

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
CRAWFISH TAIL MEAT FROM) Investigation No.:
CHINA) 731-TA-752 (Review)

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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CRAWFISH TAIL MEAT FROM) Investigation No.:
CHINA) 731-TA-752 (Review)

Tuesday,
June 3, 2003

Room 101
U.S. International Trade
Commission
500 E Street, S.W.
Washington, D.C.

The hearing commenced, pursuant to notice, at 9:33 a.m., before the Commissioners of the United States International Trade Commission, the Honorable Deanna Tanner Okun, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:Commissioners:

DEANNA TANNER OKUN, CHAIRMAN
JENNIFER A. HILLMAN, VICE CHAIRMAN
MARCIA E. MILLER, COMMISSIONER
STEPHEN KOPLAN, COMMISSIONER

Staff:

MARILYN R. ABBOTT, Secretary to the Commission
WILLIAM R. BISHOP, Staff Assistant to the
Secretary
GEORGE DEYMAN, Supervisory Investigator
OLYMPIA HAND, Investigator
MARY BETH JONES, Attorney

APPEARANCES: (Continued)

Staff:

JOHN BENEDETTO, Economist
DAVID BOYLAND, Accountant

ADDITIONAL APPEARANCES:

IN SUPPORT OF THE CONTINUATION OF ANTIDUMPING
DUTIES:

THE HONORABLE BOB ODOM
Commissioner
Louisiana Department of Agriculture and Forestry

ROY JOHNSON
Director, Marketing Development
Louisiana Department of Agriculture and Forestry

GABRIEL LeBLANC, JR.
Secretary-Treasurer
Acadiana Fishermen's Cooperative

TERRY GUIDRY
President
Catahoula Crawfish, Inc.

ADAM J. JOHNSON
President
Bayou Land Seafood, LLC

FRANK RANDOL
President
Randol, Inc.

WILL E. LEONARD, Of Counsel
Adducci, Mastriani & Schaumberg, L.L.P.
Washington, D.C.

JOHN C. STEINBERGER, Of Counsel
Adducci, Mastriani & Schaumberg, L.L.P.
Washington, D.C.

S. ALEX LASHER, Of Counsel
Adducci, Mastriani & Schaumberg, L.L.P.
Washington, D.C.

Heritage Reporting Corporation
(202) 628-4888

ADDITIONAL APPEARANCES:IN OPPOSITION OF THE CONTINUATION OF ANTIDUMPING DUTIES:

MIKE POWERS
Director, Seafood Procurement
Darden Restaurants, Inc.

PAUL OBIREK
Director, Seafood Procurement
King & Prince Seafood Corp

JAMES MULLEN
President
Ocean's Catch

ZHANG WEI
President
Pacific Coast Fisheries Corp.

CHRISTINE COSTLEY
Sales
Harbor Seafood, Inc.

RICH MARANO
Vice President
Harbor Seafood, Inc.

JAMES A. JOHNSON, JR.
East Coast Sales Manager
Sea Safari, Ltd.

MATT FASS
Vice president
Maritime products International, Inc.

BOB REDAR
Senior Vice president, Sales and Marketing
Seal Watch International, Ltd.

RONALD M. WISLA, Of Counsel
Garvey Schubert Barer
Washington, D.C.

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P R O C E E D I N G S

(9:33 a.m.)

1
2
3 CHAIRMAN OKUN: Good morning. On behalf of the
4 United States Trade Commission, I would like welcome
5 you to this hearing on Investigation No. 731-TA-752
6 (Review) involving crawfish tail meat from China. The
7 purpose of this five-year review is to determine
8 whether revocation of the antidumping duty order
9 covering crawfish tail meat from China would be likely
10 to lead to continuation or recurrence of material
11 injury to an industry in the United States within a
12 reasonably foreseeable time.

13 Schedules setting forth the presentation of
14 this hearing and testimony of witnesses are available
15 at the secretary's desk. I understand the parties are
16 aware of time allocations. Any questions regarding
17 time allocations should be directed to the secretary.

18 As all written material will be entered
19 fully into the record, it need not be read to us at
20 this time. All witnesses must be sworn in by the
21 secretary before presenting testimony.

22 Finally, if you will be submitting documents
23 that contain information you wish to be treated as
24 confidential business information, your request should
25 be in compliance with Commission Rule 201.6.

1 Madam Secretary, are there any preliminary
2 matters?

3 MS. ABBOTT: Yes Madam Chairman.

4 With your permission, Christine Costley will
5 be placed on the calendar representing Harbor Seafood.
6 That is on page 2.

7 CHAIRMAN OKUN: Without objection.

8 Commissioner Koplan, do you also have a
9 preliminary matter?

10 COMMISSIONER KOPLAN: Yes, I do. Thank you,
11 Madam Chairman.

12 I would like to take a second to introduce
13 the newest member of our office, Cortney Jean, who is
14 up here on the dias with us. She will be our summer
15 intern this summer from Georgetown Law School. Thank
16 you.

17 CHAIRMAN OKUN: Thank you, Commissioner
18 Koplan.

19 We may then proceed with opening remarks.

20 MS. ABBOTT: Opening remarks on behalf of
21 the domestic interested parties will be by Will E.
22 Leonard, Adducci, Mastriani & Schaumberg.

23 CHAIRMAN OKUN: Good morning, Mr. Leonard.

24 MR. LEONARD: Good morning, Madam Chairman
25 and members of the Commission.

1 I am Willy Leonard of the law firm of
2 Adducci, Mastriani & Schaumberg. With me are John
3 Steinberger, Mark Leventhal, who is to be here, and
4 Alex Lasher.

5 We represent the domestic interested
6 parties, the domestic parties, the Crawfish Processors
7 Alliance and its members, and the Louisiana Department
8 of Agriculture and Forestry, Bob Odom, Commissioner.

9 Our position in this five-year review is
10 that revocation of the antidumping duty order on
11 crawfish tail meat from China would continue material
12 injury to a domestic industry, not that revocation of
13 the order would be likely to lead to continuation of
14 material injury, not that revocation would be likely
15 to lead to recurrence of material injury, not that the
16 material injury would continue or recur within a
17 reasonably foreseeable time, we are not here to deal
18 in soft shoe semantics. We are not here to squeeze by
19 to an affirmative determination through the cautious
20 use of a generously worded statute.

21 We believe with every particle of our being
22 that our domestic industry, the crawfish processing
23 industry is gravely, not just materially, injured, and
24 without the antidumping order that injury will
25 continue until we soon perish.

1 Today the domestic interested parties will
2 lead off with the 23-year commissioner of the
3 Louisiana Department of Agriculture and Forestry, Bob
4 Odom, who will describe the importance to his state of
5 the tasty, repast, sometimes known by tasteless names
6 like "crawdad" and "mudbug". Commissioner Odom will
7 also discuss actions on several fronts to deal with
8 the Chinese invasion.

9 The director of market development of the
10 Louisiana Department of Agriculture and Forestry, Roy
11 Johnson, who has had the unenviable task of trying to
12 develop markets for Louisiana crawfish in the face of
13 the imports onslaught will show the integral place of
14 the subject product in the domestic crawfish business,
15 and the impact of imports in the U.S. market.

16 I shall summarize the situation that
17 prompted a unanimous Commission five years ago vote in
18 the affirmative.

19 John Steinberger will recount what is
20 occurring today with imports, their effect on the U.S.
21 industry and aspects of the problem of enforcing the
22 dumping order.

23 Four peelers of crawfish, Gab LeBlanc, Frank
24 Randol, Adam Johnson and Terry Guidry have left their
25 processing in this the high season because they think

1 speaking to you of the necessity of retaining the
2 order may be the only way that they can remain in
3 business.

4 Mr. Steinberger will conclude our
5 presentation with a somber appraisal of what will
6 happen if the antidumping order is revoked. We would
7 like to reserve time for rebuttal. In addition, I
8 believe a separate allotment of time will permit of a
9 closing statement.

10 And oh, yes, on the assumption that we all
11 have to eat, and that since the subject of this
12 hearing is not steel or wood or chemicals, but very
13 much a gastronomical delight, everyone is invited to
14 partake of Chief Frank Randol's crawfish treat.

15 Thank you.

16 CHAIRMAN OKUN: Thank you.

17 MS. ABBOTT: Opening remarks on behalf of
18 the respondent interested parties will be made by
19 Ronald M. Wisla, Garvey Schubert & Barer.

20 CHAIRMAN OKUN: Good morning, Mr. Wisla.

21 MR. WISLA: Good morning. Thank you very
22 much.

23 My name is Ron Wisla with the law firm of
24 Garvey Schubert & Barer, and today I am here
25 representing the Chinese respondents and a coalition

1 of U.S. distributors and processors of frozen crawfish
2 tail meat.

3 Our witnesses today include Mike Powers, the
4 Director of Seafood Procurement at Darden Restaurants;
5 Christine Costley of Harbor Seafoods; James Mullen,
6 Jr., President of Ocean's Catch, Inc.; Paul Obirek,
7 Director of Seafood Procurement at King & Price
8 Seafood Corporation; Jimmy Johnson, Sales Manager of
9 Sea Safari, Limited; Bob Redar; Senior Vice President
10 of Sales and Marketing for Sea Watch International;
11 and Matthew Fass of Maritime Products International.

12 The administrator of record in this case
13 establishes that material injury to the domestic
14 industry producing crawfish tail meat would not recur
15 if the order were revoked. The witnesses today, who
16 come from all parts of the country, will testify to
17 the following points:

18 First, competition between the Chinese and
19 domestic product is very limited. The market segments
20 are entirely different. The Chinese product is 100
21 percent frozen tail meat. The domestic product is
22 over 80 percent chilled tail meat.

23 Competition is also limited geographically.
24 The Chinese product serves a nationwide market whereas
25 90 percent of the domestic industry's production is

1 sold to the Louisiana market. Competition is also
2 limited by season. The frozen Chinese product is
3 available year-round. The chilled fresh product is
4 available only seasonally.

5 Second, it is painfully apparent that the
6 domestic industry cannot even begin to supply the
7 growing U.S. demand for crawfish tail meat. The
8 domestic industry supplied only 13 percent of U.S.
9 demand in 2002. In 2000 and 2001, when drought
10 conditions prevailed in Louisiana, they were only able
11 to supply 4.6 percent of U.S. demand.

12 In fact, the 2002 frozen tail meat
13 requirement for -- a couple of our witnesses
14 separately -- exceed the 2002 frozen production of the
15 U.S. industry by a factor of 10.

16 Third, the driving force in the domestic
17 tail meat market is not the large volume of Chinese
18 imports, but it is the surging demand for whole, fresh
19 crawfish. Harvesters and distributors maximize their
20 profit by selling into the lucrative fresh whole
21 crawfish market. Only crawfish that cannot be sold
22 fresh whole in that market due to size, freshness or
23 other considerations are sold to the peeler market.
24 The industry's chronically low production and capacity
25 utilization levels highlight this point.

1 The factual record of this case is akin to
2 that found in fresh cut roses from Colombia and
3 Ecuador. In that case a negative injury finding was
4 made despite the fact that importers held a commanding
5 and growing share of the U.S. market and import prices
6 were lower than domestic prices.

7 As in that case, national demand for the
8 product was increasing because imports were
9 responsible for the emergence of new, significant
10 markets that provided increased consumer access
11 through less traditional channels of distributions.

12 Thus increased imports were not significant
13 because they did not displace the domestic market;
14 rather they served new markets which were previously
15 not served by the domestic industry.

16 Thank you.

17 CHAIRMAN OKUN: Thank you.

18 Madam Secretary, will you please announce
19 our first panel?

20 MS. ABBOTT: If the first panel in support
21 of the continuation of antidumping duties would please
22 come forward. All panel members have been sworn.

23 (Witnesses sworn.)

24 CHAIRMAN OKUN: Thank you, Madam Secretary.

25 (Pause.)

1 CHAIRMAN OKUN: Good morning, you may
2 proceed.

3 MR. ODOM: Is it on? Is it on now?

4 CHAIRMAN OKUN: Yes, it is.

5 MR. ODOM: Okay, thank you.

6 Good morning. Thank you, Madam Chairman and
7 members of the Commission, for having me here today.

8 I am Bob Odom, Commissioner of the Louisiana
9 Department of Agriculture and Forestry.

10 The crawfish sector is a vital part of the
11 Louisiana economy and culture. In 2002, Louisiana had
12 1,135 crawfish farmers on 106,653 acres, and another
13 1,068 wild crawfish fishermen producing some 75
14 million pounds of whole crawfish with a farm value of
15 57 million, and a total economic impact on Louisiana
16 crawfish is estimated as over 140 million.

17 As commissioner of agriculture for the State
18 of Louisiana, it is part of my job to ensure that
19 Louisiana crawfish businessmen are given a fair
20 opportunity to compete and thrive. For many years now
21 the department has taken an active role in producing
22 Louisiana crawfish not only to those who already know
23 and love the taste of crawfish, but also to those
24 outside Louisiana who have never tried it.

25 Through our efforts and efforts of many

1 others in the private, cageous trazine became
2 increasingly popular in the 1980s and our crawfish
3 producers began to market outside the traditional
4 local markets of Louisiana.

5 In the 1990, we began to see increasingly
6 large quantities of Chinese tail meat at extremely low
7 prices. Suddenly the Chinese product was everywhere,
8 not only in the new markets we were developing outside
9 of Louisiana, but even in our traditional markets
10 within the state.

11 When we learned that the prices were not
12 just low prices, but in fact were dumped prices, we
13 joined with the Louisiana processors to pursue relief
14 under the federal antidumping law. We had succeeded
15 in getting antidumping orders against the importers in
16 1997 with duty deposit rates between 91 and 2001
17 percent. We felt we had won the war against dumped
18 Chinese tail meat, but in fact it was only the opening
19 battle.

20 In the years since 1997, our department has
21 remained committed to securing the benefit of the 1997
22 antidumping order for our crawfish producers. It has
23 not been easy. Along the way we have succeeded in
24 raising the normal value, the benchmark price used by
25 Commerce Department by about \$2 per pound. We have

1 turned back attempts by so-called new shippers who
2 were actually old shippers under new names to obtain
3 low duty rates secured by worthless bonds.

4 We have worked with Customs investigators to
5 put down schemes of rerouting Chinese tail meat
6 through third countries in order to conceal the
7 country of origin. We have pushed Customs and
8 Commerce to cooperate in taking action against shipper
9 who declared one price to Customs and an entirely
10 different price to Commerce.

11 We have won battles on all these fronts, and
12 the Louisiana crawfish sector has benefitted from it,
13 but not nearly enough.

14 Yes, some of Louisiana processors, some of
15 the ones left standing received a total of about 7.5
16 million in antidumping duties collected under the Byrd
17 Amendment in 2002, but that's just 7.5 million out of
18 about 28 million owed by the importers, the rest was
19 uncollectible.

20 Even worse, our markets in Louisiana are
21 still flooded with Chinese crawfish tail meat at
22 prices that are not much higher than in 1997.

23 For every shipper we have been able to catch
24 circumventing the orders, there has been 100 others
25 that we didn't catch, at least not yet, but we're

1 working on it.

2 In addition to the antidumping cases, our
3 department has many other programs and
4 responsibilities. One of the other responsibilities
5 is to ensure that the food sold in Louisiana is safe
6 to be eaten. During the 2002, we found Chinese tail
7 meat with unacceptable high levels of chloramphenicol,
8 a banned antibiotic. We also found shrimp and honey
9 with unacceptable amount of antibiotic
10 chloramphenicol.

11 We had the producer pull from the -- with
12 the product pulled from the store shelves. For
13 several weeks, Chinese crawfish tail meat was scarce
14 in Louisiana. For the first time in years our
15 processors have benefitted from this short run, but in
16 the long run no one benefits when the public becomes
17 fearful of eating crawfish.

18 The question before you today is whether the
19 domestic crawfish industry will suffer materially
20 injured in the antidumping order is revoked. To me,
21 the answer is clear. The antidumping order, far from
22 perfect, was our only weapon against the number one
23 problem. We cannot afford to have that weapon taken
24 away from us.

25 Thank you.

1 CHAIRMAN OKUN: Thank you.

2 MR. R. JOHNSON: Good morning. I am Roy
3 Johnson, Director of Market Development for the
4 Louisiana Department of Agriculture and Forestry.

5 Among my responsibility is the direction of
6 the activities of the Louisiana Crawfish Promotion and
7 Research Board. I have been working closely with our
8 crawfish industry for over 20 years.

9 I would like to give you some background on
10 how this business works and why crawfish tail meat,
11 the subject of this review, is so important to the
12 crawfish sector in the United States.

13 The importance of a profitable marketplace
14 for U.S. crawfish tail meat cannot be overemphasized.
15 Imagine a three-legged stool. It needs all three legs
16 to stand. It cannot stand on just one. Of the three
17 major domestic crawfish products, live crawfish, fresh
18 peeled tail meat, and frozen peeled tail meat, the
19 ability to produce and sell fresh and frozen tail meat
20 at a profit is essential to making the economics of
21 our industry work.

22 Crawfish are harvested and delivered to the
23 processors. Some of the crawfish can be sold to the
24 live market, that's one leg of the stool. However, in
25 the crawfish delivered to the processors some are not

1 suitable for the live market. The crawfish that are
2 not suitable for the live market must be peeled or
3 destroyed.

4 Also, at certain times during the harvest
5 season, which is roughly from February through June,
6 live crawfish markets become saturated, and all
7 remaining crawfish have to be peeled or destroyed even
8 if they would otherwise have been suitable for the
9 live market.

10 Fresh peeled tail meat is one important
11 outlet selling our product -- our portion of the
12 harvest that cannot be directed to live sales. That's
13 the second leg of the stool -- fresh peeled tail meat.

14 The third leg of the stool is frozen meat
15 sales. Because of its perishability, fresh peeled
16 tail meat is only available during season. This
17 product cannot be held so long after the season is
18 over. Therefore, being able to peel and freeze the
19 rest of the meat is an indispensable element in this
20 business. Due to FDA interpretation of packaging
21 rules, that decision on how much to freeze and how
22 much to sell fresh has to be made before packaging.

23 In the U.S., producers need all three legs
24 for stability. Trying to shift your weight to just
25 one or two legs is not an option. This industry

1 cannot afford to abandon the market for peeled fresh
2 or peeled frozen tail meat.

3 We are still seeing very large quantities of
4 Chinese crawfish tail meat in our market. You can see
5 this from your staff report. What is even more
6 surprising is that the prices for this Chinese
7 crawfish are still very low, and they have been since
8 1997.

9 You have seen statements by domestic
10 processors, which appear in our appendix D of the
11 staff report, indicating that Chinese tail meat has
12 been selling for around \$3 per pound retail in
13 Louisiana. That is generally consistent with our
14 observations, although, of course, prices do vary from
15 one brand to another, and from time to time.
16 Sometimes the Chinese price is lower than that,
17 sometimes it's higher; it is always, always far below
18 domestic prices.

19 Cheap Chinese crawfish have taken sales from
20 the U.S. crawfish in Louisiana, the rest of the United
21 States, and even our export market. We have
22 completely lost the hotel restaurant institutional
23 market, and our Swedish exports. This has been very
24 harmful to the U.S. industry.

25 Many U.S. processors tried to balance on one

1 leg while the Chinese try to keep kicking the other
2 two away. Many processors have failed. But the
3 antidumping order has provided just enough stability
4 for the others to remain. Revocation of the order
5 would yank two legs out from under them.

6 Thank you.

7 CHAIRMAN OKUN: Thank you.

8 MR. LEONARD: To evaluate the situation now
9 as to the subject imports, crawfish tail meat from
10 China and the domestic industry producing a like
11 product, domestic processor of crawfish tail meat, and
12 to determine what is likely to occur without the
13 antidumping order against Chinese crawfish tail meat,
14 we would like to review as a benchmark the conditions
15 that prevailed in 1997.

16 Those conditions promoted the Commission
17 unanimously, and there were even six commissioners
18 voting, to determine that the domestic industry was
19 materially injured by reason of the Chinese imports.

20 Every commissioner agreed that imported
21 crawfish tail meat from China competed directly with
22 domestic crawfish tail meat. Every commissioner found
23 that the volume of imports from China was significant.
24 Every commissioner concluded that the high volume of
25 subject imports directly competing at very low prices

1 with domestic tail meat had caused material injury to
2 the domestic industry.

3 From the perspective of a domestic crawfish
4 processor, conditions during the original period of
5 investigation had become grim. During 1996, the last
6 year examined by the Commission, crawfish tail meat
7 from China was selling to retailers in Louisiana at
8 average quarterly prices of \$3.25 to \$3.28 per pound,
9 underselling domestic producers by margins of 37.5 to
10 56.7 percent.

11 U.S. shipments of imports of the subject
12 merchandise reached 8,268,000 pounds that year,
13 representing 86.8 percent of apparent domestic
14 consumption.

15 The average import value was just \$2.74 per
16 pound while the average value of U.S. producers'
17 domestic shipments was \$5.68 per pound.

18 he Commission found that the price
19 difference was sufficiently large to induce even loyal
20 purchasers of the domestic product to switch to
21 Chinese imports.

22 Domestic producers faced rising costs but
23 were unable, due to Chinese imports, to raise prices.
24 consequently, to quote the Commission, "Domestic
25 processors suffered serious financial declines with

1 slim profit margins, turning the losses at the end of
2 the period."

3 The domestic industry had regressed from net
4 earnings of 21 cents per pound in 1994 to net losses,
5 net losses of 15 cents per pound in 1996.. Well, that
6 was the bleak picture that prompted a unanimous
7 affirmative decision in 1997.

8 As to what has happened since then, and what
9 is the situation now, have there been changes? Have
10 any changes been good or bad for the domestic
11 industry?

12 John Steinberger will take up the narrative.

13 MR. STEINBERGER: Thank you. Good morning.

14 Mr. Leonard has just reviewed the
15 Commission's finding from 1997 which is one of the
16 first elements that the Commission is directed to
17 consider in a sunset review under Section 752 of the
18 act. Congress wanted the Commission to consider the
19 details of the original injury finding because,
20 according to the statement of administrative action,
21 if the commission finds that revocation would put this
22 industry into the same injured condition that it was
23 in in 1996 and 1997, the order should stay in place.

24 So the Commission should evaluate what has
25 happened after the order in light of the mechanisms of

1 injury that it discovered in the original
2 investigation.

3 First off, let's talk about fungibility.
4 The starting point is to consider whether subject
5 imports are competing with the domestic product now in
6 the same way that they were then.

7 Are the two products still fungible,
8 interchangeable, substitutable? Yes, they are.

9 The animals that we're talking about here,
10 *procambaras clarkae* and *procambaras doangulus*, and
11 there are a few other unpronounceable Latin names, are
12 an ancient species of crustation believe to have
13 evolved from prototype marine lobsters about 200
14 million years ago. There have been no significant
15 advancement in crawfish anatomy since 1997. The
16 Chinese product is the same beast.

17 The record of this case also shows no
18 significant changes in the methods of harvesting live
19 crawfish or in the peeling, packaging or marketing of
20 crawfish tail meat. The only change is that, by
21 virtue of having been in the market for another five
22 or six years, the Chinese product is even more
23 substitutable now than it was then.

24 Second, underselling: Underselling by
25 subject imports was key to the Commission's decision

1 in 1997. Had we seen underselling since 1997? Well,
2 frankly, yes.

3 Have we ever. Underselling by subject
4 imports was just as bad during this period of review,
5 if not worse, compared to the original investigation.

6 In the original investigation, Chinese tail
7 meat undersold the domestic product at margins of 37.
8 5 to 56.7 percent. Since then the margins of
9 underselling have been in the range of 19.8 percent to
10 67.9 percent based on prices reported to the staff and
11 shown in the staff report.

12 Now, it may seem odd to you that Commerce
13 could impose duties of 91 percent to 201 percent on
14 this product, and we would still see little change in
15 the selling price and the margins of underselling in
16 the United States.

17 Well, it seemed odd to us as well. We
18 believe the reasons have a lot to do with
19 circumvention and evasion of the order which we have
20 described in our brief, but the bottom line is that
21 the duties are not being paid. For purposes --

22 CHAIRMAN OKUN: Mr. Steinberger, do you want
23 to do this in the dark? Can we turn the light on?

24 MR. STEINBERGER: I'm quite contend with it.

25 CHAIRMAN OKUN: Okay, if you don't mind.

1 Okay. Thank you.

2 MR. STEINBERGER: I don't think it would
3 benefit anyone here to see me better.

4 (Laughter.)

5 Just ask my wife.

6 For purposes of this review, the most
7 salient point about circumvention and evasion and is
8 that this highly fungible product has been present in
9 the marketplace in very large quantities at prices far
10 below the price for the domestic product, and even
11 below the domestic producers' cost of acquiring raw
12 material.

13 But we do wish to caution you that you need
14 to remember two things when you look at the import
15 data and try to use that to get at where the true
16 price levels have been over the period of review.

17 First, in this case, unlike many others that
18 you may have considered, you cannot assume from high
19 duty rates that the actual landed so-called duty paid
20 price was significantly higher than the declared
21 customs value. In fact, we know the amount of the
22 duty that was actually collected between 1997 and
23 2002. It was about \$7.5 million that was distributed
24 under the Byrd Amendment. And by the way, those
25 collections didn't start until April of 2002.

1 Now, if you allocate those duties across all
2 of the post-order imports, subject imports, you will
3 find that the real duty burden amount to just 19 cents
4 a pound on this product, or about 7.5 percent ad
5 valorem.

6 Now, in this chart we have tried to
7 illustrate this for you. We have shown average unit
8 values for the domestic product in blue in the back,
9 and declared customs value in the front in the green
10 bars. The red bars in the middle are intended to
11 represent the so-called duty paid price; that is, what
12 has actually been paid tacked on top of the declared
13 value. You will see that there is not much difference
14 there, first of all; and secondly, the import price
15 are hugely below the domestic price for this product.
16 We're not talking about a small difference.

17 Now, the second cautionary point about
18 average unit values calculated from import statistics
19 is that the value figures for 2001 and almost
20 certainly also for 2002 are skewed upward by
21 deliberate overreporting of shipments by value for
22 Xing Dao ReiRong, which were imported through YMZ
23 International Trade, a company that they claimed was
24 unaffiliated.

25 In case you're not familiar with YMZ, here

1 is a picture of YMZ's operational address, their
2 business address reported to Commerce. It's a house
3 in Queens owned by Yeu Beng Yau, and Jong Jau-Jau.
4 YMZ, right? The husband/wife team who run Xing Dau
5 ReiRong, the company that said had nothing to do with
6 YMZ. That's Yeu Beng Yau's Mercedes in the driveway
7 of this house, of the company which is the business
8 address of the company he said he sold two years
9 previous.

10 If you believe that YMZ actually paid Xing
11 Dau ReiRong \$5 a pound for Chinese crawfish at
12 wholesale, you might also want to know that nearby
13 this house there is a bridge in Brooklyn that's just
14 been listed with Century 21.

15 Those imports account for roughly half of
16 what you're looking at in the import statistics for
17 2001.

18 Import volume, I just said that the subject
19 merchandise has retained a significance presence in
20 the U.S. market, which is an understatement. You can
21 see this clearly from the import data in the staff
22 report, and we will be using the staff report's
23 figures today even though we believe that imports
24 under one tariff number, 1605401090, have been missed.

25 Import volumes fell briefly after the order,

1 but by 2001 and 2002, it had bounced back to a level
2 even higher than the 1996 level in which the
3 Commission found to be indicative of injury.

4 Now, you will notice that imports are
5 several times higher than total domestic production
6 this year; each year, in fact.

7 Next, consider market share. I have just
8 given you a quick picture of the U.S. market in terms
9 of pricing and imports between 1997 and now. It's
10 been flooded with Chinese tail meat still at very low
11 prices, much lower than the domestic product, and not
12 surprisingly given the fungibility between these two
13 products, the domestic industry's market share has
14 stood at just 13.1 percent, which is just below the
15 13.2 percent in 1996, which the Commission thought was
16 a sign of material injury.

17 Now, how the respondents can say that's a
18 good thing for the U.S. industry is something they
19 will need to explain, but this is not market
20 segmentation; it's market decimation.

21 Having looked at the basic market dynamics
22 of the past six years, let's move on now to the bottom
23 line. How have the domestic producers been affected?

24 The answer is exactly what you would expect
25 based on the Commission's 1997 analysis. Capacity

1 utilization which had dropped from 62.4 percent to
2 38.6 percent during the original investigation went to
3 31 percent in 1997 and '98, then to 22 percent in
4 1999. By 2002, it had recovered to just 30.2 percent,
5 very low in absolute terms and lower than at the end
6 of the original investigation.

7 Now you might notice I skipped just now 2002
8 and 2001. Those are years in which many domestic
9 producers were affected by drought, which limited the
10 live crawfish market, the harvest. It's not that the
11 domestic industry was unaffected by imports in that
12 time, it's just that I'm not that interested in
13 getting into a handering contest over separating the
14 causation in those years. You could get five dozen
15 pointy-headed economists to try to sort it out.

16 We don't need to do that. Look at the non-
17 drought years. In the non-drought years, you can see
18 that you have the same sort of problems with capacity
19 utilization. That cannot be laid at the foot of the
20 drought.

21 And remember that the domestic industry in
22 2002 produced only three-quarters as much tail meat as
23 it did in 1996, even though there were 3 million extra
24 pounds of live crawfish in that time.

25 What else has happened to the domestic

1 industry?

2 Well, as we said, market share fell during
3 the period of review, ended up lower than in 1996.
4 Productivity is down from three pounds an hour in '97
5 to 2.3 pounds an hour in 2002. In 1996, the last year
6 of the original investigation, it was five, five
7 pounds an hour.

8 Unit costs have been rising. Live crawfish
9 input costs went from 3.55 a pound of tail meat in '97
10 to 3.88 in 2002. Unit labor cost rose from \$1.09
11 pound in '97 to \$1.60 a pound in 2002. Unit interest
12 costs doubled in that time. Other unit costs went
13 from \$1.08 in '97 to \$1.57 in 2002. All tolled, the
14 domestic industry's expenses in producing this product
15 rose by 24 percent between '97 and 2002; from \$5.77 a
16 pound to \$7.15.

17 All this while container after container
18 after container of Chinese tail meat arrived at the
19 port and moved into the market at prices of two to
20 three dollars a pound wholesale and sometimes two to
21 three dollars retail.

22 In this environment, how did the domestic
23 industry manage to make any money?

24 Well, the answer is simple, they didn't.
25 The domestic industry had net losses every single year

1 unless you throw in the Byrd Amendment money in 2002.
2 It was bad enough at the end of the original
3 investigation when losses were 15 cents a pound. But
4 in 1998, it had gone to losses of 59 cents a pound.
5 By 2002, the losses on actual operations setting aside
6 the Byrd Amendment money, were \$1.35 a pound.

7 This is sad but not too surprising when you
8 consider that the market throughout this period was
9 filled with several times as much Chinese tail meat as
10 the domestic industry produced, at wholesale prices
11 that were even lower than the domestic industry's cost
12 of acquiring the live crawfish in the first place.

13 At this point I would like to step back from
14 the aggregated data in the staff report and let you
15 hear from our witnesses, the first of which is Gabe
16 LeBlanc. Thank you.

17 CHAIRMAN OKUN: Thank you.

18 MR. LeBLANC: Good morning. My name is Gabe
19 LeBlanc, and I'm with the Acadiana Fishermen's
20 Cooperative located in Henderson, Louisiana, and I am
21 also president of the Crawfish Processors Alliance.

22 Over the past few years, shipments of
23 imported Chinese crawfish tail meat have increased
24 from a few thousand pounds per year to millions of
25 pounds per year.

1 Our markets consist of mainly retail stores,
2 restaurants and seafood wholesalers. Since the
3 introduction of Chinese crawfish tail meat our markets
4 have been reduced from 100 percent to 20 percent and
5 even less. While I am sure that the Chinese crawfish
6 have opened up markets in other parts of the country,
7 the fact still remains that a majority of the chinese
8 crawfish tail meat is being sold in the Louisiana
9 market.

10 Why, you ask has the Chinese crawfish tail
11 meat taken over our markets? It's very simple. It's
12 not quality, but price.

13 Retail stores in many parts of the state are
14 able to retail Chinese tail meat for under 2.99 a
15 pound. In the past, I have talked with many retail
16 customers who handle both products, and they have
17 informed me that they are able to see Chinese crawfish
18 easily five-to-one in comparison to domestic product.

19 Some retail customers had refrained from
20 handling Chinese tail meat for a couple years or so,
21 but were overcome by the pressures of competing
22 retailers.

23 The restaurants and seafood wholesalers'
24 business has for the most part shifted to the Chinese,
25 mainly because of price.

1 That leaves us pretty much depend on the
2 retail business for the sales of crawfish tail meat.
3 Most assuredly, that market is not enough to handle
4 our supply.

5 Roband's Restaurants located in Henderson,
6 Louisiana was one of our largest customers. They used
7 to buy to 30 40 thousand pounds of fresh crawfish tail
8 meat with us every year. They would market their
9 product into crawfish et tufe, which is sold
10 nationwide. Now, the use of the cheap Chinese
11 crawfish tail meat they are no longer able to do so.

12 Our plant's peeling capacity is between two
13 and three thousand pounds of meat per day. Now,
14 production is less than half of that, not because of
15 the unavailability of crawfish and the labor to
16 process it, but because there is no available market
17 to absorb that amount of volume.

18 And also lost in the shuffle, of course, is
19 the local fishermen. They are the ones who when the
20 processing plants can't sell their product are told
21 either they can't fish or limit their catch only a
22 certain amount of pounds per day.

23 Although Customs was not very successful in
24 enforcing the tariff, for one reason or another I am
25 confident that just the presence of the tariff could

1 curtail some importers from flooding the market with
2 more than it is already.

3 Thank you.

4 CHAIRMAN OKUN: Thank you.

5 MR. RANDOL: Good morning. I'm Frank
6 Randol, owner of Randol Seafood and Restaurant in the
7 heart of the cajun company, LaFayette, Louisiana, that
8 was established in 1971.

9 After the World Fair in New Orleans in the
10 1980s, the doors opened -- the World Fair opened the
11 doors to Louisiana food and products around the world.
12 Aggressive marketing by both the State of Louisiana
13 and individuals such as Paul Klue, Emeril Lagassi, and
14 John Fold, the way was paved for Louisiana products.

15 Today, many restaurants around the world
16 still feature our type if cuisine and cooking and
17 products. The difference is the imports now supply
18 those markets with cheap product, cheap entree
19 products.

20 I believe that the Chinese peeled crawfish
21 are the same as our Louisiana crawfish and compete to
22 head to head. I cook. I'm in the restaurant
23 business. I can tell you first hand they are the same
24 product. Once out of the bag they lose their
25 identity, and the driving factor becomes price.

