74-75.

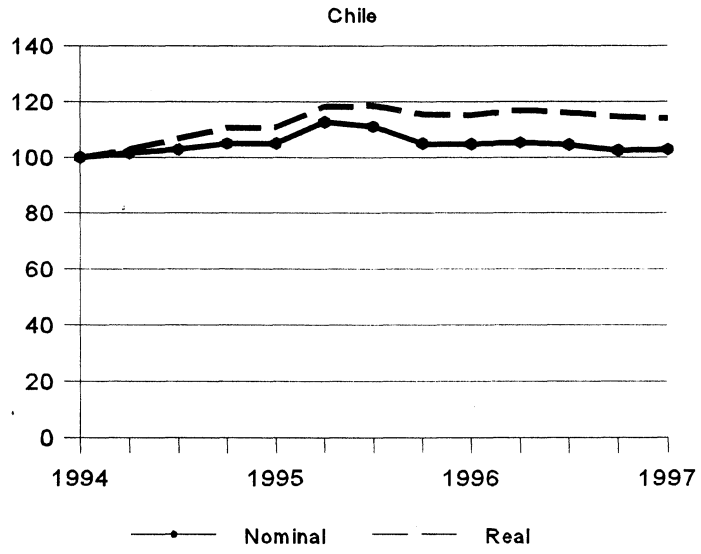
[9] ***.

Advertising that has been aimed at the final consumer has tended to be more generic advertising, trying to increase overall consumption but not to promote an individual brand.[10]

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Chilean peso appreciated 2.8 percent relative to the U.S. dollar from January 1994 to March 1997 (figure V-1). The real value of the Chilean currency appreciated 14.1 percent vis-a-vis the U.S. dollar in that time period.

Figure V-1
Exchange rates: Indices of the nominal and real exchange rates between the U.S. dollar and the Chilean peso, Jan. 1994-Mar. 1997



Source: International Monetary Fund, *International Financial Statistics*, June 1997.

PRICING PRACTICES

Pricing Methods

Most sales of fresh Atlantic salmon in the U.S. market have traditionally been made on a transaction-by-transaction basis with prices being quoted daily based on current supply and demand conditions.[11] These spot sales entail the salmon supplier discussing prices and availability of product over

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[10] In 1994, Salmon Marketers International (SMI) was created with the goal of increasing salmon consumption in the U.S. market. SMI is a worldwide coalition of salmon producers which supply the U.S. market. The membership comprises Canada (British Columbia and New Brunswick), Chile, Norway, Scotland, and the United States (Washington state) (*Salmon Is Seafood's Shining Star,* Seafood International, Oct. 1996, pp. 34-35).

[11] Petitioners have alleged that sales of Chilean fresh Atlantic salmon are often made on a consignment basis
(continued...)

the phone with a prospective customer.[12] Sellers often consult the recent published prices reported by Urner-Barry whereas buyers will usually compare competitive quotes before making a final purchasing decision. Available information indicates that virtually all of the responding producers and many importers of the Chilean product still sell their fresh Atlantic salmon in this manner. All but two of the responding U.S. producers reported that all of their sales of fresh Atlantic salmon were made on a spot basis.[13] One U.S. producer, ***, reported that 40 percent of its sales were made on a contract basis.

While many importers (11 of 19) also reported that all of their sales of fresh Atlantic salmon were made on a spot basis, several did report using contracts on a regular basis. Several of these firms, however, noted that contract sales tend to be used more frequently for sales of fresh Atlantic salmon fillets than for whole salmon. ***, a large importer of Chilean fresh Atlantic salmon, reported that "fillet prices are negotiated with the majority of supermarkets/retailers and wholesalers on a longer term basis." *** added that the need for continuity of supply and quality makes longer term relationships attractive to the supermarkets and mass merchandisers.[14]

In those instances where suppliers use contracts to sell fresh Atlantic salmon and fillets, these contracts vary in duration, ranging from several weeks to a year in length.[15] Reported contract terms varied considerably, with some firms reporting that price and quantity are usually fixed for the duration of the agreement and other firms stating that these factors are not fixed. In general, suppliers reported that their agreements did not contain any meet-or-release provisions or standard quantity requirements.

Sales Terms and Discounts

As reported above, prices for fresh Atlantic salmon can change as often as every day. Therefore, it is understandable that firms did not report having price lists for sales of their fresh Atlantic salmon products. The vast majority of producers and importers also reported that no fixed discount policy based on quantity exists for customers of fresh Atlantic salmon. However, since firms negotiate prices with individual customers, some price discounting may occur in the course of negotiations.

In addition to not generally offering price discounts based on quantity, most suppliers of fresh Atlantic salmon, both domestic and Chilean, reported that they do not give discounts for payment within a certain time frame. While the actual sales terms varied, in general producers and importers required payment to be made within 30 days, with many firms requiring payment within 7 days. Producers and

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[11] (...continued)
(petition, p. 125); however, when asked whether they used consignment sales for fresh Atlantic salmon, the vast majority (18 of 20) of importers reported "no." Similarly, most producers (7 of 11) reported that they did not use consignment sales to sell fresh Atlantic salmon.

[12] While fresh Atlantic salmon fillets are always priced above whole salmon, prices for different sizes of whole fish vary based on the size of the fish. These price differences tend to be driven by the supply and demand for the specific size of fish. For example, if there is an influx of a large amount of a particular size of fresh Atlantic salmon, prices for that size will tend to be lower than prices for other sizes (conference transcript, p. 72).

[13] ***.

[14] At the conference, one importer, Aquafarms, reported that "the market and pricing for whole salmon and fillets are also different. Whole salmon are sold on the spot market for the most part, but we sell most of our fillets to our target customers on a long-term contract advance" (conference transcript, p. 121). Furthermore, one retail grocery purchaser, Harris-Teeter, also reported that "fillets can be bought on a long-term contract basis as opposed to buying on the spot market." Harris Teeter stated that it has paid the same price for fillets for the last 8 months despite fluctuations in the spot market for whole fish (conference transcript, p. 130).

[15] ***.

importers were mixed with regard to how prices are quoted in the fresh Atlantic salmon market. While some firms reported that prices were quoted on an f.o.b basis, others reported quoting on a delivered basis.

PRICE DATA

The Commission requested U.S. producers and importers of fresh Atlantic salmon to provide monthly data for the total quantity and value of certain fresh Atlantic salmon products that were shipped to unrelated independent wholesalers/distributors and to unrelated retail grocery stores/chains.[16] Data were requested for the period January 1995 through March 1997. The products for which pricing data were requested are as follows:

Product 1:	**Fresh Atlantic salmon, dressed (gutted and bled), head and tail on, Superior (or "A") grade, 6-8 pounds, sold to INDEPENDENT WHOLESALERS/ DISTRIBUTORS**
Product 2:	**Fresh Atlantic salmon, dressed (gutted and bled), head and tail on, Superior (or "A") grade, 6-8 pounds, sold DIRECTLY to RETAIL GROCERY STORES/CHAINS**
Product 3:	**Fresh Atlantic salmon, dressed (gutted and bled), head and tail on, Superior (or "A") grade, 8-10 pounds, sold to INDEPENDENT WHOLESALERS/ DISTRIBUTORS**
Product 4:	**Fresh Atlantic salmon, dressed (gutted and bled), head and tail on, Superior (or "A") grade, 8-10 pounds, sold DIRECTLY to RETAIL GROCERY STORES/CHAINS**
Product 5:	**Fresh Atlantic salmon, pin bone out ("PBO"), Superior (or "A" grade), scale on, 2-3 pound fillets, sold to INDEPENDENT WHOLESALERS/ DISTRIBUTORS**
Product 6:	**Fresh Atlantic salmon, pin bone out ("PBO"), Superior (or "A" grade), scale on, 3-4 pound fillets, sold to INDEPENDENT WHOLESALERS/ DISTRIBUTORS**

Ten U.S. producers and 14 importers provided usable pricing data for sales of the requested products, although not all firms reported prices for all products in all months. Pricing data reported by these firms accounted for approximately 55.4 percent of U.S. producers' shipments of fresh Atlantic salmon and 42.5 percent of U.S. shipments of imports from Chile in 1996. While U.S. producers reported data for all six of the requested products, there is a definite concentration of sales in the whole fish market (i.e., products 1-4). Sales of fillets were reported by fewer firms and as such the total quantity of sales of fillets is lower compared to sales of whole, dressed fish.[17] Moreover, reported price data indicate that U.S. producers have tended to sell more fresh Atlantic salmon to wholesalers/distributors than directly to retail grocery chains.[18] Data reported by importers of Chilean salmon indicate that firms have sold both whole, dressed salmon and fillets throughout the period for which data were collected.

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[16] Monthly quantities and values were used to calculate average monthly prices.

[17] Prices were requested for sales of two different size fillets to independent wholesalers/distributors. Information obtained during the course of these preliminary investigations indicates that a good percentage of fillets are sold directly to retail grocery chains; therefore, reported price data may not capture a relatively large portion of the sales of Chilean fillets in the U.S. market.

[18] ***.

In addition to questionnaire data, published price data are available from Urner-Barry publications. These published prices are collected and reported for a variety of sizes of fresh Atlantic salmon and for both domestic and imported products.[19] The "U.S." prices reported by Urner-Barry are a combined East Coast U.S./Canada price for top quality Atlantic salmon. Prices for U.S. and Canadian Atlantic salmon are combined because they are similar for all producers, regardless of country of origin. Moreover, the U.S. farms in Maine are in close proximity to Canadian farms, thus there are no significant differences in transportation costs.

Prices published by Urner-Barry are presented for the period January 1994-March 1997 and are used for analysis of general price trends in the U.S. market. It is important to note that prices for fresh Atlantic salmon fillets are collected and reported by Urner-Barry for Chile but not for the United States. According to Urner-Barry, U.S. prices for fillets have not been collected for two main reasons: ***.[20]

Price Trends

Questionnaire Data

Weighted-average prices reported by U.S. producers and importers of the Chilean product all showed declines during the period January 1995-March 1997 (tables V-1-V-3 and figures V-2-V-4). While price decreases for domestic and Chilean whole fish products (products 1-4) were similar, decreases for domestic fillet products (products 5-6) were more pronounced.

Prices for products 1-4 reported by U.S. producers fell 14.9, 14.5, 16.8, and 15.7 percent, respectively, from January 1995 to March 1997. Similarly, weighted-average prices for Chilean fresh salmon declined 14.3, 16.6, 16.5, and 16.1 percent in that time. Reported prices for products 5 and 6 (fillets) sold by U.S. producers declined *** percent during the period for which data were requested.[21] However, prices for Chilean fillet products decreased only 4.8 and 9.3 percent, respectively, in that same time period.

Published Data

Price data published by Urner-Barry showed a somewhat similar trend in that prices generally fell from January 1994 to March 1997 (figure V-5).[22] Prices for domestic whole salmon (both East and West

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[19] Prices reported by Urner-Barry represent data reported by suppliers of fresh Atlantic salmon via phone surveys conducted twice a week by Urner-Barry. The "U.S. Northeastern" and "U.S. Western" prices represent an f.o.b. price from that area. Similarly, the Chilean prices represent f.o.b. prices from both the Northeast area and Miami. *** of Urner-Barry reported that the Chilean f.o.b. Miami price is the standard price now because that is where the majority of imports enter the United States (staff interview, July 15, 1997). These f.o.b. prices reflect price levels in the spot market and are unlikely to capture sales prices of product sold under contracts or agreements.

[20] Staff interview with *** of Urner-Barry publications, July 14, 1997.

[21] Relatively few U.S. producers reported pricing data for sales of fillet products (i.e., products 5 and 6). Whereas in some months there were 9 producers reporting pricing data for sales of whole salmon, the largest number of producers reporting prices for fillets was 4.

[22] Urner-Barry publishes weekly prices; however, only monthly averages are presented in this report. These averages are simple averages of the weekly prices within a month. See app. D for the tables containing the Urner-Barry data.

Table V-1
Fresh Atlantic salmon: Weighted-average monthly f.o.b. prices and total quantities of domestic and Chilean products 1 and 2 sold in the U.S. market, by products, by sources, and by months, Jan. 1995-Mar. 1997

Month	Product 1				Product 2			
	U.S. price	U.S. qty	Chile price	Chile qty	U.S. price	U.S. qty	Chile price	Chile qty
	$/pound	*1,000 lbs.*	*$/pound*	*1,000 lbs.*	*$/pound*	*1,000 lbs.*	*$/pound*	*1,000 lbs.*
1995--								
January	$2.55	436	$2.37	406	$2.62	86	$2.59	26
February	2.51	347	2.36	200	2.52	36	2.54	26
March	2.59	476	2.28	279	2.64	73	2.78	10
April	2.59	468	2.42	180	2.66	78	2.33	19
May	2.61	496	2.42	185	2.73	73	2.56	10
June	2.52	482	2.37	268	2.75	75	2.58	8
July	2.43	263	2.35	205	2.77	28	2.50	9
August	2.51	351	2.44	226	2.78	57	2.40	29
September	2.46	289	2.22	313	2.60	83	2.50	23
October	2.42	324	2.19	422	2.64	77	2.41	29
November	2.47	463	2.18	357	2.63	88	2.19	206
December	2.34	432	2.01	446	2.55	79	2.13	237
1996--								
January	2.28	405	2.04	338	2.54	58	2.18	164
February	2.29	435	2.09	145	2.48	73	2.31	22
March	2.32	445	1.97	204	2.46	106	2.27	54
April	2.36	600	2.21	149	2.52	78	2.23	27
May	2.48	648	2.32	161	2.70	82	2.47	11
June	2.48	348	2.38	149	2.72	63	1.96	19
July	2.19	315	2.05	233	2.57	44	2.23	45
August	2.19	471	2.04	210	2.55	51	2.06	54
September	2.04	542	1.77	307	2.02	79	2.09	57
October	2.05	403	1.77	445	2.27	59	2.03	96
November	2.07	391	1.81	343	2.29	50	2.08	112
December	2.18	490	2.03	247	2.31	67	2.07	172
1997--								
January	2.17	341	1.95	386	2.25	67	2.06	206
February	2.14	421	1.80	260	2.23	95	2.02	160
March	2.17	487	2.03	94	2.24	94	2.16	43

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-2
Fresh Atlantic salmon: Weighted-average monthly f.o.b. prices and total quantities of domestic and Chilean products 3 and 4 sold in the U.S. market, by products, by sources, and by months, Jan. 1995-Mar. 1997

