

# PLASTIC ANIMAL IDENTIFICATION TAGS FROM NEW ZEALAND

Determination of a Reasonable  
Indication of Material Injury,  
or Threat of Material Injury,  
in Investigation No. 303-TA-14  
(Preliminary) Under Section 303(b)  
of the Tariff Act of 1930,  
Together With the Information  
Obtained in the Investigation

USITC PUBLICATION 1094

SEPTEMBER 1980

# UNITED STATES INTERNATIONAL TRADE COMMISSION

## COMMISSIONERS

Bill Alberger, Chairman  
Michael J. Calhoun, Vice Chairman  
George M. Moore  
Catherine Bedell  
Paula Stern

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Kenneth R. Mason, Secretary to the Commission

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UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

303-TA-14 (Preliminary)  
Animal Identification Tags from New Zealand

Notice of Institution of Preliminary Countervailing Duty  
Investigation and Scheduling of Conference

Investigation instituted. Following receipt of a petition on August 1, 1980, filed by Y-Text Corporation, Cody, Wyoming, a domestic producer of plastic animal identification tags, the United States International Trade Commission on August 5, 1980, instituted a preliminary countervailing duty investigation under section 303 of the Tariff Act of 1930, as amended by section 103 of the Trade Agreements Act of 1979, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of allegedly subsidized imports from New Zealand of plastic animal identification tags provided for in item 666.00 of the Tariff Schedules of the United States. This investigation will be subject to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 F.R. 76457) and, particularly, Subpart B thereof, effective January 1, 1980.


Written submissions. Any person may submit to the Commission on or before August 27, 1980, a written statement of information pertinent to the subject matter of the investigation. A signed original and nineteen copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of section 201.6 of the

Commission's Rules of Practice and Procedure (19 CFR 201.6). All the written submissions, except for confidential business data, will be available for public inspection.

Conference. The Director of Operations of the Commission has scheduled a conference in connection with the investigation for August 22, 1980, at the U.S. International Trade Commission Building, 701 E. Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the staff investigator, Mr. William Schechter (202-523-0300). It is anticipated that parties in support of the petition for countervailing duties and parties opposed to such petition will each be collectively allocated one hour within which to make an oral presentation at the conference. Further details concerning the conduct of the conference may be obtained from Mr. Schechter.

Inspection of petition. The petition filed in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission, and at the New York City office of the U.S. International Trade Commission located at 6 World Trade Center.

  
Kenneth R. Mason  
Secretary

Issued: August 8, 1980

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

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

Investigation No. 303-TA-14 (Preliminary)

Plastic Animal Identification Tags From New Zealand

Determination

On the basis of the record 1/ developed in investigation No. 303-TA-14 (Preliminary), the Commission unanimously determines that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, 2/ by reason of imports of plastic animal identification tags from New Zealand, provided for in item 666.00 of the Tariff Schedules of the United States and accorded duty-free treatment, which are allegedly being subsidized by the Government of New Zealand.

Background

On August 1, 1980, the U.S. International Trade Commission and the Department of Commerce each received a petition from Y-Text Corp., Cody, Wyo., alleging that a bounty or grant is being paid with respect to plastic animal identification tags. Accordingly, the Commission instituted a preliminary countervailing duty investigation under section 303 of the Tariff Act of 1930 (19 U.S.C. 1303), as amended by section 103(b) of the Trade Agreements Act of 1979, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the importation of such merchandise into the United

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1/ The record is defined in sec. 207.2(j) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(j)).

2/ Chairman Alberger found only reasonable indication of material injury.

States. The statute directs that the Commission make its determination within 45 days of its receipt of the petition, or in this case by September 15, 1980.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and in the Commission's New York City Office, located at 6 World Trade Center, and by publishing the notice in the Federal Register on August 13, 1980 (45 F.R. 53922). The public conference was held in Washington, D.C., on August 22, 1980, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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STATEMENT OF REASONS OF  
CHAIRMAN BILL ALBERGER AND COMMISSIONER PAULA STERN

On the basis of the record in Investigation No. 303-TA-14 (Preliminary), we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of the importation from New Zealand of plastic animal identification tags, provided for in item 666.00 of the Tariff Schedules of the United States, upon which subsidies are allegedly provided by the Government of New Zealand. 1/

DISCUSSION

The Domestic Industry

We find that the industry in this preliminary case consists of all producers of animal identification tags. Since the "industry" under the statute must include all, or at least a major proportion, of the producers of a "like product," it would appear that our conclusion precludes parties from arguing in a final determination that the industry should be defined differently. This is not necessarily the case. For the purposes of our preliminary determination we are compelled to treat one- and two-piece tags as "like products" because the best information available reveals that they are nearly identical in characteristics and end uses. They are generally manufactured in the same facilities and marketed together, as most domestic firms producing one also produce the other. Moreover, Section 771(4)(C) requires us to assess the effects of subsidized imports on production of the narrowest range of products, including the like product, for which the

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1/ Commissioner Stern also finds a reasonable indication of threat of material injury.

necessary information can be provided. In this case, profitability data, a key element, is only available combined for one- and two-piece tags.

We would not want to preclude any arguments in a final determination that the domestic industry includes only two-piece tags, since virtually all of the imports are of this type. Conversely, we would not want to preclude arguments that the industry is actually broader, and should include other types of identification tags, such as metallic tags, for which data were not provided.

THE QUESTION OF A REASONABLE INDICATION OF  
MATERIAL INJURY BY THE ALLEGEDLY SUBSIDIZED IMPORTS

Impact on Affected Industry

U.S. demand for animal eartags has increased dramatically over the past three years. Apparent U.S. consumption of such tags rose 44 percent from 1977 to 1979 from 31 million units to 45 million units. In the first six months of 1980, this growth continued as the total tag market increased 1.2 million units over the corresponding period in 1979.

This rapid market growth was stimulated by the introduction of the Allflex two-piece animal eartag by Delta Plastics Ltd. beginning in 1975. The larger U.S. producers of animal eartags began to enter the market with a product similar to the Allflex tag in 1978. From 1977-1979 domestic capacity for firms reporting data grew roughly 38 percent and employment rose more than 50 percent.

These data appear to indicate economic health. However, a thorough examination of the other statutory factors indicates certain weaknesses in the industry which provide the basis for our determination that there is a reasonable indication of material injury.

The U.S. eartag industry has been losing market share continuously since 1977 and other indicators of deteriorating economic health have recently surfaced. From January through June 1980 total domestic shipments (one- and two-piece tags) fell two percent. This was the first time such shipments declined during the period under consideration. Sales in the one-piece market which had dropped only two percent from 1977-1979 fell roughly ten percent in the first six months of the year. Although U.S. sales of two-piece tags continued to rise during the same period, they did not keep up the pace set in 1979.

In part the latter point may be explained by the fact that in 1980 the two-piece market does not appear to be growing as rapidly as in 1979 but we also find it significant that the U.S. share of the growth that is occurring in the two-piece market has slipped: between 1978 and 1979 the two-piece market grew by 64 percent and U.S. producers captured 71 percent of these sales. But, between January and June 1980, when sales of the two-piece eartags grew by 27 percent, U.S. producers captured only 43 percent of the growth.

Inventories of U.S. producers reporting data, which should be at their lowest point as of June 30th 2/, were up 112 percent from June 1979 to

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2/ Transcript of the Conference, p. 28.

June 1980. 3/ Inventory problems occurred for three of the four reporting companies. For the third largest producer, inventories rose some 208 percent during this period. For the petitioner, inventories rose 103 percent, and as a result, production of animal tags was halted from July through mid-August of this year.

Available profit data, which cannot be examined on an industry-wide basis 4/, do not reveal a thriving industry. Only one company reported a consistently improving profit picture. Other firms reported either stagnant or declining profits.

The Commission staff was able to confirm seven lost sales with an alleged value of \$180,462. Also confirmed was the fact that seven distributors purchased tags from New Zealand to complement their existing inventories of domestically-produced tags. Since we do not know when these lost sales took place, their significance is difficult to assess. We do not know whether U.S.-made two-piece eartags were available at the time the sales were lost or what the price differential was at the time between the U.S. and imported eartags.

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3/ Inventories were also significantly higher in June 1980 than in December 1979 for most reporting companies.

4/ Usable profit data were received from only four of the seven U.S. producers of animal identification tags. The data submitted were not uniform. A number of the firms provided data only on their overall operations, not just on the production of eartags. One of the firms presented its data on a cash basis, whereas the others used the accrual method of accounting. Furthermore, each of the four reporting companies used different accounting years.

In this particular case, the unavailability of data may be affecting the above indications of material injury. Most critically, in a final case we would hope to have complete data from Temple Tag Co. (the second largest producer), including inventories and financial data, and financial reports on a uniform accounting basis from all producers so that we can aggregate profit-and-loss data for the industry. Data were also not available on productivity, return on investment, cash flow, ability to raise capital and investment.

#### IMPACT OF THE IMPORTS 5/

##### Volume

In absolute terms U.S. imports of animal eartags from New Zealand have risen significantly since 1977. Such imports increased by 92 percent from 1977 to 1978 and then increased another 24 percent from 1978 to 1979. During January-June 1980 they increased 23 percent over the corresponding period in 1979.

Imports have also been rising relative to U.S. consumption. From 1977-1979 imports from New Zealand increased their share of U.S. consumption by ten percentage points. Moreover, during the first six months of 1980 the imported tags increased their share of the U.S. tag market by another 6.5 percentage points.

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5/ Lost sales reflecting the impact of the imports have been discussed previously (see page 6).

### Price Considerations

Price data do not show any evidence of a consistent pattern of underselling or price depression, but they do provide indications of price suppression. Delta Plastics Ltd. held its tag prices steady from 1978 until September 1980. The Allflex Holdings Ltd. Annual Report actually reports a decision by the company to "hold our selling price in the USA where we have seen strong efforts by our competitors to regain their declining share of the market."

Meanwhile, U.S. prices rose some 25 percent since January-March 1979, the first period for which price data are available. While costs have fluctuated by company, the petitioner, Y-Tex, has testified that its costs have been rising at a faster rate than the selling price of its animal identification tags. 6/ 7/

These price developments have had two results: (1) for sales of two-piece tags; the gap between the prices of imported and domestically-produced tags (with the imported tag higher-priced) has closed. By January-June 1980, in fact, imported tags sold for nearly the same or a penny-a-tag less than the two-piece tags of the two largest U.S. producers; and (2) the gap between the prices of two-piece tags and the U.S.-produced one-piece tags has also narrowed. Thus, the price competitiveness of both domestic two-piece and one-piece tags has weakened in relation to the imported product.

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6/ Transcript of the Conference, p. 31.

7/ For the final investigation it would be useful to have a fuller background on the cost situation in the U.S. industry, particularly Temple Tag Co.'s costs.

During the investigation the importer stressed the view that any problems experienced by the domestic industry were attributable to a myriad of factors other than the alleged subsidized imports -- including a superior imported product, better marketing practices of Delta's U.S. distributors, shifts in consumer taste. It appears that to remain economically viable U.S. companies need to compete successfully in the two-piece market. Though other factors may be at play in thwarting the domestic industry's shift to the newer product, there are indications that price suppression by the importers has been a contributing factor. In this preliminary case, this is sufficient to satisfy our "reasonable indication" standard. If the case returns to us for a final determination, however, the petitioner should focus on the effects of the alleged subsidization; for example, whether it has been used to improve the quality or marketing of the imported product. If the alleged subsidy has been used to improve the competitive posture of the imported product in the domestic market, this may be a factor tending to show how the imports may be injuring the domestic industry.

THREAT 8/

To reach an affirmative finding of threat of material injury, the legislative history states that "demonstrable trends--for example, the rate

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8/ Chairman Alberger, having found a reasonable indication of material injury, does not reach the question of threat in this determination.

of increase of subsidized . . . exports to the U.S. market, capacity in the exporting country to generate exports, the availability of other export markets and the nature of the subsidy in question (i.e., is the subsidy the sort that is likely to generate exports to the U.S.)--will be important." 9/

At least three of the four demonstrable trends cited as examples above are present in this case. First, exports to the U.S. market have increased rapidly and continuously. Second, the exporting country has the capacity to increase exports significantly. Information obtained from Delta Plastics Ltd. indicates that the New Zealand company sold 48 million tags in fiscal 1979. Currently, the company's plant has a capacity to produce 100 million tags and production in fiscal 1980 is expected to exceed 80 million tags. The petitioner has also indicated that Delta Plastics Ltd. commissioned seven new injection molding machines last year and that the New Zealand company is presently planning the addition of 14,500 square feet to their factory. 10/

Third, the nature of the subsidy alleged in this case is clearly likely to generate exports to the U.S. In fact, recent changes in the New Zealand export tax incentives program reward firms not only for increases in their export levels but also for maintenance of their export volume. Information on the availability of other export markets is limited and should be developed more fully should this case return for a final determination.

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9/ Committee on Ways and Means, House Report No. 96-137, 96th Cong., 1st Sess., July 3, 1979, at p. 46.

10/ Post Conference Brief on behalf of Y-Text Corp., by Lamb and Lerch, August 25, 1979, p. 22.



Approximately 50 percent of Delta Plastics Ltd.'s exports have gone to the United States, and the Allflex Holdings Ltd. Prospectus indicates that in fiscal 1980 sales to the USA rose 70 percent.

On the basis of these trends, I find a reasonable indication of a threat of material injury 11/. Should this case return for a final determination, my judgment then will be based on the best available information at that time, which hopefully will enhance the information we now have on the impact of these trends on the state of the domestic industry.

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11/ The fact that Delta Plastics Ltd., in partnership with the Hanford Co., is in the process of establishing a manufacturing facility in Syracuse, New York, does not automatically preclude an affirmative determination at this preliminary stage. When pressed at the Conference on the relation of this new facility to the level of future New Zealand exports, the importers were non-committal; see pages 81, 99 and 102 of Conference Transcript.