1 People like Popadous, Popeyes and other
2 national chains market cajun item such as cajun
3 crawfish, which is fried crawfish tails, they
4 substitute Chinese peeled crawfish to achieve the
5 price points they need to make a profitable bottom
6 line.

7 The price for Chinese crawfish has stayed
8 around three bucks a pound. The cost of my labor
9 alone cost me a buck 59 to process. Just when I left
10 to come up here I got a quote for a wholesale new FOB
11 L.A. for Chinese peeled meet for 2.44 a pound.

12 The basic rule of supply and demand really
13 runs the domestic industry. You know, we are limited
14 in production at the first quarter or the last quarter
15 of the year, and we have very light demand. But then
16 at the first quarter demand spikes and prices firm up
17 around Madri Gras which is the traditional Lent
18 season, and it winds up around Easter time.

19 The second quarters brings the warmer
20 weather, larger crawfish supplies and heavier
21 production. The production outstrips demand so much
22 that we have to freeze for the off-season markets.
23 The influx of Chinese crawfish has altered our demand
24 for the domestic, making inventory and future sales
25 highly speculative. Basically, if you can't sell it,

1 don't buy it and don't pick it.

2 Our costs have been steadily increasing and
3 the cost of production right now is on an upward
4 spiral, energy, insurance, labor, and such. When the
5 chloramphenicol surfaced many retailers, such
6 Albertsons, Sam's Club, And Wal-Mart pulled Chinese
7 tail meat off the market, and we noticed a noticeable
8 spike in our sales.

9 An importer I know, Charlie Casteel of
10 Castback bragged that domestic processors would never
11 collect on the tariff. He was more concerned with the
12 lower pricing between the competing importers than the
13 inequity in the way they were pricing. They were
14 below the pricing floor established by the tariff. He
15 was forced to matched their low prices to stay in
16 competition with retaining his accounts at Popadous
17 and Popeyes.

18 After the CPA win, and the enforcement from
19 Customs, he became very uncertain about dropping
20 prices below the pricing floor.

21 I truly believe that if the tariff is
22 dropped, the domestic crawfish industry will fail.
23 The import prices will quickly fall to a fraction of
24 the domestic meat cost. The remaining industry will,
25 the plants will fold. In Louisiana we call that se tu

1 fini.

2 Thank you.

3 CHAIRMAN OKUN: Thank you.

4 MR. A. JOHNSON: Good morning, I am Adam
5 Johnson with Bayou Land Seafood in Breaux Bridge,
6 Louisiana.

7 Chinese tail meat does compete directly with
8 our domestic tail meat. With such a large difference
9 in price, many customers cannot justify any quality of
10 freshness difference. Restaurant purchases of
11 domestic products have decreased as they are
12 attempting to pad their margins with purchases of much
13 lower Chinese product.

14 Most retail stores still carry Louisiana
15 tail meat along with Chinese tail meat. However,
16 restaurants, even our local restaurants, still use
17 Chinese tail meat in their recipes. One restaurant
18 within five minutes of six processing plants in the
19 area uses the Chinese tail meat because of price.

20 When the State of Louisiana began testing
21 for chloramphenicol our sales moved upwards with many
22 new customers. Once the product was cleared, sales
23 returned to the levels before chloramphenicol was
24 discovered.

25 Typical advertised prices for Chinese

1 crawfish tail meat have been about 2.99 a pound.
2 Barnard's brand is a common brand in our area. The
3 local name and address on the front of the package
4 does appeal to some local customers.

5 Our cost of production have increased
6 steadily since 1997. Our labor costs have increased
7 about 30 percent. In '97, we \$1.40 a pound for the
8 peelers; in 2002, we paid \$1.75. Our cost of workers'
9 compensation insurance, for example, went up 108
10 percent between '97 and 2002. In 1997, we peeled
11 104,054 pounds and cost of workmen's comp insurance
12 was \$9.162. In 2002, we peeled 75,643 pounds, and our
13 cost of workmen's comp insurance was \$19,102.66. We
14 are not able to pass these costs on to our customers.

15 Our sales and production have decreased
16 between '97 and 2002. Our margins are down in an
17 attempt to compete with the cheaper Chinese tail meat.

18 Our fishermen are limited in the amount that
19 they are allowed to catch. For example, Bayou Land
20 Seafood controls 2700 acres of crawfish ponds. This
21 year we only fished 1770 acres, and in that we were
22 only able to fish about 50 percent of the available
23 days between March and May. This is due to our
24 inability to sell the tail meat at the prices that
25 would more closely compete with the Chinese tail meat.

1 Many processors have gone out of business or
2 switched to selling mostly or only live, such as Tesh
3 Valley or Clearwater Crawfish. In Bayou Land
4 Seafood's case, we have drastically reduced our
5 production.

6 If that antidumping order was revoked, the
7 Louisiana tail meat processing business would be left
8 with nothing. Fishermen would have to limit their
9 catch to what can be sold on the live market. Our
10 peeling would not be needed. If Customs would enforce
11 the current level of duties, our industry could
12 prepare to produce more.

13 Bayou Land Seafoods can increase from an
14 average of 30 peelers per day to 100 percent capacity
15 which is 102 peelers per day. Our industry would be
16 able to buy more from our fishermen. Before the
17 Chinese tail meat arrived in our market no processor
18 thought about how much frozen tail meat will I
19 inventory. We just inventoried whatever we can
20 produce.

21 Thank you.

22 CHAIRMAN OKUN: Thank you.

23 MR. GUIDRY: Good morning. My name is Terry
24 Guidry with Catahoula Crawfish, Incorporated over in
25 St. Martin Parish in Louisiana.

1 On the issue of substitutability, I was
2 selling crawfish tail meat to Cajun Buy Distributors.
3 They are the buying division for the Raf Cat Hoo's
4 chain, the 14 restaurants, and the seafood buyer would
5 visit my plant a couple of times a year to look
6 around. He was always happy with the cleanliness and
7 the quality of the meat because he used to stress all
8 of the time Raf Cat Hoo's needs quality, quality,
9 quality to assure their good reputation.

10 When China meat started coming in at about
11 \$5 a pound in mid-nineties, and he told me don't worry
12 about it, we QCed some Chinese meat, it's okay, but as
13 long as we have fresh Louisiana meat, you really have
14 nothing to worry about because remember we're quality,
15 quality, quality.

16 And then the following year Chinese crawfish
17 meat went to 2.50 a pound and quality, quality,
18 quality went out the door for price.

19 There is no question that it's the same
20 product. Before China came along, we sold to people
21 like Slay Garden, Red Lobster, Bennigans, Popeyes,
22 Beaver Street Fisheries and any other of the national
23 accounts. When the chloramphenicol issue came up, our
24 sales doubled and tripled in some areas. We even got
25 a few calls from restaurants who hadn't called us in

1 five - six years.

2 On China meat prices, the price -- the price
3 range in our area has been about 2.99 a pound. The
4 Sunday paper always had someone advertising China meat
5 for 2.99. Some stores get a little creative, go two
6 packs for \$5. You had some stores selling a 12-ounce
7 pack for 1.99. I know one store in the Cecilia,
8 Louisiana area who sold a 16-ounce China crawfish pack
9 for 99 cents a pound at one time.

10 The most popular brand in the area is
11 Bernard's. The front of the pack as Bernard's brand
12 in large print; the bottom right-hand corner,
13 "Distributed by Cajun Crawfish Distributors, Meraux,"
14 a suburb of New Orleans. The back of the pack has
15 "Product of China," but most of the time it's covered
16 with the cover with the styrofoam tray when they wrap
17 the meat to sell it for retail, and there are many
18 people who think Bernard's brand is Louisiana
19 crawfish. That's why the stores love to sell the
20 Bernard brand.

21 Energy costs have risen, diesel gasoline,
22 natural gas, electrical, all insurance and other
23 things while our sales remain the same as the pre-
24 tariff date. We buy crawfish for market price, we try
25 to be as efficient as possible in our plants, and you

1 have to sell the meat sometimes at a profit, sometimes
2 at a loss.

3 Seventy-five percent of the processors are
4 going out out of business in the last few years
5 indicates we had more loss than profit. In 2002,
6 there were many fishermen who were not able to sell
7 their catch. I was turning away 12 to 15 fishermen a
8 week because my regular guys were catching enough for
9 my production.

10 The China crawfish has taken away 99 percent
11 of the Swedish market supplied by Louisiana. The
12 China market has taken away 99 percent of the Cajun
13 stile whole boil market that we used to have. The
14 China crawfish probably have over 80 percent of our
15 tail meat market, and there are millions of pounds of
16 Louisiana meat that can't be caught because of the
17 Chinese crawfish.

18 If that's not dominating and destroying an
19 industry, I really don't know what is.

20 A restaurant owner once told BC -- Before
21 China -- that at \$8 a pound he could start using
22 Chinese -- he can star using crawfish meat and make
23 good money in the restaurant. Then as the prices
24 dropped, he would freeze meat for the off-season. He
25 was selling his crawfish dinner at 15.99 a plant.

1 Now he is using China meat at 2.50 a pound.
2 His crawfish dinners are 17.99. So at the restaurant
3 level the consumers aren't getting any price break at
4 all.

5 What does the future hold for Louisiana
6 crawfish industry? China crawfish at 2.50 a pound now
7 with a tariff in place, and Customs chasing these guys
8 all the over place. Without a tariff, I feel these
9 guys would steamroll us and we would really have no
10 future left.

11 Thank you for listening.

12 CHAIRMAN OKUN: Thank you.

13 MR. STEINBERGER: Let's see if we can roll
14 all this together now.

15 Section 752 of the act calls upon the
16 Commission to decide whether a revocation of an order
17 would be likely to lead to continuation or recurrence
18 of material injury in a reasonably foreseeable time.
19 It calls for a prediction based on everything the
20 Commission knows about this industry and the subject
21 imports.

22 What will this industry look like in the
23 reasonably foreseeable future if the order is revoked?
24 Is there any reason to think that imports of Chinese
25 tail meat might then cease to be a cause of material

1 injury; that is, harm which is not inconsequential,
2 immaterial or unimportant?

3 We think not. There can be no question that
4 subject imports are significant. That's the statutory
5 test. Significant is an understatement in this case.
6 In 2002, subject imports were nearly 9 million pounds,
7 nearly triple what they were 1997. That was 84.2
8 percent of domestic consumption, and almost seven
9 times domestic production. In my book that's
10 significant.

11 Dumping margins are high and from the
12 Commerce Department's finding on duty absorption the
13 Commission should conclude that actual dumping margins
14 in the event of revocation would be even higher.

15 We know that this Chinese industry is very
16 heavily export-oriented. There is no home market as a
17 practical matter for tail meat in China, or in most
18 other countries of the world. Virtually 100 percent
19 of Chinese product is exported, and the U.S. and the
20 EU are the only two markets of any real consequence.

21 The Chinese producers did not provide any
22 useful information on capacity utilization, but we
23 already know from other facts in the record that
24 Chinese capacity is huge and still has room to send
25 millions of more pounds our way.

1 Based on past shipments alone, we know that
2 China could send us at least another 3.6 million
3 pounds, twice as much as what they would need to
4 completely bury the domestic industry.

5 We also know that the Chinese industry
6 maintains substantial inventories of tail meat based
7 on public data that we have submitted. There is also
8 confidential information, and we simply refer you to
9 our brief.

10 Based on these facts, there is no reason to
11 doubt that revocation of this order would lead to a
12 massive increase in shipments from China at even lower
13 prices; that Chinese tail meat coming into the market
14 will still be fungible with the domestic product; it
15 will still cause price depression, it will still cause
16 lost sales; it will still cause lost market share; it
17 will still cause low capacity utilization; losses will
18 continue to mount; import competition will force
19 importers to limit their purchasing, putting the
20 breaks on the live crawfish harvest as well as on
21 domestic production and sales of tail meat.

22 That is not harm; that is inconsequential,
23 immaterial or unimportant. It would be an economic
24 disaster for the people of Louisiana. Fortunately for
25 them and for these people at the table here today, the

1 statute and the evidence provides for only one
2 reasonable outcome in this case. The order should
3 stay in place.

4 Thank you.

5 MR. LEONARD: Madam Chairman, that completes
6 the direct case, the affirmative case of the domestic
7 interested parties.

8 CHAIRMAN OKUN: Thank you, Mr. Leonard, and
9 before we begin our questioning let me take this
10 opportunity thank all the witnesses for being here
11 today, in particular, to the industry witnesses who
12 have taken the time to be with us today to help us
13 better understand this story.

14 And Commissioner Miller will start our
15 questions this morning.

16 COMMISSIONER MILLER: Thank you, Madam
17 Chairman, and let me join in thanking the witness for
18 participating here today. And Commissioner Odom, Mr.
19 Johnson, Mr. LeBlanc, and of course, Mr. Leonard, I
20 believe you were all here in 1997 when the case was
21 originally heard, so welcome back. Sorry to hear that
22 the story is not any brighter than what you have
23 described today.

24 Because this is a sunset proceeding, I am
25 going to focus on a couple of things that appear in

1 our report to have changed. I will focus primarily on
2 things that I think might be different and try to
3 understand, if they are indeed different between -- if
4 they changed between now, or between 1997 and now.

5 First, one aspect of the report that seems
6 different from the story I hear all of you telling,
7 you talk -- the industry folks, Mr. LeBlanc, Mr.
8 Randol -- all of you talked about how you see the
9 Chinese produce in Louisiana.

10 And our staff report would suggest to me
11 that actually there is less, much less going into
12 Louisiana and the contiguous states than we saw in the
13 original period. In the original investigation, over
14 50 percent of the Chinese product was going into the
15 area of the country that all you know so well.

16 The report now suggests that there has been
17 a shift; that most of the Chinese product is going to
18 other areas of the country.

19 Now, I know there is some issues about data
20 that might be affecting our importer shipment numbers.
21 But even the Customs data suggests that this is the
22 case.

23 It's not what I hear from you. So I hate to
24 ask counsel to address the question, but I may have
25 to, but then the industry folks may have some thoughts

1 about why I have this impression as well.

2 Anybody?

3 MR. STEINBERGER: Yes, can I interrupt you?

4 Okay.

5 MR. GUIDRY: I don't know how much is going
6 out of state, but I mean every grocery store, every
7 retailer we sell it, there is plenty of China meat
8 there.

9 COMMISSIONER MILLER: Has it changed at all?
10 I mean, I know you were seeing a lot of it before. I
11 mean --

12 MR. GUIDRY: And we're seeing a lot of it
13 now.

14 COMMISSIONER MILLER: You are seeing just as
15 much now?

16 MR. GUIDRY: Just as much now.

17 MR. ODOM: Can I clear up -- let me make a
18 statement on -- when we did the chloramphenicol and
19 checked on the chloramphenicol, we found the Chinese
20 product in all of the stores almost all over the State
21 of Louisiana.

22 Wal-Marts had a ton of it, Winn Dixie had a
23 ton of it, and I am of the opinion that they have
24 taken over the domestic market in Louisiana in the
25 majority of the stores.

1 Now, they may be shipping some of the
2 products outside, and I know that there was only about
3 three states checked on the chloramphenicol when that
4 issue came up, but there was chloramphenicol in other
5 issues too, in honey and shrimp as I have said
6 earlier. But I do know that where I live in my
7 hometown the Wal-Mart stores and the Winn Dixie stores
8 have the product.

9 MR. STEINBERGER: Commissioner Miller, I
10 think there is some confusion because of the different
11 data sets that you're looking at in the staff report.

12 If you are talking about questionnaire data,
13 then you are relying on, and that's the only data set
14 that you can recall tell, where you can ask questions
15 where was this product sold. The questionnaire data
16 from the importer's side in this case is useless.
17 There are not enough responses to be able to tell how
18 much of the proportion is going into Louisiana and how
19 much is not.

20 So if you then look at the import data,
21 there is no way to know where those shipments were
22 sold by looking at the port where it comes in. Almost
23 all of this merchandise comes in at the port on the
24 west coast and then it is shipped into Louisiana from
25 that port. Some of it goes into ports in Texas and

1 then goes into Louisiana.

2 Now, there is a significant market outside
3 Louisiana. If you like the market for \$2 tail meat,
4 there is a market outside Louisiana that has become
5 quite large because the Chinese have fed into it. But
6 most of those imports are still moving quickly into
7 Louisiana. It's just that they are not going into a
8 Louisiana port. I think that clears some of it up.

9 COMMISSIONER MILLER: Well, I do understand
10 the problem with the importer responses, and clearly
11 there is an issue there. But because even the
12 Commerce data suggests this shift, that's why I asked
13 the question. And I take your point that that doesn't
14 tell you definitively the destination. But whether or
15 not it tells you the destination, there has been a
16 change between '97 and 2002.

17 MR. R. JOHNSON: Can I say something here?

18 COMMISSIONER MILLER: Sure.

19 MR. R. JOHNSON: We also track the imports
20 on piers, port, import reporting service, and service
21 the general commerce.

22 COMMISSIONER MILLER: Right.

23 MR. R. JOHNSON: And we have seen the shift
24 to Long Beach, the port of Long Beach, Los Angeles.

25 COMMISSIONER MILLER: Right.

1 MR. R. JOHNSON: Especially since the
2 Chinese have built their new terminal there.

3 COMMISSIONER MILLER: Right.

4 MR. R. JOHNSON: So it's much cheaper for
5 them to bring the product in to Long Beach, Long
6 Angeles, and then land bridge it anywhere they want to
7 in the U.S. than to go through the Panama Canal.

8 COMMISSIONER MILLER: Okay, that's the
9 issue. You just said, what did you just say? The
10 Chinese?

11 MR. R. JOHNSON: Well, Cosco had that new,
12 you know, the U.S. naval base there in Long Beach, and
13 they have taken over now with the China overseas
14 shipments, shipping -- I forgot what all Cosco means,
15 but it's the Chinese government shipping arm. And
16 also they ship a lot with Sealand, and Sealand has a
17 terminal there in Long Beach, and so does Maresk. So
18 they are shipping all those shipping companies to Long
19 Beach and a very economical land bridge from Long
20 Beach to New Orleans.

21 COMMISSIONER MILLER: Okay. And that
22 changed some of those, you said, have -- that opened
23 since '97?

24 MR. R. JOHNSON: Correct, the new COSCO
25 facility sent in after that.

1 COMMISSIONER MILLER: Okay. That's the kind
2 of information I was looking for because it does help
3 to explain why we see a shift in the data. So any
4 details that you want to provide specifics on it,
5 please do.

6 MR. STEINBERGER: Just one other point. You
7 mentioned the Commerce data. Are you talking about
8 the import statistics that we have already discussed
9 or something else from Commerce, from ITA?

10 COMMISSIONER MILLER: Well, I'm talking
11 about the official Commerce statistics --

12 MR. STEINBERGER: Okay.

13 COMMISSIONER MILLER: -- that show imports
14 by district.

15 MR. STEINBERGER: Okay. Very good. Thank
16 you.

17 Mr. Guidry, is that how --

18 MR. GUIDRY: Guidry, yes, ma'am.

19 COMMISSIONER MILLER: Mr. Guidry, please.

20 MR. GUIDRY: Yeah, Friday morning before I
21 left I went around a few retail stores to pick up this
22 one-pound package --

23 COMMISSIONER MILLER: If you will pull the
24 microphone a little closer so everybody can hear.

25 MR. GUIDRY: I picked up this pack Monday

1 morning for 3.98, regular price, and I picked up this
2 pack also for 2.99, the 12-ounce pack at late as
3 Friday morning. I've got the receipts inside.

4 COMMISSIONER MILLER: Okay. Okay.

5 Let's see, one other issue that I would like
6 to get a little bit better understanding about is, Mr.
7 Steinberger, you referred to the drought and the
8 weather conditions that have occurred in 2000 and
9 2001. Maybe we can get the producers, the processors
10 to tell us so we understanding, I mean, it's in the
11 record, we need to have a good understanding.

12 I mean clearly the harvest dropped
13 considerably in 2002 and 2001. Obviously, that had to
14 have an impact on your production. I note, and it
15 looks as though the same percent of crawfish was
16 processed into tail meat in this period. That seems
17 to be pretty consistent. Whatever comes in about 12
18 to 13 percent, 13 percent originally, and it looks
19 like it's about 12 now, goes into tail meat, the
20 processed tail meat. That's what our data suggests.
21 Correct?

22 And maybe you could talk a little bit more
23 about the effect of the drought and what that meant
24 both for prices and supply during 2000 and 2001.

25 Do you want to take the question, Mr.

1 Johnson, please?

2 MR. A. JOHNSON: Thank you.

3 COMMISSIONER MILLER: Oh, I'm sorry.

4 MR. A. JOHNSON: I'm the other Mr. Johnson.

5 COMMISSIONER MILLER: Well, there is the
6 other Mr. Johnson.

7 MR. A. JOHNSON: Well, it just goes back to
8 a supply and demand situation, where the - during the
9 drought year when the product was limited on our end,
10 the price of the live product did go up, and there are
11 points where even in the drought year that we get --
12 we get more product at certain times of the year than
13 others, so we start processing, we just started
14 processing later.

15 For example, we processed in 2001, still
16 part of the drought year, we didn't start processing
17 until March where, you know, 2002 and 2003, we started
18 processing the first week of January. So it just
19 pushed our production back when the volume was such
20 that we could start processing.

21 COMMISSIONER MILLER: Okay. I'll tell you
22 what, I want to hear, my colleagues may as well, if
23 they don't get to it, I will get back with you because
24 the red light has gone on, so I appreciate your
25 answers to my questions for now. Thank you.

1 CHAIRMAN OKUN: Commissioner Koplan.

2 COMMISSIONER KOPLAN: Thank you, Madam
3 Chairman. I too want to thank the witness for
4 traveling here today so we could have the benefit of
5 their testimony. Your direct presentations have been
6 extremely helpful.

7 Let me start first, Commissioner Odom, if I
8 could with you. Respondents allege that the domestic
9 industry is unable to meet growing demand and thus
10 cannot assure a consistent availability of supply.
11 That's in their pre-hearing brief at pages 2 and 3,
12 and we heard it this morning in the opening statement.

13 In furtherance of their argument they state
14 at page 6 of their pre-hearing that this afternoon
15 they will produce an importer who will testify
16 regarding last year's FDA and State of Louisiana
17 restrictions on importation of certain Chinese
18 processed tail meat suspected of containing antibiotic
19 chloramphenicol. And I know I have heard that
20 described several times in your direct presentations.

21 For the benefit of the reporter, correct me
22 if I am wrong, that's spelled C-H-L-O-R-A-M-P-H-E-N-I-
23 C-O-L. Do you all agree with that?

24 I see you are nodding in the affirmative.
25 Thank you.

1 The testimony will be that many U.S.
2 distributors and purchasers of Chinese processed tail
3 meat attempted unsuccessfully to shift as a result
4 from subject product to domestic crawfish tail meat,
5 and that's in their brief at page 6.

6 I would like you to respond to that
7 allegation, and tell me also, what is the situation
8 now with regard to Chinese compliance with these
9 restrictions?

10 I'll start with you, Mr. Odom.

11 MR. ODOM: When we started checking for
12 chloramphenicol, and the shrimp was the first thing
13 that we started checking on, we had found, and I
14 believe Canada had found it first, I believe Canada
15 was the first country that had found it, and so we
16 started to test and we sent our first samples up to
17 Canada to be run to make sure that it complied with
18 the restrictions.

19 And FDA had taken chloramphenicol off the
20 market.

21 COMMISSIONER KOPLAN: When was that?

22 MR. ODOM: When did they take it off the
23 market? They took it off about three or four years
24 ago.

25 COMMISSIONER KOPLAN: Oh.

1 MR. ODOM: They took it off the market and
2 it's an antibiotic is what it is, and it's still --
3 the only place that it can be used is by hospitals
4 today as far as U.S. market is concerned.

5 And we are of the opinion that the crawfish
6 that was caught in the open water, that it was not
7 contaminated in the open water, but we are of the
8 opinion that it was contaminated in the processing of
9 the crawfish, and of some of the shrimp, and the
10 latest find was on honey.

11 And so we set up a process of testing it.
12 When we tested it, what we did in Louisiana and then
13 some other states followed us, FDA was supposed to
14 screen all the product coming in for chloramphenicol,
15 and they set a zero tolerance. They didn't set --
16 they said they had an action level of five percent,
17 but to me, to me when you set a zero, a zero is zero.
18 I don't care if what you find, a zero has got to be
19 zero if you've got the ability to test, and that's what
20 they set the zero at -- that's what they set the
21 tolerance at.

22 So we began to catch crawfish coming that
23 had chloramphenicol in it, and we stopped the sale on
24 it. And then basically we said we will not accept a
25 lab report from the country that's got chloramphenicol

1 in the product, so they could send it to any other
2 lab. We required any product of China that was
3 shipped into the state, or in any of the countries
4 that had chloramphenicol to be tested prior to coming
5 in, and set that as part of our procedures. And we
6 stopped a lot of product, and we destroyed a lot of
7 product that had chloramphenicol in it.

8 COMMISSIONER KOPLAN: Let me just ask you,
9 at that point did U.S. distributors and purchasers who
10 had previously been buying the Chinese product, are
11 respondents correct that they then attempted to shift
12 to domestic product but were unable to satisfy demand?

13 MR. ODOM: Well, I think at that short
14 period of time, yeah, they were unable because it was
15 all of a sudden. None of the processors knew that we
16 were in the process of doing this because we didn't
17 know that at the time. We had to adopt some emergency
18 regulation to do it.

19 And again, in my opinion what happened too
20 is the product was diverted. I'm of the opinion that
21 states were not -- that were not having the tests done
22 they diverted product into those states, and then they
23 had tests run for any product that was claimed --
24 they would then ship it into the state.

25 And one other thing that was going on at

1 that same time on this pack that he showed you this
2 morning is had -- when you looked at the nutritional
3 fraction on the pack, it had no fat. So that's a
4 mislabeling. So we stopped the product for
5 mislabeling too and required them to come in and
6 change the label if they were going to market the
7 product.

8 COMMISSIONER KOPLAN: Is there anything that
9 would document the diversion? Has there been --

10 MR. ODOM: No, I don't have any
11 documentation of diversion. That's my belief that it
12 was diverted.

13 COMMISSIONER KOPLAN: Okay.

14 MR. ODOM: But I don't have any
15 documentation for that.

16 COMMISSIONER KOPLAN: Okay, thank you very
17 much.

18 Does anybody want to add to that?

19 MR. A. JOHNSON: Basically --

20 COMMISSIONER KOPLAN: Excuse me, if you
21 could identify yourself for the record again, please?

22 MR. A. JOHNSON: Adam Johnson, Bayou Land
23 Seafoods.crawfish tail meat

24 COMMISSIONER KOPLAN: Yes.

25 MR. A. JOHNSON: Basically what happened,

1 and I kind of touched on it in my briefing, that we
2 just weren't prepared for this spike in action.
3 Because of what's been happening since the Chinese
4 tail meat has come in, we have reduced our production.
5 Our capacity is still there, but we reduced the
6 production. We can't increase our production in one
7 week or two weeks time. It takes time to get the
8 labor to do that.

9 You know, if I felt that the Chinese tail
10 meat were on an equal footing with our product, and I
11 would be able to increase my production by basically
12 200 percent, and that was the problem. We just
13 couldn't turn it on and off. We were used to working
14 this way for years having a certain amount of
15 inventory based on what they Chinese product had been
16 doing to our industry.

17 COMMISSIONER KOPLAN: I appreciate that.
18 Let me stay with you if I could with another question
19 that's related to what you were talking about.

20 It also appears from our staff report, based
21 on producer questionnaires, that hourly wages was
22 steady during the review period but unit labor costs
23 increased and productivity decreased from the original
24 investigation. This trend doesn't make sense to me in
25 light of the increased labor cost during the period of

1 review.

2 It appears likely that some firms might have
3 made errors in reporting to the Commission the number
4 of hours worked. Could you comment now? I would like
5 to hear from, starting with you, Mr. Johnson, because
6 you had touched on it, and from the other processors.
7 If you could comment now, and then also if there is
8 any additional information that you have on that, if
9 you could provide it to us in the post-hearing.

10 MR. A. JOHNSON: Sure. Again, Adam Johnson,
11 Bayou Land Seafoods.

12 When we did this, this questionnaire, I did
13 see the same things that you all are seeing, and I
14 took the time to go back and check this out. And what
15 I can find is that, you know, we had the same peelers,
16 the same laborers coming back year after year after
17 year because we were at -- we were pretty much at 100
18 percent capacity, you know, 80 to 100 percent capacity
19 for years.

20 As we started downsizing and reducing our
21 production, our oldest peelers quit coming in. They
22 started getting -- they either got regular jobs, and
23 along with that is --

24 COMMISSIONER KOPLAN: Can you tell me when
25 that began? When did they stop that -- you know where

1 I'm going, right?

2 MR. A. JOHNSON: For Bayou Land Seafood, I
3 can see that around, you know, '96, '97.

4 COMMISSIONER KOPLAN: Okay.

5 MR. A. JOHNSON: Again, as we started slowly
6 decreasing our production. Well, along with that is
7 that -- you know, this is a situation where you had
8 the grandmother, the mother and the daughter working,
9 or you know, son, whatever, because we do have some
10 male peelers. And what was happening is the
11 grandmother and mother were coming in, their daughter
12 wasn't coming in. She was getting a job at Wal-Mart
13 or wherever else, something more steady. Then you
14 lost that one leg of production.

15 So you know, you had the grandmother and the
16 mother, and then if the grandmother was too old to
17 work, then you just had the mother, and then you're
18 left with -- there is no continuation. The mother
19 would show the daughter how to peel, the daughter
20 would show her daughter how to peel. We lost that
21 continuation.

22 Now we're looking at a situation where we
23 are -- if we were to start moving our production up,
24 there would be a time lag between, you know, for
25 efficiencies, where this peeler -- a peeler will start

1 off peeling, you know, two pounds an hour, then they
2 will move to three pounds, four pounds. We have some
3 that will peel, you know, eight pounds an hour, but
4 that comes with, you know, time and practice.

5 COMMISSIONER KOPLAN: Did those of you, the
6 other peelers, have similar experiences to what Mr.
7 Johnson just described?

8 MR. GUIDRY: Pretty much the same thing,
9 yes.

10 COMMISSIONER KOPLAN: If you could identify
11 yourself again?

12 MR. GUIDRY: Terry Guidry, Catahoula
13 Crawfish Company.

14 COMMISSIONER KOPLAN: And you did?

15 MR. GUIDRY: Yes. Pretty much the same
16 situation.

17 COMMISSIONER KOPLAN: Okay. Mr. Randol?

18 MR. RANDOL: Yes, similar. Yes.

19 COMMISSIONER KOPLAN: And Mr. LeBlanc?

20 MR. LeBLANC: Yes. I'm afraid everybody is
21 in the same situation as far as the labor. I mean, of
22 course, we're all in the same area, but I think
23 anywhere you go in Louisiana as far as processors
24 you'll find the same situation.

25 COMMISSIONER KOPLAN: Thank you. Thank you

1 very much for your responses, and thank you, Madam
2 Chairman.

3 MR. LEONARD: May I, Mr. Commissioner? May
4 I make a statement with regard to what I think you
5 were asking early on, and that is with respect to the
6 possibility that the Louisiana processors could not
7 satisfy demand in the U.S. market?

8 CHAIRMAN OKUN: Commissioner Koplan's light
9 has come on. I'm going to ask a question about that
10 anyway --

11 MR. LEONARD: I'm sorry.

12 CHAIRMAN OKUN: -- so let me just do it on
13 my time. You can go ahead, but just start the clock
14 back up, okay, on my time. Thank you.

15 Go ahead, Mr. Leonard.

16 MR. LEONARD: It's just a brief statement
17 that I believe that there is no requirement under the
18 statute that the domestic industry must be able to
19 satisfy the entire demand of the product in this
20 market to achieve its success under the statute.

21 There's no question, I think, that were
22 there not the Chinese in the market the Louisiana
23 processors, not only would they have 100 percent of
24 the market or virtually 100 percent, but they would
25 have a lot larger absolute amount of production and

1 sales.

2 That does not mean that the current demand
3 would be able to be satisfied by the Louisiana
4 processors, and yet that does not, in my estimation --
5 it's not a requirement under the statute.

6 COMMISSIONER KOPLAN: I wasn't making that
7 leap. Thank you. I appreciate that.

8 Thank you very much, Madam Chairman.

9 CHAIRMAN OKUN: Let me just continue with
10 just a couple things just related to that issue, and
11 let me go back to Commissioner Miller when she was
12 asking about the drought conditions and what happened
13 in I guess the 2000-2001 period.

14 Is there anything else going on in the
15 crawfish industry, disease or anything else that's
16 impacting the supply, your ability to get crawfish?
17 Let me hear from the processors in the back row.

18 MR. A. JOHNSON: Actually there's some
19 positive things happening. You know, there was more
20 acreage available to us this year that basically we
21 weren't able to use.

22 Actually, it's kind of negative for the
23 catfish industry, but positive for us. They have some
24 catfish ponds that were converted to crawfish acreage,
25 and again another negative for the rice, but a

1 positive for the crawfish industry. There's a lot of
2 rice field acres that wasn't planted and used for
3 crawfish ponds, so there is more production. There's
4 more live production available to us at this point.

5 CHAIRMAN OKUN: Mr. Guidry?

6 MR. GUIDRY: Terry Guidry.

7 CHAIRMAN OKUN: Yes.

8 MR. GUIDRY: Yes. Also on the basin side of
9 it, the wild harvest, the last couple years have been
10 pretty good as far as ability to catch crawfish. We
11 just couldn't handle everything that they were
12 catching. With some of the other processors going out
13 of business, there wasn't enough plants to handle
14 everybody.

15 All the Swedish plants are shut down. All
16 the whole ball plants are shut down. There's just a
17 few processors left with really not enough
18 infrastructure there to handle everything that can be
19 caught. It will take a while to build back up like it
20 was back in the 1980s.

21 CHAIRMAN OKUN: Okay. Anything different,
22 Mr. Randol?

23 MR. RANDOL: Not different, but just to
24 reaffirm. I'm in the same situation. We're really
25 having a good year with the basin or the wild crop,

1 and we're tooling up. We've done a lot of
2 improvements to try to increase our output to match
3 it. We have a lot of capacity, but we're also
4 training our people, and we're getting a lot better at
5 it now.

6 We hope to have another four to six weeks of
7 our season with the extension of the rains. It rained
8 while we were up here.

9 MR. LeBLANC: Pretty much the same thing
10 with me, of course, is the fact, like Terry mentioned
11 earlier, the basin is really coming in really good
12 right now. We were very fortunate that the rains came
13 in at a good time up north. I think they've been
14 getting quite a bit of rain in this area, so it's
15 helping us out.

16 What's happening is, of course, our season
17 was looking pretty bleak for a little while with the
18 basin drying up. Water had gotten down to around the
19 six foot level. Now it's around the 16 foot, so that
20 in turn is helping us out with the season and also
21 increasing our production.

