Crawfish Tail Meat From China

Investigation No. 731-TA-752 (Final)

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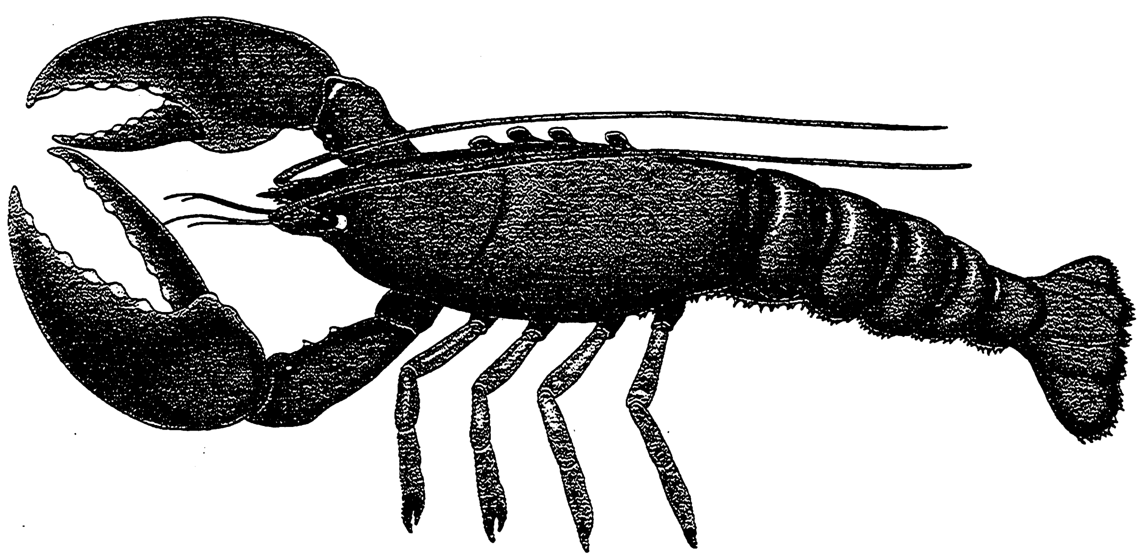

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

GLOSSARY

Acadiana	Acadiana Fisherman's Coop
Atlantic Gem	Atlantic Gem Seafoods
Bama	Bama Sea Products
Cajun Bayou	Cajun Bayou Distributors
Cajun Crawfish	Cajun Crawfish, Inc.
Captain Charlies	Captain Charlies Seafood
Central Seaway	Central Seaway Co., Inc.
C.O.D.	Cash on delivery
COGS	Cost of goods sold
Commerce	U.S. Department of Commerce
Commission	U.S. International Trade Commission
EOP	End of period
F.o.b.	Free on board
FR	Federal Register
Great Five Oceans	Great Five Oceans, Inc.
H&D Foods	H&D Foods, Inc.
HTS	Harmonized Tariff Schedule
Louisiana Premium	Louisiana Premium Seafood Co.
LSU	Louisiana State University
LTFV	Less than fair value
Patlantic	Patlantic International
Paul Piazzo	Paul Piazzo & Son
PIERS	Port Import-Export Reporting Service
PRW	Production and related worker
Red Chamber	Red Chamber Co.
SG&A	Selling, general, and administrative
Su Sheen	Su Sheen International
Tai Foong	Tai Foong USA, Inc.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-752 (Final)

CRAWFISH TAIL MEAT FROM CHINA

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act), that an industry in the United States is materially injured by reason of imports from China of crawfish tail meat, provided for in subheadings 0306.19.00 and 0306.29.00 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

BACKGROUND

The Commission instituted this investigation effective September 20, 1997, following receipt of a petition filed with the Commission and the Department of Commerce by Crawfish Processors Alliance, Breaux Bridge, LA. The final phase of the investigation was scheduled by the Commission following notification of a preliminary determination by the Department of Commerce that imports of crawfish tail meat from China were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the scheduling of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of April 10, 1997 (62 FR 17637). The hearing was held in Washington, DC, on July 28, 1997, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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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)).

VIEWS OF THE COMMISSION

Based on the record in this investigation,[1] we find that an industry in the United States is materially injured by reason of imports of crawfish tail meat from China that have been found by the Department of Commerce ("Commerce") to be sold in the United States at less than fair value ("LTFV").

I. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. In General

To determine whether 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." 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."[2] 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."[3]

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"

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[1] The Uruguay Round Agreements Act ("URAA") amended title VII of the Tariff Act of 1930 to require the Commission to close its record in a final phase antidumping or countervailing duty investigation on a date certain and to provide all parties with a final opportunity to comment on information obtained in the investigation upon which they previously had no opportunity to comment. The statute expressly provides that "[c]omments containing new factual information shall be disregarded." 19 U.S.C. § 1677m(g); *see also* Statement of Administrative Action to the URAA ("SAA"), H.R. Rep. No. 316, 103d Cong., 2d Sess., vol. 1 at 871 (1994); 19 C.F.R. § 207.30 (1997); 61 *Fed. Reg.* 37818, 37827 (July 22, 1996). The purpose of the statute is to assure all parties an equal opportunity to comment on all information that may form the basis for the Commission's final determination. *See* S. Rep. No. 412, 103d Cong., 2d Sess. at 85 (1994). Chinese respondents filed final comments on August 26, 1997 that contained extensive new factual material, including new affidavits and newspaper clippings, as well as argument pertaining to those materials. Accordingly, although we accepted the comments for filing, in accordance with 19 U.S.C. § 1677m(g) we have disregarded the new factual information contained therein in reaching this final determination. In addition, we have rejected as untimely Chinese respondents' "Emergency Motion for Reconsideration of Staff's Exclusion of Part of Comments Brief," received on August 29, 1997 (vote day), three days after the record closed.

[2] 19 U.S.C. § 1677(4)(A).

[3] 19 U.S.C. § 1677(10).

on a case-by-case basis.[4] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[5] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[6] Although the Commission must accept the determination of Commerce as to the scope of the imported merchandise sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.[7]

In its final determination, Commerce defined the imported articles subject to investigation as follows:

> freshwater crawfish tail meat, in all its forms (whether washed or with fat on, whether purged or unpurged), grades, and sizes; whether frozen, fresh, or chilled; and regardless of how it is packed, preserved, or prepared. Excluded from the scope of the investigation are live crawfish and other whole crawfish, whether boiled, frozen, fresh, or chilled. Also excluded are saltwater crawfish of any type and parts thereof. Freshwater crawfish tail meat is currently classifiable in the Harmonized Tariff Schedule of the United States (HTS) under item numbers 0306.19.00.10 and 0306.29.00.00.[8]

B. Like Product Issues in This Investigation

1. Whether the Like Product Includes Whole Crawfish

In our preliminary determination, we concluded that the domestic like product consists of crawfish tail meat, the product within the scope, and does not include whole crawfish.[9] In this final phase,

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[4] *See, e.g.,* Nippon Steel Corp. v. United States, 19 CIT __, Slip Op. 95-57 at 11 (Apr. 3, 1995). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes and production employees; (5) customer and producer perceptions; and, where appropriate, (6) price. *See id.* at 11 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

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

[6] 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).

[7] Hosiden Corp. v. Advanced Display Manufacturers, 85 F.3d 1561 (Fed. Cir. 1996) (Commission may find 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).

[8] 62 *Fed. Reg.* 41347 (Aug. 1, 1997).

[9] Crawfish Tail Meat from China, Inv. No. 731-TA-752 (Final), USITC Pub. 3002 at 5-7 (Nov. 1996) ("Prelim. Det.").

petitioners agree that the like product is crawfish tail meat.[10] Respondents reassert their argument that the like product should include whole forms of crawfish.[11]

While the Chinese respondents argue that we afforded insufficient weight in our preliminary determination to certain facts which, in their view, support a broader like product, no party has offered any additional evidence bearing on this issue.[12] Moreover, new information obtained from purchasers in the final phase of this investigation supports our preliminary conclusion that there is a clear dividing line between crawfish tail meat and whole crawfish. Most of the responding purchasers reported that fresh or frozen tail meat is never substituted for live or whole boiled crawfish and, although a few indicated occasional substitution of tail meat for whole crawfish, none reported that they were easily substituted.[13] Similarly, while purchasers indicated that other seafood products (such as shrimp) may substitute for fresh or frozen tail meat, no purchaser identified live or whole-boiled crawfish as a substitute for tail meat.[14] Accordingly, we reaffirm our preliminary conclusion that the domestic product like the subject imports of crawfish tail meat is domestic crawfish tail meat, and does not include whole crawfish.

2. Domestic Product Most Similar in Characteristics and Uses With "Shell-On Crawfish Tails"

Respondent Red Chamber Company imports a product it describes as "shell-on crawfish tails." The scope of this investigation includes crawfish tail meat "in all its forms," and Commerce has expressly

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[10] Petitioners' Posthearing Brief at II-2-II-4 and Exhibit 4.

[11] Importer Respondents' Posthearing Brief at 1; Chinese Respondents' Posthearing Brief at 9-11, Answers to Questions at 13-15.

[12] We find no merit in respondents' argument that the Commission should include whole crawfish in the like product in order to "harmonize" its like product determinations in Crawfish and Fresh Atlantic Salmon from Chile, Invs. Nos. 701-TA-372 and 731-TA-768 (Preliminary), USITC Pub. 3052 (Aug. 1997). *See* Chinese Respondents' Posthearing Brief at 9-11. Each injury determination is *sui generis,* and our obligation is to decide each case on its own unique record. Nippon Steel Corp. v. United States, 19 CIT __, Slip Op. 95-57 at 11 (Apr. 3, 1995); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1088 (Ct. Int'l Trade 1988).

[13] Confidential Report ("CR") at II-15, Public Report ("PR") at II-10-II-11.

[14] CR at II-16, V-37-V-43, PR at II-11, V-31-V-34.

ruled that shell-on tails imported by Red Chamber fall within the scope.[15] There is no domestic production of shell-on tail meat.[16] Red Chamber argues that "shell-on" crawfish tails are not like peeled tail meat and that shell-on tails should be considered a separate like product, despite the fact that they are not domestically produced.[17] Petitioners argue that the domestic product like imports of shell-on tails is peeled tail meat.[18]

When there is no present domestic production of an article under investigation, the Commission must identify the domestic product most similar in characteristics and uses. The Commission has rejected the idea that a like product can be defined as a product not produced by a domestic industry, absent a *bona fide* material retardation claim.[19] Accordingly, we must determine what domestic product -- either crawfish tail meat or whole crawfish -- is "most similar in characteristics and uses with" all of the imported merchandise, including shell-on crawfish tails.[20]

Shell-on tails are crawfish tails that have been separated from the head and from which the lower (belly) shell, digestive tract, and vein have been removed, leaving the hard upper (back) shell intact.[21] Shell-on tails are a raw product; they are neither cooked nor blanched as part of the production process, but rather must be thoroughly cooked by the ultimate consumer.[22] Shell-on tails are intended to be served as

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[15] 62 *Fed. Reg*. 41347, 41357-58.

[16] CR at I-2-I-3 n.8, PR at I-2 n.8.

[17] *See generally* Red Chamber's Prehearing and Posthearing Briefs.

[18] Petitioners' Posthearing Brief at II-5-II-8.

[19] *See, e.g.*, Professional Electric Cutting and Sanding/Grinding Tools from the PRC, Inv. No. 731-TA-571 (Preliminary), USITC Pub. 2536 at 17 (July 1992); *cf.*, Certain Seamless Carbon and Alloy Standard, Line, and Pressure Steel Pipe from Argentina, Brazil, Germany, and Italy, Invs. Nos. 701-TA-362 and 731-TA-707-710 (Final), USITC Pub. 2910 at I-9-I-10 (July 1995) (Commission must identify domestic product "like" or "most similar in characteristics and uses with" every product within the scope); Ferrovanadium and Nitrided Vanadium from Russia, Inv. No. 731-TA-702 (Final), USITC Pub. 2904 at I-7 n.14 (June 1995); Fresh Cut Roses from Columbia and Ecuador, Invs. Nos. 731-TA-684-685 (Preliminary), USITC Pub. 2766 at I-8-I-9 (March 1994);.

[20] 19 U.S.C. § 1677(10).

[21] Red Chamber's Prehearing Brief at 4; August 8 telephone note.

[22] CR at I-3-I-4 n.12, PR at I-3 n.12.

"finger lobster," that is, cooked and served unpeeled with tail fins decoratively splayed.[23]

Shell-on crawfish tails share some characteristics with whole crawfish and others with peeled tail meat. Like live crawfish, shell-on tails are (partially) unpeeled and are sold uncooked. Unlike live crawfish, however, they are decapitated and deveined and are sold frozen rather than fresh. Like tail meat, shell-on tails are a processed product that has been decapitated, deveined, and (partially) peeled. Unlike peeled tail meat, however, shell-on tails are not blanched as part of the production process and are not completely peeled.

Although analysis of the traditional six like product factors reveals some differences between shell-on tails and peeled tail meat, we do not find these differences to be dispositive. First, shell-on tails are uncooked while tail meat is partially cooked (blanched). We give little weight to degree of cooking in determining whether shell-on tails are more like tail meat or whole crawfish, however, since whole live crawfish, blanched tail meat, and shell-on tails all require some cooking before they can be eaten. Second, shell-on tails are served alone as finger lobster, an hors d'oeuvre, while tail meat is generally used in prepared dishes. We also give little weight to end use in our like product analysis, however, since the only known end use for shell-on tails is different from those for either whole crawfish (crawfish boils) or tail meat. Finally, the fact that the production process for Red Chamber's shell-on tails is patented does not preclude our including it in the same like product.[24]

Instead, we find that the most salient product characteristics are those that reflect the nature and degree of processing. With respect to these characteristics, we find that shell-on tails, which are decapitated, deveined, and partially peeled, are closer to tail meat (which is decapitated, deveined, and

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[23] CR at I-4 n.14, PR at I-3 n.14.

[24] Red Chamber argues that the production process for shell-on tails is patented and thus, by definition, unique. Red Chamber's Prehearing Brief at 4-5. The Commission has previously found that the fact that a product is itself under patent does not preclude the Commission from including it within a broader like product. *See, e.g.*, Generic Cephalexin Capsules from Canada, Inv. No. 731-TA-423 (Final), USITC Pub. 2211 (Aug. 1989). Any uniqueness is more attenuated when, as here, only the process is patented.

completely peeled) than they are to whole crawfish (on which none of these processing operations is performed prior to sale) and the production process for shell-on tails is more similar to that for tail meat than to that for whole crawfish. Based on this analysis, we find that the domestic product most similar in characteristics and uses with shell-on crawfish tails is crawfish tail meat, not whole crawfish. Accordingly, we find a single domestic like product consisting of crawfish tail meat, whether peeled or "shell-on."

C. Domestic Industry

In making its determination, the Commission is directed to consider the effect of the subject imports on the industry, defined as "the producers as a [w]hole of a domestic like product."[25] In doing so, the Commission generally includes all domestic production, including tolling operations and captively consumed production, within the domestic industry.[26]

Crawfish tail meat is a processed agricultural product. In cases involving processed agricultural products, the Commission may include growers of a raw agricultural input within the domestic industry producing the processed agricultural product if:

(a) the processed agricultural product is produced from the raw product[27] through a single continuous line of production, and

(b) there is a substantial coincidence of economic interest between the growers and producers of the processed product based upon relevant economic factors.[28]

In the preliminary phase of this investigation, we determined that the domestic industry producing crawfish tail meat consists of tail meat processors and does not include the farmers and fishermen who

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[25] 19 U.S.C. §1677(4)(A).

[26] *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).

[27] The statute defines "raw agricultural product" as any farm or fishery product. 19 U.S.C. § 1677(4)(E)(iv).

[28] 19 U.S.C. § 1677(4)(E)(i). Under the first prong of the test, the processed product shall be considered to be processed from the raw product in a single continuous line of production if: (a) the raw agricultural product is substantially or completely devoted to the production of the processed agricultural product; and (b) the processed agricultural product is produced substantially or completely from the raw product. 19 U.S.C. § 1677(4)(E)(ii).

harvest live crawfish, because the raw agricultural product, live crawfish, is not substantially or completely devoted to the production of the processed agricultural product, crawfish tail meat.[29] In the final phase, none of the parties has challenged that preliminary determination. The evidence continues to indicate that only about 13 percent of the live crawfish harvest was processed into tail meat over the period examined.[30] Accordingly, we reaffirm our preliminary conclusion that the domestic industry producing crawfish tail meat consists only of tail meat processors.

D. Related Parties

***, a domestic producer of crawfish tail meat, also imported the subject merchandise during the period of investigation. It is therefore a related party, and we may exclude it from the domestic industry if "appropriate circumstances" exist.[31]

In the preliminary phase of the investigation, we determined that appropriate circumstances did not exist to exclude *** from the domestic industry, principally because the company's financial performance ***, suggesting that it did not benefit from its importing activities, and because it was a sizeable domestic producer the absence of which would skew our data.[32] In the final phase of this investigation, none of the parties has addressed the related parties issue nor have we obtained any contrary evidence.[33] Accordingly,

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[29] Prelim. Det. at 8.

[30] CR at I-5 n.15, PR at I-4 n.15.

[31] 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).

[32] Prelim. Det. at 8-9; Confidential Version at 12-14.

[33] *See* CR at III-2-III-3 n.6, PR at III-2 n.6; CR at IV-2, PR at IV-1; Table VI-4, CR at VI-9, PR at VI-7.

we reaffirm our preliminary determination that appropriate circumstances do not exist to exclude *** from the domestic industry.[34]

II. CONDITION OF THE DOMESTIC INDUSTRY[35]

In assessing whether a domestic industry is materially injured by reason of LTFV imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[36] 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."[37]

The market for crawfish tail meat is characterized by several conditions of competition. First, like other processed agricultural products, the supply of domestic tail meat is dependent on the harvest of an upstream product (live crawfish). The domestic crawfish harvest is seasonal, generally lasting from January through June, but its length and the quality and quantity of crawfish harvested are affected by the weather. For example, cold spring weather delayed the live crawfish harvests in 1995 and 1996 and shortened the season by several months.[38] Domestic tail meat production generally coincides with the harvest. Historically, fresh tail meat is sold mostly in season, with the remainder of domestic production

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[34] Commissioner Crawford notes that the inclusion of *** for *** is useful for purposes of understanding the conditions of competition in the industry. However, inclusion or exclusion of *** from the domestic industry would not have been determinative in her finding of material injury by reason of subject imports of tail meat from China.

[35] 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.

[36] 19 U.S.C. § 1677(7)(C)(iii).

[37] *Id.*

[38] CR at II-1, II-3-II-4, III-3-III-4, PR at II-1, II-3, III-2; Hearing Tr. at 43-44, 122-23, 146-47, 158-59, 174; Petitioners' Prehearing Brief at 16.

frozen for sale mostly in the off-season when prices tend to be higher.[39] During the investigation period, however, the share of sales of frozen tail meat made in the off-season declined relative to those made in season.[40] [41]

In addition, crawfish tail meat is a perishable product. Because the shelf life of fresh tail meat is ten days or less, depending on handling, almost all sales of fresh tail meat are made within Louisiana and states contiguous to Louisiana, where virtually all tail meat processing occurs.[42] During the period of investigation, the domestic industry sold a large and increasing share of its tail meat as a fresh product in season.[43] Conversely, because of the perishability of the product, virtually all sales of the domestic product outside Louisiana or during the off-season are of frozen tail meat as are all sales of the subject imports, regardless of location. Sales of frozen tail meat occur nationwide and year-round.[44]

In that connection, the market for crawfish tail meat includes both a "national" and a "local" market. The local market consists of what the parties have referred to as "traditional" purchasers in Louisiana (and, to a limited extent, in contiguous states). Many of these purchasers have a preference for the fresh product in season and generally turn to the frozen product only in the off-season. They also have a preference for the domestic product which makes them somewhat insensitive to price differences between

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[39] CR at II-1, II-3-II-4, PR at II-1, II-3.

[40] As discussed below, domestic producers testified that during the period of investigation they curtailed their usual practice of freezing tail meat on speculation for sale in the off-season. Hearing Tr. at 65, 73-74, 112-13. This phenomenon is borne out by data from the preliminary phase of the investigation, which show that off-season sales of frozen crawfish in Louisiana were highest in 1993. *Compare* Table V-1(b), Preliminary Report at V-7, *with* Table V-1(b), CR at V-8, PR at V-6.

[41] Commissioner Crawford notes that sales of frozen tail meat during the off-season by domestic producers in fact increased relative to those in the in-season during the POI, according to the limited information available. *See* Tables V-1-V-4, CR at V-8-V-11, PR at V-6-V-9. Nonetheless, she agrees that subject imports of frozen tail meat are more substitutable for domestic frozen tail meat than for domestic fresh tail meat (*see* CR at II-18-II-23, PR at II-12-II-16) and that, in general, producers would tend to shift production to that product sector facing the least competitive pressures.

[42] CR at II-1, PR at II-1; Hearing Tr. at 60.

[43] CR at II-4-II-5, PR at II-3-II-4; Table III-2, CR at III-6, PR at III-4.

[44] CR at I-4, II-4-II-5, PR at I-3, II-3-II-4; Transcript of Preliminary Staff Conference (Oct. 11, 1996) at 85-86, 87 ("Conf. Tr."); Hearing Tr. at 138-142.

the domestic product and the subject imports.[45] By contrast, the national market consists of "non-traditional" purchasers both in Louisiana and nationwide, such as large restaurant and hotel chains, grocery store chains, and warehouse clubs. These purchasers need a stable, year-round source for substantial quantities of tail meat in order to supply their many retail outlets. For ease of distribution, they generally will only purchase the frozen product. Non-traditional purchasers tend to be considerably more price conscious than traditional purchasers and will switch not just between domestic and imported tail meat, but also substitute other seafood products depending on relative prices.[46]

Louisiana accounts for the largest share of domestic demand for crawfish tail meat. In 1996, 63 percent of total domestic shipments of crawfish tail meat (both imports and domestic product) were to purchasers in Louisiana, an additional 10 percent to the contiguous states of Arkansas, Mississippi, and Texas, and the other 27 percent to all other states.[47] Likewise, while the domestic industry supplied some national accounts prior to the period of investigation, and continued to supply some customers outside its local market during the period, the domestic industry's sales both historically and during the period examined have been concentrated in its core local market of Louisiana and contiguous states. In fact, the domestic industry made well over 90 percent of its total shipments during the period within Louisiana.[48]

Although the domestic industry does not currently produce crawfish tail meat in quantities sufficient to meet national demand,[49] its potential capacity to produce and freeze tail meat is significantly greater than its current level of production. Whole crawfish sales may be shifted to the processing market rather than the live market depending on relative prices, and the harvest of live whole crawfish, the raw

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[45] CR at II-4 n.14, II-14, II-17-II-18, PR at II-3 n.14, II-10, II-12; Hearing Tr. at 34-35, 49, 59, 60-61, 77, 84-85.

[46] *Id. See also* Hearing Tr. at 126-28, 130-31, 133-36, 169-71, 176-79.

[47] Tables I-1 and I-2, CR at I-8, PR at I-6.

[48] Table I-1, CR at I-8, PR at I-6; Conf. Tr. at 42, 115-16; Hearing Tr. at 29-30, 47-48, 53, 100, 103-04; Petitioners' Posthearing Brief at II-10-II-12.

[49] Table III-1, CR at III-6, PR at III-4; Table IV-2, CR at IV-7, PR at IV-5.

material for the production of tail meat, can expand to some extent to accommodate increased demand from processors.[50] Moreover, the investment necessary to expand processing facilities is relatively modest.[51]

A final condition of competition is the substantial rise in apparent U.S. consumption of crawfish tail meat over the period of investigation. Apparent U.S. consumption of crawfish tail meat rose from 5.27 million pounds in 1994 to 8.90 million pounds in 1995 and 9.52 million pounds in 1996, a total increase of over 80 percent.[52] This rise in consumption occurred in all three regions for which we collected data: Louisiana, contiguous states, and the broader national market.[53]

Although apparent consumption rose, both U.S. producers' domestic shipments of crawfish tail meat and the domestic industry's share of apparent U.S. consumption declined over the entire period of investigation. In terms of quantity, domestic shipments fell from 2.23 million pounds in 1994 to 1.88 million pounds in 1995 and 1.25 million pounds in 1996, for a total decline of nearly 44 percent.[54] By value, shipments fell from $11.46 million in 1994 to $10.35 million in 1995 and $7.12 million in 1996.[55] Measured by quantity, domestic producer's market share fell from 42.4 percent in 1994 to 21.1 percent in 1995 and 13.2 percent in 1996. By value, domestic producers' market share followed the same pattern, falling from 53.8 percent in 1994 to 30.1 percent in 1995 and 23.9 percent in 1996.[56]

The domestic industry's production, capacity, and capacity utilization also declined over the period. Production fell from 2.24 million pounds in 1994 to 1.89 million pounds in 1995 and 1.26 million

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[50] Hearing Tr. at 43-45, 70-71, 108-09.

[51] CR at II-9, II-25-II-26, PR at II-6, II-17-II-18.

[52] Table IV-2, CR at IV-7, PR at IV-5.

[53] Tables I-1 and I-2, CR at I-8, PR at I-6.

[54] Table III-2, CR at III-6, PR at III-4.

[55] *Id.*

[56] Table IV-2, CR at IV-7, PR at IV-5.

pounds in 1996, an overall decline of 43.7 percent.[57] Capacity declined from 3.58 million pounds in 1994 to 3.11 million pounds in 1995, before rising somewhat to 3.26 million pounds in 1996, an overall reduction in capacity of 9.1 percent.[58] Capacity utilization fell from 62.4 percent in 1994 to 60.6 percent in 1995 and 38.6 percent in 1996.[59]

The domestic industry's U.S. inventory levels were relatively low compared to its U.S. shipments throughout the period of investigation, ranging from 1.1 percent of shipments in 1994 to 2.3 percent in 1996. End-of-period inventories did increase, however, falling from 24,000 pounds in 1994 to 22,000 pounds in 1995 before rising to 29,000 pounds in 1996.[60]

Due to the seasonal nature of crawfish processing and the fact that many peelers work on a seasonal or even day-to-day basis, we find that total employment figures for the industry are not particularly informative and rely instead on other indicators of employment within the domestic industry. Industry-wide hours worked declined by 52.3 percent over the period of investigation, falling from 530,000 in 1994 to 348,000 in 1995 and 253,000 in 1996. Wages paid declined from $2.60 million in 1994 to $ 2.24 million in 1995 and $1.63 million in 1996. Hourly wages rose from $4.90 in 1994 to $6.45 in 1995 then rose slightly to $6.47 in 1996, while unit labor costs rose from $1.16 per pound in 1994 to $1.19 per pound in 1995 and $1.30 per pound in 1996. Productivity rose from 4.2 pounds per hour in 1994 to 5.4 pounds per hour in 1995, before declining to 5.0 pounds per hour in 1996.[61]

The industry's sales revenues and net income declined throughout the period of investigation. Net

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[57] Table III-1, CR at III-6, PR at III-4.

[58] *Id.* The decline in capacity between 1994 and 1995 is largely accounted for by ***. In addition, all of the industry-wide data discussed in this section do not reflect the exit from the industry of an additional seven processors that went out of business during the period of investigation. CR at III-2-III-3, PR at III-2. Therefore our industry-wide data may not fully reflect the declines in production, capacity, employment, financial performance, and other measures experienced by the domestic industry during the period examined.

[59] Table III-1, CR at III-6, PR at III-4.

[60] Table III-3, CR at III-7, PR at III-5.

[61] Table III-5, CR at III-8, PR at III-5.

sales declined from $11.5 million in 1994 to $10.2 million in 1995 and then to $7.1 million in 1996, for an overall reduction of 38.2 percent.[62] The industry's net income declined from $456,000 in 1994 to $288,000 in 1995 then to a loss of $186,000 in 1996. Total cost of goods sold declined over the period, reflecting declining production. On a per unit basis, however, production expenses rose steadily for a total increase of 12.2 percent. Cost of goods sold as a percentage of net sales rose from 86.8 percent in 1994 to 91.6 percent in 1996.[63] Unit sales values rose from $5.29 in 1994 to $5.61 in 1995, then fell to $5.55 in 1996. Despite the overall rise in unit sales value, however, the domestic industry's net income as a percentage of net sales fell from 4.0 percent in 1994 to 2.8 percent in 1995 and negative 2.6 percent in 1996.[64] [65]

III. MATERIAL INJURY BY REASON OF LTFV IMPORTS

In the final phase of an antidumping investigation, the Commission determines whether an industry in the United States is materially injured by reason of the LTFV imports under investigation.[66] 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

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

[63] Table VI-2, CR at VI-4, PR at VI-4; Table C-1, CR at C-3, PR at C-3. Respondents contend that domestic producers have overstated their production costs (and thereby their financial losses) by reporting the cost of "field run" (*i.e.* mixed size) live crawfish as their raw material cost, when in fact they sell the larger crawfish in the mix to premium markets for live and whole boiled crawfish while using only the least expensive, smaller "peelers" for tail meat production. Chinese Respondents' Prehearing Brief at 3-4, 15-18; Chinese Respondents' Posthearing Brief, Answers to Questions at 15-17. The evidence indicates, however, that a significant percentage of domestic production is accounted for by processors who process 100 percent of their live crawfish purchases into tail meat. CR at VI-7, PR at VI-6. Moreover, among those processors who also sell in the live or whole boiled markets, the reported purchase cost of live crawfish was well below the average price of field-run crawfish. CR at VI-8, PR at VI-6. Thus, the record does not support the claim that the domestic industry's raw material costs are significantly overstated.

[64] *Id.* While we generally consider data on research and development and capital expenditures, we did not find the limited reported data on these indicators to be informative in this investigation. CR at VI-8, VI-10-VI-12, PR at VI-7-VI-9.

[65] Based on the foregoing, Commissioner Newquist determines that the domestic crawfish tail meat industry is experiencing material injury.

[66] 19 U.S.C. § 1673d(b). The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant." 19 U.S.C. § 1677(7)(A).

context of U.S. production operations.[67] Although the Commission may consider causes of injury to the industry other than the LTFV imports,[68] it is not to weigh causes.[69] [70] [71]

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[67] 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).

[68] 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 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).

[69] *See, e.g.,* Gerald Metals, Inc. v. United States, 937 F. Supp. 930, 936 (Ct. Int'l Trade 1996); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988).

[70] Commissioner Newquist further notes that the Commission need not determine that imports are "the principal, a substantial, or a significant cause of material injury." S. Rep. No. 249, at 57, 74. Rather, a finding that imports are a cause of material injury is sufficient. *See, e.g.*, Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741 (Ct. Int'l Trade 1989); Citrosuco Paulista, 704 F. Supp. at 1101.

[71] 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).

For a detailed description of Commissioner Crawford's analytical framework, *see* Polyvinyl Alcohol from China, Japan, and Taiwan, Invs. 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).

1. Volume of the Subject Imports[72]

Subject imports by quantity more than tripled from 3.39 million pounds in 1994 to nearly 11 million pounds in 1995, and then fell to 7.77 million pounds in 1996.[73] Subject imports by value rose from $9.03 million in 1994 to $35.84 million in 1995, and then fell to $19.31 million in 1996.[74]

The market share of shipments of the subject imports rose significantly, increasing (by quantity) from 57.6 percent in 1994 to 78.9 percent in 1995 and 86.8 percent in 1996. By value, the market share of subject import shipments rose from 46.2 percent in 1994 to 69.9 percent in 1995 and 76.1 percent in 1996.[75]

As noted above, current domestic capacity to produce crawfish tail meat is substantially less than apparent U.S. consumption, and domestic production of crawfish tail meat is largely oriented to sales of fresh tail meat, in season, to local customers in Louisiana and the contiguous states.[76] Thus, it is clear that some of the rising volume of imports went to serve rising demand for a stable, year-round supply of frozen tail meat in non-traditional markets outside Louisiana and the contiguous states. We note, however, that, in each of the three years examined, the majority of shipments of the subject imports were to customers in

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

[73] Petitioners urge us to draw an adverse inference against several importers who did not submit questionnaire responses in the final phase of this investigation. *See* Petitioners' Prehearing Brief at 9; Hearing Tr. at 66-68; Petitioners' Posthearing Brief at II-16-II-18. Because questionnaire responses account for a large majority of imports over the entire period, petitioners concede that our estimates for the missing data are reasonable, and the adverse PIERS data proffered by petitioners appears to be unreliable, *see* Hearing Tr. at 66-68; CR at IV-5, PR at IV-3, we decline to draw the requested adverse inference.

[74] Table IV-1, CR at IV-6, PR at IV-4.

[75] Table IV-2, CR at IV-7, PR at IV-5.

[76] Table I-1, CR at I-8, PR at I-6; Table III-1, CR at III-6, PR at III-4; Table III-2, CR at III-6, PR at III-4; Table IV-2, CR at IV-7, PR at IV-5.

Louisiana and the contiguous states.[77] In addition, the rise in the volume of subject imports over the period of investigation exceeded the rise in the quantity of apparent consumption. From 1994 to 1996, subject imports rose by 4.37 million pounds, while apparent consumption grew by only 4.25 million pounds. From 1994 to 1995, imports rose by 7.60 million pounds while apparent consumption rose by only 3.63 million pounds.[78] Moreover, the domestic industry's market share and sales volume declined simultaneously in this growing market. Thus, the evidence indicates that not all of the subject imports were serving new demand.[79] [80]

While total subject imports declined somewhat in 1996, we give little weight to this decline, for several reasons. First, the petition in this investigation was filed in September of 1996.[81] Although our full-year data show imports declining in 1996 from 1995 levels, data gathered in the preliminary phase for the first half of 1996 show a significant increase over levels for the first half of 1995.[82] Therefore, we attribute the decline in imports for full year 1996 to a substantial decline in the second half of the year. Because imports from China typically arrive in their greatest quantities in the second half of the year

[77] Table I-2, CR at I-8, PR at I-6.

[78] Tables IV-1 and IV-2, CR at IV-6-IV-7, PR at IV-4-IV-5.

[79] Commissioner Newquist agrees that the record demonstrates that the subject imports served more than just new demand. In other words, he agrees that these imports displaced domestic like product. He notes, however, that dumped imports may still be a cause of material injury absent such displacement.

[80] Commissioner Crawford does not join the remainder of this section. She considered whether any change in the volume, price effects, or impact of subject imports since the filing of the petition is related to the pendency of the investigation. While she does not disagree with the factual discussion below indicating that subject imports in 1996 may have been lower than they would have been if the petition had not been filed, she relies on actual levels of subject imports in making her determination of material injury by reason of LTFV imports.

[81] The statute directs us to consider whether any changes in volume, price effects or impact of the subject imports are related to the pendency of the investigation. If we determine that this is so, the statute gives us the discretion to reduce the weight accorded to the information, although we are not required to do so. 19 U.S.C. § 1677(7)(I).

[82] *Compare* Table IV-1, CR at IV-6, PR at IV-4, *with* Table IV-2, Preliminary CR at IV-7, Preliminary PR at IV-4.

(which corresponds to the harvest and production season in China),[83] and in the absence of contrary evidence, we find that this decline is due, at least in part, to the pendency of this investigation.[84] Second, we would expect imports to decline somewhat in 1996 as importers attempted to liquidate the large inventories of perishable tail meat built up in 1995.[85] Importers reported that there was an oversupply of frozen Chinese tail meat in the U.S. market in 1995 due to the entry into the market of multiple new importers and a bumper crawfish crop in China.[86] Finally, the decline in total imports in 1996 is small relative to the total increase in the quantity of imports over the three year period of investigation and, in any event, domestic shipments of subject imports continued to rise in 1996.[87] Accordingly, we give less weight to the declines in import volume in 1996 than to the overall high level and rising volume of such imports and shipments of such imports over the period examined.

Based on the rising quantity and market share of the subject imports and the fact that the rise in the quantity of imports exceeded increases in demand, we find both the volume of the subject imports and the increase in that volume over the period of investigation to be significant.

2. Price Effects of the Subject Imports

In this investigation, we collected separate quarterly pricing data for sales of fresh and frozen tail meat, sales to retailers and to distributors, and sales to customers in three regions: (1) Louisiana, (2)

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[83] CR at VII-2, PR at VII-1; Conf. Tr. at 186.

[84] While respondents assert that imports from China declined in 1996 and will continue to decline in the future because the Chinese industry is rationalizing and finding new export markets, thereby reducing its commitment and ability to serve the U.S. market, we do not find their unsupported statements to this effect to be credible. Actual and potential Chinese production capacity for crawfish tail meat appears to be enormous and the evidence is in conflict as to whether there has been any reduction in that capacity in 1996. CR at II-11-II-12, VII-2, PR at II-8, VI-1; Petitioners' Posthearing Brief at I-14 and Exhibit 1, ¶4; Chinese Respondents' Prehearing Brief at 27-29 and Exhibits 1-4.

[85] *See* Table VII-2, CR at VII-6, PR at VII-3.

[86] CR at VII-3-VII-4, PR at VII-2; Conf. Tr. at 166-68.

[87] Table IV-2, CR at IV-7, PR at IV-5.

Arkansas, Texas and Mississippi, and (3) all other states.[88] In general, reported price data show that U.S. processors' selling prices, especially for fresh tail meat, rose modestly, while U.S. importers' prices fell. The major exception is that U.S. processors' selling prices for frozen tail meat to retailers in Louisiana generally fell.[89]

Specifically, quarterly selling prices of domestic fresh crawfish tail meat to both retailers and distributors in all three regions generally rose from 1994 to 1996.[90] Quarterly selling prices of domestic frozen crawfish tail meat to retailers in Louisiana fell in 1995 from their 1994 levels, held steady or rose somewhat in 1996, but were lower in each quarter of 1996 than in the comparable quarter of 1994.[91] U.S. sales prices for imports of Chinese frozen tail meat to both retailers and distributors in Louisiana fell consistently over the period of investigation.[92] Quarterly U.S. selling prices of frozen tail meat sold to retailers in Arkansas, Texas, and Mississippi generally rose or held steady from 1994 to 1996, while those for the imported product fell.[93] Prices for sales of Chinese tail meat to distributors in Arkansas, Texas, and Mississippi also declined over the period.[94] U.S. processors did not report prices for sales of frozen tail meat to retailers or distributors in all other states. Quarterly selling prices for Chinese imports to retailers in all other states showed a mixed pattern, while those to distributors in all other states generally declined over the period examined.[95]

All the price comparisons involving domestic and Chinese tail meat to the same type of purchaser

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[88] CR at V-6-V-7, PR at V-4-V-5.

[89] CR at V-7, PR at V-5.

[90] Tables V-7-V-9, CR at V-13-V-14, PR at V-11-V-12.

[91] Table V-1, CR at V-8, PR at V-6. Data reported by U.S. processors for sales of frozen tail meat to distributors in Louisiana were too limited to show clear trends. CR at V-32, PR at V-27.

[92] Tables V-1-V-2, CR at V-8-V-9, PR at V-6-V-7.

[93] Table V-3, CR at V-10, PR at V-8.

[94] Table V-4, CR at V-11, PR at V-9. Data reported by U.S. processors on sales of frozen tail meat to distributors in the three contiguous states were too limited to identify a trend.

[95] Tables V-5-V-6, CR at V-12, CR at V-10.

in the same area of the United States show that the Chinese tail meat consistently undersold the domestic tail meat by margins exceeding 20 percent.[96] In addition, prices of the Chinese frozen tail meat were at all times below those for domestic fresh tail meat.[97]

In some circumstances, we might conclude that such large price differences indicate a lack of substitutability between the subject imports and the domestic like product.[98] In this investigation, however, the record evidence is to the contrary. While it is true that some portion of the market has a preference for the fresh domestic product,[99] the preference is neither as absolute nor as widespread as respondents suggest. Among 14 responding purchasers, 7 reported that fresh and frozen tail meat are easily substituted and an additional two reported that they are occasionally substituted.[100] A number of purchasers, most located in Louisiana, reported that they had switched from either fresh or frozen domestic tail meat to the Chinese product on the basis of price. Many reported a general preference for the fresh (domestic) product over frozen tail meat, but indicated that the price differential was sufficiently large to induce them to substitute the frozen product anyway or to mix more expensive fresh tail meat with the subject imports in the same dish.[101]

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[96] Commissioner Crawford rarely gives much weight to evidence of underselling since it usually reflects some combination of differences in quality, other nonprice factors, or fluctuations in the market during the period in which price comparisons were sought.

[97] CR at V-7, PR at V-5; Tables V-1-V-3, CR at V-8-V-10, PR at V-6-V-8.

[98] Commissioner Newquist notes that, in his view, questions concerning substitutability based on characteristics and uses are appropriately addressed in the like product determination. Accordingly, further assessment of substitutability for purposes of a causation analysis is generally not warranted.

[99] CR at II-4 n.14, II-14, II-17-II-18, PR at II-3 n.14, II-10, II-12; Hearing Tr. at 34-35, 49, 59, 60-61, 77, 84-85.

[100] Purchasers were asked whether the products are "easily substituted," "occasionally substituted," or "not substituted" in response to a change in relative prices. CR at II-16-II-17, PR at II-11-II-12. In addition, ***, a large purchaser and one of the few that stated that fresh and frozen tail meat are not substituted, explained that ***. *Id.*

[101] CR at V-38-V-43, PR at V-31-V-34; Hearing Tr. at 49, 60-61, 89-90, 92, 94. While a few purchasers in Louisiana supported respondents' assertion that lack of availability of the domestic product, rather than price, played a role in their switch to imports, most of those purchasers identified price rather than availability as their reason for switching. Availability appears to have been relatively more important to purchasers outside Louisiana (continued...)

Rather than evidencing a lack of substitutability, we attribute a significant portion of the price differential between the domestic product and the subject imports to the domestic processors' inability to reduce prices in the face of low and declining import prices. Indeed, domestic processors reported that they had to hold steady or raise selling prices over the period to cover rising labor and raw material (live crawfish) costs.[102] Although U.S. sales prices for Chinese imports were often at or less than domestic producers' cost of production, sales at less than the cost of production were not a viable option for domestic processors. Domestic producers tend to be small, family-operated businesses without significant capital reserves and are thus limited in their ability to continue operations for very long unless they cover

[101] (...continued)
and the contiguous states. CR at II-21, PR at II-14.

[102] CR at VI-4, VI-6, PR at VI-1-VI-2; Hearing Tr. at 75-76, 78-79, 111-113, 122-23, 144-47.

their production costs.[103] [104] Accordingly, domestic producers generally did not lower their prices to meet subject import prices, as the price data demonstrates.

Instead of forcing domestic producers to lower their prices, the low and declining prices of the subject imports have had their most pronounced effects on the domestic industry's production and sales volumes. Historically, domestic producers have frozen some portion of the tail meat produced during the in-season and stored it for sale in the off-season. During the period of investigation, however, they have become increasingly unwilling to freeze tail meat on speculation, because freezing and inventory costs add to the price they need to charge to break even on tail meat sales. Thus, many have become "custom

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[103] Hearing Tr. at 64-65, 75-76, 80-81, 84-85, 95, 111-113.