Findings of Fact

(1) U.S. imports of animal identification tags from New Zealand are allegedly subsidized by export incentives provided by the New Zealand government in the form of income tax credits for the exporter. All tags imported from New Zealand are produced by Delta Plastics, Ltd. Imports from New Zealand increased by 92 percent from 1977 to 1978, and then increased by another 24 percent from 1978 to 1979. During January-June 1980, imports of tags from New Zealand increased 23 percent over the corresponding period in 1979.

(2) U.S. imports of animal identification tags from New Zealand took an increasing share of the U.S. tag market: in the period from 1977 to 1979, the imports from New Zealand increased their share of U.S. consumption by 10 percentage points. Furthermore, in the first 6 months of 1980 the imported tags increased their share of the tag market by another 6.5 percentage points.

(3) Apparent U.S. consumption of animal identification tags increased from 31 million units in 1977 to 45 million units in 1979. In the first 6 months of 1980, apparent consumption was 1.2 million units higher than for the corresponding period in the previous year.

(4) Domestic production (of reporting firms) increased by almost 59 percent from 1977 to 1979. Production continued to rise over the first six months of 1980.

(5) Domestic production capacity (of reporting firms) grew from 60 million units in 1977 to 65 million units in 1978 and 83 million units in 1980. Capacity utilization (not including Temple Tags Co.) grew from 37 percent in 1977 to 60 percent in 1978, but then dropped to 43 percent in 1979. During the first six months of 1980 it was up again to 55 percent.

(6) Domestic shipments rose 27 percent in the period 1977-79.

However, shipments were down slightly in the first 6 months of 1980 compared to the corresponding period in 1979.

(7) Employment figures from 5 reporting firms, which accounted for 73 percent of U.S. shipments in 1979, reveal steady growth.

(8) At the public conference, Y-Text stated that the tag industry is seasonal, with 60 percent of the industry sales coming in the first 7 months of any given calendar year. Thus, a producer's inventory should be at its height as of December 31 and at its lowest as of June 30th. However, the largest U.S. producer of tags, Y-Text Corp, experienced a 103 percent increase in inventories as of June 30, 1980, as compared to the same period in 1979. The third largest U.S. producer of tags experienced a 208 percent increase in inventories of tags as of June 30, 1980, compared to inventory levels of June 30, 1979. As a result of the excessive inventories, Y-Text closed down production of tags from July through mid-August 1980.

(9) Two U.S. producers supplied the Commission with a list of 32 purchasing firms to which they allegedly lost sales of animal identification tags because of allegedly subsidized imports from New Zealand. The Commission staff was able to confirm seven lost sales with an estimated value of \$180,462. In addition to the aforementioned lost sales, the Commission was able to confirm that an additional seven distributors purchased tags from New Zealand to complement their existing inventories of domestically produced tags.

(10) Profit and loss data suggest that, on an industry-wide basis, profit margins are low or nonexistent. Only one firm reports a consistently improving profit picture, while others report low or stagnant profitability.

(11) There is no consistent pattern of underselling by the imported product. However, import prices remained generally steady from 1978 to September 1, 1980, when price increases went into effect.

(12) 1/ Information obtained from Delta Plastics, Ltd. indicates that the New Zealand company sold 48 million tags in fiscal 1979. Currently the company's plant has a capacity to produce 100 million tags and production in fiscal 1980 is expected to exceed 80 million tags. The Government of New Zealand modified its export program in 1980 in a manner which will increase the export subsidy in the future. 2/

SUPPORTING STATEMENT BY THE DIRECTOR OF OPERATIONS FOR AN AFFIRMATIVE  
PRELIMINARY DETERMINATION ON PLASTIC ANIMAL IDENTIFICATION TAGS  
FROM NEW ZEALAND (INVESTIGATION NO. 303-TA-14 (PRELIMINARY))

I. Recommendation

On the basis of my review of the information developed during this investigation, I recommend that the Commission determine that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, by reason of the importation of plastic animal identification tags from New Zealand, which are alleged to receive bounties or grants from the Government of New Zealand. The question of material retardation of the establishment of an industry in the United States is not an issue in this investigation as there are seven companies producing plastic animal identification tags in the United States.

1/ Chairman Alberger does not adopt findings regarding threat.

2/ Chairman Alberger includes the recommended determination of the Director of Operations for informational purposes below.

## II. The industry

There are two basic types of plastic animal identification tags produced in the United States--a one-piece tag and a two-piece tag. Seven firms account for approximately 95 percent of domestic shipments of the two types of tags. Counsel for the petitioner contends that there is only one industry being adversely affected by the importation of allegedly subsidized animal identification tags from New Zealand--the domestic producers of animal identification tags. The purpose of all these tags, regardless of their configuration or method of application and regardless of whether they are one-piece or two-piece tags, is the same, i.e., the individual in-herd identification of animals. Therefore, the industry to be viewed in this investigation is the whole animal identification tag industry. <sup>1/</sup> Counsel for the importers contends that since the New Zealand imports are only of the two-piece variety, the relevant U.S. industry should consist only of establishments and companies producing two-piece tags. <sup>2/</sup>

Information developed by the Commission indicates that there is only one U.S. industry producing animal identification tags. First, nearly all the machinery and workers employed in the manufacture of one type of tag are or can be employed in the manufacture of the other type of tag. For firms producing both types, price sheets include both and both are marketed by the same sales force. Second, the two types of tags are generally not distinguishable from each other in terms of their respective markets. They pass through the same channels of distribution and are purchased by the same types of customers for the same purpose--in-herd identification. Consumers may prefer one kind over another, but the fact remains that the one- and the two-piece tags are completely interchangeable in their end use. Therefore, I recommend that the Commission find that the appropriate industry for consideration in this investigation consists of those firms which produce animal identification tags, whether of one-piece or two-piece construction.

## III. Material injury

(1) U.S. imports of animal identification tags from New Zealand are allegedly subsidized by export incentives provided by the New Zealand Government in the form of income tax credits for the exporter. All tags imported from New Zealand are produced by Delta Plastics, Ltd. Imports from New Zealand increased by 92 percent from 1977 to 1978, and then increased by another 24 percent from 1978 to 1979. During January-June 1980, such imports increased 23 percent over those in the corresponding period of 1979.

(2) U.S. imports of animal identification tags from New Zealand took an increasing share of the U.S. tag market: in 1977-79, they increased their share of U.S. consumption by 10 percentage points, and in January-June 1980, by another 6.5 percentage points.

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<sup>1/</sup> Brief of Lamb & Lerch, p. 45.

<sup>2/</sup> Brief of Bronz and Farrell, p. 6.

(3) At the public conference, Y-Tex Corp. stated that the tag industry is seasonal, with 60 percent of the industry's sales coming in the first 6 months of any given calendar year. Thus, a producer's inventory should be at its highest level as of December 31 and at its lowest as of June 30. However, the largest U.S. producer of tags, Y-Tex Corp., experienced a 103-percent increase in inventories as of June 30, 1980, compared with those on the corresponding date in 1979. Fearing Manufacturing, the third largest U.S. producer of tags, experienced a 208-percent increase in inventories of tags over the same period. As a result of the excessive inventories, Y-Tex closed down production of tags from July through mid-August 1980.

(4) Two U.S. producers supplied the Commission with a list of 32 purchasing firms to which they allegedly lost sales of animal identification tags because of allegedly subsidized imports from New Zealand. The Commission staff was able to confirm seven lost sales with an estimated value of \$180,462. The Commission was able to confirm that an additional seven distributors purchased tags from New Zealand to complement their existing inventories of domestically produced tags.

#### IV. Threat of material injury

(1) While imports from New Zealand increased their share of U.S. consumption by 16.5 percentage points during January 1977-June 1980, considerably greater market penetration is possible in the near future. Information obtained from Delta Plastics, Ltd., indicates that the New Zealand company sold 48 million tags in fiscal 1979. Currently the company's plant has a capacity to produce 100 million tags, and production in fiscal 1980 is expected to exceed 80 million tags. Thus, Delta's capacity and production levels will enable it to continue to expand tag exports to the United States. The Government of New Zealand modified its export program in 1980 in a manner which will increase the export subsidy in the future.

#### V. Conclusion

On the basis of the above, I recommend an affirmative determination as to whether there is a reasonable indication of material injury, or threat of material injury, to an industry in the United States by reason of allegedly subsidized plastic animal identification tags from New Zealand.

STATEMENT OF REASONS FOR THE AFFIRMATIVE DETERMINATION OF  
COMMISSIONERS GEORGE M. MOORE AND CATHERINE BEDELL

On the basis of the record developed in investigation No. 303-TA-14 (Preliminary), we determine that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, by reason of the importation of plastic animal identification tags from New Zealand, provided for in item 666.00 of the Tariff Schedules of the United States (TSUS), upon which subsidies are allegedly provided by the Government of New Zealand.

The following findings and conclusions, based on the record in this investigation, support our determination.

Domestic industry

The first question which we must answer concerns the scope of the industry against which the impact of the subject imports must be assessed. 1/ The term "industry" is defined in section 771(4)(A) of the Tariff Act of 1930 (19 U.S.C. 1677(4)(A)) as meaning "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." The term "like product" is in turn defined in section 771(10) of the Tariff Act as meaning "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ."

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1/ All of the tags imported from New Zealand are two-piece tags. Both one-piece and two-piece tags are manufactured in the United States.

Information developed during the course of the investigation indicates that the relevant domestic industry consists of the facilities in the United States used in the production of both one-piece and two-piece tags. Nearly all the machinery and workers employed in the manufacture of one-piece tags are or can be employed in the manufacture of two-piece tags. <sup>1/</sup> For firms producing both types of tags, price sheets include both and both are marketed by the same sales force. Further, the two types of tags are generally not distinguishable from each other in terms of their respective markets. They pass through the same channels of distribution and are purchased by the same types of customers for the same purpose--in-herd identification. Consumers may prefer one kind over another, but the one- and the two-piece tags are completely interchangeable in their end use.

The question of reasonable indication of material injury or the threat thereof

Section 703(a) of the Tariff Act directs that the Commission "shall make a determination, based upon the best information available to it at the time of the determination . . . ." Section 771(7)(A) defines the term "material injury" to mean "harm which is not inconsequential, immaterial, or unimportant." And section 771(7)(B) directs that in making its determination, the Commission shall consider, among other factors, (1) the volume of imports of the merchandise which is the subject of the investigation, (2) the effect of imports of such merchandise on prices in the United States for like products, and (3) the impact of imports of such merchandise on domestic producers of like products. In light of these directives, we base our decision on the findings of fact and conclusions of law discussed below.

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<sup>1/</sup> Report, p. A-1.



Volume of imports.--With regard to the volume of imports, the record shows that imports of plastic animal identification tags from New Zealand increased by 92 percent from 1977 to 1978 and then increased by another 24 percent in 1979. 1/ In the first 6 months of 1980, imports of tags from New Zealand increased 23 percent over those in the corresponding period of 1979. All plastic identification tags from New Zealand are manufactured by Delta Plastics, Ltd. of Palmerston North.

Imports of plastic animal identification tags from New Zealand took an increasing share of a growing U.S. identification tag market during 1977-79. Such imports increased their share of aggregate apparent U.S. consumption, i.e., of both one- and two-piece tags, by 10 percentage points from 1977 to 1979. In the first 6 months of 1980, imports from New Zealand increased their share by another 6.5 percentage points. 2/

Effect of imports on prices.--Although there has been no consistent pattern of underselling by the imported identification tags, there is evidence of price suppression by the foreign producer, Delta Plastics. In his company's 1980 annual report, the Chairman of Directors of Allflex Holdings, Ltd. (the parent company of Delta), stated that the profit/sales ratio was lower for the income year 1980 because of a decision by Delta to "hold our selling price in the USA where we have seen strong efforts by our competitors to regain their declining share of the market." 3/

Furthermore, at the public conference held in connection with this investigation, testimony was presented that raw-material and utility costs of

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1/ Report, p. A-13.

2/ Report, p. A-21.

3/ Annual report of Allflex Holdings, Ltd., p. 4.

the petitioner (Y-Tex Corp.) were increasing at a faster rate than the selling price of its animal identification tags. 1/ In view of the substantial alleged subsidy (in the form of income tax credits) and the public acknowledgement by the respondent that it is deliberately holding down prices to maintain market share, it is appropriate to infer that sales of the imported tags have had a suppressing effect on domestic tag prices, notwithstanding some price increases by domestic manufacturers.

Impact of imports on domestic producers.--The record shows that as of June 30, 1980, the first and third largest U.S. producers experienced 103 percent and 208 percent increases, respectively, in inventory levels compared with those in the corresponding period of 1979. 2/ Information developed during the course of the investigation indicates that since the domestic industry makes 60 percent of its sales in the first 6 months of a calendar year, inventory levels should be at their lowest level as of June 30. Furthermore, the Commission was able to confirm seven lost sales with an estimated value of \$180,000. 3/

The record also shows that in order to reduce excessive tag inventories, the largest U.S. producer (Y-Tex Corp.) instituted promotional sales tactics in 1980 and ceased production of tags from July through mid-August 1980. 4/ Another large producer did not produce any two-piece tags during January-August 1980 in order to reduce overstocked inventories. 5/

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1/ Transcript of the conference, p. 33.

2/ Report, pp. A-15 and A-16.

3/ Report, p. A-29.

4/ Report, pp. A-17 and A-27.

5/ Report, p. A-10.

Threat of material injury.--The record shows that the foreign producer manufactured about 48 million tags in 1979, expects to produce about 80 million tags in 1980, and has an annual plant capacity to produce 100 million tags. 1/ Thus, the increasing production levels and underutilized capacity of Delta Plastics indicate an ability for the New Zealand company to continue to expand tag exports to the United States.

In addition, the Government of New Zealand has modified its export incentive program so that benefits paid to Delta Plastics on its exports may increase. This would provide further incentive to increase shipments to the United States. 2/

#### Conclusion

On the basis of the information available to the Commission at this time, we believe that there is a reasonable indication of material injury, or threat of material injury, to a domestic industry by reason of imports of plastic animal identification tags from New Zealand, provided for in item 666.00 of the TSUS.

