# CERTAIN CANNED TUNA FISH

**Report to the President on**
**Investigation No. TA-201-53**
**Under Section 201**
**of the Trade Act of 1974**

**USITC PUBLICATION 1558**

**AUGUST 1984**

**United States International Trade Commission / Washington, D.C. 20436**

UNITED STATES INTERNATIONAL TRADE COMMISSION

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C O N T E N T S

CONTENTS

CONTENTS



Figures



Tables

CONTENTS

CONTENTS

CONTENTS

CONTENTS

REPORT TO THE PRESIDENT
ON INVESTIGATION NO. TA-201-53
CERTAIN CANNED TUNA FISH

UNITED STATES INTERNATIONAL TRADE COMMISSION
August 15, 1984

## Determination

On the basis of the information developed in the course of investigation No. TA-201-53, the Commission has determined 1/ that tuna fish in airtight containers, prepared or preserved in any manner, not in oil, provided for in items 112.30 and 112.34 of the Tariff Schedules of the United States (TSUS), and tuna fish in airtight containers, prepared or preserved in any manner, in oil, provided for in TSUS item 112.90, are not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

## Background

The Commission instituted the present investigation, No. TA-201-53, following the receipt, on February 15, 1984, of a petition for import relief filed on behalf of the United States Tuna Foundation; C.H.B. Foods, Inc.; the American Tuna Boat Association; the United Industrial Workers, AFL-CIO; the Fishermen's Union of America, AFL-CIO; and the Fishermen's Union ILWU, No. 33. The investigation was instituted pursuant to section 201(b) of the Trade Act of 1974 (19 U.S.C. 2251(b)) in order to determine whether the above described tuna fish are being imported into the United States in such

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1/ Chairwoman Paula Stern determined that imports of the subject canned tuna fish are being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industry producing articles like or directly competitive with the imported articles.

increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

Notice of the institution of the Commission's investigation and of the public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of March 7, 1984 (49 F.R. 8501). The hearing was held in Washington, D.C. on June 5, 1984, and all persons who requested the opportunity were permitted to appear in person or through counsel. The Commission's determination in this investigation was made in an open "Government in the Sunshine" meeting held on July 25, 1984.

This report is being furnished to the President in accordance with section 201(d)(1) of the Trade Act. The information in the report was obtained from fieldwork and interviews by members of the Commission's staff, and from information obtained from other Federal agencies, responses to Commission questionnaires, information presented at the public hearing, briefs submitted by interested parties, the Commission's files, and other sources.

VIEWS OF COMMISSIONERS ALFRED E. ECKES,
SEELEY G. LODWICK, AND DAVID B. ROHR*

We determine that canned tuna fish 1/ is not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic canned tuna industry. Having found that the requirements of section 201 of the Trade Act of 1974 2/ are not satisfied, we have made a negative determination and do not recommend to the President that import relief be provided.

Section 201 of the Trade Act requires that each of three conditions be satisfied if we are to make an affirmative determination--

(1) imports are increasing, either in actual terms or relative to domestic production;

(2) the domestic industry is seriously injured or threatened with serious injury; and

(3) the increased imports are a substantial cause of the serious injury or threat thereof to the domestic industry.

In the present case, we find that imports are increasing and that the domestic industry is facing economic difficulties, if not suffering serious injury. However, we find that the third condition, the causation condition, is not satisfied and therefore have made a negative determination.

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* Vice Chairman Susan W. Liebeler joins in the section of these views relating to the definition of the domestic industry. Because she determined in the negative on the basis of a finding of no serious injury or threat (rather than a finding of a lack of sufficient causal link between increased imports and injury), Vice Chairman Liebeler has addressed the issues of increased imports and injury in separate views which follow.

1/ Specifically, tuna fish in airtight containers, prepared or preserved in any manner, not in oil, provided for in items 112.30 and 112.34 of the Tariff Schedules of the United States (TSUS), and tuna fish in airtight containers, prepared or preserved in any manner, in oil, provided for in TSUS item 112.90.

2/ 19 U.S.C. 2251.

In our views below, we first describe what we consider to be the domestic industry. We then discuss the information relevant to the three statutory criteria and explain why we have concluded that the causation criterion is not satisfied.

Domestic industry

Section 201 defines the domestic industry in terms of producers of "an article like or directly competitive with the imported article." 3/ "Like" articles are defined in the legislative history as "those which are substantially identical in inherent or intrinsic characteristics (i.e., materials from which made, appearance, quality, texture, etc.)." "Directly competitive" articles are those "which, although not substantially identical in their inherent or intrinsic characteristics, are substantially equivalent for commercial purposes, that is, are adapted to the same uses and are essentially interchangeable therefor." 4/ The term "directly competitive" is also defined in section 601(5) of the Trade Act, which provides that articles may be directly competitive with each other at an earlier or later stage of processing.

In determining what domestic facilities constitute the domestic industry, the Commission traditionally has followed a product-line approach, finding the domestic industry to consist of the domestic facilities producing an article like the imported article or, in the absence of a like domestic article, the domestic facilities producing a directly competitive article. When the differences between like and directly competitive articles are unclear or when

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3/ Section 201(b)(1).

4/ Report of the Senate Committee on Finance on the Trade Reform Act of 1974, S. Rept. No. 1298, 93d Cong., 2d Sess., 122 (1974).

the like and directly competitive articles are closely related and produced in the same plants by the same workers using the same basic equipment, the Commission has generally considered the industry to consist of the domestic facilities producing articles like and directly competitive with the imported article(s). In cases involving a multiple number of distinct articles, the Commission will often find that there is more than one domestic industry and will weigh the impact of the appropriate imports against the appropriate domestic facilities.

In view of Congress' directive that the Commission be concerned with the domestic productive resources (e.g., employees, physical facilities, and capital) involved in the production of a product, 5/ the Commission has traditionally considered the industry to include all the facilities involved in the production of a product. When several stages were involved in the production of an article, it considered the industry to include the facilities involved in the various stages to be part of the industry. 6/ It is

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5/ Report of the House Committee on Ways and Means on the Trade Reform Act of 1973, H. Rept. No. 93-571, 93d Cong., 1st Sess., at 46.

6/ See, for example, the views of Commissioners Eckes, Lodwick, and Rohr in Unwrought Copper: Report to the President on Investigation No. TA-201-51 . . ., USITC Publication 1549, July 1984, at 7-8, in which the industry was found to be "like a pyramid" and to include not only the facilities directly producing blister and refined copper like the imported blister and refined copper the subject of the investigation, but also the facilities producing copper ores and concentrates from which the blister and refined copper was produced.

But compare Mushrooms: Report to the President on Investigation No. TA-201-43 . . ., USITC Publication 1089, August 1980, where the Commission found separate industries producing fresh and canned mushrooms. In that case the Commissioners and/or the Commission report noted, among other things, that more than 50 percent of mushrooms grown were sold directly to the fresh market (as opposed to processors), that different varieties of mushrooms were grown for the fresh market and for the processor market, and that some canners grew part of the mushrooms required for their canning operations. Report at A-4, A-8, A-24. Thus, in the mushroom case, the growers were not, for the most part, supplying the processors with raw materials but were instead selling the majority of their output in the fresh market.

especially important that this be done when the firms performing the final manufacturing operations account for only a relatively small part of the productive resources involved in the production of the article. Thus, while one segment of the industry may not be injured, the part of the industry accounting for the major part of the resources may be injured and the industry as a whole may be injured. 7/

In the present case, we must address two issues. First, we must determine what domestic article or articles are like or directly competitive with the imported articles. Second, we must determine what domestic facilities are producing the like or directly competitive article.

The imported articles that are the subject of this investigation include canned tuna packed in oil and canned tuna not packed in oil (i.e., packed in water). We conclude that the domestic article which is like or directly competitive with the imported articles is canned tuna, whether packed in oil, water, or any other medium. No one argued that tuna packed in oil and tuna packed in water were produced by different industries, although they are covered by different tariff items and are dutiable at substantially different rates. We conclude that they are the product of one industry. All major processors produce and market both tuna in oil and tuna in water. Both products are made from the same types of fish. The only difference between the two is the packing solution. 8/ While tuna packed in water has grown in popularity in recent years because it is lower in calories than tuna packed in

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7/ In most cases, we do not even need to address this issue because the firms and workers producing the final product account for the major part, perhaps 75 percent or more, of the value added to the product. It is an issue in the present case, however, because raw fish account for about two-thirds of the value of the final product.

8/ Report, at A-1, A-3.

oil, both products are marketed in the same way, are price related, appear together on store shelves, and are used for the same purposes by consumers.

We have identified two basic groups of domestic productive resources involved in the production of canned tuna—the boats and fishermen which are involved in catching tuna, and the processing facilities and workers employed in the canning of tuna. The U.S.-based tuna boats (most of which are purse seiners) sell virtually all of their catch to domestic processors. Furthermore, domestic processors own or have a financial interest in about 70 of the 125 boats in the domestic tuna boat fleet. 9/ We therefore conclude that both groups of resources are part of the domestic industry. We note that this conclusion was supported by the petitioners. 10/

Finally, it should be noted that the industry in this case is unique in that it is the first in a section 201 case in which the majority of the industry's productive resources (57 percent of canning capacity) are located outside the 50 states. In 1983, *** percent of canning capacity was located in Puerto Rico, *** percent in American Samoa, and 43 percent in the 50 states (mostly in California). 11/ Prior to an amendment of the section 201 definition of industry by the Caribbean Basin Economic Recovery Act in 1983, the facilities which could be included in the industry were those located in the 50 States and Puerto Rico (that is, facilities located within the U.S. customs territory). 12/

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9/ Submission received June 18, 1984, from petitioners in response to Commissioner questions at the public hearing.

10/ Petitioners' prehearing brief, at 4-5.

11/ Report, at A-33.

12/ See section 214(f) of Pub. L. 98-67, 97 Stat. 393 (1983) and note following 19 U.S.C. 2251.

Increased imports

The first of the three statutory criteria which must be satisfied is that imports are increasing. The increase can be "either actual or relative to domestic production". 13/ Thus, imports could be declining in actual terms, but if domestic production was declining at a faster rate, imports would be increasing relative to domestic production.

Imports of canned tuna are increasing in both actual and relative terms. Imports increased steadily during the period 1979-83 and by 1983 were 122 million pounds, more than double the level of 54 million pounds in 1979. 14/ Imports declined in January-March 1984 to 34 million pounds from 39 million pounds in January-March 1983. 15/

Imports of canned tuna also increased relative to domestic production. The ratio of imports to production increased steadily from 8.8 percent in 1979 to 19.5 percent in 1983. The ratio was 20.5 percent in January-March 1984, somewhat lower than the ratio of 27.3 percent in January-March 1983, but still above all the annual ratios for the years 1979-83. 16/

In 1983, over 98 percent of the imported canned tuna was packed in water. Imports of canned tuna packed in water accounted for the entire increase in imports during 1979-83. 17/ In recent years, U.S. tuna processors, including two of the petitioners, have been significant importers of canned tuna, and our information indicates that several domestic processors will continue to import in the near future. 18/

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13/ Section 201(b)(2)(C).
14/ Report, at A-22.
15/ Id.
16/ Report, at A-25.
17/ Report, at A-21.
18/ Report, at A-13-16, A-24.

In summary, we conclude that the facts of this case satisfy the first statutory requirement: Imports are increasing.

Serious injury or threat thereof

The second criterion requires a finding that the domestic industry is suffering "serious injury, or the threat thereof". These terms are not expressly defined in the statute, but the statute instead directs that we consider certain economic factors in determining whether the industry is seriously injured or threatened with serious injury.

The statute directs the Commission to take into account all economic factors which it considers relevant, including (but not limited to)—

> with respect to serious injury, the significant idling of productive facilities in the industry, the inability of a significant number of firms to operate at a reasonable level of profit, and significant unemployment or underemployment within the industry;
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> . . . with respect to threat of serious injury, a decline in sales, a higher and growing inventory, and a downward trend in production, profits, wages, or employment (or increasing underemployment) in the domestic industry concerned. . . . 19/

In determining whether the industry is injured, we examined the condition of both the fishing and processing operations of the industry. We found the fishing operations to be in considerably worse economic condition than the processing operations and that the industry as a whole is facing economic difficulties, if not serious injury, largely on the basis of the condition of the fishing operations.

Processor operations.—Domestic production of canned tuna varied during the period 1979-83, but ended the period at a higher level than it was at the

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19/ Section 201(b)(2).

beginning of the period. Production totalled 617 million pounds in 1979, peaked at 649 million pounds in 1981, declined sharply to 569 million pounds in 1982, and then increased to 626 million pounds in 1983. 20/ Production totalled 166 million pounds in January–March 1984, well above the 143 million pound level of January–March 1983. 21/

Canning capacity fluctuated during the period, rising from 889 million pounds in 1979 to a peak of 990 million pounds in 1981 and declining to 984 million pounds in 1982 and 864 million pounds in 1983. 22/ However, capacity in January–March 1984 was 221 million pounds, about 5 percent higher than the level of 212 million pounds in January–March 1983 and at an annualized level almost equal to that of 1979. 23/ The sharp decline in capacity since 1981 occurred largely as a result of the closing of two plants in California. However, capacity is increasing in American Samoa and will increase further when a major plant expansion now underway is completed in the near future. 24/ Industry sources indicate that the shift to American Samoa is due to its proximity to the western Pacific tuna fisheries (where catches in the last few years have been considerably higher than catches in other areas), lower wage costs, and certain tax incentives. 25/

Capacity utilization in the canneries fluctuated during the period but was at its highest level in 1983 and early 1984. Part of this fluctuation was due to the timing of the openings and closings of several plants. Capacity

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20/ Report, at A-29. All data in this section, unless otherwise noted, are derived from information furnished in response to Commission questionnaires.
21/ Report, at A-30.
22/ Report, at A-29.
23/ Report, at A-30.
24/ Report, at A-32.
25/ Report, at A-32; and hearing transcript, at 201.

utilization declined from 69.5 percent in 1979 to 57.8 percent in 1982, but increased to 72.4 percent in 1983 and 75.2 percent in January-March 1984 (as compared with 67.5 percent in January-March 1983). 26/ Plant capacity utilization has been running at a much higher level in Puerto Rico and American Samoa than in California in recent years. 27/ In the first 5 months of 1984, some plants in Puerto Rico and American Samoa were reportedly running at more than 100 percent of capacity. 28/

Yearend inventories of canned tuna were at their lowest levels of the period at the conclusion of 1983. Inventories increased from 191 million pounds at yearend 1979 to an unusually high level of 246 million pounds at yearend 1981. Inventories declined to 199 million pounds at yearend 1982 following a sharp decline in production that year, and declined further to 180 million pounds at yearend 1983. 29/

Employment of production and related workers in the production of canned tuna increased from 14,668 workers in 1979 to 14,906 in 1980 and then declined gradually during the period to 13,397 workers in 1983, the lowest level of the 5-year period. However, the number of hours worked was at its second highest level of the period in 1983 and exceeded the level of 1980 when the workforce was the highest in the 5-year period. 30/ During the period of investigation, there was a definite shift in employment and processing operations from the States, particularly from California, to Puerto Rico and American Samoa, where wages are considerably lower. Employment in the States declined from 7021

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26/ Report, at A-29-30.
27/ Report, at A-33.
28/ Report, at A-32.
29/ Report, at A-46.
30/ Report, at A-48.

workers in 1980, the peak employment year in the period, to 4745 workers in 1983, but it increased from 5925 to 6126 workers in Puerto Rico and from *** to *** workers in American Samoa between 1980 and 1983. 31/ Thus, while there was a significant decline in cannery jobs in the States, and particularly in California, there was not a significant decline in jobs for cannery workers as a whole.