[104] Commissioner Crawford does not concur with her colleagues' conclusion that subject imports are having significant price effects and thus does not join the remainder of this section. To evaluate the effects of the dumping on domestic prices, Commissioner Crawford compares domestic prices that existed when the imports were dumped with what domestic prices would have been if the 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 substantially. In this investigation, the dumping margins for subject imports from China are very large, so that subject imports likely would have been priced significantly higher had they been fairly traded. Since subject imports held a market share of 86.8 percent by quantity and 76.1 percent by value in 1996, the shift in demand away from higher priced subject imports likely would have been substantial. Subject imports and domestic crawfish tail meat are fairly good substitutes, particularly when both are frozen. Fresh domestic tail meat is somewhat less substitutable for subject imports, at least in markets in and around Louisiana. Given this level of substitutability, a significant portion of the demand for subject imports likely would have shifted to domestic crawfish tail meat had subject imports been fairly traded. The extent to which such demand would be captured by the domestic industry depends on demand and supply conditions. In this investigation, the elasticity of demand appears to be very high. Consumer response to increasingly available, low-priced subject imports during the POI indicates a high sensitivity of demand to price changes. Moreover, the availability of alternative products such as other seafood products and whole live or boiled crawfish also indicates a higher elasticity of demand. Such demand conditions indicate that while overall demand for crawfish tail meat might have been substantially smaller had subject imports been sold at higher, fair prices, a significant amount of additional demand would have been captured by domestic suppliers. In particular, demand from purchasers within the Louisiana area during the off-season and to a lesser extent from purchasers outside of the Louisiana area, would have been captured by domestic suppliers. However, purchasers would have resisted any significant increase in domestic producer prices. On the supply side, any attempt by an individual supplier in the domestic industry to increase its prices in response to the shift in demand would have been challenged by competitors. There are a significant number of crawfish tail meat suppliers in the U.S. market that compete directly with each other. The domestic industry has significant available production capacity, access to additional raw inputs, and some inventories with which domestic producers would have competed among themselves for sales, had demand shifted away from subject imports. CR at II-6-II-10, II-25-II-26, PR at II-5-II-7, II-17-II-18; Table D-1, CR at D-3, PR at D-3. Under such supply and demand conditions, any effort by a domestic supplier to raise its prices significantly would have been beaten back by its competitors or resisted by consumers. Therefore, significant effects on domestic prices cannot be attributed to the unfair pricing of subject imports. Consequently, Commissioner Crawford finds that subject imports are not having significant effects on prices of domestic crawfish tail meat.

peelers," producing frozen tail meat only for advance orders.[105] With little demand for additional fresh tail meat during the in-season at the prices domestic producers need to charge for it, producers have been left with little choice but to curtail overall tail meat production.[106] As discussed above, this phenomenon is borne out in the production and shipment data reported by the domestic industry.[107]

Given the rapidly rising demand for crawfish tail meat over the period of investigation and the adverse weather conditions that reduced the domestic crawfish harvest, we would normally have expected domestic producers to have been able to raise their prices sufficiently to cover their rising production costs. Although prices for the domestic product have risen somewhat (except for sales of the frozen product to retailers in the critical Louisiana market), they have not kept pace with rising costs because of competition from low-priced imports from China. Instead, domestic processors find themselves in a cost-price squeeze. If they raise their prices to cover fully rising costs, they expand the price gap between the domestic product and the subject imports, further reducing the core of traditional purchasers who are willing to remain loyal to the domestic product. As more purchasers switch to the less expensive subject imports, the domestic industry's sales volume is reduced and their per unit production costs rise, with resulting adverse effects on revenues.[108] Accordingly, we find that underselling by the subject imports is significant. We also find that, with respect to the core of traditional purchasers who would not substitute another product for crawfish tail meat, the subject imports have suppressed prices for the domestic product to a significant degree.

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[105] Hearing Tr. at 65, 73-74, 112-13.

[106] The domestic industry has attempted to promote its product within Louisiana through public awareness advertising urging local residents to be loyal to the local product regardless of its price. Hearing Tr. at 110-111.

[107] Tables III-1 and III-2, CR at III-6, PR at III-4.

[108] Although most production costs in this industry are accounted for by labor and raw materials, both of which are variable costs, there are some fixed costs associated with maintaining a processing and freezing facility and meeting all applicable health and safety standards. Hearing Tr. at 52, 58, 75, 78-79, 99, 113, 122, 145; CR at VI-8, PR at VI-7.

3. Impact of the Subject Imports on the Domestic Industry[109] [110] [111] [112]

As the foregoing discussion indicates, the domestic crawfish tail meat industry, consisting primarily of relatively small processors, was confronted with a large increase in the volume of subject

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[109] The statute specifies that the Commission is to 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); SAA at 850 (this provision "does not alter the requirement in current law that none of the factors which the Commission considers is necessarily dispositive of the Commission's material injury analysis"). The company-specific dumping margins identified in Commerce's final determination ranged from 91.50 to 156.77 percent, while the China-wide rate applicable to all other companies is 201.63 percent. 62 *Fed. Reg.* 41,347 (Aug. 1, 1997). Respondents argue that Commerce applied an unrealistic methodology in this case and that the resulting margins are "fictional." Hearing Tr. at 187-88. To the extent respondents are suggesting that we consider the "correct" margins to be something lower than those found by Commerce, we note that the margins which the statute requires us to consider are those found by Commerce in its final determination. 19 U.S.C. § 1677(35)(C).

[110] 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).

[111] Commissioner Newquist notes that, in his analytical framework, "evaluation of the magnitude of the margin of dumping" is not generally helpful in answering the questions posed by the statute: whether the domestic industry is materially injured; and, if so, whether such material injury is by reason of the dumped subject imports.

[112] 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 dumped 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 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 dumped imports, and so she gauges the impact of the dumping 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, the domestic industry would not have been able to increase its prices significantly if subject imports had been sold at fairly traded prices. Therefore, any impact of the dumped imports on the domestic industry would have been on the domestic industry's output and sales. Had subject imports not been dumped, demand conditions would have prevented the domestic industry from capturing the entire demand satisfied by subject imports; consumers appear to be sensitive to prices and therefore would have significantly reduced their consumption in response to higher prices overall. Nonetheless, a significant amount of demand would have been captured by domestic producers of crawfish tail meat. Domestic suppliers could have easily increased their production and sales of both fresh and frozen tail meat to satisfy the significant increase in demand. Accordingly, the domestic industry would have captured enough of the demand for subject imports that its output and sales, and therefore its revenues, would have increased significantly had subject imports not been dumped. Consequently, the domestic industry would have been materially better off if the subject imports had been fairly traded. Therefore, Commissioner Crawford determines that the domestic industry producing crawfish tail meat is materially injured by reason of LTFV imports of crawfish tail meat from China.

crawfish tail meat imports from China. The majority of the subject imports were sold in Louisiana and contiguous states,[113] and purchasers in Louisiana have reported switching from the domestic product to the subject imports on the basis of price.[114] Thus, while the low prices and consistent large supply of the subject imports may have been responsible for creating significant new demand for crawfish tail meat both inside and outside of Louisiana, the substantial volumes of low-priced subject merchandise sold in the traditional local market have also displaced domestic sales, particularly in Louisiana.[115] [116] Unable to lower their prices below their production costs, domestic processors exercised the few options they had to respond to competition from the subject imports, including selling more of their tail meat as fresh or frozen during the in-season, selling more of their whole crawfish into the live market rather than processing it, and/or shutting down production altogether.[117] As a consequence, domestic producers have experienced falling production and sales volumes, capacity utilization, and employment, as well as rising per-unit production costs for their tail meat processing operations.[118] Unable to raise prices sufficiently to cover rising costs and with their sales volume declining, domestic processors suffered serious financial declines, with slim profit margins turning to losses at the end of the period.[119] [120]

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[113] Table I-2, CR at I-8, PR at I-6.

[114] CR at V-38-V-43, PR at V-31-V-34; Hearing Tr. at 49, 60-61, 89-90, 92, 94.

[115] Tables I-1 and I-2, CR at I-8, PR at I-6; CR at V-38-V-43, PR at V-31-V-34. Although respondents are correct that the domestic industry has not operated sufficient production capacity at any time during the period of investigation to satisfy rising domestic demand for crawfish tail meat, the industry's inability to meet demand does not disqualify it from receiving relief under the antidumping law where subject imports, in addition to creating new demand, have had significant volume effects, price effects, or impact on the domestic industry.

[116] Commissioner Newquist reiterates the views expressed in footnote 79, *supra*.

[117] CR at I-5 n.15, II-7, III-2-III-4, PR at I-4, II-5, III-1-III-3; Hearing Tr. at 43-44, 59, 71-75, 80-81.

[118] Tables III-1, III-2, and III-5, CR at III-6 and III-8, PR at III-4-III-5; Table VI-2, CR at VI-3-VI-4, PR at VI-3-VI-4.

[119] Table VI-2, CR at VI-3-VI-4, PR at VI-3-VI-4.

[120] Commissioner Newquist notes that financial losses were reported by those processors still in business. As indicated in note 58, *supra*, at least eight processors ceased operations during the period of investigation. In addition, not only did those processors remaining in business experience financial losses, so too did many report lost sales and lost revenues. *See* CR at V-37-V-43, PR at V-31-V-34.

Contrary to respondents' argument, we do not find that all of the reduction in production volume and profits experienced by the domestic industry was caused by the weather.[121] Rather, as discussed above, the evidence indicates that the surge in low-priced imports prevented the domestic industry from raising prices commensurate with rising live crawfish costs and reduced its sales volume, which aggravated any difficulties attributable to weather-related live crawfish shortages.[122] Accordingly, we find that the subject imports have had a significant adverse impact on the domestic industry.

CONCLUSION

For the foregoing reasons, we determine that the domestic industry producing crawfish tail meat is materially injured by reason of LTFV imports from China.

[121] Respondents argue that bad weather reduced the availability and raised the price for live crawfish, causing domestic producers to curtail production due to raw material shortages and to pay more for the live crawfish they were able to obtain. Chinese Respondents' Prehearing Brief at 7, 8-13; Chinese Respondents' Posthearing Brief at 6-8, Answers to Questions at 6-10; Importer Respondents' Prehearing Brief at 18-21. They also argue that domestic producers are unable to increase production due to a labor shortage. Respondents never asked us to seek information on labor availability in our questionnaires. Hearing Tr. at 195-96, 202-205. Moreover, a labor shortage, if it existed, would be relevant to the domestic industry's inability to supply the entire market but would not, as discussed above, preclude an affirmative finding in this proceeding.

[122] CR at III-3-III-4, PR at III-2-III-3.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by the Crawfish Processors Alliance, Breaux Bridge, LA, on September 20, 1996, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of crawfish tail meat[1] from China. Information relating to the background of the investigation is provided below.[2]

Date	*Action*
September 20, 1996 . .	Petition filed with Commerce and the Commission; institution of Commission investigation
October 17, 1996	Commerce's notice of initiation
November 7, 1996 . . .	Commission's preliminary determination
March 26, 1997	Commerce's preliminary determination; scheduling of final phase of Commission investigation (62 FR 17637, April 10, 1997)
August 1, 1997	Commerce's final determination (62 FR 41347)[3]
July 28, 1997	Commission's hearing[4]
August 29, 1997	Commission's vote
September 8, 1997 . . .	Commission determination transmitted to Commerce

SUMMARY DATA

A summary of data collected in the investigation is presented in table C-1 in appendix C. Except as noted, U.S. industry data are based on questionnaire responses of 31 firms that accounted for about 80 to 85 percent of U.S. production of crawfish tail meat during 1996. U.S. imports are based on questionnaire responses of firms that accounted for virtually all U.S. imports of crawfish tail meat during 1994-96.[5]

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[1] For purposes of this investigation, crawfish tail meat is freshwater crawfish tail meat, in all its forms (whether washed or with fat on, whether purged or unpurged), grades, and sizes; whether frozen, fresh, or chilled; and regardless of how it is packed, preserved, or prepared. Excluded from the scope of the investigation are live crawfish and other whole crawfish, whether boiled, frozen, fresh, or chilled. Also excluded are saltwater crawfish of any type, and parts thereof. Crawfish tail meat is provided for in subheadings 0306.19.00 and 0306.29.00 of the HTS with a free rate of duty applicable to products of China.

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

[3] Commerce calculated final LTFV margins to be as follows: **for the 8 firms accounting for the majority of exports to the United States, margins ranged from 91.5 to 156.8 percent; the China-wide rate was derived from the petition at 201.6 percent.**

[4] A list of witnesses appearing at the hearing is presented in app. B.

[5] Importers' questionnaire responses during the preliminary phase of the investigation, covering data for 1994 and 1995, accounted for virtually all imports of crawfish tail meat from China. Questionnaire responses during this final phase of the investigation account for about 80 percent of estimated imports in 1996. Accordingly, import data for 1994 and 1995 in this report are based on the questionnaire responses from the preliminary phase; import data for 1996 are derived by applying a ratio (responses for 1995 provided in the final phase of the investigation to responses for 1995 provided in the preliminary phase) to reported 1996 imports.

THE PRODUCT

The imported product subject to this investigation is crawfish tail meat, defined as freshwater crawfish tail meat, in all its forms (whether washed or with fat on, whether purged or unpurged), grades, and sizes; whether frozen, fresh, or chilled; and regardless of how it is packed, preserved, or prepared. This section presents information on both imported and domestically produced crawfish tail meat, as well as information related to the Commission's "domestic like product" determination.[6]

Petitioners argue that the appropriate domestic like product consists of processed tail meat, whether fresh or frozen. They specifically excluded live whole crawfish and other whole crawfish, whether boiled, frozen, fresh, or chilled, from the scope of their petition.[7] Respondents argue that the domestic like product should consist of all crawfish, whether live whole or processed tail meat. They argue that the similarities of physical characteristics and uses, channels of distribution, and interchangeability between fresh tail meat and live whole crawfish are far greater than the similarities between fresh and frozen tail meat, which the petitioners have included in their scope definition.[8] In the preliminary phase of the investigation the Commission found that the differences between tail meat and live and whole boiled crawfish constitute a clear dividing line and that crawfish tail meat, whether fresh or frozen, is the domestic product which is like the article subject to this investigation.

Physical Characteristics and Uses

In the United States, crawfish are sold for commercial consumption in three forms: live whole, whole boiled, and processed tail meat. Accounting for about 85 percent of U.S. production, live whole crawfish are the complete living animals (tail, head, body, claws, and shell), that are sold to end users who boil, peel, sometimes season, and eat them.[9] Whole boiled crawfish account for approximately 2 percent of U.S. production; they are typically packaged with seasonings and are shipped either fresh or frozen. The vast

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[6] The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price.

[7] Petition, p. 4, and petitioners' posthearing brief, p. II-1.

[8] Various Chinese exporters' posthearing brief, pp. 9-10, and importers' posthearing brief, p. 1. One importer, Red Chamber, requested a scope ruling from Commerce to exclude partial shell-on raw processed tail meat from the scope of investigation (Memo from counsel to Commerce, May 13, 1997). Commerce denied the exclusion request in its final determination; therefore all data from importers' questionnaires presented in this report include the response of Red Chamber. Red Chamber urges the Commission to consider partial shell-on raw tail meat a separate like product in this investigation, even though there is no industry in the United States producing such a narrowly-defined product. Red Chamber has a patented process for removing the bottom outer coating of the crawfish, which effectively deveins the tail. This process is only licensed for production in China. Red Chamber's shipments of imports accounted for a little over *** of shipments of imports of tail meat in 1996. Red Chamber's posthearing brief, p. 3, transcript of hearing, p. 154, and telephone conversation with counsel, Aug. 6, 1997. Petitioner urges the Commission to consider partial shell-on tail meat and peeled tail meat as one like product, transcript of hearing, p. 34, and petitioners' posthearing brief, p. II-5.

[9] U.S. processors' shipments of live whole crawfish are presented in table D-1, app. D. Tail meat processor's shipments of live whole crawfish were only a portion of the total sold. Fishermen, farmers, and other distributors also sold live whole crawfish in Louisiana. Total harvests of live whole crawfish in Louisiana were 115.1 million pounds in 1994, 96.5 million pounds in 1995, and 71.7 million pounds in 1996. Louisiana crawfish harvest statistics, Sept. 18, 1996, and petitioners' postconference brief, p. 22.

majority of the whole boiled product is exported in frozen form to Sweden, where it is viewed as a delicacy and commands a premium price.[10] About 13 percent of crawfish are further processed into tail meat.[11] Processors peel blanched whole crawfish and package the meat in bags that are shipped either fresh or frozen.[12]

Most domestic tail meat is sold fresh, whereas all the imported tail meat from China is sold frozen, because of the perishable nature of the product. In addition to the fresh versus frozen distinction, domestic tail meat is usually sold with the fat on, while the imported tail meat from China is sold with the fat washed off. The fat of the crawfish is actually its hepatopancreas, which is golden-yellow in color. The fat imparts flavor and thus is generally preferred by customers in Louisiana; however, non-traditional markets served mainly by imported tail meat generally prefer the fat washed off.[13] In addition, because the fat spoils more quickly than the meat, the meat is sold washed (without fat) in frozen form to extend its shelf life.

Live whole crawfish are used for crawfish "boils" or outdoor parties in Louisiana. Whole boiled crawfish are mainly consumed in Sweden for their August Waterfest festival. Crawfish tail meat is used in prepared dishes, such as bisques and etouffees.[14]

Common Manufacturing Facilities and Production Employees

Most crawfish processors concentrate on peeling crawfish for a living, although they also sell a large proportion of their crawfish purchases in the live market (42 percent), and process a little crab meat and alligator meat.[15] The larger grades of crawfish are packaged for immediate sale to the live whole and whole boiled markets, while the medium and peeler grades are prepared for tail meat processing.

In the first stage of crawfish tail meat production, the live whole crawfish are placed in cooking baskets and heated in unseasoned and untreated water at 200°F for five to six minutes. The crawfish are then removed from the water and discharged onto a cooling table or platform. Once cooled, they are placed on

[10] Data concerning U.S. processors' shipments of whole boiled crawfish are presented in table D-1, app. D.

[11] The percentage estimate is derived from U.S. processors' shipments during 1994-96 (multiplied by a factor of 6.25 pounds of live whole crawfish to one pound of processed tail meat), compared with total Louisiana harvests during those years.

[12] Because tail meat is processed from crawfish that have only been blanched for 5 to 6 minutes, it is not sold as a fully cooked item. The partial shell-on tail meat is not blanched or cooked. Memo from counsel for Red Chamber to Commerce, May 13, 1997.

[13] Transcript of hearing, pp. 190-192.

[14] Field trips, Sept. 30, 1996, and May 13-15, 1997. Partial shell-on tail meat is meant to be served alone, with tail fins splayed so that it looks like finger lobster. Transcript of hearing, p. 152, and Red Chamber's posthearing brief, p. 2. Petitioners claim that partial shell-on tail meat is also used in etouffees and bisques, petitioners' posthearing brief, p. II-5, and transcript of hearing p. 34.

[15] Responses to Commission questionnaires. Data concerning U.S. processors' purchases of live whole crawfish, by quarter, are presented in table D-2, app. D. The amount of crawfish purchases devoted to tail meat production by processors ranged from a high of 63 percent in 1994 to a low of 50 percent in 1996. The average for the period was 58 percent. These statistics are relevant for processors only. The overall proportion of live crawfish harvest devoted to tail meat processing was only 13 percent during the period for which data were collected. The lower percentage is explained by many farmers and fisherman selling their own harvest in the live markets. The proportion of tail meat processed is determined by demand in the live market and by conditions of competition in the tail meat market. Transcript of hearing, pp. 36, 70-71, and 80-81, and responses to Commission questionnaires.

large peeling tables, where the tails are separated from the body and are peeled and deveined by hand. The head, body, claws, and shell are discarded as waste.[16]

Peeled tail meat is delivered directly to the packaging room, where the meat is inspected for extraneous pieces of shell or debris missed by the peelers. The meat is then placed in plastic bags, weighed, and immediately chilled. The bags are packed in boxes, iced, and placed in a cooler room, ready for shipment as fresh tail meat. Meat intended to be frozen is placed directly in the freezer. After freezing, the bags are boxed and placed in freezer storage, usually to be sold after the season.[17]

Interchangeability and Customer and Producer Perceptions of the Product

Crawfish tail meat is only imported in frozen form, because of the perishable nature of the product. Domestic tail meat is mainly shipped in fresh form, and increasingly so due to competition from imports from China.[18] There is much disagreement among the parties as to the interchangeability between fresh and frozen tail meat. Petitioners argue that domestic fresh tail meat is preferable from a taste standpoint, because it is fresh and has the fat on, but that imports of frozen tail meat are competing mainly due to their very low price.[19] Petitioners point out that the imported frozen tail meat is packaged almost identically to domestic fresh tail meat just to compete head-to-head.[20] Respondents argue that fresh and frozen tail meat do not compete, and that imports of frozen tail meat have created a new market for low-income consumers and large national restaurant chains.[21] Respondents point out that frozen imported tail meat is available year round in massive quantities at a price which makes it attractive to national restaurant chains.[22] Tables I-1 and I-2 at the end of this section show the percentage of shipments by processors and importers going to the Louisiana market and to other national markets. They show that imports have increasingly captured the market for tail meat in Louisiana, indicating that there is some interchangeability among fresh and frozen products.[23]

Channels of Distribution

In the U.S. market, sales of crawfish tail meat are made primarily to distributors and food stores. As indicated in tables I-3 and I-4 at the end of this section, the U.S. processors sold primarily to food stores and the U.S. importers sold primarily to distributors. Food stores and restaurants, however, were the primary final outlets for both the U.S.-produced and imported tail meat.

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[16] Petition, p. 6.

[17] Petition, p. 6. Data on U.S. processors' annual capacity to freeze crawfish tail meat is presented in table D-1, app. D.

[18] As shown in table III-2, frozen tail meat accounted for only 8.3 percent of U.S. processors' shipments of tail meat in 1996 compared with 23.5 percent in 1994. In their questionnaire responses, processors attributed the decline in frozen shipments to competition from imported tail meat from China.

[19] Transcript of hearing, pp. 35-36, 39, 61, and 94.

[20] Transcript of hearing, pp. 97-98, and petitioners' posthearing brief, p. 5.

[21] Transcript of hearing, pp. 120, 127-129, 134, 139, and 177, and various Chinese exporters' posthearing brief, p. B-1.

[22] Transcript of hearing, pp. 127-129, and 134.

[23] In addition, purchasers reported that fresh and frozen tail meat were interchangeable in their questionnaire responses.

Prices

Domestic tail meat prices varied widely (from $3.75 to $8.91 per pound during 1994-96), based on the season, but generally increased during the period for which data were collected. Imported tail meat prices varied somewhat, at a consistently lower level, from $2.43 to $4.25 during the same period. Fresh domestic tail meat is able to command a price premium over imported frozen tail meat in part because of the preference by some consumers for the tastier fresh product.[24] Petitioners reported that they were in a cost-price squeeze during 1993-96 and chose to cut production rather than to lower prices.[25]

[24] Transcript of hearing, p. 82.

[25] Transcript of hearing, pp. 47-48, and 112-113, and petitioners' posthearing brief, p. 10.

Table I-1
Crawfish tail meat: U.S. processors' domestic shipments, by region, 1994-96

Item	1994	1995	1996
	Quantity (1,000 pounds)		
Shipments to:			
Louisiana	1,406	1,486	1,032
Arkansas, Mississippi, and Texas	69	48	32
All other states	28	25	12
Total domestic shipments	1,502	1,558	1,076
	Share of quantity (percent)		
Shipments to:			
Louisiana	93.6	95.4	95.9
Arkansas, Mississippi, and Texas	4.6	3.1	3.0
All other states	1.8	1.6	1.1
Total domestic shipments	100.0	100.0	100.0

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

Table I-2
Crawfish tail meat: U.S. importers' U.S. shipments, by region, 1994-96

Item	1994	1995	1996
	Quantity (1,000 pounds)		
Shipments to:			
Louisiana	264	1,569	2,448
Arkansas, Mississippi, and Texas	89	539	519
All other states	162	1,762	1,508
Total domestic shipments	516	3,870	4,475
	Share of quantity (percent)		
Shipments to:			
Louisiana	51.2	40.5	54.7
Arkansas, Mississippi, and Texas	17.3	13.9	11.6
All other states	31.5	45.5	33.7
Total domestic shipments	100.0	100.0	100.0

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

Table I-3
Crawfish tail meat: U.S. processors' domestic shipments, by market, 1994-96

Item	1994	1995	1996
	Quantity (1,000 pounds)		
Shipments to:			
Distributors	448	151	108
Restaurants	327	297	157
Food stores	865	850	628
Seafood markets	155	147	122
Other markets	10	9	7
All markets	1,805	1,453	1,022
	Share of quantity (percent)		
Shipments to:			
Distributors	24.8	10.4	10.6
Restaurants	18.1	20.4	15.3
Food stores	47.9	58.5	61.4
Seafood markets	8.6	10.1	12.0
Other markets	0.5	0.6	0.7
All markets	100.0	100.0	100.0

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

Table I-4
Crawfish tail meat: U.S. importers' U.S. shipments, by market, 1994-96

Item	1994	1995	1996
	Quantity (1,000 pounds)		
Shipments to:			
Distributors	1,584	3,494	4,729
Restaurants	241	614	728
Food stores	300	1,173	1,258
Seafood markets	0	0	0
Other markets	0	0	0
All markets	2,125	5,281	6,715
	Share of quantity (percent)		
Shipments to:			
Distributors	74.5	66.2	70.4
Restaurants	11.3	11.6	10.8
Food stores	14.1	22.2	18.7
Seafood markets	0.0	0.0	0.0
Other markets	0.0	0.0	0.0
All markets	100.0	100.0	100.0

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

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

BUSINESS CYCLES/SEASONALITY

U.S. consumption and production of crawfish are concentrated in Louisiana. The seasonal domestic supply of live crawfish,[1] especially in the primary producing and consuming state of Louisiana,[2] is a significant factor affecting the quantity of U.S. consumption of crawfish products, including processed crawfish tail meat. A majority of the annual U.S. production of crawfish products is consumed during the in-season (January through June),[3] largely as fresh whole boiled crawfish but also significantly as processed fresh (chilled) tail meat. Some U.S.-produced frozen tail meat and imported frozen tail meat are also consumed during this period,[4] but the majority is consumed during the off-season (July-December).[5] Most of the domestic frozen tail meat is produced during the in-season primarily for off-season consumption, while Chinese frozen tail meat is imported for large-volume year-round consumption. Because of the perishability of fresh tail meat, shipments coincide closely with consumption, whereas shipments of the frozen tail meat may occur months before the product is actually consumed. Figure II-1 shows the distinct seasonal shipment pattern of domestic tail meat supply and the shipment pattern of the imported Chinese product with the largest shipment volumes occurring during the second half of each year. The figure shows the quarterly U.S. sales quantities and prices of U.S. processors' fresh and frozen domestic crawfish tail meat and quarterly U.S. sales quantities and prices of U.S. importers' Chinese frozen crawfish tail meat during January 1994-December 1996. Sales to retailers and distributors have been combined for the domestic and imported Chinese products.

As seen in figure II-1, shipment quantities of the U.S. fresh tail meat peaked in the second quarter of each year and were markedly lower in the third and fourth quarters (off-season) of each year compared to the first two quarters (in-season). Although difficult to see in the graph because of the far smaller volumes of domestic frozen tail meat, shipment quantities of this product also occurred largely in the first and second quarters of each year, when the tail meat is most abundant.[6] Quarterly shipment quantities of the imported Chinese frozen crawfish tail meat reached their highest level of the year during the third quarters of 1994 and

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[1] Fluctuations in weather trends can affect the seasonal pattern of production, leading to more or less pronounced variations in production between the in-season and off-season.

[2] Louisiana reportedly accounts for about 85 percent of all crawfish harvested and for virtually all of the tail meat produced in the United States each year.

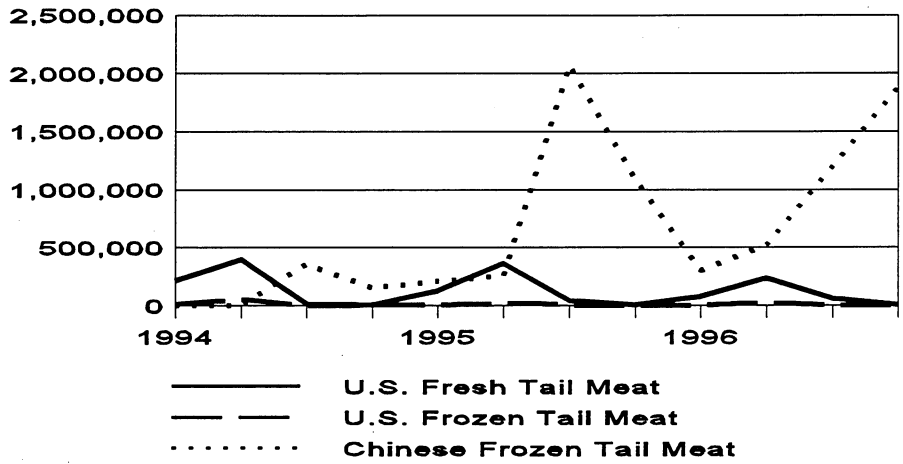
[3] This is the period of the year when U.S.-grown crawfish are most plentiful, with April and May typically the peak of the in-season.

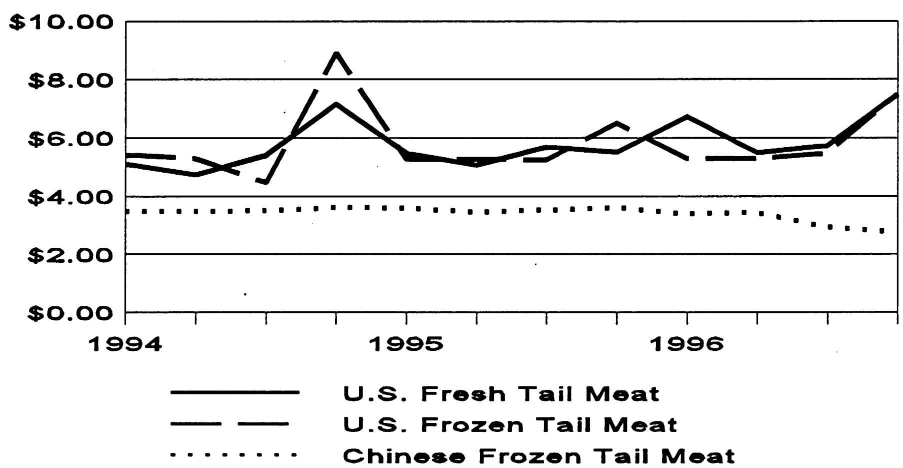
[4] In-season consumption of frozen tail meat occurs where perishability of the fresh tail meat makes it impractical to use or to depend entirely on the latter product; some purchasers may also substitute the frozen tail meat for the fresh tail meat if the former product's price is low enough. The perishability factor likely affects demand in markets distant from the Louisiana processing plants and in restaurants and grocery stores where a readily available year-round supply is required. The fresh tail meat has a shelf life of up to 10 days, whereas the frozen tail meat has a shelf life of up to 12 months.

[5] This is the time of the year when U.S.-grown crawfish are less plentiful, with September through November typically the nadir of the off-season.

[6] Questionnaire responses of U.S. processors indicated that the large supply of Chinese frozen tail meat depressed U.S. market prices of crawfish tail meat such that it was more economical to sell the majority of domestic frozen tail meat during the in-season than to hold large inventories, thereby incurring additional costs, before selling the frozen tail meat at expected depressed prices during the off-season. In addition, it appears that a significant amount of the domestic frozen tail meat was produced for direct orders, which also reduced the price risk for U.S. processors.

Figure II-1
Crawfish tail meat: U.S. shipment quantities and prices of U.S.-produced and imported Chinese crawfish tail meat sold to both retailers and distributors, by quarters, Jan. 1994-Dec. 1996





Note: Quantities are in pounds of tail meat and prices are in dollars per pound of tail meat.

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

1995, with shipments in the third quarter of 1995 significantly higher than in any previous quarter. Such shipments then fell through the first quarter of 1996 before increasing rapidly during the rest of 1996.[7] Shipment quantities of the imported Chinese tail meat appeared to be the highest during the second-half of each year reported.[8] Adverse weather conditions in Louisiana during the winter of 1995/96 reportedly led to sharply-reduced U.S. production of all crawfish products, including processed tail meat, during January-June 1996.[9] In addition, adverse winter weather in 1994/95 reportedly reduced somewhat the crawfish harvest during January-June 1995.[10]

Selling prices of the domestic fresh tail meat reached their lowest point of each year during the second quarter, as supplies of the fresh product reached their highest volume of the year during this quarter. Prices of the fresh tail meat generally reached their highest point of the year in the fourth quarter, as supplies of the fresh product reached their lowest volume of the year during this quarter. Selling prices of the domestic frozen tail meat generally followed the same pattern as that for prices of the fresh tail meat, reflecting the seasonal availability of crawfish. Selling prices of the Chinese frozen tail meat did not show a seasonal pattern, but generally remained relatively steady before showing a downward trend during the last two quarters of 1996.[11]

MARKET SEGMENTS

Most of the fresh tail meat is consumed during the in-season that runs generally from January through June.[12] The frozen tail meat dominates consumption during the off-season months of July through December and during the entire year in states not contiguous to Louisiana due to the seasonality and perishability of the fresh tail meat.[13] Although most consumers prefer the fresh tail meat to the frozen tail meat, in some uses, such as bisques, etoufees, soups, stuffings, etc., the fresh and frozen tail meat can frequently be substituted for each other without a significant change in the taste of the prepared dish.[14] On the other hand, some purchasers may prefer the frozen tail meat to the fresh tail meat because variations in

[7] ***.

[8] Almost 70 percent of importers' reported shipments of the Chinese tail meat were to distributors, who, in turn, inventoried the Chinese tail meat for sale throughout the year. On the other hand, about 83 percent of U.S. processors' reported shipments of their fresh and frozen tail meat were to retailers, who then sold the majority of the domestic tail meat to consumers for immediate consumption.

[9] Eight of 13 responding U.S. processors reported in their questionnaire responses that in 1996 they found it difficult to obtain, for processing into tail meat, a sufficient quantity of live crawfish at price levels that would enable them to sell their tail meat at a profit. Six of the 8 processors noted that 1996 was a poor crop year for crawfish. The remaining 5 processors indicated that they had no difficulty in obtaining live crawfish for processing into tail meat.

[10] Total harvested crawfish in Louisiana has declined steadily in recent years, from 123.4 million pounds in 1993 to 115.1 million pounds in 1994, 96.5 million pounds in 1995, and 71.7 million pounds in 1996. These figures represent crawfish harvested from December of the previous year through July of the following year. The harvest statistics were reported by the LSU Agricultural Center, Louisiana Cooperative Extension Center.

[11] Purchasers reported in their questionnaire responses that prices of the Chinese frozen tail meat stayed relatively constant throughout the year, whereas prices of the domestic fresh and frozen tail meat fluctuated considerably throughout the year.

[12] About 86 percent of U.S. processors' tail meat shipments were in the fresh form.

[13] About 14 percent of U.S. processors' shipments and all imported Chinese tail meat were in the frozen form. U.S. processors reported in their questionnaire responses that they produced frozen tail meat for off-season consumption.

[14] Some consumers in Louisiana may be particularly sensitive to any such substitution, but outside of the state consumers may more readily switch between the frozen and fresh tail meat ***.

the handling conditions of the live crawfish prior to processing may lead to greater variations in the already short shelf-life of the fresh product compared to the frozen product.

Most of the fresh crawfish tail meat and a significant amount of the domestic frozen tail meat is produced and consumed in Louisiana and states bordering Louisiana.[15] This area is the most concentrated market for crawfish tail meat in the United States and is the only area where fresh tail meat dominates, but only during the height of the in-season. U.S. processors and importers were requested in their questionnaires to report their sales area(s) in the United States. U.S. processors reported selling about 95 percent of their domestic fresh and frozen crawfish tail meat to customers in Louisiana, 3.6 percent to customers in Arkansas, Mississippi, and Texas (the states bordering Louisiana), and 1.6 percent to customers in all other states during 1994-96.[16] During the same period, U.S. importers reported selling about 48 percent of their imported Chinese frozen crawfish tail meat to customers in Louisiana, 13.0 percent to customers in the three-state area bordering Louisiana, and almost 39 percent to customers in all other states.

Retailers and distributors are the two primary channels of distribution for U.S. processors and importers of the Chinese crawfish tail meat.[17] Retailers (both chains and independents) are mostly grocery stores, restaurants, and seafood markets and purchase both the fresh and frozen crawfish tail meat. Although grocery retailers buy the fresh product primarily for sale as fresh product, they also freeze some of this product when demand is slow and offer it for sale in the off-season.[18] Some large retail chains purchase their crawfish tail meat through their central warehouse operations. Because of the perishability of the fresh tail meat, however, U.S. processors frequently sell directly to individual retail stores, even those of retail chains, that are located near the processing plants.

U.S. processors sold almost 84 percent of their U.S.-produced crawfish tail meat to retailers and the remaining 16 percent to distributors during January 1994-December 1996. On the other hand, U.S. importers sold about 30 percent of their Chinese tail meat to retailers and 70 percent to distributors during this period. Grocery stores were by far the largest type of retail outlet for both the domestic and Chinese tail meat, followed by restaurants and then seafood markets. Grocery stores accounted for about 55 percent of U.S. processors' tail meat shipments and about 19 percent of U.S. importers' Chinese tail meat shipments. Restaurants accounted for about 18 percent of U.S. processors' tail meat shipments and 11 percent of U.S. importers' tail meat shipments. Seafood and other markets accounted for the remaining tail meat shipments of U.S. processors and importers to retail outlets.

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[15] The seasonal nature of U.S. crawfish supply and the perishability of live/fresh crawfish products likely led to the most intensive development of the market for crawfish in areas that were relatively close to the processing plants.

[16] Nine of 19 responding U.S. processors reported in their questionnaire responses that they sold 100 percent of their tail meat within 100 miles of their plants. The 10 remaining U.S. processors reported selling most of their domestic tail meat within 500 miles of their plants.

[17] Information on the channels of distribution is presented in Part I of this report and briefly discussed in this section of the report.

[18] ***.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply[19]

Domestic Production

Based on the available information, U.S. processors of crawfish tail meat have significant flexibility to respond to changes in demand, but this may be affected by (1) the seasonal nature of crawfish supply, which is subject to change due to supply disruptions caused by adverse weather or changes in other crawfish growing/gathering conditions, (2) competing demands for the live and prepared (frozen) whole-boiled crawfish, and (3) competing demands for the processed fresh and frozen tail meat.

All U.S. processors of crawfish tail meat except one are located in Louisiana. Therefore, the supply of U.S. produced tail meat essentially comes from the live crawfish that are grown and harvested in Louisiana. As indicated earlier, the in-season for Louisiana crawfish runs roughly from January through June and the off-season, when supplies are significantly lower, runs roughly from July through December. As can be expected with any agricultural crop, weather plays a significant role in the size and timing of the crawfish harvest. Adverse weather conditions in the winter of 1995/96 were at least partially responsible for the low harvest of crawfish in Louisiana during the January-June 1996 season; adverse weather in the 1994/95 winter also reportedly reduced somewhat the crawfish harvest during January-June 1995.[20]

U.S. crawfish tail meat production is also dependent on the relative prices received for live crawfish, prepared whole-boiled crawfish, and processed tail meat.[21] U.S. processors typically sell the larger crawfish as live (for boiling) or as prepared whole-boiled and process the smaller crawfish into tail meat.[22] Sales of the live and prepared whole-boiled, particularly the whole-boiled exported to Sweden, reportedly earn U.S. processors more attractive margins than sales of processed tail meat. In terms of processing effort, U.S. processors wash and grade the crawfish, then, based on relative selling prices, determine how much they will sell live (without further processing), cook and freeze as whole crawfish, or process into tail meat. Petitioners stated at the conference that relative selling prices determine the production shares of the various crawfish products.[23] In addition, three U.S. processors, ***, indicated in their questionnaire responses that they

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[19] The crawfish tail meat market appears to be competitive in the sense that U.S. processors and importers are price takers and do not individually influence the price in the market. Purchasers indicated in their questionnaire responses that no one firm influences the U.S. market price for tail meat, that they generally get quotes from more than one supplier when buying tail meat, and that purchase prices of the domestic and imported Chinese tail meat frequently resulted from negotiation rather than being set by the supplier or purchaser.

[20] Cold weather and low water supplies limited crawfish growth and crawfish numbers. In addition, reportedly low prices for crawfish in 1996 led some fishermen to leave crawfish in the ponds. Transcript of conference, pp. 35-38.

[21] As already noted in Part I of this report, only 13 percent of the total U.S. crawfish harvest was processed into tail meat during 1994-96; 87 percent of the crawfish are sold as a live or prepared whole-boiled product.

[22] Demand for live and prepared whole-boiled crawfish is for the larger crawfish, typically those that range in size categories of up to 25 crawfish per pound. The largest crawfish, those in a size category of 15 or fewer to the pound and sometimes referred to as Jumbos, are prepared as frozen whole-boiled and exported to Sweden. Export sales of this latter product reportedly are constrained only by the available supply of sufficiently large crawfish. Peeler crawfish, which are in a size category of more than 25 crawfish per pound and field-run crawfish (random sizes) are typically processed into tail meat. In addition, the larger crawfish that cannot be sold as live or prepared whole-boiled are also processed into tail meat.

[23] Transcript of conference, pp. 30 and 38. Roy Robin, owner of Bayou Land Seafood, a U.S. processor in Lafayette, LA, indicated at the conference that he would process more tail meat if it offered a better return than his sales of live

(continued...)

increased their sales of live product and produced less tail meat, because low prices of the Chinese meat made it difficult for them to compete in the tail meat market. Petitioners reported at the conference, however, that at prices currently paid for the larger crawfish, it would not be economical to process large quantities of these crawfish into tail meat.[24]

U.S. processors may have only a limited ability to make price adjustments in the face of a decrease or increase in demand for their tail meat and may adjust principally with quantity changes. *** reported that processors' purchases of live crawfish are typically for ungraded product whose price is based on demand and supply in the live market.[25] Therefore, it appears that the price of live crawfish is driven on the demand side primarily by demand in the live market, and only to a limited extent by the demand in the whole-boiled and tail meat markets.[26] In addition, U.S. processors indicated in their questionnaire responses that their selling prices of the domestic crawfish tail meat were determined on the supply side largely by the cost of the live crawfish.[27] Live crawfish accounted for about 65 percent of U.S. processors' total costs of producing tail meat during 1994-96. Hence, the majority of U.S. tail meat processors' costs are determined largely by market forces in the live crawfish market and not in the tail meat market. As a result, if demand for domestic tail meat falls significantly, it will not significantly affect the demand for crawfish and hence, processors' costs of crawfish, and they will likely react principally by reducing production.

Fresh crawfish tail meat accounted for about 86 percent of U.S. processors' total tail meat shipments during January 1994-December 1996, and frozen tail meat accounted for the remaining 14 percent.[28] As indicated earlier, U.S. processors typically freeze some of the tail meat processed during the in-season for sale primarily during the in-season but also for the off-season. Such practice suggests that U.S. processors can substitute between production of fresh and frozen tail meat depending on relative prices of the fresh and frozen products.

Although U.S. processors can substitute sales/production of live and prepared whole-boiled crawfish for their tail meat production (whether fresh or frozen), they indicated in their questionnaire responses that

[23] (...continued)
crawfish. Transcript of conference, p. 64. Processors did not provide the requested data in their questionnaire responses on how much additional tail meat would be produced if the return on tail meat improved vis-a-vis the return for sales of live crawfish.