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1/ Report, pp. A-7 and A-8.

2/ Report, pp. A-3 and A-4.

## OPINION OF VICE CHAIRMAN MICHAEL J. CALHOUN

On the basis of the record developed in investigation number 303-TA-14 (Preliminary), I determine, pursuant to section 303(b) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(b)), that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of plastic animal identification tags from New Zealand as provided for in item 666.00 of the Tariff Schedules of the United States.

DISCUSSION

There are many types of animal identification tags which are used on cattle, hogs, and sheep. Identification tags come in a variety of colors, sizes, and shapes. The animal identification tags under investigation here are attached to the ear, are made of plastic, and are of one- and two-piece construction. There are two methods of application for animal tags: Those tags of one-piece construction require application by cutting the animal's ear; while those of two-piece construction can be applied by piercing the ear and making a small hole as opposed to an incision. The use of two-piece animal identification eartags is a relatively new concept. The Allflex two-piece tagging system was developed in New Zealand and marketed in the United States by Delta Plastics, Limited.

Farmers and ranchers have found that with these identification tags they could, at a distance, identify animals and monitor their performance. Animal identification tags do not replace branding, which is a permanent means of identification for ownership.

Although the Allflex two-piece identification tagging system was developed in New Zealand and marketed extensively throughout the United States by Delta Plastics, Limited, domestic producers have begun to produce and market two-piece tags. One-piece tags are still popular, however they are losing market share to both domestic and imported two piece tags.

#### DOMESTIC INDUSTRY

In order to analyze the effect of subsidized imports on the domestic industry, that industry first must be defined. Section 771(4)(A) of the Tariff Act of 1930, defines the term industry as,

[T]he domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product.

And, section 771(10) defines like product as:

[A] product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title.

The merchandise which is imported from New Zealand is animal identification tags of two-piece construction made from plastic in a variety of sizes, shapes, and colors and used on the ear of an animal.

The only producer of animal identification tags in New Zealand is Delta Plastics, Limited, a subsidiary of Allflex Holdings, Limited, Palmerston North, New Zealand. Two-piece identification tags are produced in the

United States by entities who produce identification tags of various types, including plastic tags of one and two pieces which are attachable to the ear. A primary question to be considered here is whether all domestic animal identification tags can be considered like products to the two-piece plastic ear tags which are the subject of this investigation and, if not, whether domestic one-piece (in addition to two-piece) plastic ear tags are like products to the imported article. The Senate Finance Committee report which accompanies the Trade Agreements Act of 1979 provides guidance to the Commission in determining the nature of a "like product." According to the report,

[T]he requirement that a product be 'like' the imported article should not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and articles are not like each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under investigation. 1/

Evidence obtained in this preliminary investigation is not sufficient to determine whether all domestically produced animal identification tags are like products to the two-piece plastic ear tags being imported. There is, however, ample evidence with regard to the narrower question of whether the domestically produced one-piece plastic ear tag is a like product to the imported article. Generally, the two types of tags are not distinguishable from each other in terms of their respective markets and pass through the same channels of distribution. Customers purchase two-piece and one-piece tags for the same purposes; namely, in-herd identification

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1/ Committee on Finance, U.S. Senate, Report No. 96-249, 96th Cong., 1st Session, pp. 90-91.

of animals. The record thus far established, indicates that while customers may prefer one type of tag over another, the two types of tags are virtually interchangeable in their uses. And, although there are major differences in the method of application of the two types of tags, the record shows that consumers disagree on the effectiveness and on the ease of application of one method relative to the other.

Therefore, based on the data thus far collected, I find that domestically produced animal identification tags attachable to the ear and of both one and two-piece construction is the like product to the imported article.

#### MATERIAL INJURY

Section 771(4)(D) directs the Commission, for purposes of considering material injury, to assess the effects of subsidized imports "in relation to the United States production of a like product if available data permit the separate identification of production in terms of such criteria as the production process or the producers' profits." Section 771(D) further states that,

[I]f the domestic production of the like product has no separate identify in terms of such criteria, then the effect of the subsidized...imports shall be assessed by the examination of the production of the narrowest group or range of products, which include a like product, for which the necessary information can be provided.

In this instant case, separate data for one-piece and two-piece identification tags was not available and material injury will be examined on the basis of relevant data for both types of tags.

Section 771(7)(A) defines the term "material injury" to mean "harm which is not inconsequential, immaterial, or unimportant." Section 771(7)(B) provides guidelines for the Commission in making its determination as to material injury.

The Commission shall consider, among other things,

(i) the volume of imports of the merchandise which is the subject of the investigation,

(ii) the effect of imports of that merchandise on prices in the United States for like products, and

(iii) the impact of imports of such merchandise on domestic producers of like products.

(i) volume of imports

Imports of animal identification tags from New Zealand took an increasing share of a growing U.S. tag market during 1977-1979. Imports of identification tags from New Zealand increased by 92 percent from 1977 to 1978 and 24 percent from 1978 to 1979. In the first six months of 1980, imports of tags from New Zealand increased 23 percent over the comparable period in 1979. Apparent consumption in the United States for one- and two-piece tags was about 31.4 million in 1977, 40.5 million in 1978, and 45.1 million in 1979. In the total U.S. animal identification tag market, imports from New Zealand increased their share of the U.S. market by 10 percentage points from 1977 to 1979. In the first six months of 1980, imported identification tags increased their share of the total market by 6.5 percentage points over the corresponding period in 1980.



## (ii) effects of imports on prices

Although the record at present indicates no consistent pattern of under-selling for the imported identification tag, there is evidence of price suppression by the foreign producer, Delta Plastics. In its 1980 Annual Report, the producer's parent company explains that the profit/sales ratio was lower for the income year 1980 because of a decision by Delta to "hold our selling price in the USA where we have seen strong efforts by our competitors to regain their declining share of the market." On the other hand, the petitioner has represented that their raw material and utility costs are increasing at a faster rate than their selling price, but that they could not raise prices at a proportionate rate because of the imported product.

## (iii) impact of imports on domestic producers

Information developed during the course of this investigation indicates that since the domestic industry makes 60 percent of its sales in the first six months of a calendar year, inventory levels should be at their lowest level as of June 30. However, inventories for domestic producers were at their highest during this period in 1980. As of June 30, 1980, the largest and third largest producers in the U.S. experienced increases, respectively, of 103 percent and 208 percent in inventory levels when compared to the comparable period in 1979.

THREAT OF MATERIAL INJURY

To reach an affirmative finding of the threat of material injury, the legislative history states that,

[D]emonstrable trends--for example, the rate of increase of subsidized...exports to the U.S. market, capacity in the exporting country to generate exports, the availability of other export markets and the nature of the subsidy in question (i.e., is the subsidy the sort that is likely to generate exports to the U.S.?) will be important. <sup>1/</sup>

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<sup>1/</sup> Committee on Ways and Means, House Report No. 96-317, 96th Cong., 1st Session, p. 47.

As noted above, exports to the U.S. market have increased rapidly and continuously. The New Zealand company presently has the capacity to increase exports significantly. Delta Plastics, Limited, sold 48 million identification tags in fiscal year 1979. Currently, the company's plant has a capacity to produce 100 million tags and is expected to produce 80 million identification tags in 1980. Seven new injection molding machines have been commissioned by Delta and the company is presently planning the addition of 14,500 square feet to its factory.

The nature of the alleged subsidy from the government of New Zealand is an export tax incentive program which rewards firms for increases in exports and the maintenance of those exports. In 1977 New Zealand exported 78 percent of its product, in 1978 84 percent, and in 1979 87 percent. Approximately 50 percent of Delta's exports go to the U.S. market and in the absence of evidence to the contrary it is only reasonable to assume that the U.S. will continue to receive such a share of New Zealand's exports.

#### Causality

Commission evidence confirms that seven lost sales with an alleged estimated value of \$180,462 were attributable to imported identification tags. It was also confirmed that seven distributors purchased tags from New Zealand to supplement their existing inventories of domestically produced identification tags. One of the reasons given for lost sales was that the two-piece tag was an advanced systems design over the one-piece tag and it was easier to apply.

The petitioner argues that Delta has been able to accomplish its high level of market penetration by using the export taxation credit to advertise and promote its product extensively. Consequently, petitioners seem to suggest that without such a subsidy, the imported article would not be as successfully marketed, penetration levels would not be as great and the domestic producers would not be suffering the material injury indicated. In view of the rather weak lost sales data thus far gathered, the critical nexus between the evidence of material injury discussed above and the allegedly subsidized imports largely rests with this novel allegation by petitioners regarding the use of the subsidy made by the importers.

I am not yet prepared to wholly endorse such an argument. However, I think the theory is sufficient, in view of the evidence so far collected, to establish the essential nexus between material injury and subsidized imports in this preliminary case which, it must be remembered, involves the question of a reasonable indication of material injury by reason of subsidized imports.

#### CONCLUSION

In view of these facts, it is my view that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of plastic animal identification tags from New Zealand.

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## INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On August 1, 1980, the U.S. International Trade Commission and the U.S. Department of Commerce received a petition from Y-Text Corp., Cody, Wyo., alleging that a bounty or grant is being paid with respect to plastic animal identification tags imported from New Zealand, entered under item 666.00 of the Tariff Schedules of the United States (TSUS) and accorded duty-free treatment. Accordingly, the Commission instituted a preliminary countervailing duty investigation under section 303 of the Tariff Act of 1930, as amended by section 103(b) of the Trade Agreements Act of 1979, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the importation of such merchandise into the United States. The statute directs that the Commission make its determination within 45 days of its receipt of the petition, or in this case by September 15, 1980. Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's New York City Office, and by publishing the notice in the Federal Register of August 13, 1980 (45 F.R. 53922). <sup>1/</sup> The public conference was held in Washington, D.C., on August 22, 1980. The Commission's vote on injury in this case was held on September 9, 1980.

## The Product

Description and uses

Animal identification tags are used for the temporary or permanent identification of cattle, hogs, sheep, and goats. These tags are almost always attached to the ear of the animal; thus they are often called eartags. A majority of the tags are made from polyurethane, although a vinyl or other plastic material may be substituted when durability of the tag is not essential. The tags are produced by the injection-molding process and are usually round, square, or rectangular. By using different molds, the same basic machinery can be used to produce any of the tags included in this investigation. Since the size of the animal being tagged usually determines the dimensions of the product, tags will vary from 1.75 to 7.5 square inches in surface area.

The consumer typically purchases tags in consecutive-number-stamped lots. These numbers are applied to finished blank tags in a simple hot-stamping process, which can be done by the manufacturer, distributor, or in some cases the retailer. Numbered tags can be indexed to information concerning an animal's date of birth, lineage, diet, and the like, or they can be used for quick identification when animals belonging to many different owners must

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<sup>1/</sup> A copy of the Commission's notice of investigation and conference and a list of witnesses appearing at the conference are presented in app. A.

mingle, as in a feedlot. The tags are fastened to the ear of the animal by either of two methods, depending upon whether the tag is of a one- or two-piece design.

In the one-piece-tag system, a star- or T-shaped fastening device is connected to the primary section of the tag. The fastening device is notched for attachment to a knife-like applicator called a trocar. During the installation process the trocar is pushed through the earlobe, carrying the fastening device with it. As the trocar is withdrawn it releases the fastening device on the far side of the animal's ear.

The two-piece tag consists of "female" and "male" components. The female component is similar in size and shape to the numbered section of the one-piece tags. This component in tags for smaller animals, such as pigs, is simply a small plastic disc with a short hollow cylinder extending from the center. The male component, or button, is usually a disc with a hollow stem extending from its center. Depending upon the manufacturer, the stem of the button is tipped by a copper or plastic cone, which may be solid, or hollow with the tip cut off. The two-piece tag is mounted by means of a device similar to a pair of pliers which has a clip-on fastener for the cylinder of the female tag on one arm and a pin for the mounting of the male tag on the other arm. When the handles of the applicator are squeezed, the ear is pierced by the applicator pin or head of the button, which is then guided through the cylinder of the female component; pressure is maintained until the components are firmly connected.

Prior to the introduction in 1975 of the two-piece identification tag produced by Delta Plastics, Ltd., in New Zealand, the one-piece tag dominated the U.S. tag market. It was not until 1978 that the larger U.S. producers began to market a two-piece tag.

According to industry sources, the key differences between the one- and two-piece products are cost and the degree of permanence. The two-piece tag is more costly but has a longer useful life. Delta Plastics, Ltd., has alleged that its product, if fastened properly, will remain in place for the life of the animal, whereas one-piece, trocar-applied tags tend to work loose sooner because of their placement in a slit made in the animal's ear. This is especially evident when younger animals are tagged, since the slit will grow as the animal grows, and the tag will eventually fall out. According to Delta, this has created a split in the market, as customers with short-term requirements, such as feedlot operators, prefer the less expensive one-piece units, while those with longer term requirements favor the two-piece unit. This contention is not universally accepted; U.S. producers state that it is not uncommon to see two-piece tags cut from the ears of animals and reused.

#### U.S. tariff treatment

Plastic animal identification tags are classified under the provision for "other" agricultural and horticultural machinery and implements, in item 666.00 of the TSUS. Merchandise entered under this item is duty free.

Prior to 1975, the U.S. Customs Service did not have a uniform established practice for the classification of plastic animal identification

tags. Vinyl animal identification tags which were used for temporary identification of cattle during an auction were held by the Customs Service to be classifiable under the provision for articles of plastic, not specially provided for, in TSUS item 774.60 and dutiable at a rate of 8.5 percent ad valorem. 1/ That Treasury Decision appeared to contradict an earlier Customs Information Exchange (C.I.E.) ruling which held that plastic numbered tags chiefly used for herd identification were classifiable under item 666.00 of the TSUS and entitled to duty-free entry. 2/

A uniform practice of classification for animal identification tags was established by U.S. Customs Service Internal Advice Ruling No. 00247 (Oct. 23, 1975). 3/ The request for the ruling was initiated by \* \* \*, which was contesting the Port of Los Angeles classification of the tags under TSUS item 774.60. After reviewing all the prior rulings, the Customs Service decided that the identification tags were more properly classifiable under item 666.00 of the TSUS, with entry free of duty. Furthermore, the identification tag applicator was also entitled to duty-free entry under TSUS item 651.39 as an agricultural or horticultural hand tool. The Customs Service advised the Commission that the 1975 internal advice ruling is still in effect.