On an overall basis processors operated at a profit in all years during the period 1979-1983. The ratio of operating income to net sales declined from 7.2 percent in 1979 and 1980 to 0.2 percent in 1982, and then increased to 2.8 percent in 1983. However, the performance of individual firms varied considerably. At least one firm and as many as four operated at a loss in 4 of the 5 years. In 1983, two of six reporting firms operated at a loss. 32/

Fishing operations.--Landings of raw tuna by boats in the U.S. fleet increased irregularly during 1979-83 and were at their highest level in 1983. Landings totalled 508 million pounds (round weight) in 1979 and declined slowly but steadily to 473 million pounds (round weight) in 1982 and then increased sharply to 586 million pounds (round weight) in 1983. 33/

According to the petitioners, the number of boats in the domestic tuna fleet declined during the period 1979-83, but U.S. fleet capacity increased. The number of boats in the fleet decreased irregularly from 129 in 1979 to 125 in 1983. 34/ However, during the period 1979-83, 25 new purse seiners were built and added to the domestic fleet, and during the period 1981-83 an

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31/ Report, at A-49.
32/ Report, at A-55.
33/ Report, at A-42.
34/ Submission from the American Tuna Boat Association received April 4, 1984 (hereinafter referred to as submission from the American Tuna Boat Association).

additional 15 vessels were transferred to the fleet from other fishing operations. 35/ Because the new boats added to the fleet tended to be larger than the boats replaced, fleet capacity increased from 114,000 tons in 1979 to 127,000 tons in 1983. 36/ While it was not feasible to calculate capacity utilization rates for boats as was done in the case of tuna processors, 37/ there are indications that about 30 boats were idled at the end of 1983. 38/

The purse seine fleet experienced a loss (before depreciation) in all years during the 1979–83 period except 1980. Income (before depreciation) declined irregularly from a $3.7 million loss in 1979 to a $41 million loss in 1982. In 1983, the purse seine fleet's loss (before depreciation) was $14 million. 39/ These heavy losses were suffered by both independent boat owners and tuna processors who own or have a financial interest in boats. The largest processors, who have the greatest interest in boats, are now engaged in efforts to divest themselves of their boats. They have written off boats and have established divestiture reserves, and these actions have adversely affected their financial performance. 40/

Meaningful data on employment on the boats were not available. The crews on the U.S. fleet are comprised largely of foreign workers, and frequently

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35/ Report, at A–19.
36/ Submission from the American Tuna Boat Association.
37/ Capacity utilization rates for tuna boats would be arbitrary at best. They would have to be based on the number of trips a boat was likely to make in a year, and that number in turn would depend on the distance a boat would have to go to find tuna and the length of time it would take to fill the boat's hold. Since tuna migrate and in recent years have shifted from the eastern Pacific to the western Pacific as a result of weather patterns and water temperature, the number of trips which could be taken and the time per trip would have varied from year to year. Thus, it would have been difficult to find a meaningful trend in such rates.
38/ Report, at A–92.
39/ Report, at A–63.
40/ Report, at A–92.

only a small part of the crew (e.g., the captain and his officers) are U.S. nationals.

Summary.—While the processing operations appear to be marginally profitable, the fleet is operating at a loss. Thus, we conclude that the industry is experiencing considerable economic difficulties, if not serious injury.

Imports are not a substantial cause of serious injury or threat

Having found that imports have increased and that the domestic industry is facing economic difficulties if not suffering serious injury, we must determine whether the increased imports are a substantial cause of such injury. For reasons set forth below, we have concluded that they are not. 41/

The term "substantial cause" is defined in the statute as "a cause which is important and not less than any other cause." 42/ This means that the increase in imports must be both an important cause of serious injury or threat and must be a cause equal to or greater than any other cause. In addition, the statute directs the Commission, in deciding whether increased imports are a substantial cause of injury, to take into account all economic

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41/ Commissioners Eckes and Rohr note that section 201 provides that the Commission can recommend the provision of adjustment assistance to firms and workers in the event it makes an affirmative determination. However, they also note that there is no evidence that Congress intended that either firms or workers were to be precluded from seeking or obtaining such assistance on their own in the event the Commission made a negative determination under section 201, as it has done in this case. The standards for granting such assistance and the issues which are relevant are different from those under section 201. The conclusion that increasing imports are not a substantial cause of serious injury to the industry as a whole should not give rise to the inference that individual firms or groups of workers would be ineligible for adjustment assistance.

42/ Section 201(b)(4).

factors which it considers relevant, including, but not limited to—

> . . . an increase in imports (either actual or relative to domestic production) and a decline in the proportion of the domestic market supplied by domestic producers. 43/

In determining whether increased imports are a substantial cause of injury, we believe that section 201 clearly provides that we are to isolate, to the extent practicable, each of the economic factors relevant to the question of serious injury and to compare each of them with the factor of increased imports. We are not to aggregate the various other economic factors and then compare them with the factor of increased imports. 44/ However, this does not mean that a given factor or cause will not have multiple effects. It oftentimes will. Thus, we must also be careful to distinguish between factors which are causes of injury and the effects of such factors.

As stated above in these views, imports of canned tuna have increased in both actual terms and relative to domestic production. Imports also increased their share of the domestic market. The ratio of imports to consumption doubled during the period 1979–83 from 7.9 percent in 1979 to 16.2 percent in

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43/ Section 201(b)(3)(C).

44/ We believe that Congress envisioned that there would be a multiple number of economic factors causing injury in most cases. Hence, Congress used the plural "factors". The Senate Committee on Finance also envisioned that there could be a multiple number of factors causing injury. In its report on the bill which became the Trade Act, the Committee stated that the Commission would have to assure itself that imports were a substantial cause of injury "and not just one of a multitude of equal causes" and that there could be "a variety of other causes" (other than increased imports) affecting an industry, including "changes in technology or in consumer tastes, domestic competition from substitute products, plant obsolescence, or poor management." See Trade Reform Act of 1974: Report of the Committee on Finance . . ., S. Rept. No. 93–1298, 93d Cong., 2d Sess., at 120–21. Similar views concerning our obligation to isolate causes were expressed in the dissenting views of Commissioners Moore and Bedell in Certain Motor Vehicles and Certain Chassis and Bodies Therefor: Report to the President on Investigation No. TA–201–44 . . ., USITC Publication 1110, December 1980, at 172–73.

1983. 45/ However, in January-March 1984 this ratio declined slightly to 15.9 percent as compared with 17.6 percent in January-March 1979. 46/

The petitioners argued that increased imports were both an important cause of serious injury and a more important cause than any other cause. 47/ Importers, on the other hand, argued that even if imports were an important cause of injury, other causes were clearly more important. Importers cited at least four causes of injury which they considered to be more important than increased imports—(1) the large increase in raw fish prices between 1979 and 1981; (2) the cost to processors of carrying high inventories in 1981 and 1982; (3) the shift in consumer preference to tuna packed in water; and (4) the shift in fishing grounds to the western Pacific. 48/

We find two causes of injury to be more important than increased imports. First, the industry, particularly the fleet, over expanded in the 1970's and early 1980's. 49/ Second, the principal fishing grounds for tuna shifted in the 1980's from the eastern to the western Pacific following a temporary warming of eastern Pacific waters (the "El Nino" effect). Each of these causes had a number of adverse effects on the industry.

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45/ Report, at A-67. Import penetration reached similar levels in the early 1960's. See hearing transcript, at 251; and appendix A to posthearing brief Tuna Canners Asso. of the Philippines and Government of the Republic of the Philippines.

46/ Report, at A-67.

47/ Hearing transcript, at 52-53.

48/ Transcript of hearing, at 201-02.

49/ This case parallels to a degree another fishing industry case in which the Commission found that "a too-rapid expansion of the fishing fleet" was the most important cause of difficulties which certain West Coast fishermen were experiencing. See the views of the Commission in Certain Fish: Report to the President on Investigation No. TA-201-41 . . ., USITC Publication 1028, January 1980, at 10.

Over-expansion of the industry included substantial increases in both fishing and processing capacity. Decisions to expand the industry appear to have been made in a period when there was a shortage of animal protein foods and tuna consumption was rising. For example, the U.S. per capita consumption of tuna rose from 2.4 pounds annually to 3.1 pounds between 1971 and 1974. 50/

Tuna processors began investing in boats in the mid-1970's to achieve the cost savings of vertical integration and assure an adequate supply of fish. 51/. With the help of this processor financing, the U.S. tuna fleet expanded from 118 boats with an aggregate capacity of 56,000 tons in 1970 to 125 boats with a capacity of 127,000 tons by 1983. 52/ As noted earlier, 25 new purse seiners were added to the U.S. fleet between 1979 and 1983 alone, and 15 boats were transferred from other fishing operations. 53/ The new additions had considerably more capacity than older tuna boats. 54/ They also were very expensive and were largely financed with variable rate mortgages. 55/

As part of the general expansion and modernization of the tuna industry, processing capacity also was increased. U.S. production capacity increased by 14.3 percent between 1979 and 1981. 56/

Financing the added capacity, particularly the new boats, proved very expensive during years of soaring interest rates. 57/ Investigation data show

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50/ Report, at A-86.
51/ Id.
52/ Submission of the American Tuna Boat Association.
53/ Report, at A-19, A-86. At the same time, a number of smaller boats were retired.
54/ Report, at A-63.
55/ Report, at A-66, A-92.
56/ Report, at A-33.
57/ Report, at A-92.

that boat owners' interest costs more than tripled between 1979 and 1982 before declining somewhat in 1983. 58/

To meet these costs, as well as increased operating costs for the super purse seiners, the fleet negotiated higher prices for raw tuna. The largest increase in prices occurred in 1980 when the fleet negotiated a 26 percent price increase. 59/ Processors passed these costs along to their customers, and eventually consumers resisted the price increases. 60/ Substitute protein sources were available and per capita consumption of canned tuna fell from 3.2 pounds in 1979 to 2.7 pounds in 1982. 61/ Processor inventories of canned tuna increased about 29 percent between 1979 and 1981. 62/ To reduce these inventories, processors reduced their production in 1982 from the peak 1981 level of 649 million pounds to 569 million pounds. 63/ In reducing their production, processors also reduced their purchases of raw fish, further exacerbating the problems being experienced by the fleet. 64/

There were abundant supplies of raw fish in 1982, as the western Pacific fishing grounds proved productive. 65/ Many of the older tuna boats the purse seiners had replaced were sold to foreign fishermen and their catch added to the world supply. 66/ In the face of decreased demand for an increased supply, raw tuna prices fell. 67/ The U.S. fleet was devastated by the gap

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58/ Report, at A-64.
59/ Report, at A-87.
60/ Id.
61/ Report, at A-68.
62/ Report, at A-47.
63/ Report, at A-29, A-32.
64/ Report, at A-87-91.
65/ Report, at A-87-92.
66/ Report, at A-92.
67/ Report, at A-73, A-92.

between costs and revenues. 68/ The processors paid higher-than-world prices for raw tuna to the U.S. fleet for a time, apparently to protect their investment. 69/ Thus, the operating results of processors reflect some of the difficulties of boat operators.

The tuna industry clearly had grown too much too soon and the consequences were painful. A contraction began in 1982. Processing plants were closed and fishing boats were idled or sold. 70/ As capacity was adjusted to be more in line with demand, the profit picture for the processors began to improve slightly. 71/ Even losses for the fleet diminished somewhat in 1983, though they were still substantial. 72/

The second more important cause of injury—the shifting of the fishing grounds—also affected both boat operators and processors. It forced much of the California-based fleet to fish in the western Pacific. 73/ Landings by the U.S. fleet from the western Pacific increased from 14,000 short tons in 1980 to 170,000 short tons in 1983, while landings of tuna from the eastern Pacific declined from 224,000 short tons in 1980 to 115,000 short tons in 1983. 74/ The shift resulted in high costs for fuel and increased transhipment costs (if a boat operator chose to save fuel by not returning to California after reaching capacity). Transhipment fees incurred by purse seiner boat owners increased from $53,000 in 1979 to $7.4 million in 1983. 75/

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68/ Report, at A-66.
69/ Report, at A-92.
70/ Report, at A-32, A-66, A-92.
71/ Report, at A-53.
72/ Report, at A-64.
73/ Report, at A-87-92.
74/ Report, at A-87.
75/ Report, at A-64.

The shift in the fishing grounds also gave a competitive advantage to the foreign processors and fishing vessels based near the grounds. 76/ To counter this, U.S. processors decided to expand facilities in American Samoa and close plants in California, including the most modern plant in the industry. 77/ Shifting operations may prove profitable in the long run, but it is expensive in the short run.

Since we find two causes of injury to the domestic industry that are more important causes than increased imports, increased imports cannot be a "substantial" cause. In fact, there is some question as to whether increased imports are even an important case of injury. Imports increased almost 40 percent between 1982 and 1983. However, the financial performance of the industry improved in 1983 as compared to 1982. Even after the 1983 import increase, import penetration was only about 16 percent of consumption. Domestic production rose on an overall basis during the period of investigation, and domestic consumption rose by more than enough to absorb the increase in imports. This relationship of imports to consumption held true even in 1983 when imports increased substantially. Between 1982 and 1983, imports rose about 35 million pounds, but demand increased more than 68 million pounds.