22 CHAIRMAN OKUN: Okay. Commissioner Odom or
23 Mr. Johnson, this might be for you. The staff report
24 contains statistics on -- I don't know what to call
25 them -- the landed crawfish or the amount of crawfish

1 taken, but do you have any projections for the future
2 on that? I mean, does Louisiana look at this and keep
3 any statistics and make any projections going forward?

4 MR. ODOM: Yes. As he stated earlier, with
5 the rice prices going down this last year, and now
6 they've shot up a little bit, there's much more land.
7 Rice fields can be put into crawfish just by feeding
8 the field almost.

9 The basin area this year is coming in and
10 giving us good production. I believe that we could
11 increase the acres two times or three times in just a
12 very short period of time.

13 CHAIRMAN OKUN: Okay. Does the state have
14 any official statistics or anything else or any
15 projections? They don't. Okay.

16 MR. ODOM: No.

17 CHAIRMAN OKUN: So you keep track of what
18 the wild fishermen are taking, and you keep track of
19 the acreage for the farmers, and those are the
20 statistics that we have? Is that accurate?

21 MR. ODOM: Yes.

22 CHAIRMAN OKUN: Okay. All right. You've
23 touched on it, I think Mr. Johnson touched on it and
24 others, but one of the arguments raised by Respondents
25 is with regard to how much goes into the live catch or

1 live market versus into the tail meat market, and I
2 wondered if you could talk a little bit more about
3 that in terms of the economics of how you make those
4 decisions for that.

5 I think if I heard it correctly, what I've
6 heard you say is that to keep the processing plants
7 productive you have to process, but you're also making
8 allocations to the live market. Maybe if you could go
9 into that in a little bit more detail on the price
10 differentials and whether that has the same -- you
11 know, the effect of the seasons and what we should
12 look at when we look at these prices.

13 MR. R. JOHNSON: Thank you.

14 CHAIRMAN OKUN: Mr. Johnson, you start, and
15 then I'll go to the back row.

16 MR. R. JOHNSON: Right. Of course, there's
17 no denying the live market is very important to our
18 industry. The price of the live market, the crawfish
19 go into the live market. The profit potential is
20 certainly good for some of the processors, but there
21 has to be a market for some of those crawfish that
22 don't meet the specifics, the criteria for the live
23 market, which are mostly size. There are other
24 qualities, but mostly size.

25 For those peelers or smaller crawfish, there

1 has to be a market for those. If they don't, then the
2 price on the live product will go through the roof,
3 and that market would be destroyed. We have to be
4 able to peel crawfish to stay in business.

5 As I mentioned, we have to make the decision
6 when it's peeled whether it's going to the frozen
7 market in a cryogenic bag or whether it's going to the
8 fresh market in the film. That decision has to be
9 made at that point. We know what we're freezing for
10 investment, and we know what we can sell on the fresh
11 market, or at least we sure hope we do.

12 CHAIRMAN OKUN: Okay. Again just for the
13 processors, if you can talk about how that decision is
14 made? In other words, you see what's coming in the
15 door. You know what you're giving the fishermen as
16 they come in.

17 Mr. Guidry?

18 MR. GUIDRY: Yes. Terry Guidry, Catahoula
19 Crawfish.

20 Like yesterday, for instance, I called the
21 plant last night. They told me they bought right at
22 15,000 pounds of live crawfish. I'm going to have to
23 peel every one of them today.

24 Live sales are good, you know, Friday,
25 Saturday, a weekend thing, but these guys who like to

1 fish, it's such a short season. They never know
2 they're going to have water in the basin. You've got
3 to let these guys fish as often as possible, so you
4 have to peel crawfish in the early part of the week
5 and sell live on the weekends if you can.

6 MR. A. JOHNSON: I think that before the
7 Chinese tail meat came in, we kind of split up that
8 decision, you know. It wasn't a matter of okay, I can
9 sell all this live. I'm not going to peel. We had a
10 ready market for the peeled, so we would say okay, I'm
11 going to buy 15,000 pounds. I'm going to peel 5,000
12 and sell 10,000 live.

13 Before the Chinese came in, we did have to
14 make decisions on that whether or not to sell it live
15 or not. We did have a want and a need to peel.

16 CHAIRMAN OKUN: Mr. LeBlanc?

17 MR. LeBLANC: Yes. A prime example of what
18 Terry Guidry was mentioning was last year, for an
19 example. Usually your demand for live sale crawfish
20 is usually let's say from February through Mother's
21 Day basically. After that, of course, your demand for
22 live starts getting a little less.

23 What happens is, of course, like Terry
24 mentioned, when you're buying crawfish today let's say
25 you're buying 9,000, but you only have sales for

1 2,000. Well, the only alternative left is, of course,
2 to peel.

3 Last year was a very prime example of that.
4 We had to peel crawfish for other buyers -- not
5 processors, but buyers that would buy crawfish for the
6 live market and couldn't sell it. They're stuck with
7 it.

8 You can only keep crawfish for just so many
9 days or it will perish, so what happened was they
10 brought it to me to process into meat in hopes that
11 they could sell it at a later date.

12 CHAIRMAN OKUN: Mr. Randol?

13 MR. RANDOL: Yes. I'm heaving into what
14 they call tolling, which is someone that sells a lot
15 in the live market will come back to me, and we'll go
16 through the peeling process. We're doing a lot of
17 that right now.

18 CHAIRMAN OKUN: Okay. Has that changed over
19 time from 1997 to now? Has that changed?

20 MR. RANDOL: The tolling?

21 CHAIRMAN OKUN: The tolling.

22 MR. RANDOL: Well, the tolling is being done
23 because, as I said, it's too risky to sit there and
24 put it and go into the marketplace the way I'm
25 structured, so I'm just better off to toll, to wait

1 until this thing settles.

2 I see opportunity if the tariffs remain in
3 place, but we're in limbo right now. We're going to
4 speculate just a little bit, but tolling is a very --
5 it's an easy way out for me right now.

6 CHAIRMAN OKUN: Okay. I may have some
7 follow up questions on that, but my red light has come
8 on.

9 Let me turn to Vice Chairman Hillman.

10 VICE CHAIRMAN HILLMAN: Thank you, and I,
11 too, would join my colleagues in thanking you very,
12 very much for taking the time to be with us this
13 morning. We really appreciate your willingness to
14 come up from Louisiana for this hearing.

15 Let me go back a little bit among the other
16 arguments that we heard from the Respondents. I mean,
17 obviously you heard them argue that the Chinese in
18 essence have developed this kind of national market
19 out there and that Louisiana, your domestic
20 production, is still very much of a regional market.

21 There's this kind of flavor or tone to the
22 argument that in Louisiana, you know, crawfish is more
23 of a delicacy, that you all have much more refined
24 palates, that you're more interested in really good
25 quality, you know, terrific tasting crawfish and that

1 everybody else out in the national market is more
2 willing to buy the frozen Chinese product because
3 there isn't as much -- you know, there's more of an
4 attention on price and a little bit less of a sense of
5 a need for real quality, really tasty crawfish.

6 Yet that's not really what I heard in your
7 testimony, so I'm just struggling to try to understand
8 whether you think -- Commissioner Odom, you started
9 talking about your efforts to move out of Louisiana
10 into more of a national market.

11 I guess maybe if any of you feel like you're
12 at all out of the Louisiana market and more into the
13 national market, would you describe it this way; that
14 the national market has, you know, a more willingness
15 to buy maybe a less tasty crawfish because there is
16 this difference between regarding it as a delicacy
17 versus regarding it as merely a source of protein?

18 Commissioner Odom?

19 MR. ODOM: I believe that what has happened
20 is that price has dominated the outside market. We
21 were moving in those outside markets as we do today.
22 We do what we call the Louisiana Road Show. We do
23 promotions all over the country. We do food shows all
24 over the country. What we were beginning to do is
25 move the crawfish into those markets.

1 When the Chinese product came in, it cut
2 down on our processing. It cut down on the
3 availability of the product to be able to go out, and
4 price became the dominant factor then. For a person
5 that had not developed a taste for the Louisiana
6 crawfish, they were satisfied with the price
7 differential. That's how they captured that market.

8 Then they began to come into our state, our
9 towns, or own hometowns, and began to pricewise
10 capture the marketplace because there were certain
11 stores and certain places that sell based on price,
12 and that's how they've been able to move into the
13 marketplace.

14 Another thing that happened, and again let
15 me. In this time period we've had hundreds of
16 processors go out of business, thousands of people
17 that were peeling tail meat not having jobs anymore
18 because they couldn't compete in the marketplace.
19 They had to go to the live market to stay in business,
20 so the live market has taken over some of the other
21 market, but you've got to be able to have both in
22 order to exist.

23 VICE CHAIRMAN HILLMAN: Okay. Mr. Randol?

24 MR. RANDOL: Yes. I think I can address
25 part of this thing, which is the flavor. This is the

1 same crawfish. The flavor is the same. The cooking
2 techniques, if you put them side by side, I'll
3 guarantee you. A good chef? You're not going to tell
4 the difference in the two.

5 I travel quite a bit. That's what I do for
6 the State. I go around the country, sometimes out of
7 the country, but the crawfish are head-on-head
8 competing. I just really think that the -- I lost my
9 train of thought.

10 VICE CHAIRMAN HILLMAN: Answer me this.
11 Originally, and there's some indication in the
12 original record that the Chinese, because they didn't
13 leave the yellow fat or the pancreas, you know, sort
14 of on their crawfish that it really wasn't as tasty as
15 the fresh Louisiana product, that it's been washed
16 clean and really was not as tasty for those that want
17 that real crawfish taste.

18 Do you think that's true, and has it changed
19 since --

20 MR. RANDOL: There's an old saying that the
21 fat is where it's at, but that's incorrect now. In
22 Louisiana, if it can be caught, it can be eaten.

23 A good cook will duplicate it. It's the
24 washing of the fat, the protein. The product itself
25 is the essence. As you'll experience today, the

1 washed product and the fat on product may be the
2 purest, but in the marketplace it's duplicated, and
3 you can't really tell the difference.

4 VICE CHAIRMAN HILLMAN: Okay. But the
5 Chinese product is currently coming in without fat?

6 MR. RANDOL: No.

7 VICE CHAIRMAN HILLMAN: They're continuing
8 to wash it, or has that changed?

9 MR. R. JOHNSON: We have several packages we
10 can show you. They are even adding fat to their
11 product. Their product is no longer and hasn't been
12 for years a washed product.

13 VICE CHAIRMAN HILLMAN: Okay.

14 MR. R. JOHNSON: A sterile, just meat
15 product.

16 VICE CHAIRMAN HILLMAN: And when would you
17 say that changed? When they start sending it in with
18 --

19 MR. R. JOHNSON: They have always --

20 VICE CHAIRMAN HILLMAN: Okay.

21 MR. R. JOHNSON: -- sent in meat with fat,
22 but they also tried the plain meat.

23 VICE CHAIRMAN HILLMAN: Okay.

24 MR. R. JOHNSON: We have plenty of packages
25 we can show you.

1 VICE CHAIRMAN HILLMAN: Okay. In going back
2 to the whole market, again you heard the Respondents
3 say that the real, you know, sort of driving force in
4 the market is this surging demand for whole crawfish.

5 Would you all, those folks in the back row
6 that are in this business, would you describe the
7 demand for whole crawfish as surging? Have you seen a
8 big increase in the demand in recent years for the
9 whole product?

10 MR. GUIDRY: Are you talking about live
11 product or whole balled?

12 VICE CHAIRMAN HILLMAN: Yes. Live product.

13 MR. GUIDRY: Live product? I'm not really
14 much in the live part of it. I'm mainly a processor.
15 I probably process 80 percent of what I buy.

16 Some years are better than others for live
17 field, depending on the size, but I'm not really in
18 the live part of it.

19 VICE CHAIRMAN HILLMAN: Okay. Anybody else
20 want to comment on what you think the demand has been
21 for the live product? Has it been increasing
22 substantially in recent years?

23 MR. A. JOHNSON: Again, I think it's a price
24 factor. As the price comes down and it's more
25 affordable we do see, you know, a spike in the live

1 sales.

2 There's a certain geographical area that we
3 can go with that live crawfish, you know, at a
4 reasonable price. You can only go as far as, you
5 know, your truck can take you in a 24 hour period or
6 actually about an eight hour period because of the
7 perishability of the product. You just don't want
8 that product on a truck.

9 As Terry said, some years are better than
10 others. This year we started off real slow. It may
11 have been an economy thing, but we were peeling and
12 freezing crawfish tail meat in March. One year is
13 different from the next. March wasn't so great on our
14 live sales.

15 It has a lot to do with weather. If the
16 weather is bad on weekends, we had eight out of nine
17 weekends in a row where it rained from February
18 through March. People boil on the weekends, and they
19 boil outside so it affected our market. It's year to
20 year.

21 VICE CHAIRMAN HILLMAN: Okay. But you
22 wouldn't describe overall over this time period a
23 large increase in overall demand for the fresh
24 product?

25 MR. A. JOHNSON: I don't know about a large

1 increase. There may have been some increase, but
2 nothing to take all of the available crawfish
3 production.

4 VICE CHAIRMAN HILLMAN: Okay. All right. I
5 guess going to another issue that I'm trying to make
6 sure I understand. Obviously the Respondents, as
7 Commissioner Koplan was asking, are making the
8 argument that if you took the Chinese product out of
9 the market that the U.S. industry could not supply the
10 level of demand that's out there.

11 I'm trying to understand. To the extent
12 that you think there are restraints on your capacity,
13 where are they? I mean, if you were to try to get
14 back, you know, a significant amount of the market
15 share are you more constrained by the supply of
16 crawfish, or are you more constrained by labor to pick
17 it?

18 MR. ODOM: You're more constrained by the
19 amount of money. If you don't make any money, you
20 can't stay in business. The acreage is unlimited as
21 far as crawfish ponds are concerned. You can grow
22 them outside of Louisiana also. As far as North
23 Carolina they produce it.

24 The acreage is there. The availability of
25 the processing is there. It's just the dollars. The

1 dollars are so cheap that you can't make any money.
2 If you can't make any money at it, then you go broke
3 in the business. That's what happened to a lot of our
4 processors.

5 VICE CHAIRMAN HILLMAN: Okay. So you're
6 saying if demand were to significantly increase for
7 domestic product at a good price, there really would
8 not be a problem in terms of either the ability to get
9 raw crawfish -- I mean live crawfish -- or the ability
10 to get pickers?

11 MR. ODOM: Not at all. We're producing
12 probably less than a third of the acres that we could
13 produce if the price was there just in ponds alone and
14 not counting what's caught in the wild.

15 VICE CHAIRMAN HILLMAN: Okay. On the back
16 of there, if you were to need to substantially gear
17 up, I mean, in any given time, how long does it take?
18 How long does it take? Is it a season before you can
19 really gear up your crawfish production? How long?

20 MR. GUIDRY: In my case, if I was able to
21 come up a little bit on my peeling, the price I pay to
22 the peelers, I'd fill up my place. I can get more. I
23 can put 80 peelers in my place, and I'm running about
24 55 to 60 right now. I can easily -- if I came up on
25 the price, I can easily get 20 more in my area.

1 VICE CHAIRMAN HILLMAN: And you could get
2 access to crawfish without any problem?

3 MR. GUIDRY: Yes, ma'am.

4 VICE CHAIRMAN HILLMAN: How long to gear up?
5 Days? Weeks? Months?

6 MR. GUIDRY: Gear up? Depending on the time
7 of the season. If it's towards the end of the season
8 it's kind of too late, but if you start the early part
9 of the year within a couple months you can gear up.

10 VICE CHAIRMAN HILLMAN: Anyone else? A
11 couple months? Does that seem --

12 MR. RANDOL: I'd agree with that. Mine is
13 the same thing. We're pretty much at a limited
14 capacity. We just sort of sit and wait. As soon as
15 this issue firms up for us, you know, we'll speculate.
16 We've got the labor. All it takes is we can work full
17 shifts instead of part shifts and with full capacity.

18 We could probably -- right now I'm probably
19 at about a third capacity, and I could probably bring
20 it up to full capacity within a month or two, but not
21 at the end of the season. It would take the beginning
22 of the season with some foresight to stretch for it.

23 VICE CHAIRMAN HILLMAN: Okay.

24 MR. LeBLANC: Excuse me. According to my
25 situation at my processing plant, of course, is that I

1 am at pretty much peak production right at the moment.
2 The influx of the Chinese meat really hasn't affected
3 me as far as being able to peel the crawfish, but what
4 I'm doing more now is tolling, like Frank mentioned a
5 little earlier. I've had to substitute processing my
6 own crawfish.

7 Like I mentioned earlier in my briefing
8 there, I can process 2,000 and 3,000 pounds of tail
9 meat a day, but I can't sell that much. What happens
10 is I have to curtail my purchasing to offset the fact
11 that I can't sell that much meat, but at the same time
12 to keep my labor working I have to get outside help
13 from the tolling.

14 That's basically what -- as far as
15 increasing my production, it's already pretty much at
16 production already.

17 VICE CHAIRMAN HILLMAN: Okay.

18 MR. ODOM: Let me say just one thing. To
19 gear up for the farmer, now he has to do it the year
20 before. He can't just in the middle of the season
21 increase his production. He has to seed it the year
22 before, and he double crops it with rice, too. He can
23 produce crawfish and rice in the same year.

24 VICE CHAIRMAN HILLMAN: Okay. Mr. Johnson,
25 I didn't want to leave you out if you had anything to

1 add on that.

2 MR. A. JOHNSON: Basically I'm at a third
3 production. I like to believe that I'm an
4 entrepreneur, and I wouldn't mind if the situation
5 changed and that we could produce and make a fair
6 profit on our product. I wouldn't mind buying more
7 production or building more production.

8 I'm in this. I'm in this for the long run.
9 I'm here. I'm 40 years old. I believe I have a lot
10 of time. I'm ready. I'm ready to increase when the
11 environment is ready for us to increase.

12 VICE CHAIRMAN HILLMAN: All right. Thank
13 you.

14 CHAIRMAN OKUN: Commissioner Miller?

15 COMMISSIONER MILLER: Thank you, Madam
16 Chairman.

17 I want to make sure I understand first
18 something that I was just hearing. Both Mr. LeBlanc
19 and Mr. Randol, when you were talking about tolling
20 and not taking the risk, what you're talking about is
21 you're doing the processing.

22 The issues for you when you say you're
23 tolling to reduce your risk, you're not purchasing.
24 Is that right? You're not purchasing the crawfish.
25 You're just doing it for somebody else? You're

1 processing it for somebody else, or do I have it
2 backwards?

3 MR. RANDOL: We don't have a problem with
4 purchasing it. Basically we're not having to sell it.
5 It's an automatic sale on the back side of it.

6 That client, he has an option. You know,
7 either we can go purchase it, but most of the time
8 he'll supply it. He takes it right back so I don't
9 have to go into the marketplace to try to sell it.

10 COMMISSIONER MILLER: I see. So it's for
11 your purchaser. When you talk about tolling and not
12 taking the risk, it's because there's a purchaser
13 that's already guaranteed that they're taking your
14 product, and you don't process it unless you have that
15 guaranteed sale basically, right?

16 Mr. LeBlanc talked about keeping his people
17 employed, so are you processing anything else? When
18 you're talking about keeping your people employed,
19 what --

20 MR. LeBLANC: You might have misunderstood.
21 What I was trying to say was that I do have my normal
22 production, okay, but my capacity is between 2,000 and
23 3,000 pounds of meat a day. I have the labor for
24 that.

25 COMMISSIONER MILLER: Right.

1 MR. LeBLANC: My production capacity for me
2 as far as my sales for crawfish tail meat is limited
3 because of the sales.

4 What we do, of course, like I say, to keep
5 my employees working is that somewhere like Terry
6 Guidry or another processor or another live market man
7 might have crawfish that he can't sell. Instead of
8 losing it, he'll bring it to me, and I'll process it
9 for him.

10 COMMISSIONER MILLER: Okay.

11 MR. LeBLANC: In other words, I'm not buying
12 his crawfish.

13 COMMISSIONER MILLER: Right.

14 MR. LeBLANC: I'm charging so much a pound
15 to process.

16 COMMISSIONER MILLER: Right. Okay. Mr.
17 Randol, did you want to add something more? It looked
18 like you were reaching for the microphone.

19 MR. RANDOL: No, no. That was it. I was
20 just trying to get back to the mike to confirm what
21 you said.

22 COMMISSIONER MILLER: Yes. Okay. All
23 right. Let me then go back to a couple more questions
24 about the drought.

25 Mr. Johnson had just answered me that

1 basically you were saying, if I understood you, that
2 the drought didn't change your supply. It just
3 changed the timing of that supply. Mr. Adam Johnson?

4 MR. A. JOHNSON: It did change the supply.

5 COMMISSIONER MILLER: Yes.

6 MR. A. JOHNSON: What happened was it
7 changed the timing of any excess supply. What
8 happened is there was so few crawfish early on that
9 everything went into the live market, even the smaller
10 crawfish.

11 Because again the supply was small, the
12 demand was there. The customers, what they would
13 accept as a live crawfish kind of shrunk in size
14 whereas a little bit more volume started getting on
15 the market. Then our customers started getting a
16 little more discerning.

17 COMMISSIONER MILLER: All right. So in the
18 low supply years, because of the drought there is
19 going to be more of the product overall, in your view,
20 taken by the fresh or the live? I'm sorry. The live
21 product.

22 MR. A. JOHNSON: I would agree with that,
23 but I'd also like to say this drought year, this was a
24 very odd instance. This does not happen that often.

25 COMMISSIONER MILLER: Right. Understood.

1 Does anybody else want to comment about the effect the
2 drought had on their supply? Mr. Guidry or Mr.
3 LeBlanc? Yes?

4 MR. LeBLANC: Of course, that particular
5 year I think was the year 2000.

6 COMMISSIONER MILLER: Right.

7 MR. LeBLANC: My processing plant, of
8 course, the members are fishermen, and they're
9 considered wild crawfish fishermen. In other words,
10 they basically fish their crawfish from the wild.
11 That particular year my total purchasing for that year
12 was maybe 4,000 pounds.

13 COMMISSIONER MILLER: It had to be really
14 low. It's interesting you said that because the other
15 question I wanted to ask you is it looks as though
16 when I look at the numbers here on the wild harvest
17 during the drought year, I mean, it really plummeted.
18 The drought has sort of a disproportionate effect on
19 the wild harvest. Is that right?

20 MR. LeBLANC: Well, when the drought is
21 there, of course. Of course, the drought is in
22 Louisiana, but it's also nationwide.

23 COMMISSIONER MILLER: Right.

24 MR. LeBLANC: Now, your wild, of course, the
25 water comes in from up north, from the rains up north.

1 COMMISSIONER MILLER: Right.

2 MR. LeBLANC: The northern states were
3 having problems with drought also, so without normal
4 rainfall up north your basin dries up.

5 COMMISSIONER MILLER: Okay.

6 MR. LeBLANC: Of course, when that happens,
7 of course, the fishermen can't fish.

8 COMMISSIONER MILLER: And then does it take
9 it longer to recover because as I look at the numbers
10 that I see, it seems as though the farmed harvest has
11 kind of gotten back up where it was even and above,
12 but the wild harvest hasn't recovered to the same
13 level. Does it take it longer to recover?

14 MR. LeBLANC: No, not necessarily. I think
15 the problem with the basin the last two or three years
16 is the fact that water levels in the basin have really
17 not been at the normal levels.

18 As was mentioned a little earlier, three
19 weeks ago our basin level was around six foot. Now
20 it's risen back up to 16 feet, so it's extended the
21 basin possibly another six weeks, whereas if these
22 rains wouldn't have come in at the right time it would
23 have ended two weeks ago.

24 COMMISSIONER MILLER: Okay. So it's just a
25 matter of year to year --

1 MR. LeBLANC: It's nature.

2 COMMISSIONER MILLER: -- what the rainfall
3 is?

4 MR. LeBLANC: It depends on nature.
5 Correct.

6 COMMISSIONER MILLER: Okay. All right. I
7 don't believe I have any other questions at this
8 point. I appreciate all your answers and your help in
9 my effort to understand what's been going on in the
10 last five years. Thank you very much.

11 CHAIRMAN OKUN: Commissioner Koplan?

12 COMMISSIONER KOPLAN: Thank you, Madam
13 Chairman, and I want to thank you all again for your
14 assistance to us today in this hearing.

15 Let me follow up to a question that Chairman
16 Okun asked on the prior round on the issue of fresh
17 versus frozen. I note that data compiled by our
18 staff, and that's in chapter 5 at page 5 of our staff
19 report, reflects that U.S. fresh crawfish tail meat
20 was more expensive than U.S. frozen crawfish tail meat
21 in only 14 of 24 quarters during the period of our
22 review.

23 I don't quite understand this. Under what
24 conditions was U.S. frozen product more expensive than
25 fresh? Do you price differently in Louisiana and

1 neighboring states than you do nationally?

2 If I could hear from the processors on that?

3 MR. GUIDRY: Terry Guidry. Most of the time
4 we start processing crawfish in January and February
5 where we're paying probably 80 or 90 cents a pound for
6 the live crawfish.

7 If you convert 90 cent crawfish to seven
8 pounds -- it takes seven pounds of live crawfish to
9 make one pound of tails -- you probably have a \$5 cost
10 just in the live crawfish to make that one pound of
11 meat. You add the \$2.50 or \$2.75 or \$3 of expenses.
12 You probably have a cost of \$8.50 or \$9 on that tail
13 meat if they pay the live 90 cents a pound, so your
14 price of fresh will be higher. You don't want to
15 freeze any of those prices.

16 As the season goes along, prices tend to
17 drop as the production really increases. Then you get
18 down to 50 cents and sometimes 40 cents where your
19 cost is around \$5.50 to \$5.75. That's the time we
20 freeze some product.

21 COMMISSIONER KOPLAN: But I'm trying to
22 understand. As a result, do you end up selling frozen
23 at a higher price on occasion than fresh as a result?
24 That's what I'm referring to; that there are 10
25 quarters out of 24 where it appears that the frozen

1 product is being sold for a higher price. I'm talking
2 U.S. on both sides.

3 MR. A. JOHNSON: I think what's happening is
4 basically that in the peak of the season in April and
5 May we're processing and freezing. That product that
6 we freeze we're selling in October, November, December
7 before production starts again.

8 Supplies are limited, so we can get a little
9 bit better price for it then, you know, during the
10 holiday season, Thanksgiving, Christmas, New Year's.
11 We do have a little spike in retail sales, and what
12 happens is we can command a little bit better price
13 for that product at that time.

14 COMMISSIONER KOPLAN: A better price than
15 you could command for fresh, Mr. Johnson?

16 MR. A. JOHNSON: If I had fresh at that
17 point, no. There's no fresh available.

18 COMMISSIONER KOPLAN: That's my point. In
19 these quarters that I'm looking at they're both being
20 sold, but the frozen is being sold at a higher price
21 than the fresh in these 10 quarters.

22 MR. A. JOHNSON: Yes. You're saying the
23 same quarter, the same month?

24 COMMISSIONER KOPLAN: Right. Head-to-head,
25 yes. That's how I understand it.

1 MR. A. JOHNSON: Okay. I can't see that
2 unless there's quarters that are falling between the
3 time fresh ends and -- I'm never selling. I could say
4 with much confidence that I never sell frozen and
5 fresh at the same time period. I never sell frozen
6 more than I sell fresh.

7 COMMISSIONER KOPLAN: Okay. Mr. Randol?
8 Mr. LeBlanc? Anything on that?

9 MR. RANDOL: I'd agree with him. That's the
10 same with me, my observation.

11 MR. LeBLANC: The only thing I could
12 possibly see, of course, is the fact that the month
13 that's in question it possibly may be the beginning
14 and the ending of the year. In other words, January,
15 February and possibly March to November and December.
16 Sometimes in these months you do get crawfish that
17 will start coming in, and you start processing it
18 fresh.

19 Of course, what it is is like Adam was
20 mentioning a little earlier, of course, is if you've
21 got your meat already frozen for three or four months
22 and you do have to try to get a better price for it.
23 Of course, when your fresh comes in, like Terry was
24 mentioning earlier, of course, it's the higher priced
25 crawfish. It's like maybe 80 or 90 cents a pound.

1 That sometimes has a tendency to even out the playing
2 field as far as fresh and frozen.

3 You know, I mean, I freeze a few pounds in
4 the off season, but, like Adam said, you have to get a
5 little bit better price. Otherwise it's not feasible
6 to freeze.

7 CHAIRMAN OKUN: Okay. I appreciate that.
8 As a follow up, I would just ask counsel, Mr. Leonard
9 and Mr. Steinberger, if for purposes of post-hearing
10 you could take a look at the reference that I've cited
11 in chapter 5 at page 5 of our staff report to see if
12 there's anything you want to add to that.

13 Let me just stay with the processors just
14 one more moment, if I may. I don't know whether I got
15 an answer to this, but do you price differently in
16 Louisiana and neighboring states than you do
17 nationally? Mr. Guidry?

18 MR. GUIDRY: Yes, sir. I've lost all my
19 out-of-state markets. I don't sell anything out of
20 state at this time.

21 COMMISSIONER KOPLAN: Okay. Mr. Adam
22 Johnson?

23 MR. A. JOHNSON: I don't price it any
24 different. The only difference would be
25 transportation, whether it's ground transportation.

1 COMMISSIONER KOPLAN: You'd add that?

2 MR. A. JOHNSON: Yes. FOB I'm the same
3 price.

4 COMMISSIONER KOPLAN: Right. Mr. Randol?

5 MR. RANDOL: No difference in pricing.

6 COMMISSIONER KOPLAN: Okay. Except the
7 transportation?

8 MR. RANDOL: Except for the transportation,
9 the cost to get to market. FOB live head pricing is
10 the same.

11 COMMISSIONER KOPLAN: Okay. Mr. LeBlanc?

12 MR. LeBLANC: I don't ship out of state at
13 all, to be honest with you, sir.

14 COMMISSIONER KOPLAN: Thank you. Thank you
15 for that.

16 Let me turn to counsel, if I could. Given
17 what we know now about demand and the subject imports,
18 how would you characterize the role of non-subject
19 imports from Spain and Indonesia during this period of
20 review? Mr. Steinberger?

21 MR. STEINBERGER: Thank you. Non-subject
22 imports have been a non-factor in this market for all
23 intents and purposes. They simply have not been large
24 enough to even consider. There was a period when you
25 may have seen a little bit more from Spain, but

1 apparently that has gone back down again.

2 COMMISSIONER KOPLAN: Thank you. Coming
3 back to the processors again if I could, I note from
4 the staff report that with the exception of Bird
5 Amendment receipts, which are only received at the end
6 of the period of review, your revenues from crawfish
7 tail meat operations consistently generate net losses.
8 We've heard this this morning as well.

9 For those processors present, how have you
10 been able to continue to operate in light of these
11 losses? I note that your counsel characterized 1997
12 as a high water mark for the Order's effectiveness
13 against dumped imports, and that's at page 12 of the
14 brief. What role does your overall establishment
15 operations play in keeping you solvent?

16 MR. GUIDRY: Terry Guidry. In my case, I
17 process alligator in the off season, and that kind of
18 helps me hang in there until hopefully something good
19 happens.

20 COMMISSIONER KOPLAN: Okay. Mr. Adam
21 Johnson?

22 MR. A. JOHNSON: Bayou Land Seafood crawfish
23 is about 50 or 55 percent of our business. I also
24 sell shrimp, oysters and many other Louisiana style
25 products to different retail and grocery stores, so in

1 light of the Chinese tail meat we did have to go to
2 different products to keep us solvent.

3 COMMISSIONER KOPLAN: Thank you.

4 Mr. Randol?

5 MR. RANDOL: I have the restaurant business.
6 I just basically when I delivered I figured that that
7 would be a good opportunity for I call it horizontal
8 integration, and it gives me a lot more stability,
9 recapitalized, pulled in more capital to go for the
10 long haul, because I truly believe that if we get
11 stability in the market, because the supply side has
12 shrunk as far as the profits, I see opportunity, but
13 only if we can maintain some stability in pricing.

14 COMMISSIONER KOPLAN: Thank you.

15 Mr. LeBlanc?

16 MR. LeBLANC: To, of course, offset the
17 losses in crawfish, we're like Terry Guidry. We got
18 into the processing of alligator meat to help offset
19 the losses in crawfish.

20 COMMISSIONER KOPLAN: Thank you for that.

21 Finally, we know that the Department of
22 Commerce found duty absorption for Xing Dao Rei Rong,
23 China Kingdom and all exporters in the general China
24 wide rate category.

25 This is for counsel. How would you

1 recommend the Commission weigh this issue during the
2 current review?

3 MR. STEINBERGER: The statute and the
4 statement of administrative action would suggest that
5 you are to conclude from these absorption findings
6 that if you pull away the Order, the margins of
7 dumping would actually be greater than the margins
8 found by Commerce in its reviews for those particular
9 shippers on the theory that the absorption is masking
10 the actual level of dumping.

11 In this case, when you're talking about the
12 kinds of margins that we're seeing where the China
13 wide rate right now is a cash deposit of 223 percent,
14 at a certain point it's just adding. You're already
15 over the threshold, in other words. Dumping is
16 already enormous. It will simply be more enormous if
17 it's absorbed.

18 COMMISSIONER KOPLAN: Thank you, and thank
19 you all for your responses to my questions. Thank
20 you, Madam Chairman.

21 CHAIRMAN OKUN: Thank you.

22 Mr. Steinberger, if I can follow up with
23 you? I have read your briefs, and I have heard you
24 make the comment about duty absorption which I'm
25 interested in, but it always struck me that for the

1 Commission I've always focused more on the latter part
2 of the SAA's statements, which says duty absorption
3 may indicate that the product or exporter would be
4 able to market more aggressively should the Order be
5 revoked as a result of the review.

6 How does that apply? Do you not think
7 that's an issue here, or just because they continue to
8 sell you don't think they'll sell more aggressively?

9 MR. STEINBERGER: No. I think that if you
10 have -- well, let's put it this way. It's hard to be
11 more aggressive than what they are now, but if you
12 don't have it's not impossible because some people it
13 appears are honest in this market and are actually
14 paying the duties. About 25 percent of the duties may
15 actually get paid, so you have some participants in
16 the market for whom the dumping Order is actually
17 meaningful.

18 If you take away the Order, then that
19 portion who are not flat out evading the Order will no
20 longer have to worry about it. I don't know if that
21 really helps you any, but that's kind of the way you
22 approach it from a quantification angle. There are
23 some people for whom the duty Order is effective, and
24 then you pull it out. It's no longer effective for
25 that portion.

1 The people who are already not paying the
2 duties through various schemes, and we've mentioned
3 some of them. I've tried not to make this proceeding
4 about circumvention because it's not really your
5 bailiwick, but for those people who have managed to
6 evade the duties, the duty absorption is kind of a
7 moot point. I mean, it seems to me academically if
8 you're looking at it you're not paying any. It
9 doesn't make any difference anyway.