Nature and Extent of the Alleged Bounties or Grants Being  
Paid or Bestowed

The petition filed by Y-TEX Corp. alleges that the Government of New Zealand bestows income tax credits or rebates in proportion to increases in export sales. The New Zealand Government's Increased Exports Taxation Incentive Program (IETI) began in April 1963 and was supplemented in April 1980 with a new export incentive program.

Basically, the IETI program allows exporters to claim a deduction from their taxable income of a percentage of the increase in the f.o.b. value of their qualifying export sales in a base period. Delta Plastics' tax rebates and export sales for fiscal 1978, 1979, and 1980 4/ are shown in the following tabulation (value figures in New Zealand dollars 5/):

<u>Fiscal</u> <u>year</u>	<u>Exports</u> <u>(1,000</u> <u>dollars)</u>	<u>Tax rebate</u> <u>(1,000</u> <u>dollars)</u>	<u>Ratio of rebate</u> <u>to exports</u> <u>(percent)</u>
1978-----	3,056	314	10.3
1979-----	4,895	443	9.0
1980-----	7,733	439	5.7

1/ T.D. 72-340(G), Aug. 23, 1972.

2/ C.I.E. 1563/66, June 8, 1966.

3/ A copy of the ruling is set forth in app. B.

4/ Delta's fiscal year is Apr. 1 to Mar. 31.

5/ As of Aug. 21, 1980, the New Zealand dollar was equal to U.S. \$0.975.

Information provided by Delta indicates that the company did not receive any tax rebates until fiscal 1978.

On April 1, 1980, the Government of New Zealand supplemented the IETI program with the Export Performance Taxation Incentive program (EPTI). A key difference between the new EPTI program and the older IETI program is that the newer program's subsidy rate is applied to total export sales each year. Accordingly, the tax credits or rebates will now be in proportion to export sales and will not depend on increases in export activity. Thus, Delta will be eligible for the tax rebates without increasing its volume of exports.

The U.S. Department of Commerce, in preliminary discussions with the Commission's staff, \* \* \*.

On August 19, 1980, Commerce issued a notice announcing that it had found the Y-Text petition to be properly filed within the meaning of its rules and that it was instituting an investigation. Notice to such effect was published in the Federal Register of August 25, 1980 (45 F.R. 56380). <sup>1/</sup> The scope of Commerce's investigation is the same as that of the Commission's investigation.

#### U.S. Market

Apparent U.S. consumption for the total animal identification tag market increased from 31 million units in 1977 to 41 million units in 1978 and then to 45 million units in 1979, or by 44 percent over the 3-year period. In January-June 1980, such consumption increased by 1.2 million tags over that in the corresponding period in 1979 (table 1).

Table 1.—Animal identification tags: Apparent U.S. consumption for the two-piece, one-piece, and total tag markets, 1977-79, January-June 1979, and January-June 1980

(In thousands of units)					
Period	2-piece tag market	:	1-piece tag market	:	Total market
1977-----	***	:	***	:	31,410
1978-----	***	:	***	:	40,526
1979-----	***	:	***	:	45,109
January-June--	:	:	:	:	:
1979-----	***	:	***	:	25,030
1980-----	***	:	***	:	26,205
	:	:	:	:	:

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

<sup>1/</sup> A copy of Commerce's notice and its transmittal letter to the Commission are shown in app. C.



The growth in the total tag market is due almost completely to the rapid increases in the two-piece tag market. During 1977-79, apparent U.S. consumption of two-piece tags more than tripled, rising from \* \* \* million tags to \* \* \* million tags. Furthermore, apparent U.S. consumption of two-piece tags in January-June 1980 increased by 2.7 million tags over the corresponding period in 1979. In contrast, apparent U.S. consumption of one-piece tags increased from \* \* \* million units in 1977 to \* \* \* million units in 1978, but then fell to \* \* \* million units in 1979. Over the period, apparent consumption of these tags declined by 2 percent. In January-June 1980, the one-piece tag market declined by 1.6 million units from the level in January-June 1979.

The rapid increase in the two-piece tag market did not primarily result from the substitution of two-piece tags for one-piece tags, but is principally attributable to the development of new markets for the two-piece unit. During 1977-79, apparent U.S. consumption of one-piece tags declined by only 642,000 units, while consumption of two-piece tags increased by 14.3 million units. According to U.S. producers and importers, demand for the two-piece tags is expected to grow as consumers become more aware of the product.

#### U.S. Producers

There are currently seven U.S. producers of animal identification tags. Their names, the locations of their production facilities, and each company's share of total producers' domestic shipments of tags in 1979 are as follows:

- (1) Y-Tex Corp.,  
Cody, Wyo.;  
\* \* \*
- (2) Temple Tag Co.,  
Temple, Tex.;  
\* \* \*
- (3) American Stockman Tag Co.,  
Temple, Tex.;  
\* \* \*
- (4) Fearing Manufacturing Co.,  
St. Paul, Minn.;  
\* \* \*
- (5) Ritchey Manufacturing Co.,  
Brighton, Colo.;  
\* \* \*
- (6) Apollo Tag System,  
Casper, Wyo.;  
\* \* \*
- (7) Rio Vista International  
San Antonio, Tex.;  
\* \* \*

Three of the seven U.S. producers—Y-Text, Fearing, and Temple—manufacture both one-piece and two-piece tags. Apollo manufactures only two-piece tags; the other three companies currently produce only one-piece tags.

Y-Text Corp., the petitioner in this investigation, is a subsidiary of the Husky Oil Co. A major U.S. producer of one-piece tags since 1967, Y-Text introduced a flexible two-piece tag in 1969 and 1970, but found no market for it at that time. It introduced its current two-piece tag in 1978. In 1975, Y-Text started a mail-order-catalog business called Modern Farms, which caters to the rural farm population. The Modern Farms catalog offers direct sales of all Y-Text products, including tags, to the consumer. Y-Text is the \*\*\* U.S. producer of identification tags, accounting for approximately \*\*\* of U.S. shipments of tags in 1979.

Temple Tag Co. was formed in 1957; it manufactured one-piece tags exclusively for 20 years. In February 1977, the Starbar Tag Co. (a subsidiary of Zoecon Industries) purchased Temple Tag and merged all animal tag operations under the Temple name. In 1979, Temple accounted for \*\*\* of U.S. producers' shipments of tags.

American Stockman Tag Co., of Temple, Tex., was incorporated in August 1979 by former employees of Temple Tag Co. and began production in January 1980. It manufactures only a maxisize tag and sells directly to feedlots. American Stockman informed the Commission \*\*\*. Furthermore, Temple advised the Commission that \*\*\*.

Fearing Manufacturing Co. is a family-owned firm in St. Paul, Minn. Fearing began the manufacture of livestock identification products in 1945. It added flexible one-piece tags to its line in 1963 and 1964 and has been manufacturing two-piece tags since 1979. On July 8, 1980, the Economic Development Administration of the Department of Commerce approved the guarantee of \$410,000 in trade adjustment assistance loans for Fearing Manufacturing Co. Included in the assistance are loans for \$245,000 to purchase machinery and equipment and \$165,000 to be used as working capital. 1/

Ritchey Manufacturing Co., of Brighton, Colo., is a family-owned firm that began operation in 1964. It manufactures and sells only one-piece tags and accessories such as applicators and marking pens. The U.S. Park Service purchases tags from Ritchey for use in its research on wild animals. In a letter to the Commission, Ritchey stated that it supports the Y-Text petition.

Apollo Tag System began operation in 1963 as the Perma-Tag Manufacturing Co., and its products at that time included identification neck chains. In 1965 Apollo was awarded a patent for a two-piece flexible identification tag. Currently, Apollo only manufactures two-piece tags.

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1/ A copy of the notice of adjustment assistance is set forth in app. D.

Rio Vista Farms began production of animal tags in December 1979 after it purchased the "Stay-put" tag line from Agri-Marketing International. However, Rio Vista's most important product is still the raising and selling of cattle.

During 1977-80, one U.S. producer of identification tags, International Beef Breeder of Colorado, ceased production. That firm produced two-piece tags.

#### Foreign Producers

The only producer of animal identification tags in New Zealand is Delta Plastics, Ltd., a subsidiary of Allflex Holdings, Ltd., Palmerston North, New Zealand.

Allflex Holdings, Ltd. was established as a publicly owned company in December 1979, with Delta Plastics as a subsidiary operating company. The prospectus issued by Allflex in connection with its establishment and its 1980 annual report are the sources for the information in this section.

Delta Plastics was founded in 1964 with an objective of marketing products to the agricultural sector. The most successful product designed and marketed by the firm is the Allflex animal identification tagging system. Sales of the eartags increased from \$NZ 181,000 in 1971 to \$NZ 5.1 million in 1979. Export sales of tags by Delta increased from 29 percent of total company sales in 1973 to 87 percent in 1979 (table 2).

Table 2.--Animal identification tags: Domestic New Zealand tag sales and export tag sales by Delta Plastics, Ltd., fiscal years 1971-79

(In New Zealand dollars)

Year ended Mar. 31--	Domestic sales	Export sales	Share of total company sales ac- counted for by export sales <u>Percent</u>
1971-----	\$128,000	\$53,000	29
1972-----	162,000	50,000	23
1973-----	256,000	105,000	29
1974-----	333,000	287,000	46
1975-----	302,000	362,000	55
1976-----	291,000	1,099,000	79
1977-----	594,000	2,063,000	78
1978-----	493,000	2,663,000	84
1979-----	651,000	4,468,000	87

Source: Prospectus, Allflex Holdings Ltd., February 1980.

Currently the company's New Zealand plant has a capacity to produce 100 million tags a year. The number of tags sold during fiscal 1979 was approximately 48 million. Production for fiscal 1980 is expected to exceed 80 million

tags. Delta also produced 90,000 tag applicators in 1979. Approximately 50 percent of Delta's exports go to the United States. Currently the New Zealand company has wholly owned subsidiaries in Melbourne, Australia, and Culver City, Calif., and joint-venture manufacturing facilities in Vitre, France, and Syracuse, New York.

In fiscal 1978, Delta began receiving income tax credits for increasing exports under the IETI. This New Zealand Government program had a large impact on Delta's profitability, as shown in the following tabulation: 1/

<u>Ratio of net sales to net profit</u>	
<u>Fiscal year ended</u> <u>Mar. 31--</u>	<u>(Percent)</u>
1975-----	11.2
1976-----	12.8
1977-----	14.6
1978:	
Without credit-----	12.2
With credit-----	20.4
1979:	
Without credit-----	15.8
With credit-----	23.3
1980:	
Without credit-----	15.7
With credit-----	19.9

Delta Plastics will continue to receive tax credits under the EPTI, the current export incentive law of New Zealand.

#### U.S. Importers

Four U.S. companies import Allflex animal identification tags from New Zealand, as follows:

- (1) Allflex Tag Co.,  
Culver City, Calif.
- (2) G. C. Hanford Manufacturing Co.,  
Syracuse, N. Y.
- (3) Vet Brand, Inc.,  
Torrance, Calif.
- (4) Diamond Shamrock Corp.,  
Cleveland, Ohio

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1/ Compiled from data in the Allflex Holdings, Ltd., prospectus.

Allflex Tag Co. is a wholly owned subsidiary of Delta Plastics, Ltd., manufacturer of the Allflex tag system, and acts as an agent for its parent company in the United States. The U.S. subsidiary conducts a retail mail-order business for Allflex tags, and also helps Delta's two master agents, Vet Brand and G. C. Hanford, in various problem areas. Vet Brand was a distributor of farm-animal-related products before it began marketing tags. Currently more than \* \* \* of the value of Vet Brand's total sales is accounted for by the Allflex tags. The company maintains a complete stamping operation for numbering and personalizing the tags.

G. C. Hanford Manufacturing Co. began operation in 1846 as a producer of veterinary medicines and related products. Hanford became an importer of the Allflex tags upon the recommendation of Vet Brand. The bulk of Vet Brand's tag sales are for use \* \* \*, and \* \* \* of Hanford's tag sales are for \* \* \*.

In early 1980, Hanford and Delta Plastics began a joint venture called the Allflex Manufacturing Co., Inc., a New York corporation. The new company was started for the exclusive purpose of manufacturing the Allflex tag system. Financed by a bond issue from the Onondaga (N.Y.) County Industrial Development Board, the new company has built an 8,000-square-foot building adjacent to Hanford's plant. 1/ Production is slated to begin in October 1980, with \* \* \* injection-molding machines producing \* \* \*. It is expected that the Allflex Manufacturing Co. will supplement rather than replace the imported tags. 2/

The plant was designed to house \* \* \* injection-molding machines. The additional machines will be ordered as the demand for increased production develops. George Hanford, president of Allflex Manufacturing Co., estimated that the new company will produce 5 million tags in the first year of operation and will attempt to double production in each of the next 2 years. 3/

In 1979, Diamond Shamrock acquired the animal health division of Shell Oil, which was importing male buttons from Delta Plastics for use in an insecticide tag for cattle called the Raybon tag. Shell and Diamond Shamrock provided the female part of the tag, which contains the insecticide. The insecticide eartag will be marketed in 1980 as the "Allflex Insecticide Tag" and will be under the Allflex trademark. Diamond and Allflex expect that demand for the new product will be \* \* \* tags a year.

#### Consideration of Material Injury or the Threat Thereof

The Commission sent questionnaires to the seven domestic producers of animal identification tags. It is estimated that these firms represented more than 95 percent of domestic shipments of identification tags. The Commission received complete questionnaire responses from only three of the seven

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1/ Transcript of the conference, pp. 71-72.

2/ Transcript of conference, pp. 81 and 82.