Month	Product 3				Product 4			
	U.S. price	U.S. qty	Chile price	Chile qty	U.S. price	U.S. qty	Chile price	Chile qty
	$/pound	*1,000 lbs.*	*$/pound*	*1,000 lbs.*	*$/pound*	*1,000 lbs.*	*$/pound*	*1,000 lbs.*
1995--								
January	$2.56	394	$2.42	398	$2.67	48	$2.55	29
February	2.50	480	2.37	278	2.54	86	2.64	25
March	2.60	548	2.35	531	2.65	94	2.56	57
April	2.63	503	2.42	468	2.71	102	2.48	19
May	2.73	578	2.39	358	2.85	127	2.51	46
June	2.62	616	2.38	557	2.82	101	2.48	45
July	2.63	321	2.29	455	2.79	53	2.49	41
August	2.95	442	2.42	408	2.80	70	2.59	29
September	2.62	491	2.37	439	2.85	79	2.51	37
October	2.47	631	2.22	510	2.80	80	2.46	53
November	2.45	708	2.15	402	2.71	85	2.39	35
December	2.31	697	1.98	519	2.69	90	2.17	48
1996--								
January	2.25	643	2.08	386	2.65	83	2.33	71
February	2.26	450	2.10	419	2.58	96	2.27	41
March	2.28	623	2.10	524	2.51	161	2.25	84
April	2.32	584	2.35	380	2.57	110	2.31	104
May	2.54	472	2.31	452	2.72	115	2.42	90
June	2.56	355	2.19	270	2.69	118	2.14	31
July	2.39	389	2.11	393	2.58	103	2.20	35
August	2.41	401	2.13	463	2.54	92	2.17	37
September	2.37	552	1.96	488	2.53	87	2.13	68
October	2.19	658	1.94	530	2.54	70	2.12	95
November	2.14	636	2.01	326	2.42	86	2.15	94
December	2.16	848	2.05	497	2.34	135	2.13	123
1997--								
January	2.11	596	2.00	386	2.27	111	2.01	119
February	2.11	677	1.92	309	2.22	161	2.01	110
March	2.13	782	2.02	195	2.25	148	2.14	98

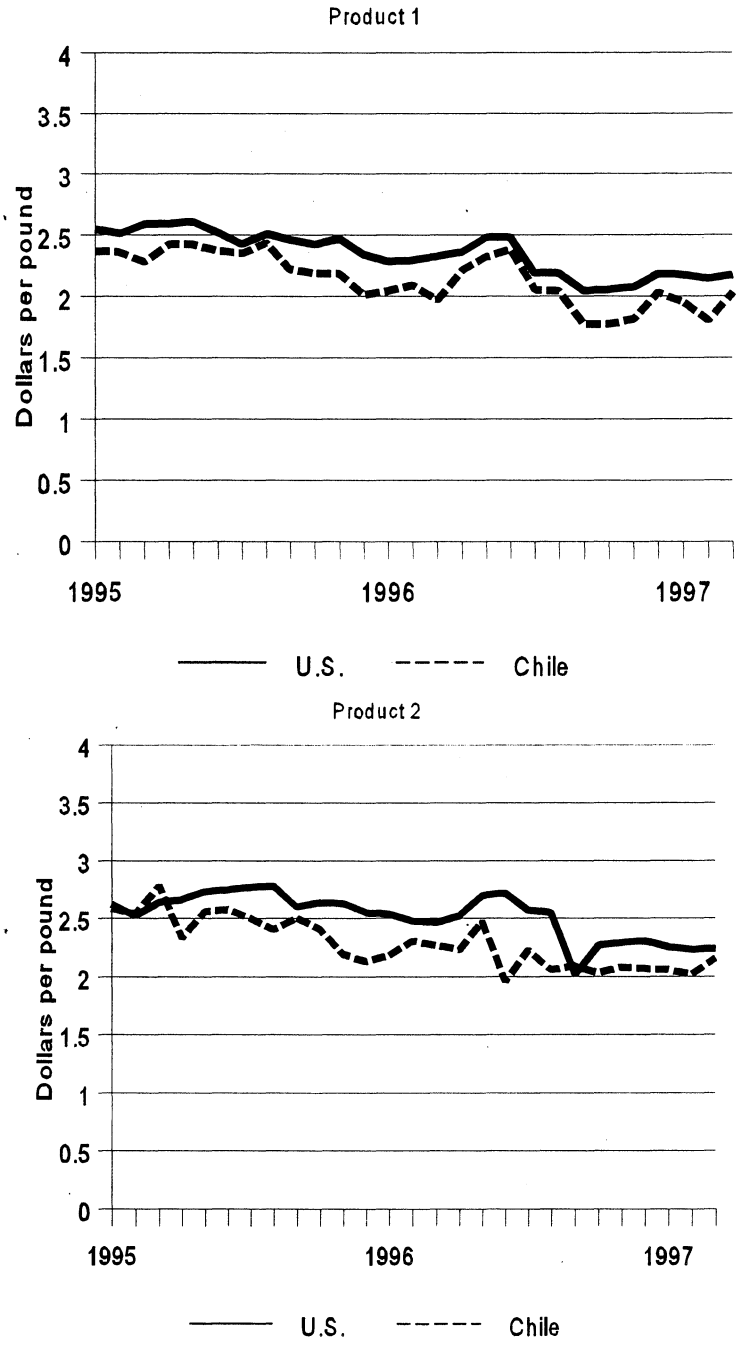
Source: Compiled from data submitted in response to Commission questionnaires.

Table V-3
Fresh Atlantic salmon: Weighted-average monthly f.o.b. prices and total quantities of domestic and Chilean products 5 and 6 sold in the U.S. market, by products, by sources, and by months, Jan. 1995-Mar. 1997

Month	Product 5				Product 6			
	U.S. price	U.S. qty	Chile price	Chile qty	U.S. price	U.S. qty	Chile price	Chile qty
	$/pound	*1,000 lbs.*	*$/pound*	*1,000 lbs.*	*$/pound*	*1,000 lbs.*	*$/pound*	*1,000 lbs.*
1995--								
January	$***	***	$3.13	382	$***	***	$3.34	117
February	***	***	3.11	355	***	***	3.13	136
March	***	***	3.11	421	***	***	3.18	168
April	***	***	3.02	357	***	***	3.20	209
May	***	***	3.00	464	***	***	3.24	238
June	***	***	3.03	350	***	***	3.23	198
July	***	***	3.06	358	***	***	3.43	202
August	***	***	3.13	415	***	***	3.45	226
September	***	***	2.89	560	***	***	3.29	203
October	***	***	2.78	640	***	***	3.27	177
November	***	***	2.74	632	***	***	3.15	177
December	***	***	2.68	646	***	***	2.78	252
1996--								
January	***	***	2.74	584	***	***	2.74	299
February	***	***	2.82	495	***	***	2.77	373
March	***	***	2.84	612	***	***	2.84	500
April	***	***	3.01	589	***	***	2.93	747
May	***	***	2.95	506	***	***	2.97	730
June	***	***	2.98	541	***	***	2.93	682
July	***	***	2.76	601	***	***	2.76	671
August	***	***	2.77	705	***	***	2.98	638
September	***	***	2.71	756	***	***	2.89	557
October	***	***	2.62	929	***	***	2.68	621
November	***	***	2.76	939	***	***	2.72	749
December	***	***	2.86	1,016	***	***	2.81	778
1997--								
January	***	***	2.94	833	***	***	2.98	497
February	***	***	2.83	1,085	***	***	2.93	652
March	***	***	2.98	841	***	***	3.03	580

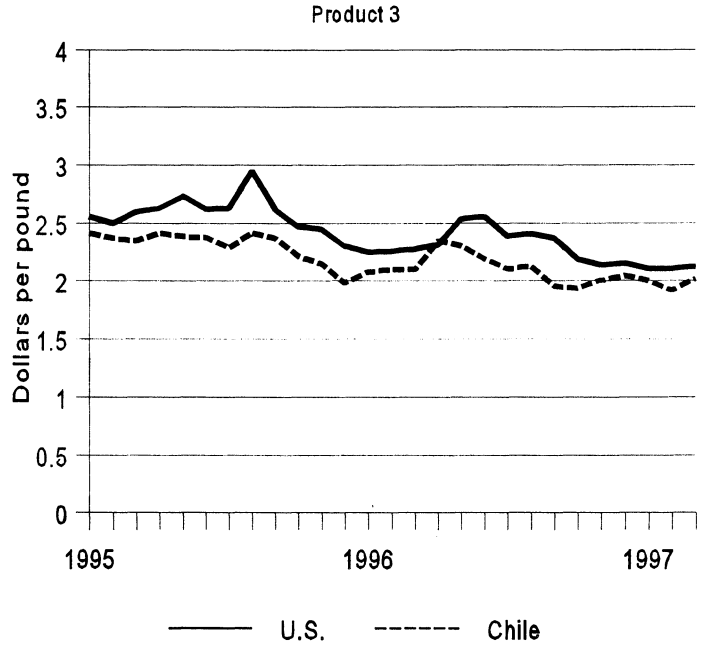
Source: Compiled from data submitted in response to Commission questionnaires.

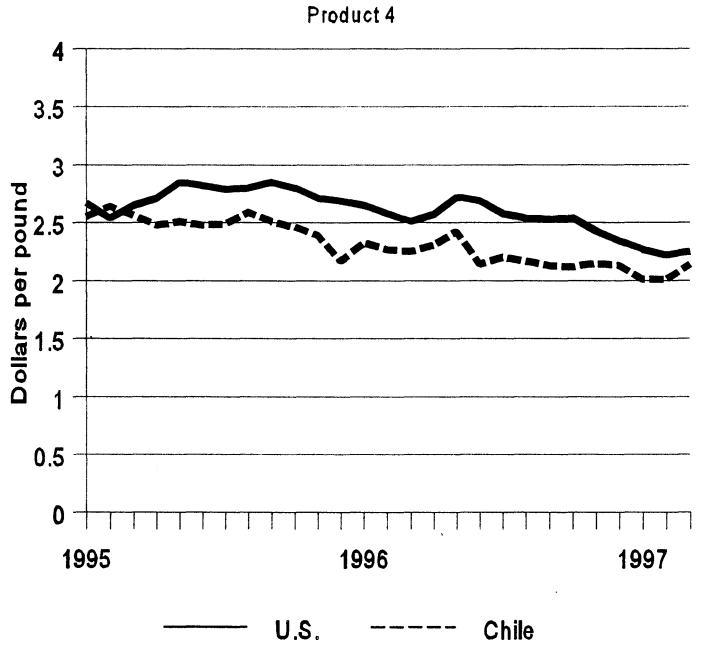
Figure V-2
Weighted-average f.o.b. prices for fresh Atlantic salmon products 1 and 2, by sources and by months, Jan. 1995-Mar. 1997



Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-3
Weighted-average f.o.b. prices for fresh Atlantic salmon products 3 and 4, by sources and by months, Jan. 1995-Mar. 1997





Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-4
Weighted-average f.o.b. prices for fresh Atlantic salmon products 5 and 6, by sources and by months, Jan. 1995-Mar. 1997

* * * * * * *

Coast) declined by between 14.6 and 16.9 percent while prices for Chilean whole salmon decreased by between 11.3 and 14.2 percent.[23]

Price Comparisons

Price comparisons between the domestic and Chilean products, based on questionnaire data, were possible in a total of 162 instances (table V-4). In 157 of these instances, the Chilean product was priced below the domestic product, with margins ranging from 1.2 percent to 32.7 percent.[24] In the remaining 5 instances the Chilean product was priced above the domestic product; margins ranged from 0.8 to 5.4 percent. With respect to the instances of underselling, the margins between the prices for the domestic product and the Chilean product were generally higher in the case of fillet products (products 5 and 6) compared to whole fish products (products 1-4).[25] The margins between domestic and Chilean prices for fillets ranged from 11.3 to 33.3 percent, with an average of 25.7 percent. The average margin of underselling between U.S. and Chilean prices for whole salmon products (products 1-4) was 10.2 percent; moreover, all of the 5 instances of overselling occurred in the whole salmon products.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of fresh Atlantic salmon to report any instances of lost sales or revenues they experienced due to competition from imports of the subject product from Chile during the period January 1994-March 1997. Virtually all of the responding producers (11 of 12) reported that they have had to reduce their prices of salmon due to price competition from lower-priced Chilean imports. Similarly, a large number of firms (9 of 12) reported that they have lost sales due to Chilean imports. Producers reported, however, that documenting instances of lost sales and lost revenues is very difficult due to the large number of transactions and the frequency with which they occur (i.e., daily). Many of these responding producers reported that they have reduced prices on their salmon every day and with many of their customers. Some U.S. producers were able to provide some documentation regarding instances where they had to reduce their prices or where they actually lost the sale. In many cases, producers were able to cite the names of customers and the total value they had paid for purchases in previous years, noting that producers have not been able to achieve those levels of sales. Some firms were able to provide sufficient information to calculate total values for lost sales and lost revenues. However, it is important to note that the total amounts of lost sales and/or lost revenues may be understated because most firms could not provide documentation. The reported allegations for lost sales totaled approximately $*** and involved

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[23] Prices for Chilean Atlantic salmon in the Northeast declined between 13.1 and 18.8 percent from January 1994 to December 1996, the most recent period for which data were available.

[24] Questionnaire responses indicate that some producers and importers have customers who are willing to pay a premium for domestic fresh Atlantic salmon because of perceived freshness. While this premium was estimated to range from 5-15 percent, most firms reported that the number of customers willing to pay this premium is very limited.

[25] One should note, however, that the quantity of sales of fillets reported by U.S. producers was much smaller than that reported by importers of the Chilean product.