10 CHAIRMAN OKUN: Okay. All right. I
11 understand your argument on that. Again, there are a
12 couple things that CIT has said in the past on duty
13 absorption, but my view is that's what the SAA tells
14 us and that's the statute, so I will look to that as
15 well.

16 Let me, if I could; I guess maybe Mr.
17 Johnson and Mr. Odom. When Commissioner Miller
18 started her questions about the change that looks like
19 in our staff report in regard to where the Chinese
20 product is coming in, which I think is an important
21 issue. I'm trying to figure out whether there has
22 been a change or not.

23 I was interested in looking at the packages
24 that you sent around that is packed by Sun River
25 Foods, was distributed by Fresher Food, Inc. in

1 California for sale in the New Iberia, Louisiana,
2 market.

3 To the extent that you can help us
4 understand what the distributing, and again I'm
5 familiar with the Long Beach facility, but I think we
6 need specifics about the distributors, as much
7 information as we can, and obviously we're trying to
8 collect this information from any different sources,
9 including from the importers and exporters, but
10 anything you can do to help us understand what the
11 current record is about where the product comes in and
12 where it's sold would be helpful.

13 MR. R. JOHNSON: Yes. According to PIRS, I
14 forgot the exact number, but I'll prepare that for the
15 post. It was a very high percentage of crawfish
16 frozen tail meat was coming in the ports, the combined
17 ports of Long Beach, Los Angeles, some through
18 Vancouver, and a few into the east coast.

19 Because of just the economy today and
20 shipping frozen food from east to west, it's very
21 cheap to ship it to Long Beach and then land bridge it
22 or truck it anywhere in the United States you want it
23 and put it in a cold storage freezer, and you sell off
24 of that freezer. You sell to other distributors, and
25 those distributors sell to customers.

1 It's a blanket United States from one port.
2 The same is true with several commodities coming in
3 from the Far East. I mean, it's cheaper to ship to
4 the west coast of the United States than it is to New
5 Orleans because of tariff rates, because of the time,
6 the vessel time, which is very important. It's just
7 that's where it's coming in. That doesn't mean that's
8 where it's sold.

9 CHAIRMAN OKUN: Right, and I guess that's
10 the point just in terms --

11 MR. R. JOHNSON: Correct.

12 CHAIRMAN OKUN: -- of what was on the record
13 for the original investigation versus what is on the
14 record here, but if indeed that is the case that
15 really the statistics have not changed and where the
16 Chinese are marketing then I think we need more
17 information on the record.

18 MR. R. JOHNSON: It just shows it's more
19 sophisticated now.

20 CHAIRMAN OKUN: Okay.

21 MR. R. JOHNSON: Back during the original
22 investigation they were importing even some to Mobile,
23 Alabama. We saw some shipments come to that port.
24 It's just more sophisticated now, and it comes
25 straight in through Long Beach and to the U.S.

1 CHAIRMAN OKUN: Okay. On the fresh versus
2 frozen, the follow up by Commissioner Koplan. I
3 appreciate that. I'm trying to understand how you
4 price and when it would or would not be or why it
5 would or would not be higher.

6 In terms of when you're using it, Mr.
7 Randol, when you're talking about substitutability and
8 interchangeability, fresh versus frozen from if it's a
9 restaurant buying it does it matter? The tail meat
10 I'm now talking about. Fresh? Frozen?

11 MR. RANDOL: There's no difference,
12 relatively no difference because of the packaging, the
13 vacuum pack with the new bag. The way you slack it
14 out, thaw it under refrigeration, very little
15 deterioration. It's very acceptable.

16 That's why we, you know, for off season.
17 Normally if it wasn't good you wouldn't try to freeze
18 it and put it in off season to make it available 12
19 months out of the year. We do it with our domestic
20 product, so we're successful there. The Chinese
21 product, there's no difference I don't think between
22 or very little difference between the fresh and the
23 frozen when it gets to that point.

24 CHAIRMAN OKUN: Okay. In terms of some of
25 the bigger restaurant chains, Mr. Guidry, you had

1 mentioned earlier that you had in the past marketed to
2 the chains, including Red Lobster and others. Do you
3 still try to market to them? I guess I should ask you
4 that first.

5 MR. GUIDRY: No, ma'am. I packed for
6 another company at the time who was selling to Slay
7 Garden.

8 CHAIRMAN OKUN: Okay.

9 MR. GUIDRY: We as a group back in the
10 1980s, eight or nine of us got together and took care
11 of a Bennigan's/Red Lobster order way back then.

12 You know, as long as they were coming in at
13 \$5, \$5.50, and we were \$6, then fresh versus frozen
14 had a little impact on it, but the minute they went to
15 \$2.50 it's good meat, you know. It didn't matter
16 after that anymore.

17 CHAIRMAN OKUN: Okay.

18 MR. GUIDRY: It was just really a price
19 thing.

20 CHAIRMAN OKUN: Have you made any attempts
21 to supply any large supply chains post 1997?

22 MR. GUIDRY: Most those guys used to call on
23 me, and I'd call on some of them. I used to sell to
24 the New Orleans Jazz Festival every year. I had some
25 guys in there cooking the Crawfish Monica, other guys

1 frying tails in different booths.

2 Again, as long as they were \$5 and we were
3 \$5.50 and \$6, these guys would call me and place
4 orders, but the minute they went under \$3 we just quit
5 getting calls altogether. We knew why. I mean, it
6 wasn't hard to figure out why. We just lost that.

7 CHAIRMAN OKUN: Okay. Mr. Adam Johnson or
8 Mr. LeBlanc, anything in terms of trying to sell? I
9 mean, you've talked about trying to sell to
10 supermarkets and restaurants. I mean, is there
11 anything that's happened post 1997 in terms of them
12 stopping calling, or are you still trying to quote to
13 them?

14 MR. A. JOHNSON: Really we're not attempting
15 to get any of that business. Knowing what the price
16 structure is out there, we can't compete with the
17 price. Again, because of all that we've lowered our
18 production. It would take us increasing our
19 production back to where it was before the Chinese
20 meat came in for us to aggressively go after these
21 companies again.

22 CHAIRMAN OKUN: Okay. Mr. LeBlanc, anything
23 else to add on that?

24 MR. LeBLANC: Yes. In reference to my brief
25 a little earlier, I mentioned this customer of ours,

1 Roband's Restaurant, who used to cook a prepared
2 etouffe and sell it to large stores, you know, across
3 the U.S. What happened, of course, they in turn
4 completely shut off the Roband's Restaurant for the
5 cheaper Chinese.

6 Now, granted Roband's Restaurant could have
7 possibly used Chinese and put in its etouffe, but
8 still with Roband's doing this you still can compete.
9 In other words, now they can do it themselves at a
10 better price, so it's completely destroyed the market
11 when it comes to that.

12 CHAIRMAN OKUN: Okay. I believe that
13 finishes my questions.

14 Let me turn to Vice Chairman Hillman.

15 VICE CHAIRMAN HILLMAN: Thank you. I guess
16 if I could come back to two issues. One is this issue
17 of the amount of duties actually collected. I mean,
18 Commissioner Odom in his testimony talked about this
19 issue of the valuation in terms of one value for
20 Commerce purposes and one for Customs.

21 I'm interested in the other issue that we
22 understand has been a problem, which is this new
23 shipper review where a new shipper comes in, they only
24 post a bond of \$50,000 on theory while they're being
25 reviewed in terms of their margins, and then when, lo

1 and behold, they get a margin it's not clear that
2 they're around to have it collected from them.

3 I wonder if you could tell me what steps
4 Commerce and Customs have taken to avoid a
5 continuation of this problem, and do you think it's
6 going to be an ongoing problem, or do you think it's
7 been resolved?

8 MR. STEINBERGER: There are actually several
9 problems with new shipper reviews. One is the bond
10 issue and having people run out on the bonds. When
11 you begin a new shipper review, you obtain
12 automatically the right to post bonds on the entries
13 that you put in during the pendency of that new
14 shipper review.

15 Customs has found that while that review is
16 going on you might -- normally you would be posting a
17 bond in the amount supposed to cover the China wide
18 rate. At the conclusion of that case, whatever rate
19 you get there's supposed to be a collection, and
20 Customs has found that the shippers are running out on
21 that. That's one new shipper problem.

22 Another problem is that the new shipper, and
23 that first one is just an enforcement/collections type
24 problem. Another problem is more a loophole problem
25 which would be obtaining a low new shipper rate and

1 then becoming a conduit for shipments from other
2 companies. That loophole has been ameliorated
3 somewhat by a new Commerce policy which would limit
4 the new shipper rates to the producer/exporter
5 combination whose shipment they looked at in
6 calculating the rate.

7 However, that leads to the third new shipper
8 problem, which is not just a new shipper problem, and
9 that is in order to enforce that new combination rate
10 policy you have to have a fairly high level of
11 confidence that you actually know who you're dealing
12 with and what other companies they are affiliated
13 with.

14 As we've seen with Xing Dao Rei Rong, the
15 information supplied by the Chinese companies and
16 their U.S. importers has turned out in many instances
17 to be false; that is, there are affiliations that you
18 cannot discover except through extraordinary effort
19 and in some cases incredible blundering by the
20 Respondents like buying a house and listing it as the
21 business address of your supposedly unaffiliated
22 company, but there are lots of others that it's very
23 hard to figure out who's affiliated to whom.

24 VICE CHAIRMAN HILLMAN: Now, has Commerce
25 recently changed, however, its policy on this?

1 MR. STEINBERGER: Commerce changed its
2 policy this year. It's requiring combination rates.

3 VICE CHAIRMAN HILLMAN: Okay. That's the
4 only change, requiring a combination rate? They have
5 not --

6 MR. STEINBERGER: That's right.

7 VICE CHAIRMAN HILLMAN: -- quit other parts
8 of the new shipper review process?

9 MR. STEINBERGER: No. Commerce sees itself
10 as basically stuck with new shipper reviews. Even
11 though they're widely recognized as an enforcement
12 problem by Commerce and Customs alike, because the
13 United States agreed to those reviews there are legal
14 arguments to be made that there's more that could be
15 done, but right now the only policy change is the
16 combination rate.

17 MR. LEONARD: Well, as I recall, and correct
18 me, they are apparently going to have more of a probe
19 of the price, what they believe is their bona fide
20 sale price for what usually is one shipment for new
21 shipper purposes.

22 MR. STEINBERGER: This is not just a new
23 shipper issue, but over the past year or so Commerce
24 has recognized that it has some of these problems and
25 is trying harder to get at questions of undisclosed

1 affiliations.

2 In some recent reviews they have started to
3 send questionnaires to purchasers to try to
4 corroborate the information that they receive from
5 importers and exporters. It's still a very difficult
6 thing to accomplish, though.

7 There are other new shipper problems. There
8 was an instance in which a new shipper claimed to be a
9 very high value producer of the merchandise, and they
10 claimed that they were selling it in the United States
11 at a price similar to the U.S. price. A month later
12 that same merchandise is hitting the market at \$2 or
13 \$3 a pound wholesale. We could pretty well guess from
14 the information that was supplied that that was the
15 very same merchandise that was the subject of the new
16 shipper review.

17 VICE CHAIRMAN HILLMAN: Okay. All right. I
18 thank you for that.

19 I guess if I could, my last question is to
20 make sure I understand what our data is telling us in
21 terms of overall consumption or demand for tail meat
22 product.

23 If I look at the numbers that we see in our
24 report in front of us, it would indicate, you know, on
25 the one hand pretty big fluctuations in demand or in

1 consumption, I should say, and consumption here would
2 be U.S. production plus imports, but pretty
3 significant shifts from one year to another in terms
4 of what happened in consumption, but overall I would
5 say a fairly significant increase in what we would
6 show as total consumption between 1997 and 2002.

7 You know, we started out looking at numbers
8 just under 4,000,000 pounds, and in the last couple
9 years the numbers are between 11,000,000 and
10 13,000,000 pounds of consumption, so our numbers would
11 show this big increase in overall consumption.

12 I'm trying to understand whether that
13 squares with your sense of what's going on in the
14 market. I mean, first of all, does demand go up and
15 down and up and down fairly radically depending on the
16 drought and other things that may affect supply, or is
17 there a more steady demand, and would you describe
18 this fairly significant increase in the demand for the
19 product?

20 MR. STEINBERGER: I can address that
21 quickly, and maybe our processors can address it also.
22 What you're seeing in those numbers is not what I
23 would call demand. You're seeing consumption numbers,
24 which are almost entirely a function of how much
25 product the Chinese can bring into the market.

1 Now, there may be changes in demand, overall
2 demand for the product, but at \$2 a pound it starts to
3 be something like hamburger. The only question is how
4 much of it can you move. The fact that you're seeing
5 these huge fluctuations at the same price -- I mean,
6 the quantity is coming in varying a lot, but the
7 price, the import price, is not changing that much.
8 That's not a situation where you have scarcity and the
9 price goes up and then you have an over abundance and
10 the price goes down. It's just how much can they
11 ship.

12 It's very dangerous to treat that as if the
13 market is demanding more of this product, although in
14 economic terms you call it demand, consumption and so
15 on. I understand that.

16 VICE CHAIRMAN HILLMAN: I'm trying to get a
17 sense I guess then more from the processors'
18 standpoint. Do you think there has been an increase
19 in consumption? I mean, people eating crawfish. Is
20 there more crawfish tail meat in your sense being
21 eaten, you know, in 2002, 2001, than there was in 1997
22 or 1998?

23 Our data would say that, but I'm trying to
24 make sure I understand from your perspective whether
25 you think that's the case. Is it being eaten in

1 Louisiana, or is this an issue where there has been,
2 you know, again more consumption outside of the
3 Louisiana area?

4 MR. GUIDRY: You probably have a lot more
5 consumption outside of Louisiana, but also a lot of
6 product coming into Louisiana also. In my opinion,
7 it's about the same as it was in 1997 consumption wise
8 by the consumer.

9 VICE CHAIRMAN HILLMAN: Okay. Okay.
10 Anybody else? Mr. Odom, do you have a sense of this?
11 I mean, again I'm looking at numbers that would say,
12 and again I'm looking at consumption numbers, so they
13 are domestic production plus imports. Mr. Steinberger
14 is right. That's what they're describing. On the
15 other hand, a big fluctuation year to year, but
16 overall a very large increase.

17 Is that your sense of what's happened in the
18 crawfish market?

19 MR. ODOM: I think that price is driving the
20 market out there, the cheaper price. Like you said,
21 you're looking at the consumption of food. When
22 you're looking at the consumption of food, you're
23 looking at price. Price has to drive that
24 consumption.

25 Now, in traveling around the country, I

1 can't find that there's a lot more crawfish
2 consumption than there were back in those days.
3 There's a lot more product that's coming in and
4 displacing Louisiana product that was going out there.

5 That price difference may increase the
6 consumption a little bit, but I don't believe there's
7 a lot more consumption, a lot more of the product
8 coming in from China and not being consumed. I said
9 Louisiana. Louisiana and the surrounding states.
10 Texas produces it and some in Mississippi and some of
11 the surrounding states.

12 VICE CHAIRMAN HILLMAN: But overall you
13 don't think just in terms of how many pounds are being
14 eaten that these numbers are an accurate reflection of
15 what's going on?

16 MR. ODOM: I think they've taken a lot of
17 the Louisiana markets over and a lot of the adjoining
18 state markets over that was already developed, and
19 then they may have taken some of the developing
20 markets over, but I don't think it's a -- I don't
21 believe that. I think they've displaced the
22 marketplace. I don't think they've developed a lot of
23 new markets. I don't think they've spent the money in
24 developing the markets.

25 VICE CHAIRMAN HILLMAN: Okay. All right.

1 Thank you very much.

2 CHAIRMAN OKUN: Commissioner Miller?

3 Commissioner Koplan?

4 COMMISSIONER KOPLAN: Thank you, Madam
5 Chairman. I do have a few short questions I would
6 like to ask.

7 First, this is for Mr. Adam Johnson. I
8 understand you operate ponds yourself. Is that
9 correct?

10 MR. A. JOHNSON: Yes, sir.

11 COMMISSIONER KOPLAN: If you can just tell
12 me? I'm curious. In order to try and increase your
13 production, do you ever flood your ponds to create
14 more availability of product?

15 MR. A. JOHNSON: Yes. We flood our ponds
16 every year. We flood and drain our ponds.

17 COMMISSIONER KOPLAN: You flood them?

18 MR. A. JOHNSON: Right. We do flood them
19 each year. We use low lift pumps, pull it from a
20 bayou in our area, pull water from that bayou into our
21 ponds. That's done each year. We start flooding the
22 1st of October, and then during the course of the
23 season we introduce fresh water as needed --

24 COMMISSIONER KOPLAN: Okay.

25 MR. A. JOHNSON: -- either due to heat or

1 water, and then in the middle of June or end of June
2 we drain those ponds.

3 COMMISSIONER KOPLAN: Thank you. I think
4 I've seen this somewhere, but what is the shelf life
5 of the frozen product? Is it a year, or is it more
6 than that?

7 MR. A. JOHNSON: It's at least a year if
8 properly vacuum packed.

9 COMMISSIONER KOPLAN: If it's vacuum packed?

10 MR. A. JOHNSON: Right. I don't know that
11 I've seen any of the domestic product for more than a
12 year, 12 or 14 months, but I have seen some Chinese
13 product. I've seen some 1999 packed in 2001.

14 COMMISSIONER KOPLAN: Thank you. This is
15 from Respondent's brief at page 10. They make the
16 following statement. "Market segmentation...", and
17 we've heard about market segmentation today.

18 "Market segmentation and the apparent
19 existing informal selective purchasing programs, for
20 example, Louisiana Pride, have enormous impact on
21 competition between the domestic like product and
22 subject imports."

23 Can you tell me about the effect of this
24 program, Louisiana Pride?

25 MR. R. JOHNSON: I run the marketing

1 programs in Louisiana. We have no such program as
2 Louisiana Pride. Maybe Tourism or somebody has one,
3 but we don't.

4 We have a seal that we will license
5 processors, and I think most of our processors here
6 today use that seal, that says this is a certified
7 product of Louisiana. We certainly ask people to buy
8 local. Buy fresh. Buy local.

9 COMMISSIONER KOPLAN: But it's not an
10 informal selective purchasing program?

11 MR. R. JOHNSON: No, sir. I don't know
12 anything about that, that Louisiana Pride program.

13 COMMISSIONER KOPLAN: Okay. Thank you. I
14 only mention it because it's cited in their brief.

15 Lastly, and this is just a small thing, but
16 when you passed along those packages that we looked at
17 of Chinese product that is with fat it says on the
18 front, I'm just curious why on the back when you look
19 at the content that two out of three of them say zero
20 content.

21 MR. ODOM: We stopped all those that had
22 zero content. They had to come in and put a label on
23 it to show the amount of fat. It was washed off.
24 Probably that label was washed off on the package.

25 COMMISSIONER KOPLAN: Thank you.

1 MR. ODOM: The nutrition facts is what
2 you're talking about?

3 COMMISSIONER KOPLAN: Yes, I am.

4 MR. ODOM: All right. In the nutrition
5 facts we had them test it and then put on the amount
6 of fat that was in the product.

7 COMMISSIONER KOPLAN: Thank you. Thank you
8 all very much for that. I have nothing further.

9 CHAIRMAN OKUN: Now that we know fat is good
10 for you, I guess it's helpful to have that label. I
11 don't know.

12 Just one small legal question follow up for
13 Mr. Leonard or Mr. Steinberger, which is with regard
14 to the Bird Amendment and whether we should take it
15 into account in some way.

16 I understand your argument in terms of if it
17 is removed the impact and injury. I wondered if you
18 have any comments regarding what it means for
19 vulnerability of the industry under the statute.

20 MR. LEONARD: I'm not quite sure that I do
21 understand the question.

22 CHAIRMAN OKUN: In terms of, in other words,
23 if you see the infusion in 2002 and, therefore,
24 profitability, which you wouldn't otherwise have.
25 Does it make it more or less vulnerable in the future?

1 MR. LEONARD: Well, the Bird Amendment has
2 an uncertain future itself. If we are to look at the
3 so-called profitability of the industry in 2002 as a
4 result of the Bird Amendment, it's not great shakes.
5 It's a modest profitability in large part, and it
6 means finally that there have been the collection of
7 some duties.

8 If there is a Bird Amendment and a
9 continuing Order, will there be a collection of
10 additional duties of any sizeable sort is a little --
11 I'm unable to predict that because I don't know how
12 much the Commerce Department and then, more
13 importantly, the Customs Service is going to be able
14 to fine the imports, to assess duties on them that are
15 not tied up in Court in liquidation proceedings, so
16 it's rather an uncertain future as far as whether the
17 Bird Amendment will be of any relief.

18 Obviously to the individual recipients that
19 have received money, yes, it has helped them, and you
20 can, if you don't mind, hear from the processors as to
21 what they have done with that money. It has not been
22 used to buy Bentleys or to fly away to the islands or
23 something like that. They have used it for
24 reinvestment to update, to the extent that they could,
25 their facilities, if you care to hear from them on

1 that.

2 MR. STEINBERGER: You asked how it would
3 impact the vulnerability decision, and I would note,
4 first of all, the statute, because it was drafted
5 previously for one thing, doesn't say that you should
6 consider the Bird Amendment as part of your
7 vulnerability analysis, but besides that you end up at
8 a logical paradox if you start to make it part of your
9 vulnerability analysis because to the extent the
10 domestic industry is vulnerable that argues more in
11 favor of keeping the Order.

12 To the extent the domestic industry is not
13 vulnerable it argues more in favor of taking the Order
14 away. Well, you have a paradox coming in when you say
15 because of the Bird Amendment this industry doesn't
16 seem to be quite as vulnerable anymore. Therefore,
17 we'll take the Bird Amendment away by getting rid of
18 the Order.

19 That creates some difficulties. It doesn't
20 fit very well into the analysis, and that's one reason
21 we've tried to separate it out so you can see what's
22 actually going on from the business end actually. You
23 know, apart from government programs that are
24 providing money to some of these producers, how is the
25 industry doing based on the statutory criteria? We

1 see that it's not doing well.

2 I would also point out that the Bird
3 Amendment has been sort of a hit and miss proposition
4 for individual producers. Some have done well, but
5 it's only available to those people who have the good
6 fortune to be named in the petition from the beginning
7 of this case or checks the box.

8 We've had some people who said they never
9 got a questionnaire in the original case, at which
10 time the intent of the Commission would be to try to
11 get as much of the industry as possible, but the
12 Commission had no idea that it would be so important
13 five years down the road.

14 Some people do well under the Bird
15 Amendment. Some people do not, but it only covers a
16 few, and many have been left out of that process.

17 CHAIRMAN OKUN: That's certainly true, and
18 again this becomes a legal issue in some ways in how
19 people have argued it, and this being one industry
20 where you actually see the impact quite clearly.

21 It just struck me that it was interesting to
22 get a legal perspective of whether or not we should be
23 taking it into account under the statute either as you
24 have explained it in your brief or otherwise. I don't
25 actually need to hear from the processors because I

1 don't think that particular point I need to go
2 through.

3 With that let me say I don't have any other
4 questions. I want to thank you all for the answers
5 you have given me. Let me see if Vice Chairman
6 Hillman has further questions.

7 VICE CHAIRMAN HILLMAN: I just have one
8 quick one for a follow up really for the post-hearing
9 brief to counsel, and that's this issue of how we
10 should treat imports. As you explained very clearly
11 and as we understand, we started out with, you know,
12 one sort of a more basket tariff. It was then split
13 into, you know, the processed tail meat versus the
14 other.

15 Two questions that I wondered if you could
16 help us with, which is how would you suggest we
17 apportion the imports in the time before the split in
18 terms of when it was just, you know, 40-0000. What
19 should we do with those imports in terms of trying to
20 get a better sense of accurate import data for the
21 period between 1997 and July of 2000 when it was
22 split?

23 Secondly, once it was split, you know, there
24 is this concern that we're under counting by not
25 including the imports that are in the 1090 part of the

1 split. Again, given this is very detailed and to the
2 tariff schedule, it may be best said in a post-hearing
3 brief, but if you could give us your guidance, your
4 advice or counsel on how we should do that
5 apportionment and what we should do with the imports
6 under 1090, the 1090 subheading, in your post-hearing
7 brief I think we'd appreciate it.

8 MR. STEINBERGER: We can tackle that, and we
9 will. One thing I'll mention is that there's also
10 PIRS data for these imports. The tariff
11 classifications have been a problem for a long time,
12 but there's quite a difference between the Customs
13 data, Commerce statistics and the PIRS numbers, and
14 there was in the original investigation.

15 I was not present at that time in that
16 investigation, but I believe that the Commission took
17 PIRS data and relied on it at least to some extent at
18 that time. We can do that again if you have an
19 interest in it or not.

20 VICE CHAIRMAN HILLMAN: Okay. Again, this
21 is one where we are seeking your guidance on what is
22 the best way to get a handle around what we really
23 think the imports are doing, so to the extent that you
24 can think about that in the post-hearing brief and/or
25 work with staff on it to try to sort through how we

1 get a more accurate picture of what imports really
2 have been doing in this 1997 period onward, we would
3 very much appreciate it.

4 With that, I have no further questions, but
5 I want to thank this panel of witnesses. You've been
6 extremely helpful, and we very much appreciate both
7 your time and your answers to our many questions.
8 Thank you.

9 CHAIRMAN OKUN: Let me turn to staff to see
10 if staff has questions of this panel?

11 MS. JONES: Yes, Madam Chairman. Mary Beth
12 Jones, Office of the General Counsel.

13 This is really for your post-hearing
14 submission for counsel. You supplied a good deal of
15 information about the difficulty that Commerce has had
16 in collecting duties, and I'd like to hear from you
17 what portion of the Commission's injury analysis do
18 you think this addresses and how the Commission should
19 make use of this information.

20 Thank you. Staff has no further questions.

21 CHAIRMAN OKUN: Okay. Thank you very much.

22 Mr. Leonard, you made a request that five
23 minutes of your direct presentation be reserved for a
24 presentation of food, which I granted. The Commission
25 will not be recessed in order to have the proceeding

1 continue to be on the record, but at this time I will
2 turn to you.

3 I'm sorry. Thank you, Vice Chairman
4 Hillman.

5 Do Respondents have questions of this panel?
6 Please use your microphone. You can come up to the
7 front, Mr. Wisla.

8 MR. WISLA: Yes. We would request that the
9 hearing go on because some of our witnesses have
10 planes to catch, so if possible we'd like to finish as
11 early as possible. You know, if we have a long break
12 for lunch that might cause some problems.

13 CHAIRMAN OKUN: Let me consult with my
14 colleagues. It has usually been our practice, as you
15 might be aware, that when we've had a full morning of
16 Petitioners that we take a lunch break and resume
17 afterwards.

18 I'll consult with my colleagues and get back
19 to you. Before we recess, I will get back to you on
20 that.

21 MR. WISLA: Okay. Thank you.

22 CHAIRMAN OKUN: Okay. Thank you.

23 Mr. Leonard?

24 MR. LEONARD: Thank you. Yes, it is my
25 understanding that five minutes of our presentation is

1 to be allotted for in effect the distribution and
2 eating of the food. I would hope that even though it
3 may take more than five minutes, we'll just keep to
4 the five minute reservation of time.

5 We would be delighted now to have the food
6 brought in here and placed on both sides of the room.
7 I believe we're going to have it placed so that it's
8 equally accessible to importers and to domestic
9 interests alike.

10 Unfortunately for the importers, I think
11 we're using all domestic product in this food, but
12 it's some delicacies provided by Frank Randol, one of
13 the processors you've heard today who, as you know,
14 also operates a very fine Cajun food restaurant in
15 Lafayette, Louisiana, Randol's, and that's what we'll
16 do.

17 CHAIRMAN OKUN: Madam Secretary, if you
18 would please keep track of the five minute time?
19 People can obviously get up to sample this. When five
20 minutes has elapsed, I will ask you to call us back to
21 order. Let me know when five minutes has elapsed.

22 Thank you.

23 (Pause.)

24 CHAIRMAN OKUN: Mr. Randol, I need Mr.
25 Bishop to give you a microphone because again these

1 are on the record so the court reporter can get it.

2 Thank you.

3 MR. RANDOL: Okay. Aaaeee! Laissez les
4 bons temps rouler. Good food, good music, and good
5 times roll Louisiana.

6 We've got some good food here, and hopefully
7 you'll enjoy it with us. It's a Tasso cream sauce,
8 Louisiana crawfish in a Tasso cream sauce, peeled
9 crawfish, with a rotini pasta. We say allous manger.
10 Bon appetit. Let's eat.

11 (Pause.)

12 CHAIRMAN OKUN: People can continue, if you
13 haven't had a chance to have a sample, to go ahead and
14 get that. If I can have everyone go back to their
15 seats, and I'll make an announcement on the schedule
16 for this afternoon?

17 MS. ABBOTT: Could you all please be seated
18 just for a moment?

19 CHAIRMAN OKUN: All right. I see Mr.
20 Leonard. Mr. Wisla, are you seated? Mr. Steinberger?
21 Okay.

22 I've consulted with colleagues. We are
23 going to take a 45 minute lunch break, which will put
24 us back here at 1:00. I understand your witnesses are
25 available, and we will turn to them at 1:00.

1 With that, we will recess this hearing.

2 (Whereupon, at 12:19 p.m. the hearing in the
3 above-entitled matter was recessed, to reconvene at
4 1:00 p.m. this same day, Tuesday, June 3, 2003.)

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1 A F T E R N O O N S E S S I O N

2 (1:02 p.m.)

3 CHAIRMAN OKUN: Good afternoon. This
4 hearing of the U.S. International Trade Commission
5 will please come back to order.

6 Madam Secretary, I see that the Respondents'
7 panel is seated. Have all of the witnesses been
8 sworn?

9 MS. ABBOTT: Yes, Madam Chairman.

10 CHAIRMAN OKUN: Very well. Mr. Wisla, you
11 may proceed when you're ready.

12 MR. WISLA: Thank you. I want to thank the
13 Commission for taking into account the schedules of
14 the people here. We greatly appreciate it.

15 In addition to the people I mentioned who
16 will be testifying, we also have here at the front
17 table Mr. Zhang Wei of Pacific Coast Fisheries of
18 Seattle, Washington. He will be available for
19 questions, as is Rich Marano of Harbor Seafood of New
20 Hyde Park, New York. He is also here to take
21 questions if the Commission so desires.

22 We'll start with testimony from Mike Powers
23 of Darden Restaurants. Thank you.

24 CHAIRMAN OKUN: Thank you.

25 MR. POWERS: Good afternoon. My name is

Heritage Reporting Corporation
(202) 628-4888

1 Mike Powers. I'm the director of seafood procurement
2 at Darden Restaurants. Darden is the world's largest
3 casual dining restaurant company and includes Red
4 Lobster, Olive Garden, Bahama Breeze, and Smokey
5 Bones. We have over 1,200 restaurants located
6 throughout the United States. We are a Fortune 500
7 company, and our stock is bought and sold on the New
8 York Stock Exchange. Our gross annual sales exceed
9 four and a half billion dollars.

10 We procure crawfish for all of our
11 restaurants from our headquarters in Orlando, Florida,
12 where I'm based. I have worked at Darden for 15
13 years, the last 11 in the seafood purchasing
14 department.

15 Darden Restaurants started buying crawfish
16 in the early nineties. Darden Restaurants has been
17 instrumental in introducing Americans nationally to
18 crawfish meat. Today, we alone consume over a million
19 pounds annually, many times what the domestic industry
20 produces on a frozen basis.

21 Availability and consistency of supply is
22 critical to our seafood-purchasing decisions. We
23 forecast our seafood needs over a one-year period and
24 procure product well in advance of usage to ensure
25 availability. Our menus are set for a six-month

1 period, and we cannot run out of product. We need to
2 be certain crawfish is available three to six months
3 in advance of the menu rollout. We, therefore,
4 purchase only frozen crawfish tail meat due to its
5 longer shelf life. Because only a portion of domestic
6 crawfish is sold frozen, we have no choice but to
7 purchase Chinese tail meat.

8 At present, all of our crawfish is purchased
9 from China. We purchase from crawfish because of the
10 availability and consistency of production. We would
11 buy from domestic suppliers if we could, but we cannot
12 because supply in the quantities we need are simply
13 not available from domestic suppliers. We have
14 periodically checked on availability of domestic
15 crawfish and been repeatedly told that there is simply
16 not enough supply to meet our needs. In fact, during
17 2002, we needed to purchase non-China-origin crawfish
18 for our three Red Lobsters and five Olive Garden
19 Restaurants in Louisiana. We could not even source
20 enough domestic product for this small area of usage.
21 Instead, we had to purchase product from Spain to
22 cover our needs.

23 The domestic crawfish industry is primarily
24 a whole crawfish producer. Tail meat is essentially a
25 byproduct. Only a small portion of the tail meat

1 produced domestically is frozen. Domestically
2 produced tail meat is overwhelmingly sold as fresh or
3 chilled. The quantities of frozen tail meat produced
4 domestically are simply insufficient to supply a
5 national market like ours.

6 If the duties on crawfish are eliminated,
7 any increase in imports would be absorbed by larger
8 users like ourselves with no effect on Louisiana
9 producers, who are already selling all they can
10 produce.

11 I'll be happy to respond to any questions.
12 Thank you.

13 CHAIRMAN OKUN: Thank you.

14 MR. WISLA: Next is Christine Costley of
15 Harbor Seafood.

16 MS. COSTLEY: Good afternoon.

17 CHAIRMAN OKUN: Ms. Costley, can you make
18 sure your microphone is on and pull it a little closer
19 to you, please?

20 MS. COSTLEY: Good afternoon. My name is
21 Christine Costley, and I am currently employed by
22 Harbor Seafood. I'm a lifelong resident of Louisiana,
23 and I began working in the crawfish industry in 1987,
24 with a company called Ecrevisse K'dien. I worked with
25 Ecrevisse K'dien for 16 years. Ecrevisse was the

1 major, national, sales and marketing company of
2 Louisiana crawfish in the 1980's and nineties. We
3 owned and operated two multi-million-dollar processing
4 plants in Louisiana for many years. We produced
5 Louisiana crawfish and Louisiana crawfish tail meat
6 for the U.S. market and for the European market.

7 I offer a unique perspective, as I have been
8 intimately involved in the Louisiana industry as well
9 as the Chinese and the Spanish crawfish industries. I
10 began my career with Ecrevisse in sales and marketing
11 and eventually became the vice president of
12 operations. My job was to introduce and expand the
13 market for our crawfish products, create the products,
14 educate the market, and then supply the market with a
15 high-quality product. We not only produced at our
16 plants but contracted with a number of smaller
17 Louisiana plants to meet our growing customer demands
18 back in the eighties.