3/ Transcript of conference, p. 73.

companies; the other four producers provided partial data. Unless otherwise noted, figures cited in this report will describe the entire industry; partial data will be noted. All data provided by Ritchey, Fearing, and Apollo were for fiscal years, which were \* \* \* for Ritchey, \* \* \* for Fearing, and \* \* \* for Apollo.

#### U.S. capacity, production, and capacity utilization

The Commission received complete capacity and production data from six of the seven U.S. producers. Temple Tag, the \* \* \* largest producer, submitted data on capacity but not on production. It should be noted that of the other six companies, Rio Vista started production in 1979 and American Stockman, in 1980.

U.S. capacity of reporting firms to produce animal identification tags increased from 60 million tags in 1977 to 65 million in 1978 and to 83 million in 1979. As shown in table 3, part of the reason for the increase in capacity was the major increase in \* \* \* capacity to produce two-piece tags in 1978 and the startup of production of one-piece tags by \* \* \*. \* \* \*.

There are only four U.S. producers of two-piece tags; (including Temple) their capacity increased from \* \* \* million tags in 1977 (\* \* \*) to \* \* \* million in 1978 and then to \* \* \* million in 1979. Thus in 3 years U.S. capacity to produce two-piece tags increased by \* \* \* million tags or \* \* \* percent.

Without Temple Tag's production data, any U.S. industry analysis for production and capacity utilization would be inconclusive since Temple is the \* \* \* largest U.S. producer.

Y-Tex, the petitioner, \* \* \* its production of tags from \* \* \* in 1977 to \* \* \* in 1978 with the introduction of the two-piece "All American" tag and \* \* \* production of the one-piece tag. The company's capacity utilization also \* \* \*, from \* \* \* percent in 1977 to \* \* \* percent in 1978. However, Y-Tex's production \* \* \* in 1979 to \* \* \*, and capacity utilization \* \* \*. \* \* \*. On the basis of anticipated sales forecasts, Y-Tex \* \* \*. However, \* \* \*.

Temple Tag informed the Commission that it \* \* \*.

#### U.S. producers' domestic shipments

The Commission received shipment data from all seven U.S. producers. As shown in table 4, total U.S. producers' shipments of all tags increased from \* \* \* in 1977 to \* \* \* in 1979, or by 27 percent. However, in January-June 1980, shipments declined slightly (\* \* \*) compared with those in the corresponding period of 1979. The reason for the increase in total shipments for the U.S. industry was steadily increasing shipments of two-piece tags, which rose from \* \* \* in 1977 to \* \* \* in 1979. Shipments of two-piece tags increased by more than \* \* \* in January-June 1980 over shipments in the corresponding period of 1979. \* \* \* accounted for all the growth in 1980.

Table 3.--Animal identification tags: U.S. production, capacity, and capacity utilization, by firms and by types, 1977-79, January-June 1979, and January-June 1980

Period and firm	Production			Capacity			Capacity utilization		
	2-piece tags	1-piece tags	Total	2-piece tags	1-piece tags	Total	2-piece tags	1-piece tags	Total
	1,000 units						Percent		
1977:									
American Stockman	***	***	***	***	***	***	***	***	***
Ritchey Manufacturing Co	***	***	***	***	***	***	***	***	***
Y-TEX Corp	***	***	***	***	***	***	***	***	***
Fearing Manufacturing Co	***	***	***	***	***	***	***	***	***
Apollo Tag	***	***	***	***	***	***	***	***	***
Rio Vista International	***	***	***	***	***	***	***	***	***
Temple Tag Co	7/	7/	7/	1/	1/	1/	7/	7/	7/
Total	***	***	***	***	***	***	***	***	***
1978:									
American Stockman	***	***	***	***	***	***	***	***	***
Ritchey Manufacturing Co	***	***	***	***	***	***	***	***	***
Y-TEX Corp	***	***	***	***	***	***	***	***	***
Fearing Manufacturing Co	***	***	***	***	***	***	***	***	***
Apollo Tag	***	***	***	***	***	***	***	***	***
Rio Vista International	***	***	***	***	***	***	***	***	***
Temple Tag Co	7/	7/	7/	2/	2/	2/	7/	7/	7/
Total	***	***	***	***	***	***	***	***	***
1979:									
American Stockman	***	***	***	***	***	***	***	***	***
Ritchey Manufacturing Co	***	***	***	***	***	***	***	***	***
Y-TEX Corp	***	***	***	***	***	***	***	***	***
Fearing Manufacturing Co	***	***	***	***	***	***	***	***	***
Apollo Tag	***	***	***	***	***	***	***	***	***
Rio Vista International	***	***	***	***	***	***	***	***	***
Temple Tag Co	7/	7/	7/	3/	3/	3/	7/	7/	7/
Total	***	***	***	***	***	***	***	***	***
Jan.-June 1979:									
American Stockman	***	***	***	***	***	***	***	***	***
Ritchey Manufacturing Co	7/	7/	7/	4/	4/	4/	7/	7/	7/
Y-TEX Corp	***	***	***	***	***	***	***	***	***
Fearing Manufacturing Co	***	***	***	***	***	***	***	***	***
Apollo Tag	***	***	***	***	***	***	***	***	***
Rio Vista International	***	***	***	***	***	***	***	***	***
Temple Tag Co	7/	7/	7/	5/	5/	5/	7/	7/	7/
Total	***	***	***	***	***	***	***	***	***
Jan.-June 1980:									
American Stockman	***	***	***	***	***	***	***	***	***
Ritchey Manufacturing Co	***	***	***	***	***	***	***	***	***
Y-TEX Corp	***	***	***	***	***	***	***	***	***
Fearing Manufacturing Co	***	***	***	***	***	***	***	***	***
Apollo Tag	***	***	***	***	***	***	***	***	***
Rio Vista International	***	***	***	***	***	***	***	***	***
Temple Tag Co	7/	7/	7/	6/	6/	6/	7/	7/	7/
Total	***	***	***	***	***	***	***	***	***

1/ Temple Tag's estimated capacity for 1977 was \* \* \*.

2/ Temple Tag's estimated capacity for 1978 was \* \* \*.

3/ Temple Tag's estimated capacity for 1979 was \* \* \*.

4/ Ritchey Manufacturing estimated capacity for January-June 1979 was \* \* \*.

5/ Temple Tag's estimated capacity for January-June 1979 was \* \* \*.

6/ Temple Tag's estimated capacity for January-June 1980 was \* \* \*.

7/ Not available.

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

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Note.--Totals shown in the table for capacity reflect data for only those firms that reported both production and capacity figures. This was done so that capacity utilization figures could be accurately calculated. Total capacity figures for all reporting firms are discussed in the text and can be derived by adding figures shown in footnotes 1-6 to the totals in the table.

Table 4.—Animal identification tags: U.S. producers' domestic shipments, by firms and by types, 1977-79, January-June 1979, and January-June 1980

(In thousands of units)

Period	2-piece tags	1-piece tags	Total
1977:			
American Stockman-----	***	***	***
Ritchey Manufacturing Co-----	***	***	***
Y-TEX Corp-----	***	***	***
Fearing Manufacturing Co-----	***	***	***
Apollo Tag-----	***	***	***
Rio Vista International-----	***	***	***
Temple Tag-----	***	***	***
Total-----	***	***	***
1978:			
American Stockman-----	***	***	***
Ritchey Manufacturing Co-----	***	***	***
Y-TEX Corp-----	***	***	***
Fearing Manufacturing Co-----	***	***	***
Apollo Tag-----	***	***	***
Rio Vista International-----	***	***	***
Temple Tag-----	***	***	***
Total-----	***	***	***
1979:			
American Stockman-----	***	***	***
Ritchey Manufacturing Co-----	***	***	***
Y-TEX Corp-----	***	***	***
Fearing Manufacturing Co-----	***	***	***
Apollo Tag-----	***	***	***
Rio Vista International-----	***	***	***
Temple Tag-----	***	***	***
Total-----	***	***	***
January-June 1979:			
American Stockman-----	***	***	***
Ritchey Manufacturing Co-----	***	***	***
Y-TEX Corp-----	***	***	***
Fearing Manufacturing Co-----	***	***	***
Apollo Tag-----	***	***	***
Rio Vista International-----	***	***	***
Temple Tag-----	***	***	***
Total-----	***	***	***
January-June 1980:			
American Stockman-----	***	***	***
Ritchey Manufacturing Co-----	***	***	***
Y-TEX Corp-----	***	***	***
Fearing Manufacturing Co-----	***	***	***
Apollo Tag-----	***	***	***
Rio Vista International-----	***	***	***
Temple Tag-----	***	***	***
Total-----	***	***	***

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



Y-Tex's shipments of all tags \* \* \*. However, in January-June 1980, Y-Tex's sales of all tags \* \* \*. Interestingly, Y-Tex's sales of two-piece tags \* \* \* units in 1980, while sales of one-piece tags \* \* \*. In contrast, sales of two-piece tags by Temple Tag \* \* \* units in January-June 1979 \* \* \* in January-June 1980. Temple also \* \* \* in January-June 1980 (\* \* \*) as did Fearing Manufacturing (\* \* \*), the \* \* \* largest U.S. identification tag producer. In January-June 1980, Fearing experienced \* \* \* sales in the corresponding period of 1979.

### U.S. imports

The vast majority of U.S. imports of animal identification tags are from New Zealand. 1/ All the New Zealand tags are two piece and are manufactured by Delta Plastics, Ltd. There are no known imports of one-piece tags. The Commission received questionnaire responses from Delta's two master agent importers, G. C. Hanford Manufacturing Co. and Vet Brand, Inc., as well as Delta's wholly owned California subsidiary, Allflex Tag Co. Together, these three importers account for approximately \* \* \* percent of U.S. imports of animal identification tags from New Zealand.

Imports of tags from New Zealand almost doubled from \* \* \* tags 2/ in 1977 to \* \* \* tags in 1978, and then increased again to \* \* \* tags in 1979, as follows:

<u>Period</u>	<u>Quantity</u> (1,000 units)	<u>Value</u> (1,000 dollars)
1977-----	***	***
1978-----	***	***
1979-----	***	***
January-June--		
1979-----	***	***
1980-----	***	***

During January-June 1980, imports of tags from New Zealand increased by 23 percent over those in the corresponding period of 1979.

1/ According to U.S. Customs Service import invoices, small amounts of tags are imported from the United Kingdom; they are manufactured by Dalton Supplies, Ltd. These imports amounted to \* \* \* units in 1977 (value \* \* \*), \* \* \* units in 1978 (value \* \* \*), \* \* \* units in 1979 (value \* \* \*), and \* \* \* units in 1980 (value \* \* \*).

2/ The two components of a two-piece tag are being considered as one complete tag unit for statistical purposes.

As shown in table 5, Vet Brand is \* \* \*, accounting for \* \* \* percent of such imports in 1979. While tags imported by Vet Brand (Allflex's west coast master agent) \* \* \* percent in January-June 1980 \* \* \* the corresponding period of 1979, imports by Hanford (Allflex's east coast master agent) \* \* \*. Thus it would appear that in 1980, demand for the Allflex tag system is \* \* \*.

Table 5.--Animal identification tags: U.S. imports for consumption from New Zealand, 1977-79, January-June 1979, and January-June 1980

Firm	1977	1978	1979	January-June--	
				1979	1980
Quantity (1,000 units)					
Allflex Tag Co-----:	***	***	***	***	***
Vet Brand, Inc-----:	***	***	***	***	***
G. C. Hanford-----:	***	***	***	***	***
Total-----:	***	***	***	***	***
Value (1,000 dollars)					
Allflex Tag Co-----:	***	***	***	***	***
Vet Brand, Inc-----:	***	***	***	***	***
G. C. Hanford-----:	***	***	***	***	***
Total-----:	***	***	***	***	***

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

The other \* \* \* percent of Delta's export sales to the United States have been made to Shell Oil/Diamond Shamrock animal health division, which manufactures insecticide Raybon tags. These tags use the Allflex male button with a Diamond Shamrock female tag containing the insecticide formula. The Allflex applicator is used to apply the special tag to the animal's ear. It should be noted that the tags manufactured by Diamond Shamrock are not for the identification of animals, and thus have not been included in U.S. industry data. However, the imported male buttons are alleged to have received a bounty or grant and therefore are within the scope of the investigation and should be covered by the Commission's determination in this matter. Since import data were presented in tag units (male and female components being counted as one tag), imports of the male buttons were not included in import statistics for identification tags. The following tabulation shows the quantity and value of male buttons exported by Delta Plastics to Shell/Diamond Shamrock during 1977-80:

<u>Period</u>	<u>Quantity</u> <u>(1,000</u> <u>units</u>	<u>Value</u> <u>(1,000</u> <u>dollars)</u>
1977-----	***	***
1978-----	***	<u>1/</u>
1979-----	***	***
January-June--		
1979-----	<u>1/</u>	***
1980-----	***	***

1/ Not available.

### U.S. producers' inventories

Four U.S. producers submitted data on inventories of animal identification tags to the Commission. The reporting companies' inventories of all identification tags increased from \* \* \* tags at the end of 1977 to \* \* \* tags at the end of 1978, but then declined to \* \* \* tags at the end of 1979. However, the situation changed radically in 1980 as three U.S. producers (reporting inventories) showed an increase of 100 percent in inventories of tags as of June 30, 1980 (table 6).

At the public conference, Y-Text stated that the tag industry is seasonal, with 60 percent of the industry's sales coming in the first 6 months of any given year. Thus, a producer's inventory should be at its highest level as of December 31 and at its lowest as of June 30. Y-Text's inventory as of June 30, 1980, was \* \* \* units, compared with \* \* \* units as of June 30, 1979. 1/ Fearing Manufacturing experienced \* \* \* in its inventory of tags as of June 30, 1980, compared with the inventory level on June 30, 1979. The increases in inventories in 1980 occurred for both one- and two-piece tags. U.S. producers' two-piece tag inventories \* \* \* in 1980, and their one-piece tag inventories \* \* \*. As mentioned above, 1980 data reflect inventories held by only three producers.