Conclusion

In view of the above, we have concluded that canned tuna fish is not being imported into the United States in such increased quantities as to be a

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76/ Report, at A-87.
77/ Report, at A-30, A-32.

substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

# VIEWS OF VICE CHAIRMAN LIEBELER

## A. INTRODUCTION

I have joined with Commissioners Eckes, Lodwick and Rohr in defining the domestic industry and the imported product covered by this investigation. The domestic industry includes the domestic tuna fleet and processors of raw tuna. The imported product is canned tuna. I concur with the Commission majority in determining that the increased importation of canned tuna is not a substantial cause of serious injury or threat of serious injury to the domestic industry. Since my analysis of increased imports, injury and causation differs from that of the majority, I offer my separate views.

## B. THE PURPOSE OF SECTION 201

Competition among producers of goods and services is generally regarded as beneficial to society. Our economy is premised on the notion that competition, both domestic and foreign, will increase efficiency and enhance consumer welfare. This country and other nations have experimented with import barriers and retaliatory tariffs. There is general agreement among policy makers and commentators that those measures have been counterproductive. The purpose of the General Agreements on Tariffs and Trade (GATT) is to move the world toward a state of free trade.

Congress took special care in designing the import relief laws. It fashioned a series of statutes to protect domestic industries from "unfair" trade practices where there has been a wrongful or unfair

practice by competitors, importers or foreign countries. 1/ There are also statutes which provide import relief from fairly traded goods--even though there has been no wrongful act or unfair practice. 2/

Because Congress was aware that the United States is better off under a system of free trade than otherwise, it made it much easier to obtain relief under the unfair trade laws. A comparison of the rising imports, and injury provisions of these laws makes it clear that those dealing with fair trade practices are far more stringent. 3/

This investigation is under a fair trade statute, Section 201. Under this statute, petitioners need not allege any wrongdoing on the part of any importers, foreign producers, or foreign governments. Rather, they merely must allege that a domestic industry is being

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1/ The following statutes require the finding of an unfair trade practice as a condition for import relief: sections 303 and 705 of the Tariff Act of 1930, 19 U.S.C. §§ 1303 and 1671d (1982) (subsidy); section 735 of the Tariff Act of 1930, 19 U.S.C. § 1673d (1982) (dumping); section 337 of the Tariff Act of 1930, 19 U.S.C. 1337 (1982) (unfair competition other than dumping or subsidies).

2/ These statutes include Section 201 of the Trade Act of 1974, 19 U.S.C. § 2251 (1982) (escape clause) and Section 406 of the Trade Act of 1974, 19 U.S.C. § 2436 (1982) (market disruption).

3/ The "fair" trade statutes require rising imports. Section 406 requires rapidly increasing imports, either absolutely or relatively. Section 201 requires that articles be imported in increased quantities. There is no similar requirement that imports be increasing under the unfair trade laws. Also, a higher injury standard is found in the fair trade statutes. Section 201 requires serious injury or threat of serious injury to a domestic industry. For Title VII subsidy and dumping cases, only material injury, or threat of material injury to, or material retardation of the establishment of, a domestic industry must be established. For unfair import practice cases under Section 337, the injury standard is the effect or tendency to destroy or substantially injure a domestic industry, the prevention of the establishment of such an industry, or the restraint or monopolization of trade and commerce in the United States. Section 406, which does not require unfair trade, only requires a finding of material injury or threat thereof. This lower standard is attributable to the fact that these imports are from Communist countries.

seriously injured by increased imports. Congress was aware of the net wealth gains from free trade, and it did not intend this statute to be used to shift wealth from American consumers to domestic producers suffering from import competition. 4/

Providers of labor and capital are always threatened with losses generated by increased competition. Whether the competition is foreign or domestic affects neither the nature of the loss suffered by the domestic producers, nor the national interest in protecting them. Therefore, I conclude that it was not Congress' intent in enacting this statute to protect the economic well being of these providers of labor and capital. The purpose of Section 201 is to protect industries, not individual persons or firms. It is implicit in our trade policy that American industries not be driven out of existence by foreign competition without the President having an opportunity to delay or prevent this loss by erecting a trade barrier.

C. INCREASED IMPORTS

I concur with the majority's finding of increased imports. I do so because canned tuna is being imported in increased quantities. I do not agree with their construction of the statute that the increased imports requirement is satisfied if imports are increasing relative to domestic production. 5/

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4/ See Views of Vice Chairman Susan Liebeler in Carbon and Certain Alloy Steel Products: Report to the President on Investigation No. TA-201-51, USITC Publication 1553 (July 1984) (Carbon and Certain Alloy Steel Products) at 132, 134-37; and Views of Vice Chairman Susan Liebeler in Unwrought Copper: Report to the President on Investigation No. TA-201-52, USITC Publication 1549 (July 1984) (Unwrought Copper) at 54, 56-59.

5/ For a full discussion of this issue, see Views of Vice Chairman Liebeler in Carbon and Certain Alloy Steel Products, supra note 4, at 132-34 and in Unwrought Copper, supra note 4, at 54-55.

D. INJURY

The focus of my inquiry is whether the domestic tuna industry is in danger of disappearing or suffering major shrinkage. This industry consists of two distinct segments: fishing and processing. Although there is some vertical integration in the industry and some tuna companies (processors) own fishing boats, this phenomena is neither universal nor necessarily commercially advantageous. Each of these two parts of the production process entail the use of very different resources and, therefore, could be enjoying different financial experiences.

Section 201(b)(2)(A) lists a number of factors which the Commission should consider as evidence of injury. These include: "significant idling of productive facilities in the industry, the inability of a significant number of firms to operate at a reasonable level of profit, and significant unemployment or underemployment within the industry . . . ." The factors which the Commission must consider as evidence of threat of serious injury are spelled out in subsection 201(b)(2)(B) and include "a decline in sales, a higher and growing inventory, a downward trend in production, profits, wages, or employment (or increasing underemployment) in the domestic industry . . . ." Frequently these factors correlate with one another and indicate that an industry is in decline. In the instant case, however, the various measures of industry performance give conflicting evidence of the tuna industry's health.

The U.S. tuna fleet consists primarily of the purse seine fleet, which catches 97 percent of the tuna landed by U.S. flag vessels. The purse seine fleet has varied from of 103 to 140 vessels over the past 20

years. From 1974 to 1984 the fleet declined from 136 vessels to 125. At the same time, capacity increased from 210 million pounds to 254 million pounds. The tuna industry has been engaged in continued upgrading of the fleet, entailing the purchase of newer, bigger, more technologically advanced vessels, and the retirement of older vessels. From 1979 to 1983, 25 new purse seiners were built and added to the fleet. Each of those new vessels represented a substantial capital investment of $7-$10 million. From 1981 to 1983 another 15 vessels were transferred from other fishing operations to the purse seine fleet.

Independent tuna boat operators have lost money in each of the last 5 years. The tuna processors are also losing money on their boat operations. Many processors are attempting to divest themselves of their boats, indicating that vertical integration did not provide significant cost savings.

Losses on operations are often indicative of an industry that is about to decline in size. In the case of the tuna boat industry, this conclusion would be unwarranted. The financial losses from tuna boat operations are not indicative of a declining industry using up its capital stock and shrinking, but rather the opposite. The tuna industry has expanded at a time that, because of adverse climactic and interest rate changes, has proven to be inauspicious. It would be anomalous for us to find that a growing industry is one that is seriously injured merely because the financial data indicates that some participants in this industry are suffering losses.

The performance of the processing operations presents a very different picture. Processors operated profitably in all years during the period 1979-1983. Domestic tuna production in 1983 was 626 million

pounds, slightly above the 1979 level. Canning capacity has moved in the opposite direction, falling from 889 million pounds in 1979 to 860 million pounds in 1983, after having risen to a peak of 990 million pounds in 1981. These fluctuations in capacity reflect some significant and fundamental changes in the nature of the domestic tuna processing industry.

Tuna processing plants are generally located at ports to facilitate the speedy transfer of the fish to the plants. Canned tuna has a high value per unit of weight and size and shipping costs are therefore low as a percentage of value. In addition, it is a relatively labor-intensive industry. Plants have closed and moved to offshore facilities to be closer to the principal fishing grounds and to take advantage of lower labor costs. Thus the processing industry located in California has declined. If these new locations were on foreign soil, we might have strong evidence of serious injury. The shift, however, has been primarily to Puerto Rico, and more importantly, in recent years to American Samoa. Because firms located in American Samoa and Puerto Rico are considered part of the domestic industry under Section 201, there has been merely a shift of production from one domestic location to another.

What we have observed over the last 5 years is a restructuring of the American tuna industry. This shifting and restructuring, though entailing some losses to the boat owners and the closing of some domestic processing plants, does not betoken major shrinkage or disappearance in the U.S. domestic tuna industry. I, therefore, find no serious injury to this industry.

Even if I were to consider the financial plight of the tuna fishing and boat operations as evidence of serious injury, I would not find that

increased imports were a substantial cause of this injury. Section 201 requires that the Commission find that increased imports are a substantial cause of serious injury to the domestic industry before granting relief. Substantial cause is defined as "a cause which is important and not less than any other cause." 6/ In an effort to achieve some methodological consistency and rigor, I have attempted to compare increased imports with concepts of the same level of generality. 7/ An adverse change in the fortunes of a domestic firm or industry must entail a decrease either in the price or quantity of the product which they sell, or both. At this level of generality, there are only three possible causes which could be responsible for such changes. They are (1) a decline in demand, represented by an inward and leftward shift of the demand curve; (2) a decline in domestic supply, represented by an inward and leftward shift of the domestic supply curve; and (3) an increase in foreign supply, represented by an outward and rightward shift of the foreign supply curve.

In the case of tuna, there is no evidence of a precipitous shift in either the demand curve for tuna or the foreign supply curve. Rather, it is clear that the tuna boat operations have experienced both bad luck and, with hindsight, poor business judgment in recent years. The result has been a sharp rise in the average costs of American producers supplying raw tuna to the market, reflected in an inward and leftward shift in the domestic supply curve.

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6/ 19 U.S.C. § 2251(b)(4) (1982).

7/ See Views of Vice Chairman Liebeler in Carbon and Certain Alloy Steel Products, supra note 4, at 137-42, and in Unwrought Copper, supra note 4, at 60-65.

The tuna fishing industry anticipated an increased demand for tuna, a continued availability of tuna in the eastern Pacific, and the ability to finance new fishing boats at lower interest rates. The increase in demand did not continue at the previous rate. Climactic changes forced the U.S. fishing fleet to fish in the western Pacific. Interest rates soared in the late 1970's and, while they have declined substantially since 1981, remain relatively high. The tuna industry, which financed boat purchases with variable rate loans, was forced to pay these rates. The combined effect of these adversities was to cause an upward shift of the average cost curves of firms in the tuna fishing industry. This was clearly a far greater cause of the distress of the firms in this industry than any shift in the import supply curve. Therefore, even if I had found that the industry was seriously injured, I would not have found that increased imports were a substantial cause within the meaning of Section 201.

VIEWS OF CHAIRWOMAN PAULA STERN

Contrary to the majority's conclusion, I find that imports of canned tuna are a substantial cause of serious injury to the domestic tuna industry. 1/ This case has presented new difficulties in interpreting both the statute and the facts. The appropriate domestic industry includes segments with both overlapping and separate interests. The causes of the industry's problems have changed during recent years. Additionally, the issue of whether there is a cause more important than imports--as opposed to an explanation of how imports succeeded--depends on how to treat a sudden natural event and its attendant effects. Finally, the weighing process among the alternate causes of serious injury has been factually complicated and conceptually difficult.

The root of all these problematic judgments lies in the fact that this industry is characterized by disparate pairs. There are two periods--1979 to 1982 and 1982 to the present; two events--(1) the explosion of costs in the U.S. industry; and (2) the change in fishery location from the Eastern Pacific

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1/ I concur with the majority's finding that the domestic industry consists of both the processors of canned tuna and the U.S. tuna fleet, i.e., the U.S. flag vessels that supply these processors with the raw fish product. Although the economic interests of the two groups clearly are not identical in all respects, virtually all of the fish caught by the fleet are purchased by U.S. processors, and they, in turn, own or have a significant financial interest in a substantial portion of the fleet.

In addition to the legal point noted by the majority that American Samoa and Puerto Rico are deemed to be part of the domestic industry under the Act, I note that both of these U.S. possessions are subject to U.S. laws such as federal tax laws (although much federal income tax is exempted in favor of local taxation) and Social Security. In addition, the tuna packing industry constitutes virtually the only industry on American Samoa, which has allowed it to develop economic independence from the U.S. government. Transcript of Public Hearing (Tr.) at 118. The tuna industry also represents a very significant source of employment for Puerto Rico. Tr. at 28-33.

to the Western Pacific; and two important causes of injury--(1) increased costs related to the investment in additional tuna vessels, many of which were financed at variable interest rates and (2) imports that directly benefitted from an act of God--the "El Nino" phenomenon 2/--which resulted in substantially greater yields of raw fish from a relatively newly harvested fishing ground--the Western Pacific. The increased yields from this area have simultaneously had an adverse impact on the price that domestic tuna vessels can obtain for their raw product, and have bestowed a new and significant competitive advantage--large supplies of cheap, raw fish--upon several low-labor cost, Southeast Asian processors.

Evaluating the two causes must be done on the basis of alternate hypothetical scenarios which are virtually impossible to quantify precisely. However, Congress has cautioned us against a strict mathematical weighing of causes. My conclusion is that for the most recent period--beginning sometime in 1982--increasing imports are as important a cause as the cost problem in explaining this industry's undeniable serious injury. This is the first time I have ever found imports equal in importance to another cause. Therefore, as directed by the statute, I voted affirmatively.

I. Increased imports

Although imports have always had some presence in the U.S. market, the volumes and market share of imports since 1979 is higher than historical

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2/ "El Nino" refers to the periodic warming of the waters of the eastern Pacific which caused tuna to either migrate to the Western Pacific, or swim so deep that they could not be located by tuna vessels. See Report at A-20.

levels throughout the 1970's. In particular, since 1982, imports have increased substantially and rapidly in both absolute and relative terms. Moreover, the growth in imports' share of the U.S. market has been particularly significant in the private label and institutional sales markets.