19 I have worked with a number of small peeling
20 operations in Louisiana over the years, and I know the
21 supply and labor issues they face, which are not
22 related to Chinese imports.

23 As the premier marketing company for
24 Louisiana crawfish in the eighties and nineties on a
25 national level to the retail industry, we fully

1 supported the Louisiana crawfish industry. As the
2 market expanded and customers demanded more, things
3 needed to change. I continue to be a full supporter
4 of Louisiana culture, the food, the people, and our
5 way of life.

6 I am excited about the number of value-
7 added, processing plants that have popped up over the
8 last 10 years in southern Louisiana. Many of these
9 were started by people who had been involved in the
10 Louisiana crawfish industry in previous years. They
11 saw the market changing, and they responded to the
12 newly created demand for value-added crawfish
13 products. Many of these companies are shipping
14 Louisiana-style foods nationwide. Many of these
15 companies are producing dishes that contain crawfish,
16 and there are Chinese crawfish tails in these dishes.

17 I desire for our people and our economy to
18 be successful. I want to promote Louisiana and its
19 products, but we must look to the future and meet the
20 demands of the market.

21 The changes in the Louisiana crawfish
22 industry and market have evolved over the past five
23 years. Ecrevisse K'dien had to re-invent their
24 business to reflect the changes in the industry. As
25 our market grew, and we were unable to offer supplies

1 of Louisiana crawfish tail meat to meet multinational
2 companies on a year-round basis, we began to look at
3 other sources. We, in particular, had a customer in
4 the Texas market, a retail chain, that specifically
5 wanted Louisiana meat in 1998, and we had a very
6 difficult time finding processing plants to produce
7 that meat for us and the labor in those plants. We
8 actually had to bring in Mexican labor in 1998 to peel
9 the tail meat that we so desperately needed for our
10 customer.

11 Our attraction to explore the Chinese tail
12 meat was not based on price because at that time
13 domestic and Chinese were not that far apart in price
14 structure. Our interest was in having another source
15 with a complementary production season, which would
16 relieve us from putting up our entire inventory in the
17 short Louisiana season of three months. Now, the
18 crawfish season runs more than three months, but if
19 you are going to put up inventory, your cost of
20 inventory in those three months' time is when it is
21 reasonable.

22 At this time, we had many retail grocery
23 store chains with 200-plus stores who had our product
24 slotted, and we were expected to keep them supplied
25 year-round. It was a struggle to make that happen

1 with Louisiana product.

2 Let me explain a little bit about how the
3 crawfish industry has changed. There were as many as
4 four multi-million-dollar processing plants operating
5 simultaneously in Louisiana in the eighties and
6 nineties. These plants bought the majority of live
7 crawfish being processed. Fishermen and dealers
8 brought their harvest either to the live market in
9 southern Louisiana, where it was sold and then went
10 into crawfish boils, or it was delivered to us and
11 other processors like us.

12 The processors graded the product, and the
13 small crawfish were sold off to peeling plants, and
14 that is traditionally what happens. The peelers are a
15 byproduct of the whole crawfish, of the live market
16 and of the frozen processed. The money in the
17 industry has always been made on the large, whole
18 crawfish, either in processed, whole, frozen crawfish
19 or whole live being sold to fish markets, retailers,
20 and restaurants.

21 The large processing plants have ceased to
22 exist in the last five years, and today the crawfish
23 business is totally driven by the sale of live
24 crawfish. The market for live crawfish has expanded
25 far beyond southern Louisiana, and often the need on

1 the live side is not even met. Crawfish farmers and
2 dealers have demanding markets in Texas, Florida,
3 Arkansas, Mississippi, Georgia, Tennessee, North
4 Carolina, South Carolina, and as far as Michigan and
5 the East Coast.

6 Crawfish dealers and fishermen can maximize
7 their profits by selling live, whole crawfish to those
8 segments of the market that will pay premium prices,
9 and that can be anywhere from two to three dollars per
10 pound for live crawfish delivered in sacks, whereas if
11 they are selling it in Louisiana, for live crawfish,
12 that price goes from 60 cents to -- depending on the
13 time of year, it can go up to two dollars.

14 This huge demand for live crawfish consumes
15 most of the crawfish harvest in Louisiana, leaving
16 only small amounts for processing into tail meat. If
17 all crawfish were of medium size, and a fisherman had
18 a choice of selling them on the live market or peeling
19 them, the greater profit would be selling them on the
20 live market. And that's really just to illustrate
21 that it is the byproduct and the smaller crawfish that
22 go into the peelers, and that's why Louisiana tail
23 meat is 170 count to the pound. Chinese crawfish tail
24 meat is 80 and up, 80 to 100, 150, and 150 to 200.
25 Louisiana has never been able to supply graded

1 crawfish tail meat, and the reason is the economics of
2 it. Those crawfish were worth more on the market
3 whole than they are to put through the peeling
4 process.

5 There are approximately 18 peeling plants in
6 Louisiana today. When we were peeling crawfish in
7 Louisiana, there were more than 100 peeling plants.
8 Many of these 18 remaining plants use Mexican labor.
9 Six years ago, you would not have found any foreign
10 labor in Louisiana peeling plants.

11 The Louisiana processors have been forced to
12 bring in foreign labor because they have not been able
13 to recruit the local labor for the short peeling
14 season. It's usually a three-month period, and they
15 have a very difficult time recruiting labor to come
16 and work for three months and then have to go out and
17 find another job.

18 The foreign seasonal labor may be legally
19 employed by a U.S. company only after following
20 exhaustive advertising procedures pursuant to the
21 Department of Labor and the INS regulations. They
22 must advertise in newspapers in the surrounding area
23 for -- I'm not sure of the exact amount of time, if
24 it's three months -- and prove to the Department of
25 Labor that they can absolutely not find local labor to

1 do the job. Plainly, the processors are unable to
2 find enough local employees to peel the small amount
3 of crawfish tail meat that they are doing now.

4 In contrast to all of this, and in support
5 of Louisiana and its people and the culture and the
6 things that we are trying to promote nationwide and
7 actually even internationally -- we sell crawfish
8 etouffe in Spain -- we have a Spanish crawfish plant,
9 and we are introducing crawfish etouffe over there --
10 Louisiana has over a thousand value-added, food
11 processors that operate 12 months out of the year and
12 employ 100 percent local labor and offer them jobs on
13 a 12-month basis.

14 Twenty-five to 50 percent of these food
15 processors manufacture dishes using Chinese tail meat.
16 They are producing things like crawfish etouffe,
17 crawfish bisk, crawfish cakes, chickens stuffed with
18 crawfish dressing, crawfish pies, and crawfish pasta
19 dishes. These processors include Cajun Kettle Foods,
20 John Folse Foods, Diversified Foods, A La Carte Foods,
21 Mrs. Weed's Pies, Richard's, Carnival Brand Foods,
22 Savoy's, Dr. Gumbo, Tony Sachery's, Pochets, and the
23 Gumbo Shop. These processors depend on a consistent,
24 reliable supply, or they cannot feature these items on
25 their product list. These companies employ thousands

1 of Louisiana workers and supply major national
2 accounts: restaurants and food service companies.

3 There is a key infrastructure necessary to
4 supplying these large accounts. There is a key
5 infrastructure for these Louisiana processors, and it
6 is based on distribution, storage, availability, and
7 it's something that the Louisiana crawfish tail meat
8 industry is not able to meet. The processor/supplier
9 must have the ability to hold inventory on a year-
10 round basis and deliver crawfish tail meat on a weekly
11 or monthly basis 12 months out of the year. Louisiana
12 simply does not have the raw material supply or the
13 labor and the facilities to meet that challenge.

14 Crawfish in Louisiana has always been viewed
15 as a seasonal product. It is harvested, processed,
16 and consumed in Louisiana as a seasonal product.
17 However, when you tap into major, national accounts,
18 their needs are on a year-round basis, and they are
19 not sensitive to the seasonality of the product, as
20 the people of Louisiana are. This limits the amount
21 of tail meat that is available for value-added
22 processors. Of this amount, most peeled crawfish is
23 sold locally as fresh crawfish tail meat. There are
24 only a few processors who are able to make the
25 investment in freezing equipment and make frozen tail

1 meat that can be marketed nationally.

2 Just to kind of ad lib, I have a huge
3 investment in the crawfish industry, and in the
4 Louisiana crawfish industry, I have spent the last 15
5 years of my life. It is very dear to me, and it just
6 isn't fair anymore. It's sad to see an industry cease
7 to exist, and you can't blame it on the imports.
8 There are other factors that are involved. I can tell
9 you that I've spent many, many years promoting
10 Louisiana crawfish across the nation, selling into
11 European markets, and things need to change.

12 I have a piece of our marketing -- this, I
13 think, was done in 1984 -- of Ecrevisse K'dien, and it
14 just kind of shows you the stance that we took in
15 supporting the industry and the amount of money that
16 we put into marketing Louisiana crawfish for years and
17 years.

18 MR. WISLA: Okay. Thanks, Christine.

19 MS. COSTLEY: Thank you.

20 MR. WISLA: Next is Jim Mullen, Jr.

21 MR. MULLEN: Good afternoon. My name is Jim
22 Mullen. I'm the president of Ocean's Catch, Inc., a
23 seafood marketing company in Westport, Massachusetts.
24 We market a number of seafood products nationally,
25 including shrimp, scallops, crab, and crawfish, as

1 well as alligator from Louisiana. We sell our
2 products to most major customer segments nationally.
3 Personally, I've been in the seafood business for over
4 20 years. I have purchased and marketed crawfish
5 since the early 1990's in one capacity or another. I
6 have purchased whole crawfish, crawfish tail meat,
7 fresh, cooked, and frozen from both domestic and
8 imported sources.

9 I am very familiar with the crawfish
10 industry in Louisiana, as I have purchased and packed
11 live, whole, cooked, and peeled crawfish from
12 Louisiana plants regularly in 1996 and 1997 and
13 continue to work with two plants marketing live
14 crawfish from time to time presently. I have also
15 purchased frozen crawfish tail meat from China, from
16 both importers, exporters, and other U.S. marketing
17 companies.

18 In my opinion, domestic crawfish tail meat
19 and imported crawfish tail meat simply do not compete.
20 The Louisiana crawfish product is entirely different
21 from imported product. Louisiana crawfish is
22 predominantly sold as live and as chilled, cooked meat
23 to service the high demand from the regional culture.

24 My understanding of the peeled-meat industry
25 has been that it is taken from whole crawfish that is

1 not suitable for the live market. Most of the meat is
2 peeled from small, ungraded, or poor-quality crawfish,
3 such as broken or undesirable shell quality, because
4 the cooked, peeled meat is primarily fat on and sold
5 fresh and almost exclusively sold in the State of
6 Louisiana due to limited shelf life.

7 The Commission's staff report reflects what
8 I know from experience to be the case: 97 percent of
9 all domestic-produced tail meat is sold in Louisiana,
10 and another two percent, it shows, is sold in Texas.
11 By contrast, the Chinese crawfish is 100 percent
12 exclusively sold frozen and services national demand
13 in all customer segments that the fresh, cooked,
14 chilled product simply cannot.

15 Because Louisiana consumers overwhelmingly
16 prefer using live crawfish for their crawfish boils,
17 in their crawfish market, and fresh, cooked tail meat
18 for premium tail meat applications, there is very
19 little competition between imported frozen crawfish
20 and local demand. To give you an idea, I was in
21 Louisiana just last week, and I attended three
22 crawfish boils, including a high school graduation, a
23 state-sponsored function in Baton Rouge, and a catered
24 function that was catered by a local processor, by the
25 way, and one of my suppliers had a company outing.

1 Every party featured live-cooked crawfish,
2 and while I was there attending, I learned that nobody
3 in Louisiana -- they explained that nobody would use a
4 frozen product, and the reason they won't use a frozen
5 product, in the crawfish-boil process, a live product
6 absorbs the Cajun spices and the local flavor fresh,
7 and it absorbs it into the head and the meat, and we
8 all see the commercials: break the head, suck the
9 head, eat the meat, you know. It was obviously
10 apparent to me.

11 As I've learned while I've been marketing
12 like Shay Sidney and Catahoula and Prairie Cajun,
13 Baton Rouge, I've been selling Louisiana crawfish. I
14 can say with confidence that the primary market in the
15 region is now for live or fresh-cooked crawfish. The
16 market for the whole live in Louisiana has always
17 dictated the price and the ability to produce tail
18 meat. It's not the imports from China.

19 The Commission's staff found that 75 million
20 pounds of whole crawfish are produced domestically,
21 and only 10 percent of the harvest of 7 million pounds
22 gets peeled. The question is why. The explanation is
23 simple. The market for whole crawfish is so lucrative
24 that there is no incentive to produce tail meat
25 domestically. The domestic harvest producers have put

1 their time and money in developing the selling of
2 live, whole crawfish, not the tail meat, since that is
3 the product that results in the highest return. Tail
4 meat will continue to be regarded in Louisiana as a
5 byproduct as long as the competition for the whole,
6 live crawfish demands higher prices and better returns
7 to the fishermen.

8 The growth in national sales, by the success
9 of restaurant chain promotions, national supermarket
10 sales, value-added products manufactured by processors
11 in Louisiana and elsewhere, have created demand that
12 far exceeds the production capabilities of Louisiana
13 crawfish processors. The demand has created a new
14 market for Louisiana's premium, live crawfish that
15 makes sources with origins such as China a necessity
16 to provide supply to the growing national market and
17 sustain market demand.

18 In my opinion, it does not make sense for
19 this Commission to continue an order that makes it
20 difficult to import crawfish from China for the sole
21 purpose of subsidizing an industry that much of the
22 domestic harvesters, fishermen, and rice farm owners
23 have bypassed themselves to develop their own
24 distribution of selling live to a regional market that
25 extends from Tennessee to Michigan to Texas to

1 Florida. We ship it into Boston, Massachusetts, by
2 air, and I've shipped it to Detroit, Michigan, by air
3 at two dollars a pound, f.o.b. Lafayette. You can't
4 compare.

5 In addition to my statement, I would like to
6 offer some comments to some of the questions that the
7 Commission asked the panel, if that's appropriate.

8 CHAIRMAN OKUN: It's still on your direct-
9 presentation time, but that's fine.

10 MR. MULLEN: Ms. Miller, you asked a
11 question regarding the market, and an example of Wal-
12 Mart was used. Wal-Mart carries both. I was just in
13 Bentonville, Arkansas, soliciting imported product,
14 which I was not successful, by the way. But saying
15 that, Wal-Mart carries both, and the company I do
16 business, Cajun Prairie Wholesale, is the primary
17 supplier of fresh, chilled crawfish.

18 My introduction to the purchasing department
19 of Wal-Mart was through the owner of that company, who
20 met me at the Boston Seafood Show in March of this
21 year and asked me to help him grow his sales because
22 he, as one of the larger processors of peeled meat,
23 couldn't supply any more meat in fresh in his
24 business. He wanted to continue. He is a young man.
25 He wanted to grow his business. He wanted to get more

1 involved in imported business and expand his product
2 lines. It's as simple as that.

3 Another question was about chloramphenicol.
4 How chloramphenicol became an issue -- I'm not a
5 student of the antibiotics and the FDA, but once the
6 order was put in place to test for Louisiana shipments
7 as well as -- I think it was Alabama and Texas -- of
8 course, all marketing companies had to have all
9 product tested. I can tell you that we have had
10 product tested on every pound of crawfish that has
11 been distributed that we've sold into those markets at
12 a cost of \$800 per lot, whether one case or a full
13 truckload, and not one incidence has returned with
14 chloramphenicol. I must comment that I see it simply
15 as just another obstacle to the importing and selling
16 of imported Chinese meat.

17 There was another comment about ports of
18 entry. No matter if it's food products or any
19 products, the cost of freight is one of the highest
20 costs that are added to the nonvalue cost of what the
21 consumer ends up paying. It only makes sense that
22 you're going to import at the lowest cost to the first
23 point you can receive.

24 So to make it clear, as a marketing company,
25 I buy product from many suppliers, but I store

1 product. Los Angeles, Seattle, San Francisco, Miami,
2 Atlanta, New Orleans, Baton Rouge on occasion,
3 Houston, San Antonio, Boston, and New Jersey or New
4 York; I have crawfish at times in every one of those
5 locations, and it's one of my highest costs to service
6 my market. We don't transport it 15, 20 cents a pound
7 from New York to New Orleans unless it's absolutely
8 necessary. We ship where we're going to distribute
9 the product to lower our costs. The cost of cold
10 storage and freight is the difference between an
11 import or a commodity-sales company making money or
12 losing money. We only make a very small percent
13 margin.

14 You know, the last comment I have is I
15 sympathize with the crawfish processors. I know some
16 of them. I've worked with some of them. I still work
17 with some of them, and I've been an owner/operator of
18 seafood processing plants in New Bedford,
19 Massachusetts, and in Westport, Massachusetts, myself.
20 But to blame the symptom on an import, and I can take
21 up your time and talk lobsters in Canada and crabs in
22 Canada and scallops from Japan and every other country
23 in the world -- these are the things I produce -- to
24 blame China for the labor issues -- when I first met
25 Shay Sidney in Catahoula, we exported their live

1 product or their cooked-and-chilled, whole product,
2 which hasn't been discussed, to Mexico because they
3 didn't have labor. This was in the early nineties,
4 before a dumping duty ever happened.

5 But to blame China is, like, you can blame
6 chicken, you can blame pork, you can blame any other
7 protein, when the true issues are the cost of the raw
8 material that a processor buys from its supply. They
9 are different segments, and the supply has decided to
10 sell it live for more money. I bought live crawfish,
11 f.o.b. Baton Rouge, in February at \$2 a pound and sold
12 it to Sysco in Detroit at \$2.25, excluding freight and
13 ice packs and Fed Ex.

14 So we have to look at what's going on with
15 the supply side. The supply side, from all of my
16 research, says that whole, live crawfish at the
17 unloader's level has been 60 to 75 cents a pound for
18 quite a while, and the peelers only pay 35 cents. If
19 they can get a return that's that much higher for
20 going out to a pond or going in a boat to the basin,
21 that's their right. It's a choice. It's a choice,
22 and we have to make changes. As Christine mentioned,
23 there's changes. The market changes.

24 I would be welcome to take any questions.

25 MR. WISLA: Okay. The next witness is Paul

1 Obirek.

2 MR. OBIREK: Good afternoon. My name is
3 Paul Obirek. I'm the director of procurement --

4 CHAIRMAN OKUN: Mr. Obirek, would you just
5 pull your microphone closer, please?

6 MR. OBIREK: I'm sorry.

7 CHAIRMAN OKUN: Thank you.

8 MR. OBIREK: I'm Paul Obirek. I'm the
9 director of seafood procurement for King & Prince
10 Seafood Corporation. I've held this position for
11 almost two years now, but I've been in the seafood
12 industry for approximately 23 years.

13 King & Prince Seafood Corporation is located
14 in Brunswick, Georgia. We are a frozen-food
15 processor, and crawfish is just one of the many
16 products we process. We've been in business for over
17 50 years and currently employ approximately 500
18 people. We sell to restaurants and food service
19 distributors throughout the United States.

20 In November of 2000, King & Prince launched
21 a new product that had tremendous success, and that
22 product was frozen, breaded crawfish. We now sell
23 this unique product to over 100 customers located
24 throughout the United States, and less than 10 percent
25 of our sales are in Louisiana. Demand for frozen,

1 breaded crawfish continues to grow, and this is
2 evidenced by the fact that our sales on our product,
3 from 2001 to 2002, increased by over 90 percent.

4 In order for us to produce breaded crawfish
5 in the volume we sell, we must have access to a
6 consistent, year-round supply of frozen, not fresh,
7 peeled meat, and it has to be graded to a uniform size
8 and be at a relatively stable price. These conditions
9 and requirements make it impossible for us to purchase
10 our raw material domestically.

11 First of all, the domestic industry simply
12 does not produce frozen crawfish tail meat in the size
13 and quantities we require. Their sales efforts are
14 driven by the fresh and whole-cooked markets.

15 Second, the domestic product is seasonal and
16 is subject to wide fluctuations in harvests from year
17 to year, as has been brought up, because of the
18 droughts.

19 Third, the domestic suppliers do not produce
20 and grade for size the products that we require.

21 In addition, as a comment, I feel it curious
22 that King & Prince Seafood is a major player in the
23 value-added seafood business in the U.S., we have been
24 marketing crawfish for over two years, and we have not
25 been contacted by any domestic producers seeking our

1 business. Therefore, we purchase frozen crawfish tail
2 meat from importers of Chinese product where we can be
3 assured of quantity, quality, and a year-round supply
4 of uniform product. Thank you.

5 CHAIRMAN OKUN: Thank you.

6 MR. WISLA: The next witness is Jimmy
7 Johnson.

8 MR. J. JOHNSON: Good afternoon, Madam
9 Chairman and Commissioners. My name is Jimmy Johnson,
10 and I am employed by Sea Safari, Limited. Sea Safari
11 is a company based in Belhaven, North Carolina, and
12 it's a small, family-owned business that was started
13 in the early 1970's. We are primarily a processor of
14 domestic crab meat, and we employ between 200 and 250
15 workers during the processing season.

16 About five years ago, Sea Safari entered
17 into the crawfish business through the purchase of a
18 Louisiana-based seafood company. We currently
19 purchase and resell whole, cooked, and spiced
20 crawfish, and we also currently purchase and resell
21 frozen crawfish tail meat.

22 A portion of the frozen tail meat that we
23 purchase is used for further processing into some
24 value-added products, such as crawfish cakes, crawfish
25 hors d'oeuvres, breaded crawfish tail meat, which we

1 call "Cajun popcorn," and crab shells stuffed with a
2 mixture of crab and crawfish tail meat. All of these
3 products have been developed by Sea Safari over the
4 past 18 months.

5 We sell our value-added products to grocery
6 chains, to restaurant chains, and to wholesale
7 distributors. These products are being introduced to
8 consumers, and they have been favorably received in
9 the marketplace, and we expect, and we definitely
10 hope, that the demand for these value-added crawfish
11 products continues the growth that we've seen over the
12 past few months. And through our value-added
13 products, we are bringing crawfish to a nationwide
14 audience.

15 I was at the National Restaurant Association
16 show the week before last, and we were showing a
17 couple of these products, and it was amazing how many
18 people came up and tried crawfish because they had
19 never tried it before. I was also pleased to see how
20 well it was received and how much they enjoyed being
21 able to sample those products.

22 The focus of the value-added sales is
23 nationwide and is not just limited to Louisiana, where
24 crawfish is already a popular item. At Sea Safari, we
25 saw the potential growth opportunity for crawfish

1 products. However, the domestic crawfish tail meat
2 industry had, still has, and for the foreseeable
3 future, will have, absolutely no ability whatsoever to
4 serve the growing national demand for crawfish tail
5 meat. Because the domestic product is not available
6 for purchase in North Carolina, all of our crawfish
7 purchases are of Chinese origin.

8 As a processor of value-added crawfish
9 products, it is essential that we have a continuous,
10 year-round supply of high-quality tail meat. Our
11 product specifications and year-round requirements for
12 large-sized products can only be met by the imported
13 Chinese tail meat. And in addition, we need a
14 consistent supply, not a seasonally available supply,
15 in order to meet our obligations to our customers.

16 Within the last four years, despite repeated
17 efforts, Sea Safari has not once been able to purchase
18 required quantities of frozen tail meat from domestic
19 sources. Within the last two and a half years, we
20 have not received even a single sales call from a
21 domestic supplier or distributor offering frozen,
22 domestic tail meat.

23 I sit here today with strong emotions. It
24 was four years ago when I sat here in front of this
25 very Commission -- in fact, I think I sat right there

1 where Jim Mullen is sitting -- as a domestic
2 petitioner fighting for Section 201 relief against
3 imported crab meat. It was also at that time that I
4 met Mr. Leonard and had a very enjoyable dinner with
5 him at the home of our legal representative, Jim
6 Taylor.

7 Unfortunately, the domestic crab processors
8 were not granted the relief that we requested, and I
9 was forced to sell my crab-processing company in
10 October of 2000, before I had lost everything that I
11 had worked so hard for, including my home. However, I
12 have been able to adjust and continue to adjust, and
13 my involvement with this dynamic seafood industry
14 continues even today.

15 Today, I sit on the other side of the table,
16 representing import interests, yet despite growing up
17 exclusively with the domestic industry, I am very
18 confident in what I am arguing today. I know from
19 firsthand experience that there is significantly less
20 domestic crawfish tail meat available to meet the
21 national demand compared to the domestic crab meat
22 available in the failed 201 investigation.

23 The seafood industry, in general, and the
24 crawfish industry, in particular, are not static. As
25 our world becomes more globally focused, I, myself,

1 have had to adjust the way that I think, and I've had
2 to look globally and have had to develop new products
3 to survive in this ever-changing market environment.
4 It would truly be unfortunate for a hard-working and
5 innovative company like Sea Safari to have its future
6 clouded over by the continuation of an antidumping
7 order protecting production of a product that cannot
8 even remotely meet the demand of U.S. consumers.

9 Thank you for letting me have my say, and
10 I'll be glad to answer what questions you might have.

11 CHAIRMAN OKUN: Thank you.

12 MR. WISLA: Our next witness is Bob Redar.

13 MR. REDAR: Good afternoon. My name is Bob
14 Redar. I'm the senior vice president of sales and
15 marketing for Sea Watch International. Our company is
16 located close by in Easton, Maryland, and what we do
17 is we harvest, process, and market seafood products in
18 the United States and internationally. Our major
19 product lines are clams, shrimp, calamari, scallops,
20 crab, and crawfish. We have three processing plants:
21 one in New Bedford, Massachusetts; one in Milford,
22 Delaware; and one in Easton, Maryland. We employ over
23 500 people, and we are the world's largest clam
24 processor.

25 In 2000, we began to market crawfish. We

1 bread and fry crawfish tails and make a value-added
2 product for that. We also make a seafood chowder
3 which incorporates crawfish tails as an ingredient.
4 Crawfish is used in these products as a value protein
5 and typically in place of more expensive items like
6 lobster or shrimp. Our customers include major,
7 national restaurant chains; national food-service
8 distributors; national retail chains; national club
9 chains, including many Fortune 500 companies. We also
10 private label products for national chains. We
11 distribute our products throughout the United States
12 through 700 distributors.

13 Except for clams, we use only frozen
14 products for all of our seafood processing, including
15 crawfish. We use fresh clams because we actually
16 shuck them at our plant within 12 hours of harvesting,
17 so we own boats and plants both.

18 Using fresh or chilled crawfish meat in our
19 breaded product or chowder is simply not feasible.
20 First, fresh, chilled tail meat is highly perishable,
21 and we could not transport that product to our East
22 Coast processing plants. In addition, we need access
23 to the product year-round and cannot rely on seasonal
24 product. We purchase frozen Chinese product because
25 it is readily available, and it is not perishable.

1 Moreover, and importantly, it meets our specification
2 for size, quality, and flavor. That's very important
3 to us.

4 In 2000, we developed a new chowder product
5 for the market that incorporated crawfish tail meat
6 with clam, shrimp, and other seafood. We went to our
7 existing distributor network and offered this product.
8 In less than two years, we are now using around
9 100,000 pounds of meat a year. Even though we are a
10 relatively small processor of crawfish, our
11 consumption of frozen tail meat almost surpasses the
12 domestic industry total production for that frozen
13 tail meat. I have never been approached by a domestic
14 processor or distributor offering domestic frozen
15 crawfish.

16 When we first sought to get into this
17 business and to source frozen crawfish tail meat, we
18 went through a broker. The broker provided us with a
19 list of qualifying suppliers. All qualifying
20 suppliers were selling Chinese product. There is no
21 option for purchasing frozen, domestic tail meat.

22 As a producer of a new crawfish product for
23 U.S. consumers, my company has contributed to the
24 large increase in the U.S. consumption of crawfish. I
25 think you have made note of that. The sales of

1 crawfish have steadily increased. This increase in
2 consumption has been made possible solely by the
3 availability of additional frozen, Chinese, crawfish
4 tail meat in the United States. Even if the domestic
5 industry operated at its full reported capacity, they
6 could not meet the increasing national demand for
7 processed crawfish products, which necessarily
8 incorporates frozen crawfish tail meat.

9 Consequently, I do not believe that the
10 domestic industry would be adversely affected if the
11 existing antidumping order were revoked. I want to
12 thank you and take this opportunity today to hear me,
13 and I'll be glad to answer any questions later.

14 CHAIRMAN OKUN: Thank you.

15 MR. WISLA: Our last witness is Matt Fass.

16 MR. FASS: Good afternoon. My name is
17 Matthew Fass. I am vice president of Maritime
18 Products International. Maritime is a family-run
19 company. Our focus is the procurement of frozen
20 seafood for U.S. distribution as well as for export.
21 Our office is in Newport News, Virginia, and we
22 distribute our products across the country. We help
23 supply the entire cross-section of the industry, from
24 direct restaurant distribution to other broad-line
25 wholesalers, to value-added processors, to supermarket

1 chains.

2 I've been with Maritime since the mid-
3 1990's. Our business actually began in the late-
4 1800's, and I am the fourth generation in my family to
5 work in this industry.

6 Most of our current business revolves around
7 importation of seafood from various parts around the
8 world, although I am also a member of the Virginia
9 Marine Products Board, a governor-appointed board in
10 place to specifically promote Virginia products.

11 Maritime began buying crawfish in the mid-
12 1990's. Part of our strength in this industry is
13 working to identify high-quality and underutilized
14 seafood items which represent growth opportunities for
15 U.S. restaurants and supermarkets. We absolutely
16 identified Chinese crawfish tail meat as such an item.
17 The quality, availability, and different range of
18 sizes made it clear that this was an item that not
19 only had great growth potential but also did not
20 simply displace an alternative seafood item. We
21 understood the existence of crawfish production in
22 Louisiana, but there was no commercial availability of
23 picked tail meat for any kind of national or even
24 regional programs for the quantities desired.

25 As hoped, the Chinese product has been

1 extremely well received. Every single year has seen
2 brand-new programs come on line, from value-added
3 opportunities, such as breaded crawfish meat, crawfish
4 cakes, and crawfish dips, to new supermarket sales of
5 frozen meat, to new restaurant usage in stir fries and
6 pastas.

7 Today, our company alone purchases and
8 distributes into the millions of pounds annually of
9 Chinese crawfish tail meat, which is considerably more
10 than the domestic industry has ever produced on a
11 frozen basis. At present, every pound of crawfish we
12 purchase is from China. There are several reasons for
13 this.

14 Quantity and continuity of production.
15 There is absolutely no hope of building a new product
16 program in our industry today with any kind of
17 regional or national reach unless it can be first
18 shown that there will be consistent availability of
19 production. This is true not only for restaurants,
20 who must forecast menus many months in advance, but
21 also for broad-line, wholesale distributors, who often
22 wish to focus their attention on owned, branded items.
23 With major consolidation in food distribution during
24 the last few years, today's attention is often on
25 company-branded items, and there can be no prospect of

1 branding any item without consistent supply and in
2 commercial quantity. This cannot possibly be
3 satisfied by the domestic industry.

4 The bottom line is that there are several
5 single users of product who currently use more product
6 than can even theoretically be produced using even the
7 most aggressive production numbers and capacity
8 figures, and the prospect for continued growth in
9 national consumption for Chinese tail meat is only
10 growing.

11 As one personal illustration of the
12 overwhelming shortness of supply, in 2002, China
13 experienced some regulatory issues that limited their
14 ability to ship tail meat to Europe. I was contacted
15 personally by several European buyers of meat with the
16 hope that I could lead them to some kind of
17 alternative production from the United States. These
18 were not million-pound buyers but, rather, 100,000-
19 and 200,000-pound users throughout Europe.

20 I was unable to generate any possible
21 interest from any domestic producers, though I tried a
22 variety of means. Neither the quantity nor the
23 specifications could be met, and it was not a matter
24 of price. In fact, I was generally laughed at as
25 being on a hopeless mission, with some suggesting my

1 only hope was to have Chinese product repackaged as
2 U.S. production.

3 Another key factor is that only China
4 produces many of the sizes and technical kinds of meat
5 which has led to these new programs during the past
6 five years. For example, many of the new value-added
7 items in our market today rely on large-graded sizes,
8 such as 80- to 100-count meat or 100- to 150-count per
9 pound. Other programs rely exclusively on fat-removed
10 and washed meat. These are specifications that have
11 never been produced, never even offered, by the
12 domestic industry in even the smallest quantities or
13 at any price.

14 As further illustration of the different
15 markets, please consider the following: The ITC staff
16 report notes that over 80 percent of every pound of
17 domestic production is sold fresh. These are
18 Petitioners' numbers. The report further notes that
19 somewhere between 91 and 98 percent, depending upon
20 the year, of every domestic sale of crawfish in its
21 entirety is within the State of Louisiana. Therefore,
22 using Petitioners' own actual production numbers, this
23 leaves, literally, 10,000 to 20,000 pounds available
24 for the rest of the United States at any price.

25 Even if we were to accept Petitioners'

1 capacity figures, which we think are very, very high,
2 and assumed U.S. production at 100 percent full
3 capacity, we are still looking at maybe a few hundred
4 thousand pounds of frozen tail meat available for U.S.
5 consumption outside of the State of Louisiana. Our
6 company, with sales now into the millions of pounds,
7 sells less than two percent into the Louisiana market.
8 We do not anticipate any changes in this mix; rather,
9 we see continued explosive growth in various new parts
10 of the country.

11 A quick side note on this, which I think
12 this is the right time for: There were some questions
13 asked during the Petitioners' presentation about the
14 short supply and some comments made about the drought.
15 There is also, to my knowledge, and this, I'm sure, is
16 a matter of public record which we can supply after
17 this hearing -- there is a pretty major, class-action
18 suit which is under way during the last few years in
19 Louisiana due to some pesticide infiltration and
20 poisoning which has severely hurt the production of
21 crawfish in at least certain areas of Louisiana.

22 So the bottom line with this product, in our
23 opinion, is that this is as massive a short-supply
24 problem as could possibly exist with any product.

25 I have seen some amazing things personally

1 in this case during the past five years, and I'm
2 confident that more money and time has been spent by
3 the Department of Commerce and Customs trying to
4 simply administer this case than any overall benefit
5 which could possibly derive to Louisiana workers,
6 especially considering that when peelers are brought
7 in for the domestic peeling, it is almost exclusively
8 foreign, short-term labor. What this means is that
9 whatever benefits actually have flowed from this case
10 in the form of burg money have enriched a very, very,
11 very few people in Louisiana.

12 I would note that reference was made during
13 the Petitioners' presentation about the over 1,000
14 crawfish farmers in Louisiana involved in this
15 business. It's my understanding, the farmers are not
16 part of this case; it is the processors. In fact, by
17 all accounts, the farmers are doing very well in
18 Louisiana with crawfish, as they have developed with
19 the changes in the market and have taken their product
20 directly, selling in whole and fresh forms, to
21 supermarkets and wholesale distributors outside of the
22 State of Louisiana.