### Employment and wages

The Commission received employment and wage data from five domestic producers, which accounted for \* \* \* percent of U.S. shipments of animal identification tags in 1979.

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1/ Y-Text's inventory as of June 30, 1977, was \* \* \* units and as of June 30, 1978, it was \* \* \* units.

Table 6.--Animal identification tags: U.S. producers' end-of-period Inventories, by firms, Dec. 31 of 1977-79 and June 30 of 1979 and 1980

(In thousands of units)

Date and firm	2-piece tags	1-piece tags	Total
<b>Dec. 31, 1977:</b>			
American Stockman-----	***	***	***
Ritchey Manufacturing Co--	***	***	***
Y-TEX Corp.-----	***	***	***
Fearing Manufacturing Co--	***	***	***
Apollo Tag-----	***	***	***
Rio Vista International---	1/	1/	1/
Temple Tag-----	1/	1/	1/
Total-----	***	***	***
<b>Dec. 31, 1978:</b>			
American Stockman-----	***	***	***
Ritchey Manufacturing Co--	***	***	***
Y-TEX Corp.-----	***	***	***
Fearing Manufacturing Co--	***	***	***
Apollo Tag-----	***	***	***
Rio Vista International---	***	***	***
Temple Tag-----	1/	1/	1/
Total-----	***	***	***
<b>Dec. 31, 1979:</b>			
American Stockman-----	***	***	***
Ritchey Manufacturing Co--	***	***	***
Y-TEX Corp.-----	***	***	***
Fearing Manufacturing Co--	***	***	***
Apollo Tag-----	***	***	***
Rio Vista International---	1/	1/	1/
Temple Tag-----	1/	1/	1/
Total-----	***	***	***
<b>June 30, 1979:</b>			
American Stockman-----	***	***	***
Ritchey Manufacturing Co--	***	***	***
Y-TEX Corp.-----	***	***	***
Fearing Manufacturing Co--	***	***	***
Apollo Tag-----	***	***	***
Rio Vista International---	1/	1/	1/
Temple Tag-----	1/	1/	1/
Total-----	***	***	***
<b>June 30, 1980:</b>			
American Stockman-----	***	***	***
Ritchey Manufacturing Co--	***	***	***
Y-TEX Corp.-----	***	***	***
Fearing Manufacturing Co--	***	***	***
Apollo Tag-----	***	***	***
Rio Vista International---	1/	1/	1/
Temple Tag-----	1/	1/	1/
Total-----	***	***	***

1/ Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. A-16

The total number of persons employed in establishments producing animal identification tags increased from 147 in 1977 to 191 in 1979 and then rose slightly to 200 during January-June 1980 (table 7). Production and related workers engaged in producing animal identification tags increased from 88 in 1977 to 135 in 1979 and to 140 in January-June 1980, primarily because the \* \* \*. However, it should be noted that in July 1980, Y-Text shut down its production of tags because of excessive inventories (see section on U.S. producers' inventories). Counsel for Y-Text informed the Commission that Y-Text resumed production in mid-August 1980. The average hourly wage for production and related workers increased from \$3.58 per hour in 1977 to \$4.27 per hour in 1979 and to \$4.76 in January-June 1980.

Table 7.--Average number of employees, total and production and related workers, in U.S. establishments producing animal identification tags and average hourly wages for the latter, 1977-79, January-June 1979, and January-June 1980

Item	Jan.-June--				
	1977	1978	1979	1979	1980
Average number of employees in the reporting establishments:					
All persons-----	147	161	191	190	200.5
Production and related workers producing:					
All products-----	88	104	135	133	140.5
Animal identification tags-----	88	104	135	133	140.5
Average hourly wages for production and related workers-----	\$3.58	\$3.82	\$4.27	\$4.25	\$4.76

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

#### U.S. exports

Four of the seven domestic producers submitted data on exports of animal identification tags. Total exports declined from \* \* \* units in 1977 to \* \* \* units in 1978 but then rebounded to \* \* \* units in 1979. In 1977 and 1978, U.S. exports were almost exclusively of one-piece tags. However, exports of U.S. two-piece tags became a significant factor in export sales in 1979 (table 8).

Table 8.—Animal identification tags: U.S. exports, by firms, 1977-79, January-June 1979, and January-June 1980

Period and firm	2-piece tags	1-piece tags	Total
1977:			
American Stockman-----:	***	***	***
Ritchey Manufacturing Co--:	***	***	***
Y-Tex Corp-----:	***	***	***
Fearing Manufacturing Co--:	***	***	***
Apollo Tag-----:	***	***	***
Rio Vista International--:	$\frac{1}{1/}$	$\frac{1}{1/}$	$\frac{1}{1/}$
Temple Tag-----:	$\frac{1}{1/}$	$\frac{1}{1/}$	$\frac{1}{1/}$
Total-----:	***	***	***
1978:			
American Stockman-----:	***	***	***
Ritchey Manufacturing Co--:	***	***	***
Y-Tex Corp-----:	***	***	***
Fearing Manufacturing Co--:	***	***	***
Apollo Tag-----:	***	***	***
Rio Vista International--:	$\frac{1}{1/}$	$\frac{1}{1/}$	$\frac{1}{1/}$
Temple Tag-----:	$\frac{1}{1/}$	$\frac{1}{1/}$	$\frac{1}{1/}$
Total-----:	***	***	***
1979:			
American Stockman-----:	***	***	***
Ritchey Manufacturing Co--:	***	***	***
Y-Tex Corp-----:	***	***	***
Fearing Manufacturing Co--:	***	***	***
Apollo Tag-----:	***	***	***
Rio Vista International--:	$\frac{1}{1/}$	$\frac{1}{1/}$	$\frac{1}{1/}$
Temple Tag-----:	$\frac{1}{1/}$	$\frac{1}{1/}$	$\frac{1}{1/}$
Total-----:	***	***	***
January-June 1979:			
American Stockman-----:	***	***	***
Ritchey Manufacturing Co--:	***	***	***
Y-Tex Corp-----:	***	***	***
Fearing Manufacturing Co--:	***	***	***
Apollo Tag-----:	***	***	***
Rio Vista International--:	$\frac{1}{1/}$	$\frac{1}{1/}$	$\frac{1}{1/}$
Temple Tag-----:	$\frac{1}{1/}$	$\frac{1}{1/}$	$\frac{1}{1/}$
Total-----:	***	***	***
January-June 1980:			
American Stockman-----:	***	$\frac{1}{1/}$	$\frac{1}{1/}$
Ritchey Manufacturing Co--:	***	***	***
Y-Tex Corp-----:	***	***	***
Fearing Manufacturing Co--:	***	***	***
Apollo Tag-----:	***	***	***
Rio Vista International--:	$\frac{1}{1/}$	$\frac{1}{1/}$	$\frac{1}{1/}$
Temple Tag-----:	$\frac{1}{1/}$	$\frac{1}{1/}$	$\frac{1}{1/}$
Total-----:	***	***	***

$\frac{1}{1/}$  Not available.

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

Financial experience of U.S. producers

The Commission requested profit-and-loss data from all seven U.S. producers of animal identification tags. Usable data were received from four domestic producers (Y-Tex Corp., Fearing Manufacturing, Ritchey Manufacturing, and Apollo Tag), which accounted for \*\*\* percent of U.S. shipments of animal identification tags in 1979. However, since the data submitted were not uniform, they are limited in their usefulness as a measure of profitability. All the firms except Y-Tex provided data on the overall operations of their firms. Fearing informed the Commission that tag sales represent \*\*\* percent of the company's total sales, and Ritchey and Apollo informed the Commission that tag sales represent \*\*\* percent of their companies' sales. Ritchey also presented its financial data \*\*\*. Furthermore, each of the four companies used different accounting years (see footnotes to table 9).

As set forth in table 9, total net sales of animal identification tags by Y-Tex \*\*\* from \*\*\* in 1977 to \*\*\* in 1979. The \*\*\* in net sales was primarily due to \*\*\*. In the same period, the ratio of net operating profit to net sales \*\*\* percent in 1977 to \*\*\* percent in 1978, but then \*\*\* percent in 1979. If interest expense is included in the profit-and-loss data, then Y-Tex's ratio of net operating profit or loss to net sales would show \*\*\* percent in 1977 to \*\*\* percent in 1978 and \*\*\* percent in 1979.

Y-Tex's ratio of the cost of goods sold to net sales \*\*\* percent in 1977 to \*\*\* percent in 1979. The company's general, selling, and administrative expenses as a share of net sales \*\*\* percent in 1977 to \*\*\* percent in 1979. Y-Tex informed the Commission that \*\*\*. The following tabulation illustrates Y-Tex's \*\*\* financial picture from January-July 1978 through January-July 1980:

Item	January-July--		
	1978	1979	1980
Net sales-----	***	***	***
Cost of goods sold-----	***	***	***
Gross profit-----	***	***	***
General, selling, and administrative expenses-----	***	***	***
Net operating profit-----	***	***	***
Interest expense-----	***	***	***
Net profit after interest expense---	***	***	***
Ratio of net operating profit to to net sales-----	***	***	***
Ratio of net profit after interest expense to net sales-----	***	***	***

Table 9.--Profit-and-loss experience of U.S. producers of animal identification tags, 1977-79

Year and firm	Net sales	Cost of goods sold	Gross profit	General, selling and administrative expenses	Net operating profit or (loss)	Interest expense	Net profit (loss) after interest expense	Ratio on net:	
								operating profit or (loss) to net sales	profit or (loss) after interest expense to net sales
								Percent	Percent
								1,000 dollars	
1977:									
Y-Tex Corp. 1/	***	***	***	***	***	***	***	***	***
Fearing Manufacturing Co. 2/	***	***	***	***	***	***	***	***	***
Apollo Tag System 3/	***	***	***	***	***	***	***	***	***
Ritchey Manufacturing Co. 4/	***	***	***	***	***	***	***	***	***
1978:									
Y-Tex Corp. 1/	***	***	***	***	***	***	***	***	***
Fearing Manufacturing Co. 2/	***	***	***	***	***	***	***	***	***
Apollo Tag, System 3/	***	***	***	***	***	***	***	***	***
Ritchey Manufacturing Co. 4/	***	***	***	***	***	***	***	***	***
1979:									
Y-Tex Corp. 1/	***	***	***	***	***	***	***	***	***
Fearing Manufacturing Co. 2/	***	***	***	***	***	***	***	***	***
Apollo Tag System 3/	***	***	***	***	***	***	***	***	***
Ritchey Manufacturing Co. 4/	***	***	***	***	***	***	***	***	***

1/ The accounting year for Y-Tex Corp. \* \* \*. The data represent the overall operations of the company. The tag sales account for \* \* \* percent of total sales of the company.  
 2/ The accounting year for Fearing Manufacturing Co. \* \* \*. The data represent the overall operations of the company. The tag sales account for \* \* \* percent of total sales of the company.  
 3/ The accounting year for Apollo Tag \* \* \*. The tag sales account for \* \* \* percent of total sales of the company.  
 4/ The accounting year for Ritchey Manufacturing Co. \* \* \*. The tag sales account for \* \* \* percent of total sales of the company. The data presented are \* \* \*.

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



Fearing Manufacturing's total net sales \* \* \* percent from \* \* \* in 1977 to \* \* \* in 1979. Owing to shifting tag demand, \* \* \*. The company's ratio of net operating profit to net sales \* \* \* percent in 1977 to \* \* \* percent in 1978 but then \* \* \* percent in 1979. The profit margin after interest expense \* \* \*. \* \* \*. However, sales in 1979 \* \* \* percent, resulting in \* \* \*.

Apollo Tag's net sales of two-piece tags \* \* \* percent from \* \* \* in 1977 to \* \* \* in 1979. The company \* \* \* in 1977 because of \* \* \*. \* \* \*. The company's ratio of net profit or loss to net sales \* \* \* percent in 1977 to \* \* \* percent in 1978 and \* \* \* percent in 1979.

Because Ritchey Manufacturing Co.'s financial data were \* \* \*, Ritchey produces only one-piece tags, net sales of which \* \* \* percent from 1977 through 1979. The company reported \* \* \* during 1977-79.

In addition to the financial information collected from U.S. producers, the Commission obtained profit-and-loss data on the New Zealand producer, Delta Plastics. This information is presented in appendix E.

#### Consideration of the Causal Relationship Between Allegedly Subsidized Imports and the Alleged Injury

##### Market penetration of allegedly subsidized imports

In the total U.S. animal identification tag market, imports from New Zealand increased their share of consumption from \* \* \* percent in 1977 to \* \* \* percent in 1979. In January-June 1980, the imported tags increased their share of the total tag market to \* \* \* percent, compared with \* \* \* percent in January-June 1979.

U.S. imports of animal identification tags from New Zealand supplied a declining share of the two-piece tag market during 1977-79. Such imports' share declined from \* \* \* percent in 1977 to \* \* \* percent in 1979 (table 10). In January-June 1980, the share suffered a further loss of \* \* \* percentage points compared with that in the corresponding period of 1979.

At the public conference, George Hanford, president of G. C. Hanford Manufacturing Co. (Allflex's east coast master agent) stated that his firm's sales of imported tags were down in the first half of 1980 <sup>1/</sup> and therefore his company \* \* \*. Mr. Hanford theorized that the current recession is curtailing tag business. William Wittick, vice president of Vet Brand (Allflex's west coast master agent), stated at the public conference that his company has experienced "a leveling of sales" in 1980. <sup>2/</sup>

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<sup>1/</sup> Transcript of the conference p. 74.

<sup>2/</sup> Transcript of the conference p. 85.