Total imports of canned tuna more than doubled during the period, increasing from 54 million pounds in 1979 to 122 million pounds in 1983. 3/ As a share of apparent U.S. consumption, imports also increased steadily, from 7.9 percent in 1979 to 10.4 percent in 1981, 12.8 percent in 1982 and 16.2 percent in 1983. 4/ In the private label and institutional segments of the market, the trends are even more dramatic. In the private label market, imports increased steadily from a 2 percent share in 1979 to 14 percent in 1983. 5/ In the institutional sales market, imports again increased steadily from 51 percent in 1979 to 66 percent in 1983. 6/

Furthermore, data on total imports masks, to some extent, the meteoric growth of imports since 1982 from low-cost Asian countries, particularly Thailand, the Philippines, Malaysia and Indonesia. 7/ Imports from Thailand, the leading and lowest cost exporter of canned tuna, have increased exponentially during the period. 8/ Furthermore, the evidence on the record

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3/ Data for January-May 1984 indicate that imports have continued to increase, totalling 58,421,000, compared to 58,056,000 in the corresponding period of 1983. Department of Commerce Official Statistics.

4/ Report at A-69.

5/ Id.

6/ Id. The import penetration ratio in the branded label market although small, also increased steadily, from 2 percent in 1979 to 6 percent in 1983. Id.

7/ Id., Table 5.

8/ Id.

indicates that imports from Thailand will continue to increase because of contracts to supply a substantial amount of canned tuna to certain domestic producers. 9/

## II. Condition of the Domestic Industry

### A. Processing Sector

There are six major domestic processors of canned tuna: Star-Kist Foods, Inc. (Star-Kist), Van Camp Seafood Division of Ralston Purina Company (Van Camp), Bumble Bee Seafoods Division of Castle & Cook Inc., (Bumble Bee), C.H.B. Foods-Pan Pacific Fisheries (C.H.B.), Neptune Packing Corp. (Neptune) and Mitsubishi Foods Inc. (Mitsubishi). 10/ Star-Kist's operations are international in scope. It has operations in Peru, France, Ghana, Canada and Australia. Domestically, it has processing plants in California, 11/ Puerto Rico and American Somoa. Van Camp has processing plants in Puerto Rico and American Samoa. It permanently closed its San Diego, California plant on July 1, 1984. Bumble Bee has processing operations in Puerto Rico and Hawaii. It closed its San Diego, California plant in June, 1982. Together, these three

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9/ Report at A-15-16. In this case, I consider the imports accounted for by domestic processors indications of injury rather than adjustment. First, unlike in other cases in which domestic producers have taken steps to adjust to import competition by selectively importing high-cost component parts, or by selectively importing completed articles to round out their product lines, canned tuna is a simple, largely fungible product that does not lend itself to such adjustment measures. Cf., Stainless Steel Table Flatware, Inv. No. TA-201-49, USITC Pub. 1536 (June 1984) and Nonrubber Footwear, Inv. No. TA-201-50, USITC Pub. No. 1545 (July 1984). Therefore, unlike the facts of other cases, in which some domestic producers elected to adjust to competition by becoming selective importers, producers in the tuna industry maintain that the current low profit margins for canned tuna and the highly competitive cost structure for imported tuna constitute strong economic motivations for them to become substantial importers or simply go out of business, rather than adopt various compromise strategies. See, e.g., Tr. at 126-127 and 150.

10/ Unless otherwise indicated, the following analysis of the condition of the domestic industry refers to material in the Report at A-28-63.

11/ Star-Kist announced prior to the Commission's hearing that its California plant will close permanently in October of this year (absent import relief). See Questionnaire response reprinted in Report at A-62.

largest companies accounted for most domestic production in 1983. C.H.B. has one processing plant located at Terminal Island, California. Neptune and Mitsubishi also have one plant each located in Puerto Rico.

Domestic production--During the period under investigation, domestic producers, in an effort to compete with imports, have closed plants in their highest-cost locations in the state of California and shifted production to lower-cost areas, particularly American Samoa and Puerto Rico. 12/ Canneries in the latter areas generally are working at near full capacity. Domestic producers do not plan to make further investments in new capacity in the continental United States. 13/ Although some expansion of capacity in American Samoa is contemplated, expansion is limited by constraints on available land, labor, and water supplies. 14/

Domestic production of canned tuna increased from 617 million pounds in 1979 to 649 million pounds in 1981, but then fell sharply in 1982 to 569 million pounds. In 1983, production rebounded to 616 million pounds, and data for January-March 1984 also indicate an increase in production over the corresponding period of 1983. The shortfall in production that has or will

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12/ In 1983, the average labor rate in California is above $8 an hour, compared with slightly below $5 an hour in Puerto Rico, and slightly below $3 an hour in American Samoa. Report at 51. In contrast, the average wage rate in Thailand, the leading exporter, is substantially below $1 an hour. Id. at 71. The cost of raw fish and labor accounts for approximately 65 percent and 15 percent, respectively, of the cost of the canned product. Given the low per unit profit margins on the canned product, labor costs are a very important cost factor.

13/ See July 17, 1984, letter from petitioners' attorney to Sheila Landers at 1.

14/ Domestic producers maintain that, due to the current depressed profit margins, absent import relief, such capital investment is not justified. Tr. at 126. One producer, Star-Kist, testified that new investment in Puerto Rico would not be justified, either. Tr. at 150. Thus, production shortfalls resulting from recent or scheduled plant closings may well be made up by imports of canned tuna.

accompany the 1984 closings of plants in California probably will not be fully offset by production in the plants located within the continental United States, American Samoa or Puerto Rico. Thus, future domestic production will probably decline.

Capacity--Capacity increased in 1980 and 1981 over 1979 due primarily to the acquisition in 1980 of a large modern cannery by Bumble Bee, in anticipation of expanding sales of light meat tuna. However, in 1982, overall capacity again declined as a result of Bumble Bee's closure of this plant after it decided to abandon its strategy of increasing market share for light meat tuna. In 1983, aggregate capacity declined sharply, as Bumble Bee continued to contract operations and Van Camp reduced the capacity of its plant in Puerto Rico. In the January-March 1984 period, capacity increased slightly. However, plant closings that occurred or are scheduled to occur in 1984 will result in substantially reduced overall capacity at year end.

Capacity utilization--Capacity utilization ranged between 66 and 70 percent in the 1979-81 period. As production dropped in 1982, capacity utilization also dropped to 58 percent. However, with the decline in capacity that occurred in 1983, capacity utilization increased to 72 percent in 1983 and 75 percent in 1984. The industry is currently operating at near full capacity in Puerto Rico and American Samoa, but at substantially less than optimum capacity utilization in California.

Employment--Aggregate employment increased slightly between 1979 and 1980, but then decreased during the next three years by 10 percent, from 14,906 workers in 1980 to 13,397 workers in 1983. Hours worked declined between 1979 and

1982. The number of hours worked recovered somewhat in 1983, but remain lower than the 1979 levels. 15/ In addition, in 1984, 1,200 employees were laid off as a result of the closing of Van Camp's San Diego plant. Moreover, 1,200 additional jobs will be lost as a result of the scheduled closing of Star-Kist's California plant in October of 1984. Thus the number of jobs that have already been lost, or will soon be lost is substantial. 16/

Profitability--Net sales increased from 1979 through 1981 but declined significantly in 1982 and 1983, despite the fact that shipments in 1983 increased substantially compared to 1982. The ratio of cost of goods sold to net sales increased during the 1979-82 period from 82 and 83 percent in 1979 and 1980, respectively, to 85.1 percent in 1981 and 89.1 percent in 1982. The ratio of gross profit margins to net sales declined accordingly, from 17-18 percent in 1979 and 1980 to 14.9 percent in 1981 and 10.9 percent in 1982. The ratio of operating income to net sales also fell from 7.2 in 1979 and 1980 to 4.9 in 1981, and to 0.2 percent in 1982. 17/

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15/ A substantial number of jobs in California were lost in 1982-83 due to closings or layoffs by Bumble Bee and C.H.B.. These losses, which are reflected in the above-cited annual data, were offset to some extent by increases in employment in other locations.

16/ One unusual aspect of this investigation is that, due to the shifting of production for cost-savings purposes to American Samoa and Puerto Rico, aggregate employment data mask the substantial loss of employment suffered by workers in California. In making our determination, we must look at aggregate industry-wide data. Nevertheless, it should be noted that, because of the enormous geographical distances involved in the shifting of the U.S. tuna industry from its traditional headquarters in California to far-off insular possessions, workers in California have suffered loss of employment opportunities that are as permanent, in a practical sense, as if the domestic industry had moved overseas. This is relevant to any analysis done for purposes of analyzing the appropriateness of providing trade adjustment assistance to these employees.

17/ Report, Table 24.

In 1983, fish prices were 20 percent lower than in 1981 and 1982, and labor and operating costs declined as well. Accordingly, the ratio of cost of goods sold to net sales decreased to 85.5 percent, and the gross profit margin increased to 14.5 percent. Thus, despite declining sales revenues per-unit, reduced costs allowed processors to recover from barely breaking even in 1982 to a very modest operating income of 2.8 percent in 1983. Thus, looking at the processing sector in isolation, there has been a small improvement in 1983.

In sum, by 1983, U.S. processors had been able to offset declining revenue by cost savings associated with lower raw fish costs, lower labor costs resulting from maximizing production in low-labor cost areas, and lower operating costs resulting from consolidating operations. Nevertheless, they continue to experience substantially lower operating profit margins than in previous years and substantially reduced cash flow. 18/ I therefore find that the processing sector continues to experience serious injury.

B. Harvesting Sector

The U.S. tuna vessel fleet consists of 125 purse seine vessels, which are large, mobile, ocean-going ships, and approximately 600 baitboats, which are substantially smaller boats which fish mostly off the cost of California. 19/ All of these vessels fly the U.S. flag. Thus, they are the only vessels that

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18/ The reduced cash flow comes in large part from boat-related financial interests. These interests and the performance of that portion of the fleet in which processors have such interests are considered as part of the harvesting sector and analyzed separately below.

19/ Unless otherwise noted, this discussion refers to material in the Report at A-63-66.

can land their catch in United States territory. 20/ Conversely, under the laws of most foreign governments, U.S. flag vessels generally are not able to unload in foreign ports. 21/ For these reasons, U.S. tuna vessels traditionally have been closely associated with U.S. tuna processors, supplying virtually all of their catch to U.S. processors.

The purse seine vessels reflect the advent of a more efficient means of catching tuna--the purse seine net--which was developed during the 1950s to replace the less efficient baiting method. These boats, which can hold large quantities of fish in refrigerated holds, have progressively grown in size, sophistication and cost over the years. However, given the vagaries of tuna harvesting--the migratory nature of the fish, disputes with some countries over territorial waters, quotas for certain conservation zones and rules to avoid the catching of porpoises--the current purse seine fleet is substantially more flexible and economically efficient than the smaller, older boats. Today, the purse seiners account for more than 90 percent of the total U.S. catch.

Due largely to shortages of raw tuna experienced in the 1970s, several new, larger capacity purse seiners were built and put into operation in the late 1970s. Several of these vessels, which cost approximately $10 million each, were financed at variable interest rates.

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20/ Report at A-11. The exception is American Samoa, where foreign flag vessels may also unload their catch directly. Id.

21/ However, tuna that is transhipped can be transferred from a tuna vessel operating under one flag to larger transport ships, operating under another flag. This occurs in places such as American Samoa which allows vessels of any flag to land. Although the primary purpose of transhipment is to save transportation costs when raw tuna must be shipped over long distances, it also allows for a certain amount of shifting of supply between fleets of a given flag and processors in other countries. Processors in Thailand, for example, have purchased raw fish that is caught by the Japanese in the Western Pacific area, and transhipped to Thailand. Tr. at 240.

In the 1980-82 period, as the interest rates soared, the interest expense of individual boats and that of the purse seine fleet as a whole climbed accordingly. Post oil-shock fuel costs also were significant during this period. Thus, the fixed and variable costs of these vessels were substantially greater than anticipated. However, the vessels were able to pass through most of these costs by obtaining higher fish prices from U.S. processors through 1981. Although the fleet as a whole experienced operating losses in 1979 and 1981, many vessels enjoyed operating profits during this period. 22/

However, starting in 1982, as a result of a "glut" of raw fish resulting from increased Western Pacific yields and processors' decreasing requirements, the spot market price for raw fish fell sharply. Although most U.S. vessels were paid higher prices which were contracted for earlier, increasing interest and fuel expenses resulted in a very large aggregate operating loss. 23/

In 1983--a year of near unprecedented yields--larger than normal volumes of raw fish became available on the spot market, causing the spot market price to fall even more. This contributed to the inability of the American Tuna Sales Association ("ATSA") to negotiate sufficient contract-price increases with U.S. processors, who were concerned about arresting their own declining profitability. 24/ In an effort to stave off financial disaster for the fleet, processors purchased all the increased volume of fish the fleet supplied, and in some cases paid prices somewhat higher than that dictated by market conditions. Nevertheless, the U.S. fleet suffered a "double whammy":

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22/ Report, Table 28, and Appendix C, Tables C-1 thru C-7.
23/ Report, Table 28.
24/ See Tr. at 190.

first, a sudden and dramatic increase in raw fish supply, and second, the unprecedented inability of U.S. processors to pay contract prices that would allow the vessels to break even.

In 1983, fuel and interest expenses decreased significantly, and aggregate profitability improved slightly, but the fleet remains in a substantially unprofitable position. 25/ The problem is so severe that it has affected individual vessels financed at low fixed interest rates as well. 26/ Several vessels have gone bankrupt, and many more are tied-up.

Furthermore, as the U.S. fleet's financial condition has deteriorated, several U.S. processors have suffered financial losses or are experiencing increasing financial exposure related to their interests in the fleet. The processors that own or have majority interests in tuna vessels experienced dramatically declining net sales and significant operating loss margins on boat operations in both 1982 and 1983. 27/ Thus, they have established increasingly large bad debt reserves related to their boat investments. In 1983, these reserves totaled more than $21 million. 28/ In addition, they collectively have a total exposure of more than $100 million in loan guarantees, $58 million in loans and advances and over $1 billion related to investments in tuna vessels. 29/

Clearly, the harvesting sector of the industry, whether individually or processor owned, is also experiencing serious injury. Therefore, with both segments seriously injured, the industry as a whole is seriously injured.