23 I would strongly suggest that more U.S.
24 workers will benefit from the lifting of the duties
25 than the few who have currently received burg money in

1 Louisiana.

2 Furthermore, one thing that I have not seen
3 during the past five years is a single attempt by the
4 domestic industry to help itself better compete with
5 Chinese imports. I know of no plant modernization, no
6 targeted promotional activity, no global
7 repositioning, nothing.

8 If the duties on imports were lifted, it is
9 clear to me that every pound of Chinese meat would
10 continue to be absorbed by national users and new
11 programs, literally, coming on line every month. Not
12 only is it extremely unlikely that prices would fall,
13 but the most likely roadmap is that prices will
14 increase.

15 There remains a cloud over crawfish tail
16 meat because of the duties; and, therefore, there are
17 many U.S. companies who still do not utilize this
18 product and would like to begin, and there are current
19 users who would like to further promote crawfish tail
20 meat but are worried about such promotion in light of
21 the effect that duties often have on continuity in
22 markets. If the order is lifted, and this cloud would
23 be lifted, further usage and promotion would take
24 place.

25 I heard it stated during the Petitioners'

1 presentation by somebody that he believed, with every
2 ounce inside of him, that the lifting of the duty
3 would hurt the domestic industry. I believe, with
4 every ounce inside of me, that there will be a direct
5 benefit to domestic producers, who will have the
6 opportunity to produce at full capacity and fill the
7 niche markets that only they can hold: fresh tail
8 meat and customers who, for various reasons, will only
9 buy frozen product produced in the United States.

10 Chinese producers, and this is from
11 firsthand knowledge, are not only producing at near
12 full-capacity figures, if not complete full capacity,
13 but they are experiencing the same type of explosive
14 growth in Europe that they have seen in the United
15 States the past five years. We experienced inability
16 to get product from China because of capacity being
17 reached last year, and we are still in a situation now
18 which is very similar.

19 The bottom line is that the Chinese product
20 is a wonderful item, an underutilized seafood item
21 that many U.S. companies are just now working to bring
22 to the U.S. consumer in a variety of ways.

23 We are currently experiencing one of the
24 toughest economies in recent memory, and restaurants
25 and supermarkets are under tremendous pressures to

1 stay competitive. If this duty persists, it will only
2 serve to harm U.S. businesses and consumers, with
3 absolutely no substitute available in the United
4 States. If the duty is lifted, the few in Louisiana
5 who can actually pick local tail meat will not be
6 injured and, in fact, will have every opportunity to
7 fill smaller niche markets that can absorb Louisiana
8 production in forms that only Louisiana can fill.

9 Thank you for your time to speak, and I'll
10 be happy to answer any questions.

11 CHAIRMAN OKUN: Thank you.

12 MR. WISLA: That concludes our direct
13 testimony.

14 CHAIRMAN OKUN: Thank you very much, and
15 before we begin our questioning, let me also thank
16 this panel of witnesses for your testimony today, for
17 your willingness to be here and help us better
18 understand this case and this product.

19 We're going to begin our questioning this
20 afternoon with Commissioner Koplan.

21 COMMISSIONER KOPLAN: Thank you, Madam
22 Chairman, and I join with you in thanking the panel
23 for its testimony.

24 Mr. Mullen, let me start with you, if I
25 could. You made mention of testimony this morning

1 with regard to chloramphenicol, and I believe the gist
2 of what you said was, as far as you were concerned,
3 that was no impediment for your acquisition to
4 product. You never saw a problem.

5 MR. MULLEN: It was an impediment because it
6 requires testing that I deem unnecessary and at a high
7 cost. It is an impediment because what we found is
8 that we didn't have one product over the last couple
9 of years of testing that has ever shown any sign of
10 chloramphenicol. So it slows the distribution
11 process, adds layers to it, and adds significant cost,
12 significant cost. But, again, we have never seen one
13 product in every one of my tests.

14 For the record, because I heard from the
15 Petitioners that we could use laboratories anywhere in
16 the United States, I don't believe that that was the
17 case, to begin with. I believe we are only allowed to
18 use one lab, located in Louisiana, called Central
19 Analytical, and that is the only lab that we've ever
20 used, just in case the rules changed again, and we
21 have not had one test come back positive.

22 COMMISSIONER KOPLAN: Okay. If I could just
23 tell you, I was the one that asked the question this
24 morning, and the basis for my question was the brief
25 that you all submitted, and I'm looking at page six.

1 I appreciate what you're saying, but just to put it on
2 the record, and this is why I asked the question, what
3 I had was, "Another Respondent party --" I'm quoting
4 from your brief,
5 Mr. Wisla "-- Another Respondent party, a U.S.
6 importer, will testify regarding the U.S. industry's
7 inability to meet the demand for crawfish tail meat,
8 especially in the wake of last year's restrictions
9 imposed by the Food and Drug Administration and the
10 State of Louisiana on Chinese, fresh-water, crawfish
11 tail meat suspected of containing antibiotic
12 chloramphenicol. Following such restrictions and
13 certain press accounts, many U.S. distributors and
14 purchasers of Chinese crawfish tail meat attempted to
15 move away from such foreign-sourced products.
16 However, when these distributors and purchasers
17 attempted to source domestic crawfish tail meat, they
18 were unable to find any reliable U.S. source for
19 crawfish tail meat."

20 That was the reason I asked the question.
21 So without debating this, it came from the brief you
22 all submitted, and that was the basis for the question
23 this morning.

24 MR. MULLEN: I could only reference my own
25 personal experiences.

1 COMMISSIONER KOPLAN: I appreciate that, and
2 I don't contest that, but it does not exactly comport
3 with what I read in the brief.

4 I'm particularly concerned that there are a
5 number of importers and purchasers, some of whom are
6 here today -- I can't get into the specifics of it
7 because it's business proprietary -- who have not
8 cooperated by failing to provide responses to
9 questionnaires and that several foreign producers, who
10 were not identified by counsel until just recently.

11 I would ask counsel, how are you going to
12 see to it that questionnaires, particularly for
13 purchasers and importers, are promptly completed and
14 returned to the Commission, and how should the
15 Commission weigh a continued lack of cooperation in
16 this regard in our final determination? Mr. Wisla?

17 MR. WISLA: Well, unfortunately, there has
18 been a problem with our coalition, and as you see
19 today, there are no representatives from the foreign
20 producers here.

21 COMMISSIONER KOPLAN: I've noticed that.

22 MR. WISLA: And also, with this coalition,
23 we were hired very late in the process.

24 What we have done, we have received the
25 producers' questionnaire, and all people who are here

1 testifying, those who have not received the producers'
2 questionnaires have gotten them and will answer them
3 by the 13th of June, which was the date stated by the
4 Office of Investigations, so they will be answered.

5 Another major problem was the Commission was
6 under the impression that people who were importing
7 during the original investigation were continuing to
8 import, and that is clearly not the case. It's not a
9 very good idea to be an importer of record when there
10 is an antidumping duty case on. It doesn't take
11 counsel to recommend it, but any business person would
12 make sure that they are not the importer of record.

13 So everyone who is here, none of them are
14 importers of record. Some of them were sent
15 importers' questionnaires, and they did not answer
16 them. Only a few received purchaser questionnaires.
17 So I can assure you, everyone who is here today will
18 have submitted a questionnaire by the deadline given
19 by the Commission.

20 COMMISSIONER KOPLAN: Thank you. You
21 understand my concern.

22 MR. FASS: Could I briefly address this
23 because I think it is extremely important for this
24 Commission to understand what's gone on with crawfish
25 in the last few years, based on your question?

1 It is incredibly treacherous to be an
2 importer of record during any antidumping order,
3 especially so when we're dealing with a perishable
4 product. We have imports that have still not been
5 liquidated, duties going back three and four and five
6 years, and it makes it almost impossible. It's a
7 special kind of risk and a special kind of business to
8 be an importer of record.

9 So what you have here today are the most
10 import-interested parties in the United States. The
11 technical importers of record are companies that have
12 decided to take on this risk. It's almost a different
13 type of business. It's a legitimate, appropriate
14 business, but it's a little bit different, and they
15 are very few. It's quite a system that's been
16 developed, probably not just in this case but
17 certainly as it relates to crawfish.

18 COMMISSIONER KOPLAN: Thank you for that,
19 Mr. Fass. Mr. Zhang Wei, I thought I saw your hand
20 up.

21 MR. WEI: My name is Zhang Wei, and I'm the
22 president of Pacific Coast Fisheries, which is located
23 in Seattle, Washington.

24 Before I came to this country, I was a
25 professor of international business at Northeastern

1 University down in China. Because of the pro-
2 democracy movement, I was forced to leave that country
3 and came to this country with a dream, and I
4 encouraged the principle of a market-oriented economy,
5 and I also encouraged free trade for the international
6 business.

7 To answer your question, we were the
8 importer before, but because this antidumping case has
9 been set up, we no longer imported because we know
10 that's kind of a tough thing if seafood is handled
11 improperly. However, we gave some response, also
12 based on our attorneys' request, this time. Although
13 we are not an importer anymore, we, indeed, buy
14 crawfish tail meat locally, and we are selling the
15 crawfish tail meat nationwide, especially in the
16 Northwest, including Washington, Oregon, and Colorado,
17 which means this crawfish tail meat has been used not
18 only in Louisiana but also nationwide. Thank you.

19 COMMISSIONER KOPLAN: Thank you. In your
20 prehearing brief, you have argued that while the
21 import volumes of certain Chinese merchandise will
22 likely increase in the absence of the existing order,
23 given the expanding U.S. demand and the existing
24 shortage of such product in the U.S. market, there
25 would be no need for the Chinese to cut price to

1 generate sales volumes, nor, for that matter, would it
2 be appropriate to characterize the increase in imports
3 as significant -- I'm referring to page 12 of the
4 brief -- because you believe the demand for crawfish
5 tail meat has been robust and has expanded strongly
6 since 1997.

7 You also conclude, on page 11 of that brief,
8 that the domestic market is segmented and that your
9 product occupies a dissimilar niche based on the
10 distinction between fresh and frozen crawfish tail
11 meat. Given this statement, how do you respond to the
12 fact that our data reflect that Chinese prices for
13 subject frozen product are consistently lower than
14 domestic prices by 19.8 to 67.9 percent -- that's the
15 CPA prehearing brief at page 4, citing the staff
16 report at Chapter 5, page 5, -- and that, for example,
17 in 1997, when domestic producers were paying \$4.83 to
18 acquire the live crawfish needed to produce one pound
19 of tail meat, the average import value of Chinese tail
20 meat was just \$1.59? If you were underselling the
21 domestic cost of raw materials, not to mention the
22 cost of production, I can surely understand why, as
23 you claim on page 12 of your brief, you don't think
24 you have to lower prices further to generate sales
25 volume.

1 I see my time has expired, so I'll look
2 forward to hearing your response to that question on
3 my next round. Thank you. Thank you, Madam Chairman.

4 CHAIRMAN OKUN: Thank you. Let me join
5 Commissioner Koplan's request for the additional
6 information to be supplied, and, Mr. Wisla, I
7 appreciate your commitment that everyone appearing
8 here will provide that information in the time
9 required. But I guess I just want to still be
10 certain. In terms of the foreign producers who are
11 listed as your clients on the briefs, will we be
12 receiving anything additional, any foreign producer
13 questionnaires?

14 MR. WISLA: I would doubt it.

15 CHAIRMAN OKUN: Okay. And I understand what
16 Mr. Fass and what you were saying about the importers
17 of record. Is there anywhere else that you can help
18 us with getting statistics or information to try to
19 put together a complete data set?

20 MR. WISLA: I think some people said that it
21 might be a good idea to refer to the PIRS data from
22 the Journal of Commerce because I think everybody on
23 this panel believes that the amount of Chinese product
24 coming in is understated, and U.S. consumption is
25 understated.

1 CHAIRMAN OKUN: You agree with that. Right?
2 Okay.

3 MR. WISLA: That's what I understand.

4 CHAIRMAN OKUN: So for post-hearing, you
5 will provide your analysis on whether the PIRS data
6 will be helpful in that regard --

7 MR. WISLA: We can do that.

8 CHAIRMAN OKUN: -- and any other data that
9 might be suggested.

10 MR. WISLA: Uh-huh.

11 CHAIRMAN OKUN: Okay. And in terms of the
12 requested official Chinese crawfish exports statistics
13 that the Commission has requested, do you have any
14 information on whether that will be provided?

15 MR. WISLA: I do not.

16 CHAIRMAN OKUN: Okay. Will you be able to
17 make any effort to see that that's --

18 MR. WISLA: Yes. We can make the request.

19 CHAIRMAN OKUN: Okay. I appreciate that.
20 Obviously, the cleaner the record is, the better it is
21 for us to evaluate it, and, at this point, a number of
22 things are incomplete, but I do appreciate the
23 testimony of the industry folks, and I want to turn to
24 them just to try to fill in a few things that they
25 said today.

1 Let me start, maybe if I could, with you,
2 Mr. Mullen, but for everyone else who is using
3 warehouses or other networks, I think it would be
4 helpful as well, which is to get to this issue of how
5 much is coming through California and whether that
6 California product is -- where it's being sold. I
7 heard your testimony about you're bringing it in, and
8 you try to sell it close to the ports, and you list a
9 number of them, including Louisiana.

10 Is there anything else you could tell me
11 about that in terms of where product is being sold?
12 In other words, if we look at the staff report and see
13 this big number from California, is that, in your
14 view, reflective of where it's actually being sold?
15 Is it being sold more in the western states now than
16 it was during the original investigation?

17 MR. MULLEN: Well, personally -- I can only
18 refer to my personal experience and some of my peers,
19 but California is a growing market. There is quite a
20 bit more business in the chain business, in the retail
21 business, and also with the Mexican influence of the
22 Latino taste. There is a lot more crawfish being
23 promoted, but saying that, Long Beach is the first
24 point of entry. I bring in Japanese scallops. I
25 bring in Chinese scallops. I bring in Russian crab.

1 I bring in many products that come in through Long
2 Beach and then will get trucked or railed to a
3 destination.

4 So, you know, you have to go to, I guess --
5 I mean, there is trade data. You can follow the trade
6 data. Either it stays there in cold storage, and it's
7 redistributed and sold there or sold from there or it
8 can be moved to other cold storages.

9 My point was that adding on cold storage
10 costs and additional transportation, I think it's
11 important for the Commission to know that in commodity
12 seafood sales, typical margins -- we don't even
13 measure them in margins; we measure them in cents per
14 pound. So they can be squeezed from 10 percent
15 margin, if you like, down to one, two, three cents,
16 similar to the meat business, the poultry business.

17 So when you add freight and cold storage,
18 you are eroding potential profit margin, so I think
19 there is a false idea that there is a lot of profit
20 being made in between the import cost and the sales
21 cost, except for seasonality opportunities, just like
22 Louisiana would hold product until November to make
23 more money, you know. So I hope that answers your
24 question.

25 MR. FASS: Could I address this quickly,

1 too?

2 CHAIRMAN OKUN: Yes, Mr. Fass.

3 MR. FASS: Every pound that we sell and
4 bring in in the last several years has come into the
5 port of California, southern California, Long Beach --
6 I think every single pound. There are a couple of
7 reasons for this. One is it is the first point of
8 entry oftentimes -- somewhere on the West Coast is --
9 Los Angeles is a big one -- from China.

10 As I just alluded to a little bit, there is
11 an entire new set of companies that have essentially
12 become importers of record for several items that are
13 involved under an antidumping umbrella. Most of those
14 companies are situated in California.

15 And so, with seafood, you have both Customs
16 and FDA with the right, with every pound of seafood
17 that comes in, to stop product and examine it for a
18 variety of reasons, most of them just random
19 examinations. So it makes sense for companies, where
20 they are actually physically located, where their
21 offices are, to actually import the product to that
22 port. Our office is located in Virginia. We sell
23 probably 10 percent of all of our product in the State
24 of Virginia.

25 So just because it enters the Port of Los

1 Angeles or in California -- I was giving a little
2 different answer than Jim Mullen. We oftentimes move
3 our product, actually for a variety of reasons, to our
4 cold storage in Virginia to be able to separate out
5 sizes and do different things. There are some more
6 sales on the West Coast, but that is not the reason at
7 all why the stuff enters there.

8 CHAIRMAN OKUN: Okay. That's helpful to
9 understand that. That's what I'm trying to
10 understand, and, I guess, Ms. Costley, if I could turn
11 to you in terms of I think a lot of your testimony,
12 which was very interesting, went to there is still the
13 value-added industry in Louisiana and the South that
14 you talk to that's using Chinese product. Would you
15 have the information on where that Chinese product is
16 coming in from, which port?

17 MS. COSTLEY: Well, I agree with Matthew
18 that the majority of Chinese product comes in through
19 China just because that is the easiest place for them
20 to come into.

21 CHAIRMAN OKUN: California.

22 MS. COSTLEY: Yes. If you're going to bring
23 product into the East Coast, which we have
24 traditionally imported into the Port of Norfolk, it
25 costs a little bit more, and it takes more time, and

1 it just depends, you know, the position of who is
2 bringing the product in of really what's easiest for
3 them if they are under time constraints. It's really
4 a personal kind of issue.

5 As far as the Louisiana processors, a lot of
6 those are new companies that have built up in the last
7 five years, and their market is exploding, and they
8 are really bringing these value-added products all
9 over the country now. They will buy product on a
10 weekly or biweekly basis for their manufacturing
11 needs.

12 Most of these manufacturing companies have a
13 limited supply in their facilities, and they replenish
14 those supplies weekly to coordinate with their
15 production schedules. They may be producing crawfish
16 etouffe the first week of the month, and so they ship
17 in all of their supplies for that. And they are
18 usually buying from distributors and importers, people
19 that represent the product. It may get shipped from
20 Houston to them. It may get shipped from Norfolk. It
21 may be stored in Louisiana, you know.

22 CHAIRMAN OKUN: That was one thing I was
23 interested in your testimony, in trying to understand
24 how much of what you were describing had happened
25 since 1997, and if there is anything additional for

1 the post-hearing that you could put in in talking
2 about what you were describing, the period in which it
3 happened, and these companies, that would be helpful.

4 MS. COSTLEY: So maybe a list of processors
5 and when they began processing those products and
6 their growth of sales.

7 CHAIRMAN OKUN: Right, and what they are
8 selling or what they are purchasing. That would be
9 helpful.

10 MS. COSTLEY: I'll be happy to.

11 CHAIRMAN OKUN: Let me stay with you, Ms.
12 Costley. Is there anyone else who had any comments
13 with regard to where product is coming in and where
14 it's shipped in terms of distributors?

15 MR. FASS: One last, quick comment about
16 that. Oftentimes, when we bring stuff to Norfolk, we
17 get a through bill of lading to Norfolk or to Florida,
18 but the product still hits first in California and
19 then is brought across what they call "mini-land
20 bridge" on a train to the East Coast. But oftentimes,
21 on the import data for PIRS -- the Earner Barry is
22 another one -- the port of entry is listed as
23 California, where it first physically hits in this
24 country, even though it's then shipped somewhere else.

25 CHAIRMAN OKUN: Okay. That's helpful. Mr.

1 Mullen? That was your hand.

2 MR. MULLEN: I just want to concur with
3 Matt, that is true, and I was thinking where I'm
4 storing product, but often land bridges, the more
5 effective in cost savings coming from Long Beach, and
6 often, if you need it quicker, through Vancouver. I
7 think somebody mentioned the Cosco line. The quickest
8 way to get product, crawfish or not, to Boston is
9 through Vancouver and then by rail across, and we can
10 do it in three to four weeks usually. We call it the
11 "quick boat from China."

12 CHAIRMAN OKUN: Okay. Quickly, Ms. Costley,
13 or for whoever can answer this -- oh, my red light
14 just came on. I'll come back. It's something I
15 wanted everyone to comment on, so let me turn to Vice
16 Chairman Hillman.

17 VICE CHAIRMAN HILLMAN: Thank you, and I,
18 too, will join my colleagues in thanking this panel.
19 We very much appreciate your testimony.

20 Just to also go to this issue of
21 questionnaire responses, Mr. Wisla, obviously, one of
22 the issues of frustration -- I understand that a
23 number of these folks that were in the original
24 investigation considered importers are now clearly
25 purchasers, and, obviously, one of the frustrations, I

1 think, that the Commission has is that when we asked
2 counsel to identify purchasers, a fair number of these
3 folks here who presumably have been purchasers
4 throughout this period were not included on the list.

5 So I think there is some frustration that
6 you're able to identify purchasers for purposes of
7 coming here to testify today, but you're not able to
8 identify them as purchasers for purposes of our
9 sending a questionnaire to them. So, in addition to
10 making sure we get at least questionnaire responses
11 from everybody here, we, obviously, would like you to
12 make sure that the list of who you are counting as a
13 purchaser is as complete and fulsome as it can be so
14 that we can try to make sure we are picking up folks,
15 either as an importer or as a purchaser, in terms of
16 getting questionnaires to them.

17 MR. WISLA: Yes. Okay.

18 VICE CHAIRMAN HILLMAN: All right. Thank
19 you.

20 I guess, if I can go to the industry
21 witnesses, one of the issues I'm sort of struggling
22 with is, as I hear you describing it, you're all
23 describing the Chinese product as being, in your view,
24 superior to the domestic product. You described that
25 some of it can be this 80-to-100 count, or it is

1 frozen, and that's year-round supply, that it's a more
2 consistent quality. Each of you have described
3 various attributes of the Chinese product that make it
4 more desirable to you.

5 More normally, when we see a product that is
6 considered better in quality, it comes at a higher
7 price. So if you all think the Chinese product is so
8 much better in quality, why is it coming in at half or
9 less the price of the domestic product? Why is it so
10 cheap if it is, in fact, such a better product?

11 MR. WEI: To some degree, I think I can
12 answer this question because I've been traveling a lot
13 overseas to see why the cost for the crawfish in China
14 is cheaper. It's because, most speaking, the labor
15 cost is so cheap in China. That's the key.

16 The second reason is, especially during the
17 summer, all of the students, all of the pupils, are
18 having their vacations. So if you go to the fields,
19 you can see many young kids can catch the crawfish in
20 the fields, then they sell to the market, and the
21 processors collect all of those fish, and then they
22 are processed accordingly.

23 So, you know, I'm encouraging free trade.
24 So I did not see any activity being encouraged, the
25 Chinese government doing that, because China is still

1 kind of a communist country. But economically
2 speaking, they really did a great economic reform in
3 the last 10 years.

4 So basically it's still a cost-driven issue.
5 That's why the cost in China is so cheap, because the
6 labor cost in China is only 400 yen monthly, which
7 means \$50 monthly. So that's the situation.

8 VICE CHAIRMAN HILLMAN: Do others want to
9 comment?

10 MR. FASS: I would like to address this in a
11 different way quickly. The biggest challenge that we
12 have in our industry, and it's a fun challenge, and
13 that's why I'm in it, but it is unbelievably
14 challenging, is introducing a new item, especially to
15 Red Lobster of Sysco Food Service or something like
16 that. There are so many different items out there for
17 these companies to choose from that the challenge of a
18 company on the forefront of new Chinese product to
19 bring that to market, it is an impossibility to bring
20 that to market and say, "We have this great, neat item
21 that we can bring to you on a national level, and it's
22 \$15 a pound."

23 A lot of companies have spent a lot of time
24 and money trying to promote this but have had to get
25 this out to the consumer at a very reasonable level in

1 order to get the market started. China happens to
2 have a fantastic natural resource of this product, and
3 they are consuming more and more every year at home,
4 but it is just the combination of them having a large
5 quantity of this naturally and companies over here
6 trying to introduce this for the first time that has
7 brought it to market at, we think, an extremely -- we
8 call it a very underutilized species, and we think it
9 has a huge room to grow price-wise, and, in fact, more
10 and more each year, the price is absolutely becoming
11 more firm as more and more companies use this product.

12 VICE CHAIRMAN HILLMAN: Others? Go ahead.

13 MR. OBIREK: Yes. When it comes to frozen
14 meat, in our opinion, can you print seafood? Whether
15 it is domestic frozen meat or Chinese frozen meat, the
16 quality is comparable. What we are saying is: The
17 product form is different. The frozen product from
18 China, because it is frozen, is available year round.
19 It is size graded to a particular count per pound,
20 which is very important to our company. The domestic
21 peeled meat is not size graded.

22 VICE CHAIRMAN HILLMAN: Okay. All I am
23 saying is: In a normal market that ought to carry a
24 price premium and we are clearly not seeing the
25 Chinese product carrying anything resembling a price

1 premium. In theory, if it is a premium product, we
2 should be seeing the Chinese product coming in here
3 above the price of U. S. products.

4 I am just trying to understand. You are all
5 describing the Chinese product over the U. S. product
6 and I am just saying that it certainly is not
7 reflected in the pricing data.

8 Go ahead, Mr. Redar.

9 MR. REDAR: Yes. You know there is one -- I
10 saw the dollar amount per pound in the data. I would
11 like to buy it at that. I mean that is not what I am
12 paying for crawfish I can tell you. I pay a
13 substantially higher price. In all the reports of the
14 price of Chinese tail meat -- if anybody has that at
15 this table or anywhere, I would like to buy it at that
16 price to be honest with you. So I don't know where
17 all those numbers got created.

18 The second part of it is: You have to
19 understand crawfish competes in a protein segment. It
20 is a seafood- protein segment. We are the world's
21 largest processor of clams. We process 50 million
22 pounds at our three plants a year, every year. And
23 that happens to be a U. S. product that is off the
24 east coast here but I would like to get anywhere near
25 to the prices that they get for crawfish.

1 You have to learn to become efficient,
2 effective. We have boats; we have three plants. I
3 get less than \$2 a pound and I'm lucky to get -- and I
4 sell to the biggest companies in the United States,
5 the biggest food companies, not only restaurants but
6 General Mills, the large companies. You're competing
7 in a protein cost. That's the bottom line and if
8 crawfish can compete in that protein cost, just like
9 clams do but clams is a lot less. I get a lot less
10 than we get for crawfish than you can get on the menu;
11 than you can get in chowders; get in appetizers and
12 that means that the food-service market, the main-
13 stream retail market, the industrial market.

14 If that is the dilemma here, I mean I see
15 crawfish as actually high priced, to be honest with
16 you, because I compare them to clams and clam strips.

17 VICE CHAIRMAN HILLMAN: Over the life of the
18 anti-dumping order, what would you say the effect has
19 been for those of you who have been in the market
20 purchasing it? What has been the effect of the
21 existence of the anti-dumping order on either the
22 price or the quality of the Chinese product coming in?
23 What have you seen?

24 Mr. Fass, I will start with you and I will
25 come up to Mr. Mullen.

1 MR. FASS: The price, it's quite complicated
2 and it would probably take a whole day to analyze why.
3 But literally, within the days after the original
4 dumping order, you had chaos in the market. I believe
5 this was possibly the first dumping case that our
6 industry had ever seen. I think there had been a
7 couple of pure one actions but not a dumping case like
8 this. Nobody knew how to react; nobody understood
9 what might happen; and nobody knew what to do and
10 prices were high.

11 People then understood that we can still
12 bring in product under the dumping order and prices
13 came down. Ever since prices fell initially, in the
14 early days of the order, it has done nothing but rise
15 steadily each year because the market does, with a big
16 M, take over. As this product has become more and
17 more popular, we are seeing prices rising, a capacity
18 met in China and that is why we are confident that: If
19 the order is lifted, prices will simply continue to
20 rise.

21 VICE CHAIRMAN HILLMAN: Mr. Mullen?

22 MR. MULLEN: I would agree with Matt. What
23 Matt just said is absolutely true. To add to that, as
24 this product has grown, we have gotten more and more
25 demand in the Sea Watches and the Red Lobsters and

1 from the King & Princes. They have gotten involved.
2 That is a market segment that did not exist in 1997 on
3 a national scale. So they are absorbing more and more
4 of that import.

5 Along with that, I think Matt mentioned that
6 the Chinese domestic consumption is growing. There is
7 a free market over there; and if the prices are not
8 suitable to the fishermen or the vacation students,
9 they take it home and eat it now. You know there is
10 more and more market- purchasing power in China. And
11 the Europe market has lifted the chlorophemacol ban
12 for known findings and has also increased and
13 exploded.

14 So this market has constantly gone up. In
15 1997, it was \$2.25 I think when the dumping order came
16 in is what I paid. I lost \$300,000 that year. The
17 dumping was as I sold my product because I had to get
18 rid of it.

19 VICE CHAIRMAN HILLMAN: All right. I thank
20 you for those answers.

21 MR. WISLA: Can I just make a brief point.
22 I think that it is also important to look at the
23 amount of volume in the frozen tail meat in the
24 Commission's data because the volumes for domestic
25 product are necessarily low because there is so little

1 of that product; whereas, the volume being sold in
2 each of the Chinese sales are quite high. I think you
3 have to take volume into account in any of the pricing
4 comparisons that you are looking at.

5 CHAIRMAN OKUN: Commissioner Miller?

6 COMMISSIONER MILLER: Thank you Madame
7 Chairman. We are trying to figure out which phone is
8 annoying that is up here. We can't find it and
9 wherever it is, it is undoubtedly a wrong number
10 because that is all that ever comes through up here.
11 So, any way, excuse us.

12 Welcome to the panel. We appreciate your
13 willingness to be here and to those of you who are
14 back again, whether because you participated in this
15 proceeding or another proceeding, we appreciate your
16 being willing to be with us again. Your stories were
17 interesting the first time around and they still are
18 because they have obviously developed in a lot of ways
19 since then.

20 I guess I have to say that we wouldn't be
21 here even conducting the hearing if the Commerce
22 Department hadn't found that the imports were coming
23 in at less than fair value. This time around that
24 revocation of the order will lead to a continuation of
25 that situation. Whether you agree with it or not, we

1 wouldn't be here if it weren't for that condition in
2 the first instance. So it colors our decision and if
3 that decision wasn't in place, we wouldn't be making a
4 decision. I point it out because I understand the
5 complications this poses for the businesses that you
6 all are trying to run and you are doing really
7 interesting work. So, at this point, it just adds to
8 the difficulties that I am sure that you face in it.

9 In trying to understand if there have been
10 any changes that really are changing the conditions of
11 competition in the industry since '97, there are a
12 couple of things, some of which you have already
13 addressed. I thought the discussion that you had with
14 Chairman Okun earlier about this change that we see in
15 the pattern of shipments and where they are coming in
16 was very interesting and helps us understand that.

17 Ms. Costley, I want to come back to you
18 because you made a comment when you were talking about
19 the changes that you have seen in the industry in
20 Louisiana. You talked about there being -- I remember
21 you mentioned 18 plants today when there used to be
22 over a 100 or whatever, I think is the way you put it.
23 I am not sure that our record is very clear on this
24 aspect of what might have changed in terms of the
25 processors.

1 At least I can tell you this: It does not
2 give me the impression that there has been that big of
3 a change in the industry. Could I ask you tell me a
4 little bit more about your perceptions of what has
5 gone on in terms of processors in the last five years
6 please?

7 MS. COSTLEY: Okay. Thank you. When I
8 began in the crawfish business 16 years ago, there
9 were as many as a 100 peeling plants. Now, peeling
10 plants in Louisiana are generally very small
11 operations. They are family run. They can do
12 anywhere from 500 to 1500, maybe a little bit more,
13 meat per day. In the past, they have employed local
14 labor. Through the years, and it is reflective of and
15 has nothing really to do with the Chinese industry.
16 Those peelers, they have to leave whatever job they
17 have for nine months of the year and come into the
18 crawfish industry for three months.

19 Now, when the peeling season is over, they
20 are left without a job. Many of them used to peel
21 crawfish and do crab processing. And the crab
22 industry in Louisiana has virtually disappeared. All
23 of the major crab-processing plants in Louisiana have
24 gone out of business. There are small operators left.
25 They are doing fresh meat. But the large pasteurizing

1 plants don't exist any more.

2 One thing that funnelled the peeling plants
3 was when we had, as I mentioned, these five or so
4 multi-million dollar crawfish whole-cooked processing
5 plants. We bought the volume of the whole-live
6 crawfish, which we graded and the small crawfish, the
7 peelers that are not suitable to run through a whole-
8 cooked operation, were sold off to peeling houses. So
9 they had an automatic supply of peeler crawfish coming
10 to them on a daily basis.

11 When those large plants shut down, all of a
12 sudden there was not a funnel of peeling-sized
13 crawfish available in the market. Therefore, the
14 number of plants, where there used to be a 100 or so
15 plants, has dropped down to 18. It is really, I
16 think, those two issues: the labor and also the supply
17 of the peeler-sized crawfish.

18 COMMISSIONER MILLER: When you say there are
19 only 18 processors -- maybe I will just ask you this:
20 Would you provide us with the list of processors that
21 you are referring to, Ms. Costley.

22 MS. COSTLEY: Yes, I would be happy to.

23 COMMISSIONER MILLER: Because I think we
24 still see a list that is larger than that.

25 MS. COSTLEY: Right.

1 COMMISSIONER MILLER: And I don't know if it
2 is just because you are thinking: Well, these are the
3 18 significant ones, or if you mean 18 at all, or you
4 know --

5 MS. COSTLEY: Okay.

6 COMMISSIONER MILLER: So, if you will
7 provide us that list in your post-hearing submission,
8 then maybe we can try to get some understanding of
9 what you perceive as the industry today versus what we
10 have in our record.

11 MS. COSTLEY: Okay.

12 COMMISSIONER: As you are talking about
13 that, one other little fact in here that I find kind
14 of interesting that I am trying to interpret a bit:
15 When I look at the harvest over the last five years,
16 okay. We have the numbers from Louisiana about the
17 harvest and the drop during the drought years. For
18 example, if you still have a pretty consistent amount
19 going into the processed market -- in other words, let
20 me put it this way: Given what you all are saying:
21 Well, the Louisiana market is just dominated by the
22 fresh and the live. You make your money by selling
23 them wide and the process is just a by-product, then
24 why in years that there is this great shortage,
25 wouldn't just all of it move into the live market?

1 Do you see what I am saying? If you have
2 that kind of a shortage, why doesn't it all go there
3 if it is just a by-product, I don't really understand
4 why every year when you have a pretty consistent
5 amount going into the process market?

6 MS. COSTLEY: Okay. Let me kind of explain.
7 The crawfish are caught and there are large crawfish,
8 medium-sized crawfish and small crawfish. Louisiana
9 has always had the large crawfish and the medium-sized
10 crawfish, which is the largest percentage of the
11 catch, and has gone into whole product, be it the live
12 market or be it processors -- like we used to be
13 cooking and freezing and selling for the international
14 market.

15 The peelers we call them, which are the
16 small crawfish, which is why Louisiana crawfish tail
17 meet is 170 count to the pound. You don't have under
18 80; you don't have 80 to 100; you don't have 100 to
19 150. You have 150 to 200, or basically 170 count
20 because it is those small crawfish. Now, in any given
21 year, no matter what the catch numbers are, there is
22 still going to be the percentage of the small that is
23 only utilized in that tail meat business; and the
24 large that is going to maximize the profit in the
25 whole business.