Figure V-5
Fresh Atlantic salmon: Average published prices for fresh Atlantic salmon products, by products, by sources, and by months, Jan. 1994-
Mar. 1997

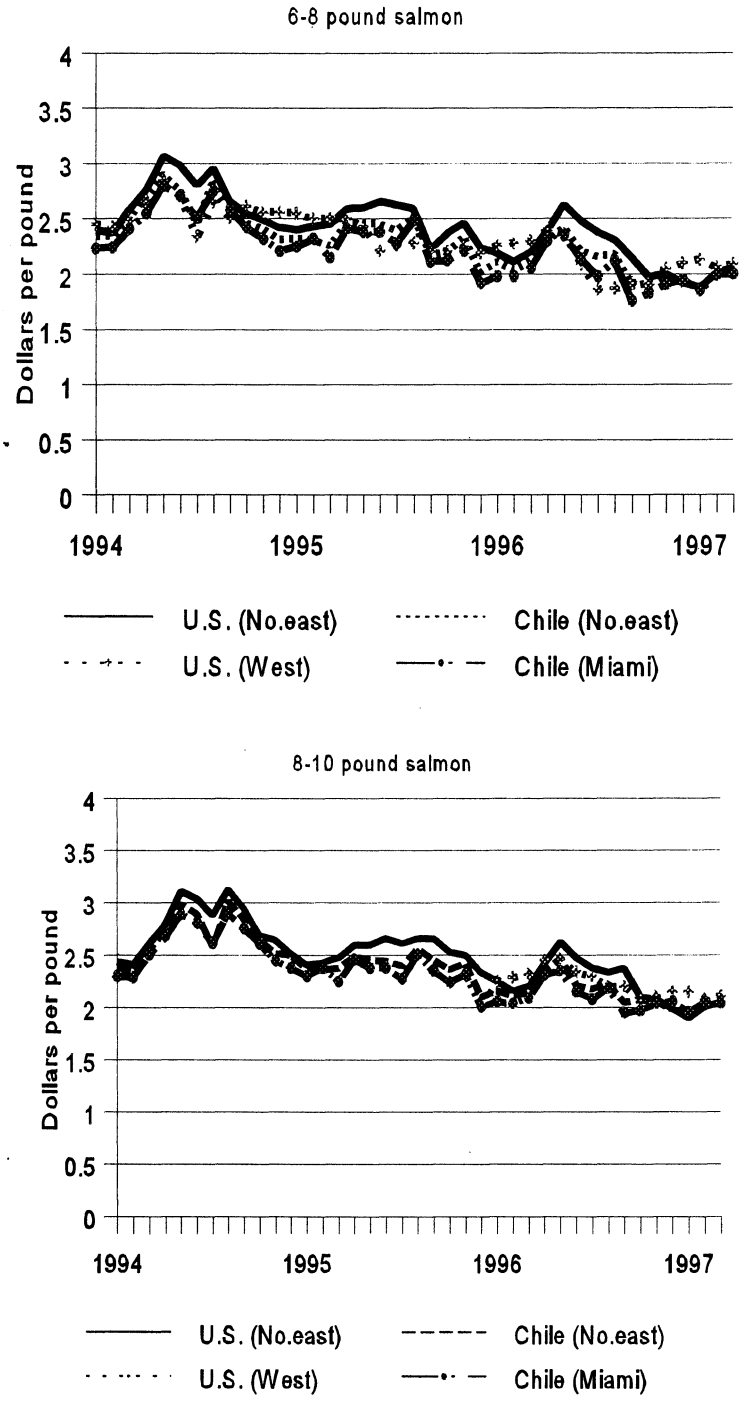
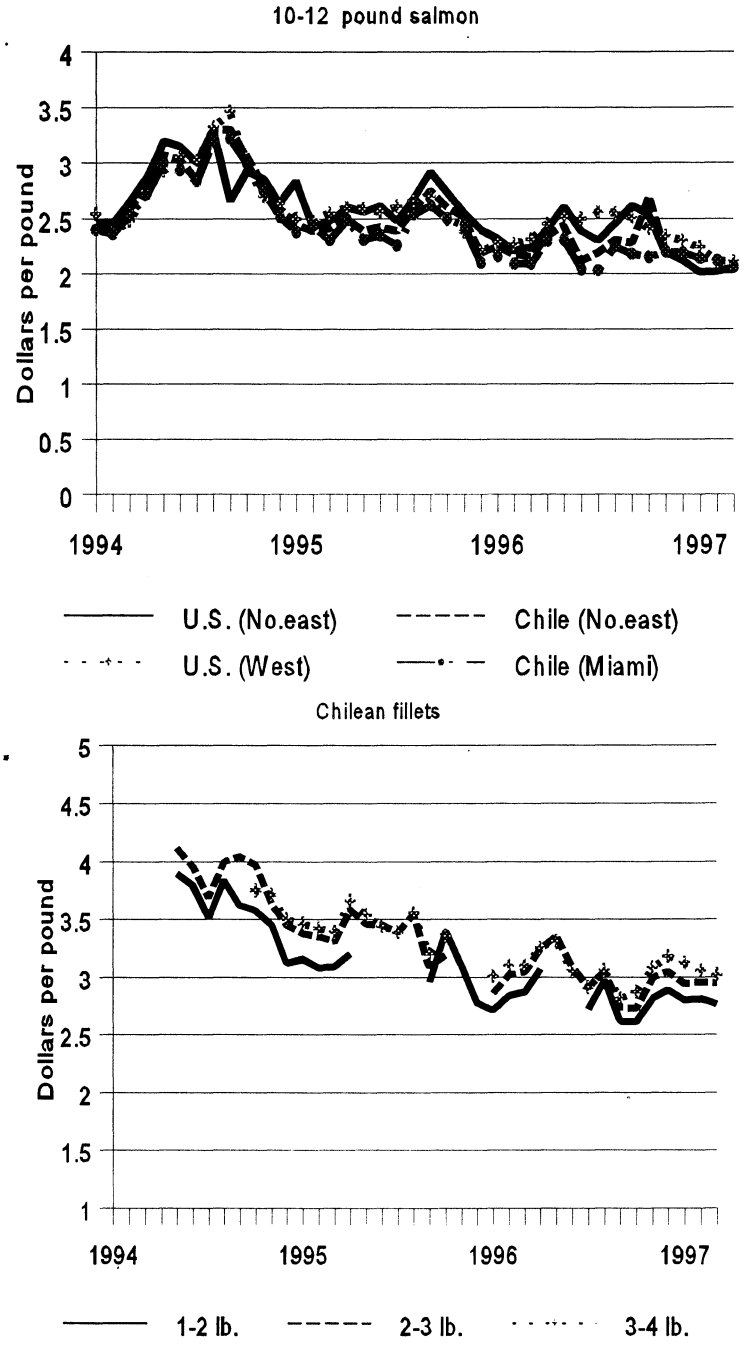


Figure continued on next page.

Figure V-5--Continued
Fresh Atlantic salmon: Average published prices for fresh Atlantic salmon products, by products, by sources, and by months, Jan. 1994-Mar. 1997



Source: Compiled from data from Urner-Barry Publications.

Table V-4
Fresh Atlantic salmon: Margins of under/(over)selling for products 1-6 sold by U.S. producers and importers of the Chilean product and reported in questionnaires, by months, Jan. 1995-Mar. 1997

Period	Product 1	Product 2	Product 3	Product 4	Product 5	Product 6
1995--						
January	7.2	1.2	5.4	4.7	***	***
February	5.7	(0.8)	5.5	(3.8)	***	***
March	11.9	(5.4)	9.9	3.3	***	***
April	6.4	1.4	8.0	8.6	***	***
May	7.4	6.1	12.7	11.8	***	***
June	6.0	6.2	9.2	12.0	***	***
July	3.6	9.9	12.8	10.6	***	***
August	2.6	13.6	18.1	7.5	***	***
September	9.9	4.0	9.6	12.0	***	***
October	9.8	8.6	10.4	11.9	***	***
November	12.0	16.8	12.1	11.8	***	***
December	14.2	16.7	14.4	19.3	***	***
1996--						
January	10.6	14.2	7.7	12.0	***	***
February	8.9	7.0	6.8	12.0	***	***
March	15.2	7.9	8.1	10.7	***	***
April	6.3	11.6	(1.4)	10.0	***	***
May	6.6	8.8	9.1	11.0	***	***
June	4.0	28.0	14.3	20.6	***	***
July	6.3	13.1	11.8	14.7	***	***
August	6.8	19.2	11.5	14.7	***	***
September	13.1	(3.4)	17.3	15.7	***	***
October	13.7	10.8	11.7	16.8	***	***
November	12.5	9.4	6.3	10.9	***	***
December	6.8	10.3	5.1	8.7	***	***
1997--						
January	10.0	8.2	5.4	11.7	***	***
February	15.6	9.4	9.2	9.3	***	***
March	6.6	3.6	4.9	4.6	***	***

Note: Percentage margins are calculated from unrounded figures; thus, margins cannot always be directly calculated from the rounded prices shown in the tables.

Source: Compiled from data submitted in response to Commission questionnaires.

*** pounds of fresh Atlantic salmon. The lost revenue allegations totaled approximately $*** and involved *** pounds of salmon. A summary of the information obtained from purchasers follows.

*** was named by a couple of producers in lost sales and lost revenue allegations. ***, spokesman for the company, reported that *** is a distributor of seafood products that has purchased both domestic and Chilean products. According to ***, the company generally purchases whole fish from domestic suppliers and fillets from Chile. According to ***, while *** has purchased a small amount of fillets from U.S. producers, he does not believe that U.S. firms are really in the fillet market. He further stated that he believes that the fillet market and the whole fish market are separate markets. In fact, *** has customers that purchase both whole fish and fillets. With regard to relative prices between domestic and Chilean product, *** stated that it is difficult to make a generalization because price levels change frequently; some weeks the Chilean prices are lower and at other times domestic prices are lower.

*** was cited in a lost sales allegation that totaled $*** and involved *** pounds of salmon fillets. *** reported that the price of domestic salmon fillets is about $1.00 per pound higher than that of Chilean salmon fillets. *** always gets a quote from a domestic company first and then it will check around with other suppliers. *** stated that he will go back to the domestic firm with other prices in the market; if the domestic price is within $0.10 per pound, he will buy the domestic product. However, as stated, the price of the domestic product quoted to *** was significantly higher than that of the Chilean product. *** added that *** has used the Chilean product about 3-5 times and that he likes to do so if *** wants to run a big advertised sale.

*** was named in a lost revenue allegation totaling $*** and involving *** pounds of salmon. A spokesman for *** reported that the company purchases whole fish from U.S. suppliers but does not buy any domestic salmon fillets. According to ***, domestic salmon producers have not really been in the market for fillets; however, in the past 6 months, *** has offered some fillets for sale. ***. Moreover, *** reported that the domestic fillets are not priced competitively. With regard to whole fish, *** reported that the Chilean product is priced slightly below (i.e., $0.10 to $0.15 per pound) the domestic product. There is, however, a difference in the shelf life with the domestic product being superior. Furthermore, the cost savings on the Chilean whole fish is not enough to offset the higher transportation costs from Miami to ***.

*** was named in a lost revenue allegation totaling $*** and involving *** pounds of salmon. *** reported that *** is a distributor of salmon that sells to both restaurants and retail stores. According to ***. Currently, *** is buying most of its salmon from Canadian producers because it is the least expensive. *** stated that relative prices in the salmon market are always changing. Sometimes the price of the Canadian product is the lowest, sometimes the Chilean price is the lowest, and sometimes the U.S. price is the lowest.

*** was also named in a lost revenue allegation totaling $*** and involving *** pounds of salmon. ***; *** generally buys whole fish but has on occasion purchased some fillets. *** purchased some Chilean product in the past but has not bought any recently. *** stated that the quality of the Chilean product is not as good as that of the domestic product. *** reported that ***. Therefore, while the Chilean product is less expensive than the domestic product, it is not as fresh and, thus, is not purchased because of the lower level of freshness.

*** was named in a lost revenue allegation.[26] *** reported that *** has purchased salmon from U.S., Canadian, and Chilean suppliers. *** reported that he believes that U.S. producers have had to lower their prices to remain competitive with Chilean producers; he also reported that he believes that U.S. salmon producers have lost sales to Chilean producers. ***.

*** was named in a lost sales allegation totaling $*** and involving *** pounds of salmon. *** reported that the company buys whole salmon and salmon fillets from Chilean suppliers and sells them to a variety of customers including restaurants, supermarkets, and local fish stores. *** reported that *** sells

[26] Information needed to calculate a total value of the lost revenues was not available.

whole fish and fillets to the same customers. According to ***, *** switched its purchases of salmon to Chilean suppliers because of ***. ***. With regard to relative prices, *** reported that sometimes the Chilean price is lower but sometimes the domestic price is lower; however, *** reiterated that price was not the main reason that his company stopped buying from U.S. producers.

PART VI: FINANCIAL CONDITION OF THE U.S. INDUSTRY

BACKGROUND

Twelve U.S. producers[1] provided financial data on their operations on fresh Atlantic salmon, both dressed and cuts. These data represent virtually all reported U.S. production of dressed and cut Atlantic salmon in 1996. Four producers started production of Atlantic salmon during the period of investigation: ***.

OPERATIONS ON FRESH ATLANTIC SALMON

Income-and-loss data for the U.S. producers on their fresh Atlantic salmon operations are presented in table VI-1 and figure VI-1; data on a per-pound basis are shown in table VI-2.[2] Selected financial data, by firms, are presented in table VI-3. The operating income margins increased from 9.8 percent in 1994 to 14.2 percent in 1995 and then dropped to a negative margin of 1.0 percent in 1996. Such margins declined from a positive 3.6 percent in January-March 1996 to a negative 1.8 percent in January-March 1997. Average selling price per pound dropped by about 15 percent from 1994 to 1996, and further declined by 9 percent in January-March 1997 from January-March 1996. The average selling price per pound dropped less than the average cost of goods sold per pound from 1994 to 1995, resulting in increasing gross profit and operating income. In 1996 and January-March 1997, the average selling price per pound dropped more than the average cost of goods sold per pound, resulting in declining gross profit and operating income. Seven firms in 1996 and six firms in January-March 1997 reported operating losses compared with only one firm reporting such a loss in 1994 and 1995.

* * * * * * *

The variance analysis for the 12 U.S. producers of fresh Atlantic salmon is presented in table VI-4. The information for this variance analysis is derived from table VI-1. Export sales were minor. The company transfers ranged from a low of about 13 percent of total quantity sold in January-March 1997 to a high of about 19 percent in 1994. The variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume. This analysis is more effective when the product involved is a homogeneous product with no variation in product mix. The summarized analysis shows that the decline of $5.2 million in operating income from 1994 to 1996 is attributable to the higher unfavorable price variance compared to favorable net cost/expense variance and net volume variance.