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25/ Report, Table 28.
26/ Tr. at 81-82.
27/ Report, Appendix C, Tables C-2, C-3, C-4, C-5, and C-7. The exact figures are confidential.
28/ Compiled from questionnaire responses.
29/ Id.

## III. Substantial Cause of Serious Injury

### A. Summary

The petitioners have argued that imports of canned tuna are clearly the primary cause of the industry's problems. The respondents offer a catalogue of other causes which they contend are more important causes of injury. Specifically, they have cited: (1) a dramatic increase in raw fish prices which occurred in 1981 and part of 1982; (2) excessive high-cost inventories of both raw fish and canned fish which built up in 1981 and existed through 1982; (3) a shift in consumer preference from tuna packed in oil to tuna packed in water, which given the anomalous tariff structure that exists, is advantageous to imports; (4) the shift of the U.S. fleets' traditional fishing ground from the Eastern Pacific to the Western Pacific caused by the El Nino phenomenon. In addition, there is an additional causal candidate: the increased aggregate costs of the U.S. tuna fleet.

After a careful analysis of this complicated industry and a voluminous record, I have found both the petitioners' and the respondents' arguments to be significantly overstated. However, consideration of the interrelated web of causal factors reveals that imports of canned tuna are at least as important as any other cause of the injury this industry is experiencing. In my mind, the two most important causes of the industry's problems have been (1) increased imports of canned tuna substantially explained by the accelerated development of the high-yield Western Pacific fishery resulting from the "El Nino" phenomenon; and (2) increased vessel costs due to the

addition of new super seiners to the fleet, many of which were financed with loans having variable interest rates. 30/

There is no historical pattern which can be used to separate the effects of these economic developments. In the interest of analytical clarity, I shall discuss the recent events in terms of two discrete time periods. This will provide the necessary setting for an examination of the two different causes of injury to the industry.

B. The Two Time Periods

Pre-1982--In the pre-1982 period, the U.S. fleet fished primarily in the Eastern Pacific Conservation Zone, relatively close to the coast of California. In 1980, the industry was experiencing increasing demand for the canned product. Due in part to the effect of El Nino, recurring shortages of fish occurred and fish prices were strong. Processors sought to achieve a certain degree of vertical integration to assure supply through owning or acquiring financial interests in tuna vessels and outfitting the fleet to move to the Western Pacific. The U.S. fleet's bargaining representative, ATSA, was able to negotiate satisfactory fish prices based in part upon the relatively short supply of fish and in part because the processors were making a reasonable return on sales of the canned product. At this time, U.S. processors' purchases of foreign raw tuna generally were made at the "ATSA" price or at a premium above the "ATSA" price. In December of 1980, the industry approved a substantial price increase for the raw product. In 1981,

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30/ I do not find that any alleged "overexpansion" of the purse seiner fleet per se is an important cause. Even today, when the aggregate capacity of the fleet is greatest, if all vessels were operating at full capacity the fleet could not supply all of U.S. processors' requirements. Tr. at 187-88. Typically, it supplies between 50-60 percent of processors' requirements, with the shortfall supplied by imports of raw fish. Tr. at 183-85.

the industry passed on the increased raw fish prices to the price of their canned tuna.

Post-1982--In 1982, the U.S. fleet's catch, which reflected the increase yield from the Western Pacific, was substantially greater than the catch in previous years from only the Eastern Pacific. As the supply of raw fish increased, the volume of fish available in the generally "thin" spot market increased substantially. Spotmarket prices for raw fish fell. In early 1982, sales of canned tuna became sluggish. Processors were faced with excess inventories of both canned and raw tuna financed at then high interest rates. To move inventory, they curtailed production of the canned product and cut prices. Importers also cut prices to levels below those of domestic producers. 31/ The decline in revenue which resulted from this cost/price squeeze prompted processors to lower costs by opposing any further increase in the cost of raw fish. This, together with a nearly unprecedented 1983 catch, exerted substantial downward pressure on the price ATSA was able to negotiate for the raw fish. The U.S. fleet was not able to obtain fish prices that allowed it to cover fixed and/or variable costs. As a result, some have gone into bankruptcy and several others are tied up at the dock. Despite decreasing fish costs, processors' financial performance in 1983 remained poor.

C. The Important Causes of Serious Injury.

Increasing Imports--The increase in imports is inextricably linked to the El Nino phenomenon in several ways. First, it was the shortages created by the El Nino phenomenon's effect on the traditional Eastern Pacific fishery--during

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31/ See, e.g., Tr. at 266; See generally, Report, Appendix E, Tables E-2, E-4, E-5, and E-6, and Memorandum from Director, Office of Economics EC-H-282, July 20, 1984, at 1. n.1.

a period of strong demand for the canned product--that induced processors initially to accept the substantial increases in raw fish costs sought by ATSA in late 1980. This high price/cost structure provided a window of opportunity for lower-priced, low-cost, imported canned tuna to gain market share. Second, El Nino prompted the shifting of much of the U.S. purse seine fleet to the Western Pacific and the accelerated harvesting of unexpectedly plentiful yields in this fishery. The result was an unanticipated increase in the supply of fish not already contracted for, i.e., available on the spot market. 32/ Given the simultaneous drop in processors' requirements, the spot market price tumbled. As a result, very low cost foreign processors in Southeast Asian countries (some of which do not have a modern purse seiner fleet) were able to expand production considerably by purchasing fish on the spot market. 33/

Imports of canned tuna, particularly low-cost canned tuna, not only increased substantially in 1982 and 1983, but exerted considerable pressure on the prices of domestic canned tuna. Although imported canned tuna is concentrated in the institutional and private label sectors of the market, industry representatives agree that the pricing in these submarkets exerts a very strong influence on pricing in the branded label market in which most domestic production is concentrated. 34/ Moreover, since certain domestic

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32/ Fish available on the spot market fetch prices higher than contract prices when demand is high, and prices substantially lower when demand is low. Traditionally, most of the available fish is purchased under contract, and the volumes available on the spot market are relatively small.

33/ During 1982 and 1983, because U.S. vessels were catching more fish in the Western Pacific and U.S. processors generally were purchasing all that the fleet caught, they purchased less foreign-caught tuna. See Report at A-42. This displaced foreign flag catch is what is believed to be largely responsible for the increased volume on the spot market.

34/ The retail price of branded label tuna generally cannot be priced more than 10 cents per can above that of private label. See, e.g., Tr. at 63.

producers have just begun to import low-cost canned tuna under their brand label, imports will soon exert direct price depressing or suppressing effects in this submarket as well.

The price data on the record indicate that in the branded label and private label markets, imports of canned tuna are priced significantly below domestic canned tuna. 35/ Although the price data on sales in the institutional market is somewhat problematic, there is substantial evidence in the record indicating that domestic processors also have experienced significant price competition from and lost sales to imports of canned tuna in this market. 36/ In fact, Star-Kist, the last domestic producer to have any significant presence in the institutional market, discontinued sales in April of 1984 due, it claims, to import competition that forced it to sell at a loss. 37/

The evidence in the record as a whole supports the claim that domestically canned tuna is losing market share due to stiff price competition from imports. In fact, the effect of price competition posed by the new leading exporting countries is dramatically illustrated by the fact that the current landed, duty-paid price of a case of canned tuna from one of these

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35/ See Report, Tables 36, 37, 38 and 39, Appendix E, Table, E-2 through E-5. The price of the canned product, both domestic and imported rose and fell throughout the period, generally tracking the rise and fall of the price of the raw product. However, since 1982, the imported product consistently has been priced below the domestic product. Domestic producers lowered price to move inventory in 1982. Nevertheless, as the domestic industry argued, and a representative of the importers acknowledged, when the domestic producers lowered price in 1982, the price of the imported product was lowered even further to maintain the "normal" price differential between the imported and domestic product. Tr. at 243.

36/ See Memorandum EC-H-282 at 1, n. 1: "it appears that reported prices suffered from statistical discrepancies due to aggregation, but that, for equivalent samples of institutional sizes, imports were lower priced;" Tr. at 243; and petitioners' confidential supplemental hearing testimony and documentation re: lost sales.

37/ See Tr. at 61-62.

countries is less than the average cost of production for all domestic producers. 38/

Increased Costs--In 1981, the higher costs of the U.S. tuna fleet were largely passed through to the processors, who, in turn, passed them through to the price of the canned tuna. However, demand for canned tuna was down slightly in 1982 compared to that in previous years. 39/ Thus, by early 1982, U.S. processors experienced an increase in inventories of canned tuna and inventories of raw tuna, during a period of high financing cost. In order to move inventory, processors decreased production and decreased price. The combination of lower prices and increased processor costs, when viewed in isolation, explain to some extent the declining profitability of domestic producers through 1982. Conversely, the reduction of costs effectuated in 1983 explain to some extent the modest financial recovery made in that year. However, this "cost" factor does not explain why 1983 profitability did not rebound to a level approaching that of 1979 or 1980, before the "cost" problem began.

Furthermore, the cost problem of the boats cannot be assumed to be a more important cause of their problems than imports because, had not the price of the canned product remained low, processors would have been able to pay more for raw fish. Based upon historical practice, ATSA may then have been able to negotiate a higher price for the fish. Therefore, a rather careful attempt

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38/ This price is clearly much less than the costs of production in high cost locations, such as California, but also even less than that of some producers' low-cost locations. Based upon report at A-98, Economic Consulting Services Inc., "Variations in the Cost of Producing Canned Tuna at Domestic Tuna Processing Facilities," and other processors' confidential responses.

39/ There are some indications that had the price of the canned product increased too much demand would have fallen. However, the industry's only experience was in 1982, when the price not only increased, but increased very much, very abruptly. In fact, the relationship between demand and the price of canned tuna is relatively inelastic.

must be made to weigh these two alternate causes to determine if imports are in fact a substantial cause, as required by the Act.

D. Weighing the Causes of Serious Injury

It is extremely difficult, if not impossible, to separate out the interrelated effects of increased costs and foreign competition. The economic and statistical analysis offered by both parties and the Commission's staff were not capable of adequately quantifying both of the alternative causes I have found relevant to consider. 40/ Therefore, I have used an essentially qualitative approach. One means of conceptualizing the problem is through the comparison of two alternate counter-factual scenarios. 41/ Specifically, I have hypothesized in Scenario I what would have happened had the expansion of the fleet taken place as it did, with one exception: The absence of a glut of raw fish resulting from the shift to the Western Pacific fishery. Alternatively, I have examined in Scenario II the situation whereby the El Nino/glut phenomenon occurred as it did, but the U.S. fleet had not expanded, and thus did not incur significant interest expenses. Each scenario represents the effects of one cause absent the other. Clearly, the industry in either of these scenarios would have performed better than in fact it did in the face of both causes operating simultaneously. But to answer the question the statute poses regarding substantial cause, one must be able to

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40/ See "Economic Analysis of Canned Tuna Industry," EC-G-283 (July 24, 1984) at 3. See generally, "Tuna Prices" EC-H-282 (July 20, 1984) at 3; and "Review of Econometric Estimates in Investigation No. TA-201-53 Certain Canned Tuna Fish:, EC-H-287 (July 23, 1984).

41/ These counterfactual scenarios illustrate the difficulties attendant upon any attempt to quantify mathematically the relative weights of alternative causes of injury. In fact, each of the parties provided regression analyses that staff advised were deficient in certain important respects. Furthermore, the staff's own attempts at various regression analyses were inconclusive.

compare the industry's likely performance in each of these two scenarios. If Scenario I would have yielded a healthier industry, clearly El Nino and its cluster of effects on imports was more damaging than the increase in costs. An affirmative determination would be mandated. But if Scenario II would have produced a better industry performance, the cost factors under the control of the domestic industry should be deemed to have been more damaging than imports. A negative determination would be necessary.

E. Scenario I: Fleet Expands, But No El Nino/Glut

Under the first scenario, had there been no dramatic increase in yield, the U.S. fleet would not have encountered the substantial downward pressure on its raw fish prices. Second, and perhaps more important, there would not have been the excess supply of raw fish to satisfy the requirements of the low-cost Asian processors--particularly those in countries without a significant purse seine fleet. These processors would otherwise have been largely limited to the fish available in local fisheries. Also, had the raw fish price not plummetted, the labor cost advantage of these foreign competitors would not have become as critical. Therefore, assuming that the Western Pacific fishery had not been developed anywhere near as rapidly as it has, and the near record yields not occurred, the U.S. tuna vessels might well have been able to generate revenue beyond the break-even point. Thus, the interest-related expenses would not be as important as they currently appear. Furthermore, without the price depressing or suppressing effect of increasing imports of canned tuna, the processing branch of the industry might have been able to absorb the increased costs without as substantial a decline in profitability as is currently the case.

F. Scenario II: El Nino/Glut, But No Fleet Expansion

Conversely, under the second scenario, had the El Nino phenomenon occurred, but the U.S. fleet not expanded by adding new super seiners, many of the smaller, older vessels would not have been able to travel to or fish the Western Pacific. Thus, the U.S. fleet would have experienced financial difficulties--but for other reasons. It would not have been able to fish much in the traditional Eastern Pacific fishery, given the very small yields. However, many vessels would not have been able to fish in the Western Pacific, either. Thus, the harvesting sector of the industry could have been in financial straights as bad as---or worse--than it is today.

From the processors' perspective, any increased catch from the Western Pacific (assuming that adequate foreign flag vessel capacity existed) would have resulted in a cost savings for raw product over the short term. However, absent the participation of the U.S. fleet in harvesting the area, processors probably would have continued to experience shortages of supply and higher raw fish prices as they did in 1979 and 1980. Alternatively, any increased yield would have facilitated the marriage of relatively low-priced raw product from the Western Pacific with the dramatically lower labor costs of Southeast Asian countries that occurred in 1982 and 1983. This would have resulted in a formidable competitive challenge to domestic processors similar to that which exists today.