[24] Transcript of conference, pp. 73-76. Where crawfish are graded by size before being sold, U.S. processors paid in 1996 *** per pound of live crawfish for the jumbos, *** per pound of live crawfish for the large and medium crawfish (in size categories ranging from 16 to 25 crawfish per pound), and *** per pound of crawfish for the peeler sizes and field-run crawfish. ***. Based on questionnaire responses of U.S. processors during the final investigation, only 2 of 17 responding processors reported purchasing live crawfish that were graded by size; the other 15 processors reported buying crawfish that were not graded by size.

[25] ***. In addition, ***.

[26] As noted in Part I of this report, during 1994-96 only 2 percent of the harvested live crawfish were processed into whole-boiled crawfish and 13 percent were processed into tail meat. In addition, as mentioned earlier in Part II, a majority of U.S. processors responding to the question regarding availability of live crawfish reported in their questionnaires that in 1996 they found it difficult to obtain a sufficient quantity of live crawfish for peeling at prices that would enable them to remain profitable. During 1996, U.S. processors' reported shipments of domestic tail meat were down by about 33 percent from their shipment volumes in 1995.

[27] Based on U.S. processors' questionnaire responses, quarterly prices of the live crawfish that they purchased increased in the January-March and April-June quarters during 1994-96 by 48.4 percent and 25.5 percent, respectively.

[28] Based on U.S. processors' U.S. shipment data reported in questionnaire responses.

they typically do not produce any other products with the equipment and labor used to produce the crawfish products.[29]

U.S. processors also indicated in their questionnaire responses that, for plants producing from 50,000 to 70,000 pounds of crawfish tail meat per month during the in-season, it would cost $100,000 to $500,000 and take 2 months to 1 year to construct a new crawfish tail meat processing plant. This suggests that crawfish processing facilities could be expanded relatively easily if demand increased.

Industry capacity[30]

U.S. processors' production capacity to process crawfish tail meat decreased by 13.2 percent from 3,585,000 pounds in 1994 to 3,111,000 pounds in 1995 and then increased somewhat by 4.8 percent to 3,260,000 pounds in 1996. U.S. production fell steadily from 2,237,000 pounds in 1994 to 1,260,000 pounds in 1996, or by 43.7 percent. Consequently, capacity utilization for U.S. processors fell from 62.4 percent in 1994 to 60.6 percent in 1995 and then plunged to 38.6 percent in 1996.

Inventory levels[31]

U.S. processors' end-of-period inventories of crawfish tail meat were minimal. Inventories increased irregularly from 24,000 pounds in 1994 to 29,000 pounds in 1996. As a ratio to U.S. shipments of crawfish tail meat, inventories rose from 1.1 percent in 1994 to 2.3 percent in 1996.

Export markets

U.S. processors did not report any exports of crawfish tail meat during January 1994-December 1996. U.S. processors generally indicated in their questionnaire responses that they were unaware of any export markets for crawfish tail meat and were not interested or not equipped to ship for export.

Subject Imports[32]

Chinese processors of crawfish tail meat also appear to have significant flexibility to react to changes in demand in the U.S. crawfish market. This flexibility may be hindered somewhat by supply disruptions caused by adverse weather or changes in other crawfish growing/gathering conditions.[33]

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[29] Two of 25 responding U.S. processors indicated in their questionnaire responses that they have switched between crawfish tail meat and crab during the in-season for crawfish. Three other processors reported that they process alligator meat with the same equipment that they use to peel crawfish, but alligator is processed only in September, which is the off-season for crawfish. Nineteen processors indicated that they are not able to use their equipment for anything but peeling crawfish tail meat.

[30] Data on industry capacity is presented in Part III of this report.

[31] Data on industry inventory levels is presented in Part III of this report.

[32] Data and information on the Chinese industry capacity and exports, and on U.S. inventory levels of the Chinese tail meat are presented in Part VII of this report and briefly discussed in this section of the report.

[33] Conference testimony by the importers suggested that Chinese crawfish exports to the U.S. market during the latter half of 1996 and the first half of 1997 may be much less than that exported to the United States during the comparable periods of 1995 and 1996 due to changes in weather and other growing/processing conditions. Transcript of conference, pp. 149-150.

Chinese processors sharply increased their shipments of crawfish tail meat to the U.S. market during January 1994-December 1996. Based on importers' questionnaire responses, U.S. imports of crawfish tail meat from China (all of which were frozen) increased from 3,393,000 pounds in 1994 to 10,992,000 pounds in 1995, or by almost 224 percent. Imports of crawfish tail meat from China in 1996 then fell to 7,767,000 pounds or by 29.3 percent.

Some Chinese processors of crawfish tail meat reportedly are able to process a variety of other food products using the same equipment and labor as that used to process tail meat.[34] Some of the other food products include shrimp, rabbit, chicken, and beef. About two years ago, China's shrimp crop was reportedly damaged by disease, and several Chinese processors of shrimp switched to processing crawfish tail meat. On the other hand, five of the six importers responding to the question involving processing of other products indicated in their questionnaire response that Chinese processors were not able to switch to other products.

Industry capacity

Accurate figures on crawfish tail meat capacity and production in China are currently not available. The number of crawfish tail meat processors in China reportedly grew from 15 in 1993 to 50 in 1995, but then fell to 15 in 1996. The increase in the number of processors in 1995 was reportedly in response to a huge increase in live crawfish supply in 1995 due to favorable weather conditions. The decrease in processors in 1996 was reportedly due to a number of factors including (1) a decrease in the number of crawfish due to a return to more normal weather conditions, (2) a reduction in a Chinese tax rebate, and (3) the implementation of a plant certification program in 1996 that closed a number of substandard crawfish tail meat processors.

Shipment data for Chinese frozen crawfish tail meat reported by Chinese exporters indicated that the U.S. market is by far the leading outlet for Chinese tail meat, accounting for about 70 percent of total Chinese shipments of tail meat during 1994-96. This dependence fell somewhat in 1996 to 66 percent largely as shipments to other foreign markets increased in 1996 and accounted for about 30 percent of total Chinese tail meat shipments during this year. The home market for tail meat has remained small, averaging only 4 percent of total Chinese tail meat shipments during 1994-96.

Inventory levels

Reported end-of-period U.S. inventories of Chinese crawfish frozen tail meat held by importers were substantial during January 1994-December 1996. U.S. inventories of Chinese tail meat increased irregularly from 624,000 pounds in 1994 to 3,947,000 pounds in 1996, or by 533 percent. As a ratio to U.S. shipments of imported tail meat, inventories increased from 20.5 percent in 1994 to a period high of 65.5 percent in 1995 before falling to 47.7 percent in 1996. Larger U.S. inventories of the Chinese frozen tail meat, compared to inventories of the domestic frozen tail meat, may be necessary to provide year-round supplies to some large U.S. customers.[35] But the reported inventories of Chinese tail meat are excessively high as noted by some importers and purchasers. One importer, ***, reported in its questionnaire response that it had to sell some of its imported Chinese tail meat at a *** percent loss in ***, because of the large volume of

[34] ***.

[35] During the period of investigation, U.S. importers brought Chinese crawfish tail meat into the United States primarily between July and December of each year because the Chinese production season usually extended from June through September.

Chinese tail meat in the U.S. market at that time.[36] Another importer, ***, reported in its questionnaire response during the preliminary investigation that in *** it sold the majority of its imports of Chinese tail meat at a loss because of the excessive amount of tail meat in the U.S. market at that time. Several purchasers such as *** indicated in their questionnaire responses that the U.S. market was oversupplied with crawfish tail meat in 1995 and 1996 due to the influx of Chinese product during these periods.

Export markets

Little is known about China's exports of crawfish tail meat to countries other than the United States. Shipment figures indicate that China increased its exports to countries other than the United States during 1994-96, from about 20 percent of its total tail meat shipments in 1994 to about 30 percent in 1996.

Nonsubject Imports

No other countries are known to have exported crawfish tail meat to the United States in recent periods. In the past, Chile, Iceland, Mexico, Singapore, and Spain have shipped very small quantities of crawfish products to the United States, but it is not known if these products included tail meat.

U.S. Demand

U.S. demand for crawfish tail meat, as measured by total U.S. apparent consumption, increased significantly during January 1994-December 1996. U.S. tail meat consumption increased steadily from 5,271,000 pounds in 1994 to 9,522,000 pounds in 1996, or by about 81 percent. This increase in consumption was driven wholly by the large influx of imported Chinese frozen tail meat during this period.

Some purchasers indicated in their questionnaire responses that the low price, good quality, and ready availability of the Chinese tail meat has led to increased demand for tail meat in the U.S. market. *** reported that they purchased the Chinese tail meat to replace *** on their menu, as the latter product from *** had increased in price and was not readily available on a consistent basis. *** indicated that the availability and price of the Chinese tail meat led to expanded U.S. market consumption of frozen tail meat. *** indicated that the firm sells tail meat primarily outside of Louisiana and Texas. The company reported that Louisiana tail meat would have to get to *** per pound delivered to its warehouse in *** for the company to move a significant volume of this product. Otherwise, the tail meat becomes just an incidental item where the firm would keep a few cases around for people to buy at *** per pound. This firm also indicated that the U.S. market was forced to develop new markets for tail meat throughout the United States because the traditional consuming areas could not digest the large influx of Chinese tail meat.[37] Also, the firm noted that tail meat was forced to compete with domestic peeled shrimp. *** indicated that they sell the Chinese tail meat in large volumes to consumers because of its low price and year-round availability.

It appears, therefore, that the predominant market characteristics driving consumption of crawfish tail meat outside of Louisiana and the contiguous states may be different from those affecting consumption of

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[36] ***.

[37] Shipment data of U.S. importers, as reported in their questionnaire responses, indicate that shipments of Chinese frozen tail meat to states other than Louisiana and those bordering Louisiana increased from 162,000 pounds in 1994 to 1,762,000 pounds in 1995 and then fell somewhat to 1,508,000 pounds in 1996. The increase over the period was about 831 percent. U.S. processors' reported shipment data indicate that they shipped only 28,000 pounds to such states in 1994 and this fell to 12,000 pounds by 1996. Hence, almost all of the reported increase in shipments of the Chinese tail meat to the other states represented an increase in U.S. consumption of tail meat.

the domestic crawfish tail meat in Louisiana and the surrounding states. Outside of the traditional consuming areas, demand is for frozen tail meat that is low-priced and available year-round in significant quantities. On the other hand, consumption of tail meat in Louisiana and the surrounding states traditionally occurred mostly during the in-season for U.S.-grown crawfish and consisted largely of fresh tail meat sold in limited shipment quantities; frozen tail meat was consumed primarily in the off-season and was available in limited volumes. Within the last few years, however, consumption of Chinese frozen tail meat, with its low price, year-round availability, and bulk quantities, has increased in the traditional consuming areas.[38]

Another factor that may affect demand for crawfish tail meat is competition from possible substitute products such as live crawfish (for boiling) or already prepared whole-boiled crawfish, shrimp, crab meat, catfish, and chicken. U.S. purchasers were asked in the questionnaires to indicate whether the fresh and frozen tail meat were easily substituted, occasionally substituted, or not substituted for any of the aforementioned products; they were also asked to include any other products that were appropriate.[39] The majority of responses indicated that crab, shrimp, and scallops were easily or occasionally substituted for fresh and frozen crawfish tail meat,[40] while catfish and chicken generally were not substitutes for tail meat. The following tabulation summarizes the responses of reporting U.S. purchasers (8 restaurants/grocery stores and 6 distributors) and indicates the number of firms that checked each level of substitution for each of the comparisons shown (all firms did not always respond to every comparison shown):

	Easily substituted[1]	Occasionally substituted	Not substituted
Fresh tail meat vs--			
Live[2]	0	3	8
Whole-boiled crawfish[3]	0	1	9
Crab meat	3	5	4
Shrimp	2	5	5
Catfish	0	2	10
Chicken	0	2	10
Scallops	1	4	6

Footnotes at end of tabulation.

[38] Thus, while the availability of Chinese tail meat led to more tail meat in total being consumed, consumers at least partially likely substituted the Chinese product for the domestic product both in the traditional and nontraditional market areas.

[39] Substitution was defined in the questionnaire as follows: Substitution refers to products that can, based on market price considerations and consumer preferences, reasonably be expected to substitute for each other when the price of one product changes vis-a-vis the price of the other product; some consumers may require greater price changes than others before they switch among the alternative products.

[40] The purchaser responses suggest that fresh and frozen crawfish tail meat are very unlikely to substitute for live or whole-boiled crawfish under most circumstances. None of the purchasers indicated that fresh or frozen crawfish tail meat easily substituted for the live or whole-boiled crawfish. Seventeen purchasers reported that the fresh crawfish tail meat did not substitute for the live or whole-boiled crawfish, and 15 purchasers reported that the frozen crawfish tail meat did not substitute for the live or whole-boiled crawfish. Only four purchasers indicated occasional substitution between the fresh tail meat and live or whole-boiled crawfish, while six purchasers indicated occasional substitution between the frozen tail meat and live or whole-boiled crawfish. The one firm (***) adding comments on its reported occasional substitution between fresh or frozen tail meat and live crawfish indicated that while this could happen, it would be impractical due to labor time and yield loss.

	Easily substituted[1]	Occasionally substituted	Not substituted
Frozen tail meat vs--			
Live[2]	0	4	7
Whole-boiled crawfish[3]	0	2	8
Crab meat	2	5	4
Shrimp	6	4	2
Catfish	1	1	11
Chicken	1	2	10
Scallops	2	4	4

[1] *** asserted that frozen crawfish tail meat and *** easily substitute for each other.
[2] For boiling.
[3] Already prepared as whole-boiled crawfish.

Discussions with purchasers during telephone conversations on alleged lost sales and revenues generally indicated that certain other seafood products substitute to some degree for the fresh and frozen tail meat; none, however, identified the live or whole-boiled crawfish as substitutes for the fresh or frozen crawfish tail meat. The detailed discussions with purchasers are shown in Part V of this report.

Evidence suggests that demand for frozen and fresh crawfish tail meat may be substitutable, but this substitution may be more noticeable during the off-season and stronger in states other than Louisiana.[41] Roy Robin stated at the conference that his in-season sales of frozen tail meat did not displace his sales of the fresh tail meat; he also indicated that the domestic frozen tail meat was produced primarily for consumption during the off-season.[42] It is likely that the frozen tail meat was used for some of the same preparations that used fresh tail meat, whether used during in- or off-seasons, such that the fresh and frozen tail meat can be considered substitutes for each other.[43] Questionnaire responses of U.S. purchasers generally suggested that demand for the fresh and frozen tail meat were likely substitutable.[44] The following tabulation summarizes their responses and indicates the number of firms that checked each level of substitution for the comparison shown:

	Easily substituted	Occasionally substituted	Not substituted
Fresh vs frozen tail meat	7	2	5

The majority of responding U.S. purchasers (9 of 14) indicated that there was at least some substitution between the fresh and frozen tail meat; seven of the nine purchasers reporting at least some substitution indicated that fresh and frozen tail meat were easily substitutable. Four purchasers reported additional comments on the substitution of fresh versus frozen tail meat. Three purchasers, ***, stated that

[41] Transcript of conference, p. 87.

[42] Transcript of conference, p. 86.

[43] During the height of the in-season, when fresh tail meat supplies are most abundant, the price of fresh tail meat is frequently less than that of domestic frozen tail meat such that, coupled with the freshness advantage, it is often purchased instead of the frozen tail meat.

[44] Substitution was defined in the questionnaire as a response to a change in relative prices in the same way as that previously described.

the two products are easily substituted for each other because they are very close in appearance and taste, they are used in the same preparations, and cooking preparations were similar. *** noted, however, that fresh meat is slightly more tender and tasty when used as a topping or in stuffing. One other purchaser, ***, indicated that the fresh and frozen products did not substitute for each other because the price of the fresh tail meat was too high.[45] Discussions with purchasers during telephone conversations discussing alleged lost sales and revenues also indicated that the fresh and frozen tail meat substitute to some degree for each other. The detailed discussions with purchasers are shown in Part V of this report.

SUBSTITUTABILITY ISSUES

Factors Affecting Purchase Decisions

Consumers in Louisiana generally prefer the fresh crawfish tail meat to the frozen tail meat. On the other hand, large-volume users such as some restaurant chains may prefer the frozen tail meat because of its longer shelf life and prefer those supplies that are available in large volume the year round. In some uses, like baking or frying of tail meat, consumers prefer the larger tail meat to the smaller tail meat. In addition, some household consumers may prefer to purchase the fresh or frozen tail meat in 12-ounce bags rather than the 16-ounce bags.

Comparison of Domestic Crawfish Tail Meat to Imported Chinese Tail Meat

U.S.-produced and imported Chinese frozen crawfish tail meat are vacuum packed predominantly in 16-ounce bags and look similar in appearance.[46] The fresh tail meat is also sold primarily in 16-ounce bags, but is available in 12-ounce bags. The Chinese product reportedly has a somewhat rubbery texture and is packed with less fat than the domestic product. The rubbery texture results from the Chinese processing procedure of washing the tail meat in brine. Less fat results in less sweetness in the taste of the crawfish tail meat. These differences between the domestic and Chinese frozen tail meat, however, may be minimal or unrecognizable to the casual diner of crawfish tail meat,[47] and may disappear altogether when used in certain preparations that highly season or otherwise combine other flavors with that of the crawfish.

The Chinese frozen crawfish tail meat is graded and bagged based on the size of the tail meat, whereas the domestic frozen tail meat is not graded by size. The Chinese tail meat ranges in size categories from under 80 pieces per pound to 200-300 pieces per pound. The domestic frozen tail meat tends to be sized at the small end of the range. Larger-sized tail meat is preferred to smaller sizes in some preparations

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[45] *** is likely comparing prices of the fresh tail meat with the Chinese tail meat. In addition, *** operates chains of restaurants located throughout the United States and is therefore a high-volume user requiring year-round supplies that can be shipped great distances with a shelf life of at least several weeks. The restaurant is unable to obtain such quantity or level of availability from U.S. processors of the domestic fresh or frozen tail meat. For this type of user of crawfish tail meat, fresh tail meat is not a close substitute for frozen tail meat. Under these circumstances, it is likely that the domestic and imported Chinese tail meat would not be close substitutes.

[46] Some U.S. processors and importers also sell the frozen tail meat in 12-ounce bags.

[47] Some consumers in Louisiana may be more sensitive to any taste differences between the domestic and Chinese tail meat than consumers in other states where crawfish tail meat is not consumed as regularly as in Louisiana. Field trip interviews with two grocery store chains located in Louisiana indicated that some of their customers preferred the Louisiana frozen tail meat, although its retail price was $3.00 to $4.00 per pound *higher* than that of the Chinese frozen tail meat. On the other hand, the cheaper retail price of the Chinese frozen tail meat led other customers of theirs to buy the Chinese tail meat. ***.

such as fried tail meat; the smaller sizes tend to cook down too rapidly when fried. Taste of the tail meat does not appear to vary by the size of the pieces.

About 86 percent of U.S. processors' total U.S. shipments of their processed tail meat is fresh and the remaining 14 percent is frozen, with the frozen tail meat reportedly produced for off-season consumption, although U.S. processors sell it throughout the year.[48] The Chinese tail meat is imported only as frozen and is sold year-round, although in much larger quantities than the domestic frozen tail meat. Many consumers generally prefer the fresh product to the frozen one, although, as indicated earlier, the two products are likely substitutable when relative prices change sufficiently.[49] On the other hand, large-volume users of crawfish tail meat, like ***, reported in their questionnaire response that they needed crawfish tail meat that was available in volume all year-round and could be easily transported to its many restaurant locations throughout the United States. The Chinese frozen tail meat satisfies these requirements. In addition, the low price of the Chinese tail meat allowed the restaurant to substitute this product for ***, which increased in price and became less available. *** reported in its questionnaire response that if Chinese tail meat becomes too expensive because of any antidumping duties, it would switch back to ***; the domestic tail meat, whether fresh or frozen, reportedly was not a substitute for the Chinese tail meat because it lacked the large-volume, year-round availability and price advantages of the Chinese product.

Purchaser Sourcing Patterns

A substantial volume of both the domestic and Chinese tail meat is sold to retailers and to distributors. As noted earlier, however, U.S. processors sell a majority of their fresh and frozen crawfish tail meat directly to retailers, such as restaurants, grocery stores, and seafood markets, while the importers sell a majority of the frozen Chinese tail meat to distributors.[50] The difference in the concentration of sales of the domestic and Chinese products to different types of customers does not preclude competition between the domestic and imported products, because distributors sell, in turn, to retail outlets. U.S. processors, however, who are located close to individual retail-store locations, may sell directly to such individual outlets, whereas distributors or importers may sell large volumes to retail chains' central warehouse locations. Any such differences in the volume of individual sales and in the level of the distribution chain would tend to blunt direct competition between U.S. processors and importers.

U.S. purchasers were requested in the questionnaires to compare the domestic fresh and frozen crawfish tail meat to the Chinese tail meat using 14 factors. The firms were asked to report for each factor whether the domestic tail meat was superior, comparable, or inferior to the Chinese tail meat. Only 3

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[48] The quantity of U.S. processors in-season sales of the domestic frozen tail meat were actually *higher* than their off-season sales during 1994-96. This likely resulted from the lower price of the Chinese tail meat, particularly during the off-season, that U.S. processors, importers, and purchasers reported (in their questionnaire responses) lowered the U.S. market price for frozen tail meat. U.S. processors also reported in their questionnaire responses that the generally low prices in the U.S. market did not justify the additional inventory-holding costs for a majority of their frozen tail meat.

[49] Some consumers in Louisiana may require a larger change in relative prices before switching between the domestic and Chinese tail meat than consumers in other states where crawfish tail meat is not consumed as regularly as in Louisiana. On the other hand, as noted earlier, perishability of the fresh tail meat makes it impractical to use by restaurants and grocery stores located far from the processors' plants. In addition, large-volume users that require a steady year-round supply of crawfish tail meat also prefer the frozen product. These latter types of purchasers may actually prefer the Chinese frozen tail meat to domestic tail meat and not consider the two sources to be substitutable for each other.

[50] Based on quarterly price data reported by U.S. processors and importers for the period January 1994-December 1996, U.S. processors sold almost 78 percent of their domestic fresh and frozen tail meat to retailers in Louisiana, while U.S. importers sold almost 23 percent of the Chinese frozen tail meat to retailers in Louisiana.

purchasers responded with comparisons between the domestic fresh and Chinese frozen tail meat, which were too few to see much of a trend.[51] On the other hand, as many as 9 purchasers (involving 6 distributors and 3 retailers) responded, for at least some factors, comparing the domestic and Chinese frozen tail meat. The following tabulation summarizes the responses of purchasers comparing the U.S. and Chinese frozen crawfish tail meat and indicates the number of firms that checked the specified rating for each factor.

	The U.S. frozen tail meat is--		
Factors	Superior	Comparable	Inferior
Availability	0	2	7
Delivery terms	1	3	4
Delivery time	2	2	5
Discounts offered	1	4	2
Lowest price	0	1	7
Minimum quantity requirement	4	1	3
Packaging	0	7	2
Product consistency	0	6	3
Product quality	0	7	2
Product range	1	4	4
Reliable supply	0	3	6
Technical support	3	4	1
Transportation network	2	5	0
U.S. freight costs	1	6	0

As seen in the tabulation, the domestic frozen tail meat was generally rated comparable to the Chinese frozen tail meat based on the following factors: discounts offered,[52] packaging,[53] product consistency, product quality,[54] transportation network,[55] and U.S. freight costs.[56] As discussed in the next section, two of these factors, product consistency and product quality, were among the four most important factors considered in purchasing the domestic fresh and frozen tail meat and the Chinese tail meat. The domestic frozen tail meat was generally rated inferior to the Chinese tail meat for the following factors:

[51] The responding purchasers comparing the domestic fresh and Chinese frozen tail meat indicated that the two products were generally comparable. Exceptions involved the factors of product quality and packaging, where they most frequently rated the domestic product superior.

[52] U.S. processors and importers reported in their questionnaire responses that they generally did not offer discounts.

[53] U.S. processors and importers reported in their questionnaire responses that they both typically offer the frozen tail meat in 12- and 16-ounce plastic see-through packages.

[54] U.S. purchasers reported in their questionnaire responses that the factors they consider when judging the quality of the tail meat are freshness, cleanliness, taste, texture, appearance (vein removed), odor, fat content, and size. Because size was typically covered under the product-range-factor comparison, it is not represented in the quality-factor comparison.

[55] U.S. processors and importers reported in their questionnaire responses that they typically ship their tail meat in trucks.

[56] U.S. processors and importers reported similar U.S. inland transportation costs in their questionnaire responses.

availability, delivery terms, delivery time,[57] lowest price,[58] and reliable supply. Availability and reliable supply were the other two factors of the four considered to be the most important in buying the domestic fresh and frozen tail meat and the Chinese tail meat. The domestic product was generally rated superior or comparable to the Chinese product for the factors of minimum quantity requirements, product range,[59] and technical support. The somewhat mixed rating of the product-range factor may have resulted from the fact that this factor included graded packaging by piece sizes and offerings of fresh and frozen tail meat. Purchasers reported in their questionnaire responses that grading of the Chinese tail meat was an advantage over the domestic product, but availability of domestic fresh and frozen tail meat was an advantage over the Chinese product.

Purchase Factors

The domestic and Chinese crawfish tail meat differ somewhat in texture and taste, and the Chinese tail meat is offered in larger sizes than those of the domestic product. More importantly, however, the domestic tail meat is also available as a fresh product, whereas the Chinese product is only available as a frozen product. On the other hand, the Chinese tail meat is available throughout the year in large volumes in many areas of the United States, while the domestic product is available in large volume for the fresh tail meat only during the in-season period of January through June and primarily in Louisiana. Prior to 1994, the U.S.-produced frozen tail meat was sold in larger volumes than currently, but not in the volumes that the Chinese tail meat has been sold in recent years.

Purchasers were requested in the questionnaires to rank as very important (VI), somewhat important (SI), and not important (NI) the 14 purchase factors shown in the previous section. Six purchasers responded for the domestic fresh tail meat, 5 responded for domestic frozen tail meat, and 14 responded for the Chinese tail meat. The following tabulation summarizes the responses of the reporting purchasers and indicates the number of firms that checked the specified rating for each factor.

[57] U.S. processors and importers reported similar delivery times in questionnaire responses. As seen in the tabulation, the domestic product was rated at least comparable to the Chinese product by four firms for this factor.

[58] U.S. purchasers reported in their questionnaire responses that lowest price was the lowest quoted delivered price to their receiving location(s).

[59] For the product-range factor, one purchaser rated the U.S. product superior, four rated it comparable, and four rated it inferior to the Chinese product.

	U.S. fresh tail meat			U.S. frozen tail meat			Chinese tail meat		
Factors	VI	SI	NI	VI	SI	NI	VI	SI	NI
Availability	6	0	0	4	1	0	13	1	0
Delivery terms	3	3	0	2	3	0	6	5	0
Delivery time	4	2	0	3	2	0	11	3	0
Discounts offered	5	1	0	3	2	0	5	4	4
Lowest price	4	2	0	3	2	0	7	6	0
Minimum qty requirement	1	2	3	0	2	3	1	5	7
Packaging	4	2	0	2	3	0	10	4	0
Product consistency	6	0	0	4	1	0	13	1	0
Product quality	6	0	0	5	0	0	14	0	0
Product range	4	1	1	3	2	0	9	4	1
Reliable supply	6	0	0	5	0	0	14	0	0
Technical support	2	1	2	1	2	2	7	2	4
Transportation network	1	3	2	2	2	1	8	2	3
U.S. freight costs	1	4	1	2	4	0	6	6	2

As shown in the above tabulation, availability, product consistency, product quality, and reliable supply were the four most important factors considered in purchasing the domestic fresh and frozen tail meat as well as the Chinese frozen tail meat; these factors were considered very important by almost all the purchasers. Lowest price, delivery terms, delivery time, packaging, and product range appeared to be the factors next in importance for all three products as purchasers generally reported these factors to be very important or somewhat important. No purchasers reported that any of these latter factors, except for product range, were not important; for the product-range factor, only 1 purchaser felt it was not important in the purchase of domestic fresh tail meat and Chinese tail meat. Discounts offered appeared to be a more important factor for domestic fresh tail meat than for the U.S. or Chinese frozen tail meat. A majority of responding purchasers reported that technical support, transportation network, and U.S. freight costs were factors that were at least somewhat important in purchasing all three products.

Comparisons of Domestic and Imported Chinese Crawfish Tail Meat to Tail Meat Imported from Nonsubject Countries

No other countries are believed to export crawfish tail meat to the United States. In the past, Chile, Iceland, Mexico, Singapore, and Spain exported very small quantities of crawfish products to the United States; none has been exported in recent periods. It is not known if any of the previously exported products were crawfish tail meat.

ELASTICITY ESTIMATES

This section discusses estimates of the elasticities generally used in the COMPAS analysis. The large U.S. market share of the Chinese tail meat and the large margins of dumping found by Commerce likely lead to large changes that are not captured by the version of the COMPAS model normally used for antidumping investigations.[60] Petitioners submitted some COMPAS results in their posthearing submission, but without any discussion.[61] They used the elasticity estimates from the prehearing report and showed that the Chinese tail meat significantly reduced the volume of U.S. processors' shipment quantities and reduced prices to a lesser extent.[62] The data also showed, however, that Chinese tail meat still maintained a 31.0 percent to 60.8 percent share of the U.S. market, depending on the elasticity scenario. The latter COMPAS results, which appear improbable, reflect the fact that this version of the model is not designed to account for such large changes in the market. Accordingly, the Commission staff will not show any COMPAS results, but will discuss in detail below the relevant elasticity estimates.

Based on available information discussed earlier, two distinct markets, with some overlap, may exist for crawfish tail meat in the United States. One market is characterized by demand for low-priced frozen tail meat available in large volumes the year round. These are the predominant demand characteristics of crawfish tail meat consumption in states other than Louisiana and its surrounding states. The second market is characterized by demand largely for fresh tail meat, coinciding with the consumption of fresh whole-boiled crawfish, and occurring mostly during the in-season for U.S.-grown crawfish. These have been the predominant characteristics of crawfish tail meat consumption in Louisiana and its surrounding states, but such predominance may be changing as the ready supply of low-priced Chinese tail meat has led to increasing sales of the Chinese tail meat in the traditional consuming states.[63]

Supply Elasticity[64]

The domestic supply elasticity for crawfish tail meat measures the sensitivity of the quantity supplied by U.S. processors to a change in the U.S. market price of crawfish tail meat. The elasticity of domestic supply depends on several factors including U.S. processors' level of excess capacity, the ease with which U.S. processors can alter productive capacity, the existence of inventories, and the availability of alternate

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[60] Another difficulty is that the COMPAS model generally assumes that fairly traded imports are also available. This is not the case with crawfish tail meat, so all the adjustments associated with imposing an antidumping margin and changing relative prices involve only the domestic and unfairly traded imports.

[61] Petitioners' posthearing brief, exh. 7.

[62] The petitioner used market shares from the prehearing report, which have since been revised, that were based on quantity rather than value as the model requires. The quantity-based market shares tend to overstate the market penetration of the Chinese tail meat. On the other hand, petitioners used an antidumping margin rate of 122.5 percent and did not incorporate the higher 201.63 percent rate (all other rate) for Chinese producers/exporters not responding to the Commerce request for information. Weighting the two rates by the volume of imports accounted for by firms assigned the 122.92 rate and by firms assigned the all other rate results in a weighted-average margin of approximately 163.6 percent.

[63] Based on quarterly selling price data reported by U.S. processors and importers in their questionnaire responses, the quantity of Chinese tail meat sold in Louisiana and in the three-state area surrounding Louisiana increased dramatically in most every quarter reported during 1994-96, while sales quantities of the domestic fresh and frozen tail meat generally declined, particularly in the first and second quarters of each year. Because increased sales of the Chinese tail meat in these traditional consuming areas far outstripped declines in sales of the domestic tail meat, total consumption of tail meat increased in these areas. At the same time, declines in U.S. processors' shipments have been significant and, based on conversations with purchasers during lost sales/revenue calls and on purchaser questionnaire responses, the Chinese tail meat accounted for at least some of the decline in domestic tail meat.

[64] A supply function is not defined in the case of a non-competitive market.

markets for U.S.-processed crawfish tail meat.[65] Analysis of these factors indicates that, overall, U.S. processors have the flexibility to substantially alter their supply of crawfish tail meat in response to relative changes in the demand for their product; thus, the domestic supply elasticity is estimated to be high, or in the range of 5 to 10.

Neither petitioners nor respondents commented in their posthearing briefs on the domestic supply elasticity estimates suggested in the prehearing staff report. The petitioner indicated in its prehearing brief that the staff's suggested range of 5 to 10 appeared reasonable.[66] Various Chinese exporters' indicated in their prehearing brief that domestic tail meat production is minuscule and never serviced the national markets created by the Chinese tail meat.[67] Respondents did not comment directly about the domestic supply elasticity.

U.S. Demand Elasticity

The U.S. demand elasticity for crawfish tail meat measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of tail meat. This estimate depends on factors such as the existence, availability, and commercial viability of substitute products. Based on available information the demand elasticity for crawfish tail meat is likely to be in the range of -1.5 to -3.0, with the lower end of the range applicable to tail meat demand in Louisiana and its surrounding states, and the higher end of the range applicable to all other states. Purchasers would likely be more sensitive to changes in the price of tail meat in the nontraditional consumption areas compared to the traditional consumption areas. The bulk of tail meat consumed in the nontraditional consuming areas appears to compete more directly with non-crawfish substitutes than in the traditional consuming areas.

The demand elasticity range suggested in the final report is somewhat higher than that indicated in the prehearing report. The higher figure recognizes that some large-volume buyers of crawfish tail meat use the product as a substitute for shrimp, crab, langostino, etc.[68] Such purchasers can have a significant impact on demand for tail meat in the U.S. market when relative prices change.

Neither petitioners nor respondents commented in their posthearing briefs on the demand elasticity estimates suggested in the prehearing staff report. The petitioners indicated in their prehearing brief that the staff's suggested range of -1 to -1.5 in the prehearing report appeared reasonable.[69] Various Chinese exporters indicated in their prehearing brief that the demand elasticity was high, reflecting substitution between tail meat and other products,[70] but did not comment directly about the staff's suggested range in the prehearing report.

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[65] Domestic supply response is assumed to be symmetrical for both an increase and a decrease in demand for the domestic product. Therefore, factors opposite to those resulting in increased quantity supplied to the U.S. market result in decreased quantity supplied to the same extent.

[66] Petitioners' prehearing brief, p. 29.

[67] Various Chinese exporters' prehearing brief, p. 5.

[68] Transcript of hearing, p. 135.

[69] Petitioners' prehearing brief, p. 29.

[70] Various Chinese exporters' prehearing brief, pp. 21-22.

Substitution Elasticity[71]

The elasticity of substitution largely depends upon the degree to which the U.S. crawfish tail meat market is segmented, the degree to which there is an overlap of competition between U.S.-produced and imported Chinese tail meat within the market segments, and product differentiation. Product differentiation, in turn, depends on such factors as physical composition (e.g., fresh (chilled) versus frozen, choice of piece sizes, packaging sizes, fat-on versus washed, etc.) and conditions of sale (e.g., delivery lead times, reliability of supply, year-round availability of large-volume supplies, standard minimum quantity requirements, product service, etc.). The elasticity of substitution between domestic and imported tail meat is likely to be in the range of 1 to 3, with the lower end of the range applicable to purchasers in all other states and the upper end of the range applicable to purchasers in Louisiana and its surrounding states. This is lower than the substitution elasticity in the prehearing report and recognizes that purchasers in the nontraditional tail meat consuming areas appear to be less likely to respond to relative price changes between the domestic and imported tail meat than purchasers in the traditional consuming areas. Only Chinese tail meat is exported to the United states and no other countries are known to produce crawfish tail meat.

Neither petitioners nor respondents commented in their posthearing briefs on the substitution elasticity estimates suggested in the prehearing staff report. The petitioner indicated in its prehearing brief that the staff's suggested range of 2 to 4 in the prehearing report appeared too low and that a conservative range of 4 to 6 would be more appropriate.[72] Various Chinese exporters asserted in their prehearing brief, without commenting directly on the staff's substitution elasticity in the prehearing report, that the Chinese tail meat did not compete with over 75 percent of the domestic tail meat.[73]

[71] The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the U.S. like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject imported product (or vice versa) when prices change.

[72] Petitioners' prehearing brief, p. 30.

[73] Various Chinese exporters' prehearing brief, pp. 6-7 and 18-21.

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 31 firms that accounted for between 80 and 85 percent of U.S. production of crawfish tail meat during 1996.

U.S. PROCESSORS

The U.S. crawfish tail meat industry is currently composed of about 40 processors,[1] all but one of which are located in Louisiana.[2] The processors generally operated between 7 and 8 months per year, usually beginning in December or January and ending in June, July, or August, depending on crawfish demand and weather conditions. During the off-season period, some processors produced alligator and crab meat. However, for most processors, their shipments of crawfish, whether live whole or processed tail meat, accounted for the vast majority of their sales.[3] The processors were generally small, family-owned businesses, with annual sales averaging between $350,000 and $500,000 per year.

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

The capacity of the domestic industry to meet demand for tail meat is a matter of some disagreement among parties. Petitioner argues that the domestic industry has produced as much as 8.4 million pounds of fresh tail meat and 2 million pounds of frozen tail meat in a given year.[4] Respondents argue that the current

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[1] There is some disagreement about how many processors were in the industry prior to the onset of import competition from China. Petitioners argue that there were 80 processors in the 1980s and early 1990s, and that competition from low-priced imports from China drove half the processors out of business. Transcript of hearing, pp. 30 and 102. Respondents, however, attribute the decrease in numbers of processors to a crackdown in 1991 by Louisiana health and safety inspectors. Transcript of hearing, pp. 145, 161, and 200, and various exporters' posthearing brief, p. 5. Petitioners deny that such a crackdown occurred in the industry. Petitioners' posthearing brief, p. 11. Whatever the reasons, there seems to be a consensus that there are far fewer processors in the business now than before the period for which data were collected in this investigation. Questionnaires in the final phase of this investigation were sent to 47 firms identified as possible producers. Thirty-one firms provided the Commission with usable data, some of which were the same data supplied in the preliminary phase of the investigation as U.S. producers processed the bulk of their crawfish tail meat during the first half of the year. Many of the nonreporting processors are believed to be small companies that process tail meat for their own use in producing other food items.

[2] Some live whole crawfish are grown and/or harvested in Georgia, Mississippi, South Carolina, and Texas, but all crawfish tail meat is processed in Louisiana, except for one small crawfish tail meat processor in ***.

[3] The amount of crawfish purchases devoted to tail meat production by processors ranged from a high of 63 percent in 1994 to a low of 50 percent in 1996. The average for the period was 58 percent. Processors cited competition from imports from China as the reason for concentrating more on sales of live crawfish. Responses to Commission questionnaires.

[4] In the 1983-84 harvest season, domestic processors produced 8,456,099 lbs. of fresh tail meat and 2,062,269 lbs. of frozen tail meat. In 1988 and 1989, domestic producers processed 7-8 million pounds of tail meat from live harvests of 107-119 million pounds. Petitioners' posthearing brief, p. II-13. Although many processors have gone out of business since that time, there is at least some indication that capacity could meet demand. However, domestic producers could (continued...)

reported capacity of the U.S. industry is far below current demand, and that there is a labor shortage in Louisiana.[5] Capacity in this industry is a difficult and subjective measurement. Therefore, reported capacity figures in table III-1 should be viewed with a healthy amount of skepticism.

As indicated in table III-1 at the end of this section, total U.S. processors' average-of-period capacity to produce crawfish tail meat fluctuated downward during 1994-96. ***.[6] Although not reflected in the capacity or production data in table III-1, seven additional processors reported that they went out of business during the period for which data were collected.[7] As mentioned earlier, many more processors exited the industry before the period examined.

U.S. processors' production declined during 1994-96. Extreme weather conditions during 1995 and 1996 affected the U.S. processors' supply of crawfish, thus contributing partly to the decline in the production of crawfish tail meat. An early freeze delayed the beginning of the pond production season from December to February and early March. Another late freeze in March affected the harvesting of crawfish in the Atchafalaya Basin, thus creating another delay in the supply of crawfish from March to late April.[8] Consequently, the short seasons reduced the U.S. processors' supply of crawfish. In fact, the total number of pounds of crawfish either raised in the ponds or harvested in the Atchafalaya Basin steadily declined during 1994-96 from 115.1 million pounds in 1994, to 96.5 million pounds in 1995, and 71.7 million pounds in 1996. Respondents argue that the reduced production was due to adverse weather conditions. Petitioners argue that this reduction in supply of crawfish was not solely a result of weather conditions, but rather resulted from a combination of adverse weather and a depressed pricing structure in the tail meat industry. They argue that the U.S. processors were not able to offer farmers and fishermen prices that made it profitable for them to continue the season, so they shut down their harvesting operations early, leaving millions of pounds of crawfish unharvested.[9] They conclude that if demand for processed tail meat were to increase at fair prices, processors could get the supply of crawfish needed to meet that demand, regardless of the effect of weather on the length of the season.[10] Furthermore, processors reported that they shifted from sales of tail meat to sales of live whole crawfish due to competition from imports of tail meat from China.[11]

U.S. PROCESSORS' SHIPMENTS

As indicated in table III-2 at the end of this section, U.S. processors' shipments of crawfish tail meat declined during 1994-96. During 1996, U.S. processors' shipments of fresh tail meat accounted for 91.7 percent of their total shipments of tail meat. Respondents argue that the U.S. industry's concentration in the fresh market limited its ability to compete outside the Gulf state region and thus made it impossible for them

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[4] (...continued)
only supply additional tail meat at a price of about $5.00 per pound. Transcript of hearing, p. 86.

[5] Petitioners deny that such a shortage exists, and point out that the unemployment rate in Louisiana is about 10 percent. Transcript of hearing, pp. 195-196, and petitioners' posthearing brief, pp. 11-12.

[6] ***.

[7] ***.

[8] Transcript of hearing, pp. 43, 122-123, and 173.

[9] Transcript of hearing, pp. 43, 122-123, and 173; petitioners' posthearing brief, p. 9; and various exporters' posthearing brief, pp. 7 and 10.

[10] Transcript of hearing, p. 86.

[11] Responses to Commission questionnaires. Table D-1 shows a decline in sales of live whole crawfish during 1994-96. However, this does not contradict the argument that a switch in sales did take place, causing less of a decline in sales of live whole crawfish than would have occurred but for the shift away from tail meat production.

to supply significant markets outside Louisiana.[12] Petitioners indicate that the U.S. processors could supply these markets if it were not for the surge of lower-priced Chinese imports, and that they have had to drastically reduce their production of frozen crawfish tail meat during 1993-95 because it was not profitable to freeze and inventory the product at the prices at which the Chinese product competed.[13]

U.S. PROCESSORS' INVENTORIES

As indicated in table III-3 at the end of this section, U.S. processors' end-of-period inventories were small compared to their U.S. shipments. Since the U.S. processors primarily sold fresh tail meat with a shelf-life of between 7 and 10 days, inventories were not expected to be significant.