---

[1] U.S. producers and their fiscal year ends are ASM (Aug. 31), Connors (Dec. 31), Cooke (July 31), DE Salmon (Dec. 31), Global Aqua (Dec. 31), Island (May 31), Maine Aqua (Dec. 31), Nordic (Mar. 31), Scan Am (Dec. 31), Stolt USA (Nov. 30), Treats (April 30), and Trumpet (Dec. 31).

[2] The financial information provided by one U.S. processor, Seafood Supply, is not included in the financial data.

Table VI-1
Results of operations of U.S. producers in the production of fresh Atlantic salmon, fiscal years 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item				Jan.-Mar.	
	1994	1995	1996	1996	1997
	Quantity *(1,000 pounds of dressed weight)*				
Trade sales	13,894	22,597	26,120	5,921	7,278
Company transfers	3,357	4,950	4,077	1,157	1,054
Total sales	17,251	27,547	30,197	7,078	8,332
	Value *($1,000)*				
Trade sales	37,187	55,698	58,668	13,448	14,900
Company transfers	8,587	11,437	8,973	2,634	2,369
Total sales	45,774	67,135	67,641	16,082	17,269
Cost of goods sold	36,943	52,581	62,081	13,654	15,870
Gross profit	8,831	14,554	5,560	2,428	1,399
SG&A expenses	4,335	4,995	6,237	1,857	1,703
Operating income or (loss)	4,496	9,559	(677)	571	(304)
Interest expense	2,781	3,425	3,687	842	1,114
Other expense	489	200	673	(3)	(12)
Other income items[1]	695	294	443	162	28
Net income or (loss)	1,921	6,228	(4,594)	(106)	(1,378)
Depreciation/amortization	3,599	4,383	5,851	1,321	1,544
Cash flow	5,520	10,611	1,257	1,215	166
	Ratio to net sales *(percent)*				
Cost of goods sold	80.7	78.3	91.8	84.9	91.9
Gross profit	19.3	21.7	8.2	15.1	8.1
SG&A expenses	9.5	7.4	9.2	11.5	9.9
Operating income or (loss)	9.8	14.2	(1.0)	3.6	(1.8)
Net income or (loss)	4.2	9.3	(6.8)	(0.7)	(8.0)
	Number of firms reporting				
Operating losses	1	1	7	4	6
Data	8	11	12	11	11

[1] ***.

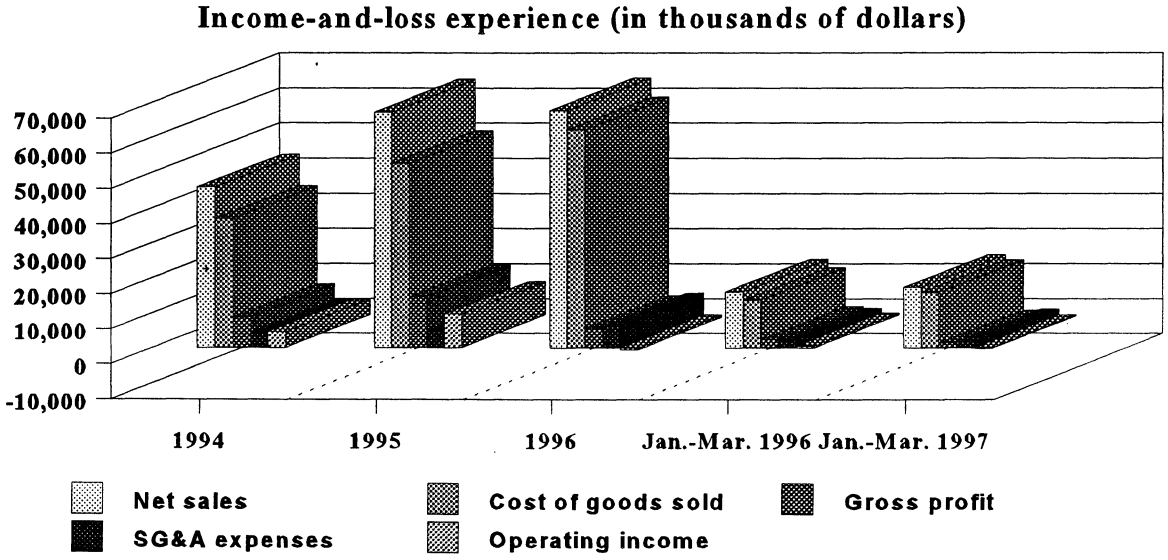
Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2
Results of operations (per pound) of U.S. producers in the production of fresh Atlantic salmon, fiscal years 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item				Jan.-Mar.	
	1994	1995	1996	1996	1997
Net sales:					
Trade sales	$2.68	$2.46	$2.25	$2.27	$2.05
Company transfers	2.56	2.31	2.20	2.28	2.25
Total sales	2.65	2.44	2.24	2.27	2.07
Cost of goods sold	2.14	1.91	2.06	1.93	1.90
Gross profit	0.51	0.53	0.18	0.34	0.17
SG&A expenses	0.25	0.18	0.21	0.26	0.20
Operating income or (loss)	0.26	0.35	(0.02)	0.08	(0.04)

Source: Compiled from data submitted in response to Commission questionnaires.

Figure VI-1
Fresh Atlantic salmon: U.S. producers' net sales, cost of goods sold, gross profit, SG&A expenses, and operating income, fiscal years 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997



Source: Table VI-1.

Table VI-3
Results of operations of U.S. producers in the production of fresh Atlantic salmon, by firms, fiscal years 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

* * * * * * *

INVESTMENT IN PRODUCTIVE FACILITIES, CAPITAL EXPENDITURES, AND RESEARCH AND DEVELOPMENT EXPENSES

The responding firms' data on the value of their property, plant, and equipment, capital expenditures, and research and development (R&D) expenses are shown in table VI-5. All reporting firms reported their fixed assets, capital expenditures, and R&D expenses for fresh Atlantic salmon. *** did not report such data for January-March 1996; therefore, its data for the interim periods are not used. Only *** reported R&D expenses; the other firms had no such expenses. Four firms, ***, reported higher capital expenditures in 1995 and 1996. ***.

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of fresh Atlantic salmon from Chile on their return on investment; growth, investment, and ability to raise capital; development and production efforts (including efforts to develop a derivative or more advanced version of the product); or the scale of capital investments undertaken. The Commission also asked each firm to supply its major capital expenditures in the last five years which have influenced its capacity to raise and process fresh Atlantic salmon. Their responses are shown in appendix E.

Table VI-4
Variance analysis for fresh Atlantic salmon operations, fiscal years 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item				Jan.-Mar.
	1994-96	1994-95	1995-96	1996-97
	Value (*$1,000*)			
Trade sales:				
Price variance	(11,242)	(4,782)	(5,714)	(1,630)
Volume variance	32,723	23,293	8,684	3,082
Total trade sales	21,481	18,511	2,970	1,452
Company transfers:				
Price variance	(1,456)	(1,225)	(447)	(31)
Volume variance	1,842	4,075	(2,017)	(234)
Total transfer variance	386	2,850	(2,464)	(265)
Total net sales:				
Price variance	(12,484)	(5,959)	(5,952)	(1,662)
Volume variance	34,351	27,320	6,458	2,849
Total net sales variance	21,867	21,361	506	1,187
Cost of sales:				
Cost variance	2,586	6,411	(4,442)	203
Volume variance	(27,724)	(22,049)	(5,058)	(2,419)
Total cost variance	(25,138)	(15,638)	(9,500)	(2,216)
Gross profit variance	(3,271)	5,723	(8,994)	(1,029)
SG&A expenses:				
Expense variance	1,320	1,899	(761)	483
Volume variance	(3,240)	(2,577)	(481)	(329)
Total SG&A variance	(1,920)	(678)	(1,242)	154
Operating income variance	(5,191)	5,045	(10,236)	(875)
Summarized as:				
Price variance	(12,484)	(5,959)	(5,952)	(1,662)
Net cost/expense variance	3,906	8,309	(5,203)	686
Net volume variance	3,388	2,694	920	101

Note: Unfavorable variances are shown in parentheses; all others are favorable.

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-5
Value of assets, capital expenditures, and research and development expenses of U.S. producers of fresh Atlantic salmon, fiscal years 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

Item				Jan.-Mar.	
	1994	1995	1996	1996	1997
	Value (*$1,000*)				
Capital expenditures	3,451	12,502	8,345	2,716	1,365
R&D expenses	***	***	***	***	***
Fixed assets:					
Original cost	35,685	47,969	56,038	52,176	59,661
Book value	20,843	29,095	31,416	31,373	32,846

Source: Compiled from data submitted in response to Commission questionnaires.

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the nature of the alleged subsidies is included in Commerce's notice of initiation shown in appendix A of this report; information on the volume and pricing of imports of the subject merchandise is presented in parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in appendix E. Information is not provided on inventories because fresh Atlantic salmon has a shelf life of between 10 and 14 days and inventories are not maintained. Regarding any dumping in third country markets, Chile has not been subject to antidumping findings or remedies in any WTO-member countries. Information on foreign producers' operations, including the potential for "product-shifting" and any other threat indicators, if applicable, follows.

THE INDUSTRY IN CHILE

Chile is the third largest producer of fresh Atlantic salmon in the world. Norway is the dominant world producer, but Chile was just behind the United Kingdom in fresh Atlantic salmon production during 1995.[1] Atlantic salmon is not native to Chile or any other country in the southern hemisphere. It was introduced in 1986 by Marine Harvest International, the largest fresh Atlantic salmon producer in Scotland, in an attempt to capitalize on Chile's different harvesting season and lower costs of production.[2] The industry is concentrated in the Puerto Montt area of south central Chile. The region is characterized by deep rivers and numerous islands, inlets, and bays, allowing for a large number of protected farming areas. Excellent water quality, above average sunlight, inexpensive labor rates, and low-cost fish meal have also contributed to Chile's success in fresh Atlantic salmon production.[3] Chilean production of fresh Atlantic salmon is generally stable throughout the year, due to freshwater and saltwater conditions that permit the planting of eggs twice a year and harvesting on a year-round basis. However, Chilean producers reduce their production of fresh Atlantic salmon during January and February because their processing plants are operating at full capacity with Coho salmon and trout production, which must be harvested during those months. Chilean production also declines slightly during August and September because of the slower growth rates of salmon during their winter months.[4]

There are about 60 Chilean fresh Atlantic salmon producers, but the industry is dominated by a few large companies, primarily foreign-owned. Some of the larger companies include Marine Harvest, Pesquera Mares Australes, and Chisal S.A. About half of the producers source some of their smolt from company-owned freshwater hatcheries. Scotland and Norway are major suppliers of fresh Atlantic salmon eggs to Chile.[5] Approximately one-third of the producers own their own processing plants.[6]

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[1] Alan Kenney, "The Current Status and Future Outlook of Global Salmon Markets: Implications for Canadian Salmon Farmers," British Columbia Salmon Farmers Association, p. 55.

[2] Telephone conversation with ***.

[3] "Salmon Still a Major Part of Chile Aquaculture Success: Part II," *Aquaculture Magazine*, May/June 1997, p. 51.

[4] Respondents' postconference brief, p. 50.

[5] "Salmon Still a Major Part of Chile Aquaculture Success: Part II," p. 56.

[6] Respondents' postconference brief, p. 49.

As indicated in table VII-1, reported Chilean capacity increased by 117.4 percent from 1994 to 1996 and continued to increase, by 25.0 percent, between January-March 1996 and January-March 1997. Production similarly increased during the period for which data were collected. As indicated in the table, the fresh Atlantic salmon industry in Chile is export driven. The Chilean producers did not report home market shipments but estimate them to be much less than 5 percent of total shipments during the period for which data were collected. Chile's demand for fish is met generally by small-scale fisherman and only in small part by aquaculture products, such as fresh Atlantic salmon. Chileans eat about 8 kg. per year of seafood products. This low per-capita consumption is attributed to the fact that Chile is traditionally a consumer of red meat and its low purchasing power does not allow for the purchase of higher-priced, export-quality seafood products.[7] Respondents reported, however, that home market consumption is increasing with the widespread availability of fresh Atlantic salmon in restaurants and supermarkets in Chile.[8] The reported shipments to Chilean processors represent fresh Atlantic salmon that was further processed into frozen, smoked, or canned form before it was ultimately exported. These shipments do not reflect any home market consumption of fresh Atlantic salmon.

Accounting for 77.4 percent of total shipments during 1996, Chile's exports to the United States more than doubled during 1994-96 and continued to increase, by 16.9 percent, between the interim periods. Chile's other principal export markets were Japan and Brazil. Respondents reported that there has been substantial growth of fresh Atlantic salmon exports to other Latin American countries. Increasing populations, rising incomes, and general economic development in Latin America reportedly continue to present opportunities for growth of Chilean salmon exports.[9]

As indicated in tables VII-2 and VII-3, exports to the United States of both dressed fresh Atlantic salmon and cuts of fresh Atlantic salmon increased during 1994-96. Exports to the United States of dressed fresh Atlantic salmon declined between the interim periods, while exports of cuts of fresh Atlantic salmon continued to increase. Virtually all of Chile's shipments of cuts of fresh Atlantic salmon (i.e., over 95 percent of total shipments during 1994-96) were exported to the United States. Chile's increase in export shipments of cuts of fresh Atlantic salmon was largely a result of the fact that Chilean producers were able to save more in air freight than it cost them to process the salmon into cuts, and thus they could offer U.S. purchasers lower-priced, value-added product.[10]

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[7] "Salmon Still a Major Part of Chile Aquaculture Success: Part II," p. 56.

[8] Respondents did not provide the Commission with home market data in their foreign producers' questionnaire. Respondents' postconference brief, p. 50.

[9] Respondents' postconference brief, pp. 50-51.

[10] Conference transcript, p. 117.