In sum, under neither scenario does the industry as a whole emerge as clearly better off than under the alternative scenario. Under Scenario I, the fleet would have presumably remained profitable due to higher raw fish prices, and the processors would have experienced a squeeze on profits. Under Scenario II, with the U.S. fleet not having been expanded to include the more

modern super seiners, the U.S. tuna fleet as a whole would have suffered financially due to its inability to adjust to the shift to the Western Pacific fishery. Also, processors would not have been in a clearly better condition. Qualitatively, neither cause can be demonstrated to be of greater weight than the other; they are clearly of the same order of magnitude in explaining the industry's recent poor performance. 42/

In this case, it is simple to focus on certain easily quantifiable bits of information, yet fail to evaluate the broader context. The 1979-84 period is replete with fast-moving major developments in the tuna industry. To consider only the easily quantifiable ones--in this case, the costs (which are not related to imports)--reduces us to counting trees without seeing the forest. I believe that such a practice runs astray of our basic statutory mission. The Commission must rigorously analyze causes, but not place an undue reliance on mathematically demonstrating causation. The legislative history speaks directly to this point:

> The Committee recognizes that "weighing" causes in a dynamic economy is not always possible. It is not intended that a mathematical test be applied by the Commission. The Commissioners will have to assure themselves that imports represent a substantial cause or threat of injury, and not just one of a multitude of equal causes or threats of injury. 43/

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42/ Even if the data for 1983 do not convince one that imports were an important cause of serious injury, surely they present compelling evidence of an important cause of threat of serious injury. By 1983, the domestic processors' inventory overhang problem was ended. Shipments increased significantly, and processors realized significant cost savings with respect to raw product, labor, capacity-related operating costs, and significantly lower interest rates. Yet both net sales and operating profits declined. Examined against this cleaner slate of alternative causes, the role of imports stands out in high relief. The highly competitive cost structure of the imports is exerting substantial downward pressure on the prices of the domestically-produced product.

43/ See S. Rep. No. 1298, 93rd Cong., 2d Sess. 91974) at 120-21.

In sum, the domestic industry is facing a dire situation into which it has suddenly been cast. It needs time to adjust. If mythical helicopters were to drop processing plants and fish on a neighbor of the United States with extremely low wage rates, a flood of imports would certainly ensue. Few would argue that any serious injury caused by such increased imports would not be remediable under Section 201. The Act is written exactly for such rapid changes in competitive advantage. The circumstances of this case are analogous, and the industry merits relief.

## IV. Relief: Adjustment Assistance

Commissioners are not required to comment on the subject of relief when the Commission majority has made a negative determination. In this instance, I believe some brief comments are in order because the relief appropriate for the American tuna industry is unlike that which I have recommended in any previous investigation under section 201. The facts of this case are tailor-made for the trade adjustment assistance provisions of the statute.

Given the substantial labor cost advantages of some of the leading foreign suppliers of canned tuna, and the fact that labor costs are a critical cost component in this high-volume, low profit margin canned tuna industry, it is clear that domestic processors face a long-term fundamental competitive disadvantage. With the exception of the lowest-cost locations in American Samoa and, to a lesser extent, Puerto Rico, a substantial volume of imported canned tuna is priced less than the cost of much domestic production. Furthermore, I am not persuaded that any of the various plans offered by petitioners would allow the industry to meet the fundamental and irreversible competitive advantage posed by imports. Rather, a temporary tariff increase

would simply delay the inevitable shifting of production to foreign locations. 44/ It would do little to arrest the irreversible decline of production and fish landings in California. Even if temporary import relief were granted, it would be just that--temporary.

The close of the California plants will mark the end of an era for California, the century-old home of the tuna processing industry and the U.S. tuna fleet. It also will mark the end of a lifestyle for many fishermen and their families. 45/ The Commission cannot recommend import relief based upon sentiment or sympathy alone. But it can recommend needed assistance for the victims of economic forces beyond their control. Therefore, had the majority voted affirmatively, I would have recommended trade adjustment assistance as the appropriate remedy. 46/ First, unlike in most cases, firm adjustment assistance would be a meaningful infusion of financial assistance to individual purse seiners, allowing them to refinance, lower their fixed costs

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44/ See EC-H-291 (July 24, 1984) at 4; Section 202(c) discussion at 2-3.

45/ Hundreds of smaller tuna boats that are not purse seiners and are limited to fishing off the coast of California will be the most severely hit by the sudden closings of the California plants because, unlike the larger purse seiners, they do not have the flexibility to adjust to new fisheries or to supply new sources of demand.

46/ In this type of situation, adjustment assistance is in theory a more direct and precise form of relief than tariffs or quotas, and one that imposes less cost on consumers and the overall economy. It has been suggested that it is either naive or cynical to recommend adjustment assistance given the problems that exist with respect to funding limitations, and the difficulties firms and workers have experienced with respect to qualifying for it. For example, I understand that vessels may not be eligible for assistance because they themselves may not have detailed records of sales. However, given that other parties, such as processors or the ATSA group, may have such records and that this record is replete with solid secondary evidence of individual vessel's financial condition, more flexibility in the certification process may be appropriate.

Section 201 clearly directs the Commission to recommend adjustment assistance when the facts of the case warrant it. If sufficient adjustment assistance is not available, that is a policy matter for Congress and the Executive Branch to resolve. I see no purpose in ignoring our responsibility to make the recommendation.

and survive. 47/ In addition, it would have enabled the purse seine fleet to adjust to changing conditions by internationalizing, i.e., by supplying processors that have or will shift to foreign locations. 48/

Second, assistance for the boats would indirectly aid the processors who have significant financial interests in the boats.

Third, and, in human terms, perhaps the most important, worker adjustment assistance could help the thousands of unemployed, relatively unskilled, cannery workers in California weather abrupt job dislocations caused by imports in an area that already suffers double-digit unemployment.

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47/ For example, an exporter testified that processors in Thailand, a leading exporting country that does not have a major purse seine fleet, would be interested in sourcing their raw product from U.S. flag vessels. Tr. at 98.

48/ Firm adjustment assistance is limited to a maximum of $1 million in loans, and $3 million in loan guarantees per corporation. For many manufacturing firms, this is often a negligible amount. However, since many tuna vessels are individually incorporated, this amount of adjustment assistance could actually be an effective remedy.

# INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On February 15, 1984, the U.S. International Trade Commission received a petition filed on behalf of the United States Tuna Foundation; CHB Foods Inc.; the American Tuna Boat Association; the United Industrial Workers, AFL-CIO; the Fishermen's Union of America, AFL-CLO; and the Fishermen's Union, ILWU, Local No. 33, requesting relief from imports of canned tuna under section 201 of the Trade Act of 1974. The petitioners requested an increase in the rate of duty for canned tuna, not in oil, to 35 percent ad valorem for 5 years. The Commission instituted investigation No. TA-201-53 (effective February 15, 1984) to determine whether tuna fish in airtight containers, prepared or preserved in any manner, not in oil, provided for in items 112.30 and 112.34 of the Tariff Schedules of the United States (TSUS), and tuna fish in airtight containers, prepared or preserved in any manner, in oil, provided for in TSUS item 112.90 are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

Notice of the Commission's institution of investigation and of the public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of March 7, 1984 (49 F.R. 8501). 1/ The public hearing was held in connection with this investigation on June 5, 1984, in the Commission's hearing room.

The Trade Act of 1974 directs the Commission to complete its investigation under section 201 at the earliest practicable time, but not later than 6 months after the filing of the petition. In this case, the final report to the President is scheduled to be transmitted on August 15, 1984.

## The Product

### Description and uses

This investigation covers processed tuna, prepared or preserved in any manner, in airtight containers, commonly referred to as canned tuna. 2/ All of the canned tuna (domestically produced or imported) sold in the United States may contain only the species of fish designated as tuna by the Food and Drug Administration (FDA). 3/ The most common species of tuna used in

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1/ A copy of the Commission's notice is presented in app. A.

2/ Although imports of fresh, chilled, or frozen tuna are not covered by the TSUS items defining the scope of this investigation such, raw tuna (both domestically landed and imported) impacts the canned tuna industry; therefore, data are presented on landings, imports, and prices of raw tuna in this report.

3/ As set forth in 21 CFR 161.90.

domestically produced and imported canned tuna are albacore, skipjack, yellowfin, euthynnus, and tongol. 1/

Canned tuna is packed in water, olive oil, edible vegetable oils, vegetable broth, or other ingredients as set forth in the FDA regulations and flavored with salt (some is packed salt free). The product under investigation is prepared in the forms of pack designated as: (1) solid (a segment of the loin placed in the can with the cut ends parallel to the ends of the can); 2/ (2) chunk (a mixture of pieces of tuna in which the original muscle structure is retained, but not less than 50 percent of the weight of the pressed contents of a container is retained on a 1/2-inch-mesh screen); (3) flake (a mixture of pieces of tuna as set forth above for chunk pack, but in which more than 50 percent of the weight of the pressed contents of a container will pass through a 1/2-inch-mesh screen); or (4) grated (a mixture of discrete, uniform-sized particles of tuna that will pass through a 1/2-inch-mesh screen, but which do not constitute a paste). Any of the aforementioned forms of pack may be smoked.

The color designations for the forms of pack are (1) white (a color designation limited only to albacore--a premium-priced tuna which currently accounts for an estimated 20 percent of domestic production and 12 percent of the imports); (2) light (a color designation which applies to most of the remaining 80 percent of domestic production and 88 percent of the imports); (3) dark; and (4) blended (a color designation applied only to a mixture of tuna flakes of which not less than 20 percent by weight consists of either white or light tuna and the remainder consists of dark tuna). Canned tuna bearing the color designations dark and blended is relatively unimportant in the U.S. market.

About one-fifth of the U.S. tuna pack is in the solid form, nearly four-fifths is in chunk form, and the remainder (about 1 percent) is in flaked or grated form. Albacore constitutes most of the solid pack tuna, and most albacore is in solid pack. Although data are not available, it is believed that somewhat less than 20 percent of the imported tuna is in solid pack form and virtually all of the remainder is in chunk form.

Tuna is packed in so-called retail-size cans (i.e., cans generally having net weights of 3 to 3-1/2 ounces, or of 7 ounces if in solid pack 3/, 6-1/2 ounces if chunk, and 6 ounces if flaked or grated) and in institutional size cans (mostly cans having net weights of 66-1/2 ounces, but some weighing 13 ounces). Although both domestic and imported tuna is in retail- and

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1/ Euthynnus (black skipjack) and tongol species of tuna are used only in imported canned tuna from Thailand. Euthynnus is considered a substandard product which demands a discounted price, and tongol is a high-quality tuna that receives a premium price.

2/ A piece of the loin may be added if necessary to fill the container, or layers of the loin may be used if the can contains more than 1 pound net content.

3/ Star-Kist recently began to pack solid white, canned tuna in a 6-1/2 ounce container. Industry sources informed the Commission that the rest of the tuna industry will be forced to follow Star-Kist's lead in reducing the amount of white tuna in a retail-size container to 6-1/2 ounces.

institutional-size cans, questionnaire data show that domestic tuna predominates in the retail-size cans, and imported tuna predominates in institutional-size cans. Imported tuna (in water) is used mostly in the institutional trade (for restaurants, hotels, and so forth), followed by the private-label trade (chainstore brands), and, to some degree, in the highly prized advertised brand trade (e.g., Star-Kist Empress, Geisha, or Chicken of the Sea). Domestic canned tuna--both in oil and in water--is used mostly in advertised brands, followed by private-label brands, and in institutional containers. According to information submitted at the hearing, many institutional users of canned tuna prefer the imported product because of its consistent quality, better drained weight (more fish per can after the water is removed), lighter color, and better flavor. In addition, it was testified that imported canned tuna contains only a single species of tuna per can (tongol, yellowfin, or skipjack), whereas the domestic product often contains a blend of various species. 1/

Methods of production

U.S. processors purchase either domestically landed or imported raw tuna. As the fish are needed for canning, they are unloaded from the vessels' wells (sometimes they are placed in freezer storage) and thawed with water. If they are imported, the fish are unloaded from refrigerated containers of the cargo vessels and are then thawed. 2/ They are then eviscerated (by hand), loaded on trays which are stacked on movable shelf racks, and wheeled into the first cooker, which can handle several thousand pounds of fish at a time. After the first cooking (45 minutes to 3 hours, depending largely on the size and type of fish), the fish are loaded onto long conveyor belts, each of which carries the fish to production workers at the fillet tables.

These workers remove the skin and separate the loin fillets from the skeleton. They then separate the white (or light) meat used for human consumption from the red meat used for pet food. 3/ (The skin, bones, and viscera are converted into fish meal--used mostly as a protein supplement for poultry feed). The meat for human consumption is then packed with water or oil in hermetically sealed tin cans (utilizing a recently invented, highly automated canning process) and subjected to a second cooking called retort (cooking for 2 to 4 hours), which sterilizes the meat. After this cooking, the cans of tuna are cooled, labeled, packed, and stored or moved into the market distribution system.

Methods of harvesting tuna

Approximately 97 percent of the U.S. catch of tuna, called tropical tuna (skipjack, yellowfin, bluefin, and bigeye), is landed by the purse seine fleet. 4/ The remaining 3 percent of the U.S. catch consists of albacore,

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1/ Transcript of the hearing, pp. 256-258.

2/ Albacore is usually imported in refrigerated containers.

3/ These production workers, called tuna cleaners, are the lowest paid workers in the plant (currently about * * * per hour in California, * * * per hour in Puerto Rico, and * * * per hour in American Samoa).

4/ Letter submitted by the American Tunaboat Association, June 2, 1984.

which is landed by approximately 600 baitboats (pole, line, and line bait vessels) which fish mostly off the coast of California. 1/ The 125 U.S. purse seine vessels belonging to the American Tunaboat Association, which make up most of such vessels in the United States, are petitioners in this investigation. 2/ Together, the baitboats and purse seine vessels number about 750 vessels.

Purse seine vessels are large, well-equipped oceangoing ships that sail the fishing grounds of the high seas in search of tuna. 3/ They often are valued at $10 million to $12 million each. Largely because of their size (about 200 feet in length and 75 feet in width), they generally are not suitable for fishing for species other than tuna. The large purse seine vessels, called super seiners, have fish-carrying capacities which average about 1,200 tons, but a few range up to 1,700 tons. The vessels are equipped with a vast array of electronic equipment (e.g., radar, position finders, depth recorders, automatic monitoring systems, satellite navigational and sonar systems, and radios) as well as one, or two, helicopters. The vessels normally carry a crew of 18, including the helicoper pilot(s). They stay at sea for several months at a time and often make several trips a year.