U.S. PROCESSORS' PURCHASES

U.S. processors' purchases from U.S. importers and other domestic producers are presented in table III-4 at the end of this section.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

U.S. processors' employment and productivity data are presented in table III-5 at the end of this section. Since the processors are only in operation between 7 and 8 months per year, they employ seasonal workers to peel the tail meat. Some processors hired their peelers for the entire season, while others hired on a daily basis depending on the available work.[14] Accordingly, the number of PRWs fluctuated dramatically within the year, depending on the season, and this statistic is of questionable value. Hours worked and wages paid declined significantly from 1994 to 1996. Processors generally paid their peelers between \$1.00 and \$1.25 per pound, which was reflective of the reported unit labor costs, which increased from \$1.15 in 1994 to \$1.30 per pound in 1996. Productivity fluctuated upward slightly from 4.2 pounds per hour in 1994 to 5.0 pounds per hour in 1996.

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[12] Transcript of hearing, pp. 120, 127-129, 169, and 177.

[13] Transcript of hearing, pp. 58, 65, and 89. As shown in table III-2, frozen tail meat accounted for only 8.3 percent of U.S. processors' shipments of tail meat in 1996 compared with 23.5 percent in 1994.

[14] Transcript of conference, p. 46, and fieldtrip, May 13-15, 1997.

Table III-1
Crawfish tail meat: U.S. processors' capacity, production, and capacity utilization, 1994-96

Item	1994	1995	1996
Capacity (1,000 pounds)	3,585	3,111	3,260
Production (1,000 pounds)	2,237	1,886	1,260
Capacity utilization (percent)	62.4	60.6	38.6

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

Table III-2
Crawfish tail meat: U.S. processors' shipments, by types, 1994-96

Item	1994	1995	1996
	Quantity (1,000 pounds)		
Commercial shipments of fresh meat	1,708	1,733	1,150
Commercial shipments of frozen meat	524	144	104
Total domestic commercial shipments	2,232	1,877	1,254
Export shipments	0	0	0
Total shipments	2,232	1,877	1,254
	Value ($1,000)		
Commercial shipments of fresh meat	8,824	9,566	6,538
Commercial shipments of frozen meat	2,636	786	580
Total domestic commercial shipments	11,461	10,352	7,118
Export shipments	0	0	0
Total shipments	11,461	10,352	7,118
	Unit value (per pound)		
Commercial shipments of fresh meat	$5.17	$5.52	$5.68
Commercial shipments of frozen meat	5.03	5.46	5.59
Average	5.13	5.51	5.67
Export shipments	(1)	(1)	(1)
Average	5.13	5.51	5.67

(1) Not applicable.

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

Table III-3
Crawfish tail meat: U.S. processors' end-of-period inventories, 1994-96

Item	1994	1995	1996
EOP inventories (1,000 pounds)	24	22	29
Ratio to production (percent)	1.1	1.1	2.3
Ratio to U.S. shipments (percent)	1.1	1.2	2.3
Ratio to total shipments (percent)	1.1	1.2	2.3

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

Table III-4
Crawfish tail meat: U.S. processors' purchases, 1994-96

* * * * * * *

Table III-5
Crawfish tail meat: Average number of production and related workers, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1994-96

Item	1994	1995	1996
PRWs (number)	1,392	862	760
Hours worked (1,000)	530	348	253
Wages paid ($1,000)	2,596	2,242	1,634
Hourly wages	$4.90	$6.45	$6.47
Productivity (pounds per hour)	4.2	5.4	5.0
Unit labor costs (per pound)	$1.16	$1.19	$1.30

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

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

U.S. IMPORTERS

Questionnaires were sent to 26 firms identified as importing crawfish tail meat. Twelve responded to the Commission's request for information in this final phase of the investigation, accounting for about 80 percent of estimated imports from China during 1996.[1] Importers' questionnaire responses during the preliminary phase of the investigation, covering data for 1994 and 1995, accounted for virtually all imports of crawfish tail meat from China. Accordingly, import data in this report are based on the preliminary questionnaire responses for 1994 and 1995, and on an estimate for 1996 based on applying a ratio (responses for 1995 provided in the final phase of the investigation to responses for 1995 provided in the preliminary phase) to reported 1996 imports.

Other than the state of Louisiana, China is the only known source of processed crawfish tail meat in the world. ***.[2] During 1993, six companies reported imports of crawfish tail meat from China, with the largest importers, ***, each reporting imports of *** pounds. Sales of these imports were primarily to the Gulf states region. By 1995, the number of importers had increased to 19, with 3 firms *** reporting imports in excess of 1 million pounds and 2 firms *** reporting imports in excess of 900,000 pounds. In addition to sales to Louisiana, these importers reported significant sales outside the Gulf state region. The largest importer, ***. Virtually all the importers were large wholesale seafood distributors that imported a large variety of seafood items in addition to crawfish tail meat.

One U.S. processor imported crawfish tail meat during the period for which data were collected.[3] ***.[4]

U.S. IMPORTS

U.S. imports of crawfish tail meat are presented in table IV-1 at the end of this section. Data in this section regarding the quantity and value of U.S. imports of crawfish tail meat are based on Commission questionnaire responses.[5] All reported imports were of frozen crawfish tail meat from China. In terms of quantity, imports of crawfish tail meat increased from 1994 to 1995. According to large importers, such as ***, the increase in imports resulted from sales to large retail grocery and restaurant chains outside the Gulf states region that required large orders of frozen crawfish tail meat, ranging from 300,000 to 1 million pounds per year.[6] The importers had already been supplying these large restaurant and grocery chains with

[1] One of the 12 respondents, ***, did not respond in the preliminary phase of the investigation. One firm indicated that it was not an importer of crawfish tail meat during the period for which data were collected and two firms reported imports already captured in other importers' questionnaires.

[2] ***.

[3] Three other processors purchased imported crawfish tail meat.

[4] ***.

[5] Official statistics on imports of frozen crawfish tail meat as reported under HTS subheading 0306.19.0010 are significantly understated. In terms of quantity, imports from China were reported to be 1,573,677 pounds in 1994, 2,804,937 pounds in 1995, and 2,794,000 in 1996. The official statistics did not include imports from significant importers, such as ***. ***.

[6] The large retail chains usually sourced tail meat from more than one importer (transcript of conference, p. 169, and transcript of hearing, pp. 127-129, and 169).

other seafood items, but as the prices for these items began to rise in the early 1990s, importers searched for new economical alternatives, such as crawfish tail meat, to offer their customers.[7] Other importers, such as ***, reported a significant increase in sales to retailers and distributors in the state of Louisiana.

Importers primarily imported crawfish tail meat between July and December of each year because the Chinese production season usually extended from June to September. From 1995 to 1996, imports of tail meat from China declined by 29 percent, although January through June partial-year data collected during the preliminary phase of the investigation indicated a dramatic rise from 1995 to 1996. It should be noted that shipments of imports from 1995 to 1996 increased by almost 18 percent, due in part to substantial sales of U.S. importers' inventories. The significant decline in full-year import data is attributable to a number of factors, including adverse weather conditions in China in 1996, large inventories held by U.S. importers which were accumulated during 1995 and sold off in 1996, and the effect of filing the instant investigation, as well as other unknown factors.[8]

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of crawfish tail meat based on U.S. producers' and U.S. importers' U.S. shipments as reported in questionnaire responses are shown in table IV-2 at the end of this section. The quantity of apparent consumption increased significantly from 1994 to 1996, while the value fluctuated upward. This increase in apparent consumption was supplied solely by shipments of imports from China.[9] Respondents argue that the importers created a national market for crawfish tail meat by offering large restaurant and grocery chains a steady supply of product at guaranteed prices. Most of the large retail chains have entry requirements for a steady supply of crawfish tail meat ranging from 300,000 to 1 million pounds per year, and respondents allege that the Louisiana processors simply do not have the capacity to produce and supply purchasers at these quantities.[10] Respondents note that importers, by offering retail chains an economical alternative to more expensive seafood products, were able to sell crawfish tail meat to new markets not traditionally familiar with crawfish.[11] They argue that if crawfish tail meat were priced significantly higher than Chinese imports were priced, these new markets outside the Gulf states region would dissolve. Respondents conclude that the Louisiana processors do not have the capacity to supply the larger national market, which they maintain they are responsible for creating.[12]

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[7] Transcript of hearing, pp. 120, 127-129, 134, and 177.

[8] Field trip interview with ***, responses to Commission questionnaires, and conversations with industry representatives.

[9] While imports declined from 1995 to 1996, shipments of imports increased as large inventory holdings by U.S. importers were reduced.

[10] Respondents argued that the amount of frozen crawfish tail meat that is required by these large purchasers could not have been supplied by the quantities typically available from individual U.S. processors. For example, Red Lobster reportedly has an entry requirement of 500,000 pounds per year (importers' posthearing brief, exh. 2), and as indicated in table IV-2, U.S. processors' shipments of frozen tail meat were 104,000 pounds in 1996, compared to 524,000 pounds in 1994. However, table D-1 indicates that U.S. processors had the capacity to freeze 821,000 pounds of tail meat in 1996.

[11] However, table I-4 indicates an increase in importers' shipments to Louisiana from 17.8 percent in 1994 to 51.5 percent in 1996.

[12] Transcript of hearing, pp. 127-129, 145, and 161.

Petitioners argue that Louisiana processors could supply the national market and in fact have actively engaged in the promotion and marketing of crawfish tail meat across the United States.[13] They argue that prior to the surge of low-priced Chinese imports, many Louisiana processors sold their tail meat throughout the United States, including sales to several large national accounts (e.g., Red Lobster and Bennigans).[14] Petitioners note that Louisiana processors have combined inventories of large processors to fill large orders for national accounts, and given a pricing structure that would make it profitable, Louisiana processors could supply demand on a national basis.[15] Petitioners argue that the importers have been able to significantly increase demand only by cutting the prices of crawfish tail meat in half.[16]

U.S. MARKET SHARES

Market shares based on U.S. producers' and U.S. importers' U.S. shipments are presented in table IV-2 at the end of this section. As a share of total apparent U.S. consumption, based on quantity, imports of crawfish tail meat from China increased from 57.6 percent in 1994 to 86.8 percent in 1996.

PIERS DATA

There are several sources of data available to compare trends in imports from 1995 to 1996: Official statistics of the Department of Commerce, foreign exporters' export data, importers' questionnaire responses, and PIERS data.[17] All but PIERS data indicated a decline in imports. A decline in imports is also consistent with the adverse weather conditions in China in 1996 and the massive inventories amassed by U.S. importers in 1995, which had to be sold relatively quickly because tail meat is a perishable item. PIERS data show an increase in the quantity of imports in 1996, as shown in the tabulation below:[18]

	1994	1995	1996
Imports (1,000 lbs.)	3,769	8,644	10,155
Share of consumption (percent)	62.8	82.2	89.0

[13] Transcript of hearing, pp. 52-53, and petitioners' posthearing brief, pp. II-10-12.

[14] Table I-1 indicates a decline in U.S. processors' shipments of tail meat to regions outside of Louisiana from 6.4 percent of total shipments in 1994 to 4.1 percent of shipments in 1996. The overwhelming majority of shipments during 1994-96 were in Louisiana. However, petitioners argue that their shipments were more concentrated outside Louisiana prior to 1994. Transcript of hearing, p. 53.

[15] Through its market development program, the Louisiana Department of Agriculture loaned $4 million to U.S. processors, in part to help give them the ability to meet this new national demand; transcript of hearing, pp. 52-53, and petitioners' posthearing brief, pp. II-10-12.

[16] Transcript of hearing, pp. 35, 39, and 61.

[17] Published by the Journal of Commerce, PIERS collects information from ship manifests on sea landing imports. Generally incomplete because it only captures imports shipped by sea, the petitioners contend that all imports of crawfish tail meat enter the United States by ship and that the PIERS data are the most accurate data source for imports in this investigation. Transcript of hearing, pp. 38, 67, and petitioners' posthearing brief, p. 13.

[18] Letters from petitioner, June 30, 1997, and Aug. 1, 1997. According to PIERS officials and counsel for petitioners, the PIERS data may include imports of frozen whole crawfish, thereby rendering it less accurate than questionnaire data which only tabulates imports of frozen crawfish tail meat. Telephone conversations with ***, Aug. 14, 1997, and ***, Aug. 14, 1997.

Table IV-1
Crawfish tail meat: U.S. imports from China, 1994-96

Item	1994	1995	1996
Quantity (1,000 pounds)	3,393	10,992	7,767
Value ($1,000)	9,032	35,845	19,308
Unit value (per pound)	$2.66	$3.26	$2.49

Note.--All reported imports were from China. Imports for 1994-95 are based on responses from both the preliminary and final phases of the investigation. Imports for 1996 were estimated using the ratio of responses for 1995 provided in the final phase of the investigation to responses for 1995 provided in the preliminary phase of the investigation, and applying this ratio to 1996 imports as reported in responses to the questionnaire in the final phase of the investigation.

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

Table IV-2
Crawfish tail meat: U.S. shipments of domestic product, U.S. import shipments from China, apparent U.S. consumption, and U.S. market shares, 1994-96

Item	1994	1995	1996
	Quantity (1,000 pounds)		
U.S. processors' domestic shipments:			
Fresh crawfish tail meat	1,708	1,733	1,150
Frozen crawfish tail meat	524	144	104
Total domestic shipments	2,232	1,877	1,254
U.S. shipments of imports from China	3,039	7,020	8,268
Apparent consumption	5,271	8,897	9,522
	Value ($1,000)		
U.S. processors' domestic shipments:			
Fresh crawfish tail meat	8,824	9,566	6,538
Frozen crawfish tail meat	2,636	786	580
Total domestic shipments	11,461	10,352	7,118
U.S. shipments of imports from China	9,843	24,012	22,635
Apparent consumption	21,304	34,364	29,753
	Share of quantity (percent)		
U.S. processors' domestic shipments:			
Fresh crawfish tail meat	32.4	19.5	12.1
Frozen crawfish tail meat	9.9	1.6	1.1
Total domestic shipments	42.4	21.1	13.2
U.S. shipments of imports from China	57.6	78.9	86.8
	Share of value (percent)		
U.S. processors' domestic shipments:			
Fresh crawfish tail meat	41.4	27.8	22.0
Frozen crawfish tail meat	12.4	2.3	2.0
Total domestic shipments	53.8	30.1	23.9
U.S. shipments of imports from China	46.2	69.9	76.1

Note.--All reported imports were frozen product from China. Import shipments for 1994-95 are based on responses from both the preliminary and final phases of the investigation. Import shipments for 1996 were estimated using the ratio of responses for 1995 provided in the final phase of the investigation to responses for 1995 provided in the preliminary phase of the investigation, and applying this ratio to 1996 import shipments as reported in responses to the questionnaire in the final phase of the investigation.

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

PART V: PRICING AND RELATED DATA

FACTORS AFFECTING PRICING

Crawfish tail meat may be either fresh (chilled) or frozen; both are used principally as an additive to various dishes such as soups, bisques, and etouffees or are served fried. Frozen tail meat involves additional processing and hence is more costly to produce than fresh tail meat. Frozen tail meat reportedly has a shelf life of up to 12 months, whereas fresh tail meat may last up to 10 days.[1] Hence, frozen tail meat can be used when it is impractical to use fresh tail meat because of the perishability of the latter product. Prices of fresh and frozen tail meat are affected by a number of factors. Most importantly, prices of domestic tail meat are lower during the in-season (roughly January-June), when supplies, particularly of fresh tail meat, are greatest, and higher during the off-season (roughly July-December), when supplies are less plentiful. Prices also tend to be higher the greater the distance tail meat must be shipped.

Raw Material Costs and Tariff Rates

Live crawfish represented the predominant raw material cost to produce crawfish tail meat, accounting for almost 65 percent of the total costs to produce tail meat during January 1994-December 1996. Crawfish tail meat is duty free.

Transportation Costs to the U.S. Market

Transportation charges for crawfish tail meat from China to the U.S. port of entry ranged from 4.0 to 10.0 percent of the U.S. customs value, as reported by U.S. importers in their questionnaire responses.

U.S. Inland Transportation Costs

U.S. inland transportation costs averaged between 1 and 8 percent of the delivered costs for deliveries within 500 miles of the processors' and importers' U.S. selling locations. For deliveries beyond 500 miles from their U.S. selling locations, responding U.S. processors and importers reported shipping charges ranging from *** to *** percent. U.S. processors and importers reported that they generally sold most of their crawfish tail meat within 500 miles of their U.S. selling locations, and used trucks to deliver their tail meat. On sales shipped more than 500 miles, two responding U.S. processors reported air-freighting their products, while the other responding U.S. processor and the two responding importers reported shipping by truck.

Order lead times for U.S. processors' crawfish tail meat ranged from 1 to 3 days, whether from their inventories or from current production and whether fresh or frozen tail meat. Order lead times for the imported Chinese tail meat shipped from U.S. inventories ranged from 1 to 7 days and shipped from China ranged from 30 to 90 days.

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[1] Shelf lives of the frozen and fresh tail meat may vary from shipment to shipment and depend on the length of time and care of the crawfish in transporting them from the ponds to the processors, and also on how long the processors hold the crawfish before peeling them. In addition, if the frozen tail meat is thawed and then refrozen, it will not last as long as tail meat that remained frozen until used.

Importer Markups

Importers' average sales markup margins (net of all discounts, allowances, and premiums) on their U.S. shipments of the Chinese crawfish tail meat ranged from 2 to 35 percent for sales to retailers and distributors. One importer, ***, reported losses of *** for sales of its Chinese tail meat during 1996.[2]

Commerce Margins of Dumping

Commerce's final margins, by company, are as follows (in percent):[3]

Chinese producer/exporter	LTFV margin
China Everbright Trading Co.	156.77
Binzhou Prefecture Foodstuffs Import and Export Corp.	119.39
Huaiyin Foreign Trade Corp.	91.50
Yancheng Foreign Trade Corp.	108.05
Jiangsu Cereals, Oils & Foodstuffs Import & Export Corp.[1]	122.92
Nantong Delu Aquatic Food Co., Ltd.[1]	122.92
Anhui Cereals, Oils and Foodstuffs Import & Export Corp.[1]	122.92
Yancheng Baolong Aquatic Foods Co., Ltd.[1]	122.92
China-wide rate[2]	201.63

[1] This rate is the weighted-average margin of the top four exporters named above.
[2] The China-wide rate applies to all entries of the subject merchandise except for entries from exporters that are identified individually above.

Exchange Rates

Quarterly data for China reported by the International Monetary Fund indicate that the value of the Chinese yuan appreciated by 4.8 percent in nominal terms relative to the U.S. dollar between January-March 1994 and October-December 1996 (figure V-1).[4] No wholesale price series data were available for China to calculate real exchange rates.

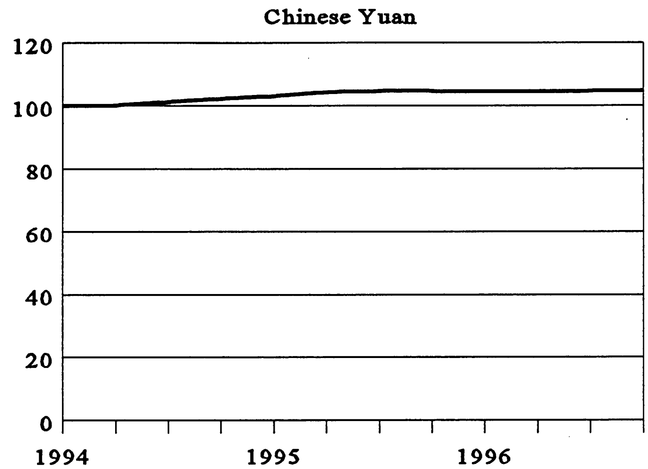
U.S. importers reported in their questionnaire responses that exchange rates between the Chinese yuan and the U.S. dollar had little effect on their purchase prices, selling prices, or markup margins for their imported Chinese crawfish tail meat during January 1994-December 1996. They noted that the first effect would be on Chinese exporters that buy in yuan from the Chinese plant and sell in U.S. dollars to the U.S. importer. One importer, ***, noted that, if exchange rates fluctuated too much between the time of contracting and the time of delivery, the Chinese exporter would generally ask for a price increase (if the yuan appreciated) before delivering the product.

[2] Another importer, ***, noted in its questionnaire response during the preliminary phase of the investigation that the majority of its sales of the Chinese tail meat in 1995 were ***, but that year was an exception; in other years its normal markup margins ranged from *** to *** percent.

[3] Commerce's notice is shown in app. A.

[4] Beginning Jan. 1, 1994, the People's Bank of China changed the manner in which the official exchange rate was determined.

Figure V-1
Nominal exchange rate index of the Chinese yuan, by quarters, Jan. 1994-Dec. 1996



Note: Index (Jan.-Mar. 1994=100), based on exchange rates expressed in U.S. dollars per yuan.

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

PRICING PRACTICES

U.S. processors and importers reported in their questionnaire responses that they sold the domestic and Chinese frozen crawfish tail meat most frequently in 1-pound vacuum-packed (clear plastic) bags, but also sold some of the frozen product in 12-ounce vacuum-packed (clear plastic) bags.[5] U.S. processors reported that they sold their fresh tail meat most frequently in 1-pound plastic bags, but also sold some of the fresh product in 12-ounce, 20-ounce, 3-pound, and 5-pound plastic bags. U.S. processors and importers indicated that their prices (in dollars per pound) did not vary by the size of the package and that they generally did not offer quantity discounts on their sales of the domestic and Chinese tail meat.

U.S. processors and importers of crawfish tail meat reported in their questionnaire responses that they typically did not use price lists in selling the domestic fresh and frozen tail meat and the Chinese frozen tail meat. They reported that prices changed weekly or even daily and that sales were generally on a spot basis done by price quotes over the phone. U.S. importers reported that a few contract sales were made, with the contract period ranging from 2 months to 1 year. These contracts typically involved full container-load shipments (about 40,000 pounds) and did not have meet-or-release price provisions.

[5] The Chinese frozen crawfish tail meat is graded and bagged based on the size of the tail meat, whereas the domestic frozen tail meat is not graded by size. The Chinese product is sold in up to six product-size categories, ranging in piece size from under 80 pieces per pound in a bag to 200-300 pieces per pound in a bag; the domestic frozen tail meat tends to be sized at the small end of the range. The importers, however, do not sell their Chinese tail meat at different prices based on the size of the tail meat in the package.

U.S. processors and importers typically quoted delivered prices to their U.S. customers, and on those sales where they quoted U.S. f.o.b. prices, they generally arranged transportation to their customers and prepaid the freight. U.S. processors typically offered payment terms that were C.O.D. or net 10-30 days. U.S. importers typically offered payment terms that were C.O.D. or net 30 days.

PRICE DATA

The Commission requested quarterly price and quantity information from U.S. processors and importers for their sales of crawfish tail meat during January 1994-December 1996. Processors and importers were asked to submit separate pricing data for their sales of fresh and frozen tail meat to retailers and to distributors. Retailers (both chains and independents) included restaurants, grocery stores, and seafood markets. In addition, processors and importers were requested to report their selling price data separately for sales to customers in Louisiana, in the three-state area of Arkansas, Mississippi, and Texas, and in all other states.

Usable pricing data were received from 14 U.S. processors and 8 importers of the Chinese crawfish tail meat. The U.S. processors reported pricing data for U.S.-produced fresh and frozen tail meat, whereas the importers reported pricing data for only frozen tail meat from China; there are no imports of fresh tail meat from China. Reported pricing data accounted for 32.4 percent by quantity of total U.S. processors' domestic shipments of their U.S.-produced tail meat during January 1994-December 1996, and 44.0 percent by quantity of total U.S. importers' U.S. shipments of tail meat imported from China during this period.

U.S. purchasers generally reported in their questionnaire responses that consumers and retailers/distributors substitute to some extent between fresh and frozen tail meat based on changes in relative prices of the two products (see the discussion of these responses in Part II of the report). Hence, although direct price comparisons between fresh and frozen tail meat may not be appropriate in every circumstance,[6] a change in the price of one product affects not only the quantity demanded of that product but also likely the demand for the other product. The reported selling prices to distributors tended to be *lower* than prices to retailers, for sales of both the domestic frozen and fresh tail meat and the imported Chinese frozen tail meat.

The reported price data are shown by quarters in tables V-1 through V-9 and figures V-2 through V-9. Because of the seasonal nature of domestic crawfish supply, the price data are grouped by the same quarter for the years requested to show more accurately price and quantity trends. The price data are based on U.S. processors' and importers' net sales values f.o.b. their U.S. selling locations and are shown separately for sales of fresh and frozen tail meat to retailers and to distributors by the following areas where customers were located: (1) Louisiana, (2) Arkansas, Mississippi, and Texas, and (3) all other states.[7] Most of the price comparisons between the domestic and imported Chinese frozen crawfish tail meat involved sales to purchasers located in Louisiana, where 14 of the total 18 price comparisons between the domestic and Chinese frozen tail meat were possible; the other four price comparisons involved sales to customers in the three-state area of Arkansas, Mississippi, and Texas.

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[6] Based on sales to retailers, reported prices of domestic frozen tail meat tended to be *lower* than prices of domestic fresh tail meat, but, based on far fewer sales to distributors, reported prices of domestic frozen tail meat were generally *higher* than prices of domestic fresh tail meat.

[7] U.S. processors reported quarterly selling price data for the domestic frozen and fresh tail meat to customers in Louisiana and the three-state area of Arkansas, Mississippi, and Texas, and sales of their fresh tail meat to customers in all other states. U.S. importers reported selling price data for the Chinese frozen tail meat to all three areas requested. The data shown in these tables, particularly by the three different sales areas, are based on reported quarterly selling price data and not on data reported for channels of distribution and by market area shown earlier in the report under the *Channels of Distribution* section.

Table V-1(a)
Frozen crawfish tail meat sold to purchasers in ***Louisiana***: Weighted-average net U.S. f.o.b. prices to ***retailers***, as reported by U.S. processors and importers, and margins of underselling, by quarters, Jan. 1994-Dec. 1996

	January-March			April-June			July-September			October-December		
Year	U.S.	China	Margin	U.S.	China	Margin	U.S.	China	Margin	U.S.	China	Margin
	--$/pound--		*Percent*	*--$/pound--*		*Percent*	*--$/pound--*		*Percent*	*--$/pound--*		*Percent*
1994....	$5.44	$3.50	35.7	$5.34	$3.50	34.5	$4.47	$3.50	21.7	$8.91	$3.50	60.7
1995....	5.25	3.41	35.0	5.25	3.40	35.2	5.25	3.40	35.2	6.50	3.40	47.7
1996....	5.25	3.28	37.5	5.25	3.27	37.7	5.50	3.28	40.4	7.50	3.25	56.7

Note: Percentage margins are calculated from unrounded figures; thus margins cannot always be directly calculated from the rounded figures in the table.

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

Table V-1(b)
Frozen crawfish tail meat sold to purchasers in ***Louisiana***: Quantities sold to ***retailers***, as reported by U.S. processors and importers, by quarters, Jan. 1994-Dec. 1996

	January-March		April-June		July-September		October-December	
Year	U.S.	China	U.S.	China	U.S.	China	U.S.	China
	------*Pounds*------		------*Pounds*------		------*Pounds*------		------*Pounds*-------	
1994....	12,451	2,205	48,137	3,307	1,193	4,850	4,094	30,644
1995....	6,750	24,951	20,250	144,499	5,195	199,314	3,671	551,850
1996....	6,750	34,269	20,250	148,391	8,845	214,797	3,564	529,804

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

Table V-2(a)
Frozen crawfish tail meat sold to purchasers in ***Louisiana***: Weighted-average net U.S. f.o.b. prices to ***distributors***, as reported by U.S. processors and importers, and margins of underselling, by quarters, Jan. 1994-Dec. 1996

	January-March			April-June			July-September			October-December		
Year	U.S.	China	Margin	U.S.	China	Margin	U.S.	China	Margin	U.S.	China	Margin
	--$/pound--		*Percent*	*--$/pound--*		*Percent*	*--$/pound--*		*Percent*	*--$/pound--*		*Percent*
1994	$5.00	-	-	$4.95	-	-	-	$3.47	-	-	$3.59	-
1995	-	$3.55	-	-	$3.50	-	-	3.51	-	-	3.66	-
1996	6.00	3.32	44.7	6.00	3.16	47.3	-	2.43	-	-	2.45	-

Note: Percentage margins are calculated from unrounded figures; thus margins cannot always be directly calculated from the rounded figures in the table.

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

Table V-2(b)
Frozen crawfish tail meat sold to purchasers in ***Louisiana***: Quantities sold to ***distributors***, as reported by U.S. processors and importers, by quarters, Jan. 1994-Dec. 1996

	January-March		April-June		July-September		October-December	
Year	U.S.	China	U.S.	China	U.S.	China	U.S.	China
	------Pounds------		*------Pounds------*		*------Pounds------*		*------Pounds-------*	
1994	387	-	3,751	-	-	53,923	-	16,874
1995	-	64,686	-	10,000	-	126,904	-	34,464
1996	300	28,736	500	45,360	-	306,438	-	253,107

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

Table V-3(a)
Frozen crawfish tail meat sold to purchasers in ***Arkansas, Mississippi, and Texas***: Weighted-average net U.S. f.o.b. prices to ***retailers***, as reported by U.S. processors and importers, and margins of underselling, by quarters, Jan. 1994-Dec. 1996

	January-March			April-June			July-September			October-December		
Year	U.S.	China	Margin	U.S.	China	Margin	U.S.	China	Margin	U.S.	China	Margin
	--$/pound--		*Percent*	*--$/pound--*		*Percent*	*--$/pound--*		*Percent*	*--$/pound--*		*Percent*
1994....	$5.44	-	-	$5.27	-	-	-	-	-	-	$4.25	-
1995....	5.50	$4.18	24.0	5.50	$4.21	23.5	-	$3.86	-	-	4.04	-
1996....	5.50	3.72	32.4	5.50	3.87	29.6	-	3.66	-	-	3.07	-

Note: Percentage margins are calculated from unrounded figures; thus margins cannot always be directly calculated from the rounded figures in the table.

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

Table V-3(b)
Frozen crawfish tail meat sold to purchasers in ***Arkansas, Mississippi, and Texas***: Quantities sold to ***retailers***, as reported by U.S. processors and importers, by quarters, Jan. 1994-Dec. 1996

	January-March		April-June		July-September		October-December	
Year	U.S.	China	U.S.	China	U.S.	China	U.S.	China
	------Pounds------		*------Pounds------*		*------Pounds------*		*------Pounds-------*	
1994....	1,411	-	5,661	-	-	-	-	5,952
1995....	750	11,480	2,250	6,912	-	11,976	-	12,224
1996....	750	12,168	2,250	15,992	-	16,824	-	15,916

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

Table V-4(a)
Frozen crawfish tail meat sold to purchasers in ***Arkansas, Mississippi, and Texas***: Weighted-average net U.S. f.o.b. prices to ***distributors***, as reported by U.S. processors and importers, and margins of underselling, by quarters, Jan. 1994-Dec. 1996

	January-March			April-June			July-September			October-December		
Year	U.S.	China	Margin	U.S.	China	Margin	U.S.	China	Margin	U.S.	China	Margin
	--$/pound--		*Percent*	*--$/pound--*		*Percent*	*--$/pound--*		*Percent*	*--$/pound--*		*Percent*
1994	$5.00	-	-	$4.71	-	-	-	$3.51	-	-	$3.70	-
1995	-	$3.77	-	-	$3.50	-	-	3.44	-	-	3.47	-
1996	-	3.41	-	-	3.97	-	-	2.83	-	-	2.54	-

Note: Percentage margins are calculated from unrounded figures; thus margins cannot always be directly calculated from the rounded figures in the table.

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

Table V-4(b)
Frozen crawfish tail meat sold to purchasers in ***Arkansas, Mississippi, and Texas***: Quantities sold to ***distributors***, as reported by U.S. processors and importers, by quarters, Jan. 1994-Dec. 1996

	January-March		April-June		July-September		October-December	
Year	U.S.	China	U.S.	China	U.S.	China	U.S.	China
	------Pounds------		*------Pounds------*		*------Pounds------*		*------Pounds-------*	
1994	43	-	655	-	-	84,481	-	62,400
1995	-	39,137	-	20,000	-	310,353	-	134,682
1996	-	59,080	-	31,584	-	126,800	-	266,293

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

Table V-5
Frozen crawfish tail meat sold to purchasers in ***all other states***: Weighted-average net U.S. f.o.b. selling prices and quantities of imported frozen tail meat reported by U.S. importers, sold to ***retailers***, by quarters, Jan. 1994-Dec. 1996

	January-March		April-June		July-September		October-December	
Year	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity
	$/pound	*Pounds*	*$/pound*	*Pounds*	*$/pound*	*Pounds*	*$/pound*	*Pounds*
1994	-	-	-	-	-	-	-	-
1995	$3.71	4,900	$3.75	8,400	$4.02	156,300	$4.04	254,900
1996	4.00	8,400	4.80	17,500	3.22	174,000	2.98	204,900

Note: U.S. processors did not report any selling price data of sales of frozen tail meat to customers in all other states.

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

Table V-6
Frozen crawfish tail meat sold to purchasers in ***all other states***: Weighted-average net U.S. f.o.b. selling prices and quantities of imported frozen tail meat reported by U.S. importers, sold to ***distributors***, by quarters, Jan. 1994-Dec. 1996

	January-March		April-June		July-September		October-December	
Year	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity
	$/pound	*Pounds*	*$/pound*	*Pounds*	*$/pound*	*Pounds*	*$/pound*	*Pounds*
1994	-	-	-	-	$3.54	215,124	$3.55	37,985
1995	$3.53	64,800	$3.50	70,000	3.51	1,270,662	3.87	101,906
1996	3.40	162,170	3.42	267,150	3.04	363,815	2.57	609,297

Note: U.S. processors did not report any selling price data of sales of frozen tail meat to customers in all other states.

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

Table V-7
Fresh (chilled) crawfish tail meat sold to purchasers in ***Louisiana***: Weighted-average net U.S. f.o.b. selling prices and quantities of domestic fresh tail meat reported by U.S. processors, by types of customers and by quarters, Jan. 1994-Dec. 1996

Customer/	January-March		April-June		July-September		October-December	
year	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity
	$/pound	*Pounds*	*$/pound*	*Pounds*	*$/pound*	*Pounds*	*$/pound*	*Pounds*
Retailers:								
1994	$5.13	184,486	$4.69	261,585	$5.59	13,323	$7.51	7,448
1995	5.43	110,617	5.02	266,983	5.67	39,466	5.27	5,637
1996	6.66	64,961	5.46	190,957	5.70	56,812	7.66	6,738
Distributors:								
1994	$4.74	8,222	$4.93	94,164	-	-	-	-
1995	5.00	450	5.23	64,069	-	-	-	-
1996	5.73	4,090	5.12	26,305	$5.41	370	-	-

Note: China exports the crawfish tail meat only as frozen; it does not ship fresh tail meat to the United States.

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

Table V-8
Fresh (chilled) crawfish tail meat sold to purchasers in ***Arkansas, Mississippi, and Texas***: Weighted-average net U.S. f.o.b. selling prices and quantities of domestic fresh tail meat reported by U.S. processors, by types of customers and by quarters, Jan. 1994-Dec. 1996

Customer/	January-March		April-June		July-September		October-December	
year	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity
	$/pound	*Pounds*	*$/pound*	*Pounds*	*$/pound*	*Pounds*	*$/pound*	*Pounds*
Retailers:								
1994	$5.06	16,627	$4.60	30,290	$4.63	1,892	$5.00	700
1995	5.95	12,158	5.16	29,320	6.01	4,231	-	-
1996	7.55	7,051	6.28	18,381	6.35	3,082	6.50	450
Distributors:								
1994	$4.79	3,770	$4.61	10,955	$3.75	300	$4.50	261
1995	5.25	2,550	4.85	2,800	5.50	1,700	6.50	1,300
1996	6.93	1,460	5.47	1,786	7.00	150	6.00	260

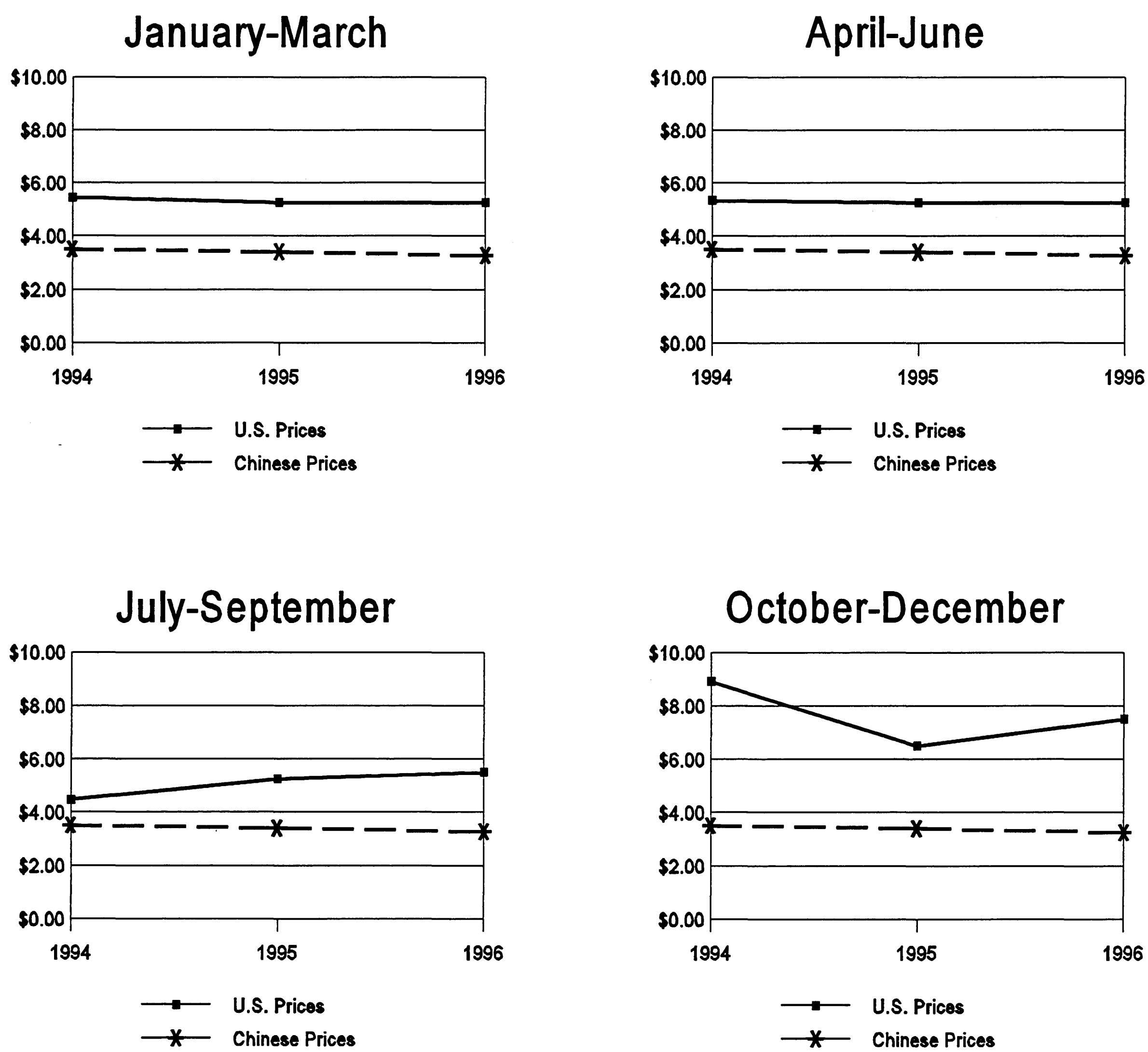
Note: China exports the crawfish tail meat only as frozen; it does not ship fresh tail meat to the United States.

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

Table V-9
Fresh (chilled) crawfish tail meat sold to purchasers in ***all other states***: Weighted-average net U.S. f.o.b. selling prices and quantities of domestic fresh tail meat reported by U.S. processors, sold to ***retailers***, by quarters, Jan. 1994-Dec. 1996

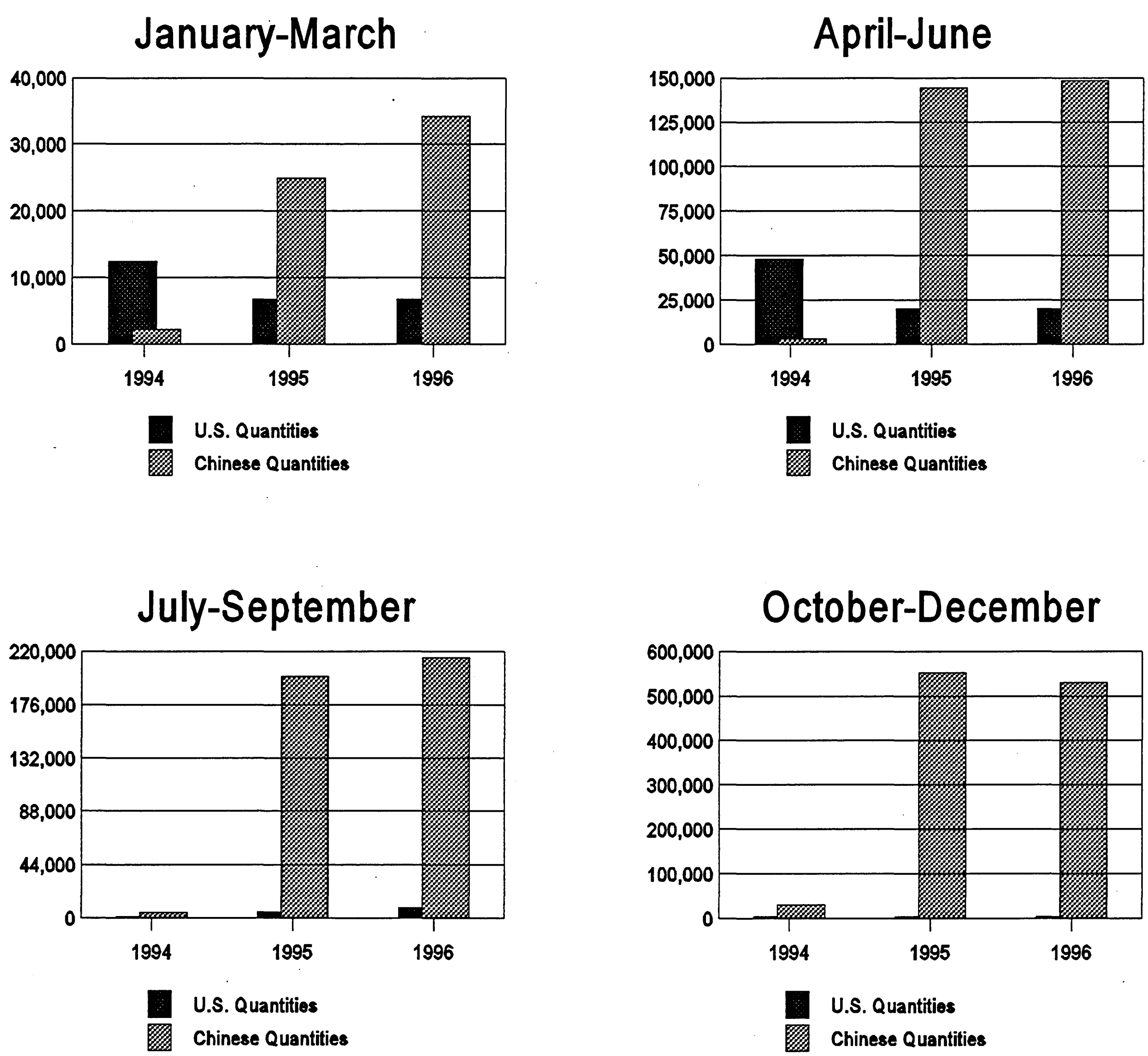
* * * * * * *

Figure V-2
Frozen crawfish tail meat sold to purchasers in ***Louisiana***: Weighted-average net U.S. f.o.b. prices and quantities sold to U.S. ***retailers***, as reported by U.S. processors and importers, by quarters, Jan. 1994-Dec. 1996



Note: See notes at end of figure.