Table VII-1
Total fresh Atlantic salmon: Chile's capacity, production, shipments, and capacity utilization, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997-98[1]

Item	Calendar year--			Jan.-Mar.--		Projected--	
	1994	1995	1996	1996	1997	1997	1998
	Quantity (*1,000 pounds of dressed weight*)						
Production capacity	68,729	105,650	149,789	27,328	34,149	164,725	175,749
Production	59,845	88,909	130,316	26,440	33,124	144,958	156,416
Shipments:							
To Chilean processors	6,113	7,961	11,358	1,420	2,643	13,178	14,219
Exports to--							
United States	49,046	68,837	100,915	22,088	25,818	105,424	106,648
All other export markets	4,687	12,113	18,043	2,932	4,662	26,356	35,549
Total exports	53,732	80,948	118,958	25,020	30,481	131,780	142,197
Total shipments	59,845	88,909	130,316	26,440	33,124	144,958	156,416
	Ratios and shares (*percent*)						
Capacity utilization	87.1	84.2	87.0	96.8	97.0	88.0	89.0
Share of total quantity of shipments:							
To Chilean processors	10.2	9.0	8.7	5.4	8.0	9.1	9.1
Exports to--							
United States	82.0	77.4	77.4	83.5	77.9	72.7	68.2
All other export markets	7.8	13.6	13.8	11.1	14.1	18.2	22.7
Total exports	89.8	91.0	91.3	94.6	92.0	90.9	90.9

[1] The data in the table accounts for virtually all exports to the United States during 1996.

Source: Compiled from data submitted in response to Commission questionnaires.

Table VII-2
Dressed fresh Atlantic salmon: Chile's shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997-98[1]

Item	Calendar year--			Jan.-Mar.--		Projected--	
	1994	1995	1996	1996	1997	1997	1998
	Quantity (*1,000 pounds of dressed weight*)						
Shipments to Chilean processors	6,113	7,961	11,358	1,420	2,643	13,178	14,219
Exports to:							
United States	26,052	34,240	36,294	9,936	6,636	26,356	21,330
All other export markets	3,261	11,482	15,082	2,584	4,345	19,767	24,173
Total exports	29,312	45,721	51,376	12,520	10,981	46,123	45,503
Total shipments	35,425	53,682	62,734	13,940	13,624	59,301	59,722
	Shares of total quantity of shipments (*percent*)						
Chilean processors	17.3	14.8	18.1	10.2	19.4	22.2	23.8
Exports to:							
United States	73.5	63.8	57.9	71.3	48.7	44.4	35.7
All other export markets	9.2	21.4	24.0	18.5	31.9	33.3	40.5
Total exports	82.7	85.2	81.9	89.8	80.6	77.8	76.2

[1] The data in the table accounts for virtually all exports to the United States during 1996.

Source: Compiled from data submitted in response to Commission questionnaires.

Table VII-3
Cuts of fresh Atlantic salmon: Chile's shipments, 1994-96, Jan.-Mar. 1996, Jan.-Mar. 1997, and projected 1997-98[1]

Item	Calendar year--			Jan.-Mar.--		Projected--	
	1994	1995	1996	1996	1997	1997	1998
	Quantity (*1,000 pounds of dressed weight*)						
Shipments to Chilean processors	0	0	0	0	0	0	0
Exports to:							
United States	22,994	34,597	64,621	12,152	19,182	79,068	85,318
All other export markets	1,426	631	2,961	348	317	6,589	11,376
Total exports	24,420	35,227	67,582	12,500	19,500	85,657	96,694
Total shipments	24,420	35,227	67,582	12,500	19,500	85,657	96,694
	Shares of total quantity of shipments (*percent*)						
Chilean processors	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exports to:							
United States	94.2	98.2	95.6	97.2	98.4	92.3	88.2
All other export markets	5.8	1.8	4.4	2.8	1.6	7.7	11.8
Total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] The data in the table accounts for virtually all exports to the United States during 1996.

Source: Compiled from data submitted in response to Commission questionnaires.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701–TA–372 and 731–TA–768 (Preliminary)]

Fresh Atlantic Salmon From Chile

AGENCY: United States International Trade Commission.

ACTION: Institution of countervailing duty and antidumping investigations and scheduling of preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase countervailing duty and antidumping Investigations Nos. 701–TA–372 and 731–TA–768 (Preliminary) under sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. §§ 1671b(a) and 1673b(a)) (the Act) 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 from Chile of fresh or chilled Atlantic salmon,[1] provided for in subheadings 0302.12.00 and 0304.10.40 of the Harmonized Tariff Schedule of the United States, that are alleged to be subsidized by the Government of Chile and sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to sections 702(c)(1)(B) and 732(c)(1)(B) of the Act (19 U.S.C. §§ 1671a(c)(1)(B) and 1673a(c)(1)(B)), the Commission must reach a preliminary determination in countervailing duty and antidumping

[1] The subject matter of these investigations includes fresh or chilled Atlantic salmon, whether sold "dressed" or as "cuts." Dressed Atlantic salmon refers to salmon that has been bled, gutted, and cleaned. It may be sold with the head on or off, with the tail on or off, and with the gills in or out. Cuts of fresh Atlantic salmon refer to salmon that has been either cut crosswise into "steaks" or lengthwise into two "sides" (fillets); these cuts may be further cut into smaller portions or sold in combination packages. The cuts may be subjected to various degrees of trimming, and sold with the skin on or off and with the "pin bones" in or out. Excluded from these investigations are all other species of salmon, as well as live Atlantic salmon and Atlantic salmon that has been subjected to further processing, such as frozen, canned, or smoked Atlantic salmon or fillets or meat thereof.

investigations in 45 days, or in this case by July 28, 1997. The Commission's views are due at the Department of Commerce within five business days thereafter, or by August 4, 1997.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207), as amended in 61 FR 37818 (July 22, 1996).

EFFECTIVE DATE: June 12, 1997.

FOR FURTHER INFORMATION CONTACT: Brad Hudgens (202-205-3189), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (http://www.usitc.gov or ftp://ftp.usitc.gov).

SUPPLEMENTARY INFORMATION:

Background.—These investigations are being instituted in response to a petition filed on June 12, 1997, by the Coalition for Fair Atlantic Salmon Trade.

Participation in the investigations and public service list.—Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission countervailing duty and antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. § 1677(9)) who are parties to the investigations under the APO issued in the investigations, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on July 3, 1997, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Brad Hudgens (202-205-3189) not later than July 1, 1997, to arrange for their appearance. Parties in support of the imposition of countervailing and antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written submissions.—As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before July 9, 1997, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

By order of the Commission.

Issued: June 16, 1997.

Donna R. Koehnke,

Secretary.

[FR Doc. 97-16135 Filed 6-19-97; 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF COMMERCE

International Trade Administration

[C–337–802]

Notice of Initiation of Countervailing Duty Investigation: Fresh Atlantic Salmon From Chile

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: July 9, 1997.

FOR FURTHER INFORMATION CONTACT: Elizabeth A. Graham at (202) 482–4105 or Rosa S. Jeong at (202) 482–1278, Import Administration, U.S. Department of Commerce, Room 3099, 14th Street and Constitution Avenue, N.W., Washington, DC 20230.

Initiation of Investigation

The Applicable Statute

Unless otherwise indicated, all citations to the statute are references to the provisions of Tariff Act of 1930 (the Act), as amended by the Uruguay Round Agreements Act effective January 1, 1995. In addition, unless otherwise indicated, all citations to the Department's regulations refer to the regulations, codified at 19 CFR part 355, as they existed on April 1, 1997.

The Petition

On June 12, 1997, the Department of Commerce (the Department) received a petition filed in proper form by the Coalition for Fair Atlantic Salmon Trade (FAST) and the following individual members of FAST: Atlantic Salmon of Maine; Cooke Aquaculture U.S., Inc.; DE Salmon, Inc.; Global Aqua—USA, LLC; Island Aquaculture Corp.; Maine Coast Nordic, Inc.; ScanAm Fish Farms; and Treats Island Fisheries (collectively referred to hereafter as "the petitioners"). A supplement to the petition was filed on June 26, 1997.

On June 27 and July 1, 1997, the Department held consultations with representatives of the Government of Chile (GOC) pursuant to section 702(b)(4)(ii) of the Act (*see* July 1, 1997 memoranda to the File regarding these consultations). During these consultations, the GOC submitted copies of public laws relating to certain programs alleged in the petition.

In accordance with section 701(a) of the Act, petitioners allege that producers and exporters of the subject merchandise in Chile receive countervailable subsidies.

The petitioners state that they have standing to file the petition because they are interested parties, as defined under section 771(9)(C) of the Act.

Scope of Investigation

The scope of this investigation covers fresh, farmed Atlantic salmon, whether imported "dressed" or cut. Atlantic salmon is the species Salmo salar, in the genus Salmo of the family salmoninae. "Dressed" Atlantic salmon refers to salmon that has been bled, gutted, and cleaned. Dressed Atlantic salmon may be imported with the head on or off; with the tail on or off; and with the gills in or out. All cuts of fresh Atlantic salmon are included in the scope of the investigation. Examples of cuts include, but are not limited to: Crosswise cuts (steaks), lengthwise cuts (fillets), lengthwise cuts attached by skin (butterfly cuts), combinations of crosswise and lengthwise cuts (combination packages), and Atlantic salmon that is minced, shredded, or ground. Cuts may be subjected to various degrees of trimming, and imported with the skin on or off and with the "pin bones" in or out.

Excluded from the scope of this petition are (1) fresh Atlantic salmon that is "not farmed" (*i.e.*, wild Atlantic salmon); (2) live Atlantic salmon and Atlantic salmon that has been subjected

to further processing, such as frozen, canned, dried, and smoked Atlantic salmon; and (3) Atlantic salmon that has been further processed into forms such as sausages, hot dogs, and burgers.

The merchandise subject to this investigation is classified at statistical reporting numbers 0302.12.0003 and 0304.10.4091 of the Harmonized Tariff Schedule (HTS) of the United States. Although the HTS numbers are provided for convenience and Customs purposes, the written description of the merchandise is dispositive.

During pre-filing consultations and as a result of our review of the petition, we discussed with the petitioners whether the proposed scope was an accurate reflection of the product for which the domestic industry is seeking relief. We noted that the scope in the petition appeared to include both farmed and not farmed Atlantic salmon. The petitioners subsequently notified the Department on June 26, 1997, that Atlantic salmon that is not farmed should be excluded from the scope of the investigation. Accordingly, we have done so.

We are setting aside a period for interested parties to raise issues regarding product coverage. The Department will accept such comments until August 4, 1997. This period of scope consultation is intended to provide the Department ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determination.

Determination of Industry Support for the Petition

Section 702(c)(4)(A) of the Act requires that the Department determine, prior to the initiation of an investigation, that a minimum percentage of the domestic industry supports a countervailing duty petition. A petition meets these minimum requirements if the domestic producers or workers who support the petition account for: (1) At least 25 percent of the total production of the domestic like product, and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Under section 702(c)(4)(D) of the Act, if the petitioners account for more than 50 percent of the total production of the domestic like product, the Department is not required to poll the industry to determine the extent of industry support.

Based on U.S. salmon production information published by the State of Maine Department of Marine Resources and the Washington Farmed Salmon Commission, the petitioners claimed that they account for over 70 percent of total production of fresh Atlantic salmon in the United States. The petitioners further claimed that, when the U.S. producers related to foreign producers are excluded from the analysis, the petitioners represent approximately 97 percent of domestic production of fresh Atlantic salmon.

On June 27, 1997, the Association of Chilean Salmon and Trout Producers (the Association) contested the petitioners' standing claim. The Association stated that the petitioners' standing calculations focused exclusively on dressed salmon producers while ignoring U.S. fillet producers and claimed that fillet salmon represents a separate domestic like product from dressed salmon under the five-part domestic like product test used by the International Trade Commission (ITC). The Association argued that these facts suggest: (1) The petitioners do not have standing with respect to fillets, and; (2) even if the Department accepts the petitioners' single domestic like product definition, the petitioners have failed to provide adequate industry support data since fillet producers represent a significant portion of the industry producing the domestic like product. This submission included certain letters in opposition to the petition submitted by U.S. fillet processors, some of whom identified themselves as importers of dressed salmon from Chile.

On June 30, 1997, the petitioners submitted a rebuttal, stating that the Association failed to refute the "total domestic production" and "percent of production" industry support figures contained in the petition and failed to provide any information that would indicate that the petitioners do not have standing even under a two-like-product analysis. The petitioners argued that the facts in this case do not support a finding that fillet salmon is a separate domestic like product because there are no clear dividing lines, in terms of characteristics or uses, between dressed salmon and salmon fillets. Specifically, petitioners contended that, *inter alia*,: (1) Salmon fillets are derived from dressed Atlantic salmon and, in fact, all forms of fresh Atlantic salmon include the salmon meat that is ultimately consumed; (2) respondents focused solely on one cut of fresh Atlantic salmon (fillet) while ignoring other cuts (*e.g.*, steak); (3) the one cutting step that does play a significant role in the physical characteristic of the product (the initial cutting of the fish in order to bleed it) has been performed on both dressed and fillet salmon;[1] and (4) fillet cutting is not a "value added" operation, but instead results in a higher-priced end product primarily because much waste has been eliminated. With respect to the last point, the petitioners argued that the price trends of fillets compared with dressed salmon suggest that there is no value added, but in fact negative value added, because the price of Chilean fillets, when adjusted for the cost of processing dressed salmon into fillets, is less than the price of dressed salmon.

On July 1, 1997, the Association submitted further comments in response to the petitioners' arguments.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers and workers who account for production of the domestic like product. The ITC, which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. However, while both the Department and the ITC must apply the same statutory provision regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the domestic like product, such differences do not render the decision of either agency contrary to the law.[2] Therefore, we have examined the Association's arguments regarding the definition of the domestic like product in the petition in the context of the statutory provisions governing initiation and the facts of the record.

The Association's contention is based on an examination of like product determinations made in prior ITC cases, and follows an analysis of factors traditionally examined by the ITC. However, as noted above, the Department's analysis of like product is not bound by ITC practice. The Department's analysis begins with section 771(10) of the Act, which

[1] In this respect, the petitioners distinguish this case from the like product decisions in *Live Swine and Pork from Canada*, Inv. No. 701-TA-22 (Final), USITC pub. 2218 (September 1989).

[2] *See Algoma Steel Corp., Ltd.* v. *United States*, 688 F. Supp. 639, 642-44 (CIT 1988); High Information Content Flat Panel Displays and Display Glass Therefor From Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition, 56 FR 32376, 32380-81 (July 16, 1991).

defines domestic like product as "a product that is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." After considering the information presented by the petitioner and the Association, we do not find that the petitioner's domestic like product definition is inconsistent with this statutory definition. While both parties have cited to various cases involving agricultural and other products, in light of the information presented in the petition, we have concluded that there is no basis on which to reject as clearly inaccurate the petitioners' representations that there are no clear dividing lines, in terms of characteristics or uses, between dressed and cut salmon. Therefore, we have adopted the single domestic like product definition set forth in the petition.