Tuna are usually spotted by a lookout placed in the "crow's nest" which is high above the main deck of the vessel, or by a helicopter launched from the vessel. Their location is determined by porpoises swimming above them, sonar detection, the surface disturbances they make, or more recently--particularly in the newly developed fisheries of the western Pacific--by the use of fish-aggregating devices (debris placed in the water which normally attracts the fish).

When tuna are spotted, a skiff (a large diesel-powered workboat) is launched off the vessel and begins encircling the fish with a nylon net that is about 1 mile long and 300 feet deep. 4/ Motorboats, also launched from the vessel, begin herding the fish (and the porpoises which are swimming above them) toward the closing net. As the fish are herded within the confines of the net, the skiff and the seiner come together, thus closing the circle of the net. Cable along the bottom of the net is drawn and the "purse" is closed, thus trapping the tuna and porpoises within the closed net. A back down maneuvering of the vessel, combined with the use of a special apron built into one part of the seine, permits porpoises to slip over the top of the seine and escape into the sea. By the use of hydraulic equipment, the fish are removed from the closed seine with a "brail" net and put into the vessel's storage wells; almost immediately they are frozen in a brine solution. The fish are then shipped to the dock of the cannery. 5/

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1/ Transcript of the hearing, p. 122.

2/ Baitboat operators are not among the petitioners, although they expressed their support of the petition in a letter dated June 14, 1984. The petitioners that operate boats are the purse seine vessel owners.

3/ The U.S. fleet was characterized at the hearing as the most modern tuna fleet in the world. Transcript of the hearing, p. 165.

4/ Because of a deeper thermoline (cold-water layer) in the western Pacific, faster sinking nets, some 700 feet deep, have been developed for use in that area.

5/ Sometimes the fish are transshipped, i.e., taken to receiving points on the high seas where they are loaded into refrigerated containers which are shipped on cargo vessels.

## U.S. Customs Treatment

The current U.S. rates of duty applicable to imports of canned tuna are as shown in table 1: 1/

Table 1.--Canned tuna: Current U.S. rates of duty

| TSUS item No. | Commodity | Col. 1 rate of duty | Col. 2 rate of duty |
|---|---|---|---|
| | Fish, prepared or preserved in any manner, not in oil, in airtight containers: | | |
| | Tuna: | | |
| 112.30 | In containers weighing with their contents not over 15 pounds each, and not the product of any insular possession of the United States, for an aggregate quantity entered in any calendar year not to exceed 20 percent of the U.S. pack of canned tuna during the immediately preceding calendar year, as reported by the National Marine Fisheries Service--- | 6% ad val. | 25% ad val. |
| 112.34 | Other--- | 12.5% ad val. | 25% ad val. |
| | Fish prepared or preserved in any manner, in oil, in airtight containers: | | |
| 112.90 | Tuna--- | 35% ad val. | 45% ad val. |

1/ In accordance with general headnote 3(a) of the TSUSA, imports of canned tuna fish from U.S. insular possessions (e.g., American Samoa, Guam, or the Virgin Islands) are free of duty.

Note.--The rates of duty in col. 1 are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA. The rates of duty in col. 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUSA. None of the products considered here have been granted preferential tariff treatment under the Generalized System of Preferences (GSP).

### Historical tariff background

Tuna canned in oil was originally dutiable at 30 percent ad valorem under the Tariff Act of 1930 as "Fish, prepared or preserved in any manner, if packed in oil or in oil and other substances." In 1934, as the result of a Presidential proclamation under section 36 of the Tariff Act (the cost-equalization provision), the rate of duty on such tuna was increased to 45 percent ad valorem. The rate was reduced to 22.5 percent ad valorem in

1943 pursuant to a trade agreement with Mexico, but upon termination of that agreement, the rate reverted to 45 percent ad valorem in January 1951. Pursuant to a concession (initially negotiated with Japan) in the General Agreement on Tariffs and Trade (GATT), the rate on tuna canned in oil was reduced to 35 percent ad valorem effective September 10, 1955. That rate is the one currently in effect (TSUS item 112.90).

Imports of canned tuna were unimportant when the Tariff Act of 1930 was enacted, but canned tuna in oil became the principal form in which tuna was imported until the duty was increased in 1951. In that year, imports of tuna not canned in oil (principally tuna in brine, now tuna in water) became of commercial importance for the first time. Within a short period, imports of canned tuna in water constituted virtually all of the imports of canned tuna, and they have remained the predominant type of tuna imported. Such tuna was dutiable at 25 percent ad valorem under the Tariff Act of 1930 as "Fish, prepared or preserved in any manner, if in airtight containers weighing with their contents not more than 15 pounds each (except fish packed in oil or in oil and other substances)." The rate on this tuna, i.e., tuna not canned in oil, was reduced to 15.5 percent ad valorem pursuant to a trade agreement with Iceland effective November 1943. 1/ A concession on this product was included in the GATT, effective September 10, 1955, in negotiations with Japan, whereby the ad valorem duty rate of 12.5 percent was bound against increase. Also, a reservation, made a part of this concession, included limiting the reduced rate to imports in any calendar year not in excess of 20 percent of the U.S. pack of canned tuna during the immediately preceding calendar year, as reported by the Fish and Wildlife Service (now the National Marine Fisheries Service). Effective April 14, 1956, the concession on canned tuna, not in oil, was withdrawn from the agreement with Iceland, but the 1955 GATT concession negotiated with Japan remained in effect. Thus, the 1955 GATT reservation was invoked effective April 14, 1956, whereupon imports not in excess of 20 percent of the preceding year's U.S. pack became dutiable by Presidential proclamation at the concession rate of 12.5 percent ad valorem, and those in excess of that quantity were dutiable at the statutory rate of 25 percent ad valorem.

As a result of concessions granted by the United States in the sixth round of trade negotiations under the GATT (Kennedy round), the duty rate of 12.5 percent ad valorem on imports of canned tuna not in excess of 20 percent of the preceding year's U.S. pack (now classified under TSUS item 112.30) was reduced in five annual stages to 6 percent ad valorem, and the rate of duty on such imports in excess of 20 percent of the pack (now classified under TSUS item 112.34) was also reduced to 12.5 percent ad valorem. 2/ These final rates of duty became effective January 1, 1972, and, as shown on page A-5, they currently remain in effect.

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1/ The rate of duty of 12.5 percent ad valorem was initially negotiated under a GATT concession with the Republic of China (Taiwan) effective May 22, 1948. This concession was withdrawn, effective Jan. 26, 1952, after the withdrawal of Taiwan as a contracting party to the GATT. The 12.5 percent rate continued in effect, however, by reason of the agreement with Iceland.

2/ Canned tuna which is the product of U.S. insular possessions and which is free of duty is not included by the National Marine Fisheries Service as part of the U.S. pack. However, Public Law 97-466, enacted Jan. 12, 1983, excludes canned tuna from such possessions from the so-called quota quantity.

The tariff-rate quota on imported canned tuna

As previously mentioned, imports of canned tuna in water are subject to a tariff-rate quota. Imports not in excess of 20 percent of the preceding year's U.S. pack are dutiable at 6 percent ad valorem; those imports in excess of the "quota" are dutiable at a rate of 12.5 percent ad valorem. Tuna canned in American Samoa by U.S. producers (Star-Kist and Van Camp) is not counted as part of the U.S. pack. Yet, for purposes of 201 investigations, the products produced in American Samoa are part of the relevant U.S. industry. 1/ The respondents in this investigation have claimed that, under current conditions, the quota quantity ultimately will shrink in absolute terms because of the U.S. industry's decision to shift production to American Samoa while closing plants in California and reducing production capacity in Puerto Rico. Van Camp has recently reduced its plant capacity in Puerto Rico and closed its San Diego cannery on July 1, 1984. 2/ Thus, the U.S. pack for quota purposes in 1985 and subsequent years will be reduced as production shifts to the insular possessions.

As shown in table 2, the tariff-rate quota for imported canned tuna in water declined by 29 percent during 1979-84.

Table 2.--Canned tuna not in oil: U.S. imports, tariff-rate quotas, and imports under and over the quota, 1979-84

(In thousands of pounds)

| Year | Quota | Under quota | Over quota |
|---|---|---|---|
| 1979 | 125,813 | 82,202 | - |
| 1980 | 109,074 | 109,074 | 5,064 |
| 1981 | 104,355 | 76,683 | - |
| 1982 | 109,742 | 92,759 | - |
| 1983 | 91,904 | 91,904 | 28,304 |
| 1984 | 89,699 | 1/ | - |

1/ As of July 10, 1984, the quota was 95 percent filled (85,984,490 pounds).

Source: U.S. Customs Service, NMFS, Fisheries of the United States, p. 50.

As shown in the following tabulation, the tariff-rate quota for imported canned tuna, as estimated from ITC questionnaire responses from this investigation is greater for 1983 and 1984 than the official tariff-rate quota. In 1983 the quota closed on August 9th, and in 1984 the quota closed on July 16th.

1/ PL 98-67, Aug. 5, 1983 (the Carribean Basin Economic Recovery Act). Also see Tr. pp. 148-149.

2/ Van Camp has also announced that it will temporarily close its American Samoa plant (as of Aug. 1, 1984) in order to modernize the plant and increase its production capacity.

| Year | Quota (1,000 pounds) |
|---|---|
| 1980 | *** |
| 1981 | *** |
| 1982 | *** |
| 1983 | *** |
| 1984 | *** |

## Government Regulations 1/

### Imported canned tuna

Imports of canned tuna are subject to inspection by the Food and Drug Administration (FDA) of the U.S. Department of Health and Human Services (formerly Health, Education, and Welfare) at the time of entry to determine if the products are in compliance with the provisions of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 301 et. seq.). FDA inspectors sample the imports of canned tuna at random for examination of conditions that might be injurious to human health such as decomposition, adulteration, defective cans, improper labeling, and noncompliance with the FDA standards of identity for canned tuna as set forth in 21 CFR 161.190. In response to allegations concerning the quality of imports of canned tuna by the National Marine Fisheries Service, three domestic tuna firms, and the Tuna Research Foundation, the FDA reported in February, 1984, that it had reviewed its data on imported canned tuna for the last 2 fiscal years and that the data did not indicate any current major quality problems with the product. Hence, the FDA stated that it did not consider a survey of the quality of imported canned tuna as being warranted.

In accordance with section 304 of the Tariff Act of 1930 (19 U.S.C. 1304), the containers of canned tuna imported into the United States are required to be marked so as to indicate to the ultimate U.S. purchaser the name of the country of origin of the tuna. The country-of-origin marking regulations, administered by the U.S. Customs Service, are found in 19 CFR 1304.

### U.S. processors of canned tuna

The FDA, on a random sample basis, routinely inspects all canned tuna offered for marketing in the United States in order to insure that it complies with the provisions for health, wholesomeness, labeling, and so forth as provided for in the Federal Food, Drug, and Cosmetic Act. As part of its operating procedures, the FDA inspects all U.S. tuna plants, including those in American Samoa, every 12 to 18 months for health and sanitary purposes. Foreign plants normally are inspected only upon request or in response to development of specific problems. FDA inspections of foreign plants are few. However, because low-acid or acidified canned foods support the growth of botulism, all foreign and domestic processors of such foods, including those that process canned tuna, must register their establishments with the FDA.

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1/ The tax benefits for the U.S. canneries in Puerto Rico and America Samoa are shown in app. B.

The foreign processors (like domestic processors) must file acceptable thermal-heat-processing procedures with the FDA as set forth in 21 CFR 108. Thus, all of the foreign processors, in effect, meet the equivalent manufacturing, processing, and packaging requirements as do the U.S. processors. The canned products of unregistered establishments are not allowed to be marketed in the United States by the FDA. In addition to all six U.S. tuna-processing firms being duly registered with the FDA, approximately 100 foreign firms are also currently registered.

Under the Cannery Inspection Law of the State of California, tuna-canning operations in California are inspected during each day of operation. This State system involves inspection of the canning process from the time the fish is unloaded from the boat until it is canned and ready for distribution. The industry pays two-thirds of the cost of this inspection; the California State Treasury pays the remaining third. The cost of this inspection system to tuna canners in California amounted to about $200,000 in FY 1983. In addition, some tuna canneries voluntarily pay the U.S. Department of Commerce to inspect their product and facilities in order to display on their cans the "U.S. Grade" and the "Packed Under Federal Inspection" marks. These marks signify quality designations, as determined by Federal inspectors, as well as factors such as cleanliness, safety, wholesomeness, and good manufacturing practice requirements.

The U.S. tuna-canning industry, like most other U.S. industries, is subject to the General Industries Safety Orders of the Occupational Safety and Health Administration (OSHA). In California, the State in which the continental U.S. tuna industry is located, the Federal OSHA regulations are administered by the OSHA program of the State with monitoring by the Federal Government. These OSHA regulations affecting the tuna industry involve the use of safety guards on equipment, machinery and conveyor systems that are potentially dangerous if touched with human hands, metal gloves in areas where sharp knives are used, hard hats, and noise control. Data are not available on the costs of OSHA regulations to the tuna industry, but industry sources have suggested that compliance with OSHA regulations has mostly been accomplished, and, therefore, current compliance costs are relatively small.

The tuna-processing industry is also subject to regulations of the Environmental Protection Agency (EPA) concerning matters such as air quality control and waste water discharge. According to a recent survey of canned tuna processors, the Tuna Research Foundation recently reported that the estimated environmental and environment-related steam production costs per ton of raw fish processed in the continental United States in 1983 totaled $56.00 per ton, of which $35.00 was for steam (rules associated with low-sulfur fuel and air pollution), and $21.00 was for all other environmental costs. The comparable 1983 costs for fish processed in Puerto Rico totaled $18.50 per ton, of which $12.00 was for steam and $6.50 was for all other costs. For fish processed in American Samoa the costs totaled $31.00 per ton, of which $26.00 was for steam and $5.00 was for all other costs.