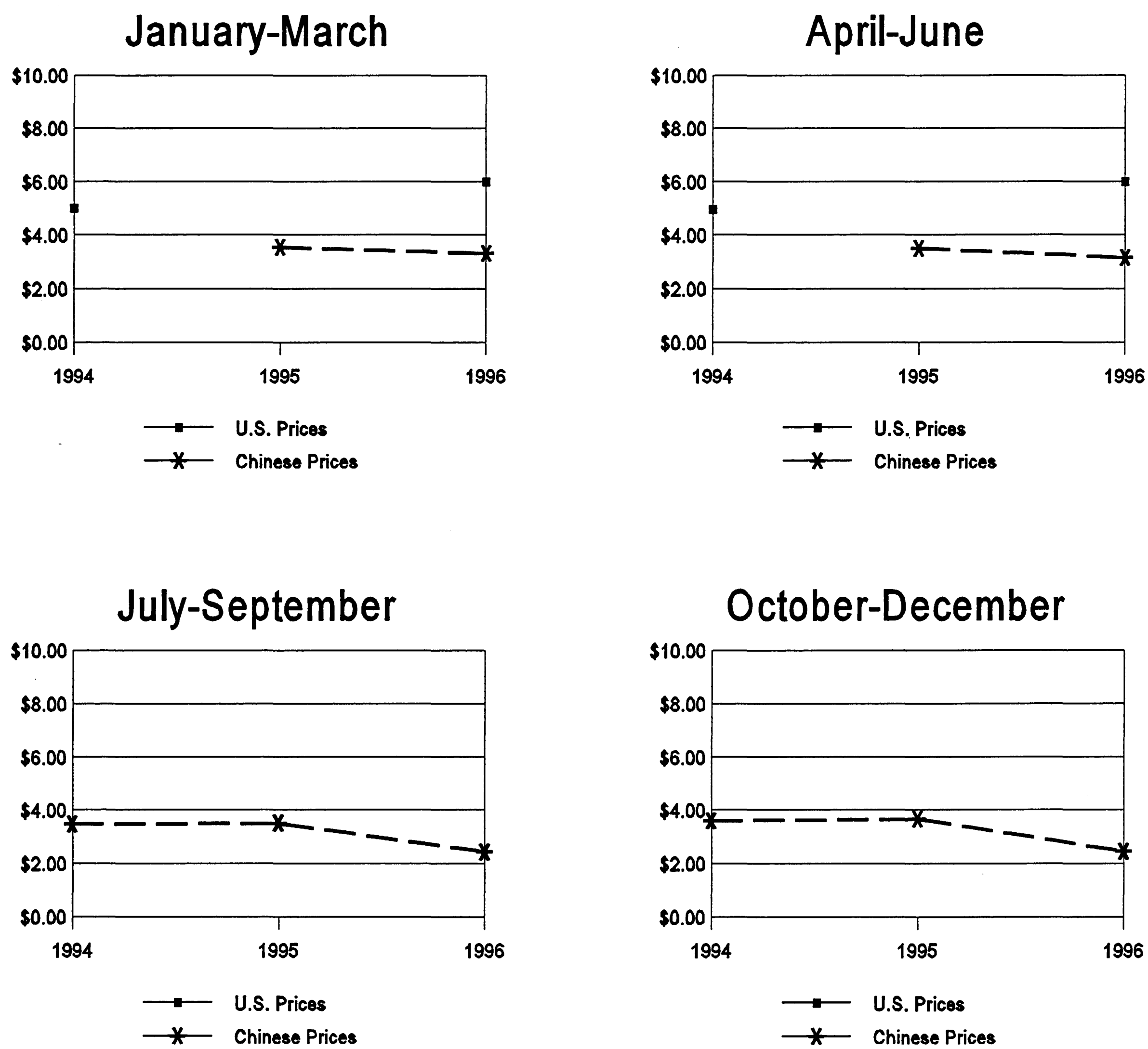
Figure V-2--Continued
Frozen crawfish tail meat sold to purchasers in ***Louisiana***: Weighted-average net U.S. f.o.b. prices and quantities sold to U.S. ***retailers***, as reported by U.S. processors and importers, by quarters, Jan. 1994-Dec. 1996



Note: Prices are in dollars per pound of crawfish tail meat and quantities are in pounds of tail meat.

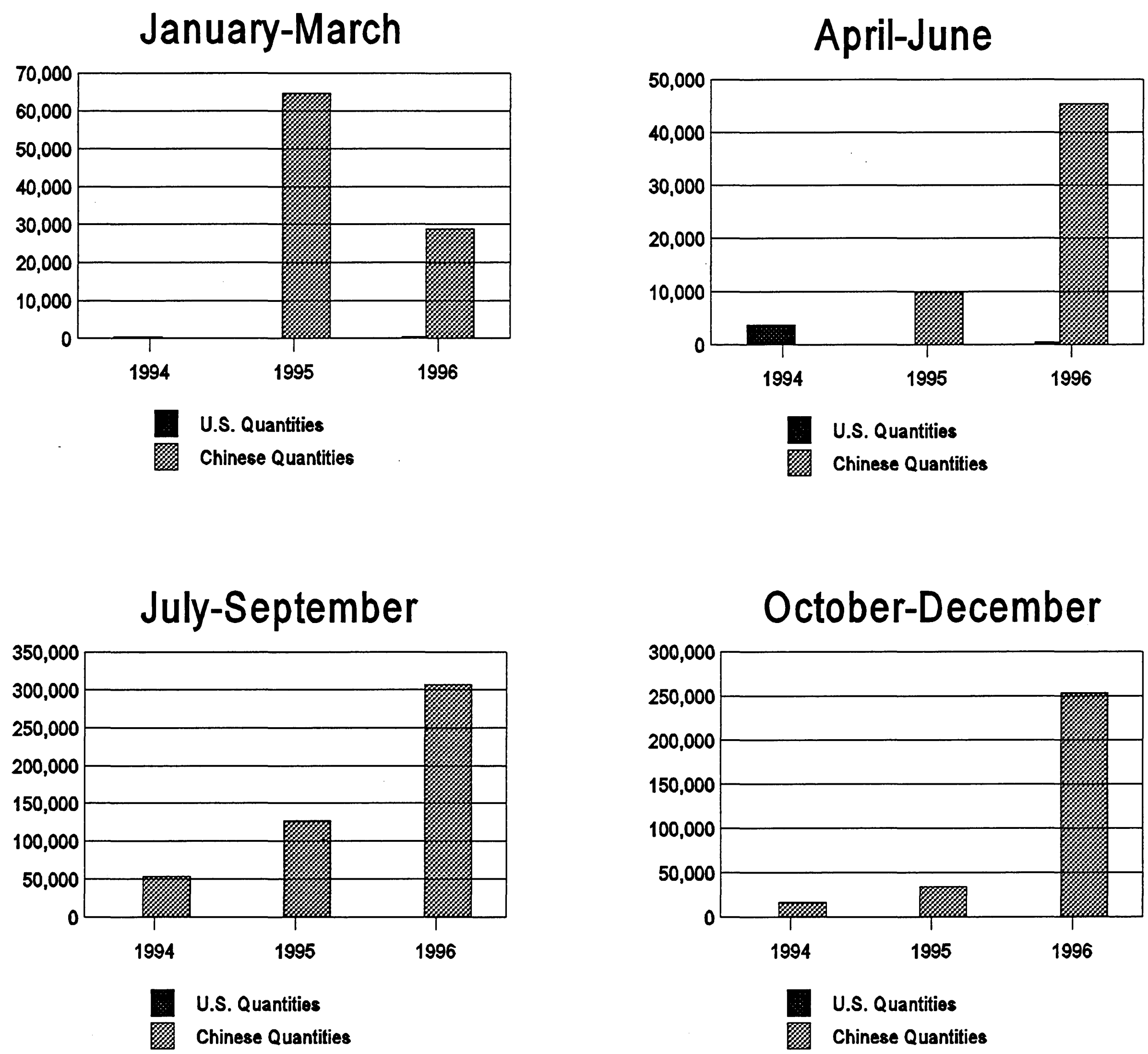
Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-3
Frozen crawfish tail meat sold to purchasers in ***Louisiana***: Weighted-average net U.S. f.o.b. prices and quantities sold to U.S. ***distributors***, as reported by U.S. processors and importers, by quarters, Jan. 1994-Dec. 1996



Note: See notes at end of figure.

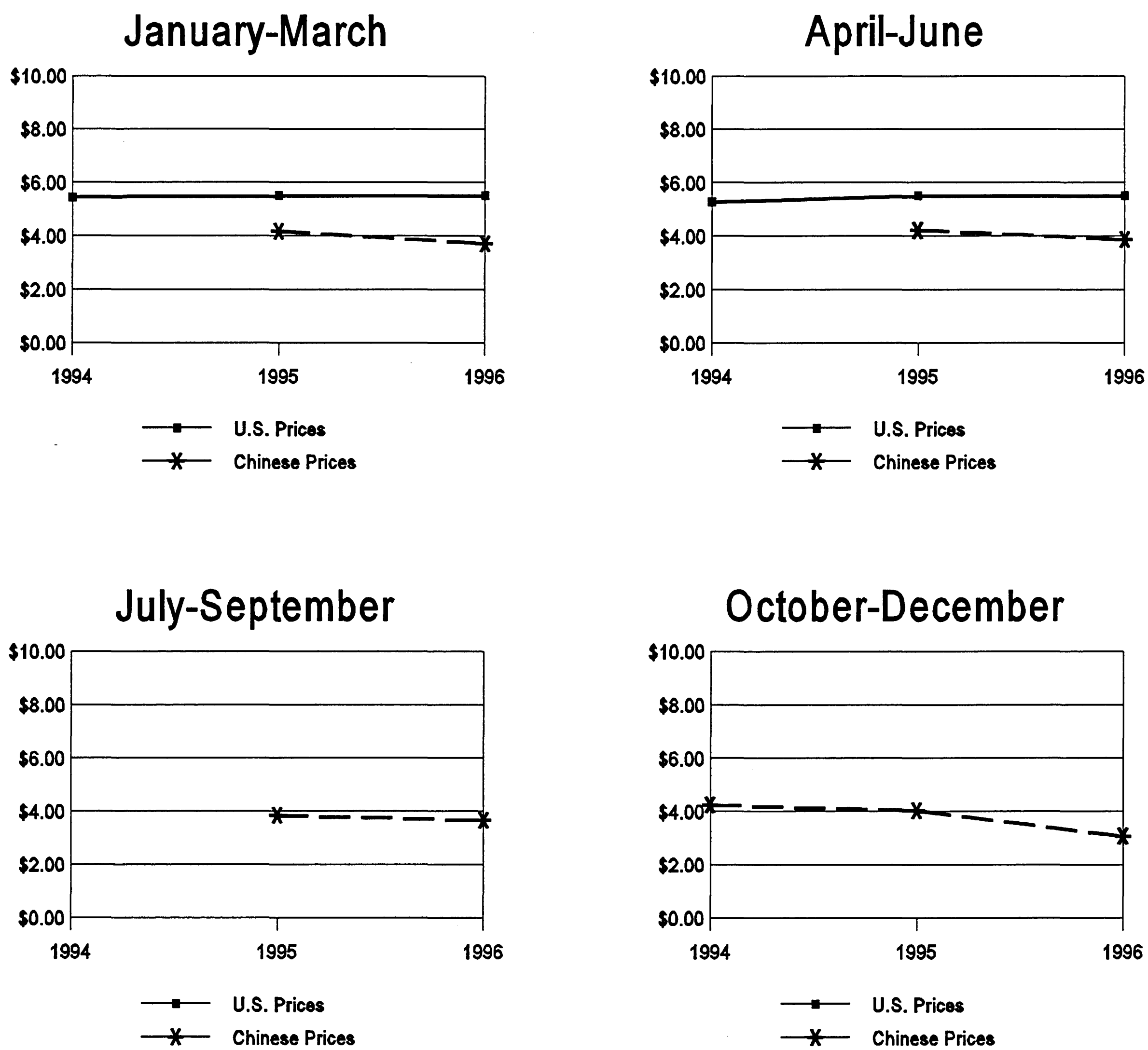
Figure V-3--Continued
Frozen crawfish tail meat sold to purchasers in ***Louisiana***: Weighted-average net U.S. f.o.b. prices and quantities sold to U.S. ***distributors***, as reported by U.S. processors and importers, by quarters, Jan. 1994-Dec. 1996



Note: Prices are in dollars per pound of crawfish tail meat and quantities are in pounds of tail meat.

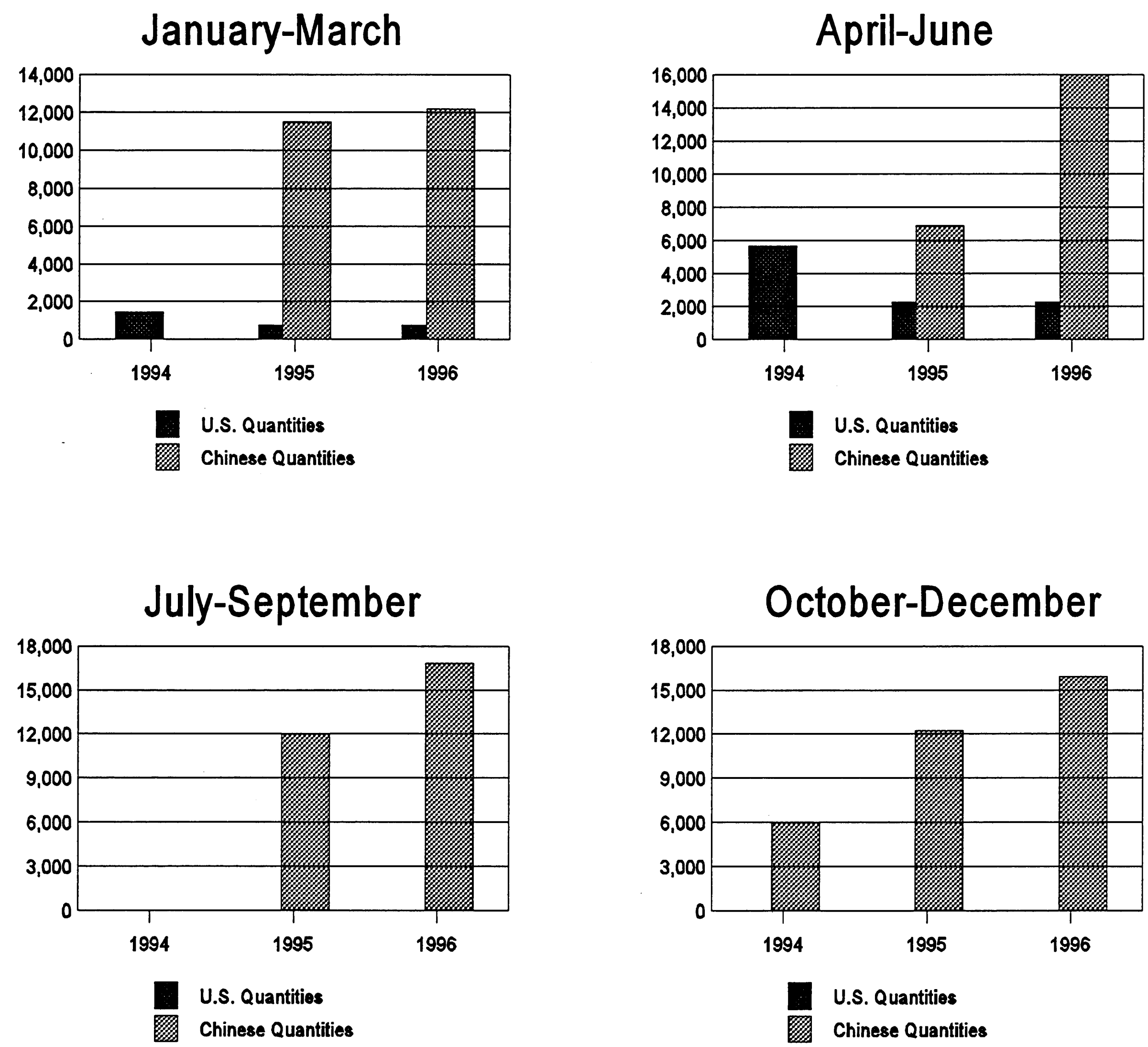
Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-4
Frozen crawfish tail meat sold to purchasers in ***Arkansas, Mississippi, and Texas***: Weighted-average net U.S. f.o.b. prices and quantities sold to U.S. ***retailers***, as reported by U.S. processors and importers, by quarters, Jan. 1994-Dec. 1996



Note: See notes at end of figure.

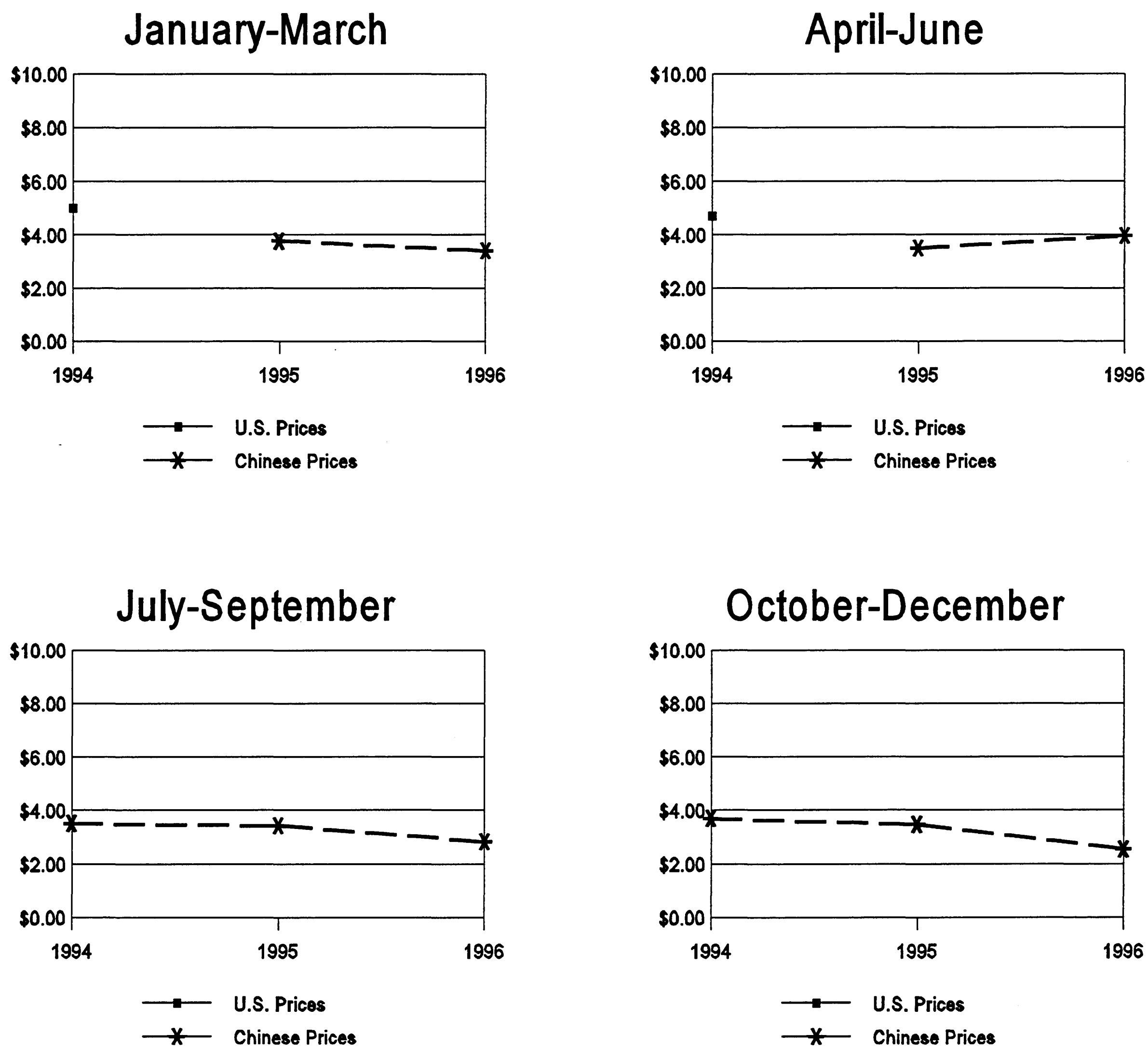
Figure V-4--Continued
Frozen crawfish tail meat sold to purchasers in ***Arkansas, Mississippi, and Texas***: Weighted-average net U.S. f.o.b. prices and quantities sold to U.S. ***retailers***, as reported by U.S. processors and importers, by quarters, Jan. 1994-Dec. 1996



Note: Prices are in dollars per pound of crawfish tail meat and quantities are in pounds of tail meat.

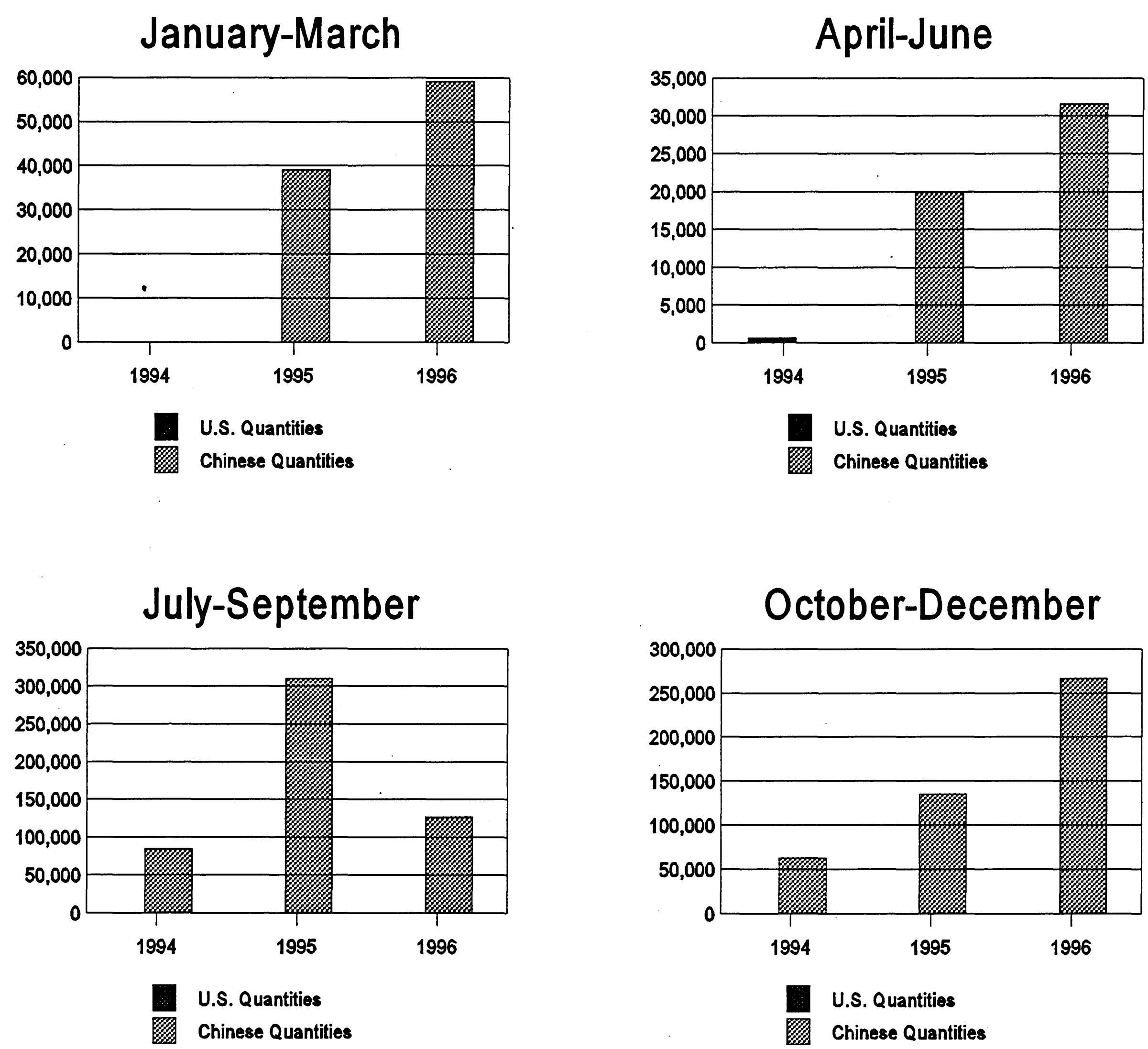
Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-5
Frozen crawfish tail meat sold to purchasers in ***Arkansas, Mississippi, and Texas***: Weighted-average net U.S. f.o.b. prices and quantities sold to U.S. ***distributors***, as reported by U.S. processors and importers, by quarters, Jan. 1994-Dec. 1996



Note: See notes at end of figure.

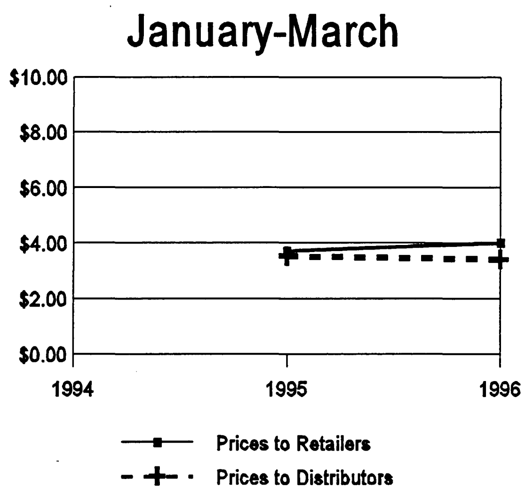
Figure V-5--Continued
Frozen crawfish tail meat sold to purchasers in ***Arkansas, Mississippi, and Texas***: Weighted-average net U.S. f.o.b. prices and quantities sold to U.S. ***distributors***, as reported by U.S. processors and importers, by quarters, Jan. 1994-Dec. 1996

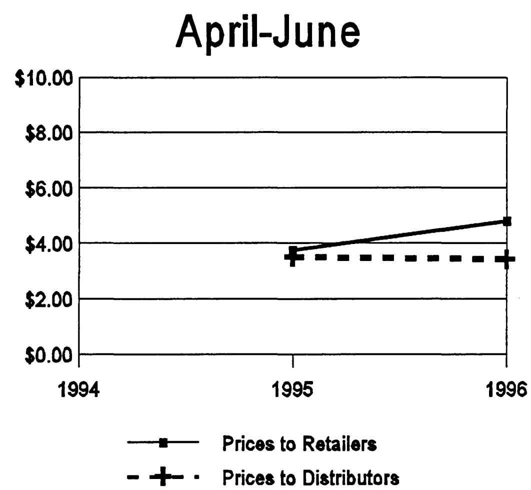


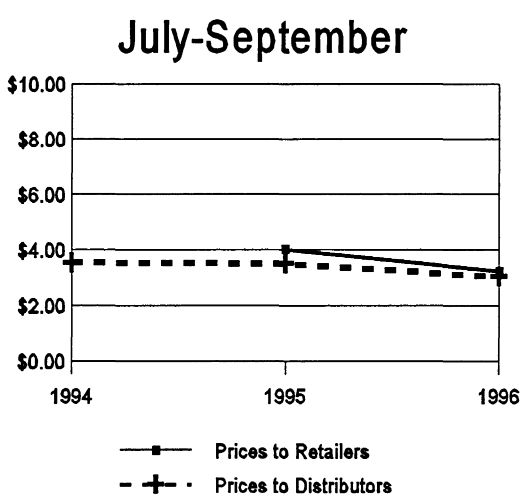
Note: Prices are in dollars per pound of crawfish tail meat and quantities are in pounds of tail meat.

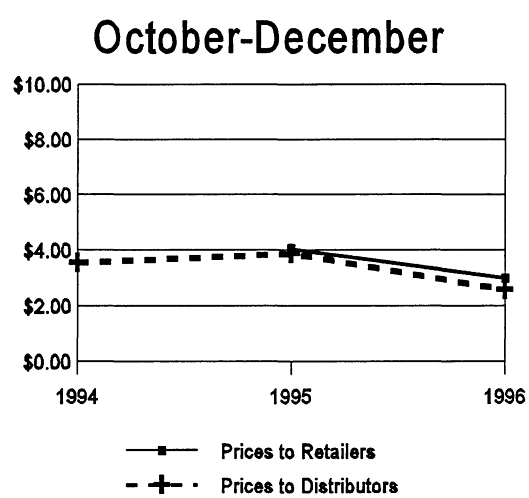
Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-6
Frozen crawfish tail meat sold to purchasers in ***all other states***: Weighted-average net U.S. f.o.b. prices and quantities of imported frozen tail meat reported by U.S. importers, by types of customers and by quarters, Jan. 1994-Dec. 1996



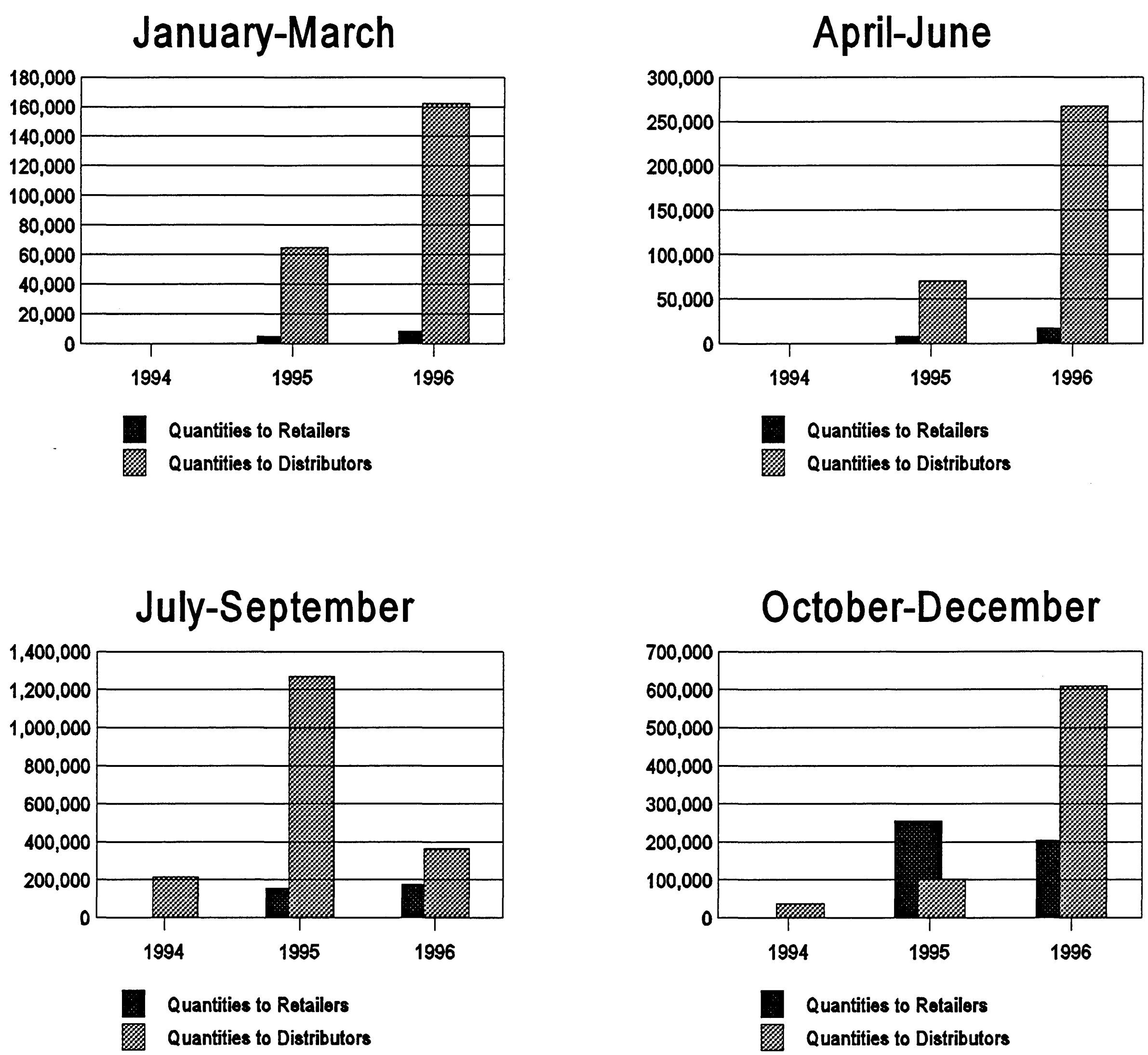






Note: See notes at end of figure.

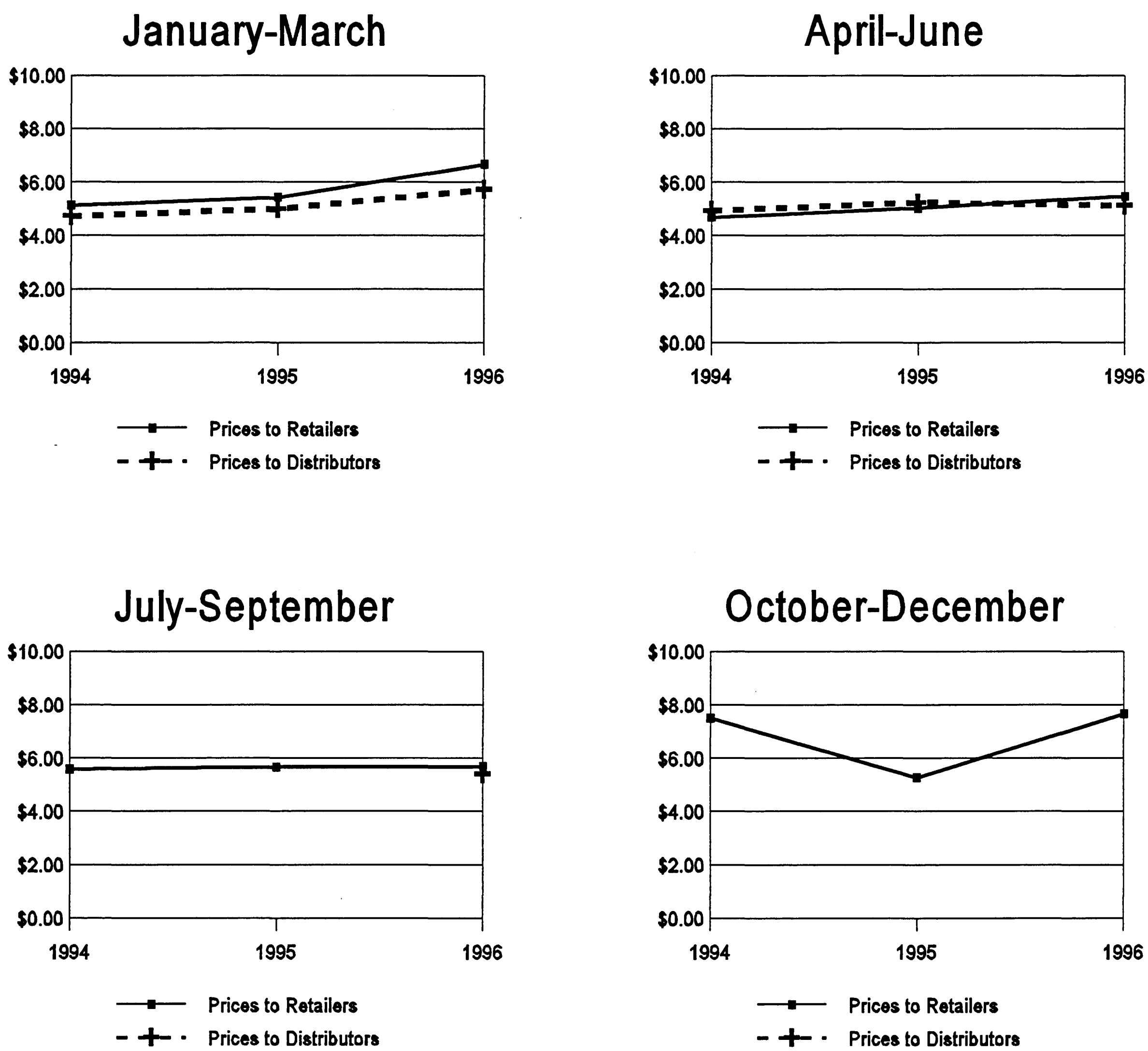
Figure V-6--Continued
Frozen crawfish tail meat sold to purchasers in ***all other states***: Weighted-average net U.S. f.o.b. prices and quantities of imported frozen tail meat reported by U.S. importers, by types of customers and by quarters, Jan. 1994-Dec. 1996



Note: Prices are in dollars per pound of crawfish tail meat and quantities are in pounds of tail meat.

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

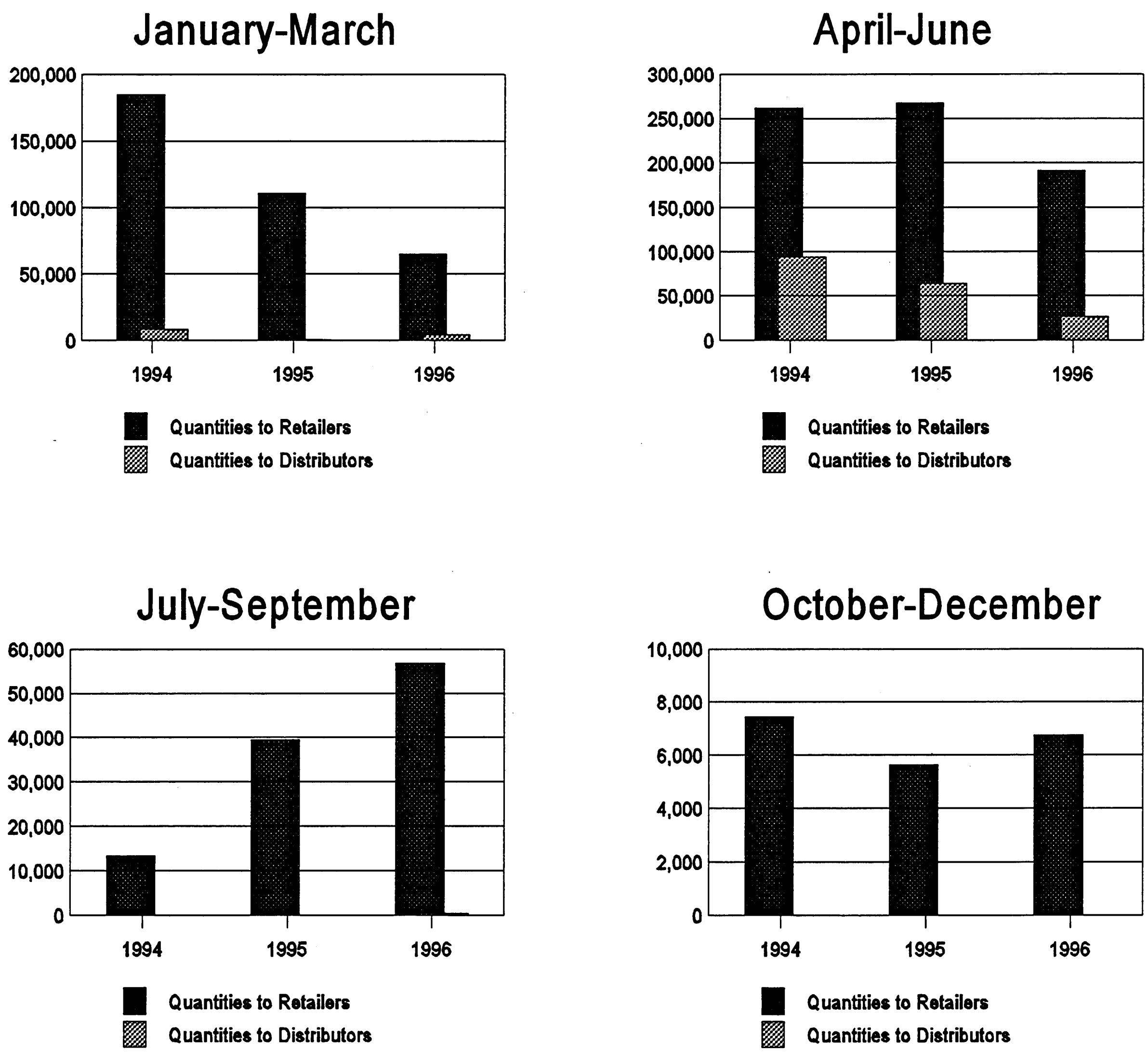
Figure V-7
Fresh (chilled) crawfish tail meat sold to purchasers in ***Louisiana***: Weighted-average net U.S. f.o.b. prices and quantities of domestic fresh tail meat reported by U.S. processors, by types of customers and by quarters, Jan. 1994-Dec. 1996



Note: See notes at end of figure.

Figure V-7--Continued

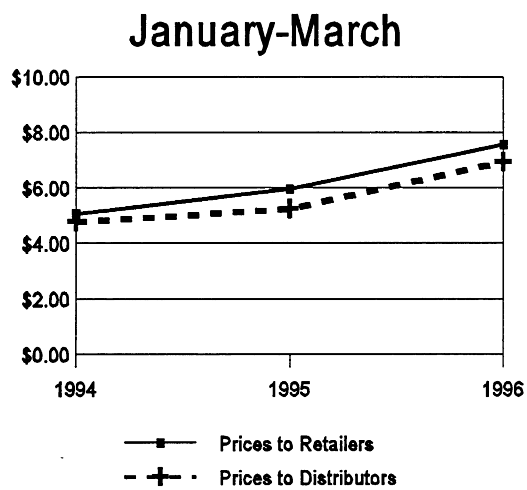
Fresh (chilled) crawfish tail meat sold to purchasers in ***Louisiana***: Weighted-average net U.S. f.o.b. prices and quantities of domestic fresh tail meat reported by U.S. processors, by types of customers and by quarters, Jan. 1994-Dec. 1996

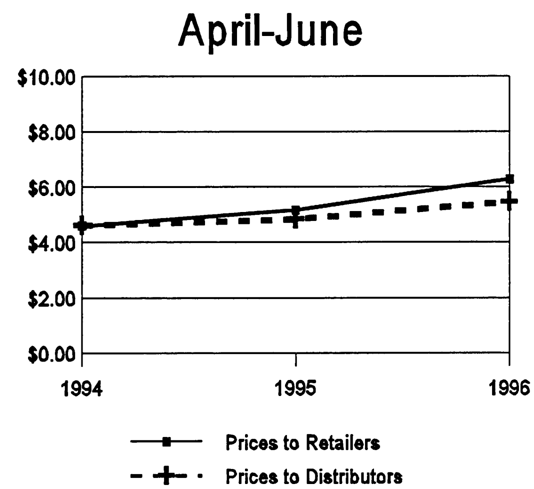


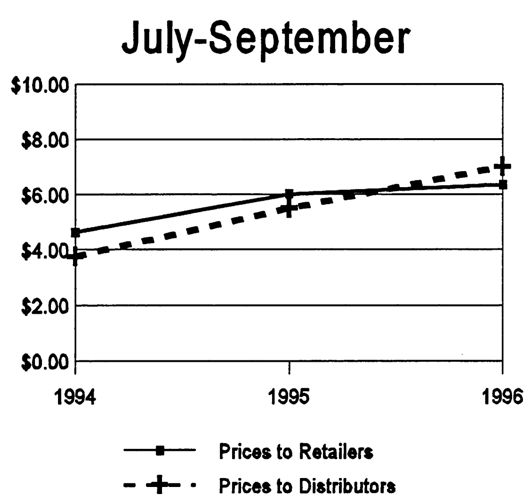
Note: Prices are in dollars per pound of crawfish tail meat and quantities are in pounds of tail meat.