Having found that dressed and cut salmon constitute a single like product, we considered the Association's arguments that U.S. production of salmon cuts had not been accounted for in the petition's demonstration of industry support. The calculation of the standing ratio in the petition was based on a comparison of the volume of the petitioners' total 1996 production of dressed salmon to the volume of the industry's total 1996 production of dressed salmon. We have revised the petitioner's industry support calculations to add to the total U.S. domestic industry figure an amount representing the estimated economic value of U.S. fillet processing, in order to be as conservative as possible in our evaluation of industry support. In so doing, we have conservatively assumed that none of this processing industry has affirmatively supported the petition.

In order to factor fillet processing into our analysis, we used a value-based analysis. We determined that the calculation of industry support on the basis of weight is inappropriate because the further processing of dressed salmon into cuts involves significant weight yield loss. In this regard, we note that the Statement of Administrative Action (SAA) for the URAA explicitly provides that the Department may determine the existence of industry support based on the value of production. SAA at 862. For further explanation of our inclusion of salmon processing in the total U.S. domestic industry figure, which served as the denominator in the industry support calculation, see the Initiation Checklist prepared for this case, dated July 1, 1997.

Having accounted for U.S. production of salmon cuts, we find that the production data provided in the petition indicate that the petitioners account for more than 50 percent of the total production of the domestic like product, thus meeting the requirements of section 702(c)(4)(A) of the Act. Since the petitioners exceed the industry support threshold, we have not taken the letters of opposition that were filed with the Association's June 27, 1997, submission into account in our determination of industry support.

Injury Test

Because Chile is a "Subsidies Agreement Country" within the meaning of section 701(b) of the Act, Title VII of the Act applies to this investigation. Accordingly, the U.S. International Trade Commission ("ITC") must determine whether imports of the subject merchandise from Chile materially injure, or threaten material injury to, a U.S. industry.

Allegation of Subsidies

Section 702(b) of the Act requires the Department to initiate a countervailing duty proceeding whenever an interested party files a petition, on behalf of an industry, that (1) alleges the elements necessary for an imposition of a duty under section 701(a), and (2) is accompanied by information reasonably available to petitioners supporting the allegations.

Initiation of Countervailing Duty Investigations

The Department has examined the petition on fresh Atlantic salmon ("salmon") from Chile and found that it complies with the requirements of section 702(b) of the Act. Therefore, in accordance with section 702(b) of the Act, we are initiating a countervailing duty investigation to determine whether producers or exporters of salmon from Chile receive subsidies.

We are including in our investigation the following programs alleged in the petition to have provided subsidies to producers of the subject merchandise in Chile:

1. Fundacion Chile Assistance
   a. Company Start Up Projects
   b. Provision of Salmon Infrastructure
   c. Technology Support Measures
2. Institute for Technological Research (INTEC)
3. Fund for Technological and Productive Development (FONTEC) Grants
4. Central Bank Chapter 19 (Debt Conversion Program)
5. Central Bank Chapter 18 (Debt Conversion Program)
6. ProChile Export Promotion Assistance
7. Export Promotion Fund
8. Chilean Production Development Corporation (CORFO) Export Credit Insurance Program
9. CORFO Export Credits and Long-Term Export Financing
10. Law No. 18,439 (Export Credit Limits)
11. GOC Guarantee of Private Bank Loans
12. Law No. 18,449 (Stamp Tax Exemption)
13. Law No. 18,634 (Deferred and/or Waived Import Duties on Capital Goods)
14. Import Substitution of Capital Goods
15. Import Substitution for New Industries
16. Tax Deductions Available to Exporters
17. Law No. 18,392 (Tax Exemptions)
18. Article 59 of Decree Law 824 (Chilean Income Tax Law)
19. Decree 15 (Promotion and Development Fund)

We are not including in our investigation the following programs alleged to be benefitting producers and exporters of the subject merchandise in Chile:

1. Decree Law No. 825 (VAT Rebates for Goods Necessary for Exporting)

Petitioners allege that Decree Law No. 825 allows exporters to recover the 18 percent VAT tax paid on domestic transactions associated with export activities. Exporters may either receive the tax benefit in the form of a fiscal credit deductible from the tax charged on their local sales, or as the cash equivalent of the VAT tax actually paid. Petitioners assert that because the Department initiated an investigation of this program in Standard Carnations from Chile ("Carnations"), 52 FR 3313 (February 3, 1987), the Department should investigate whether salmon exporters received VAT rebates during the POI that extended to inputs that were not consumed in the production of the export product.

We determined this program to be not countervailable in Carnations. Further, petitioners have provided no basis to believe or suspect that the program currently provides excessive rebates. On this basis, we are not including this program in our investigation.

2. Law No. 18,708 (Duty Drawback)

Petitioners allege that Law No. 18,708 provides drawback of custom duties paid on imported inputs incorporated into the production of exported final goods. Petitioners assert that we should investigate this program because in Carnations, we determined the Law No. 18,480 Simplified Duty Drawback program to be countervailable because it allowed for excessive drawback of duties. Based on this finding, petitioners argue the GOC has a practice of remitting excessive import duties.

We do not consider duty drawback on inputs consumed in the production of exported products to be countervailable subsidies. Petitioners have provided no basis for us to believe or suspect that the duty drawback under Law No. 18,708 is

excessive. On this basis, we are not including this program in our investigation.

3. Tariff Abatement for New Companies

Petitioners allege that the GOC provides a tariff abatement of up to 80 percent to firms that move their machinery to Chile to continue operations there. Petitioners assert that this abatement constitutes an import substitution subsidy. However, petitioners have not explained how this tariff abatement promotes the use of domestic over imported goods. On this basis, we are not including this program in our investigation.

4. Law No. 18,645 Loan Guarantees

Petitioners allege that Law No. 18,645 provides loan guarantees to exporters of non-traditional goods who typically have less access to ordinary commercial financing. The program provides guarantees of up to 50 percent of the exporter's loans and the loans may not exceed $150,000. Petitioners state that although the program guarantees financing at market rates and a fee is charged for the guarantees, the terms of the guarantees are inconsistent with commercial considerations because they allow exporters to obtain financing sooner and more easily then they otherwise could.

Petitioners speculate that the fees paid for Law No. 18,645 loan guarantees are preferential but provide no information in this respect. Further, regarding the allegation that exporters are able to receive loans more easily and sooner as a result of this program, petitioners have failed to allege any benefit by reason of loans obtained on non-commercial terms. On this basis, we are not including this program in our investigation.

5. Currency Retention Scheme

Petitioners allege that exporters are limited in their use of the foreign exchange they earn from export activities because the Central Bank requires them to repatriate their foreign exchange earnings to commercial banks within a designated period. However, the GOC allows certain exporters to waive this rule if they have export-oriented investment projects that require the repayment of foreign suppliers or financial credits of over one year with special authorization from the Central Bank. This program was investigated in Carnations and found not used.

The International Monetary Fund's Exchange Arrangements and Exchange Restrictions Annual Report on Chile states that as of June 16, 1995, exporters were no longer required to repatriate export proceeds to the Central Bank. Given the elimination of the repatriation requirement, exemptions from the requirement cease to have meaning. (We note that petitioners based their allegation on the IMF's 1991 Annual Report.) On this basis, we are not including this program in our investigation.

6. Law No. 18,480 (Simplified Duty Drawback)

Petitioners allege that Law No. 18,480, enacted in 1985, allows certain exporters a duty drawback of up to 10 percent of the FOB value of their exports representing import duties paid on imported inputs used to produce non-traditional exports. Petitioners also assert that another provision of the law entitles exporters that are using domestically-produced inputs in their export operations an amount of duty drawback that the exporter would otherwise realize if they had imported the inputs. Petitioners allege although this program was amended to exclude salmon, the program should be investigated given that the exclusion of salmon was recent.

Included in the information provided by the GOC during its consultations with the Department were copies of Decrees 102 (dated March 27, 1991) and 123 (dated March 14, 1997). These decrees clearly state that as of December 31, 1990, Atlantic salmon was excluded from the duty drawback provided by Law No. 18,480. On this basis, we are not including this program in our investigation.

7. VAT Rebates for Fixed Assets

Petitioners allege that exporters may recover the VAT paid on fixed assets after a designated waiting period of six months from the date of purchase. They claim that the program is available only to exporters in that the rebate is limited to acquisitions incurred in the preproduction phase of export operations.

Petitioners have provided no information to indicate that the VAT rebates are in any way excessive or that they are provided only to exporters. On this basis, we are not including this program in our investigation.

8. Exemption From Prior Deposit Requirements

Petitioners allege that the Central Bank grants companies producing exclusively for export a complete exemption from prior-deposit requirements of import taxes on new and used components.

Information provided by the GOC during its consultations with the Department included a copy of section 88 of Law 18,840, which states that under no circumstances may prior deposits be required for the execution of export or import transactions. On this basis, we are not including this program in our investigation.

9. Decree Law No. 889 (Tax Credits)

Petitioners allege that Decree Law No. 889 provides tax credits to "non-traditional" enterprises located in Region I (far north), XI (Rio Palena to south of O'Higgins) and XII (Cape Horn) regions. Eligible enterprises receive a subsidy equal to 17 percent of the employees' taxable income, up to a maximum of 60,000 pesos.

Evidence presented in the petition reveals that this program was terminated after December 31, 1992. Further, petitioners have not provided a sufficient basis for us to believe or suspect that the Tax Credits program remains in existence. On this basis, we are not including this program in our investigation.

Distribution of Copies of the Petition

In accordance with section 702(b)(4)(A) of the Act, a copy of the public version of the petition has been provided to the representatives of Chile. We will attempt to provide copies of the public version of the petition to all the exporters named in the petition.

ITC Notification

We have notified the ITC of our initiation of this investigation as required by section 702(d) of the Act.

Preliminary Determination by the ITC

The ITC will determine by July 28, 1997, whether there is a reasonable indication that imports of fresh Atlantic salmon from Chile are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination will result in termination of the investigation; otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to 702(c)(2) of the Act.

Dated: July 2, 1997.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 97-17951 Filed 7-8-97; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-337-803]

Initiation of Antidumping Duty Investigation: Fresh Atlantic Salmon From Chile

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: July 10, 1997.

FOR FURTHER INFORMATION CONTACT: Michelle Frederick, at (202) 482-0186, or Kris Campbell, at (202) 482-3813; Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

INITIATION OF INVESTIGATION:

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department's regulations refer to the regulations, codified at 19 CFR part 353, as they existed on April 1, 1997.

The Petition

On June 12, 1997, the Department of Commerce (the Department) received a petition filed in proper form by the Coalition for Fair Atlantic Salmon Trade (FAST) and the following individual members of FAST: Atlantic Salmon of Maine; Cooke Aquaculture U.S., Inc.; DE Salmon, Inc.; Global Aqua—USA, LLC; Island Aquaculture Corp.; Maine Coast Nordic, Inc.; ScanAm Fish Farms; and Treats Island Fisheries (collectively referred to hereafter as "the petitioners"). The petitioners submitted information supplementing the petition on June 23, 1997.

The petitioners allege that imports of fresh Atlantic salmon from Chile are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring, or threatening material injury to, a U.S. industry.

The Department finds that the petitioners have standing to file the petition because they are interested parties as defined in section 771(9)(C) of the Act, and because they have demonstrated sufficient industry support (*see* discussion below).

Scope of Investigation

The scope of this investigation covers fresh, farmed Atlantic salmon, whether imported "dressed" or cut. Atlantic salmon is the species Salmo salar, in the genus Salmo of the family salmoninae. "Dressed" Atlantic salmon refers to salmon that has been bled, gutted, and cleaned. Dressed Atlantic salmon may be imported with the head on or off; with the tail on or off; and with the gills in or out. All cuts of fresh Atlantic salmon are included in the scope of the investigation. Examples of cuts include, but are not limited to: crosswise cuts (steaks), lengthwise cuts (fillets), lengthwise cuts attached by skin (butterfly cuts), combinations of crosswise and lengthwise cuts (combination packages), and Atlantic salmon that is minced, shredded, or ground. Cuts may be subjected to various degrees of trimming, and imported with the skin on or off and with the "pin bones" in or out.

Excluded from the scope of this petition are (1) fresh Atlantic salmon that is "not farmed" (*i.e.*, wild Atlantic salmon); (2) live Atlantic salmon and Atlantic salmon that has been subjected to further processing, such as frozen, canned, dried, and smoked Atlantic salmon; and (3) Atlantic salmon that has been further processed into forms such as sausages, hot dogs, and burgers.

The merchandise subject to this investigation is classifiable as statistical reporting numbers 0302.12.0003 and 0304.10.4091 of the Harmonized Tariff Schedule (HTS) of the United States. Although the HTS subheadings are provided for convenience and customs purposes, the written description of the merchandise is dispositive.

During pre-filing consultations and as a result of our review of the petition, we discussed with the petitioners whether the proposed scope was an accurate reflection of the product for which the domestic industry is seeking relief. We noted that the scope in the petition appeared to include both farmed and not farmed Atlantic salmon. The petitioners subsequently notified the Department on June 26, 1997, that Atlantic salmon that is not farmed should be excluded from the scope of the investigation. Accordingly, we have done so.

We are setting aside a period for interested parties to raise issues regarding product coverage. The Department encourages all interested parties to submit such comments before August 4, 1997. This period of scope consultation is intended to provide the Department ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determination.

Determination of Industry Support for the Petition

Section 732(c)(4)(A) of the Act requires that the Department determine, prior to the initiation of an investigation, that a minimum percentage of the domestic industry supports an antidumping petition. A petition meets these minimum requirements if the domestic producers or workers who support the petition account for: (1) At least 25 percent of the total production of the domestic like product, and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Under section 732(c)(4)(D) of the Act, if the petitioners account for more than 50 percent of the total production of the domestic like product, the Department is not required to poll the industry to determine the extent of industry support.

Based on U.S. salmon production information published by the State of Maine Department of Marine Resources and the Washington Farmed Salmon Commission, the petitioners claimed that they account for over 70 percent of total production of fresh Atlantic salmon in the United States. The petitioners further claimed that, when the U.S. producers related to foreign producers are excluded from the analysis, the petitioners represent approximately 97 percent of domestic production of fresh Atlantic salmon.