1 COMMISSIONER MILLER: Okay. Although I
2 thought that we heard this this morning that, during
3 those low-supply years, more of the smaller ones would
4 go into the live market because the live market is
5 sort of demanding. You know, you are going to have
6 those seafood boils and it is like us with crabs
7 around here. Sometimes they are a little smaller than
8 we really want but that is all that is available, so
9 we take them.

10 If that works that way, then the suggestion
11 this morning was that the same kind of dynamic was
12 going on with crawfish.

13 MS. COSTLEY: Well, you know, there is a
14 limit to what is accepted --

15 COMMISSIONER MILLER: In the live market?

16 MS. COSTLEY: Yes. If you try and sell a
17 sack of live crawfish that is 50 percent small
18 crawfish, you won't have a customer the next time you
19 go back to them. They won't buy from you. You will
20 be blackballed.

21 MR. FASS: Although to address quickly, you
22 would find if you spent some years in the seafood
23 industry that everybody is very specific about what
24 they want until absolutely, positively it is not
25 available. So, in those years, where Louisiana really

1 had a problem producing crawfish, while people might
2 absolutely not want the small crawfish whole and fresh
3 and live, there will be times that they have
4 absolutely no choice but to take some, or you have a
5 Louisiana restaurant that doesn't have any crawfish.
6 So they will take some but, undoubtedly, still some of
7 the small will then go to the peeled market.

8 I would also suggest that it certainly is
9 not a perfect science and there will be a lot of whole
10 crawfish that cannot be kept live that die, or that it
11 just becomes better suited for the peeled market that
12 can't be sold live because they can't keep every
13 single pound alive.

14 COMMISSIONER MILLER: Okay. I appreciate
15 your help with my questions. I may have others; we
16 will see. Thank you.

17 CHAIRMAN OKUN: Commissioner Koplan?

18 COMMISSIONER KOPLAN: Thank you, Madame
19 Chairman. Mr. Wisla, I imagine that you have been
20 spending time preparing your response to my last
21 question that was pending when we finished. Do you
22 want me to read the question back? I thought you
23 might.

24 I won't do the background part. I will just
25 give you the question part and that was: How do you

1 respond to the fact that our data reflect that the
2 Chinese prices for subject frozen product are
3 consistently lower than domestic prices by 19.8 to
4 67.9 percent? I cited the CPA Prehearing Brief at
5 page 4 that, in turn, had cited to the Staff Report at
6 Chapter 5, page 5.

7 Then I went on to say: For example, in 1997
8 -- and I misspoke. That wasn't 1997; that was 1999.
9 When domestic producers were paying \$4.83 to acquire
10 the live catfish needed to produce one pound of tail
11 meat and that appears in the Staff Report in Chapter 3
12 at Table 36. That is not BPI. The average import
13 value of Chinese tail meat was just \$1.59. That
14 appears in Table C1 of the Staff Report and that is
15 not BPI.

16 Then I went on to say: If you are
17 underselling the domestic cost of raw materials, not
18 to mention the cost of production, I can surely
19 understand why, as you claim on page 12, you don't
20 think you have to lower prices further to generate
21 sales volume? Well, that was the question.

22 MR. WISLA: Okay. I was focusing on the
23 charts in Chapter 5, the Pricing Chart. I think what
24 strikes me there is -- and I am only looking at the
25 frozen because that is the only place where you have

1 Chinese and U. S. comparisons. Just look at the
2 volumes. I think the volumes have something to do
3 with the prices and also the type of people they are
4 selling to.

5 When you are selling to a Wal-Mart, when you
6 are selling to a Darden, when you are selling to a Win
7 Dixie , I think the prices are
8 going to be lower than when you are selling locally in
9 Louisiana.

10 COMMISSIONER KOPLAN: Well, if you will help
11 me out. I am looking at the table on page 3-7 of the
12 Staff Report. That is Table 3-6. It shows the
13 results of operations per pound of crawfish tail meat
14 processing for the fiscal years 1997 through 2001; and
15 for fiscal year 1999, if you see the second line down:
16 Purchased Crawfish. That is \$4.83 a pound, okay.

17 Then, when you go over to Table C-1 and you
18 look at the average unit value for the Chinese
19 product, that is \$1.59. I am comparing frozen to
20 frozen here. So I appreciate what you are referring
21 to. I have looked at that but I am troubled by this.

22 MR. WISLA: Well, on Table 3-7, I mean your
23 purchases of craw meat for a meat processing, you are
24 buying live tail meat for that one would think, or you
25 are buying the whole. I mean --

1 COMMISSIONER KOPLAN: Well, that is --

2 MR. WISLA: Because you are buying several
3 raw materials. It is they're purchase, right?

4 COMMISSIONER KOPLAN: Yes. But, see, that
5 is my point. I am saying: If you are underselling the
6 domestic cost of raw materials, not to mention the
7 cost of production, then I understand why you are
8 making the claim that you don't need to cut your
9 prices further.

10 MR. WISLA: Also, just looking at the chart,
11 the numbers they seem to fluctuate. So, you know --
12 388 to 593 in a year; 565 within a year.

13 MR. FASS: I think one way to address this -
14 - it is not going to be a satisfactory answer I don't
15 think. But, again, it goes --

16 COMMISSIONER KOPLAN: Just a little bit
17 faster. I appreciate that.

18 (Laughter)

19 That is why I have stayed with it.

20 MR. FASS: But it sort of goes a little bit
21 to Ms. Hillman's question about: Why aren't you
22 getting your premium? It is 80 to 100 and 100 to 150
23 count? Is it because this is a very, very good
24 product from China but it is not necessarily premium
25 product over domestic product? It is a completely

1 different product. It is completely different
2 markets. So it is very hard to compare what a
3 Louisiana peeler -- if they can actually get 483 a
4 pound to a local market that wants to be able to sell
5 U. S. only production; or maybe be able to sell to the
6 military, which can only buy U. S. production, or a
7 variety of other ways.

8 It is not competing in the market with a lot
9 of the Chinese crawfish meat, so the Chinese meat
10 doesn't have to -- I mean, it is coming in. The
11 Chinese meat is produced in volumes of 100 to one
12 compared to the United States. So it really, really
13 goes after different markets and it is hard to really
14 say that: Well, it is produced in so much more volume
15 in China and it is different markets. But we need to
16 compare our pricing to make a U. S. product and why
17 isn't the Chinese product higher priced?

18 COMMISSIONER KOPLAN: Well, let me try it
19 this way.

20 MR. FASS: Okay.

21 COMMISSIONER KOPLAN: How do you respond to
22 the assertions that since 1997, Chinese prices have
23 decreased, underselling continues at similar or higher
24 margins, volumes have increased and the domestic
25 industry has been unable, as a result, to regain and

1 keep lost market share?

2 MR. FASS: I think one way -- I would have
3 to back up. There are a couple of different things
4 that you are asking there. One is about prices
5 decreasing. It is: Prices increased immediately after
6 the order was first put in place. Then --

7 COMMISSIONER KOPLAN: That was 1997?

8 MR. FASS: Right. And then quickly dropped.
9 Ever since the time they dropped, I want to say late
10 1997, maybe early 1998, they have steadily increased
11 since that time. So it is not -- I don't have the
12 numbers in front of me but I don't think that you are
13 looking at numbers that showed a decrease from 1997 to
14 1998, then 1998 to 1999, then 1999 to 2000, then 2000
15 to 2001. It started to uptick. I mean every one of
16 us who is here today is somebody who is saying for the
17 most part: We just started using crawfish tail meat
18 from China since about 1995, 1996, 1997 and that is
19 pushing up prices consistently.

20 CHAIRMAN KOPLAN: Okay. I am simply hitting
21 the point that they were making this morning that 1997
22 was the high-water mark immediately after the order
23 went into effect. I guess that was in September,
24 September 15th. Since then, it has gone back into
25 another tailspin. Okay.

1 Mr. Mullen, you have your hand up?

2 MR. MULLEN: Thanks. A couple of quick
3 comments to add to that. In 1997, our industry was
4 rocked after the year 1996 when the importers and the
5 first-hand receivers all lost tremendous amounts of
6 money. We were rocked. It worked to the advantage of
7 the Petitioners to bring in a dumping case but saying
8 that -- you know, the people who lost money -- we
9 contracted in China at prices up to 275 a pound
10 preseason, based on the successes of the year before.

11 When that product arrived and there was --
12 we didn't understand the market; we didn't understand
13 the production over in China as well as we do now.
14 The production was growing; there was more crawfish
15 coming out; more plants were opening; more crawfish
16 came in. The people who took the financial loss were
17 the importers. We lost \$600,000 of which we shared
18 with a number of processors in China. Our take was a
19 \$300,000 loss in 1996.

20 In 1997, to get to your point, we were
21 rocked by a business which we didn't understand in the
22 seafood importing and marketing by an anti-dumping
23 order. I came back and reported to the company that
24 owned us out of Texas and said: I can buy and sell
25 crawfish; I can buy and sell all the products. I do

1 not understand this. I recommend that we stop
2 importing and get out of this business.

3 And watch what happens. At the same time,
4 in 1996, numbers of capitalistic entrepreneurs, mostly
5 located in Louisiana, had captured millions of pounds
6 of Chinese crawfish and stowed them in cold storage.
7 We, as importers and resellers at the first level, had
8 no inventories. We had been out of the market. We
9 are out of inventories. We lost so much money. We
10 had just got beat in Court here at ITC in a business
11 that we did not understand. We were out of business.
12 There was no crawfish coming in. Everybody was trying
13 to figure it out. But there was crawfish and that
14 crawfish started selling at high prices, making people
15 a lot of money dollars per pound.

16 But I'll tell you who it wasn't. It wasn't
17 the importers. It was not the U. S. importers. The
18 U. S. importers got their butts kicked and you don't
19 see them doing it any more. Subsequently, as we all
20 hired attorneys and spent hundreds of thousands of
21 dollars to understand how to combat an anti-dumping
22 order that we found unjust. We hired attorneys and,
23 as we started to understand that a new position, a new
24 level of importing, that new economy started.

25 As Matt Fass discussed, new importers, where

1 none of us would take the risk. We didn't understand
2 what we were doing. I was told by a different
3 attorney: You just have to be out of this business
4 because you are doing business against the government
5 and it is wrong. It is fraud, customs, treason, and
6 all kinds of scary things. I said: Forget it. We are
7 a scallop guy.

8 This new importer level started to bring
9 product in again after they understood it. We know a
10 number of firms that combined and paid a law firm here
11 in D. C. \$140,000 to tell them how to do it. They
12 created new shippers. They started bringing in
13 product with whatever duties were assessed. The
14 market adjusted to the new economy, which has been
15 significantly higher than it was in 1996 and prior,
16 ever since. And new demand has created increasing
17 prices every year even though more pounds are coming
18 in.

19 COMMISSIONER KOPLAN: Thank you for that. I
20 see my red light is on. Mr. Powers, I can come back
21 to you on the next round.

22 MR. POWER: Thank you.

23 COMMISSIONER KOPLAN: I see that you wanted
24 to add something. I will let you do it then. Thank
25 you.

1 CHAIRMAN OKUN: Do you want to go ahead and
2 help him at it now, Mr. Power?

3 MR. POWER: I would like to.

4 CHAIRMAN OKUN: Go ahead.

5 MR. POWER: The Chinese producers, just like
6 the domestic producers, are running a business. One
7 of the factors of running a business is: When you are
8 hit with higher costs, one of the things you do is you
9 reduce the price of raw materials. So, one of the
10 options that I have is to pay less for the raw
11 materials and to then bring them in as a lower-priced
12 product.

13 Again, I go back to the point that this
14 product is not competing with the domestic crawfish
15 industry. It is competing against other proteins, as
16 Mr. Redar said. To enforce that point, we made the
17 decision to go into Chinese crawfish not from domestic
18 crawfish but from Lagostino's (phonetic) out of China
19 because it was a better-priced protein. That is one
20 of the reasons that product could be brought in at a
21 lower price.

22 COMMISSIONER KOPLAN: Thank you and thank
23 you for that Madame Chairman.

24 CHAIRMAN OKUN: Thank you. Well, let me see
25 if -- I guess there are others who can answer this

1 question about the purchase, which is: Do you single
2 source your supply of crawfish from one company in
3 China, or do you use multiple suppliers? Let's start
4 on the front row.

5 MR. POWERS: At Darden restaurants, we use
6 multiple suppliers. We would love to diversify
7 geographically but it is just not possible at this
8 time. But, again, we do not try and source it from a
9 single source.

10 CHAIRMAN OKUN: Okay. How about the other
11 purchasers?

12 MS. COSTLEY: I am Christine Costley and I
13 primarily work with one crawfish processor.

14 MR. MULLEN: I have been involved in
15 crawfish since the early '90s and we always source
16 from multiple importers, exporters. All we sell is
17 here in the states. It is all market driven.

18 CHAIRMAN OKUN: Okay. Back row? Let's
19 start over there.

20 MR. OBIREK: At King Seafood, we buy from
21 various importers throughout the U. S.

22 CHAIRMAN OKUN: Okay.

23 MR. REDAR: We presently buy from one, the
24 amount we use.

25 MR. FASS: We source our product directly

1 over in China and we think that it is extremely
2 important to source product from a variety of
3 different producers over there.

4 CHAIRMAN OKUN: Okay. Then help me with
5 something that I have been trying to figure out all
6 day, which is: When this last point, which I think
7 Mr. Powers you were touching on, which is if the
8 Chinese are bringing in a consistent frozen product
9 and the domestics are not producing that much of the
10 frozen product, so that, therefore, it is not
11 available consistently, if I am paraphrasing what I
12 heard, but I think that is what I heard. But if I am
13 wrong about that, in your answers respond to me.

14 What I am trying to figure out is: Why if it
15 is a market where, at least for some of you, you can
16 resource from other people because it sounds like you
17 want to have multiple suppliers to make sure that you
18 have consistency of supply, if you have domestic
19 product available, why wouldn't you purchase it at one
20 of its suppliers? In other words, it seems to me, if
21 you look at the statistics from Fresh and Frozen, if I
22 understand it, for the domestics, they could put more
23 into frozen in the tail meat.

24 I mean they could make more frozen because
25 it is not a huge operation at the processing end. So,

1 it seems like more domestic frozen crawfish tail meat
2 would be available if your big buyers were purchasing
3 it. What am I missing? That is what I am trying to
4 figure out.

5 All right, Ms. Costley?

6 MS. COSTLEY: I would like to just -- in
7 that whole concept, you are missing the part of the
8 sizes, the graded crawfish. As I said, Louisiana
9 produces 170-count crawfish, which is fairly small.
10 What you had today was not 170-count crawfish. That
11 was larger and I am sure that that was hand selected
12 for today. But if you pick up a typical package of
13 Louisiana crawfish tail meat, it is from the peelers
14 and it is a very small product. It is a 170 count.
15 No Louisiana producer, that I am aware of, has ever
16 graded product and done under 80 count, or 80 to 100
17 count, or 100 to 150.

18 I think if you ask Darden and King & Prince,
19 I don't think any of them are using 150 to 200 count,
20 which is what Louisiana tail meat traditionally falls
21 into. Now, if there was a Louisiana processor who
22 said: Hey, I will produce 80 to 100 count, you would
23 probably have these guys interested in talking to him.

24 CHAIRMAN OKUN: Okay.

25 MS. COSTLEY: The one thing that frustrates

1 me and I hear you. It is not that I don't disagree
2 with you. It is just that our Staff Report doesn't
3 pick that up. Again, it could be because we have had
4 poor coverage. I don't know if I am missing anything
5 but I just don't think that was raised as an issue.
6 This is completely anecdotal, so you can post-hearing
7 put everything in. But I am looking at this Lake
8 Crest crawfish from China, which has -- I will pass
9 this back, if you all didn't see it before. It has
10 this: side pieces per pound 150 to 200, which I assume
11 is what we are talking about here.

12 That is a retail product that has gone into
13 grocery-store chains. That does not get sold into
14 processors? And because the Louisiana market is
15 typically accustomed to 170-count crawfish that is
16 what you will see in the grocery stores, which works
17 out fine in the mix because the larger restaurants,
18 group chains and the processors don't want that size.
19 But it is what Louisiana- home consumers have always
20 used in their A-2 phase. That is the size that they
21 have used. So that is what you will see on the
22 grocery store shelves in Louisiana.

23 CHAIRMAN OKUN: From the Chinese and from --

24 MS. COSTLEY: From the Chinese, it is 150 to
25 200 count. They are matching what Louisiana has

1 traditionally consumed.

2 CHAIRMAN OKUN: Okay. I have the follow-up.
3 Mr. Fass was up I think first in the back and then I
4 will come back up to the front row.

5 MR. FASS: A couple of quick things. Ms.
6 Costley is right. First of all, there are different
7 markets for different sizes. Generally, supermarkets
8 care less about size than other processors, so you see
9 some smaller tail meat there. Again, with every
10 instinct inside me, I know listening to testimony this
11 morning about being able to increase production being
12 raised, this really flies in the face of what we have
13 seen as a company our entire lives. We buy, again,
14 into the millions of pounds of tail meat and we are
15 seeing numbers -- again, by the Petitioner's own
16 numbers, they talk about producing now for the non-
17 Louisiana market maybe five in 10,000 pounds total.

18 For a company like ours to be able to take
19 the time to say: Well, let's diversify a little bit
20 and cover all our bases. We will supplement this 3-
21 million pounds of product with two thousand from
22 Louisiana. It doesn't make sense. The argument that
23 we have heard a lot: Gosh, we could increase
24 production ten fold and supply all of this. But we
25 have seen absolutely, positively no evidence, or no

1 effort to even discuss this. It just doesn't seem
2 like a true snapshot of reality. I don't know how
3 else to say it.

4 CHAIRMAN OKUN: Okay. Back up to the front.
5 Mr. Mullen?

6 MR. MULLEN: That statement is ruining my
7 thunder but let me add to it a little bit. I am not
8 sure if you remember all the different conversations
9 but, in the domestic market, there are different
10 levels involved in the business. There is the
11 growers, or the fishermen; there is the underloader
12 that could be a processor. At that level, there is a
13 decision to be made: Where the product is going to be
14 sold? And it is being made from the live market, the
15 raw-material cost.

16 I did some quick numbers. I talked to one
17 of the three top processors this morning and last
18 night. They don't pay over 35 cents for peelers.
19 Yet, he is paying anywhere from 60, 75, 85 cents for
20 his live that he is going to resell, put on trucks and
21 sell all over the country. At 35 cents, your cost is
22 233, which, compared to 75 cents, it is \$5 before
23 labor, packaging, plant overhead and profit.

24 Now I am just going to compare it. Somebody
25 mentioned -- what crabs? Soft shell crabs is a

1 delicacy. What are you willing to pay for them and
2 where do they compete against other proteins? This is
3 a market; it is a demand-and-supply issue. I would
4 love to take a product that I catch and produce. I
5 own a Jonah crab boat. I would love to get \$20 a
6 pound, or \$5 a pound. I get \$2.75 for the salad meat.
7 I get no more than \$3.25 for the claws.

8 It is competitive proteins out there that I
9 have to compete with; and if I don't meet those costs
10 and make a profit, I am in the wrong business. So, if
11 my suppliers won't sell me at a price that I can run a
12 plant, I have to make a change. It is a choice.

13 CHAIRMAN OKUN: Who else had their hand up
14 now? Mr. Powers?

15 MR. POWERS: Yes. A couple of points. For
16 us, we do buy the 150 to 100 along with the multiple-
17 size ranges. One of the factors that we talked about
18 earlier would show up. Like Louisiana does not remove
19 the fat, which we have to get one year on our crawfish
20 in order to use it in our menu cycles. Also, because
21 of the volume we buy and the cost that we try and
22 drive it down is we buy in full-container loads, which
23 is 36,000 pounds, which isn't always produced at the
24 smaller-production level.

25 CHAIRMAN OKUN: Okay. Any other comments?

1 Mr. Mullen?

2 MR. MULLEN: Just one more comment and it is
3 a compliment here. The foreman asked the question
4 regarding superior -- I jotted it down. Superior: is
5 that more desirable? There was another comment made
6 about cheap. They are two different markets. I will
7 tell you, personally, Louisiana live, Louisiana whole
8 cooked, Louisiana tail meat cooked and chilled is a
9 far superior eating animal. There is no better. It
10 is processed in small quantities and it serves a niche
11 business with a higher demand of quality and palate.
12 It has been developed for years and that is the case.

13 The China market is informed by ingredient
14 list, a protein competition. It is a very good
15 product at a reasonable price.

16 CHAIRMAN OKUN: I hear what you are saying
17 on the business side of what you are trying to
18 achieve. I guess I am just trying to go back to the
19 like product that we have here, the process we have as
20 a domestic industry. It looks like the product we
21 have is available. In other words, I haven't heard
22 anyone say that if there is not live crawfish -- if
23 you decided -- and again, the statistics have been
24 fairly consistent. But everything doesn't go into
25 live even though it is higher value because they don't

1 need it.

2 So that is why I am having difficulty
3 understanding why it still can't compete if prices
4 were --

5 MR. MULLEN: The numbers --

6 CHAIRMAN OKUN: -- not there. Well, you are
7 going to have to begin somewhere. Why they wouldn't
8 have some part of the --

9 MR. MULLEN: The numbers say it. They
10 harvest 74-75 million pounds. I think it was 80
11 percent into the live market, which is fetching prices
12 at the unloading level of 65, 75, 80 cents from people
13 that we know and everybody here will attest to it.
14 The records could attest to it. Which leaves only a
15 certain amount to be peeled, which has to have a
16 negotiated price. If you extract those numbers, it
17 can only produce, using the tables in the Staff Report
18 of a million three, it can only produce --

19 CHAIRMAN OKUN: Well, that is fine but my
20 red light has been on. So let me turn to Vice
21 Chairman Hillman. I may come back to some terms.
22 Again, I am trying to understand what those numbers
23 really mean and what they can be with.

24 Vice Chairman Hillman?

25 VICE CHAIRMAN HILLMAN: I am going to kind

1 of stay on the same topic a little bit. But let me
2 just start I guess with the basics of the frozen
3 versus fresh. A lot of you have commented on the fact
4 that you use only frozen. I am trying to understand
5 why or how that is?

6 Is it just the fact that it is available
7 year round and it maybe has a different shelf life?
8 Or, when you are processing these breaded products,
9 chowders, whatever, are you making them with the
10 product still frozen and then shipping them out
11 frozen. I am just trying to understand the issue of
12 the freezing. Whether that is something important to
13 your process, or whether it is just a storage year-
14 round issue? Go ahead.

15 MR. REDAR: That is a good question. I mean
16 that is very perceptive. There is a lot of
17 difference. When it comes to breaded, yes, you need
18 to start with a frozen product to bread it, okay. The
19 breading process -- and we bread clam strips but
20 others on the same line will do crawfish and scallops
21 and many others, calamari. You need to start with the
22 frozen product for that number one.

23 The reason for that is that it is in a room
24 that by the time you get to the fryer, it really sears
25 in the coating on the outside and the moisture on the

1 inside. Okay? So that is the best that you can do on
2 that.

3 Secondly, it has to be a consistent size.
4 Whoever you are making it for, they give you specs.
5 That is what we do. And the specifications are this
6 size.

7 And three, I have to make it year round.
8 When I make it, I can't make it all at one time and
9 then sell it to customers all at one time. I have to
10 have it available for the major restaurant chains or
11 distributors year round. The same price year round,
12 that is the other issue. Many times I have to
13 guarantee the price for a year.

14 It is the same with chowder. We make
15 chowders, a lot of chowders.

16 VICE CHAIRMAN HILLMAN: Do you use the
17 crawfish frozen in the chowder?

18 MR. REDAR: I do. Part of it -- I won't go
19 off. That is part of our Hassup program. In the food
20 industry, particularly the seafood industry, you have
21 what is called a Hassup program. That has a very
22 specific regimen of requirements and we don't bring in
23 -- when we are making canning, we start with
24 everything frozen. It is a safety factor. Hassup is
25 really a tracking and safety factor for food

1 processing. So we only use that frozen when we make
2 it.

3 Again, there is a difference. I use that
4 crawfish meat for a formula. I could use another sea
5 food, okay. I don't call it crawfish gumbo or
6 anything. It is an ingredient and it is there in part
7 because of a flavor profile; but, in part, because of
8 a price parameter. If it was too high, I would
9 replace it with Lagostino or something else.

10 VICE CHAIRMAN HILLMAN: Okay. Now how about
11 Mr. Johnson or Mr. Obirek? You are producing value-
12 added products as well. Do you actually make your
13 products with the crawfish frozen?

14 MR. J. JOHNSON: The products that we are
15 breading we're breading in the frozen state.

16 VICE CHAIRMAN HILLMAN: Okay, and is anybody
17 out there making product where you thaw the product?
18 I mean, if you're starting with frozen crawfish, where
19 you would thaw it before you could use it. Go ahead,
20 Mr. Obirek, I'll let you start.

21 MR. POWERS: Yeah, at Darden restaurants
22 we'll bring it in and we thaw it and then cook it.
23 Again, it goes back to our menu cycles. When we put a
24 product out there and we keep on our menu for many
25 times several years and it's on there year round and

1 we need the mature availability and the frozen product
2 allows us to do that where the fresh would not.

3 VICE CHAIRMAN HILLMAN: Okay, Mr. Obirek?

4 MR. OBIREK: Another comment on the fresh
5 product, it's a logistics issue, getting it to the
6 plants in a cost effective manner. But in our case,
7 we do temper the product before we process it and to
8 bread it.

9 VICE CHAIRMAN HILLMAN: Okay.

10 MR. FASS: A quick comment, too. Our
11 industry would cease to look anything like it does
12 today if the large national users or even mid-size
13 regional ones, even smaller regional ones had to rely
14 on fresh shipments for our items that they were
15 branding or rolling out in national regional programs.
16 This is still one of the last frontiers of sort of a
17 wild-produced item, which is what seafood is. And
18 these companies have to have inventory that they know
19 is physically in their warehouse for months ahead to
20 be able to have confidence that they can roll out a
21 promotional program and not rely on what may come in a
22 fresh state.

23 VICE CHAIRMAN HILLMAN: No, I appreciate
24 that. I mean, I was just trying to make sure I
25 understood the degree of substitutability, if you

1 will, between the frozen and the fresh product. So I
2 definitely hear you saying that for a lot of reasons
3 in terms of just working it, breading it, whatever
4 you're doing it, even if you brought it fresh,
5 presumably, you would need to freeze it in order to do
6 some of the things that many of you are doing to the
7 product. Like I said, even if you could get the fresh
8 at exactly the same price, you're telling me you would
9 nonetheless have to freeze it in order to use it, is
10 that a fair assessment?

11 Okay, then I guess I'm still struggling with
12 this price issue and again, this price relationship.
13 But I guess, you know, again, I've heard the argument.
14 Mr. Fass, you've made it. Mr. Powers, you clearly
15 made it that the Chinese product and the domestic
16 product are really not competing in the same market
17 because the domestic product is over here in the fresh
18 market and the Chinese product is over here in the
19 frozen market. And yet, I have to say when I look at
20 our data, I don't understand how we can assume from
21 this that there is not, at some level, a price
22 relationship between the two. Because you've clearly
23 seen that the price of the domestic product stay below
24 what it they need to make as a return in order to be
25 even considered profitable.

1 I mean, leave aside the Bird Amendment
2 duties or even add them in, you still would not look
3 at this industry and say, gee, they're making a lot of
4 money on their crawfish. They're not. They're losing
5 money. They cannot raise prices to a level at which
6 they can earn anything resembling a return. So I'm
7 trying to understand how we should take from this
8 record a sense that the availability of the Chinese
9 product is not holding down the domestic prices. I
10 mean, you're telling me you think these are totally
11 different markets and yet, I'm still struggling with
12 what the effect of the Chinese product is having on
13 prices in the U.S. market, prices across the whole
14 market. Yes, Mr. Redar?

15 MR. REDAR: Well, I'm not sure I can totally
16 address the crawfish market, but I can give you a
17 pretty accurate analogy in the clam market. And that
18 is, the clam market was very close to the crawfish.
19 It was regional, New England, one species, small
20 boats, small families, unregulated and eventually,
21 what happened is, quite honestly, it almost priced
22 itself out of existence. And here's what happened.
23 The people that wanted to stay in the business did
24 three things. One, they had to modernize. And clams
25 are not as familiar around here used to be all

1 hand-shucked. Okay, it used to come in little boats.
2 It sold predominately fresh and they were actually
3 whole-bellied clams. That was the whole market and it
4 never could grow. Imports did start coming in.

5 And let me tell you what happened in the
6 clam market. We actually started regulating
7 ourselves. There was consolidation, invested in our
8 plants. We mechanized. We now steam-shuck clams
9 where at a time that was suppose to be absolutely
10 impossible. Believe me, there's engineers and
11 mechanics and MIT people out there who could figure
12 out how to shuck anything. We ended up finding some
13 vegetable piece of equipment that did beans because
14 beans were real hard. So now it's really all
15 mechanized, all modernized. The market has grown 100
16 times to where we went out and found another species
17 even. But it does get driven by price.

18 Now our price of clams has gone up in the
19 last few years, but really, it stayed the same. It's
20 below \$2. But we've learned how to process more
21 economically, less labor intense and we expanded the
22 market. Clam strips are on every major seafood chain
23 in the United States. Clam chowder is the number one
24 menued soup in the United States in restaurants.
25 There was a lot of investment in marketing. The same

1 way some of the companies here are willing to make the
2 investment in crawfish, but it has to be a steady
3 flow, a steady price because you are competing with
4 other seafood. So you're going to have that price
5 difference. It's two different products, but there's
6 only a market for so much at such a price.

7 VICE CHAIRMAN HILLMAN: Mr. Powers?

8 MR. POWERS: Yes, one thing I believe is
9 that a lot of times products reach a saturation point
10 in the regions their competing in, and I think that
11 maybe the case in the crawfish industry is that their
12 bread winner is the whole-cooked and the live and they
13 have not expanded significantly out of that region.
14 In Louisiana we source fresh product from, not only
15 all over the U.S., but all over the world. So it can
16 be distributed around there. That's an avenue that
17 you would have to explore from a marketing standpoint
18 to improve the viability of your business. And I
19 believe that's something the crawfish industry needs
20 to do. It's easy to blame someone else that may not
21 even have an impact on a very small portion of it, but
22 I think that's one of the reasons why, and to answer
23 your question.

24 VICE CHAIRMAN HILLMAN: Mr. Fass?

25 MR. FASS: We've seen in the last four or

1 five years in this industry probably more unbelievable
2 consolidation than we've seen in the last 100. On the
3 food service distribution side, we're down to
4 essentially Sysco Food Service. They bought a
5 tremendous amount of smaller distributors. The second
6 largest, which was U.S. Food Service, I believe,
7 bought the third largest. We don't have many more
8 national supermarket chains than that. It has really
9 been remarkable consolidation and what that has lead
10 to, to a large extent, is a lot of centralized buying
11 for these companies. A lot of these food service
12 houses in the past have been made up of regional
13 houses all over the country. Now Sysco and U.S. Food
14 Service are centralized, and No. 1, dealing with a lot
15 of those issues. But No. 2, they haven't quite
16 capitalized or really focused, necessarily, on more
17 regional items as they should or maybe could. So it
18 sort of goes to the saturation point a little bit.
19 There possibly is a whole type of market to develop on
20 much more regional items for the Louisiana crawfish.

21 In a company like ours, if we truly could
22 buy Louisiana crawfish at a 100 or 200,000 pound
23 level, it would be a very wise, economic move for us
24 to do so because we have great distribution already
25 for the tail meat and it would be a great supplement.

1 We could market it as something a little bit different
2 and unique in a different nitch.

3 This goes back again. We just have
4 physically are unable at any price level to buy that
5 product. And maybe it's an inappropriate thing to
6 say, but I'm quite convinced that this case, at this
7 point, is a lot about Bird money and it's not about
8 creating -- if we can produce another million pounds
9 of product, why you guys just buy it from us. Because
10 if we could, it would make economic sense for us to do
11 that and we can't. We found no way to source this
12 product.

13 VICE CHAIRMAN HILLMAN: I appreciate those
14 answers. Thank you.

15 CHAIRMAN OKUN: Commissioner Miller?

16 COMMISSIONER MILLER: I think I'd like to
17 ask Ms. Costley, if I could, to talk a little bit more
18 about the what you referred to as the value-added
19 processed food products that are made from crawfish in
20 the Louisiana area. Because you talked somewhat about
21 changes and how many more of these kinds of companies
22 have developed in the last five years, I think, but
23 the reason I want to ask you to explain a little bit
24 more.

25 And the reason I do is, you know, in the

1 original case we recognized the national demand that
2 the domestic producers were having and could not meet.
3 We recognized that. But we also took note of the fact
4 that over half of the imports were going into the
5 Louisiana area. So maybe you did have this issue of
6 the national market that the domestics couldn't
7 supply. That did not, however, mean that the imports
8 were not injuring the producers in the Louisiana area
9 that were selling 90 percent plus of their products in
10 the Louisiana area, okay. In other words, these two
11 things are sort of sitting side-by-side. It doesn't
12 mean that the imports aren't having an impact on the
13 Louisiana industry.

14 Your testimony about the cajun food
15 products, I'm wondering, how much of the growth in the
16 crawfish food products is sort of cajun food products
17 as opposed to the kinds of things I hear Mr. Johnson
18 and Mr. Redar saying that those aren't really cajun
19 products as I heard as much as they are breaded
20 seafood product, right? Or Mr. Johnson, was yours a
21 cajun product even though it's coming from North
22 Carolina?

23 MR. J. JOHNSON: Sorry, we do have a couple
24 that we do classify as cajun.

25 COMMISSIONER MILLER: Okay, Ms. Costley, do

1 most cajun food products come from Louisiana?

2 MS. COSTLEY: I would think that probably
3 that is where they started. I mean, Paul Perdom
4 started the blackened red fish and has popularized a
5 lot of cajun dishes. But when it becomes a trend,
6 then other people pick up on it and it can be
7 something as similar, you know, just spices. Paul
8 Perdom produces cajun spices that are sold nationwide,
9 not only retail but to the food service industry. And
10 so, other people pick up on it and it becomes cajun,
11 not necessarily because it is produced in cajun
12 country, but it is produced in the cajun style and
13 uses cajun seasoning.

14 To go back to your question about the
15 processors, some of the ones that I know personally,
16 Cajun Kettle, which obviously produces cajun-style
17 food, has expanded in the last five years. They have
18 probably quadrupled their processing plant facility.
19 They moved into a new facility. Tony Sushery's bought
20 another company called French Market Foods, which
21 produces cajun-styled chickens that are stuffed with
22 crawfish stuffing, among other items, a la carte food,
23 recently built a new processing facility and probably
24 tripled their capacity to produce cajun items. John
25 Folse's company is in the process of building a new

1 processing plant. So these are very much growing
2 businesses.