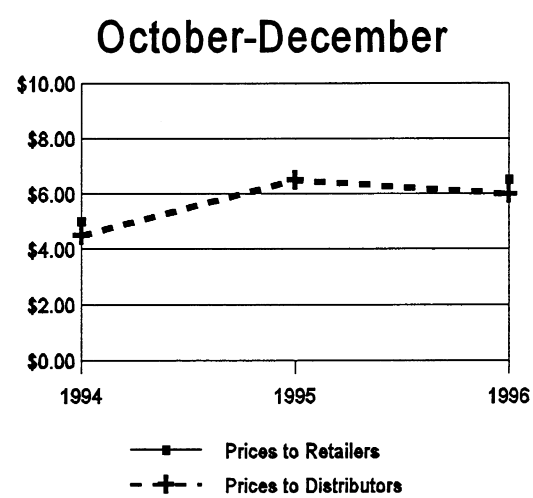
Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-8
Fresh (chilled) crawfish tail meat sold to purchasers in ***Arkansas, Mississippi, and Texas***: Weighted-average net U.S. f.o.b. prices and quantities of domestic fresh tail meat reported by U.S. processors, by types of customers and by quarters, Jan. 1994-Dec. 1996



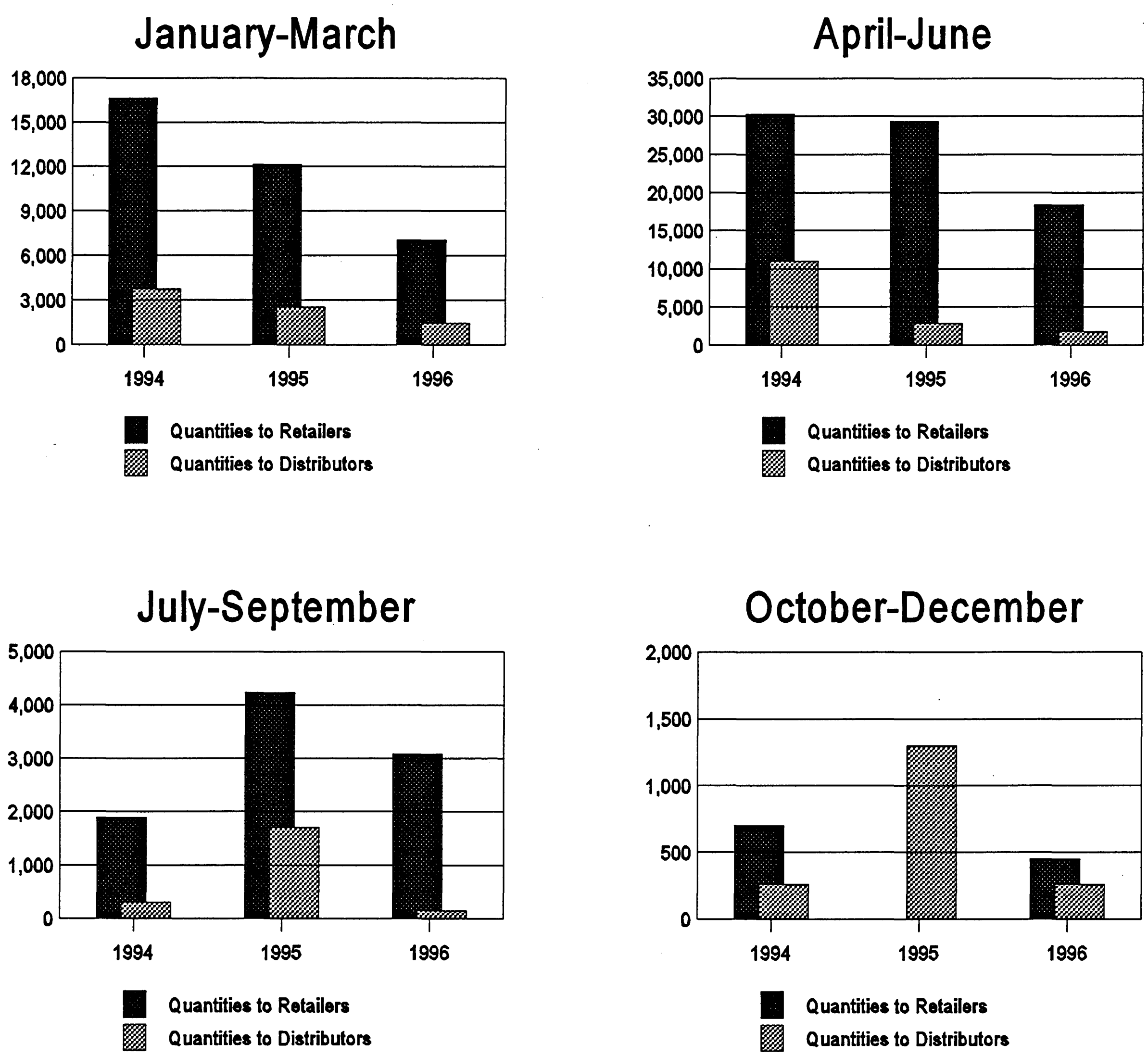






Note: See notes at end of figure.

Figure V-8--Continued
Fresh (chilled) crawfish tail meat sold to purchasers in *Arkansas, Mississippi, and Texas*: Weighted-average net U.S. f.o.b. prices and quantities of domestic fresh tail meat reported by U.S. processors, by types of customers and by quarters, Jan. 1994-Dec. 1996



Note: Prices are in dollars per pound of crawfish tail meat and quantities are in pounds of tail meat.

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

Figure V-9
Fresh (chilled) crawfish tail meat sold to purchasers in ***all other states***: Weighted-average net U.S. f.o.b. prices and quantities of domestic fresh tail meat reported by U.S. processors and sold to ***retailers***, by quarters, Jan. 1994-Dec. 1996

* * * * * * *

The reported price data showed that U.S. processors' selling prices, especially for the fresh tail meat, frequently rose, while U.S. importers' prices fell.[8] On the other hand, U.S. processors' sales quantities fell and U.S. importers' sales quantities increased; in some quarters the importers' sales quantities increased significantly. All the price comparisons involving the domestic and Chinese frozen tail meat sold to the same type of purchasers in the same areas of the United States showed that the Chinese tail meat consistently undersold the domestic tail meat by margins consistently exceeding 20 percent. In addition, prices of the Chinese frozen tail meat were consistently below prices of the domestic fresh tail meat. Fifteen purchasers reported in their questionnaire responses that the Chinese tail meat was generally priced less than the domestic fresh and frozen tail meat during January 1994-December 1996. In addition, 6 purchasers commented that they purchased the Chinese tail meat primarily because of its low price; the low price and good quality of the Chinese product allowed them to expand their total sales of crawfish tail meat, while it also displaced sales of the domestic fresh and frozen tail meat.

Frozen Crawfish Tail Meat Sold in Louisiana

Sales to Retailers[9]

Quarterly U.S. f.o.b. selling prices of frozen crawfish tail meat sold to retailers in Louisiana showed similar trends for the domestic and imported Chinese products during January 1994-December 1996 (table V-1 and figure V-2). Prices of the domestic frozen tail meat fell in 1995 from the level in 1994 and then held steady or rose somewhat in 1996, when comparing a particular quarter's prices in each of the years shown. Prices of the domestic tail meat in 1996 were generally below prices in the initial years reported for each quarter.[10] Prices of the Chinese frozen tail meat fell consistently each year, when comparing prices of a particular quarter in one year to prices in that quarter in the next year.[11]

The quarterly price data resulted in 12 price comparisons between the domestic and Chinese frozen tail meat sold to retailers in Louisiana. The Chinese product was priced less than the domestic product in all 12 price comparisons, with margins of underselling ranging from 21.7 percent to 60.7 percent.

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[8] The major exception to generally rising prices of the domestic tail meat involved U.S. frozen tail meat sold to retailers in Louisiana, where U.S. processors' reported selling prices generally fell, as did the quantities they sold.

[9] Sales of frozen tail meat to retailers in Louisiana accounted for 8.1 percent, by quantity, of the total selling price data reported by U.S. processors and about 23.0 percent reported by U.S. importers. This represents the second-largest-volume sales category for the imported Chinese frozen tail meat.

[10] The only exception to this trend was during the July-September quarter, when the price of domestic frozen tail meat in 1996 was $5.50 per pound, or about 23 percent above the price of $4.47 per pound in 1994.

[11] Decreased prices over the period for the domestic frozen tail meat sold to retailers in Louisiana ranged from 1.7 percent during the April-June quarters to 15.8 percent during the October-December quarters. Decreased prices over the period for the Chinese frozen tail meat sold to retailers in Louisiana ranged from 6.3 to 7.1 percent.

Quantities of the domestic frozen tail meat sold to retailers in Louisiana generally fell significantly in 1995 and then held steady or rose somewhat during 1996 for the January-March, April-June, and October-December quarters; quantities of the domestic frozen tail meat rose, however, in the July-September quarters for each of the years shown.[12]

On the other hand, quantities of the imported Chinese frozen tail meat sold to retailers in Louisiana fluctuated but increased dramatically for most of the quarters from the initial year to the final year shown. The increases were so dramatic that quantities of the Chinese product sold to retailers during the final year reported for each of the quarters were greater than the domestic frozen tail meat sold to retailers during all the years reported with respect to each of these quarters. Such increases suggest that sales of the Chinese frozen tail meat may have supplied substantial increased demand, as well as likely displacing/discouraging at least some sales of the U.S.-produced frozen, and possibly, fresh tail meat sold in Louisiana.

Sales to Distributors[13]

Quarterly U.S. f.o.b. selling prices of the Chinese frozen crawfish tail meat to distributors in Louisiana fell during January 1994-December 1996 (table V-2 and figure V-3); the sales data reported by U.S. processors were too limited to show clear price trends. Prices of the Chinese frozen tail meat generally fell for the quarters and years shown, with the greatest price decreases occurring in 1996. Price decreases between the initial and final years reported for each quarter ranged from 6.5 percent in the January-March quarters to 31.8 percent in the October-December quarters.

The quarterly price data resulted in 2 price comparisons between the domestic and Chinese frozen tail meat sold to distributors in Louisiana. The Chinese product was priced less than the domestic product in both price comparisons, with margins of underselling of 44.7 percent in January-March 1996 and 47.3 percent in April-June 1996.

Quantities of the imported Chinese frozen tail meat sold to distributors in Louisiana increased dramatically in the July-September and October-December quarters from 1994 to 1996. The increases ranged from almost 6 times the initial-year level in the July-September quarters to almost 14 times the initial-year level in the October-December quarters. Reported quantities of the Chinese frozen tail meat sold to distributors in Louisiana declined in the two January-March quarters reported and increased in the two April-June quarters reported.

Frozen Crawfish Tail Meat Sold in Arkansas, Mississippi, and Texas

Sales to Retailers[14]

Quarterly U.S. f.o.b. selling prices of frozen crawfish tail meat sold to retailers in Arkansas, Mississippi, and Texas generally rose or held steady for the domestic product and fell for the Chinese product during the quarters and years reported during January 1994-December 1996 (table V-3 and figure V-4). Prices of the domestic frozen tail meat were reported only for the January-March and April-June quarters. Prices of the domestic product rose in 1995 by 1.1 percent and 4.4 percent, in the respective quarters, to

[12] Adverse weather conditions reportedly reduced domestic tail meat production somewhat during January-June 1995 and even more during January-June 1996.

[13] Sales of frozen crawfish tail meat to distributors in Louisiana accounted for 0.3 percent, by quantity, of the total selling price data reported by U.S. processors and 11.7 percent reported by U.S. importers.

[14] Sales of frozen tail meat to retailers in Arkansas, Mississippi, and Texas accounted for 0.8 percent, by quantity, of the total selling price data reported by U.S. processors and 1.4 percent reported by U.S. importers.

$5.50 per pound in each quarter, and then held steady in 1996 in both quarters. On the other hand, declining prices of the Chinese product over the years reported ranged from 5.2 percent in the July-September quarters to 27.8 percent in the October-December quarters.

The quarterly price data resulted in 4 price comparisons between the domestic and Chinese frozen tail meat sold to retailers in Arkansas, Mississippi, and Texas. The Chinese product was priced less than the domestic product in all 4 price comparisons, with margins of underselling ranging from 23.5 percent to 32.4 percent.

Quantities of the domestic frozen tail meat sold to retailers in Arkansas, Mississippi, and Texas fell in 1995 in the January-March and April-June quarters and then remained at these levels in 1996. On the other hand, reported quantities of the imported Chinese frozen tail meat sold to retailers in the three-state area increased steadily.

Sales to Distributors[15]

Quarterly U.S. f.o.b. selling prices of the Chinese frozen crawfish tail meat to distributors in Arkansas, Mississippi, and Texas generally fell consistently during January 1994-December 1996 for the periods reported, while sales quantities generally increased (table V-4 and figure V-5); the sales data reported by U.S. processors were too limited to show trends. Falling prices of the Chinese frozen tail meat showed the greatest decreases in 1996. Price decreases between the initial and final years reported for the quarters where trends could be calculated ranged from 9.5 percent in the January-March quarters to 31.4 percent in the October-December quarters. On the other hand, during the reported April-June quarters, prices of the Chinese tail meat sold to distributors increased by 13.4 percent.

The quarterly price data did not result in any price comparisons.

Frozen Crawfish Tail Meat Sold In All Other States[16]

Sales to Retailers[17]

Quarterly U.S. f.o.b. selling prices of the Chinese frozen crawfish tail meat to retailers in all other states showed a mixed pattern during January 1995-December 1996, the periods reported, while sales quantities generally increased (table V-5 and figure V-6). Prices increased during the January-March and April-June quarters between 1995 and 1996, by 7.8 and 28.0 percent, respectively. Prices fell during the July-September and October-December quarters between 1995 and 1996, by 19.9 and 26.2 percent, respectively. On the other hand, quantities increased in each of the quarters shown, except for the October-December quarter, when quantities fell by 19.6 percent between 1995 and 1996.

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[15] Sales of frozen tail meat to distributors in Arkansas, Mississippi, and Texas accounted for 0.04 percent, by quantity, of the total selling price data reported by U.S. processors and 14.1 percent reported by U.S. importers.

[16] The U.S. processors did not report selling the domestic frozen crawfish tail meat to purchasers in all other states.

[17] Sales of frozen tail meat to retailers in all other states accounted for 10.3 percent, by quantity, of the total selling price data reported by U.S. importers.

Sales to Distributors[18]

Quarterly U.S. f.o.b. selling prices of the Chinese frozen crawfish tail meat to distributors in all other states generally fell during January 1994-December 1996 for the periods reported, while sales quantities generally increased (table V-6 and figure V-6). Price decreases between the initial and final years reported for the quarters where trends could be calculated ranged from 3.7 percent in the January-March quarters to 27.6 percent in the October-December quarters.

Fresh Crawfish Tail Meat Sold in Louisiana

Sales to Retailers[19]

Quarterly U.S. f.o.b. selling prices of the domestic fresh crawfish tail meat to retailers in Louisiana generally rose and sales quantities fluctuated but generally fell during January 1994-December 1996 (table V-7 and figure V-7). Price increases between 1994 and 1996 ranged from 2.0 percent during the July-September and October-December quarters to 29.8 percent during the January-March quarters.[20]

Sales to Distributors[21]

Quarterly U.S. f.o.b. selling prices of the domestic fresh crawfish tail meat to distributors in Louisiana generally rose and sales quantities generally fell from 1994 to 1996 during the January-March and April-June quarters (table V-7 and figure V-7); insufficient data were reported for the July-September quarters to calculate trends and no price data were reported for the October-December quarters. Price increases between 1994 and 1996 were 20.9 percent during the January-March quarters and 3.9 percent during the April-June quarters.[22]

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[18] Sales of frozen tail meat to distributors in all other states represent the largest-volume sales category for the imported Chinese product and accounted for 39.2 percent, by quantity, of the total selling price data reported by U.S. importers.

[19] Sales of fresh tail meat to retailers in Louisiana represent by far the largest-volume sales category for U.S. processors and accounted for 69.7 percent, by quantity, of the total selling price data reported by U.S. processors; there were no U.S. imports of fresh tail meat from China.

[20] In the 12 quarters that the Chinese frozen and domestic fresh tail meat were both sold to retailers in Louisiana, the Chinese product was priced consistently below the domestic fresh product, ranging in price from 25.4 percent to 57.5 percent less than the price of the domestic product. In comparison, in the 12 quarters that the domestic frozen and fresh tail meat were both sold to retailers in Louisiana, the domestic frozen product was priced less than the domestic fresh product in 7 quarters, ranging from 2.1 percent to 21.2 percent below the price of the domestic fresh product. In 5 quarters the domestic frozen product was priced higher than the domestic fresh product, ranging from 4.6 percent to 23.4 percent above prices of the domestic fresh product.

[21] Sales of fresh tail meat to distributors in Louisiana accounted for 11.4 percent, by quantity, of the total selling price data reported by U.S. processors; there were no U.S. imports of fresh tail meat from China.

[22] In the 5 quarters that the Chinese frozen and domestic fresh tail meat were both sold to distributors in Louisiana, the Chinese product was priced consistently below the domestic fresh product, ranging in price from 29.0 percent to 55.1 percent less than the price of the domestic product. In comparison, in the 4 quarters that the domestic frozen and fresh tail meat were both sold to distributors in Louisiana, the domestic frozen product was consistently priced above the domestic fresh product, ranging from 0.5 percent to 17.1 percent above the price of the domestic fresh product.

Fresh Crawfish Tail Meat Sold in Arkansas, Mississippi, and Texas

Sales to Retailers[23]

Quarterly U.S. f.o.b. selling prices of the domestic fresh crawfish tail meat to retailers in Arkansas, Mississippi, and Texas rose consistently while sales quantities generally fell during January 1994-December 1996 (table V-8 and figure V-8). Price increases between 1994 and 1996 ranged from 30.0 percent during the October-December quarters to 49.2 percent during the January-March quarters.[24]

Sales to Distributors[25]

Quarterly U.S. f.o.b. selling prices of the domestic fresh crawfish tail meat to distributors in Arkansas, Mississippi, and Texas generally increased while quantities generally fell during January 1994-December 1996 (table V-8 and figure V-8). Price increases ranged from 18.7 percent during the April-June quarters to 86.7 percent during the July-September quarters.[26]

Fresh Crawfish Tail Meat Sold in All Other States

Sales to Retailers[27]

Quarterly U.S. f.o.b. selling prices of the domestic fresh crawfish tail meat to retailers in all other states generally rose while sales quantities generally fell during January 1994-December 1996 (table V-9 and figure V-9). Price increases between 1994 and 1996 ranged from *** percent during the October-December quarters to *** percent during the July-September quarters.[28]

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[23] Sales of fresh tail meat to retailers in Arkansas, Mississippi, and Texas accounted for 7.2 percent, by quantity, of the total selling price data reported by U.S. processors; there were no U.S. imports of fresh tail meat from China.

[24] In the 8 quarters that the Chinese frozen and domestic fresh tail meat were both sold to retailers in Arkansas, Mississippi, and Texas, the Chinese product was priced consistently below the domestic fresh product, ranging in price from 15.0 percent to 52.8 percent less than the price of the domestic product. In comparison, in the 6 quarters that the domestic frozen and fresh tail meat were both sold to retailers in Arkansas, Mississippi, and Texas, the domestic frozen product was priced less than the domestic fresh product in 3 quarters, ranging from 7.6 percent to 27.1 percent below the price of the domestic fresh product. In 3 quarters the domestic frozen product was priced higher than the domestic fresh product, ranging from 6.5 percent to 14.7 percent above prices of the domestic fresh product.

[25] Sales of fresh tail meat to distributors in Arkansas, Mississippi, and Texas accounted for 1.6 percent, by quantity, of the total selling price data reported by U.S. processors; there were no U.S. imports of fresh tail meat from China.

[26] In the 10 quarters that the Chinese frozen and domestic fresh tail meat were both sold to distributors in Arkansas, Mississippi, and Texas, the Chinese product was priced consistently below the domestic fresh product, ranging in price from 6.3 percent to 57.7 percent less than the price of the domestic product. In comparison, in the two quarters that the domestic frozen and fresh tail meat were both sold to distributors in Arkansas, Mississippi, and Texas, the domestic frozen product was priced less than the domestic fresh product by 2.3 and 4.4 percent.

[27] Sales of fresh tail meat to retailers in all other states accounted for *** percent, by quantity, of the total selling price data reported by U.S. processors; there were no U.S. imports of fresh tail meat from China. ***.

[28] In the 8 quarters that the Chinese frozen and domestic fresh tail meat were both sold to retailers in all other states, the Chinese product was priced consistently below the domestic fresh product, ranging in price from *** percent to *** percent less than the price of the domestic product. No comparisons with U.S. processors frozen tail meat were possible as processors did not report any sales of their frozen tail meat to customers in all other states.

LOST SALES AND LOST REVENUES

Seventeen U.S. processors, all petitioners, reported in the petition varying amounts of detail concerning allegations of lost sales and/or lost revenues due to competition from the subject imported Chinese crawfish tail meat. The Commission was able to contact most of the purchasers reported by five of the reporting processors that provided the most detail concerning lost sales and lost revenues. These five firms are: ***.[29] It was not possible to provide totals for the alleged lost sales and lost revenues from these five processors because of insufficient detail reported. During the final phase of the investigation, 20 U.S. processors supplied some responses in their returned questionnaires regarding lost sales and/or lost revenues. These 20 firms either repeated the information they reported in the petition or added some general information.[30]

***, a restaurant in ***, was named in a lost sales allegation reported by ***. *** alleged that it had sold about *** pounds of chilled crawfish tail meat to *** in 1993 at about *** per pound, but had not been able to sell them any more product because the restaurant had switched to lower-priced Chinese tail meat. ***, manager of ***, indicated that the figures sounded about correct for that period and he affirmed that he has been buying only Chinese tail meat for the last two years because the quality is good and the price is less than the price of the domestic product. *** buys about *** pounds of crawfish tail meat each month and uses it in such preparations as pasta dishes and stuffings, as well as serving the tail meat fried. *** indicated that, at a low enough price, restaurants will switch from the fresh to the frozen tail meat, although the quality of the fresh tail meat is considered better than the frozen tail meat. He also stated that the only quality difference he has noticed between the domestic and Chinese frozen tail meat was that the Chinese tail meat was available in larger pieces than the domestic product. He noted that this difference constituted an advantage for the Chinese product when the restaurant would bake or fry the tail meat. *** also commented that when the quality of the crawfish is poor he switches to rock shrimp in his pastas and stuffings, even though the rock shrimp is more expensive than the crawfish. He does not change the prices of the seafood dishes where he substitutes rock shrimp for crawfish and he labels the dishes according to the type of fish he uses.

***, a seafood distributor in ***, was named in a lost sales allegation reported by ***. *** alleged that it had sold about *** pounds of frozen crawfish tail meat to *** each year until 1996, when the distributor switched to lower-priced Chinese tail meat. *** of *** indicated that he had not purchased any of the Chinese tail meat in 1996, but had bought far less of the domestic tail meat in 1996 because it was priced so much higher than the Chinese tail meat that he cannot compete with his competitors who are buying and reselling the Chinese tail meat. He noted that in the fall of 1996 the domestic frozen tail meat was selling for $6.50 per pound while the Chinese tail meat was selling for $3.50 per pound. *** commented that frozen Chinese tail meat competes with domestic fresh tail meat, and that other seafood, particularly shrimp, substitutes for crawfish tail meat. He noted further that in Louisiana consumers prefer fresh to frozen tail meat and prefer crawfish in particular dishes to other seafood.

***, a seafood distributor in ***, was named in a lost sales allegation reported by ***. *** alleged that it had sold about *** pounds of frozen crawfish tail meat to *** each year until 1996, when the

[29] Eleven other U.S. processors, which are also petitioners, alleged in the petition that they had lost sales or lost revenues on their U.S.-produced crawfish tail meat because of competition with low-priced tail meat from China. These firms were unable to document sufficiently instances of lost sales and lost revenues.

[30] Six of these 20 U.S. processors indicated in their questionnaire responses that they did not lower their prices or rollback price increases in competition with the Chinese frozen tail meat, although they still tried to sell domestic tail meat. One of the four processors, ***, explained that customers of the U.S. processors knew that prices of the domestic tail meat could not fall to the low price level of the Chinese tail meat; as a result, these customers often did not call U.S. processors for a competing price quote.

distributor switched to lower-priced Chinese tail meat. ***, owner of ***, indicated that in 1995 he bought *** pounds of fresh domestic crawfish tail meat for about $5.50 to $6.00 per pound and froze it for the off-season. He ended up selling it at $5.50 per pound and taking a loss. He has not purchased any domestic tail meat since because it is too expensive compared to the Chinese product. In 1996, he had purchased the frozen Chinese tail meat at about $2.75 per pound; at the same time the domestic frozen tail meat was priced at about $7.50 per pound. *** indicated that he has bought only about *** percent of his normal annual volume of *** pounds of tail meat, because Chinese tail meat in the New Orleans area has depressed prices to the point where he cannot make much of a profit. His normal profit used to be about *** per pound, but during 1996 he sold the Chinese tail meat at *** where he can also sell in the same order other seafood at a profit. He noted that where some of his customers will buy the domestic tail meat, he will pay up to a $0.20 to $0.30 per pound premium for the domestic product. *** indicated that consumers prefer fresh to frozen tail meat but that price is important. He noted that almost all restaurants use frozen tail meat to some extent. *** also indicated that shrimp, oysters, crabmeat, and catfish are substituted for crawfish tail meat by restaurants; they vary the type(s) of seafood in the same dish depending on price and availability of the various seafood.

***, a *** in ***, was named in a lost sales allegation reported by ***. *** alleged that it had sold about *** pounds of fresh crawfish tail meat to *** for the *** in 1995 at *** per pound, but in 1996 *** switched entirely to Chinese tail meat because of its lower price. *** indicated that in 1995 he bought *** pounds of fresh domestic crawfish tail meat at $3.75 per pound and *** pounds of the Chinese tail meat at $2.50 per pound for the ***. He claimed that the domestic product was scarce that year. In 1996, he bought all of his required *** pounds of tail meat from importers of the Chinese product at $3.75 per pound delivered. Prices of the domestic fresh tail meat were about $6.00 per pound. *** reported that at that price difference he could not justify buying the domestic tail meat. He indicated that in his preparations there was no difference in taste when he used the frozen tail meat instead of the fresh tail meat. In addition, he found the Chinese tail meat pieces bigger and more appealing than the smaller domestic tail meat. *** noted that other seafood products are substituted for crawfish when relative prices change. He indicated that if the only available crawfish tail meat reached about $6.00 per pound, he would switch to shrimp in his preparations.

***, a grocery store chain with a central warehouse in ***, was named in a lost sales allegation reported by ***. *** alleged that in April 1996 it quoted a price of *** per pound for *** pounds of domestic crawfish tail meat and lost the sale to Chinese tail meat at *** per pound. ***, buyer of seafood products for ***, indicated that the Chinese price was closer to $3.00 per pound and that he bought both the domestic and Chinese products. *** explained that he used to have two slots in his warehouse for crawfish tail meat--one for the domestic product and one for the Chinese product. He closed down the slot for the domestic product because U.S. processors did not have the quantity he required. Instead, he buys domestic tail meat from processors in the *** area of Louisiana and has them deliver directly to the ***. *** also explained that in 1996 he sold the domestic tail meat at retail for $7.99 per pound and the Chinese tail meat at $4.99 per pound. Some customers prefer the domestic product even at the higher price, but more often customers buy the Chinese product because it is lower in price. *** estimated that he now buys about *** pounds of the Chinese tail meat each year instead of the domestic tail meat solely because of price. *** also commented that he felt frozen and fresh crawfish tail meat were two separate products and consumers did not switch between them because of changes in relative prices. He did not have any information on other seafood products that might substitute for crawfish tail meat.

***, a distributor and U.S. processor located in ***, was named in a lost sales allegation reported by ***. *** alleged that in 1995 it quoted a price of *** per pound for *** pounds of domestic crawfish tail meat and lost the sale to Chinese tail meat priced at *** per pound. ***, owner of ***, reported that the prices sounded correct for 1995, but that he would not make a single purchase of that size. *** reported that during 1995 he purchased a total of *** pounds of the Chinese tail meat at an average price of $2.90 per pound. *** explained that he bought the Chinese product for resale to his distributor customers who had requested the Chinese product. *** explained further that he supplements his own production of frozen tail meat with purchases from other processors and from importers of the Chinese tail meat. *** also commented that frozen and chilled tail meat are different products, but some purchasers may buy both fresh tail meat and Chinese frozen tail meat and combine them in prepared dishes such as etouffees. The sweeter domestic fresh product and the lower-priced Chinese frozen product allow the restaurant to produce a good tasting etouffee at a lower cost than if only the domestic product were used.

*** was named in a lost sales allegation reported by ***. *** alleged that up to 1996 it had supplied *** with about *** pounds of crawfish tail meat annually, but in 1996 lost the account to lower-priced Chinese tail meat selling at *** per pound. *** of *** indicated that the price of the Chinese product in 1996 has been about $2.70 per pound. He noted that he typically buys from five or six companies and purchases about *** pounds of frozen tail meat and *** pounds of fresh meat annually. He commented that during 1996 the price of domestic tail meat rose from $5.00 to $8.00 per pound while the price of the Chinese tail meat remained at about $2.75 per pound. He also said that the Chinese tail meat quality is good and is graded by size. The domestic tail meat is sold only in the smaller size range of 150-200 pieces per pound, but size is secondary to price in his sourcing decisions. About one year ago, he switched *** of his tail meat purchases from the domestic product to the Chinese product. *** indicated that he would pay up to a $1.00 per pound premium for the domestic tail meat. He asserted that fresh and frozen tail meat do not compete and that during the in-season he buys only the fresh tail meat. He felt that there were no substitutes for crawfish tail meat.

***, a seafood distributor in ***, was named in a lost sales allegation reported by ***. *** alleged that it had sold about *** pounds of frozen crawfish tail meat to *** in 1993 at about *** per pound, but has sold them nothing since then because of low-priced Chinese tail meat. *** of *** could not recall specific numbers that far back. He indicated that his customers in general prefer the Chinese crawfish tail meat because its quality is good (very low bacteria count), it comes in larger pieces than the domestic product, and it is priced lower than the domestic product. He noted, however, that he buys both the domestic and Chinese crawfish tail meat because some of his grocery-store customers can sell the higher-priced domestic tail meat. *** indicated that he prefers to buy the frozen tail meat because its shelf life tends to be more reliable than that of the fresh tail meat. He noted that the fresh tail meat is frequently sold in smaller quantities than the frozen tail meat, primarily because the fresh product has a much shorter shelf life. *** commented that he sells much more shrimp than crawfish tail meat and has noticed that, based on their relative prices and availability, shrimp and crawfish tail meat substitute for each other in such preparations as sauces, seafood pasta, and fillings for stuffed fish.

***, a food processor in ***, was named in a lost sales allegation reported by ***. *** alleged that it had sold about *** pounds of crawfish tail meat annually to *** from 1985 to 1995, but could not sell to them in 1996 because the Chinese tail meat was priced $3.00 per pound less than the domestic product. *** of *** indicated that he still buys domestic crawfish tail meat when it is available but acknowledged that he has been buying more Chinese crawfish tail meat because it is cheaper than the domestic product. He noted, however, that the domestic tail meat has not always been available and he has had to buy the Chinese tail meat. *** explained that he makes crawfish *** from the tail meat that he purchases. He uses domestic and Chinese tail meat interchangeably in his product without any difference in quality of the ***. *** stated that because he makes crawfish ***, he cannot substitute any other seafood for the tail meat.

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

BACKGROUND

Thirty U.S. processors provided revenue and cost data on their crawfish tail meat processing operations. These firms accounted for about 80 percent of U.S. production of crawfish tail meat in 1996. Twenty-seven of the firms also provided financial data on the operations of their overall establishments wherein the tail meat is processed. About two-thirds of the firms were involved in operations other than processing crawfish tail meat, such as sales of live whole or whole boiled crawfish, processing fish, or processing alligator or crab meat. Twenty-two of the firms had fiscal years ending December 31, while others had fiscal years ending February 28, April 30, June 30, September 30, and November 30.

Staff verified the data of Acadiana, Catahoula Crawfish, and C.J.'s Seafood. As a result, there were ***.

OVERALL ESTABLISHMENT OPERATIONS

Revenue and cost data on the U.S. processors' operations at the establishments where crawfish tail meat is processed are presented in table VI-1. Net sales value declined each successive period while profitability increased and then decreased. The sharp decrease in sales in 1995 is the result of ***.

On an aggregate basis, sales of crawfish tail meat accounted for about one-third of establishment sales every period. However, the percentage is heavily influenced by the five largest companies, which accounted for two-thirds of establishment net sales values. The crawfish tail meat net sales values for these five companies accounted for only about 17 percent of their establishment net sales values. Absent these processors, sales of crawfish tail meat accounted for about two-thirds of overall establishment net sales values every period, and for at least two-thirds of establishment net sales for 13 to 14 of the 20 to 21 other processors reporting data each period.

CRAWFISH TAIL MEAT PROCESSING OPERATIONS

Revenue and cost data on U.S. processors' operations processing crawfish tail meat are presented in table VI-2. The results--decreasing sales and profitability--and the underlying reasons--large decreases in sales quantities and increasing unit costs--were the same each period. From 1994 to 1996, net sales quantities and values were both down by about 40 percent, the net income had become a net loss, and the number of firms with net losses more than doubled, going from 1 in 4 to about 2 in 3.

As with overall establishment operations, ***. The decline in profitability is more the result of the $0.37 increase in unit costs outpacing the $0.32 increase in unit revenues. As shown in table VI-3, about two-thirds of the processors reported costs increasing faster than revenues.

The situation further deteriorated in 1996, as sales were off by close to one-third and the modest profit became a loss. Much like 1995, the key reason for the declining profitability was the increase in unit costs (which increased by $0.25) relative to unit revenues (which were down by $0.06.) As shown in table VI-3, the trend was even more broad-based in 1996 than in 1995 as almost 4 firms in 5 reported costs rising relative to revenues.

Despite the pressure of the lower-priced imported Chinese crawfish tail meat, U.S. processors were unable to contain costs. From 1994 to 1996, their unit costs increased from $5.08 per pound to $5.70. The single largest reason for the increase was higher purchased crawfish costs (the prices paid to U.S. crawfish farmers and fishermen for live crawfish). Based on the data in table VI-2, $0.31 of the $0.62 increase in unit costs from 1994 to 1996 (one-half) was due to higher purchased crawfish costs. When ***.

Table VI-1
Results of U.S. processors' operations at their overall establishments wherein crawfish tail meat is processed, fiscal years 1994-96

Item	1994	1995	1996
	Value (*$1,000*)		
Net sales	35,931	27,195	24,193
Cost of goods sold	30,507	22,151	20,227
SG&A expenses	2,563	2,005	1,723
Interest expense	90	96	94
All other expenses	2,156	2,104	1,768
Net income	615	840	382
	Ratio to net sales (*percent*)		
Cost of goods sold	84.9	81.5	83.6
SG&A expenses	7.1	7.4	7.1
Interest expense	0.3	0.4	0.4
All other expenses	6.0	7.7	7.3
Net income	1.7	3.1	1.6
	Number of firms reporting		
Data	25	24	25
Net losses	6	3	9

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

Respondents have argued that the financial data as presented may be misleading because it might overstate purchased crawfish costs, and therefore understate the profitability of the industry,[1] as follows:

- Out of every 100 pounds of live crawfish harvested, about 82 pounds are re-sold as live whole or whole boiled, and about 18 pounds are processed into tail meat.
- Customers that purchase live whole or whole boiled crawfish prefer the larger sized crawfish (jumbo, large, and perhaps medium) to the smaller sized crawfish (peelers), so that's what the processors sell them.
- Because of the above, the smaller sized crawfish are the ones that end up being processed into tail meat.

[1] Various Chinese exporters' prehearing brief, pp.14-18.

Table VI-2
Results of U.S. processors on their operations processing crawfish tail meat, fiscal years 1994-96

Item	1994	1995	1996
	Quantity (*1,000 pounds*)		
Net sales	2,178	1,826	1,281
	Value (*$1,000*)		
Net sales	11,514	10,241	7,114
Cost of goods sold:			
Purchased crawfish	6,820	5,963	4,402
Labor	2,542	2,151	1,578
Overhead costs	627	854	539
Total cost of goods sold	9,989	8,968	6,519
SG&A expenses	535	505	359
Interest expense	46	58	71
Depreciation/amortization	68	100	75
All other expenses	421	320	278
Total expenses	11,058	9,952	7,300
Net income or (loss)	456	288	(186)
	Value (*per pound*)		
Net sales	$5.29	$5.61	$5.55
Cost of goods sold:			
Purchased crawfish	3.13	3.27	3.44
Labor	1.17	1.18	1.23
Overhead costs	0.29	0.47	0.42
Total cost of goods sold	4.59	4.91	5.09
SG&A expenses	0.25	0.28	0.28
Interest expense	0.02	0.03	0.06
Depreciation/amortization	0.03	0.05	0.06
All other expenses	0.19	0.18	0.22
Total expenses	5.08	5.45	5.70
Net income or (loss)	0.21	0.16	(0.15)

Table continued on next page

Table VI-2--continued
Results of U.S. processors on their operations processing crawfish tail meat, fiscal years 1994-96

Item	1994	1995	1996
	Ratio to net sales (*percent*)		
Cost of goods sold:			
Purchased crawfish	59.2	58.2	61.9
Labor	22.1	21.0	22.2
Overhead costs	5.4	8.3	7.6
Total cost of goods sold	86.8	87.6	91.6
SG&A expenses	4.6	4.9	5.0
Interest expense	0.4	0.6	1.0
Depreciation/amortization	0.6	1.0	1.1
All other expenses	3.7	3.1	3.9
Total expenses	96.0	97.2	102.6
Net income or (loss)	4.0	2.8	(2.6)
	Number of firms reporting		
Data	28	27	28
Net losses	7	10	18

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

- Although virtually all crawfish purchased by the processors are ungraded, the price is based on, among other things, an assumed mix of jumbo-, large-, medium-, and peeler-sized crawfish.

- Once graded, the larger-sized crawfish sell at a price premium relative to the smaller ones. Therefore, their per-pound cost should be higher than the per pound cost for the smaller sizes. Respondents point to surveys which maintain that peeler-sized crawfish historically cost 66 percent of the average price paid for an ungraded mix of crawfish.

- The correct way for U.S. processors to compute crawfish input costs is to only use the cost of crawfish used in tail meat processing operations. The incorrect way is to use a cost based on average prices paid for a mix of crawfish, some of which will be re-sold as live whole and whole boiled, and some of which will be processed into tail meat.

- Since the cost of the (smaller) crawfish used for tail meat processing operations is 30 percent less than the average cost of all crawfish, and since 68 percent of tail meat costs are the crawfish input costs, if U.S. processors used the wrong input costs as outlined above, crawfish tail meat costs may be overstated by 21 percent. This dollar or so per pound reduction in costs would result in U.S. processors' posting profits of $1 million to $2 million each period (if all U.S. processors figured their costs incorrectly).

Table VI-3
Selected financial indicators of U.S. processors on their operations processing crawfish tail meat, between and among fiscal years 1994-96

Item	1994-96	1994-95	1995-96
	Number of firms reporting		
Data	26	27	26
Sales quantities:			
Increasing	4	11	4
Decreasing	22	15	20
Sales values (absolute):			
Increasing	5	13	4
Decreasing	21	13	20
Sales values (unit values):			
Increasing	15	16	10
Decreasing	9	8	11
Costs (absolute):			
Increasing	5	16	4
Decreasing	21	11	19
Costs (unit values):			
Increasing	19	21	18
Decreasing	6	5	6
Costs (as a % of net sales):			
Increasing	16	17	19
Decreasing	10	10	5
Net profits (absolute):			
Increasing	8	9	6
Decreasing	18	18	18
Net profits (unit values):			
Increasing	10	11	5
Decreasing	16	16	19
Net profits (as a % of net sales):			
Increasing	10	10	5
Decreasing	16	17	19

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

U.S. processors take issue with some of the claims. They[2] maintain that crawfish processed into tail meat are not just medium- and peeler-sized, but contain a fair portion of jumbo- and large-sized crawfish as well for two reasons. First, while purchasers of live whole and whole boiled crawfish prefer the jumbo and large crawfish, they don't always buy all that the processors have to sell in those sizes. Processors can either let the unsold product perish, or, more likely, process it into tail meat. This is especially true in the peak harvest season (March-June) when supply is plentiful.

Second, processors claim that their employees peeling tail meat are more productive when they have a mix of different sized crawfish to work with than they are when they are just working with the smaller ones. In other words, if employees have to work with mostly peeler-sized crawfish, their productivity decreases. Therefore, any cost savings from exclusively using the smaller crawfish are negated by higher labor costs. Perhaps even more importantly, as employees' productivity decreases, their per hour earnings decrease. Workers, especially the better ones, will gravitate towards the processors which provide the best mix of crawfish to work with. Consequently, the processor only providing its employees with the smaller sized crawfish will suffer when compared to the processor providing a broader mix.

In response to respondent's claim, the underlying data in table VI-2 has been divided among companies which did nothing but process crawfish tail meat and those which also sold live whole or whole boiled crawfish. Eight to 9 companies each period (accounting for 27, 33, and 43 percent of the total industry net sales values for 1994, 1995, and 1996, respectively,) did nothing but process crawfish tail meat; the other 19 companies processed crawfish tail meat and sold live whole and whole boiled crawfish. Clearly, respondent's arguments about purchased crawfish costs do not apply to the firms which only processed crawfish tail meat. Data for the firms which sold live whole and whole boiled crawfish in addition to crawfish tail meat are displayed in the following tabulation:

	1994	1995	1996
Per-unit purchased crawfish costs ($/lb):			
From financial data	$3.13	$3.24	$3.33
Computed using crawfish purchases (assuming 16 percent conversion)	3.51	3.62	4.35
Average crawfish purchase price used for crawfish costs (assuming 16 percent conversion) (in percent)	89.0	89.5	76.5

According to the above data, processors have used something less than the average purchase price for all crawfish they purchased. Specifically, they used 11.0 percent less than the average price in 1994, 10.5 percent less in 1995, and 23.5 percent less in 1996. These values, around half of the 30 percent price differential suggested by respondents, indicate processors did not just use the average crawfish purchase price. Based on the foregoing, we believe the financial data as presented in table VI-2 fairly presents the results of U.S. processors' on their operations processing crawfish tail meat.

Selected company-by-company data are presented in table VI-4. While the average net sales value for the processors ranged from a high of $411,000 per company in 1994 to a low of $254,000 in 1996, net sales for each company varied from $*** to $***. About half of the processors had net sales values of $250,000 or less in every period.