On June 27, 1997, the Association of Chilean Salmon and Trout Producers (the Association) contested the petitioners' standing claim. The Association stated that the petitioners' standing calculations focused exclusively on dressed salmon producers while ignoring U.S. fillet producers and claimed that fillet salmon represents a separate domestic like product from dressed salmon under the five-part domestic like product test used by the International Trade Commission (ITC). The Association argued that these facts suggest: (1) The petitioners do not have standing with respect to fillets, and; (2) even if the Department accepts the petitioners' single domestic like product definition, the petitioners have failed to provide adequate industry support data since fillet producers represent a significant portion of the industry producing the domestic like product. This submission included certain letters in opposition to the petition submitted by U.S. fillet processors, some of whom identified themselves as importers of dressed salmon from Chile.

On June 30, 1997, the petitioners submitted a rebuttal, stating that the Association failed to refute the "total domestic production" and "percent of production" industry support figures contained in the petition and failed to provide any information that would indicate that the petitioners do not have standing even under a two-like-product analysis. The petitioners argued that the facts in this case do not support a finding that fillet salmon is a separate domestic like product because there are no clear dividing lines, in terms of characteristics or uses, between dressed salmon and salmon fillets. Specifically, petitioners contended that, *inter alia*,: (1) Salmon fillets are derived from dressed Atlantic salmon and, in fact, all forms of fresh Atlantic salmon include the salmon meat that is ultimately consumed; (2) respondents focused solely on one cut of fresh Atlantic salmon (fillet) while ignoring other cuts (*e.g.*, steak); (3) the one cutting step that does play a significant role in the physical characteristic of the product (the initial cutting of the fish in order to bleed it) has been performed on both dressed and fillet salmon;[1] and (4) fillet cutting is not a "value added" operation, but instead results in a higher-priced end product primarily because much waste has been eliminated. With respect to the last point, the petitioners argued that the price trends of fillets compared with dressed salmon suggest that there is no value added, but in fact negative value added, because the price of Chilean fillets, when adjusted for the cost of processing dressed salmon into fillets, is less than the price of dressed salmon.

On July 1, 1997, the Association submitted further comments in response to the petitioners' arguments.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers and workers who account for production of the domestic like product. The ITC, which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. However, while both the Department and the ITC must apply the same statutory provision regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the domestic like product, such differences do not render the decision of either agency contrary to the law.[2] Therefore, we have examined the Association's arguments regarding the definition of the domestic like product in the petition in the context of the statutory provisions governing initiation and the facts of the record.

The Association's contention is based on an examination of like product determinations made in prior ITC cases, and follows an analysis of factors traditionally examined by the ITC. However, as noted above, the Department's analysis of like product is not bound by ITC practice. The Department's analysis begins with section 771(10) of the Act, which defines domestic like product as "a product that is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." After considering the information presented by the petitioner and the Association, we do not find that the petitioner's domestic like product definition is inconsistent with this statutory definition. While both parties have cited to various cases involving agricultural

[1] In this respect, the petitioners distinguish this case from the like product decisions in *Live Swine and Pork from Canada*, Inv. No. 701-TA-22 (Final), USITC pub. 2218 (September 1989).

[2] *See Algoma Steel Corp., Ltd. v. United States*, 688 F. Supp. 639, 642-44 (CIT 1988); *High Information Content Flat Panel Displays and Display Glass Therefor from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*, 56 Fed. Reg. 32376, 32380-81 (July 16, 1991).

and other products, in light of the information presented in the petition, we have concluded that there is no basis on which to reject as clearly inaccurate the petitioners' representations that there are no clear dividing lines, in terms of characteristics or uses, between dressed and cut salmon. Therefore, we have adopted the single domestic like product definition set forth in the petition.

Having found that dressed and cut salmon constitute a single like product, we considered the Association's arguments that U.S. production of salmon cuts had not been accounted for in the petition's demonstration of industry support. The calculation of the standing ratio in the petition was based on a comparison of the volume of the petitioners' total 1996 production of dressed salmon to the volume of the industry's total 1996 production of dressed salmon. We have revised the petitioner's industry support calculations to add to the total U.S. domestic industry figure an amount representing the estimated economic value of U.S. fillet processing, in order to be as conservative as possible in our evaluation of industry support.

In order to factor fillet processing into our analysis, we used a value-based analysis. We determined that the calculation of industry support on the basis of weight is inappropriate because the further processing of dressed salmon into cuts involves significant weight yield loss. In this regard, we note that the Statement of Administrative Action (SAA) for the URAA explicitly provides that the Department may determine the existence of industry support based on the value of production. SAA at 862. For a further explanation of our inclusion of salmon processing in the total U.S. domestic industry figure, which served as the denominator in the industry support calculation, see the Initiation Checklist prepared for this case, dated July 1, 1997.

Having accounted for U.S. production of salmon cuts, we find that the production data provided in the petition indicate that the petitioners account for more than 50 percent of the total production of the domestic like product, thus meeting the requirements of section 732(c)(4)(A) of the Act. Since the petitioners exceed the industry support threshold, we have not taken the letters of opposition that were filed with the Association's June 27, 1997, submission into account in our determination of industry support.

Export Price and Normal Value

The petitioners calculated separate export prices for dressed Atlantic salmon (dressed salmon), fillets of Atlantic salmon (fillets), and steaks of Atlantic salmon (steaks).

For dressed salmon and fillets, the petitioners based export price on 1996 CIF price quotes to U.S. customers, as reported by the *Urner Barry* guide, an industry standard for seafood price quotes. The petitioners made deductions for foreign inland freight, international freight, and brokerage fees.

For steaks, the petitioners based export price on 1996 FOB Chilean export values derived from Chilean Customs Service statistics, because the *Urner Barry* guide does not track salmon steak. The petitioners made deductions for foreign inland freight.

With respect to normal value, the petitioners could not find specific data regarding the size of the Chilean domestic market for Atlantic salmon. However, they obtained statements from several sources, including the Chilean Salmon and Trout Producers Association and the U.S. Department of Agriculture, indicating that virtually all production of Chilean Atlantic salmon is exported. Given these statements, and the lack of information about the size of the Chilean domestic market, the petitioners turned to third country exports as the basis for normal value. The petitioners determined that Japan and Brazil are the largest third country markets, based on statistics taken from an export statistics bulletin published by the Chilean Government's Instituto de Fomento Pesquero (IFOP).

The petitioners obtained prices for exports to Japan and Brazil from the IFOP export statistics bulletin, but did not rely upon these prices for a price-to-price comparison of U.S. sales to third country sales. Instead, the petitioners alleged that sales in the third country markets of Japan and Brazil were made at prices below the fully allocated cost of production (COP), and cannot serve as the basis for normal value.

The petitioners calculated COP using data derived primarily from a consultant's report commissioned by the Alaska Department of Commerce and Economic Development, as well as from the financial statements of two Chilean fresh Atlantic salmon producers.

The Statement of Administrative Action (SAA), submitted to Congress in connection with the interpretation and application of the Uruguay Round Agreements, states that an allegation of sales below COP need not be specific to individual exporters or producers. SAA, H.R. Doc. No. 316, 103d Cong., 2d Sess., at 833 (1994). The SAA, at 833, states that "Commerce will consider allegations of below-cost sales in the aggregate for a foreign country, just as Commerce currently considers allegations of sales at less than fair value on a country-wide basis for purposes of initiating an antidumping investigation."

Further, the SAA provides that "new section 773(b)(2)(A) retains the current requirement that Commerce have "reasonable grounds to believe or suspect" that below cost sales have occurred before initiating such an investigation. "Reasonable grounds" * * * exist when an interested party provides specific factual information on costs and prices, observed or constructed, indicating that sales in the foreign market in question are at below-cost prices." *Id.*

Based on a comparison of the Japan and Brazil prices for fresh Atlantic salmon to the COP calculated in the petition, we find reasonable grounds to believe or suspect that sales of the foreign like product were made at prices below COP in accordance with section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating the requested country-wide cost investigation. We note, however, that if we determine that the home market (*i.e.*, Chile) is viable, our initiation of a country-wide cost investigation with respect to sales to Japan and Brazil will be rendered moot.

Since, as described above, we have found reasonable grounds to believe or suspect that sales of the foreign like product were made at prices below COP, for purposes of this initiation we have accepted the use of CV as the basis for normal value.

The petitioners calculated CVs for dressed salmon, fillets, and steaks using the same cost of manufacturing, SG&A, and packing expense figures that were used to compute COP. Consistent with section 773(e)(2), the petitioners included profit in the calculation of CV, based on the financial statements of Chilean producers of fresh Atlantic salmon.

Fair Value Comparison

Based on the data provided by the petitioners, there is reason to believe that imports of fresh Atlantic salmon from Chile are being, or are likely to be, sold at less than fair value. The weighted-average dumping margin based on price-to-CV comparisons is 41.78 percent. If it becomes necessary at a later date to consider the petition as a source of facts available under section 776 of the Act, we may further review the margin calculations in the petition.

Initiation of Antidumping Investigation

We have examined the petition on fresh Atlantic salmon from Chile and have found that it meets the requirements of section 732 of the Act, including the requirement concerning allegation of material injury or threat of material injury to the domestic producers of a domestic like product by reason of subject imports allegedly sold at less than fair value. Therefore, we are initiating an antidumping duty investigation to determine whether imports of fresh Atlantic salmon from Chile are being, or are likely to be, sold in the United States at less than fair value. Our preliminary determination will be issued by November 19, 1997, unless the deadline for the determination is extended.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the petition has been provided to the representatives of the Government of Chile. We will attempt to provide a copy of the public version of each petition to each exporter named in the petition, as appropriate.

International Trade Commission Notification

We have notified the ITC of our initiation of this investigation, as required by section 732(d) of the Act.

Preliminary Determination by the ITC

The ITC will determine by July 28, 1997, whether there is a reasonable indication that imports of fresh Atlantic salmon from Chile are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination will result in termination of the investigation; otherwise, the investigation will proceed according to statutory and regulatory time limits.

Dated: July 2, 1997.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 97-18112 Filed 7-9-97; 8:45 am]

BILLING CODE 3510-DS-P

APPENDIX B

LIST OF PARTICIPANTS IN THE CONFERENCE

CALENDAR OF THE PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the following investigations:

FRESH ATLANTIC SALMON FROM CHILE

Investigations Nos. 701-TA-372 and 731-TA-768 (Preliminary)

July 3, 1997 - 9:30 am

The conference was held in Room 101 (Main Hearing Room) of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

IN SUPPORT OF THE IMPOSITION OF COUNTERVAILING AND ANTIDUMPING DUTIES:

Collier, Shannon, Rill & Scott
Washington, DC
on behalf of

The Coalition for Fair Atlantic Salmon Trade

Witnesses:
Morton Blomso, President and CEO, Global Aqua USA
Jay Burke, Sales and Marketing Manager, Atlantic Salmon of Maine
Scott Drake, Sales Manager, Scan Am Fish Farms
Myron "Sonny" Sprague, Part Owner and Manager, Island Aquaculture
Patrick J. Magrath, Economic Consultant, Georgetown Economic Services
Joe McGonigle, Managing Director, Fair Atlantic Salmon Trade

Michael J. Coursey--OF COUNSEL
Kathleen W. Cannon--OF COUNSEL

IN OPPOSITION TO THE IMPOSITION OF COUNTERVAILING AND ANTIDUMPING DUTIES:

Arnold and Porter
Washington, DC
on behalf of

Asociacion de Productores de Salmon y Trucha de Chile AG

James Anderson, Professor, Department of Environmental and Natural Resources Economics, University of Rhode Island
David Solomon, CEO, Aquafarms International
Phil Walsh, Seafood Manager, Harris Teeter, Inc.
Richard Boltuck, Economist, Trade Resources Company

Michael T. Shor--OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1
Fresh Atlantic salmon: Summary data concerning the U.S. market, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

(Quantity=1,000 pounds of dressed weight, value=1,000 dollars, unit values and unit expenses are per pound; period changes=percent, except where noted)

Item	Reported data					Period changes			
	Calendar year--			Jan.-Mar.					Jan.-Mar.
	1994	1995	1996	1996	1997	1994-96	1994-95	1995-96	1996-97
U.S. consumption quantity:									
Amount	100,515	128,122	156,017	40,440	44,085	55.2	27.5	21.8	9.0
Producers' share[1]	18.0	21.1	18.2	16.3	18.3	0.2	3.1	-2.9	1.9
Importers' share:[1]									
Chile	37.4	38.5	45.1	44.2	35.7	7.6	1.1	6.6	-8.5
Other sources	44.6	40.4	36.7	39.5	46.0	-7.9	-4.2	-3.7	6.6
Total	82.0	78.9	81.8	83.7	81.7	-0.2	-3.1	2.9	-1.9
U.S. consumption value:									
Amount	259,867	316,581	352,005	90,561	100,673	35.5	21.8	11.2	11.2
Producers' share[1]	18.4	21.2	18.2	16.7	16.5	-0.2	2.8	-3.0	-0.1
Importers' share:[1]									
Chile	33.0	33.6	38.2	37.2	29.5	5.2	0.6	4.7	-7.7
Other sources	48.6	45.2	43.6	46.2	54.0	-5.1	-3.4	-1.6	7.8
Total	81.6	78.8	81.8	83.3	83.5	0.2	-2.8	3.0	0.1
U.S. imports from--									
Chile:									
Quantity	37,624	49,310	70,295	17,869	15,744	86.8	31.1	42.6	-11.9
Value	85,704	106,248	134,514	33,679	29,681	57.0	24.0	26.6	-11.9
Unit value	$2.28	$2.15	$1.91	$1.88	$1.89	-16.0	-5.4	-11.2	0.0
Other sources:									
Quantity	44,799	51,780	57,254	15,965	20,296	27.8	15.6	10.6	27.1
Value	126,348	143,105	153,338	41,799	54,345	21.4	13.3	7.2	30.0
Unit value	$2.82	$2.76	$2.68	$2.62	$2.68	-5.0	-2.0	-3.1	2.3
All sources:									
Quantity	82,423	101,089	127,548	33,835	36,039	54.7	22.6	26.2	6.5
Value	212,052	249,353	287,852	75,478	84,026	35.7	17.6	15.4	11.3
Unit value	$2.57	$2.47	$2.26	$2.23	$2.33	-12.3	-4.1	-8.5	4.5

Table continued on next page.