3 COMMISSIONER MILLER: Do you know, do they
4 source the crawfish for their products both
5 domestically and use Chinese imports as well?

6 MS. COSTLEY: No, they use Chinese crawfish
7 tail meat, and part of that is, you know, the costing
8 of it. And that they need, you know, they same thing
9 we keep saying, they need it year around. A Louisiana
10 processors who freezes and puts meat up during
11 crawfish season to sell in November and December will
12 sell that product for \$7 or \$8 a pound. They may have
13 \$5 in it when they produced it during production
14 season, but they hold it and they increase the price.
15 You can't do that in a processing facility. You can't
16 design a product with an ingredient at the 3, \$4 range
17 and then six months later change that ingredient to \$7
18 a pound. You can't pass that on. You can't do it.
19 So what you do in lieu of that is you just drop it and
20 you use another protein, be it shrimp or something
21 else, that is available year around at a consistent
22 price.

23 You can deal with some fluctuation, you
24 know, 50 cents a pound or something. But you can't do
25 it with huge increases. And I think if you look at

1 all the frozen crawfish tail meat that is sold by
2 Louisiana processors outside of season, it's at very
3 high prices.

4 COMMISSIONER MILLER: I don't believe I have
5 any further questions.

6 MR. FASS: May I make one quick comment to
7 this. One good analogy maybe Maryland-styled crab
8 cakes, which have become very popular in recent years.
9 There is crabmeat used in there from Maryland.
10 There's crabmeat used from Louisiana and there's
11 imported crabmeat and it really refers to a style and
12 it's become very popular and lead to huge growth in
13 our industry. The same thing we see cajun dishes
14 becoming a way for restaurants to sort of stay one
15 step ahead and be chic and have competitive advantage
16 now. We see them in New York, in Chicago, in Virginia
17 and all over. So I think a lot of the cajun products
18 now is cajun-styled. I mean, there's no attempt to
19 sell Chinese product as Louisiana product. But it
20 refers to cajun seasoning and a style and it's one of
21 the reasons that I feel pretty confident that a
22 lifting of this order is actually going to be
23 beneficial to the Louisiana peelers because it is only
24 becoming more and more popular and there are so many
25 places it hasn't gone to yet and it just takes a

1 little bit of time in our industry to sort of build
2 new things up, sometimes a lot of time. They've had
3 five years of a dumping order now and we've seen
4 nothing but prices increase over the last few years
5 and we see that trend continuing.

6 MS. COSTLEY: Okay, I just wanted to add one
7 more comment. As you know, you all are trying to
8 struggle and understand the pricing issues. You know
9 what kept coming to my mind is when you have a product
10 that is exclusive -- look at wineries, and they can
11 only produce 200 cases of a certain wine per year.
12 All of a sudden that has a premium price tag on it as
13 opposed to another winery that may produce equally
14 good wine. If you did a blind tasting, you may not
15 even be able to tell the difference between the two
16 qualities of wine. But because they produce maybe
17 5000 cases a year, the price is lower. It's the
18 perceived value. Anytime you have a limited
19 production and it becomes an exclusive type of item
20 like the Louisiana crawfish tail meat it, it's a
21 limited, small production. You put a higher price tag
22 on it. And I mean, you see that in all kinds of
23 industry, but it the clothing industry or food
24 products or whatever. And I think that the Louisiana
25 industry needs to capitalize on that and with their

1 fresh tail meat. And their limited market, they need
2 to do what they can to make that the best possible
3 scenario from them.

4 To try and compete in a market with people
5 like Red Lobster where the volume is so incredibly
6 high and the only way that could ever be met is if
7 there were machine peeling. If a machine was invented
8 that peeled crawfish, then maybe Louisiana could
9 compete in that market, but until then it's so
10 different. It's just two different animals.

11 COMMISSIONER MILLER: Okay, I appreciate it.
12 It's been very interesting testimony. Thank you.

13 CHAIRMAN OKUN: Mr. Koplan?

14 COMMISSIONER KOPLAN: Thank you, Madame
15 Chairman. I'm going to come back to chlorophenacol
16 again, just briefly, and I'm looking at our staff
17 report on this. In late January of 2002, the EU
18 imposed a ban on imports of Chinese products of animal
19 origin as the result of the presence of chlorophenacol
20 detected in shrimp products. Chinese crawfish were
21 among the affected products. Due to favorable results
22 of border testing and safety guarantees provided by
23 Chinese authorities, the import ban was lifted in
24 November of 2002, but 20 percent testing of Chinese
25 crawfish is still being implemented.

1 I'm wondering, wouldn't that be an incentive
2 to ship more of the subject product to this country,
3 given the growth and demand that you all have talked
4 about today, Mr. Wisla? We haven't discussed this, I
5 don't believe, so far today.

6 MR. WISLA: Well, I think it's been lifted.
7 But from what I understand the European market is very
8 strong and growing.

9 COMMISSION KOPLAN: Could you attempt, for
10 the post-hearing, to quantify for me what 20 percent
11 testing amounts to over there? Who much of a cost it
12 does add to the product?

13 MR. WISLA: Okay, I'll try.

14 MR. FASS: I'm extremely familiar with the
15 situation, if I could quickly address it. I'm not
16 sure of the exact date of when the EU put on the
17 chlorophemacol ban, but it happened --

18 COMMISSION KOPLAN: It says January 2002.

19 MR. FASS: January 2002 is actually several
20 months after the season is over in China. So there is
21 actually, other than maybe some inventory that was
22 still being held over there, it was not during the
23 production season. It did last throughout part of
24 2002 and it definitely gave some incentive to explore
25 other markets. Actually, throughout China and the

1 United States and other areas.

2 What has happened, though, is the exact
3 opposite effect as I think you maybe getting at. The
4 ban has now been lifted. And there was such a short
5 market in the EU that there's been incredible demand
6 in the EU during the last several months as the new
7 season as begun in China and that is actually
8 absorbing, since they did not have much crawfish to
9 buy for upwards of a year, a huge quantity of their
10 production over there. And it's virtually impossible
11 right now to buy crawfish for the United States
12 because of the EU market.

13 The 20 percent testing certainly is a little
14 bit more than they were testing before, but we're
15 doing very similar things in this country now with all
16 of our imports since 9/11. And it is a cost that is
17 there, but it in no way -- because there is not an
18 actual chlorophenacol problem with the crawfish, the
19 producers are not chilled to selling crawfish over in
20 the EU because they're having no problems whatsoever
21 selling over there.

22 COMMISSION KOPLAN: Since you are familiar
23 with this, can you quantify the 20 percent for
24 purposes of post-hearing, the cost?

25 MR. FASS: Yes, I'll work on that.

1 COMMISSION KOPLAN: You will do that?

2 MR. FASS: It's actually very little
3 quantity. There's not much cost to it because the
4 testing is actually done -- the testing will always be
5 conduct in Europe or by the officials from the
6 importing country. So the importers, if you maybe a
7 little bit more weary of making sure that everything
8 is being produced in the right way in China, but
9 without getting into the details of the chlorophemacol
10 issue nobody really is worried about the true
11 existence of chlorophemacol. So everybody is very
12 willing to take that risk and there is not really much
13 of an added cost to it.

14 COMMISSION KOPLAN: Okay, Mr. Mullen, you
15 wanted to add to that?

16 MR. MULLEN: Just a quick comment to add to
17 Europe. You know, Europe, unlike the United States,
18 is a very sophisticated seafood buying group. Their
19 per capita use of seafood is probably -- the
20 statistics are 20/30, maybe even 40 pounds more per
21 capita per year than U.S. We average around 15
22 percent, one of the lower industrial countries that
23 eat seafood in the world. And because of that, the
24 EUs -- we mentioned HASSUP as one of our critical
25 control safety. Europe is so far superior to where we

1 are in controlling food safety that they are
2 accustomed to dealing with this in all product forms.

3 To export to Europe from, again, I go back
4 to my experience of scallops and crabs from the
5 northeast. Our plants can pass for the U.S.
6 government, for the Army, for the military, for
7 HASSUP, for FDA and we'll fail for Europe --
8 consistently fail for Europe. So my point is that
9 they are very accustomed to rigorous controls,
10 rigorous testing and it effects all of their products,
11 both locally produced and imports.

12 COMMISSION KOPLAN: Thank you. Now I'd like
13 to turn to the subject of new shipper reviews, and we
14 heard about this to an extent this morning. Again,
15 I'm turning to the staff report. And it says this,
16 "In it's comments in the draft questionnaires in this
17 review, counsel for the CPA noted that there had been
18 problems enforcing the anti-dumping duty order on
19 crawfish tail meat partly because foreign exporters
20 have been requesting new shipper reviews and partly
21 because importers have set up small dummy companies in
22 the United States to make it hard to collect duties.

23 "From information provided by Customs, it
24 appears that importing firms appear for one or two
25 years and then drop out of the market. When asked

1 about the problems of collecting duties from importers
2 of crawfish tail meat in connection with the Bird
3 Amendment distributions, a Customs official stated,"
4 and I can't go any further with that because it's BBI,
5 but Mr. Wisla has what he stated.

6 Moving on, though, to the end of the
7 discussion on this. It goes on to say "These factors
8 may help to explain the poor response to the
9 Commission's importers questionnaires. In January
10 2003, Commerce adopted a practice of limiting new
11 shipper rates to the alleged new shipper and its
12 supplier so that new shippers will not become conduits
13 for other shippers at higher rates." I'd like your
14 comment on how we should be evaluating the results of
15 these new shipper reviews, Mr. Wisla?

16 MR. WISLA: Well, I mean, it is a very, very
17 difficult issue. I know for a fact that the Chinese
18 government is very concerned with this issue. You
19 know, they feel it's a statutory obligation.

20 COMMISSION KOPLAN: Is that something that
21 they can agree on with the Crawfish Process Alliance I
22 assume? They're concerned as well.

23 MR. WISLA: No, right. I guess they're
24 concerned in another way. I would say they Chinese is
25 very concerned with the entire way the anti-dumping

1 law is being implemented. There were recent hearings
2 in Congress and Commerce officials went in front of
3 Congress and bragged that they have just doubled the
4 anti-dumping duties within a year on Chinese products.
5 You know, the Chinese have often felt that the whole
6 system, the non-market economies on system where you
7 use surrogate values is nonsense. They come up with
8 300 percent margins regularly. A 300 percent margin
9 means that --

10 COMMISSION KOPLAN: Can I jump in for a
11 second? Are you saying that their attitude justifies
12 what I just described because I haven't heard you
13 answer my question yet?

14 MR. WISLA: I mean, that is part of the
15 reason why they are not here. They do not want to
16 part in these proceedings anymore. It's very
17 difficult. They don't feel that they're being fairly
18 treated. And I would say especially in this case
19 because, I mean, crawfish is one of the cases where
20 this is a very big problem. It's crawfish and
21 mushrooms where the new shipper reviews are causing
22 such a problem.

23 COMMISSION KOPLAN: But I'm referring to
24 circumvention to avoid paying duties by setting up a
25 firm for one or two years that then drops out of the

1 market and that problems results in the duties that
2 would otherwise be collected, in this case not being
3 collected. That's what my question is about.

4 MR. WISLA: Yes, that is Customs fraud, and
5 we would never suggest that a client do that. It's
6 happening in new shippers review because that's the
7 conduit for that. But it was a problem before,
8 although, not as often. But it was also a problem
9 before new shippers review that importers would just
10 sometimes just appear.

11 COMMISSION KOPLAN: Thank you. I do have a
12 little bit left, but I'll wait until the next round
13 because I see my light is about to go off.

14 CHAIRMAN OKUN: I don't have much left. I
15 will look forward, obviously, to seeing the South
16 report after receiving additional information from
17 those folks who will be providing it. I think that
18 will be helpful.

19 So, I guess, Mr. Johnson, I have to go back
20 to you. You've been able to sit there very quietly
21 through all this after giving your testimony. And
22 there's been a couple of references to crabs. And of
23 course, different statute, different investigation,
24 and I ask this question only because there are a
25 number of things that I hear today that remind me a

1 lot of that testimony when you were giving the
2 testimony on the other side. So I guess I want to
3 hear one more time what it is that's different in
4 terms of, again, you had a regional market there. You
5 had the processing. You had one where you couldn't
6 get a machine to do what Mr. Redar described in the
7 clam business. And you had a growing nation market
8 that was being supplied by imports even though the
9 domestic industry thought they could have sold more.
10 Could you help me out there, what's the difference
11 here for you?

12 MR. J. JOHNSON: Well, I have to admit I
13 almost felt like Darth Vader having gone to the dark
14 side, but I have had to -- in my own mind, the
15 differences between these two cases is that with the
16 crab case, they flooded the market with product in
17 order to build demand. And they undercut all of our
18 prices and took our markets. In this case, they built
19 the demand without having the product. And these
20 companies have had to go find and source other
21 products in order to meet the demand that was built
22 up. To me, it's a 180 degree different argument.

23 CHAIRMAN OKUN: Okay. It's funny because I
24 just keep recalling the Phillips argument that they
25 were building the demand and the only way they could

1 meet the demand was bringing in the imported product
2 because the domestics were not reliable and they were
3 seasonal and they went to the live market.

4 MR. J. JOHNSON: And after four years, I
5 still very much disagree with that argument.

6 CHAIRMAN OKUN: Well, I disagreed with it
7 then, but I was on the losing side of that one.

8 MR. J. JOHNSON: Yes, I know.

9 CHAIRMAN OKUN: But it is a different
10 statute and I'm just curious because you're in the
11 business and some of the things I hear it's
12 interesting to think about. But with that, I don't
13 have any more questions. Let me turn to Vice Chairman
14 Hillman.

15 VICE CHAIRMAN HILLMAN: I only have one sort
16 of follow-up question, which is to ask you to do the
17 same thing that I asked the Petitioners to do, which
18 is to give your counsel on how you would treat imports
19 in terms this period from 1997 until July of 2000 when
20 the tariff line was split? How do you think we should
21 allocate that and then, once it was split, what should
22 we do with the imports that have come in under the
23 1090, the separate category that is not, per say,
24 crawfish tail meat, but nonetheless may contain
25 subject product? How would you have us treat those

1 imports? The same question that I asked of
2 Petitioners this morning. I just want you on the
3 record in terms of how you think we should look at
4 import volumes.

5 MR. WISLA: Yes, we'll answer that.

6 VICE CHAIRMAN HILLMAN: And then, the last
7 question then, I don't know, again, Mr. Fass, whether
8 you or others on this, another place in which our data
9 and our staff report is unfortunately missing an awful
10 lot is in terms of understanding the sort of size and
11 nature of the Chinese market, given that we've
12 basically gotten virtually no information from any
13 foreign producers or no consistent data. I'm
14 wondering if you can help understand even whether you
15 have a sense of the total volume of production in
16 China. I mean, the total size of their market. Do
17 they operate substantially like the U.S. producers? I
18 mean, I'm presuming they haven't discovered this magic
19 picking machine that Mr. Redar is describing. They're
20 still handpicking their product. I'm just trying to
21 understand whether there's anything about the Chinese
22 industry. Again, its size and how it operates that,
23 if you know or if others on this panel know it, that
24 you could help us fill in some of these holes in the
25 record.

1 MR. FASS: It's very similar in many ways.
2 They are large plants. They handpick product. They
3 work with a variety of smaller crawfish farmers all
4 throughout the area. Sometimes they have financial
5 interest in some of the co-ops that grow the crawfish.

6 Some of the differences are -- the biggest
7 one is sheer size. They have a huge area of land
8 where they can grow crawfish with climate conditions
9 that we don't necessarily have. Combine that with
10 their labor, and that is a huge competitive advantage
11 that China just naturally has. They have invested a
12 lot of technology in things. For example, another
13 different product form we haven't mentioned is called
14 IQF, individually quick frozen, where you have the
15 meat is frozen.

16 We have at least one major program that can
17 only used individually quick frozen meat of a certain
18 size or else they can't bread it correctly and it'll
19 fall through their production lines, their conveyor
20 belts, if it's too small. And that is something that
21 China has taken the time to invest in their plants.

22 CHAIRMAN OKUN: Vice Chairman Hillman, just
23 one second. Before Mr. Johnson leaves, I know you
24 said you were going to leave, but I just wanted to
25 make sure no one had a question for him before he

1 left. Okay, thank you. Sorry, continue.

2 MR. FASS: In terms of capacity, our
3 company's job is to really spend a heck of a lot of
4 time learning the answers to those questions. That's
5 how we know when we're not paying too much money for a
6 product or we're not going to get hurt in the market
7 by competitors. So we do have a lot of internal
8 information about that.

9 And I guess I would suggest that we've seen
10 production over the last couple of years that we're
11 pretty confident has been pretty near Chinese capacity
12 because we've had very strong demand here and again,
13 growing demand in Europe. We have personally have
14 seen, just because of our company's situation. We do
15 have some folks on the ground for us in China. We've
16 seen some demand out of nowhere in China for domestic
17 product. And that is something that is just
18 beginning. So we absolutely could not buy all the
19 product at any price last year that we needed. So
20 that, of course, is just one of several indications
21 that they are producing pretty high near capacity.
22 Could they increase capacity, maybe a little bit.
23 They do but I think that, again, demand is
24 outstripping supply right now. And perhaps, again, in
25 the post-hearing brief we can work to supply some more

1 statistics about just some of these questions.

2 VICE CHAIRMAN HILLMAN: I think that would
3 be very helpful. And obviously, the piece of that
4 you've stated and again, that I'm looking for in our
5 record, and not seeing, and I'm hoping that when we
6 get better questionnaire responses we'll see. Because
7 you've said it, is that demand is outstripping supply
8 and that prices are going up. Again, neither of those
9 are readily apparent from our record.

10 So again, I'm optimistic that when we get a
11 better record that, that will bear that out. But I
12 will just say that anything that you can help us put
13 on the record in term of this issue of the total size
14 of the Chinese market, and again, obviously, the
15 questionnaire responses. You know, better data on
16 what's happening in terms of prices. I'm not singling
17 you out because I don't want to get into who has and
18 who has not submitted a questionnaire.

19 But in the absence of that, again, that's
20 not information we have on this record. And at the
21 end of the day, we're going to have to go with what is
22 on the record. So whatever you can put on the record
23 in your post-hearing brief will be very helpful.

24 MR. FASS: Well, one very quick point about
25 prices, which I've been struggling to still try to

1 answer the earlier question about what happened to
2 prices in '97 and why did they decrease after that? A
3 good analogy, again, when the crawfish duties first
4 hit is what would happen in this country if we had a
5 mad cow problem.

6 The prices that increased right after the
7 duty began had nothing to do with supply and demand.
8 It had to do with just a panic-type market, where
9 there was physically an out product in this country.
10 They could well have gone to \$25 a pound. So I think
11 you would see when we can get better numbers on the
12 record. We will definitely work for that, but you
13 will see increasing prices if you take a starting
14 point that just a little bit after that first period
15 after the duties first hit. Does that make sense?

16 VICE CHAIRMAN HILLMAN: Yes.

17 MR. FASS: It's the data point of right
18 after when the duties hit is really a false point.
19 That has very little to do with supply and demand
20 product and very little to do with the duties. It was
21 not at all in relation to 90 percent duties or 100
22 percent duties. It was just a response to we don't
23 even know how to get products into the United States
24 anymore.

25 VICE CHAIRMAN HILLMAN: Okay, all right,

1 anything you can add on the Chinese industry side
2 would also be extremely helpful. With that, I have no
3 further questions, but many thanks to this panel for
4 your answers.

5 CHAIRMAN OKUN: Commissioner Miller?
6 Commissioner Koplan?

7 COMMISSIONER KOPLAN: Thank you, Madame
8 Chairman. I just have a couple of questions left.
9 First, on duty absorption, "In this review Commerce
10 has determined that there has been duty absorption
11 with respect to several export and trading companies
12 and all exporters that are part of the PRC entity,"
13 and that's in CPA's brief at pages 16 and 17.

14 The CPA argues that duty absorption has been
15 the norm under this order and cites from the SSA, and
16 I quote, "Duty absorption is a strong indicator that
17 the current dumping margins calculated by Commerce in
18 reviews may not be indicative of the margins that
19 would exist in the absence of an order," and the
20 statute is cited there.

21 If that's true, if I accept that, then tell
22 me why I should not find that the subject product
23 would be dumped at even greater margins as CPA argues.
24 In other words, how should the Commission address the
1 duty absorption issue?

1 COMMISSIONER KOPLAN: Mr. Wisla?

2 MR. WISLA: I guess I'd prefer to address
3 that in a post-hearing brief. I'm not the biggest fan
4 of duty absorption.

5 COMMISSIONER KOPLAN: You are not what?

6 MR. WISLA: I'm not the biggest fan of that
7 whole statutory provision. It just seems bizarre to
8 me.

9 COMMISSIONER KOPLAN: Okay. If you can
10 expand on that, though, in the post-hearing I'd
11 appreciate it. You'll do that, I take it? Thank you.

12 Finally, let me turn to the question of the
13 possibility of unused capacity in China. CPA argues
14 in its brief at pages 20 through 22 that there is a
15 basis based on the foreign producers' own data that
16 have been provided that there is substantial unused
17 capacity in China.

18 I also direct your attention to pages 20 and
19 21 of our staff report, and I'd like you to address
20 that as well if you could in the post-hearing,
21 including the issue of substantial unused capacity,
22 the ability to generate large and sudden increases in
23 shipments and the assertion that there is substantial
24 inventories of subject frozen product.

25 Would you do that for me, Mr. Wisla?

1 MR. WISLA: Yes, of course.

2 COMMISSIONER KOPLAN: That's not a bizarre
3 question, is it?

4 MR. WISLA: No. I think that's a perfectly
5 fine question.

6 COMMISSIONER KOPLAN: Thank you. I
7 appreciate the testimony this afternoon. It's been
8 very helpful. I have nothing further, Madam Chairman.

9 CHAIRMAN OKUN: I have nothing further
10 either other than to say, Mr. Wisla, my guess would be
11 your time would be better spent determining whether
12 duty absorption envisioned by the SAA applies in this
13 case and to the second matter of whether there will be
14 aggressive behavior by experts, as opposed to the
15 bizarre nature of the statute. We just apply the
16 statute.

17 I don't have any other questions. I greatly
18 appreciate all the answers that we received today and
19 all the testimony.

20 Let me turn to staff to see if staff has
21 questions of this panel?

22 MS. JONES: Yes. Mary Beth Jones, Office of
23 General Counsel.

24 This morning I asked the parties in favor of
25 continuing the Order to address the issue of what

1 facet of the Commission's injury analysis the data
2 regarding the difficulty in collecting duties
3 addressed. If you have any arguments on that, I would
4 ask that you include them in your post-hearing brief.

5 Also, for both sides there has been some
6 discussion about the Bird Amendment today. If you
7 have any legal arguments you'd like to present about
8 how the Commission should consider this in its
9 analysis, please include them in your post-hearing
10 brief.

11 No further staff questions.

12 CHAIRMAN OKUN: I turn to counsel for
13 Petitioners to ask if they have questions for this
14 panel?

15 MR. LEONARD: No, Madam Chairman, we do not.

16 CHAIRMAN OKUN: Okay. The time remaining,
17 the Petitioners have a total of 12 minutes remaining
18 with five for closing. That includes the five for
19 closing. Respondents have a total of 13 minutes,
20 which includes five for closing.

21 If we are ready to go to closing statements,
22 I will let the witnesses that are here go, get up and
23 be released, and allow the closing statements to
24 proceed, and thank you again for your testimony and
25 answers.

1 (Pause.)

2 CHAIRMAN OKUN: Mr. Steinbrenner, if you
3 would wait just a moment so that we can hear you?
4 Steinberger.

5 It's been a long day, Mr. Steinberger. I
6 apologize.

7 MR. STEINBERGER: It happens often. That's
8 all right. If only I had his money.

9 CHAIRMAN OKUN: You were in the dark the
10 first time around. I couldn't see your name. All
11 right. You may proceed.

12 MR. STEINBERGER: If it's okay with
13 everyone, I'd like to do five minutes of rebuttal, and
14 the remainder of our closing statement time will be
15 done by Mr. Leonard.

16 If I had to put a tag on the Respondents'
17 presentation today, it would be something like this.
18 And now for something completely different, and I hope
19 at least one of you remembers that 1971 Monty Python
20 classic. If not, you'll have to ask your staff,
21 especially the presentation in which John Clees walks
22 into a pet shop with what is obviously a very dead
23 Norwegian blue parrot and insists that it's dead and
24 he's been ripped off.

25 Michael Palin then spends most of the skit

1 trying to convince him it's still alive, and when he
2 finally runs out of arguments Palin says, "Look, I
3 didn't want to run a pet shop. I want to be a
4 lumberjack," to which Clees can only reply, "Yes, but
5 that's irrelevant." Most of the arguments that we've
6 seen here are about as relevant.

7 The problem is with this wonderful, new
8 market that the Chinese have so graciously created for
9 us is that that market would not exist at fairly
10 traded prices. It has also always been true that more
11 U.S. crawfish go to the live market than go to tail
12 meat.

13 That was true in 1997. This is nothing new.
14 The Commission dealt with it in 1997 and found that
15 there was adequate points of competition between the
16 product to justify an affirmative determination.
17 That's still true now. It's not relevant that the
18 same irrelevant argument in 1997 can be made now.

19 The argument has been made let's abandon the
20 U.S. crawfish tail meat industry so that we can help
21 the value added food processing industry. That's also
22 not terribly relevant. It's not what the Commission
23 does.

24 If that's what the Respondents want maybe
25 they should move up the street and pitch the argument

1 to Congress, but this Commission is charged with
2 administering a statute which asks certain questions
3 about price competition in this industry, not trading
4 this industry to help some other industry.

5 I have to wonder whether it would kill the
6 value added food process industry, by the way, to pay
7 fairly traded, non-dumped prices for the Chinese
8 product. We are not trying to cut their supply. We
9 couldn't do it anyway. The law doesn't allow it. We
10 just want it to be sold at a non-dumped price, which
11 has not yet happened.

12 Matthew Fass provided a lot of interesting
13 comments. He's a bright, young lawyer who has
14 appeared in some of our Commerce cases. He's not an
15 antidumping lawyer, but he probably will be within a
16 few weeks more of this.

17 Among his many comments was, Why doesn't the
18 domestic industry just give up? Commerce has spent
19 probably more administering this duty Order than the
20 value of the benefit to the domestic industry. I'm
21 sorry. That's just not relevant, and maybe I would
22 like to be a lumberjack, too.

23 They say the domestic industry can't supply
24 all of the demand. Again, it's irrelevant. Look at
25 Canned Pineapple from Thailand. You had one domestic

1 producer. It wasn't Dole, and it wasn't Del Monte.
2 They were not domestic producers. That one domestic
3 producer did not supply the whole industry and never
4 could, but that Order was retained.

5 Mr. Fass mentioned that the Chinese are now
6 producing new and different products which did not
7 exist before. That's an argument for us, that we no
8 longer have the ability to develop new products.

9 Some of the things were less comedic, but no
10 less fictional. In particular, I noticed that I have
11 read every single document in every Commerce review
12 that has happened under this Order, and in this case
13 the Chinese have consistently said our crawfish are
14 150 count and higher. We don't do the 80 to 100
15 count. Now we come here today, and suddenly it's the
16 only thing they make.

17 There are a number of other instances like
18 that. I would mention also that Mr. Fass' company was
19 an importer from Hawaiian Foreign Trade, which was
20 using the rate of another company, a practice he
21 defended at Commerce, which the CIT has referred to as
22 a deceptive business practice in a decision that we
23 attached to our brief.

24 At this point I would turn the presentation
25 over to Mr. Leonard.

1 MR. LEONARD: Five, actually almost six
2 years ago we sang, Jambalaya, crawfish pie and a file'
3 gumbo, because tonight I'm going to see ma cher amio.
4 Pick guitar, fill fruit jar and be gay-o. Son of a
5 gun, we'll have big fun, down on the bayou.

6 We knew that our antidumping petition was
7 meritorious and that the resulting antidumping Order
8 would make the price of Chinese tail meat such that we
9 could fairly compete. Our hurting industry could
10 climb back to financial respectability.

11 Well, it hasn't happened. Imports have
12 surged. Import prices remain puny, far beneath
13 domestic prices and in no way reflecting the large
14 dumping margins. Domestic production is but a sliver
15 of its capacity. The market has expanded, and the
16 subject imports have helped themselves to the growth
17 in the market.

18 Unable to reestablish themselves in the
19 market, domestic processors have lost money; not just
20 have had small profits. They have suffered losses,
21 and some have closed their doors and turned out their
22 workers.

23 Why did the imports continue their floor and
24 thus prevent the industry from recovering? Weaknesses
25 in the law. Spell that new shipper reviews, which

1 include importing under inadequate bonds, permitting
2 export prices to be based on one small sale at a
3 ridiculously high price resulting in low or no dumping
4 margins, which in turn caused the former new shippers
5 to become conduits for many producers' exports.

6 All of that, combined with less than
7 aggressive enforcement against fraudulent import
8 valuations and avoidance of duty payments and
9 remarkable ingenuity on the part of the Chinese
10 shippers and their U.S. partners. All have thwarted
11 an antidumping Order which had rested on the sound
12 decisions of the Department of Commerce on dumping and
13 the Commission on injury.

14 Those failings do not argue for the lifting
15 of the Order. The Order provides the only protection
16 we have. With the help that our government is now
17 beginning to provide, progress may be made, collecting
18 duties at specific rates, determining rates for named
19 producers, supplying particular exporters, requiring
20 bona fide prices, cracking down on circumvention and
21 searching for Customs fraud.

22 To make all of this work, of course, we need
23 the Order. Without it, we are defenseless That will
24 be the end of the domestic processing industry, and
25 without the two tail meat legs of the three-legged

1 stool all of the crawfish business could collapse and
2 with it Cajun culture. Cajuns and crawfish processors
3 in particular are not quitters. They want to fight
4 the good fight, but they need what may be their only
5 remaining weapon, the antidumping Order.

6 Enough. Enough, I say, of deadly prose.
7 More deadly is a poem with which to close. Crawfish,
8 symbol of our culture, is on the line, but we need the
9 crawfisher. It is might fine. The enemy is not
10 predators, not disease. The enemy, mon ami, imports
11 by Chinese. These imports are huge in number, low in
12 price. Mark my words. Today crawfish, tomorrow rice.

13 In 1997, you found material injury caused by
14 imports. Since that time, the injury has continued,
15 according to all reports. Although the Order has not
16 been an overwhelming success, without it the industry
17 would be even a worse mess.

18 On behalf of processors all over Cajun land,
19 Breaux Bridge to Crowley, St. Martinville to
20 Desterhan, for those that farm in fields and those
21 that fish the basin, please make a better future for
22 them to be facin'. We plead, we pray, and we cajole.
23 We want to let the good times roll, and they will if
24 you do not revoke the Order. It will reduce the risk
25 of doing away with good old homemade crawfish etouffe,

1 crawfish bisque.

2 CHAIRMAN OKUN: Thank you. No prose.

3 Madam Secretary, will you please announce
4 the Respondents' closing remarks?

5 MS. ABBOTT: Ronald M. Wisla will make the
6 closing remarks for the Respondent interested parties.
7 He is of Garvey, Schubert & Barer.

8 CHAIRMAN OKUN: Thank you.

9 MR. WISLA: I don't have a poem, and I don't
10 think anybody would really want me to sing. I'll just
11 try to stick to the facts in the record and again try
12 to reiterate the points we tried to make.

13 Clearly there is a problem here with the
14 growing demand for crawfish in the United States and
15 the clear lack of inability of the domestic industry
16 to meet that demand. From your records, 1,300,000
17 pounds of tail meat. Eighty percent of that goes to
18 the fresh chilled market. That leaves 20 percent,
19 less than 300,000, for the entire country. Ninety-
20 seven percent of that goes to Louisiana. That leaves
21 less than 10,000 pounds of tail meat, frozen tail
22 meat, available in the country.

23 We have industries, we have processors, we
24 have restaurants, we have supermarkets that depend on
25 this product. You know, the only thing that comes to

1 my mind again is the Roses from Colombia and Ecuador
2 case. Again, there you had imports coming in at low
3 prices, but they were a different product from the
4 domestic industry. They did not displace the domestic
5 industry. They created a new market.

6 The breeding products, the crab cakes
7 products, I mean, even in Louisiana they're making
8 these value added products. It's a big industry, and
9 it's inhibiting the development of this industry. It
10 harms the consumer, which I guess is not one of the
11 statutory things we're looking at, but I guess maybe
12 it's a condition of competition that we should look
13 at.

14 Another point I want to make is the market
15 segmentation. You have different markets. The fresh
16 tail meat is a specialty item. The frozen tail meat
17 from China is not a specialty item. It's almost like
18 a commodity item. It goes to the big processors.
19 It's sold in WalMart. It's sold by the big chains and
20 sold by the price choppers. It's a totally different
21 product.

22 The competition between the two is very
23 limited. Why we can come here and everybody is
24 seriously saying that the lifting of the Order won't
25 impact the domestic industry is because they're in two

1 separate markets.

2 Just to sum up, the injury, you know, that
3 clearly is being suffered by the domestic industry, no
4 one is denying that, but it is not due to Chinese
5 imports. It is due to just the economics of the
6 seafood industry. It's happened in crab. It's
7 happened in other places. The processors are being
8 squeezed as the harvesters are able to go directly to
9 the market and sell their products fresh at a premium.
10 That is what limits the domestics' capacity.

11 I mean, if you just look at our numbers if
12 the domestic industry was to operate at its stated
13 capacity, which is 4,000,000 pounds, they'd have to
14 take over 23,000,000 pounds of crawfish meat. Where
15 are they going to get that 23,000,000 pounds because
16 all of it is going into the fresh market. You're not
17 going to have the growers give up their price premium
18 where they sell at .75. They're going to sell it now
19 at 35 cents a pound? I don't think that's going to
20 happen.

21 It's not the Chinese imports that are
22 limiting the domestic industry. It's the conditions
23 of competition. Thank you.

24 CHAIRMAN OKUN: Thank you.

25 Post-hearing briefs, statements responsive

1 to questions and requests of the Commission and
2 corrections to the transcript must be filed by
3 June 12, 2003, closing of the record and final release
4 of data to parties is July 3, 2003, and final comments
5 are due July 8, 2003.

6 With no other business before the
7 Commission, this hearing is adjourned.

8 (Whereupon, at 4:01 p.m. the hearing in the
9 above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Crawfish Tail Meat From China
INVESTIGATION NO.: 731-TA-752 (Review)
HEARING DATE: June 3, 2003
LOCATION: Washington, D.C.
NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: June 3, 2003

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I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

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