[2] Conversations with ***.

Table VI-4
Selected financial data of U.S. processors of crawfish tail meat, on a company-by-company basis, fiscal years 1994-96

* * * * * * *

The variance analysis showing the effects of prices and volume on processors' net sales of processed crawfish tail meat and of costs and volume on their total expenses is shown in table VI-5. The analysis shows that about two-thirds of the decrease in profitability between and among periods was due to increased costs and expenses relative to changes in prices, consistent with the previous discussion. Although there was a large decrease in net sales quantities every period, when an industry is close to break-even (as is the case here), even relatively small changes in prices and costs often have a more pronounced effect upon profitability than changes in volume.

In addition to revenue and cost data, firms were asked to supply data on capital expenditures and the value of their productive assets. Since only three firms reported capital expenditures and only seven reported the values of their assets, the data are incomplete and are not being presented.

CAPITAL AND INVESTMENT

The Commission requested U.S. processors to describe any actual or anticipated negative effects of imports of crawfish tail meat from China. Their responses are summarized below:

Number of companies that reported--	
No actual negative effects	13
Actual negative effects due to--	
Cancellation or rejection of expansion projects	11
Denial or rejection of investment proposal	2
Reduction in the size of capital investments	2
Other actual negative effect	4
Number of companies that reported--	
No anticipated negative effects	2
Anticipated negative effects	27

The processors' specific comments regarding anticipated negative effects were as follows:

"Unless Chinese imports are stopped, I feel that in the next 2 years, we will be out of business."
"Lowering of sales and keeping prices at levels where we cannot make a profit of any kind after production costs."
"Because Chinese crawfish tail meat is sold at a low price, we are unable to sell our tail meat--moving slow. Consumers are buying lower priced products."
"To be able to sell our meat, or at times having to breakeven or take a loss, we are thinking of only selling live."
"Declining revenue, market share & net income due to cheaper prices that I cannot compete with."
"With the import crawfish meat we cannot make the profit we need to make."
"Can not compete with price of China meat."
"Less profit on domestic sales & decline of sales of domestic product."
"Fewer domestic sales due to lower priced imports."

Table VI-5
Variance analysis of U. S. processors' operations processing crawfish tail meat, fiscal years 1994-96

Item	1994-96	1994-95	1995-96
	Value ($1,000)		
Net sales:			
Price variance	341	591	(73)
Volume variance	(4,741)	(1,865)	(3,053)
Net sales variance	(4,400)	(1,273)	(3,127)
Cost of goods sold:			
Cost variance	(643)	(597)	(224)
Volume variance	4,113	1,618	2,674
Total COGS variance	3,470	1,021	2,450
All other costs/expenses:			
Cost/expense variance	(153)	(88)	(91)
Volume variance	440	173	293
Total all other costs/ expenses variance	287	85	202
Net income variance	(642)	(168)	(475)
Summarized as:			
Price variance	341	591	(73)
Net cost/expense variance	(796)	(685)	(315)
Net volume variance	(188)	(74)	(86)

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

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

"Canceled plans to enlarge processing room due to greater difficulty of selling Louisiana crawfish because of low priced Chinese crawfish."
"Loss of sales to major clients."
"With China taking over all distributors and restaurants it forces all of us in the retail outlets and that really keeps the market weak."
"Loss of all restaurant sales. Reduction of sales to major clients."
"I have canceled all projects concerning peeling crawfish."
"Loss of sales--will nor process tail meat in the future."
"With our labor cost being above the retail of the Chinese product, it is obvious that this will hurt our industry as a whole. We will be unable to compete in a price conscious society."

"If the negative trend continues, we will have to lay off workers and very possibly shut down the processing plant."
"Closure of all tail meat processing plants which will have big effect on live sales, average prices to farmers, etc."
"Reduction in sales, lay off workers."
"We will not be able to peel meat at competitive prices."
"At this rate of Chinese crawfish being sold at below costs my company cannot continue to operate."
"If we cannot sell tail meat at a profit we cannot buy the amount of crawfish we need for live market which will end up as a loss at the end of the year."
"Our sales have been steady down for the last 3-4 years."
"We've had to switch from peeled tail meat sales to live sales. We did whole boiled sales in 1996, but the Chinese destroyed whole boiled sales in 1997."
"Imports being sold at prices below production cost decreasing sales."

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 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 Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE INDUSTRY IN CHINA

None of the Chinese processors of crawfish tail meat are represented by counsel before the Commission. Data provided by Chinese exporters of crawfish tail meat who are represented by counsel and who account for about 80 percent of 1996 estimated imports are presented in table VII-1 at the end of this section. These data do not include production or capacity figures, and projections for 1997 and 1998 data were sparsely reported.

Approximately 95 percent of the Chinese production of crawfish is in Jiangsu Province, with the remaining 5 percent in Anhui and Hubei Provinces.[1] The crawfish tail meat industry in China was created primarily for export sales to the United States, as there is only a small, undocumented market for tail meat in China.[2] U.S. importers began to explore the possibility of importing crawfish tail meat from China in the late 1980s. ***. There were reportedly only two processors in China in 1990. As demand for Chinese crawfish tail meat increased in the United States, the number of Chinese processors grew to 15 in 1993 and to 50 in 1995.[3] [4]

The crawfish season in China normally extends from June through September. However, in 1995 China had unusually favorable weather, resulting in an extended crawfish season beginning in April and ending in November. The additional months of harvesting led to significant increases in production of tail meat, and since the United States is China's primary market, exports to the United States also increased significantly. Crawfish in China are primarily sourced from wild harvests, but it has been reported that these harvests are being supplemented by cultured crawfishing in several regions in China.[5]

The respondents reported that the number of Chinese processors producing crawfish tail meat declined to about 15 during 1996. They argued that the reduction was a result of a smaller supply of crawfish due to the return to normal weather conditions in 1996, the reduction of a Chinese tax rebate applicable to exports of crawfish tail meat from 13 to 3 percent in October 1995, and the implementation of a plant

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[1] Transcript of conference, p. 149.

[2] Petition, p. 30; transcript of conference, p. 179.

[3] Transcript of conference, p. 149.

[4] U.S. importers primarily imported Chinese crawfish tail meat from export trading companies, rather than from the processors themselves. China Everbright Trading Corp.; China Huaiyin Foreign Trade Corp.; China Yancheng Foreign Trade Corp.; China Yanchen Feng Bao Seafood Co.; China Yanchen Aquatic Products Freezing Plant; China Anhui Cereals, Oils & Foodstuff Import/Export Co.; China Juiangsu Cereals, Oils, & Foodstuffs Import & Export Corp.; Binzhou Prefecture Import & Export Corp.; Lianyungang Foreign Trade Corp.; and Nantung Delu Aquatic Food Co. were listed as exporters of Chinese crawfish tail meat during the period for which data were collected.

[5] "The Impact on the Louisiana Crawfish Industry of Imported Frozen Chinese Tail Meat," Louisiana Department of Agriculture and Forestry, p. 3.

certification program in 1996 that effectively eliminated many substandard crawfish tail meat processors.[6] According to industry sources, drought conditions during the latter half of 1996 also accounted for a reduction in exports of crawfish tail meat from China in 1996.[7]

U.S. INVENTORIES OF CRAWFISH TAIL MEAT FROM CHINA

As indicated in table VII-2 at the end of this section, end-of-period inventories of crawfish tail meat imported from China were high and increased from 624,000 pounds in 1994 to 4.6 million pounds in 1995. From 1995 to 1996, inventories decreased by about 14 percent, concurrent with a decrease in imports and an increase in shipments of imports. The ratio of inventories to U.S. shipments increased from 20.5 percent in 1994 to 65.5 percent in 1995, and then decreased to 47.7 percent in 1996. These large inventories reflected an oversupply of frozen crawfish tail meat in the U.S. market. At the staff conference, Jim Mullin of Atlantic Gem stated that this oversupply had caused importers to take substantial losses on their import shipments during 1995. Because of the relatively short shelf life of frozen crawfish tail meat,[8] importers were faced with the need to turn inventory, even if it required taking a loss on sales.[9] Two importers, ***, reported that they had returned significant volumes of product back to China during the beginning of 1996 because of the inability to sell it in the United States.[10]

Respondents argued that this oversupply of Chinese crawfish tail meat in the U.S. market was primarily a result of unusually good weather conditions in China during 1995. Because China's crawfish tail meat industry is export-driven with the United States as its primary export market, the additional three to four months of crawfish production in China resulted in additional exports to the United States. Mullin noted that this oversupply became evident during September 1995, and as more product continued to be imported, the importers' price structures began to decline significantly. These large inventories reportedly affected importers' pricing through July or August 1996.[11]

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[6] Various exporters' prehearing brief, p. 29.

[7] Conversation with ***.

[8] Frozen crawfish tail meat has an expected shelf life of 12 months, but Mullin suggested that a more realistic shelf life is 3 to 6 months, depending on the quality of the crawfish tail meat (transcript of conference, p. 167).

[9] Mullin reported that the market had become so oversupplied that he was forced to accept purchase offers of $2.45 and $2.50 per pound on product that he had imported for $3.50 per pound (transcript of conference, p. 167).

[10] The returns were subtracted from importers' end-of-period inventories.

[11] Transcript of conference, p. 186.

Table VII-1
Shipments of crawfish tail meat by Chinese exporters, 1994-96 and projected 1997-98

Item	1994	1995	1996	Projected 1997	Projected 1998
	Quantity (1,000 pounds)				
Shipments:					
Home market	155	463	357	260	243
Exports to:					
United States	2,885	6,761	6,188	3,482	3,152
All other markets	771	2,132	2,827	4,319	5,110
Total exports	3,655	8,893	9,015	7,801	8,262
Total shipments	3,811	9,356	9,371	8,061	8,505
	Ratios and shares (percent)				
Share of total shipments:					
Home market	4.1	4.9	3.8	3.2	2.9
Exports to:					
United States	75.7	72.3	66.0	43.2	37.1
All other markets	20.2	22.8	30.2	53.6	60.1
Total exports	95.9	95.1	96.2	96.8	97.1

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

Table VII-2
Crawfish tail meat: U.S. importers' end-of-period inventories of imports from China, 1994-96

Item	1994	1995	1996
EOP inventories (1,000 pounds)	624	4,597	3,947
Ratio to imports (percent)	18.4	41.8	50.8
Ratio to U.S. shipments of imports (percent)	20.5	65.5	47.7

Note.--Inventories for 1994-95 are based on responses from both the preliminary and final phases of the investigation. Inventories for 1996 were estimated using the ratio of responses for 1995 provided in the final phase of the investigation to responses for 1995 provided in the preliminary phase of the investigation, and applying this ratio to 1996 inventories as reported in responses to the questionnaire in the final phase of the investigation.

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

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–752 (Final)]

Crawfish Tail Meat From China

AGENCY: United States International Trade Commission.

ACTION: Scheduling of the final phase of an antidumping investigation.

SUMMARY: The Commission hereby gives notice of the scheduling of the final phase of antidumping investigation No. 731-TA–752 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act) to determine whether 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 less-than-fair-value imports from China of crawfish tail meat, provided for in subheadings 0306.19.00

and 0306.29.00 of the Harmonized Tariff Schedule of the United States.[1]

For further information concerning the conduct of this phase of the investigation, hearing procedures, 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 C (19 CFR part 207), as amended by 61 FR 37818, July 22, 1996.

EFFECTIVE DATE: March 26, 1997.

FOR FURTHER INFORMATION CONTACT: Olympia DeRosa Hand (202–205–3182), 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

The final phase of this investigation is being scheduled as a result of an affirmative preliminary determination by the Department of Commerce that imports of crawfish tail meat from China are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. § 1673b). The investigation was requested in a petition filed on September 20, 1996, by the Louisiana Crawfish Coalition, Breaux Bridge, LA.

Participation in the Investigation and Public Service List

Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the final phase of this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, no later than 21 days prior to the hearing date specified in this notice. A party that filed a notice of appearance during the preliminary phase of the investigation need not file an additional notice of appearance during this final phase. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

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 the final phase of this investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made no later than 21 days prior to the hearing date specified in this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the investigation. A party granted access to BPI in the preliminary phase of the investigation need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff Report

The prehearing staff report in the final phase of this investigation will be placed in the nonpublic record on July 15, 1997, and a public version will be issued thereafter, pursuant to section 207.22 of the Commission's rules.

Hearing

The Commission will hold a hearing in connection with the final phase of this investigation beginning at 9:30 a.m. on July 28, 1997, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before July 17, 1997. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on July 21, 1997, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), and 207.24 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony in camera no later than 7 days prior to the date of the hearing .

Written Submissions

Each party who is an interested party shall submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.23 of the Commission's rules; the deadline for filing is July 22, 1997. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.25 of the Commission's rules. The deadline for filing posthearing briefs is August 5, 1997; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before August 5, 1997. On August 22, 1997, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before August 26, 1997, but such final comments must not contain new factual information and must otherwise comply with section 207.30 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also 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 Commission's 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

This investigation is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.21 of the Commission's rules.

Issued: April 2, 1997.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 97–9181 Filed 4–9–97; 8:45 am]

BILLING CODE 7020–02–P

[1] For purposes of this investigation, Commerce has defined the subject merchandise as "freshwater crawfish tail meat, in all its forms (whether washed or with fat on, whether purged or unpurged), grades, and sizes; whether frozen, fresh, or chilled; and regardless of how it is packed, preserved, or prepared." Excluded from the scope of the investigation are live crawfish and other whole crawfish, whether boiled, frozen, fresh, or chilled. Also excluded are saltwater crawfish of any type, and parts thereof.

DEPARTMENT OF COMMERCE

International Trade Administration

[A–570–848]

Notice of Final Determination of Sales at Less Than Fair Value: Freshwater Crawfish Tail Meat From the People's Republic of China

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

EFFECTIVE DATE: August 1, 1997.

FOR FURTHER INFORMATION CONTACT: Elisabeth Urfer, Rebecca Trainor, or Maureen Flannery, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482–4052, (202) 482–0666, or (202) 482–3020, respectively.

The Applicable Statute

Unless otherwise indicated, all citations to the Tariff Act of 1930, as amended (the Act) are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Act by the Uruguay Rounds Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department's regulations are to the regulations as codified at 19 CFR Part 353 (April 1, 1996).

Final Determination

We determine that freshwater crawfish tail meat (crawfish tail meat) from the People's Republic of China (PRC) is being, or is likely to be, sold in the United States at less than fair value (LTFV), as provided in section 735 of the Act.

Case History

The Crawfish Processors Alliance is the petitioner in this investigation. As discussed in the preliminary determination, the following PRC exporters submitted full questionnaire responses in a timely manner: China Everbright Trading Company (China Everbright), Binzhou Prefecture Foodstuffs Import and Export Corp. (Binzhou), Yancheng Fengbao Aquatic Food Co., Ltd. (Yancheng Fengbao), Yancheng Foreign Trade Corp. (Yancheng FTC), Huaiyin Foreign Trade Corp. (Huaiyin FTC), Jiangsu Cereals, Oils & Foodstuffs Import & Export Corp. (Jiangsu Cereals), Jiangsu Light Industrial Products Import & Export (Group) Yangzhou Co. (Jiangsu Light), Lianyungang Yupeng Aquatic Products (Yupeng), Jiangsu Overseas Group Corp. (Jiangsu Overseas), Anhui Cereals, Oils and Foodstuffs Import & Export Corp. (Anhui Cereals), Qidong Baolu Aquatic Products Co., Ltd. (Qidong Baolu), Shandong Foodstuffs Import & Export parte. Corp. (Shandong), Nantong Delu Aquatic Food Co., Ltd. (Nantong Delu), Huaiyin Ningtai Fisheries Co., Ltd. (Huaiyin Ningtai), and Yancheng Baolong Aquatic Foods Co., Ltd. (Yancheng Baolong). Four of these firms, Anhui Cereals, Qidong Baolu, Shandong, and Jiangsu Overseas, reported no shipments during the period of investigation (POI). The Department selected the following six exporters (collectively referred to as "respondents") and their respective suppliers, to examine in this investigation: (1) China Everbright; (2) Binzhou; (3) Huaiyin FTC; (4) Yancheng FTC; (5) Jiangsu Light; and (6) Yupeng. *See Notice of Preliminary Determination of Sales at Less Than Fair Value: Freshwater Crawfish Tail Meat From the People's Republic of China* 62 FR 14393 (March 26, 1997) (preliminary determination).

Since the preliminary determination in this investigation, the following events have occurred:

On April 3, 1997, we requested additional information regarding the size and grading of crawfish in Spain and the United States. We received a response from petitioner on April 17, 1997. In April and May 1997 we verified the respondents' questionnaire responses. On May 13, 1997, we received a request for a clarification of the scope of this investigation from Red Chamber Co. (Red Chamber). Red Chamber requested that the Department determine that shell-on crawfish tails produced in and exported from China to the United States are not within the scope of the investigation. On June 9, 1997, we received a request for a suspension agreement from respondents; however, no suspension agreement resulted from this request. Petitioner and respondents submitted case briefs on June 9, 1997, and rebuttal briefs on June 17, 1997. A public hearing was held on June 24, 1997.

Scope of the Investigation

The product covered by this investigation is freshwater crawfish tail meat, in all its forms (whether washed or with fat on, whether purged or unpurged), grades, and sizes; whether frozen, fresh, or chilled; and regardless of how it is packed, preserved, or prepared. Excluded from the scope of the investigation are live crawfish and other whole crawfish, whether boiled, frozen, fresh, or chilled. Also excluded are saltwater crawfish of any type, and parts thereof. Freshwater crawfish tail meat is currently classifiable in the

Harmonized Tariff Schedule of the United States (HTS) under item numbers 0306.19.00.10 and 0306.29.00.00. The HTS subheadings are provided for convenience and Customs purposes only. The written description of the scope of this investigation is dispositive.

Period of Investigation

The POI is March 1, 1996 through August 31, 1996.

Separate Rates

Each of the participating respondent exporters has requested a separate, company-specific antidumping rate. For four of these respondents, we are able to calculate an antidumping margin that is not based on total facts available. These respondents, Binzhou, Huaiyin, China Everbright, and Yancheng FTC, are owned by all the people.

As stated in *Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the People's Republic of China,* 59 FR 22585 (May 2, 1994) (*Silicon Carbide*), and *Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol from the People's Republic of China,* 60 FR 22545 (May 8, 1995) (*Furfuryl Alcohol*), ownership of a company by all the people does not require the application of a single rate. Accordingly, all four are eligible for consideration for a separate rate.

To establish whether a firm is sufficiently independent from government control to be entitled to a separate rate, the Department analyzes each exporting entity under a test originally set forth in the *Notice of Final Determination of Sales at Less Than Fair Value: Sparklers from the People's Republic of China,* 56 FR 20588 (May 6, 1991) (*Sparklers*), and amplified in *Silicon Carbide.* Under the separate rates criteria, the Department assigns separate rates in nonmarket economy (NME) cases only if respondents can demonstrate the absence of both *de jure* and *de facto* governmental control over export activities.

1. *De Jure* Control

The respondents have placed on the administrative record a number of documents to demonstrate absence of *de jure* control. Respondents submitted the Civil Law of the People's Republic of China, issued on April 12, 1988 (the Civil Law) and the "Law of the People's Republic of China on Industrial Enterprises Owned by the Whole People," adopted April 13, 1988 (the Industrial Enterprises Law). The Department has previously determined that the Civil Law does not confer *de jure* independence on the branches of government-owned and controlled enterprises. *See Sigma Corp.* v. *United States,* 890 F. Supp. 1077, 1080 (CIT 1995). However, the Industrial Enterprises Law has been analyzed by the Department in past cases and has been found to sufficiently establish an absence of *de jure* control of companies "owned by the whole people," such as those participating in this case. *See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Partial-Extension Steel Drawer Slides with Rollers from the People's Republic of China,* 60 FR 29571, 29573 (June 5, 1995) (*Steel Drawer Slides); Notice of Preliminary Determination of Sales at Less Than Fair Value: Honey from the People's Republic of China,* 60 FR 14725, 14727 (March 20, 1995); and *Furfuryl Alcohol.* The Industrial Enterprises Law provides that enterprises owned by "the whole people" shall make their own management decisions, be responsible for their own profits and losses, choose their own suppliers, and purchase their own goods and materials. The Regulations of the People's Republic of China for Controlling the Registration of Enterprises as Legal Persons (Legal Persons Regulations), issued on July 13, 1988 by the State Administration for Industry and Commerce of the PRC, provide that, to qualify as legal persons, companies must have the "ability to bear civil liability independently" and the right to control and manage their businesses. These regulations also state that, as an independent legal entity, a company is responsible for its own profits and losses. *See Notice of Final Determination of Sales at Less Than Fair Value: Manganese Metal from the People's Republic of China,* 60 FR 56046 (November 6, 1995) (*Manganese Metal*). Respondents have also submitted the "Foreign Trade Law of the People's Republic of China," enacted May 12, 1994 (the Foreign Trade Law), which allows producers to export without using trading companies, and further demonstrates the absence of *de jure* control. *See, e.g., Final Determination of Sales at Less Than Fair Value: Bicycles from the People's Republic of China,* 61 FR 19026 (April 30, 1996) (*Bicycles*); and *Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Melamine Institutional Dinnerware Products from the People's Republic of China,* 61 FR 43337 (August 22, 1996) (*Melamine*). We have also placed on the record of this case the "Law of the People's Republic of China on Chinese Contractual Joint Ventures" (April 13, 1988) which has been submitted as evidence of absence of *de jure* control with respect to Chinese-foreign joint venture corporations in other proceedings. *See* our Concurrence Memorandum dated March 18, 1997 (Preliminary Concurrence Memorandum); and *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determinations: Brake Drums and Brake Rotors from the People's Republic of China,* 61 FR 53190, 53192 (October 10, 1996) (Brake Drums and Rotors). The articles of this law authorize joint venture companies to make their own operational and managerial decisions. At verification, we examined a MOFTEC-issued lists of goods that are restricted for export, and we confirmed that crawfish tail meat does not appear on these lists. We also confirmed that the PRC government does not impose quotas or licensing restrictions on crawfish tail meat.

In sum, in prior cases, the Department has analyzed the Chinese laws and regulations on the record in this case, and found that they establish an absence of *de jure* control. We have no new information in these proceedings which would cause us to reconsider this determination.

2. *De Facto* Control

The Department typically considers four factors in evaluating whether each respondent is subject to *de facto* governmental control of its export functions: (1) Whether the export prices are set by or are subject to the approval of a governmental authority; (2) whether the respondent has authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding the selection of management; and (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding disposition of profits or financing of losses. *See, e.g., Silicon Carbide* and *Furfuryl Alcohol.*

Respondents have asserted the following: (1) They establish their own export prices; (2) they negotiate contracts without guidance from any governmental entities or organizations; (3) they make their own personnel decisions; and (4) they retain the proceeds of their export sales, use profits according to their business needs, and have the authority to obtain loans. In addition, respondents' questionnaire responses indicate that company-specific pricing during the POI does not suggest coordination among exporters. During verification proceedings, Department officials reviewed such evidence as sales documents, company correspondence which documented price negotiations, company business plans, and bank statements. *See, e.g., Verification of Sales for Huaiyin Foreign Trade Corporation (Huaiyin) in the Antidumping Duty Investigation of Freshwater Crawfish Tail Meat from the People's Republic of China (PRC),* dated June 2, 1997 and *Verification of Sales for Binzhou Perfecture Foodstuffs Import and Export Corp. (Binzhou) in the Antidumping Duty Investigation of Freshwater Crawfish Tail Meat from the People's Republic of China (PRC),* dated June 2, 1997. We examined each company's business license and confirmed the issuing authority does not impose any type of restriction on respondents' businesses. We also discussed with company officials the processes involved with setting prices, electing management, and determining business plans and sales targets. We found that each company sets its own prices, negotiates contracts, selects its own management, and retain proceeds from export sales. This information supports a finding that there is a *de facto* absence of governmental control of export functions. Consequently, we are applying separate rates to the respondents for which we can calculate an antidumping margin that is not based on total facts available.

In addition, we attempted to conduct a separate rates verification for Yancheng Fengbao, which claimed to be an exporter of subject merchandise during the POI in its December 13, 1996 separate rates response to section A of the Department's questionnaire. This company had not been selected for our investigation. At verification we found that Yancheng Fengbao had served only as a supplier, not an exporter, of crawfish tail meat during the POI. *See* Verification of Separate Rates for Yancheng Fengbao Aquatic Foods Company, Ltd., June 6, 1997, and the "Rate for Respondents Not Selected" section of this notice. Because Yancheng Fengbao is not an exporter, we have not granted Yancheng Fengbao a separate rate.

China-Wide Rate

We are applying a single antidumping deposit rate—the China-wide rate—to all exporters in the PRC other than those firms that were fully responsive to our requests for information. This determination is based on our presumption that the export activities of the companies that failed to respond are controlled by the PRC government. *See, e.g., Sigma Corp.* v. *the United States,* 1997 U.S. App. LEXIS 16506 (Fed. Cir. July 7, 1997).

We did not receive a response from the PRC's Ministry of Foreign Trade and Economic Cooperation (MOFTEC) to our letter requesting the identification of producers and exporters, and information regarding the production and sales of crawfish tail meat exported to the United States. Furthermore, we received only limited information with respect to the Chinese crawfish industry from the China Chamber of Commerce for Import & Export of Foodstuffs, Native Produce, & Animal By-Products (the China Chamber). Therefore, we do not know the universe of PRC crawfish tail meat exporters. The petition named 61 PRC producers and/or exporters of crawfish tail meat and we received responses from fifteen exporters. Furthermore, we have evidence on the record confirming that there are at least some additional exporters. *See* Memorandum to the File: Crawfish Import Statistics, dated March 31, 1997 (PIERS Data Memorandum). Therefore, we conclude that not all exporters of crawfish tail meat responded to our questionnaire.

Further, consistent with Department practice, we presume government control of these and all other PRC companies which have not established that they are entitled to separate rates. As discussed above, all PRC exporters that have not qualified for a separate rate have been treated as a single enterprise subject to government control. Because that single enterprise failed to respond to the Department's requests for information, that single enterprise is considered to be uncooperative.

Section 776(a)(2) of the Act provides that:

> If an interested party or any other person—(A) withholds information that has been requested by the administering authority; (B) fails to provide such information by the deadlines for the submission of the information or in the form and manner requested, subject to subsections (c)(1) and (e) of section 782; (C) significantly impedes a proceeding under this title; or (D) provides such information but the information cannot be verified as provided in section 782(i), the administering authority * * * shall, subject to section 782(d), use the facts otherwise available in reaching the applicable determination under this title.

Accordingly, the Department based the China-wide antidumping rate on facts otherwise available. In addition, section 776(b) of the Act provides that, if the Department finds that an interested party "has failed to cooperate by not acting to the best of its ability to comply with a request for information," the Department may draw an inference that is adverse to the interests of that party in selecting from among the facts otherwise available. Section 776(b) provides that such an adverse inference may be based on secondary information, including information drawn from the petition.

The non-responding exporters have failed to cooperate by not acting to the best of their ability to comply with the Department's request for information. Accordingly, consistent with section 776(b)(1) of the Act, we have drawn an adverse inference, and applied as total adverse facts available, the margin from the petition, as adjusted. *See* Memorandum from Elisabeth Urfer to Edward Yang, Corroboration of Petition, March 18, 1997 (Corroboration Memorandum), on file in Room B–099 of the Commerce Department.

Section 776(c) of the Act provides that when the Department relies on "secondary information," the Department shall, to the extent practicable, corroborate that information with independent sources reasonably at the Department's disposal. The Statement of Administrative Action (SAA) accompanying the URAA clarifies that the petition is "secondary information." *See* SAA at 870. The SAA also clarifies that "corroborate" means to determine whether the information used has probative value. *Id.*

In accordance with this requirement, we corroborated the margins in the petition to the extent practicable. *See* Corroboration Memorandum. The petitioner based export prices on actual FOB and CIF price quotations from exporters of Chinese crawfish tail meat. We compared the starting prices used by petitioner to prices derived from U.S. import statistics, and found that the similarity to the import statistics corroborated the starting prices in the petition. *See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Circular Welded Non-Alloy Steel Pipe from South Africa,* 61 FR 24271, 24273 (May 14, 1996); and *Brake Drums and Rotors.* Petitioner made deductions to the export price for foreign inland freight, using the average distance between cities where crawfish tail meat is processed in the PRC and the ports from which the majority of Chinese crawfish tail meat is exported. We could not corroborate the freight rate used by petitioner with other information on the record; therefore, we adjusted the freight rate used in the petition based on the surrogate value used in the margin calculations. We made no other adjustments to export price. Petitioner based normal value

(NV) on surrogate factor values obtained from Spanish import data and publicly available information from India. We confirmed the accuracy of petitioner's NV data by comparing the values used in the petition with values obtained from publicly available information collected in these and previous NME investigations. We adjusted petitioner's NV calculation using current Spanish import statistics. *See* Corroboration Memorandum.

Rate for Respondents Not Selected

As stated above, several PRC companies which reported shipments during the POI submitted full questionnaire responses in a timely manner and claimed eligibility for separate rates, but were not selected for analysis in this investigation. It would be inappropriate to assign these fully cooperative respondents a rate based on adverse facts available. Therefore, we have assigned these cooperative respondents a weighted-average dumping margin based on the calculated margins of the four selected respondents that fully cooperated, except those that were zero or *de minimis. See Brake Drums and Rotors.* As noted in the separate rates section above, our verification of Yancheng Fengbao revealed that Yancheng Fengbao was not an exporter of crawfish tail meat during the POI. Therefore, for the final determination, we are removing Yancheng Fengbao from the group of exporters to whom we are assigning a cooperative weighted-average antidumping margin.

Facts Available

Section 776(a)(2)(D) of the Act provides that if an interested party provides information that cannot be verified, the Department shall, subject to Section 782(d) of the Act, use the facts otherwise available in reaching the applicable determination. For a further discussion of the use of facts otherwise available, *see* the "China-Wide Rate" section above.

Consistent with sections 776 (a)(2) and (b)(1) of the Act, we have determined to assign an antidumping margin based on total adverse facts available to two exporters, Jiangsu Light and Yupeng. We have assigned total facts available to Jiangsu Light because: (1) Jiangsu Light failed to report three of the factories which supplied a significant portion of subject merchandise sold during the POI; (2) Jiangsu Light failed to report a significant portion of its U.S. sales; (3) Jiangsu Light failed to report U.S. sales commissions; and (4) we could not verify the factors of production for one of Jiangsu Light's reported suppliers, Baoying Coldstorage Factory (Baoying). We have also assigned Yupeng, a producer and exporter, a margin based on the total facts available, because we could not verify Yupeng's factors of production. At verification, we also found several discrepancies, including misreported quantities, total prices, terms of sale and shipment dates, for a significant portion of Yupeng's reported U.S. sales. As total facts available, we have assigned the corroborated margin from the petition. *See* the Final Concurrence Memorandum, dated July 24, 1997 (Final Concurrence Memorandum).

Fair Value Comparisons

To determine whether respondents' sales of the subject merchandise to the United States were made at less than fair value, we compared United States Price (USP) to NV, as described in the "United States Price" and "Normal Value" sections of this notice.

United States Price

We based USP on export price (EP) in accordance with section 772(a) of the Act, because the crawfish tail meat was sold directly to the first unaffiliated purchaser in the United States prior to importation, and constructed export price methodology was not otherwise indicated by the facts in this case. In accordance with section 777A(d)(1)(A)(i) of the Act, we compared POI-wide weighted average NVs to POI-wide weighted-average EPs.

We corrected the respondents' data for errors and minor omissions submitted to the Department or found at verification, as follows:

1. China Everbright

We calculated EP in accordance with our preliminary calculations, except that, based on findings at verification, we: (1) Corrected freight distances and removed inland insurance expenses; (2) corrected the terms of sale for all sales; and (3) corrected the unit price, ship date, and supplier for certain U.S. sales where these items were incorrectly reported.

2. Binzhou

We calculated EP in accordance with our preliminary calculations except that, based on findings at verification, we: (1) Excluded two U.S. sales which we found had been made before the POI; (2) corrected freight distances and removed inland insurance expenses; (3) changed ship dates and sale dates, and adjusted quantities, for certain sales; and (4) substituted the NVs for the factories that actually supplied the merchandise sold, based upon our determination that certain sales had been incorrectly reported as being made by particular factories.

3. Huaiyin

We calculated EP in accordance with our preliminary calculations except that, based on findings at verification, we: (1) Corrected freight distances, removed inland freight insurance and added expenses incurred for marine insurance and brokerage expenses; (2) changed the terms of sale for all reported sales; and (3) changed ship dates and adjusted quantities for certain sales.

4. Yancheng Foreign Trade

We calculated EP in accordance with our preliminary calculations except that we corrected inland freight distances and the terms of sale for certain sales where these items were incorrectly reported.

5. Yupeng

As noted above, we used total facts available for Yupeng.

6. Jiangsu Light

As noted above, we used total facts available for Jiangsu Light.

Normal Value

Factors of Production

We calculated NV based on factors of production cited in the preliminary determination, making adjustments for specific verification findings. To calculate NV, we multiplied the verified factors of production usage rates by the appropriate surrogate values for the various inputs. We have used the same surrogate sources as in the preliminary determination and have used more recent publications where available. We are applying facts available to our calculation of NV for both Baoying and Lianyungang Haifu Aquatic Farming Corporation (Haifu), producers for Jiangsu Light and China Everbright, respectively. As facts available, we are using the corroborated NV from the petition. We are using facts available for Baoying because we were unable to verify reported input amounts for several significant inputs. We are using facts available for Haifu because, at verification: (1) We could not reconcile Haifu's sales and cost data, (2) Haifu could not demonstrate how reported labor factors were calculated, and (3) we could not verify reported water usage amounts. *See Final Analysis Memorandum from Elisabeth Urfer to the file,* dated July 24, 1997 (Final Analysis Memorandum).

At verification, we found that several factories did not use all of the reported packing materials, and reported incorrect per-unit packing material usage amounts. We also found discrepancies between reported and actual distances between each factory and its supplier of various inputs. In our calculation of NV for the final determination, we are using the actual per-unit amounts, the actual distances and the actual packing materials used, as found at verification. *See* the Final Analysis Memorandum.

Based on our findings at verification, we have made additional company specific adjustments as follows:

1. *Qidong Baolu:* We calculated NV in accordance with our preliminary calculations except for the following changes based on findings at verification: (1) We corrected reported per-unit amounts for tail meat, by-product, electricity, unskilled labor, skilled labor, indirect labor, unskilled packing labor, and skilled packing labor; (2) because we were unable to verify water usage rates, we used, as facts available, the highest of ranged public water amounts submitted in the public versions of the December 23, 1996 section D submissions for other factories; (3) we have removed labels from the calculation since these are not used by Qidong Baolu, and have added a factor for plastic bands which Qidong Baolu did not originally report; and (4) we corrected the distances between Qidong Baolu and its suppliers of packing materials, and the usage amounts for packing materials.

2. *Haifu:* As noted above, we are basing our calculation of NV for Haifu entirely on the facts available.

3. *Jiangsu Gangyu Shakou Freezer Factory (Shakou):* We calculated NV in accordance with our preliminary calculations except that, based on findings at verification, we: (1) Corrected reported per-unit amounts for tail meat, by-product, coal, water, electricity, indirect labor, skilled labor, unskilled labor, skilled packing labor, and unskilled packing labor; (2) removed the paper and labels which Shakou does not use to package crawfish tail meat; and (3) replaced reported distances for suppliers of packing materials and per-unit amounts of packing materials with actual distances and amounts, respectively.

4. *Jiangsu Gangyu Pengchen Aquatic Company (Pengchen):* We calculated NV in accordance with our preliminary calculations except that, based on findings at verification, we: (1) Corrected per-unit usage amounts for by-product, coal, and electricity; (2) used, as facts available, the highest total ranged public water usage figure submitted in the December 23, 1996 section D submissions for other factories, since we were unable to verify reported water amounts; (3) used, as facts available, the higher of the corroborated petition rate for labor or the highest total ranged public labor usage figure submitted in the December 23, 1996 submissions for other factories, since we were unable to verify reported labor usage rates; (4) removed the packing materials of paper and labels which Pengchen does not use to package crawfish tail meat; and 5) replaced reported distances for suppliers of packing materials and per-unit amounts of packing materials with actual distances and amounts, respectively.

5. * * * [1]: We calculated NV in accordance with our preliminary calculations except that, based on findings at verification, we: (1) Corrected per-unit amounts for by-product, electricity, unskilled labor, unskilled packing labor and water; (2) removed the labels which * * * does not use to package crawfish tail meat; and (3) replaced reported distances for suppliers of packing materials and per-unit amounts of packing materials with actual distances and amounts, respectively.

6. *Yupeng:* As noted above, we are applying total facts available to Yupeng.

7. *Xinghua Meat Processing Factory (Xinghua):* Since we are using the total facts available for Jiangsu Light, the exporter which Xinghua supplied during the POI, we are not using Xinghua's factors of production data for the final determination.

8. *Yancheng Fengbao:* We calculated NV in accordance with our preliminary calculations except that, based on findings at verification, we: (1) Included expenses which Yancheng Fengbao incurs for barge freight for the transportation of coal, and valued this freight expense using an August 1993 U.S. Embassy Cable which was used in *Steel Drawer Slides;* (2) removed labels from the calculation since we found that Fengbao does not use this input to package crawfish tail meat; (3) replaced reported distances for suppliers of packing materials and per-unit amounts of packing materials with actual distances and amounts, respectively; (4) used, as facts available, the highest total ranged public water usage figure submitted in the December 23, 1996 section D submissions for other factories, since we were unable to verify reported water amounts; and (5) used, as facts available, the higher of the corroborated petition rate for labor or the highest total ranged public labor usage figure submitted in the December 23, 1996 submissions for other factories, since we were unable to verify reported labor usage rates.

[1] The name of this factory is business proprietary information.

9. *Baoying:* As noted above, we are basing our calculation of NV for Baoying entirely on the facts available.

10. *Jiangsu Funing Aquatic Corporation:* We calculated NV in accordance with our preliminary calculations except that, based on findings at verification, we: (1) Corrected reported per-unit amounts for tail meat, by-product, water, electricity, indirect labor, skilled labor, unskilled labor, skilled packing labor, and unskilled packing; and (2) replaced reported distances for suppliers with actual distances.

Verification

As provided in section 782(i) of the Act, we verified the information submitted by respondents for use in our final determination. We used standard verification procedures, including examination of relevant accounting and production records and original source documents provided by respondents.

Additional Changes for the Final Determination

For the final determination, we have recalculated labor using data from the 1996 Yearbook of Labor Statistics (YLS), which provides more contemporaneous labor rates for India than the 1995 edition used for the preliminary determination. *See* the Final Analysis Memorandum.

Summary of Comments Received

Comment 1: Market-Oriented Industry: Respondents argue that they have responded to every inquiry and have submitted all information in their power to submit, all of which supports the conclusion that the crawfish tail meat industry in the PRC is a market-oriented industry (MOI). Respondents further argue that to require them to develop information about every other potential producer or exporter, including all the companies which have gone out of business, is overly burdensome and fundamentally unfair. They assert that there is no readily available source of the type of information the Department requires and that no individual respondent has the ability to provide information about other unrelated companies. Respondents contend that, if the Department truly intends to recognize and encourage the changes in the PRC by which some industries are market oriented, the Department ought not demand proof which is impossible to obtain.

Respondents argue that the MOI analysis in this case is relatively simple, as the components of the crawfish industry are few. Respondents maintain that Congress expects the Department to use actual data from the NME when doing so provides the most fair and accurate calculation. Respondents assert that the costs of the two most significant input factors in the processing of crawfish tail meat, the raw material (live crawfish), and labor, are determined by market forces. As support, respondents cite data on the record which they claim establish that prices paid to fisherman for live crawfish in the PRC vary from company to company, and fluctuate based on market supply and demand. Furthermore, respondents claim the crawfish tail meat prices charged by exporters are negotiated between the exporters and their customers, and are in no way controlled by the PRC government. Respondents also maintain that information on the record establishes that the PRC government has no control over wages paid to workers in crawfish processing factories and export companies. Respondents further contend that the cost of utilities such as coal and electricity are not controlled by the government and that data on the record reveals that prices paid for these utilities are subject to market forces. Respondents maintain that regulation of utilities in the PRC is not a valid reason for denying MOI treatment because U.S. utilities, as well as the utilities industries in many other market economy countries, are regulated. In support of the above arguments, respondents cite to applicable PRC laws which have been submitted for the record in this case.

Respondents claim that, although land in the PRC is collectively owned or owned by "all the people," companies still contract for the use of land. Respondents argue that government ownership of land cannot suffice to conclude that the crawfish industry is not market oriented. Respondents cite to exhibit AE of their February 7, 1997 submission, which provides evidence that in Hong Kong, a country considered by the Department to be a market economy, "All land * * * is held by the government, which sells or grants leasehold interests." Respondents assert that a similar situation exists in Louisiana where wild crawfish are harvested by individual fisherman from a common property: the Atchafalaya Basin. Respondents note that, as in the PRC, individual fisherman in Louisiana harvest crawfish from a common resource without paying for the privilege. In summary, respondents argue that the crawfish industry in the PRC is a newly established, niche industry which operates freely, according to market forces alone, and is essentially the same as the industry in the United States. Respondents maintain that there is no evidence that any part of the crawfish industry in the PRC is controlled by the government, and that therefore the crawfish industry is a prime candidate for MOI treatment.

Petitioner argues that the Chinese crawfish tail meat industry should not be treated as an MOI because the conditions to allow normal value to be based on NME country prices and costs as stipulated in section 773(c)(1)(B) of the Act have not been met in this case.

Petitioner maintains that, given the large number of companies that did not respond to the Department's questionnaire, and the failure of the Chinese government to respond to the Department's request for information, the Department cannot determine the universe of Chinese crawfish producers, and therefore cannot make a determination with respect to industry conditions required for the existence of an MOI. Petitioner contends that both the respondents and the PRC government had ample opportunity to provide information concerning the Chinese crawfish industry. Petitioner states that there are other cases in which the Department was similarly unable to determine whether the industry in question was market-oriented because it did not receive a response from the Chinese government. Petitioner argues that the Department should not change its long-established practice of requiring information about all producers and exporters in order to accommodate respondents in this case.

Petitioner asserts that the one-page letter from the China Chamber of Commerce dated March 6, 1997 does not provide enough detail or support for the statements made in the letter. Petitioner claims that the statement contained in this letter, that "the total export volume of the 15 respondents was close to the total import volume to the U.S., and therefore, they reflected the general situation of this industry in our country in all aspects," is contradicted by other evidence on the record. Petitioner maintains that the discrepancies which the Department found between the volume and value of crawfish tail meat exported during the POI as reported by the respondents, and the volume and value contained in the U.S. import statistics also indicate the lack of complete information regarding the universe of PRC producers and exporters.

Even if the universe of producers and exporters could be determined, petitioner asserts that MOI conditions are still not met because labor in China is not market determined, and because respondents failed to demonstrate that certain utilities, including coal and electricity, are purchased at market-determined prices. Petitioner argues that coal and electricity are significant inputs used in the production of crawfish tail meat, and that in its past practice, the Department has pointed out the problem with finding an MOI when significant material inputs are not based on market-determined prices. Petitioner cites a World Bank discussion paper entitled "The Sectoral Foundations of China's Development," which the Department cited in *Silicon Carbide*, and which states:

> that much of the coal supply of the PRC is subject to central regulation of both price and allocation. Coal not subject to central regulation is often subject to regulation by provincial price boards. The PRC's coal market is also distorted by substantial "in-plan" production.