Table C-1-Continued
Fresh Atlantic salmon: Summary data concerning the U.S. market, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

(Quantity=1,000 pounds of dressed weight, value=1,000 dollars, unit values and unit expenses are per pound; period changes=percent, except where noted)

Item	Reported data					Period changes			
	Calendar year--			Jan.-Mar.					Jan.-Mar.
	1994	1995	1996	1996	1997	1994-96	1994-95	1995-96	1996-97
U.S. producers--									
Average capacity quantity	34,659	45,835	50,011	12,446	13,616	44.3	32.2	9.1	9.4
Production quantity	18,589	29,594	30,989	7,078	8,346	66.7	59.2	4.7	17.9
Capacity utilization[1]	53.6	64.6	62.0	56.9	61.3	8.3	10.9	-2.6	4.4
U.S. shipments:									
Quantity	18,092	27,033	28,469	6,605	8,046	57.4	49.4	5.3	21.8
Value	47,815	67,228	64,153	15,083	16,647	34.2	40.6	-4.6	10.4
Unit value	$2.64	$2.49	$2.25	$2.28	$2.07	-14.7	-5.9	-9.4	-9.4
Export shipments:									
Quantity	498	2,561	2,520	473	300	406.0	414.3	-1.6	-36.5
Value	1,367	5,423	4,800	988	653	251.1	296.7	-11.5	-33.9
Unit value	$2.74	$2.12	$1.90	$2.09	$2.18	-30.6	-22.9	-10.0	4.2
Production workers:									
Farming operations	***	***	***	***	***	***	***	***	***
Dressed processing	***	***	***	***	***	***	***	***	***
Cuts processing	***	***	***	***	***	***	***	***	***
Total	296	405	441	380	390	49.0	36.8	8.9	2.6
Hours worked (1,000):									
Farming operations	***	***	***	***	***	***	***	***	***
Dressed processing	***	***	***	***	***	***	***	***	***
Cuts processing	***	***	***	***	***	***	***	***	***
Total	600	742	805	175	204	34.1	23.5	8.5	17.1
Wages paid ($1,000):									
Farming operations	***	***	***	***	***	***	***	***	***
Dressed processing	***	***	***	***	***	***	***	***	***
Cuts processing	***	***	***	***	***	***	***	***	***
Total	7,006	8,533	9,196	2,073	2,443	31.3	21.8	7.8	17.8

Table continued on next page.

Table C-1-Continued
Fresh Atlantic salmon: Summary data concerning the U.S. market, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

(Quantity=1,000 pounds of dressed weight, value=1,000 dollars, unit values and unit expenses are per pound; period changes=percent, except where noted)

Item	Reported data					Period changes			
	Calendar year--			Jan.-Mar.					Jan.-Mar.
	1994	1995	1996	1996	1997	1994-96	1994-95	1995-96	1996-97
Hourly wages:									
Farming operations	***	***	***	***	***	***	***	***	***
Dressed processing	***	***	***	***	***	***	***	***	***
Cuts processing	***	***	***	***	***	***	***	***	***
Total	$11.67	$11.50	$11.42	$11.88	$11.95	-2.1	-1.4	-0.7	0.6
Productivity (pounds per hour)	31.5	39.9	38.5	41.1	41.3	22.2	26.6	-3.5	0.5
Unit labor costs	$0.37	$0.29	$0.30	$0.29	$0.29	-20.5	-22.8	2.9	-0.0
Net sales									
Quantity	17,251	27,547	30,197	7,078	8,332	75.0	59.7	9.6	17.7
Value	45,774	67,135	67,641	16,082	17,269	47.8	46.7	0.8	7.4
Unit value	$2.65	$2.44	$2.24	$2.27	$2.07	-15.6	-8.2	-8.1	-8.8
Cost of goods sold (COGS)	36,943	52,581	62,081	13,654	15,870	68.0	42.3	18.1	16.2
Gross profit or (loss)	8,831	14,554	5,560	2,428	1,399	-37.0	64.8	-61.8	-42.4
SG&A expenses	4,335	4,995	6,237	1,857	1,703	43.9	15.2	24.9	-8.3
Operating income or (loss)	4,496	9,559	(677)	571	(304)	-115.1	112.6	-107.1	-153.2
Capital expenditures	3,451	12,502	8,345	2,716	1,365	141.8	262.3	-33.2	-49.7
Unit COGS	$2.14	$1.91	$2.06	$1.93	$1.90	-4.0	-10.9	7.7	-1.3
Unit SG&A expenses	$0.25	$0.18	$0.21	$0.26	$0.20	-17.8	-27.8	13.9	-22.1
Unit operating income or (loss)	$0.26	$0.35	$(0.02)	$0.08	$(0.04)	-108.6	33.1	-106.5	-145.2
COGS/sales (1)	80.7	78.3	91.8	84.9	91.9	11.1	-2.4	13.5	7.0
Operating results/ sales (1)	9.82	14.2	-1.0	3.6	-1.8	-10.8	4.4	-15.2	-5.3

[1] "Reported data" are in percent and "period changes" are in percentage points.

Source: Compiled from the official trade statistics and data submitted in response to Commission questionnaires.

Table C-2
Dressed fresh Atlantic salmon: Summary data concerning the U.S. market, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

(Quantity=1,000 pounds of dressed weight, value=1,000 dollars, unit values and unit expenses are per pound; period changes=percent, except where noted)

* * * * * * *

Table C-3
Cuts of fresh Atlantic salmon: Summary data concerning the U.S. market, 1994-96, Jan.-Mar. 1996, and Jan.-Mar. 1997

(Quantity=1,000 pounds, value=1,000 dollars, unit values and unit expenses are per pound; period changes=percent, except where noted)

* * * * * * *

APPENDIX D

PUBLISHED PRICE DATA

Table D-1
Fresh Atlantic salmon: Average monthly published per-pound prices for domestic and Chilean products sold in the U.S. market, by weight, by sources, and by months, Jan. 1994-Mar. 1997

Month	6-8 pound				8-10 pound			
	U.S. (Northeast)	Chile (Northeast)	U.S. (Western)	Chile (Miami)	U.S. (Northeast)	Chile (Northeast)	U.S. (Western)	Chile (Miami)
1994--								
January	$2.40	$2.34	$2.45	$2.23	$2.44	$2.38	$2.54	$2.30
February	2.37	2.34	2.42	2.24	2.41	2.35	2.43	2.29
March	2.58	2.51	2.49	2.41	2.62	2.56	2.50	2.51
April	2.78	2.72	2.66	2.55	2.81	2.76	2.75	2.68
May	3.07	2.90	2.84	2.80	3.11	2.99	2.93	2.89
June.	2.98	2.75	2.71	2.71	3.04	2.89	2.99	2.81
July	2.80	2.46	2.34	2.51	2.88	2.58	2.69	2.62
August.	2.96	2.86	2.65	2.75	3.13	3.02	3.06	2.90
September	2.66	2.65	2.50	2.58	2.95	2.85	2.89	2.76
October	2.55	2.46	2.61	2.42	2.69	2.64	2.75	2.61
November	2.49	2.41	2.56	2.32	2.64	2.52	2.65	2.45
December	2.42	2.31	2.56	2.21	2.52	2.50	2.60	2.38
1995--								
January	2.40	2.32	2.55	2.25	2.41	2.38	2.55	2.30
February	2.43	2.31	2.50	2.32	2.43	2.36	2.50	2.38
March	2.45	2.26	2.51	2.15	2.48	2.38	2.55	2.25
April	2.59	2.46	2.50	2.41	2.60	2.49	2.58	2.46
May	2.60	2.46	2.43	2.38	2.60	2.46	2.56	2.38
June	2.66	2.45	2.21	2.38	2.66	2.45	2.40	2.38
July	2.62	2.40	2.26	2.28	2.61	2.40	2.45	2.28
August	2.59	2.51	2.28	2.49	2.66	2.57	2.44	2.51
September	2.23	2.18	2.21	2.11	2.66	2.46	2.34	2.35
October	2.37	2.20	2.20	2.12	2.53	2.36	2.27	2.24
November	2.46	2.34	2.24	2.21	2.50	2.42	2.32	2.32
December	2.24	2.02	2.19	1.92	2.34	2.10	2.20	2.01

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Table D-1--Continued
Fresh Atlantic salmon: Average monthly published per-pound prices for domestic and Chilean products sold in the U.S. market, by weight, by sources, and by months, Jan. 1994-Mar. 1997

Month	6-8 pound				8-10 pound			
	U.S. (Northeast)	Chile (Northeast)	U.S. (Western)	Chile (Miami)	U.S. (Northeast)	Chile (Northeast)	U.S. (Western)	Chile (Miami)
1996--								
January	$2.19	$2.11	$2.26	$1.98	$2.25	$2.16	$2.26	$2.06
February	2.11	2.04	2.28	1.98	2.16	2.12	2.29	2.04
March	2.20	2.12	2.30	2.06	2.21	2.14	2.32	2.09
April	2.40	2.30	2.40	2.30	2.42	2.34	2.45	2.31
May	2.63	2.42	2.36	2.35	2.63	2.47	2.47	2.35
June.	2.48	2.21	2.09	2.14	2.48	2.21	2.34	2.15
July	2.38	2.16	1.86	1.98	2.38	2.18	2.30	2.08
August.	2.31	2.18	1.87	2.12	2.34	2.23	2.20	2.19
September	2.15	1.89	1.92	1.76	2.38	2.05	2.20	1.95
October	1.97	1.92	1.91	1.83	2.10	2.08	2.07	1.97
November	2.00	1.98	2.05	1.91	2.08	2.05	2.11	2.04
December	1.92	1.90	2.10	1.95	1.99	1.98	2.15	2.06
1997--								
January	1.88	([1])	2.13	1.85	1.90	([1])	2.15	1.96
February	2.01	([1])	2.06	1.99	2.01	([1])	2.08	2.05
March	2.05	([1])	2.09	2.00	2.05	([1])	2.11	2.04

[1] Data not available.
Source: Compiled from data from Urner-Barry publications.

Table D-2
Fresh Atlantic salmon: Average monthly published per-pound prices for domestic and Chilean products sold in the U.S. market, by weight, by sources, and by months, Jan. 1994-Mar. 1997

Month	10-12 pound				1-2 lb. fillet	2-3 lb. fillet	3-4 lb. fillet
	U.S. (Northeast)	Chile (Northeast)	U.S. (Western)	Chile (Miami)	Chile (Miami)	Chile (Miami)	Chile (Miami)
1994--							
January	$2.46	$2.44	$2.54	$2.40	(1)	(1)	(1)
February	2.45	2.44	2.37	2.36	(1)	(1)	(1)
March	2.65	2.59	2.48	2.54	(1)	(1)	(1)
April	2.86	2.81	2.75	2.72	(1)	(1)	(1)
May	3.20	3.07	2.93	3.00	$3.90	$4.12	(1)
June	3.15	3.03	3.06	2.94	3.80	3.96	(1)
July	3.00	2.85	3.02	2.84	3.51	3.69	(1)
August	3.29	3.29	3.32	3.20	3.84	4.00	(1)
September	(1)	3.30	3.46	3.22	3.62	4.04	(1)
October	2.93	3.06	3.01	3.00	3.58	3.97	$3.75
November	2.86	2.80	2.70	2.75	3.45	3.64	3.71
December	2.64	2.59	2.64	2.52	3.12	3.45	3.50
1995--							
January	2.48	2.46	2.50	2.38	3.16	3.38	3.46
February	2.43	2.39	2.49	2.44	3.08	3.35	3.42
March	2.48	2.41	2.55	2.31	3.09	3.31	3.39
April	2.60	2.50	2.60	2.49	3.20	3.59	3.66
May	2.56	2.39	2.59	2.31	(1)	3.46	3.54
June	2.62	2.42	2.56	2.35	(1)	3.45	3.44
July	2.48	2.39	2.61	2.26	(1)	3.39	3.39
August	2.68	2.59	2.66	2.54	(1)	3.55	3.55
September	2.92	2.75	2.70	2.62	2.96	3.09	3.20
October	2.74	2.60	2.49	2.50	3.40	3.19	3.36
November	2.55	2.51	2.38	2.44	3.10	(1)	(1)
December	2.40	2.19	2.21	2.10	2.78	(1)	(1)

Table continued on next page

Table D-2--Continued
Fresh Atlantic salmon: Average monthly published per-pound prices for domestic and Chilean products sold in the U.S. market, by weight, by sources, and by months, Jan. 1994-Mar. 1997

Month	10-12 pound				1-2 pound fillet	2-3 pound fillet	3-4 pound fillet
	U.S. (Northeast)	Chile (Northeast)	U.S. (Western)	Chile (Miami)	Chile (Miami)	Chile (Miami)	Chile (Miami)
1996--							
January	$2.32	$2.25	$2.28	$2.16	$2.71	$2.86	$3.01
February	2.21	2.18	2.27	2.09	2.84	3.02	3.10
March	2.24	2.15	2.31	2.09	2.87	3.05	3.10
April	2.41	2.34	2.45	2.30	3.07	3.24	3.25
May	2.61	2.44	2.52	2.31	([1])	3.36	3.31
June	2.39	2.12	2.50	2.04	([1])	3.10	3.05
July	2.30	2.19	2.56	2.03	2.72	2.91	2.91
August	2.46	2.31	2.55	2.25	2.97	3.05	3.06
September	2.62	2.28	2.51	2.18	2.62	2.74	2.81
October	2.54	2.27	2.41	2.15	2.61	2.73	2.87
November	2.20	2.19	2.34	2.20	2.81	2.99	3.08
December	2.12	2.12	2.30	2.19	2.89	3.05	3.18
1997--							
January	2.01	([1])	2.24	2.14	2.8	2.94	3.12
February	2.02	([1])	2.11	2.12	2.81	2.96	3.06
March	2.05	([1])	2.11	2.06	2.76	2.95	3.02

[1] Data not available.
Source: Compiled from data from Urner-Barry publications.

APPENDIX E

EFFECTS OF IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of fresh Atlantic salmon from Chile on their return on investment or their growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or their scale of capital investments undertaken as a result of such imports. The Commission also asked each firm to supply its major capital expenditures in the last five years which have influenced its capacity to raise and process fresh Atlantic salmon. Their responses are as follows:

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