Table 10.—Animal identification tags: U.S. producers' domestic shipments, imports for consumption, and apparent consumption of 2-piece tags, and apparent consumption of 1- and 2-piece tags, 1977-79, January-June 1979, and January-June 1980

Period	2-piece tags				Ratio of imports to consumption	Apparent consumption of 1- and 2-piece tags	Ratio of imports of 2-piece tags to total consumption
	Domestic shipments	Imports	Apparent consumption	Ratio of imports to consumption			
	1,000 units	1,000 units	1,000 units	Percent	1,000 units	Percent	
1977-----	***	***	***	***	31,410	***	***
1978-----	***	***	***	***	40,526	***	***
1979-----	***	***	***	***	45,109	***	***
Jan.-June--							
1979-----	***	***	***	***	25,030	***	***
1980-----	***	***	***	***	26,205	***	***

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

As shown in table 11, Vet Brand and Hanford experienced \* \* \* in the sales of Allflex tags from about \* \* \* units in 1977 to \* \* \* units in 1979. However, in January-June 1980, Hanford \* \* \* units in tag sales compared with sales in the corresponding period of 1979. \* \* \*, Vet Brand's sales of Allflex tags \* \* \* units in January-June 1979 to \* \* \* units in January-June 1980, or by \* \* \* percent. Thus, the increased market penetration of imports in the total market in January-June 1980 was primarily due to \* \* \*. It should be noted that Hanford and Vet Brand \* \* \*. Vet Brand primarily \* \* \*, while Hanford's \* \* \*.

### Prices

The Commission collected data on prices of animal identification tags sold to distributors by four U.S. producers and the two master agent importers of Allflex Tags. Both U.S. manufacturers and importers market tags primarily through U.S. distributors of agricultural products; although some direct sales to retailers are made, they constitute only a small share of the total market. These firms have nationwide price lists, and conversations with distributors confirm that their prices are generally adhered to. Prices were obtained for both numbered and blank one- and two-piece tags. <sup>1/</sup> However, as the price difference between blank and numbered tags is virtually constant, only blank-tag prices are presented.

<sup>1/</sup> The U.S. tag market was for only one-piece tags until the introduction of the two-piece tag in the mid-1970's.

Table 11.—Animal identification tags: U.S. importers' shipments, by firms, 1977-79, January-June 1979, and January-June 1980

(In thousands of units)

Period and firm	Shipments of Allflex tags
1977:	
Allflex Tag Co-----	***
Vet Brand, Inc-----	***
G. C. Hanford Manufacturing Co-----	***
Total-----	***
1978:	
Allflex Tag Co-----	***
Vet Brand, Inc-----	***
G. C. Hanford Manufacturing Co-----	***
Total-----	***
1979:	
Allflex Tag Co-----	***
Vet Brand, Inc-----	***
G. C. Hanford Manufacturing Co-----	***
Total-----	***
January-June 1979:	
Allflex Tag Co-----	***
Vet Brand, Inc-----	***
G. C. Hanford Manufacturing Co-----	***
Total-----	***
January-June 1980:	
Allflex Tag Co-----	***
Vet Brand, Inc-----	***
G. C. Hanford Manufacturing Co-----	***
Total-----	***

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

Price data were collected for the period January 1, 1977-September 1, 1980. Comparisons of prices for different sizes of two-piece tags are presented in tables 12, 13, and 14. January-March 1979 is the first period for which price data are available from three companies producing two-piece tags; 1/ since that period prices have risen approximately 25 percent. Domestic firms have increased prices twice since January 1979, maintaining the new, higher level of prices for periods of up to 1 year. A price increase by any one firm appears to have elicited a similar price increase from other domestic firms after a lag of several months. For each firm, price increases were applied to all product lines.

1/ Apollo Tag, which produces two-piece tags, did not provide adequate price data.

Table 12.--Animal identification tags: Unit prices to distributors for the blank, 2-piece, maxisize tag of importers and domestic producers, by quarters, 1977-79, and January-June 1980, and on Sept. 1, 1980

(In cents per units)

Period	Delta	Y- <u>Tex</u>	Fearing	Temple <u>2/</u>
1977:				
January-March-----	***	-	-	-
April-June-----	***	-	-	-
July-September-----	***	-	-	-
October-December-----	***	-	-	-
1978:				
January-March-----	***	-	-	***
April-June-----	***	-	-	***
July-September-----	***	<u>4/</u> ***	-	***
October-December-----	***	<u>4/</u> ***	-	***
1979:				
January-March-----	***	***	***	***
April-June-----	***	***	***	***
July-September-----	***	***	***	***
October-December-----	***	***	***	***
1980:				
January-March-----	***	<u>5/</u> ***	***	***
April-June-----	<u>1/</u> ***	<u>5/</u> ***	<u>1/</u> ***	***
Sept. 1-----	***	***	***	<u>3/</u> ***

<u>1/</u> * * *
<u>2/</u> * * *
<u>3/</u> * * *
<u>4/</u> * * *
<u>5/</u> * * *

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

Table 13.—Animal identification tags: Unit prices to distributors for the blank, 2-piece, large-size tag of importers and domestic producers, by quarters, 1977-79, and January-June 1980, and on Sept. 1, 1980

(In cents per unit)

Period	Delta	Y-Tex	Fearing	Temple <u>2/</u>
1977:				
January-March-----	***	-	-	-
April-June-----	***	-	-	-
July-September-----	***	-	-	-
October-December-----	***	-	-	-
1978:				
January-March-----	***	-	-	-
April-June-----	***	-	-	-
July-September-----	***	<u>4/</u> ***	-	-
October-December-----	***	<u>4/</u> ***	-	***
1979:				
January-March-----	***	***	***	***
April-June-----	***	***	***	***
July-September-----	***	***	***	***
October-December-----	***	***	***	***
1980:				
January-March-----	***	<u>5/</u> ***	***	***
April-June-----	<u>1/</u> ***	<u>5/</u> ***	<u>1/</u> ***	***
Sept. 1-----	***	***	***	<u>3/</u> ***
<u>1/</u> * * *				
<u>2/</u> * * *				
<u>3/</u> * * *				
<u>4/</u> * * *				
<u>5/</u> * * *				

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

Table 14.—Animal identification tags: Unit prices to distributors for the blank, 2-piece, medium-size tag of importers and domestic producers, by quarters, 1977-79, and January-June 1980, and on Sept. 1, 1980

(In cents per unit)

Period	Delta	Y-TEX	Fearing	Temple
1977:				
January-March-----	***	-	-	-
April-June-----	***	-	-	-
July-September-----	***	-	-	-
October-December-----	***	-	-	-
1978:				
January-March-----	***	-	-	-
April-June-----	***	-	-	-
July-September-----	***	3/ ***	-	-
October-December-----	***	3/ ***	-	-
1979:				
January-March-----	***	***	***	-
April-June-----	***	***	***	***
July-September-----	***	***	***	***
October-December-----	***	***	***	***
1980:				
January-March-----	***	4/ ***	***	***
April-June-----	1/ ***	4/ ***	1/ ***	***
Sept. 1-----	***	***	***	2/ ***
1/ * * *				
2/ * * *				
3/ * * *				
4/ * * *				

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

After an average price increase of about \* \* \* percent in January 1978, Delta's prices \* \* \*. In the report on Allflex Holdings' first annual general meeting, the Chairman of Directors stated that the profit/sales ratio was lower for the income year 1980 (Apr. 1, 1979-Mar. 31, 1980) owing to a decision by Allflex to "hold our selling price in the USA where we have seen strong efforts by our competitors to regain their declining share of the market." On June 1, 1980, Allflex's prices for maxi, large, and medium tags \* \* \*.

There has been no consistent pattern of underselling for the imported product in the U.S. market. A significant exception is during January-June 1980, when \* \* \* Tag prices exceeded those of Delta by \* \* \* cents per maxi tag, \* \* \* cents per large tag, and \* \* \* cents per medium tag. As of September 1, 1980, Allflex's prices exceeded those of all domestic tags except for medium tags from \* \* \*, which were equal in price.

Y-Tex offered two promotional sales during the period of investigation. From September 15 to October 28, 1978, in order to introduce its two-piece tag to the market, \* \* \*. From November 1 to November 15, 1978, \* \* \*. According to Y-Tex, because of increased import competition which caused excessive inventory levels, a promotional sale was applied to all tags from February 1 to April 30, 1980; during this period \* \* \*. The sales for these periods are not reflected in the corresponding questionnaire price data submitted to the Commission by Y-Tex and presented in tables 12-15.

The three domestic manufacturers of two-piece tags that reported prices began production of two-piece tags between late 1978 and early 1979. The prices first charged by the domestic firms were considerably lower than those for tags from Delta e.g., an average of \* \* \* cents below Delta's price of \* \* \* cents for maxi tags, \* \* \* cents below Delta's price of \* \* \* cents for large tags, and \* \* \* cents below Delta's price of \* \* \* cents for medium tags. These price differences have narrowed over time as there have been increases in domestic prices while prices of the imported product did not change from 1978 through mid-1980. The three domestic manufacturers recently increased prices for two-piece tags: \* \* \*. In the period January 1, 1979 September 1, 1980, Delta's prices of maxi, large, and medium tags increased by \* \* \*, respectively. Delta's prices, therefore, remain higher than domestic prices by an average of \* \* \* cents for maxi tags, \* \* \* cents for large tags, and \* \* \* cents for medium tags.

Table 15 presents price data for domestic one-piece tags. There are no imports of one-piece tags. Distributors indicated that sales of one-piece tags were suffering because of the increasing popularity of two-piece tags, both imported and domestic. Between January 1977 and September 1979, prices for Ritchey's one-piece tags increased by \* \* \* percent, or \* \* \* cents per tag, from an average price of \* \* \* cents. Prices for Fearing's tags increased an average of \* \* \* percent, or \* \* \* cents per tag, from an average price of \* \* \* cents. Y-Tex's prices for tags increased by \* \* \* percent, or \* \* \* cents per tag, from an average price of \* \* \* cents. In contrast to the recent price increase for two-piece tags, prices of one-piece tags remained level over the past year.

Table 15.--Animal identification tags: Prices to distributors for the maxi, large and medium blank, 1-piece tags of Ritchey Manufacturing Co., Fearing, Manufacturing Co., and Y-TeX Corp., by quarters, 1977-79, and January-June 1980

(In cents per unit)										
Period	Maxi			Large			Medium			
	Ritchey	Fearing	Y-TeX	Ritchey	Fearing	Y-TeX	Ritchey	Fearing 1/	Y-TeX	
1977:										
January-March---	***	***	***	***	***	***	***	***	***	***
April-June-----	***	***	***	***	***	***	***	***	***	***
July-September--	***	***	***	***	***	***	***	***	***	***
October-										
December-----	***	***	***	***	***	***	***	***	***	***
1978:										
January-March---	***	***	***	***	***	***	***	***	***	***
April-June-----	***	***	***	***	***	***	***	***	***	***
July-September--	***	***	***	***	***	***	***	***	***	***
October-										
December-----	***	***	***	***	***	***	***	***	***	***
1979:										
January-March---	***	***	***	***	***	***	***	***	***	***
April-June-----	***	***	***	***	***	***	***	***	***	***
July-September--	***	***	***	***	***	***	***	***	***	***
October-										
December-----	***	***	***	***	***	***	***	***	***	***
1980:										
January-March---	***	***	2/***	***	***	2/***	***	***	2/	***
April-June-----	***	***	2/***	***	***	2/***	***	***	2/	***

1/ \* \* \*.  
2/ \* \* \*.

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



Lost sales

\* \* \* supplied the Commission with a list of 32 firms to which they allegedly lost sales of animal identification tags because of subsidized imports from New Zealand. The Commission contacted 27 of the purchasing firms, which accounted for 76 percent (\$663,000) of the total alleged lost sales, and was able to confirm 7 lost sales with an alleged value of approximately \$180,000. Details of the lost sales are as follows:

<u>Purchasing company</u>	<u>Former domestic supplier</u>	<u>Alleged value of lost sale</u>
* * *	* * *	* * *
* * *	* * *	* * *
* * *	* * *	* * *
* * *	* * *	* * *
* * *	* * *	* * *
* * *	* * *	* * *
* * *	* * *	* * *
		<u>180,462</u>

It should be noted that in six of the seven lost sales, the distributor reported that it switched from the \* \* \* one-piece tagging system to the Allflex two-piece tagging system exclusively, despite the higher price of the imported product. The distributors cited the Allflex system's advancement in design over the older one-piece tagging system and the ease of application of the Allflex tags as their reasons for switching to the imported product. The distributors felt that the quality and advanced design of the imported product outweighed the increased cost factor.

The Commission was able to confirm that an additional seven distributors of tags added the Allflex system to complement their existing inventories of domestically produced tags. Four of these firms indicated that the majority of their tag purchases are domestic and that they only carry the Allflex line to satisfy customer preference for the imported product. The other three

companies admitted that they now carry the Allflex line as well as domestically produced tags, but were unable or unwilling to tell the Commission the makeup of their tag inventory. Details of the seven partially confirmed lost sales are as follows:

<u>Purchasing company</u>	<u>Domestic supplier alleging lost sale</u>
* * *	* * *
* * *	* * *
* * *	* * *
* * *	* * *
* * *	* * *
* * *	* * *
* * *	* * *

A number of distributors stated that they cancelled purchases of tags from Y-Tex because of its mail-order-catalog business, which competed with them for their local customers. <sup>1/</sup> Some of these distributors switched to other U.S. producers' tags, while others diversified their tag inventories with the Allflex tags.

Tag distributors voiced two other reasons for the popularity of the Allflex tags. The first is the fact, widely recognized by dealers and consumers, that Allflex was the first on the market with the two-piece system. It was thus the sole beneficiary of the growing popularity of the system for 4 years, and it continued to enjoy the benefits gained during this period even after U.S. firms entered the market. These benefits took the form of established distributorships, customer loyalty, and widespread name recognition. The second reason for its sales success is the perceived superiority of its product. While not all of the distributors agreed that the Allflex tag was the superior product, none of the distributors would cite any U.S. product as superior to it. Especially singled out for praise was the Allflex applicator, which is purchased even by dealers which don't stock Allflex tags.