Petitioner further contends that labor in China is not market-determined because workers in China are not free to move from one province to another, but are required to obtain work visas. Petitioner claims that these restrictions on workers' movements distort the labor rates in the PRC. In summary, petitioner supports the finding of the Department in the preliminary determination that the Chinese crawfish industry is not an MOI, and argues that this decision should be affirmed in the final determination.

Respondents counter that petitioner's assertion that workers are not free to move from one province to another in the PRC is untrue, and is not supported by any evidence on the record. Respondents also refute petitioner's claim that the number of exporters named in the petition who responded to the Department's questionnaire constitutes only a small percentage of the entire PRC crawfish industry. Respondents argue the 15 companies who responded to the Department's questionnaires account for approximately 60–80% of the total product involved in this investigation. Respondents assert that the Department should not penalize cooperating respondents simply because, allegedly, some smaller exporters failed to respond. Respondents maintain that all the evidence before the Department supports the conclusion that the industry is entirely market-driven.

Department's Position: We continue to determine that the crawfish tail meat industry in the PRC does not constitute an MOI. In past cases, the Department has identified three conditions which must be met in order for an MOI to exist:

(1) For the merchandise under review, there must be virtually no government involvement in setting prices or amounts to be produced;

(2) The industry producing the merchandise under review should be characterized by private or collective ownership; and

(3) Market-determined prices must be paid for all significant inputs, whether material or non-material (e.g., labor and overhead), and for all but an insignificant portion of all the inputs accounting for the total value of the merchandise under review.

Preliminary Determination, 62 FR at 14394. *See also Amendment to Final Determination of Sales at Less than Fair Value and Amendment to Antidumping Duty Order: Chrome-plated Lug Nuts from the People's Republic of China,* 57 FR 15054 (April 24, 1992) *(Lug Nuts Amended Final); Final Determination of Sales at Less than Fair Value: Sulfanilic Acid from the People's Republic of China,* 57 FR 29705 (July 6, 1992); and *Porcelain-on-Steel Cooking Ware from the People's Republic of China; Preliminary Results of Antidumping Duty Administrative Review,* 62 FR 4250, 4251 (January 29, 1997). "The Department's analysis with respect to such claims centers around a government's role in economic activity." *Pure and Alloy Magnesium from the Russian Federation; Notice of Preliminary Determination of Sales at Less Than Fair Value,* 59 FR 55427, 55430 (November 7, 1994). Consistent with past practice, we require information on the entire industry, or virtually the entire industry, in order to make an affirmative determination that an industry is market oriented. *See, e.g., Chrome-Plated Lug Nuts from the People's Republic of China; Final Results of Administrative Review,* 61 FR 58514, 58516 (November 15, 1996). We require this information early in the proceeding to allow time to obtain home market prices and/or cost data from respondents, should we make an affirmative MOI determination. As stated in the preliminary determination, we received questionnaire responses from only 25 percent of the 61 exporters named in the petition, and our analysis of Port Import/Export Reporting Services (PIERS) import data revealed that several Chinese exporters who did not respond to our questionnaire exported the subject merchandise into the U.S. during the POI.

Although we received a letter from the China Chamber on March 6, 1997, this letter did not adequately respond to the Department's original request for information, and did not provide the necessary information regarding the universe of PRC crawfish producers and exporters. Moreover, the letter was submitted too late in the proceeding for us to obtain the additional information necessary to fully analyze the respondents' MOI request. The China Chamber did not submit any other evidence on this issue. *See* Memorandum to the File, "Letter Submitted by Respondent's in the Investigation of Freshwater Crawfish Tail Meat From the People's Republic of China," dated March 18, 1997.

We note that Mr. Zhang Zhibiao of the China Chamber stated at the public hearing in this case, held on June 24, 1997, that the China Chamber had collected detailed information regarding the crawfish industry. However, the China Chamber failed to provide the Department with the results of this research, nor did it inform us that it had collected this information until the time of the public hearing. Therefore, we were not able to consider this information in our analysis of whether the crawfish tail meat industry is an MOI.

In sum, there is insufficient data on the record to support an MOI finding.

Comment 2: Surrogate Value for Live Crawfish: Respondents argue that Spanish import statistics that the Department used in the preliminary determination should not be used as a surrogate value for the raw material input of live crawfish, because there is no evidence that the crawfish imported into Spain from Portugal are of the same type, grade, or size as that which is customarily used for tail meat. Respondents correctly note that Spain does not have a crawfish tail meat production industry. According to respondents, it is also a fact "that most, if not all, tail meat comes from small crawfish." Respondents' Rebuttal Brief at 3. Therefore, respondents conclude, Spain would only import crawfish suitable for sale as whole crawfish, meaning the crawfish imported from Portugal "most likely * * * contain substantially more large and medium crawfish, and possibly none of the small, peeler variety." *Id.* at 4. On this basis, respondents argue that the crawfish imported into Spain cannot serve as a surrogate value for the crawfish input processed into tail meat in the PRC.

In addition, respondents contend that, contrary to petitioner's statements, information on the record indicates that Louisiana crawfish are graded according to size. This record information, they claim, establishes that prices vary according to size, with the largest sizes obtaining the highest price. Respondents cite to the Memorandum from the Department's crawfish team to Joseph A. Spetrini, dated April 4, 1997, "Meeting with Domestic Crawfish Processors and Farmers" (Louisiana Memorandum), which states that Louisiana crawfish larger than 15 pieces per pound are classified as "jumbo" crawfish. Respondents maintain that this memorandum contradicts all other evidence on the record, including the findings of the International Trade Commission (ITC). Respondents argue that the timing of the meeting—long after the POI and after the preliminary determination—indicates that Louisiana processors had a strong incentive to show that all sizes of crawfish are used for tail meat. However, respondents claim that the use of larger sizes of crawfish in tail meat would run contrary to the economic interests of processors. In support of their argument, respondents also cite to the ITC finding that only 15 percent of Louisiana crawfish is used for tail meat. Respondents further maintain that all the information on the record in this investigation confirms that, at least to some extent, all processors grade crawfish, if no more than by removing the largest crawfish to be sold whole boiled, at premium prices.

Alternatively, respondents argue that, if the Department continues to use an average price to compute the cost of live crawfish, the Department must adjust that price by removing the prices of large crawfish to derive a more accurate estimate of the cost of the raw material which is actually used for tail meat. Respondents argue that large crawfish, in both the PRC and the United States, are systematically removed, or graded out, and sold whole. Respondents imply that, for this reason, they pay less for the smaller crawfish they use to produce tail meat. Respondents assert that the use of an unadjusted average price to value the live crawfish input, as was done in the preliminary determination, is methodologically incorrect because it includes the prices of the most expensive, larger grades of crawfish, and overestimates the fair cost of the raw material used for tail meat in China. Respondents cite information on the record indicating that smaller peeler grade crawfish is less expensive throughout the world, including POI prices for three different sizes of crawfish in Spain.

Respondents assert that, in appropriate cases, the Department routinely adjusts raw material inputs for qualitative differences. Respondents cite several determinations, including *Manganese Metal*, in which the Department was unable to develop surrogate value information for the actual chemical used by NME respondents, and therefore used a substitute chemical, with necessary adjustments made to the price of the substitute to reflect appropriate concentration levels. *See also Final Determination of Sales at Less Than Fair Value: Certain Helical Spring Lock Washers from the People's Republic of China*, 58 FR 48833, 48836 (September 20, 1993); *Notice of Final Determination of Sales at Less Than Fair Value: Pure Magnesium from the Ukraine*, 60 FR 16432, 16433 (March 30, 1995); and *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China; Final Results of Antidumping Duty Administrative Review and Revocation in Part of Antidumping Duty Order*, 62 FR 6189 (February 11, 1997). The purpose of the Department's surrogate value methodology, according to respondents, is to derive a fair and accurate value of the subject merchandise. Respondents contend that, to achieve these statutory objectives in this case, the Department must make adjustments to the price of crawfish imported into Spain.

Petitioner argues that publicly available published information (PAPI) used to value factors of production should be readily available to both parties in the investigation, and adjustments made to PAPI as suggested by respondents, would introduce uncertainty and unfairness into the NME methodology. Petitioner contends that adjustments to the raw material value of live crawfish are unwarranted because respondents have not provided evidence that only small and peeler-grade crawfish are used to produce tail meat in China.

Petitioner argues that the Department correctly valued the input of live crawfish based on the average Spanish import price for fresh (not frozen) crawfish imported from Portugal during the period of January through November 1996. Petitioner also affirms the Department's choice of publicly available contemporaneous import information published by the Spanish Ministry of Customs in Madrid. Petitioner argues that Spain is a significant producer of whole crawfish, and that whole crawfish is a comparable product within the meaning of section 773(c)(4)(B) of the Act. In support of the Department's decision that Spain is a significant producer of comparable merchandise, petitioner cites to the Concurrence Memorandum which states that Spain exported 704 tons of fresh and frozen crawfish during 1996. Petitioner adds that Spain is also at a level of economic development more comparable to China than other countries which were significant producers of a comparable product.

Petitioner claims that the record does not support respondents' contention that only small, peeler-grade crawfish are used by the Chinese crawfish tail meat processors. Petitioner argues that information contained in its April 18, 1997 submission reveals that Chinese processors use all sizes of crawfish, including large and jumbo sizes, for tail meat. Petitioner also cites to this submission as evidence on the record that live crawfish imported from Portugal are ungraded, random-count crawfish which are graded by machine in the Spanish processing plants. Citing to the Verification Report of Qidong Baolu Aquatic Products, Co., Ltd., dated June 3, 1997 (Qidong Verification Report), at p. 4., petitioner asserts that the statements made by company officials during verification provides further evidence that all sizes of live crawfish are processed into tail meat in the PRC. Petitioner notes that, as evidenced by findings from the Department's trip to Louisiana, field grading is rarely used in the U.S. crawfish industry. (*See* the Louisiana Memorandum.)

Department's Position: We continue to determine that the average Spanish import price for fresh (not frozen) crawfish imported from Portugal is the most appropriate surrogate market economy basis for valuing whole crawfish, the primary input for crawfish tail meat. As a threshold matter, Spain exported over 704 tons of crawfish, and imported over 354 tons of crawfish during 1996, amounts which we have determined are significant within the meaning of section 773(c)(4)(B) of the Act. Moreover, although Spain is not at a level of economic development comparable to that of the PRC, the per capita gross national product (GNP) of Spain is more similar to that of China than is the per capita GNP of the United States, the only other known significant producer of comparable merchandise.

Furthermore, we disagree with respondents' argument that Spain uses only large crawfish. We find that Spanish processors import and use all sizes of crawfish. The information provided by the United States Foreign Commercial Service (USFCS) office in Barcelona, Spain supports our conclusion. The USFCS reported that the range of sizes used by a processor in Spain fall mostly within the medium size category and include some large and some small sizes as well. *See* the Preliminary Concurrence Memorandum. The Department relied upon this evidence for the preliminary determination. Moreover, because of the critical nature of this issue in this case, after the preliminary determination we invited interested parties to submit any available information regarding the crawfish industry and grading system (if any) in both Spain and the United States. *See* Department Letter to the Parties, April 3, 1997. Respondents failed to offer any actual evidence contradicting the determination that all sizes of crawfish are imported and processed in Spain. By contrast, petitioner submitted evidence supporting the Department's conclusion. *See* Letter to William M. Daley from the Crawfish Processors Alliance dated April 17, 1997.

On this basis, although Spain does not process crawfish into tail meat, we have determined that the crawfish imported from Portugal into Spain for processing is comparable to the crawfish input used by PRC processors in the production of tail meat. Further, respondents do not contest that the processing of seafood in India is comparable to the processing of crawfish into tail meat in the PRC. We consider whole crawfish to be a "comparable product" for the purpose of selecting a raw material surrogate, just as Indian processed seafood is a comparable product for purposes of valuing factory overhead, SG&A and profit in accordance with Section 773(c)(4) of the Act. Therefore, we have reasonably complied with the requirements of section 773(c)(4)(B) that, "to the extent possible," we rely upon factor information from one or more market economy countries that are "significant producers of comparable merchandise."

Furthermore, the record does not support respondents' contention that, in the PRC, large crawfish are systematically removed, or graded out, and sold whole. At verification, we found that Chinese processors purchase mixed sizes of harvested crawfish by the kilogram, rather than on the basis of particular sizes; there is no evidence on the record that PRC crawfish harvesters routinely grade crawfish by size in the field. We also found that certain Chinese producers do not grade out large crawfish even after purchase; thus, at least some Chinese producers process all sizes of live crawfish into tail meat. See, e.g., the Qidong Verification Report. Furthermore, there is no evidence in the record indicating that any Chinese processor pays higher prices for mixed size crawfish based upon the processor's intent to grade out the larger crawfish later for sale at a premium price. Further, as demonstrated above, the Spanish use all sizes of crawfish without grading out the large variety. Therefore, we reject respondents' argument that we should adjust the average import statistics price for mixed crawfish imported into Spain from Portugal by somehow removing the allegedly more expensive prices corresponding to large crawfish.

Similarly, the Department's determinations cited by respondents are not applicable. In each of those cases, the Department found that a certain chemical compound or other product, which was used as a factor of production in the NME country, was measurably different from the most comparable input in the surrogate country. Therefore, the Department adjusted the surrogate product price to reflect the appropriate chemical concentration levels. *See Pure Magnesium from the Ukraine,* 60 FR at 16433; *Helical Spring Lock Washers from the PRC,* 58 FR at 48833. Because the material input product in the present case, crawfish, is the same in Spain and the PRC, there is no reason to adjust the Spanish surrogate prices. As demonstrated above, producers in both countries buy mixed crawfish, for which they pay a single price, regardless of whether they intend to grade the crawfish and regardless of the intended use.

Comment 3: Adjustment for Labor Costs: Respondents further argue that the Department should adjust the surrogate raw material cost to reflect the large differential in labor rates between the United States or Spain and the PRC, using the differences between the U.S. or Spanish labor rates and the Indian labor rate, depending upon whether Spain or the United States is used to value harvested crawfish. Respondents state that information on the record establishes that the crawfish tail meat industry is labor intensive, and that it is recognized that the PRC has a competitive advantage in this industry because of its low labor rates. Moreover, respondents assert that the most significant cost component of the raw material, live crawfish, is the remuneration to the fishermen or laborers who harvest the crawfish. Respondents claim that in the PRC, the costs for harvesting live crawfish are substantially lower, not only because of low labor costs but also because there is no investment component for harvesting crawfish; all crawfish are wild and harvested from common resources such as lakes. Respondents maintain that, therefore, whether the Department uses U.S. or Spanish import prices to value the raw material input of live crawfish, the surrogate price must be adjusted for the differentials in labor rates and costs in order to derive a fair and accurate estimate of the true cost of the raw material used in the PRC.

Petitioner argues that the Department should not adjust the raw material input to reflect differential labor costs of harvesting live crawfish. Petitioner asserts that respondents' suggestion of using NME labor rates to adjust market-economy labor rates is contrary to the purpose of the NME factors of production methodology. Petitioner claims that the use of presumptively unreliable NME data would taint reliable market economy data.

Department's Position: We disagree with respondents. We have determined that it is not appropriate to adjust the surrogate value to account for alleged differences between the labor cost in the country in which the input is valued and the labor costs in another country which is more economically comparable to the NME country. The fact that Spain is a country not comparable to India or the PRC does not necessarily mean that the import price would be different between the two countries.

In this case, we relied upon the import price for Spain, a country which is not economically comparable to the PRC. Respondents do not contest the Department's authority under section 773(c)(4) of the Act to rely upon surrogate value data from Spain in the absence of data from an economically comparable country. Contrary to respondents' assertions, however, we do not find that an adjustment based on wage rate differentials is warranted. This type of adjustment is not required by the statute, nor do we consider such an adjustment to be feasible.

Section 773(c)(1) of the Act requires the Department to value the factors of production "based on the best available information . . . in a market economy country or countries considered to be appropriate by the [Department]." Section 773(c)(4) adds that, "to the extent possible," the factors should be valued in an economically comparable country. "The statute does not specify what constitutes best available information. Therefore, these decisions are within [the Department's] discretion." *Shieldalloy,* 947 F. Supp. at 532.

First, we disagree that the low wage rates in the PRC are relevant. It is precisely because prices and costs (including wages) in the PRC are not market determined that we are using the NME methodology, which relies on surrogate values.

Second, it would be purely speculative to base such an adjustment on a difference in wage rates between Spain and a comparable surrogate country. It is far from certain what effect, if any, differences in wage rates would have on the total cost or the price of the product in a comparable surrogate country. Moreover, for the Department to attempt such an adjustment, whether to account for the alleged impact of a differential in labor rates, or any other costs underlying the price of the imported product would require a complex economic analysis. There are a number of factors, including production and regional demand and supply functions as well as the availability of input substitutions, which may impact substantially upon the ultimate market price for a particular imported product. The impact of these factors would be difficult if not impossible to determine with any certainty. For instance, in the instant case, there are a number of factors which would be extremely difficult to know, including the relative productivity of the labor used in harvesting crawfish and capital investment.

Furthermore, the determinations cited by respondents are not applicable. These determinations reflect the Department's practice of adjusting for physical differences between the input produced in the NME country and the input on which the surrogate value is based. All of the determinations cited by respondents, including the CIT's decision in *Shieldalloy Metallurgical Corp.* v. *United States,* 947 F. Supp. 525 (CIT 1996), involved adjustments of this nature. In contrast, the adjustment sought by respondents in this case involves an external cost, labor, incurred to produce or obtain the identical input.

Comment 4: Application of the Facts Available: Pursuant to section 776(a) and (b) of the Act, petitioner argues that the Department should use total facts otherwise available or partial facts otherwise available, as appropriate, to calculate the margins for those Chinese companies that failed to cooperate by not acting to the best of their ability to comply with the Department's requests for information. Petitioner contends that the Department should apply the China-wide rate to those companies that responded to the questionnaire but knowingly or recklessly provided false, incorrect, or incomplete information. Petitioner specifically advocates the application of the facts otherwise available for the companies whose reported data was either unverifiable, misreported or incomplete. Petitioner requests the application of total facts available because of the following findings at verification: (1) Respondents acknowledged that the cost of certain packing materials for one factory was submitted for all factories. (2) For several respondents, counsel acknowledged that reported inland freight distances were based on "guesses." (3) A consultant for respondents acknowledged that, for Fengbao, he used estimated total input and output figures used to calculate factor usage rates for raw materials, by-products, and labor input. (4) A consultant for respondents attributed inconsistencies between reported and verified figures at Baoying to illegible faxes. These inconsistencies were found in almost every category of factors of production data, and petitioner notes that the consultant tried to decipher the illegible documentation without attempting to verify the accuracy of the information. (5) Jiangsu Light failed to report a certain percentage of its sales during the POI. (6) Binzhou reported high-priced sales made prior to the POI as sales made during the POI, and these sales comprised a significant percentage of the value of Binzhou's total sales reported for the POI. (7) Shakou failed to report a portion of direct and indirect labor hours. (8) Baoying failed to report a portion of temporary labor hours. (9) Huaiyin misrepresented the terms of sale for all reported sales, and thereby failed to report certain movement expenses.

Petitioner contends that the Department should apply total facts available to certain respondents because, as petitioner claims is indicated by the above, they knowingly or recklessly submitted false, incorrect, or incomplete information. Petitioner argues that such conduct undermines the investigation and therefore warrants punishment through the application of the China-wide rate of 201.63 percent.

For discrepancies that do not involve an element of bad faith, such as the submission of correct data that nonetheless could not be verified due to inadequate bookkeeping records, petitioner advocates the application of partial facts otherwise available. Petitioner requests that the Department use the highest adverse result from either the petition or the respondents' submission as partial facts otherwise available. Petitioner cites the *Notice of Final Determination of Sales at Less Than Fair Value: Persulfates from the People's Republic of China,* 62 FR 27222, 27225 (May 19, 1997) (*Persulfates*), in which the Department applied the "greatest weight" used for packing material to a respondent who failed to cooperate by not acting to the best of its ability to provide such information.

Respondents argue that the Department should not penalize cooperating companies for mistakes made in good faith. Respondents claim there were several circumstances in this case which contributed to difficulties in providing completely error-free responses within the deadlines imposed by the Department. Respondents note that the Department requested responses during the off-season when PRC crawfish processing plants were closed and when most of the individual representatives with detailed information were unavailable. Furthermore, respondents assert that the crawfish industry in the PRC is a new industry and is characterized by unsophisticated "mom and pop" operations, which, in many cases, lack sophisticated accounting systems or records. Respondents also point to the fact that some of the discrepancies found at verification revealed that the correct information was more favorable to respondents than the incorrectly reported estimates. For example, some companies significantly overestimated the distances between suppliers and factories. Therefore, respondents assert that mistakes such as these were not intentional means of trying to understate costs. In view of the foregoing, respondents attest that they acted in complete good faith and provided the best information possible under the circumstances; thus, punishment for mistakes made would be unreasonable and unfair.

Department's Position: We agree with the petitioner's argument with respect to our general practice of using the facts otherwise available, and our application of total facts available for certain companies. However, we disagree with some of petitioner's recommendations. Section 776(a)(2)(D) of the Act provides that if an interested party provides information that cannot be verified, the Department shall, subject to section 782(d), use the facts otherwise available in reaching the applicable determination. In addition, as petitioner noted, section 776(b) provides that adverse inferences may be used against a party that has failed to cooperate by not acting to the best of its ability to comply with requests for information. Department officials made numerous requests over the course of verification for documentation supporting the reported usage rates for inputs such as labor and water. Despite these requests, several companies failed to provide supporting documentation to explain one or several reported per-unit input amounts. However, we do not believe that it would be appropriate to apply total facts available to companies who cooperated with the Department to the best of their ability with respect to the majority of their reported information, yet could not support reported values for one or two items. In the case of Haifu, Pengchen, and Yancheng Fengbao, for which we could not verify reported usage amounts for labor, we are using, as facts available, the higher of the corroborated labor factor from the petition or the highest of the ranged public labor amounts submitted in the December 23, 1996 section D submissions for other factories. For Yancheng Fengbao, Qidong, and Pengchen, where we could not verify reported water usage rates, we are using, as facts available, the highest of the ranged public information amounts submitted in the December 23, 1996 section D submissions for other factories. The petition does not contain a usage amount for water.

Where we found small discrepancies which could be explained, such as by clerical errors, we determined that it is best to use the actual data as found at verification. Huaiyin, for example, incorrectly reported its terms of sale; we consider this to be a clerical error rather than evidence of non-cooperation, and we are therefore substituting the actual terms of sale. Similarly, our final NV calculation for Shakou reflects the additional labor hours that we found at verification. At Binzhou, two sales which were reported as having been made during the POI were actually made before the POI. Therefore, we have removed these sales from the data base sales listing. We acknowledge that respondents in many cases estimated reported distances and packing material usage rates. However, we have determined that it is appropriate to use the actual amounts and distances as found at verification, rather than facts available, given the relatively minor nature of the factor in the NV calculation, and the fact that reported amounts and distances were generally higher than the verified amounts. See the "Normal Value" section of this notice.

We are also using the facts available for our entire NV calculations for Haifu and Baoying because we could not verify certain significant factors of production for these two suppliers. For suppliers Pengchen, Yancheng Fengbao, and Qidong Baolu, we are using partial facts available in our calculation of NV because we could not verify usage amounts for one or two inputs.

We have determined that the application of the total facts available is warranted where respondents failed to provide requested information for several different inputs/reported items, and failed to report significant sales data. As discussed in the "Facts Available" section above, we are applying total adverse facts available to Jiangsu Light and Yupeng.

Comment 5: Whether Shell-on Crawfish Tails are included in the Scope of the Investigation: Red Chamber, an interested party in this investigation, requested that the Department issue a scope clarification to determine that shell-on crawfish tails produced in and exported from China, and sold to the United States, are not within the scope of the antidumping duty investigation. Red Chamber described its patented process for creating shell-on crawfish tails by removing the heads and by making a U-shaped incision to remove the belly shell from the crawfish tail.

Red Chamber argues that the Department made a ministerial error by omitting the word "peeled" from the scope of the investigation. Red Chamber claims that, unlike the crawfish tail meat described in the scope as stated in the petition, shell-on crawfish tails are neither peeled nor blanched. The entire tail, including the meat still attached to the shell, is exported to the United States, and is not further processed in the United States or in a third country prior to sale to the final consumer. The consumer peels the tails after cooking them.

Red Chamber contends that, by omitting the word peeled from the scope of the investigation contained in the initiation, and the preliminary determination, the Department failed to define the scope of the investigation in accordance with the petition, and therefore committed a ministerial error. Red Chamber cites the description of crawfish tail meat in the petition which specifically includes peeled as a characteristic of crawfish tail meat.

> Tail meat is a peeled crawfish product, which is usually blanched prior to peeling. Whole crawfish, including live and whole boiled crawfish, whether frozen, fresh, or chilled, are not included within the scope of the petition.

Antidumping Petition, in the Matter of: Crawfish Tail Meat from China, September 20, 1996 (Petition), at 3–4.

Red Chamber also notes that in the clarification of the petition, petitioner stated that "In the United States, crawfish are sold primarily in three forms: (1) Live, (2) whole boiled, and (3) tail meat (that is peeled) * * *" Letter to the U.S. Department of Commerce from Will E. Leonard and James Taylor, Jr., Ablondi, Foster, Sobin & Davidow, P.C., on behalf of petitioners, dated October 7, 1996 (supplement to the petition), at 1–2. Red Chamber further cites the supplement to the petition, where petitioner defines the forms of tail meat as "(1) Fresh or frozen, (2) washed or with fat on, and (3) purged or unpurged, or (4) some combination of these forms." Supplement to the petition at page 2. Based on these definitions, Red Chamber asserts that petitioners specifically excluded unblanched, unpeeled, shell-on tails in all their forms and claims that, in their case brief, petitioners cite no authority to justify the Department ignoring the express language of the petition.

Red Chamber argues that the Department performs only a ministerial role in reviewing a petition and initiating an antidumping duty investigation and, therefore, is required to define the scope as precisely drawn in the petition. In support of this contention regarding the ministerial role of the Department, Red Chamber cites to 19 CFR 351.201(b) of the Department's regulations. Red Chamber further cites to *NTN Bearing Corp of America* v. *United States* 747 F. Supp. 726 (September 7, 1990) where NTN Bearing Company argued that upon receipt of an antidumping petition, the Department's role in examining its sufficiency is limited to a ministerial function. Red Chamber maintains that in the current case, the petition is narrowly drawn and very specific and, therefore, the Department may not provide its own interpretation of the scope. Red Chamber claims that petitioners admit numerous times that peeled tail meat is the subject of their petition and acknowledge that they are required to specifically define the intended scope of their petition. Red Chamber asserts that this error meets the test of "significant ministerial error" as defined in either section 351.224(g) (1) or (2) of the regulations because the exclusion of unblanched, unpeeled, shell-on tails from the scope of the proceeding is tantamount to a zero-percent weighted-average dumping margin, as compared to the China-wide rate of 201.63 percent found in the preliminary determination. Red Chamber further argues that the Department should reject petitioner's request that the Department define the scope in accordance with the definition for the tariff number and the General Rules of Interpretation (GRI) contained in the HTS. Red Chamber notes that tariff numbers contained in the scope are not dispositive and, by extension, the definitions associated with those tariff numbers are not relevant. Red Chamber contends that petitioner cannot convince the Department to expand the scope of the investigation on the basis of speculation of possible future circumvention attempts on the part of Red Chamber. Red Chamber argues that there is no authority to include a product in the scope of an order based on pure speculation of future circumvention by importers of that product.

Respondents agree with Red Chamber that shell-on tails, as described above, should not be included within the scope of this investigation.

Petitioner argues that the Department should deny the request by Red Chamber that the Department clarify the scope of the investigation to exclude shell-on crawfish tail meat. Petitioner cites the scope of the investigation, which states that "the product covered by this investigation is freshwater crawfish tail meat, *in all its forms* * * *" Petitioner argues that, since shell-on crawfish tails are simply another form of crawfish tail meat, they are included in the scope of the investigation. Petitioner states that in its description of the subject merchandise, the word "peeled" was used because peeled tail meat was the only form of the product with which petitioner was familiar at the time. Petitioner claims that it was not aware then, or now, of the existence of shell-on crawfish tail meat in the marketplace and, therefore, did not intentionally omit shell-on tail meat from the scope. Petitioner notes that the scope description contained in the notice of initiation does not include the word "peeled." Petitioner further argues that according to the GRI 2 (a) of the HTS, tail meat with its shell on is "unfinished" tail meat, and that a tariff description covers the product described whether "finished or unfinished." Petitioner maintains that if the Department were to exclude shell-on tail meat from the scope of this investigation, respondents could easily flood the market with crawfish tail meat and continue the injury already caused to the petitioner by imported frozen, peeled tail meat. Petitioner contends that frozen shell-on crawfish tail meat could be imported in large quantities, either directly into the United States or through Mexico, where it could be blanched and peeled with little or no capital investment.

Department's Position: We disagree with Red Chamber. The courts have repeatedly held that the Department "has inherent authority to define the scope of an antidumping duty investigation." *NTN Bearing Corp. of*

America v. *United States,* 747 F. Supp. 726, 731 (CIT 1990). The Department "generally exercises this broad discretion to define and clarify the scope of an antidumping investigation in a manner which reflects the intent of the petition." *Kern-Liebers USA, Inc.* v. *United States,* 881 F. Supp. 618, 621 (CIT 1995) (quoting *Minebea Co.* v. *United States,* 782 F. Supp. 117, 120 (CIT 1992), *aff'd on other grounds,* 984 F.2d 1178 (Fed. Cir. 1993)). However, the Department's discretion permits interpreting the petition in such a way as to best effectuate not only the intent of the petition, but the overall purpose of the antidumping law as well. As stated by the CIT in *NTN Bearing,* the case cited by Red Chamber, if the Department "determine[s] the petition to be overly broad, or insufficiently specific to allow proper investigation, or in any other way defective, it possesse[s] the inherent authority to redefine and clarify the parameters of its investigation." 747 F. Supp. at 731; *accord Torrington Co.* v. *United States,* 745 F. Supp. 718, 721–22 (CIT 1990). Moreover, contrary to Red Chamber's argument, the Department may fashion the scope of an order so as to prevent circumvention by parties in the future "employing inventive import strategies." *NTN Bearing* at 731.

In the present case, the petition described the merchandise subject to the investigation as crawfish tail meat "in all its forms." Antidumping Petition, Sept. 20, 1996, at 3. The petition did not state that "unpeeled" tail meat was to be excluded from the scope; the petition merely described tail meat as "a peeled crawfish product." *Id.* at 4. Later, in responding to the Department's request to further explain the different forms in which tail meat might enter the United States, the petitioner emphasized its intent only to exclude fresh tail meat (as opposed to frozen). Letter on behalf of petitioner, Oct. 7, 1996, at 1–2. Again, while referring to tail meat generally as "peeled," the petitioner did not indicate an intent to exclude "unpeeled" tail meat from the scope of the investigation. *Id.*

In its initiation notice and preliminary determination, the Department adopted the scope of the petition, and described the covered merchandise as crawfish tail meat "in all its forms." However, the Department specifically deleted reference to the adjective "peeled." This omission on the Department's part did not constitute a ministerial error, as Red Chamber contends. Rather, the Department adopted the phrase "in all its forms" in order to make the scope appropriately comprehensive and inclusive. Referring to "peeled" tail meat would unnecessarily narrow the scope of the investigation, and would leave any resulting order open to circumvention.

Moreover, the Department's definition of the scope of its investigation is not inconsistent with the intent of the petitioner. In the first place, the petitioner has not used the word "peeled" consistently in all of its submitted descriptions of the subject merchandise. More pointedly, in responding to Red Chamber's request, the petitioner has expressly supported the Department's definition of the scope of the investigation. As noted above, in the petitioner's view, crawfish tail meat, "in all its forms," includes "unpeeled" as well as "peeled" merchandise. So-called "shell-on" crawfish tails are simply another form of crawfish tail meat, which are therefore included within the scope of the investigation.

For the foregoing reasons, the Department properly included unpeeled crawfish tail meat within the scope of its investigation. To the extent crawfish tail meat with the shell on is unpeeled, it is included within the scope. In any event, shell-on tail meat falls within the category of crawfish tail meat "in all its forms," and is therefore included within the scope of the investigation.

Additional Change to Calculation Due to Ministerial Error

We have changed international freight for all exporters due to a ministerial error found in the program. In the preliminary determination we inadvertently multiplied the value for international freight, expressed in dollars, by the Indian exchange rate. For the final determination we have not multiplied international freight by the exchange rate.

Continuation of Suspension of Liquidation

In accordance with section 735(c)(1) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of crawfish tail meat from the PRC that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of our notice of the preliminary determination in the **Federal Register**. We will instruct the Customs Service to require a cash deposit or posting of bond equal to the weighted-average amount by which the NV exceeds EP as indicated in the chart below. This suspension of liquidation will remain in effect until further notice.

The weighted-average dumping margins are as follows:

Manufacturer/producer/exporter	Weight average margin percentage
China Everbright Trading Company	156.77
Binzhou Prefecture Foodstuffs Import Export Corp	119.39
Huaiyin Foreign Trade Corp	91.50
Yancheng Foreign Trade Corp	108.05
Jiangsu Cereals, Oils & Foodstuffs Import & Export Corp	122.92
Yancheng Baolong Aquatic Foods Co., Ltd	122.92
Anhui Cereals, Oils and Foodstuffs Import & Export Corp.	122.92
Nantong Delu Aquatic Food Co., Ltd	122.92
China-wide Rate	201.63

The China-wide rate applies to all entries of subject merchandise except for entries from exporters that are identified individually above.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. As our final determination is affirmative, the ITC will determine, within 45 days, whether these imports are causing material injury, or threat of material injury, to an industry in the United States. If the ITC determines that material injury, or threat of material injury, does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled.

If the ITC determines that material injury, or threat of material injury, does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to section 733(f) of the Act.

Jeffrey P. Bialos,

Acting Assistant Secretary for Import Administration.

Dated: July 24, 1997.

[FR Doc. 97–20281 Filed 7–31–97; 8:45 am]

BILLING CODE 3510–DS–P

APPENDIX B

LIST OF WITNESSES

CALENDAR OF HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject	:	CRAWFISH TAIL MEAT FROM CHINA
Investigation No.	:	731-TA-752 (Final)
Date and Time	:	July 28, 1997 - 9:30 a.m.

Sessions were held in connection with the investigation in the Main Hearing Room 101, 500 E Street, SW, Washington, DC.

CONGRESSIONAL APPEARANCES

The Honorable John B. Breaux, United States Senator, State of Louisiana

The Honorable Christopher John, U.S. Congressman, 7th District, State of Louisiana

OPENING REMARKS

Petitioner (**Will E. Leonard**, Ablondi, Foster, Sobin & Davidow, P.C.)
Respondent (**Steven B. Lehat**, Sheldon and Mak)

IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING DUTIES

Ablondi, Foster, Sobin & Davidow, P.C.
Washington, DC
on behalf of

Crawfish Processors Alliance and the Louisiana
Department of Agriculture and Forestry

Bob Odom, Commissioner, Louisiana Department of Agriculture and Forestry

Roy L. Johnson, Director, Marketing Development, Louisiana Department of Agriculture and Forestry

Dwight Landreneau, Area Aquaculture Agent, District 4 Louisiana State University Agricultural Center, Louisiana Cooperative Extension Service

IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING DUTIES--Continued

Harold Benoit, Crawfish Farmer, Director, Louisiana Crawfish Farmers Association, Co-Chairman, Louisiana Crawfish Coalition and Chairman, Louisiana Crawfish Promotion and Research Board

Cindy Gayle LaHaye, Assistant Manager, Bookkeeper and Marketing Agent, LaHaye Rice and Crawfish Farms

Gabriel LeBlanc, Jr., Tail Meat Processor, Co-Chairman, Louisiana Crawfish Coalition and member, Crawfish Processors Alliance

James Craig West, Co-owner, L.T. West, Incorporated and member, Louisiana Crawfish Coalition and Crawfish Processors Alliance, member of Executive Board of Louisiana Crawfish Association

Paul Prudhomme, The Chef and Owner, Magic Seasonings Blends, Incorporated

Will E. Leonard)
James Taylor, Jr.)--**OF COUNSEL**
Joel W. Rogers)
Max Turnipseed)

IN OPPOSITION TO THE IMPOSITION OF ANTIDUMPING DUTIES

Sheldon & Mak
Pasadena, California
on behalf of

Various Chinese Exporters

Irwin J. Boulet, Jr., Independent Crawfish Farmer

Nathan Torch, Central Seaway

Richard D. Boltuck, Trade Resources Company

Steven B. Lehat)--**OF COUNSEL**
Yingchao Xiao)

IN OPPOSITION TO THE IMPOSITION OF ANTIDUMPING DUTIES--Continued

Williams, Mullen, Christian & Dobbins
Washington, DC
on behalf of

Atlantic Gem Seafood
Captain Charlie
H & D Foods
Seafood Resources
Tai Foong USA, Incorporated

Jim Mullen, General Manager, Atlantic Gem/Sea Rich, Incorporated

William E. Perry--OF COUNSEL

DeKieffer & Horgan
Washington, DC
on behalf of

Red Chamber Company

John J. Kenkel--OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1
Crawfish tail meat: Summary data concerning the U.S. market, 1994-96

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

	Reported data			Period changes		
Item	1994	1995	1996	1994-96	1994-95	1995-96
U.S. consumption quantity:						
Amount	5,271	8,897	9,522	80.7	68.8	7.0
U.S. processors' share (1):						
Fresh	32.4	19.5	12.1	-20.3	-12.9	-7.4
Frozen	9.9	1.6	1.1	-8.9	-8.3	-0.5
Total	42.4	21.1	13.2	-29.2	-21.3	-7.9
Share of import shipments from China (1)	57.6	78.9	86.8	29.2	21.3	7.9
U.S. consumption value:						
Amount	21,304	34,364	29,753	39.7	61.3	-13.4
U.S. processors' share (1):						
Fresh	41.4	27.8	22.0	-19.4	-13.6	-5.9
Frozen	12.4	2.3	2.0	-10.4	-10.1	-0.3
Total	53.8	30.1	23.9	-29.9	-23.7	-6.2
Share of import shipments from China (1)	46.2	69.9	76.1	29.9	23.7	6.2
U.S. shipments of imports from China:						
Quantity	3,039	7,020	8,268	172.1	131.0	17.8
Value	9,843	24,012	22,635	130.0	143.9	-5.7
Unit value	$3.24	$3.42	$2.74	-15.5	5.6	-20.0
Ending inventory quantity	624	4,597	3,947	532.4	636.4	-14.1
U.S. processors':						
Average capacity quantity	3,585	3,111	3,260	-9.1	-13.2	4.8
Production quantity	2,237	1,886	1,260	-43.7	-15.7	-33.2
Capacity utilization (1)	62.4	60.6	38.6	-23.8	-1.8	-22.0
U.S. shipments:						
Fresh:						
Quantity	1,708	1,733	1,150	-32.6	1.5	-33.6
Value	8,824	9,566	6,538	-25.9	8.4	-31.7
Unit value	$5.17	$5.52	$5.68	10.0	6.8	3.0
Frozen:						
Quantity	524	144	104	-80.2	-72.5	-27.9
Value	2,636	786	580	-78.0	-70.2	-26.2
Unit value	$5.03	$5.46	$5.59	11.1	8.5	2.4
Total:						
Quantity	2,232	1,877	1,254	-43.8	-15.9	-33.2
Value	11,461	10,352	7,118	-37.9	-9.7	-31.2
Unit value	$5.13	$5.51	$5.67	10.5	7.4	2.9
Export shipments:						
Quantity	0	0	0	(2)	(2)	(2)
Value	0	0	0	(2)	(2)	(2)
Unit value	(2)	(2)	(2)	(2)	(2)	(2)
Ending inventory quantity	24	22	29	23.9	-7.9	34.6
Inventories/total shipments (1)	1.1	1.2	2.3	1.3	0.1	1.2
Production workers	1,392	862	760	-45.4	-38.1	-11.8
Hours worked (1,000s)	530	348	253	-52.3	-34.4	-27.4
Wages paid ($1,000s)	2,596	2,242	1,634	-37.1	-13.7	-27.1
Hourly wages	$4.90	$6.45	$6.47	32.0	31.6	0.3
Productivity (pounds per hour)	4.2	5.4	5.0	18.1	28.5	-8.0
Unit labor costs	$1.16	$1.19	$1.30	11.7	2.4	9.1
Net sales:						
Quantity	2,178	1,826	1,281	-41.2	-16.2	-29.8
Value	11,514	10,241	7,114	-38.2	-11.1	-30.5
Unit value	$5.29	$5.61	$5.55	5.0	6.1	-1.0
Total expenses	11,058	9,952	7,300	-34.0	-10.0	-26.6
Net income or (loss)	456	288	(186)	(3)	-36.7	(3)
Unit expenses	$5.08	$5.45	$5.70	12.2	7.4	4.5
Unit net income or (loss)	$0.21	$0.16	($0.15)	(3)	-24.5	(3)
Total expenses/sales (1)	96.0	97.2	102.6	6.6	1.1	5.4
Net income or (loss)/sales (1)	4.0	2.8	-2.6	-6.6	-1.1	-5.4

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.
(3) Undefined.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.

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

APPENDIX D

ADDITIONAL PROCESSORS' DATA

Table D-1
U.S. processors' capacity to freeze crawfish tail meat, U.S. commercial shipments of live whole crawfish, and U.S. commercial shipments of whole boiled crawfish, 1994-96

Item	1994	1995	1996
	Quantity (1,000 pounds)		
Capacity to freeze crawfish tail meat	1,224	821	821
U.S. shipments of live whole crawfish	7,493	6,934	5,325
U.S. shipments of whole boiled crawfish	687	1,180	1,147
	Value ($1,000)		
U.S. shipments of live whole crawfish	4,581	4,838	4,293
U.S. shipments of whole boiled crawfish	755	1,312	1,452
	Unit value (per pound)		
U.S. shipments of live whole crawfish	$0.61	$0.70	$0.81
U.S. shipments of whole boiled crawfish	1.10	1.11	1.27

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

Table D-2
U.S. processors' purchases of live whole crawfish, by quarters, 1994-96

Item	1994	1995	1996
	Quantity (1,000 pounds)		
January-March	6,832	5,630	4,102
April-June	14,414	13,100	10,655
July-September	407	1,098	621
October-December	455	346	528
Total	22,108	20,173	15,906
	Value ($1,000)		
January-March	3,874	3,559	3,091
April-June	7,578	7,258	6,966
July-September	206	661	375
October-December	321	258	401
Total	11,978	11,736	10,834
	Unit value (per pound)		
January-March	$0.57	$0.63	$0.75
April-June	0.53	0.55	0.65
July-September	0.51	0.60	0.60
October-December	0.70	0.75	0.76
Average	0.54	0.58	0.68

Note.--Presented figures exclude reported purchases which could not be broken out by quarter; these totaled 1.0 million pounds in 1994, 0.9 million pounds in 1995, and 0.8 million pounds in 1996.

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