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

APPENDIX A

COMMISSION'S NOTICE OF INVESTIGATION AND CONFERENCE AND  
LIST OF WITNESSES APPEARING AT THE CONFERENCE

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**INTERNATIONAL TRADE  
COMMISSION****[303-TA-14 (Preliminary)]****Animal Identification Tags From New Zealand; Institution of Preliminary Countervailing Duty Investigation and Scheduling of Conference**

*Investigation instituted.* Following receipt of a petition on August 1, 1980, filed by Y-Text Corporation, Cody, Wyoming, a domestic producer of plastic animal identification tags, the United States International Trade Commission on August 5, 1980, instituted a preliminary countervailing duty investigation under section 303 of the Tariff Act of 1930, as amended by section 103 of the Trade Agreements Act of 1979, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of allegedly subsidized imports from New Zealand of plastic animal identification tags provided for in item 668.00 of the Traffic Schedules of the United States. This investigation will be subject to the provisions of Part 207 of the Commission's *Rules of Practice and Procedure* (19 CFR 207, 44 FR 76457) and, particularly, Subpart B thereof, effective January 1, 1980.

*Written submissions.* Any person may submit to the Commission on or before August 27, 1980, a written statement of information pertinent to the subject matter of the investigation. A signed original and nineteen copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submission must conform with the requirements of

section 201.6 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.6). All the written submissions, except for confidential business data, will be available for public inspection.

**Conference.** The Director of Operations of the Commission has scheduled a conference in connection with the investigation for August 22, 1980, at the U.S. International Trade Commission Building, 701 E. Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the staff investigator, Mr. William Schechter (202-523-0300). It is anticipated that parties in support of the petition for countervailing duties and parties opposed to such petition will each be collectively allocated one hour within which to make an oral presentation at the conference. Further details concerning the conduct of the conference may be obtained from Mr. Schechter.

**Inspection of petition.** The petition filed in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission, and at the New York City office of the U.S. International Trade Commission located at 6 World Trade Center.

Issued: August 8, 1980.

Kenneth R. Mason,  
Secretary.

[FR Doc. 80-24480 Filed 8-12-80; 8:45 am]

BILLING CODE 7020-02-M

APPEARANCES AT COMMISSION CONFERENCE

INVESTIGATION Animal Identification Tags, 303-TA-14 (Preliminary)

DATE August 22, 1980

DOMESTIC INTERESTS:

Lamb & Lerch - by David Ostheimer, Esq.  
for Y-Text Corporation, Petitioner

Roger Heines, President  
Bill Rohrbach - General Counsel  
Jerry Payne - Treasurer

IMPORT INTERESTS:

Bronz & Farrell - by Edward Farrell, Esq.  
for Delta Plastics - Allflex Tag Co., Respondent

Bill Wittick - Vice President of Vet Brands, Inc.  
George Hanford VI - President of Hanford Manufacturing Co.

APPENDIX B

CUSTOMS SERVICE INTERNAL ADVICE RULING NO. 00247

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OCT 23 1975

CLA-2:R:CV:NA  
041893 WIS

Mr. John E. Brady  
District Director of Customs  
Los Angeles, California 90731

Director, Classification and Value Division R:CV

Internal Advice Request No. 00247

This is in response to your request for internal advice as to the tariff classification of plastic animal eartags and applicators. The request was initiated by \* \* \* , by a letter dated June 10, 1975. The subject merchandise was manufactured in \* \* \* .

The animal identification set consists of pre-numbered vinyl tags measuring approximately 2 by 2-1/2 inches. Each tag has a hole on the top for attachment purposes. The applicator is a plier type hand device which has a needle point on one side and a clamp on the other to affix the tag to an animal's ear. One tag is placed in the clamp and the other tag is placed on the needle point. The ear is positioned between the tags and the applicator is depressed. Thus the animal is now identifiable for numerous purposes.

It is contended by the importer that since the animal identification set is used for head identification, disease control, oestrus determination and weight control, it should be classified under the provision for agricultural implements, not specially provided for, in item 656.00, Tariff Schedules of the United States (TSUS), with entry free of duty. The Port of Los Angeles considers the ear tags to be classifiable under the provision for articles not specially provided for, of rubber or plastic, other, in item 774.50, TSUS, with duty at a rate of 8.5 percent ad valorem, with the applicator being classified under the provision for other hand tools and parts thereof, other, in item 651.47, TSUS, with duty at a rate of 8.5 percent ad valorem.



Mr. John E. Brady, District Director

2

Based on the information submitted and past headquarter rulings, the vinyl tags are classifiable under item 666.00, TSUS, with entry free of duty. The applicator is classifiable under the provision for agricultural or horticultural hand tools and parts thereof, in item 651.39, TSUS, with entry free of duty.

You should inform the inquirer of this ruling. A copy of this memorandum may be made available to him.

Signed Arthur P. Schiffman

for Salvatore E. Caramagno

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APPENDIX C

COMMERCE'S NOTICE OF INVESTIGATION AND TRANSMITTAL  
LETTER TO THE COMMISSION

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**International Trade Administration****Plastic Animal Identification Tags From New Zealand; Notice of Initiation of Countervailing Duty Investigation****AGENCY:** United States Department of Commerce.**ACTION:** Initiation of investigation.

**SUMMARY:** This notice is to advise the public that the Department of Commerce has received a petition in satisfactory form, and as a result is initiating an investigation to determine whether or not the Government of New Zealand is providing to manufacturers, producers or exporters of plastic animal identification tags, benefits which are bounties or grants (subsidies) within the meaning of the countervailing duty law. Unless this investigation is extended, the Department will make a preliminary determination not later than October 27, 1980, and a final determination not later than January 8, 1981.

**EFFECTIVE DATE:** August 25, 1980.

**FOR FURTHER INFORMATION CONTACT:** Vincent P. Kane, Import Administration Specialist, Office of Investigations, International Trade Administration, Department of Commerce, Washington, D.C. 20230 (202) 377-5414.

**SUPPLEMENTARY INFORMATION:** On August 1, 1980, the Department of Commerce (the Department) received a petition in proper form from Y-Tex Corporation, Cody, Wyoming, alleging that the Government of New Zealand provides to manufacturers, producers or exporters of plastic animal identification tags (ear tags) certain benefits which are bounties or grants (subsidies) within the meaning of section 303, Tariff Act of 1930, as amended by the Trade Agreements Act of 1979, (19 U.S.C. 1303) (the Act). Because New Zealand is not a "country under the Agreement," within the meaning of section 701(b) of the Act (19 U.S.C. 1671(b)), section 303 of the Act applies to this investigation.

The merchandise covered by this investigation is plastic animal identification tags provided for in item number 666.00 of the Tariff Schedules of the United States.

The Petitioner alleges that the Government of New Zealand provides subsidies in the form of income tax credits based on the domestic value added to an exported product. These credits are provided under the "Export Performance Taxation Incentive" (EPTI) program, administered by the Department of Trade and Industry and authorized under section 156A of the Income Tax Act of 1976. The EPTI provides a tax credit against income tax

payable, and, for credit in excess of tax payable, a cash refund.

Petitioner has also alleged that critical circumstances exist within the meaning of section 703(e) of the Act (19 U.S.C. 1671b(e)) by reason of massive imports over a relatively short period of time. In the year ending March 31, 1980, imports of ear tags from the one producer for which information is available equaled 170 percent of the value of that firm's U.S. sales for the previous 12 month period.

In view of the above, I hereby determine that the Department should initiate an investigation to determine whether or not the Government of New Zealand provides subsidies on the production, manufacture or export of the ear tags.

Since ear tags enter the United States free of normal Customs duties, the International Trade Commission (ITC) must make a determination as to whether or not an industry in the United States is materially injured, or threatened with material injury, by reason of imports of the merchandise. Therefore, in accordance with section 702(d) of the Act (19 U.S.C. 1671a(d)), the Department is providing to the ITC the information upon which the determination to initiate this investigation is based.

The Department will provide the ITC with all non-privileged and non-confidential information relating to this investigation. The Department will also make available to the ITC all privileged and confidential information in its files, provided that the ITC confirms that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Department.

In accordance with section 703(a) of the Act (19 U.S.C. 1671b(a)), the ITC will determine not later than September 15, 1980, whether or not there is a reasonable indication of such injury by reason of imports of plastic animal identification tags from New Zealand. If that determination is negative, the Department will terminate this investigation without further notice.

If the ITC determination is affirmative, pursuant to section 703(b) of the Act (19 U.S.C. 1671b(b)), the Department will issue a preliminary determination as to whether or not there is a reasonable basis to believe or suspect that a subsidy is being paid or bestowed within the meaning of the statute by October 27, 1980. If the case is extended pursuant to section 703(c) of the Act (19 U.S.C. 1671b(c)), the preliminary determination may be postponed until not later than December 29, 1980.

If the preliminary determination is affirmative, and if the Department determines that critical circumstances exist within the meaning of section 703(e) of the Act (19 U.S.C. 1671b(e)), then any suspension of liquidation ordered in accordance with section 703(d) of the Act (19 U.S.C. 1671b(d)) shall apply to all unliquidated entries entered, or withdrawn from warehouse, for consumption on or after the date which is 90 days before the date on which the suspension of liquidation was first ordered.

Pursuant to section 705(a) of the Act (19 U.S.C. 1671d(a)), the Department will make a final determination no later than January 8, 1981. If the case is extended, the final determination must be made not later than March 16, 1981.

(Sec. 702(c)(2) of the Act (19 U.S.C. 1671a(c)(2)))

John D. Greenwald,  
Deputy Assistant Secretary for Import Administration.

[FR Doc. 80-25798 Filed 8-22-80; 8:45 am]

BILLING CODE 3510-25-M



**UNITED STATES DEPARTMENT OF COMMERCE**  
**International Trade Administration**  
Washington, D.C. 20230

AUG 25 1980

Honorable William Alberger  
Chairman  
International Trade Commission  
701 E Street., N.W.  
Washington, D.C. 20436

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OFFICE OF THE CHAIRMAN  
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Dear Chairman Alberger:

In accordance with section 702(c) of the Tariff Act of 1930, as amended (19 U.S.C. 1671a(c)), the Department of Commerce, on August 19, 1980, commenced an investigation for the purpose of determining whether the Government of New Zealand is providing subsidies with respect to the manufacture, production or exportation of plastic animal identification tags.

New Zealand is not a "country under the agreement", as defined in section 701(b) of the Tariff Act (19 U.S.C. 1671(b)). However, since the animal identification tags under consideration are free of duty, a reasonable indication of injury determination is required by section 303(a)(2) of the Tariff Act (19 U.S.C. 1303(a)(2)).

As required by section 702 of the Tariff Act (19 U.S.C. 1671a(d)), I am notifying you of this initiation of investigation and the reasons therefor as set out in the attached notice which has been sent for publication to the Federal Register.

Sincerely,

*John D. Greenwald*  
John D. Greenwald  
Deputy Assistant Secretary  
for Import Administration



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APPENDIX D

NOTICE OF ADJUSTMENT ASSISTANCE FOR FEARING  
MANUFACTURING CO.

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JUN 4 1980  
Announcement and Approval Date \_\_\_\_\_

JUN 06 RECD

## Project Approval Notice

The Economic Development Administration, U.S. Department of Commerce, has approved the guarantee of \$410,000 in trade adjustment assistance loans for a firm producing livestock identification tags and employing 21 workers in South St. Paul, Minnesota.

Fearing Manufacturing Company, Inc., 490 East Villaume Avenue, South St. Paul, applied for the Federal assistance. The firm produces identification tags for livestock to be sold at public auctions.

Included in the assistance are loans for \$245,000 to purchase machinery and equipment and \$165,000 to be used as working capital.

The firm reported that its sales had been adversely affected by imports and it was certified by the Commerce Department as eligible to apply for assistance under the Trade Act of 1974.

An adjustment program submitted with the application for assistance indicates the firm will introduce a new molding process to produce tags, and expand its marketing and sales activities.

Officials anticipate that the assistance will help maintain jobs for 21 workers and create seven new jobs as production increases.

EDA is guaranteeing 90 percent of the unpaid balance of the loans extended to the firm by the Drovers State Bank of South St. Paul. The \$245,000 fixed asset loan is repayable in 11 years and the \$165,000 working capital loan in five years.

06-44-00018-20

06-44-00019-10

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**APPENDIX E**  
**SELECTED FINANCIAL DATA FOR ALLFLEX HOLDINGS, LTD.**

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Table E-1.--Selected financial data for Delta Plastics, Ltd., and subsidiaries, years ended Mar. 31, 1976-80

Item	Years ended Mar. 31--				
	1976	1977	1978	1979	1980
Sales:					
Export-----1,000 dollars--:	1,111	2,058	3,043	4,860	7,733
Domestic in New Zealand					
1,000 dollars--:	416	633	511	653	865
Total-----do-----:	1,527	2,691	3,554	5,513	8,598
Net profit before tax					
1,000 dollars--:	196	400	436	871	1,352
Taxation rebates on					
exports-----1,000 dollars--:	-	-	314	443	439
Provision for income tax					
1,000 dollars--:	-	(5)	(23)	(28)	(83)
Net profit after tax before					
minority interests and ex-					
traordinary items ordinary					
1,000 dollars--:	196	395	727	1,286	1,708
Royalties paid for patent					
lights-----1,000 dollars--:	27	55	75	112	118
Net profit after tax before					
minority interest, extra-					
ordinary items, and royal-					
ties-----1,000 dollars--:	223	450	802	1,398	1,826
Ratio of net profit					
before tax to net sales					
percent--:	12.8	14.9	12.3	15.8	15.7
Ratio of net profit					
before minority interests					
and extraordinary items					
to--					
percent--:	12.8	14.7	20.5	23.3	19.9
Net sales-----percent--:	12.8	14.7	20.5	23.3	19.9
Total tangible assets					
percent--:	25.5	28.2	30.2	29.6	25.8
Working capital:					
Net cash flow from opera-					
tions-----1,000 dollars--:	241	478	838	1,520	2,063
Purchase of fixed assets					
and investments					
1,000 dollars--:	194	265	592	1,226	1,269
Increase in working					
capital--1,000 dollars--:	31	248	360	358	787

Source: Compiled from data in prospectus for Allflex Holdings, Ltd., 1979, and annual report, 1980.

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