Fishing boats

In the 1970's many enviromentalist groups became alarmed at the high rate of porpoise fatalities incurred in tuna fishing. In response to this problem

Congress adopted The Marine Mammal Protection Act of 1972 (MMPA) (16 U.S.C. 1361-1407), which provides procedures for reducing to a rate approaching zero the mortality and injury rate of certain marine mammals, including porpoises. Compliance with the regulations has resulted in U.S. tuna vessels modifying their operations through use of the best equipment and techniques available to preserve the porpoise population. The largest cost to the U.S. fleet for compliance with the MMPA regulations is estimated to have occurred in early 1977, when the fleet lost income of some $40 million to $50 million because of delays in fishing, as permits had not yet been issued to fish under the MMPA regulations. 1/ Provision is also made under the MMPA regulations for the embargo of tuna products from countries not in substantial compliance with the regulations. Currently, Mexico and the Soviet Union are the only countries in noncompliance with the regulations.

Fines (penalties and seizures of tuna) collected by the National Marine Fisheries Service (NMFS) in cases settled which involved violations of the MMPA regulations by U.S. vessels have totaled about $100,000 since 1976. The NMFS currently anticipates collecting another $100,000 to $200,000 from cases still pending which involve violations of the MMPA regulations.

## Government Benefits to U.S. Tuna Fishermen

Over the past decade, tuna vessels have received virtually no funding under Government-sponsored programs, as the Administrator, National Oceanic and Atmospheric Administration, U.S. Department of Commerce, in 1974, determined that the use of Federal financial assistance programs to add vessel capacity to the tuna fishery would not be consistent with the wise use of that fishery resource and with the development, conservation, and protection of that fishery (39 F.R. 25325, July 10, 1974). 2/

### The Nicholson Act and related laws

Under the Nicholson Act (46 U.S.C. 251), foreign flag-fishing vessels are not permitted to land their catches of raw tuna fish (except albacore from Canada) in U.S. ports. 3/ However, as provided for under the Nicholson Act, a treaty was negotiated with Canada permitting Canadian fishing vessels to land

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1/ Statement by August Felando, president of the American Tuna Boat Association; petitioners posthearing brief, pp. 21 and 22.

2/ Since 1970, for example, deposits in the form of tax deferrals in the Southwest region by tuna vessels under the Fishing Vessel Capital Construction Fund Program, might have totaled about $6 million; precise data are not available. Also, under the Saltonstall-Kennedy Act, Government grants, funded from U.S. duties on fishery products have been made available for fisheries development, including the development of tuna fisheries in the Western Pacific. Such grants for tuna fisheries development have amounted to an estimated $1.0 million per year over the past decade, except in 1983, when no funds were allocated, since the tuna fishery in the Western Pacific was considered to be adequately developed. Thus far, no funding has been allocated to that fishery for 1984.

3/ Under the Jones Act (46 U.S.C. 883), the hull of U.S.-flag vessels must be U.S. built, and only U.S.-flag vessels can engage in U.S. coastal shipping.

albacore in certain U.S. ports. Also, foreign-flag fishing vessels are permitted to land their tuna catches in ports of U.S. insular possessions such as American Samoa. 1/ Notwithstanding the above, about one-half of the U.S. pack of canned tuna is from imported frozen tuna. Such tuna is normally transported to the continental United States on foreign-flag cargo vessels and not on the fishing vessels that catch the tuna.

## The Fishery Conservation and Management Act and related laws

Concern over the depletion and overfishing of fisheries off the U.S. coast led to the enactment of the Fishery Conservation and Management Act of 1976 (FCMA) (16 U.S.C. 1801). The FCMA, which became effective March 1, 1977, established an extented 200-mile fishing conservation zone (FCZ) and provided for exclusive jurisdiction of the United States over this zone under a new fisheries management program. Because tuna are highly migratory, the United States does not consider them as being protected under the 200-mile FCZ. Beginning in 1974, most other nations, particularly those having tuna resources, considered the management (and fishing) of tuna as being included within their 200 mile FCZ's, rather than the previously recognized 12-mile zone. The United States, however, continued to observe the 12-mile limit. These other nations, in addition to extending their fishing limits to 200 miles and subsequently improving their tuna catch, required tuna vessels fishing within their 200-mile limit to obtain licenses for such fishing operations. Failure of U.S. vessels to acquire licenses for fishing for tuna or to negotiate fishing arrangements has resulted in seizures of a number of U.S. vessels fishing within the 200-mile zone of many foreign countries and subsequent fines for the vessels' release. Fines generally have been equivalent to the value of the fish on board the vessel. Upon payment of the fines and subsequent release of the vessel, claims are filed with the Department of State under the Fishermans Protective Act of 1967 (22 U.S.C. 1971), and the State Department reimburses the vessels for the amount of the fines. Under the Fishermen's Guaranty Fund, administered by the National Marine Fisheries Service, vessels also are reimbursed, from a virtually self-sufficient insurance fund for part of certain losses such as tieup time, loss of gear, and so forth resulting from seizures. Thus, tuna vessels are reimbursed for most of the losses they might incur from seizures. 2/ The Department of State's data on seizures, detentions, and fines of U.S. tuna vessels during 1979-83 are shown in table 3.

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1/ Transcript of the hearing, p. 170.

2/ In the petitioners posthearing brief (p. 24) it was stated that Foreign seizures and fines of tuna vessels cannot have been cause of serious injury to the domestic tuna industry because the number of seizures has fallen dramaticaly since 1980 and because vessel owners are routinely compensated for fines paid under Section 3 and Section 7 of the Fishermen's Protective Act.

Table 3.--U.S.-flag tuna vessel seizures and their fines, 1979-83

| Year and country of seizures | Vessels seized | Fine | Remarks |
|---|---|---|---|
| | Number | | |
| 1979: | | | |
| Costa Rica | 4 | $526,139 | |
| Peru | 9 | 567,355 | |
| Mexico | 2 | - | All vessels released with no fine. |
| Canada | 19 | 111,526 | |
| Venezuela | 1 | 2,326 | |
| 1980: | | | |
| Costa Rica | 2 | 380,213 | |
| Mexico | 15 | 1,937,837 | 8 vessels released with no fine. |
| Ecuador | 10 | 4,521,853 | |
| Peru | 3 | 2,652,708 | |
| 1981: | | | |
| Ecudaor | 2 | 20 | 1 vessel detained with no fine. |
| Mexico | 5 | 1,244,012 | 1 vessel detained with no fine. |
| 1982: | | | |
| Mexico | 3 | 500,000 | 2 vessels released with no fine. |
| Papua (New Guinea) | 1 | 280,000 | |
| Colombia | 1 | 75,000 | |
| 1983: | | | |
| Costa Rica | 1 | 500,000 | |
| Mexico | 1 | 200,000 | |

Source: Compiled from data provided by the U.S. Department of State.

Under the provisions of section 205 of the FCMA, foreign seizures of U.S. vessels invariably result in the prohibition of imports, by the United States from the country of seizure, of all fish and fish products of the fishery involved. In recent years, the United States has embargoed imports of tuna from Canada, Peru, Ecuador, Costa Rica, and Mexico because of tuna vessel seizures. As a result of various agreements with those countries, however, tuna and tuna products are currently embargoed only from Mexico.

## The U.S. Industry

### U.S. processors

Six U.S. processors of canned tuna currently account for the vast majority of U.S. production. 1/ The names and the locations of their processing facilities, the 1983 production of each processing facility, and the share of total production accounted for by each such facility are as shown in table 4.

Star-Kist.--Star-Kist is a wholly owned subsidiary of H. J. Heinz Co., Pittsburgh, Pa., and is the largest domestic processor of canned tuna, accounting for * * * percent of domestic shipments in 1983. Red meat tuna for pet food is produced * * *. Although sales of canned tuna for human consumption represent * * * percent of * * * processing plants' sales, the pet food accounts for * * * percent of Star-Kist's profits on its tuna operations.

Currently Star-Kist's Mayaguez, P.R., plant is the * * * tuna-processing plant * * * production capacity; its total capacity amounts to * * * pounds and it employs * * * workers. 2/ In 1960, Star-Kist's Mayaguez plant produced * * * pounds of tuna and employed * * * workers. * * *.

Star-Kist and its parent, H. J. Heinz Co., own five tuna-processing plants outside the United States. The names and locations of the plants are as follows:

(1) Compania Pesquera Estrella
del Peru, S.A.
Lima, Peru

(2) Establisement Paul
Paulet, SA.
Douarnez, France

(3) Pioneer Food Cannery Ltd.
Temu, Ghana

(4) Star-Kist Canada, Inc.
St. Andrews, New Brunswick, Canada

(5) Green Seas Division
H. J. Heinz Co. of Australia,
New South Wales, Australia

In 1982 and 1983, Star-Kist (USA) imported * * * of canned tuna from * * *. In 1980, Star-Kist imported * * * of canned tuna * * * from the * * *. According to industry sources, Star-Kist is in the process of setting up a joint venture with Dong Won Co., for canned tuna in Pusan, Republic of

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1/ * * *.

2/ End-of-period capacity of Star-Kist's Mayaguez, P.R., plant.

Table 4.--Canned tuna: U.S. production, by firms, 1983

| Firm | U.S. processing plants | 1983 production (1,000 pounds) | Share of total (Percent) |
|---|---|---|---|
| (1) Star-Kist Foods, Inc. (Star-Kist); Terminal Island, Calif., (a subsidiary of H. J. Heinz, Co., Pittsburgh, Pa.) | (a) Terminal Island, Calif | *** | *** |
| | (b) Mayaquez, P.R | *** | *** |
| | (c) Pago Pago, American Samoa | *** | *** |
| | Subtotal, all Star-Kist plants | *** | *** |
| (2) Van Camp Seafood Division (Van Camp); Ralston Purina Co. St. Louis, Mo. 2/ | (a) San Diego, Calif | *** | *** |
| | (b) Pago Pago, American Samoa | *** | *** |
| | (c) Ponce, P.R | *** | *** |
| | Subtotal, all Van Camp plants | *** | *** |
| (3) Bumble Bee Seafoods Division (Bumble Bee): San Diego, Calif., (a division of Castle & Cook, Inc., San Franciso, Calif.) | (a) Mayaguez, P.R | *** | *** |
| | (b) Honolulu Ha | *** | *** |
| | Subtotal, all Bumble Bee plants | *** | *** |
| (4) C.H.B. Foods-Pan Pacific Fisheries (C.H.B.); Terminal Island, Calif. | (a) Terminal Island, Calif | *** | *** |
| | Subtotal, C.H.B | *** | *** |
| (5) Neptune Packing Corp. (Neptune); White Plans, N.Y. (a subsidiary of Mitsui (U.S.A.), New York, N.Y. | (a) Mayaguez, P.R | *** | *** |
| | Subtotal, Neptune | *** | *** |
| (6) Mitsubishi Foods Inc. (Mitsubishi); Delmar, Calif. (a subsidiary of Mitsubishi Corp., Tokyo, Japan) | (a) Ponce, P.R | *** | *** |
| | Subtotal, Mitsubishi | *** | *** |
| | Total, all U.S. pro- plants | 625,569 | 100.0 |

1/ There are two minor processors of canned tuna. The Mormon Church cans tuna 3 or 4 times a year in a privately owned church cannery in San Diego, Calif. The cannery uses volunteer labor and produces canned tuna for distribution to Mormon Church members. The Mormon Church also buys generic tuna (* * *) from U.S. processors for its charitable food programs. The Lazio Fish Co., Eureka, Calif., also operates a small cannery, which is used mostly for salmon. According to the National Marine Fisheries Service, these 2 small processors together account for less than 1 percent of total U.S. production of canned tuna.

2/ Prior to 1981, the management of Van Camp was headquartered in San Diego, Calif.; it was moved to St. Louis, Mo., in 1981 in conjunction with a major reorganization of Ralston Purina's operations.

Korea. 1/ The Korean canned tuna would be exclusively for export to the United States. Besides its domestic and foreign tuna canneries, Star-Kist owns varying amounts of interest in approximately * * * U.S.-flag purse seine vessels. * * * of these boats are owned outright, and * * * of the boats are 50 percent owned by Star-Kist. The company also owns interests in foreign tuna boats in Ghana, Panama, and Venezula. Recently, Star-Kist divested itself of its Papua, New Guinea, tuna-fishing operation. 2/

Van Camp.--Van Camp is the * * * U.S. processor of canned tuna, accounting for approximately * * * percent of domestic shipments in 1983 (compared with * * * percent in 1979). Van Camp's share of the U.S. market * * * following a major company reorganization in 1981, which involved the firing of its sales brokers for canned tuna, replacing them with the Ralston Purina pet food sales personnel, and moving the Van Camp management from San Diego, Calif., to Ralston Purina's headquarters in St. Louis, Mo. 2/ The president of Van Camp at the time, Richard Atchison, left the company to launch Mitsubishi's U.S. tuna-processing operations; many other Van Camp executives joined Bumble Bee.

Van Camp sold one of its Terminal Island plants to Star-Kist in 1976 and sold its other Terminal Island plant to C.H.B. in 1979. During the same period, it opened a newly built cannery in San Diego, Calif. The San Diego plant is reported to be the most modern and efficient cannery in the world. On April 11, 1984, Ralston Purina announced that it planned to close the San Diego plant indefinitely, as of July 1, 1984, and the plant was subsequently closed. Van Camp will be closing its American Samoa plant in August 1984 for renovation and expansion of production capacity. In order to maintain its supply of canned tuna, on * * *, Van Camp contracted with * * *, * * *, * * *, for imports of * * * canned tuna in * * *. The contract calls for deliveries * * *. 3/ The price will be * * *. Van Camp has an * * *.

Van Camp also contracted with * * *, * * *, * * *, for delivery * * * canned tuna, (* * *) * * *. 4/ The price per case is * * *. Furthermore, should the U.S. industry receive import relief in this investigation, * * *.

Besides its tuna-processing plants, Van Camp owns approximately * * * tuna-fishing vessels, mostly purse seiners. It is currently trying to divest itself of the boats and has set up a boat divestment reserve of * * * dollars.

* * * * * * *

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1/ Submission in the official record. The Korean newspaper article and verified translation was submitted by counsel for the respondents. Star-Kist denied that any contract had been signed * * * * * * * * * *.

2/ Star-Kist * * * for this divesiture.

3/ Interview with * * *, Ralston Purina Co., Apr. 5, 1984.

4/ * * *.

5/ * * *.

Bumble Bee.--Bumble Bee, an operating division of Castle & Cooke, Inc., San Francisco, Calif., is the * * * U.S. processor of canned tuna, accounting for * * * percent of domestic shipments in 1983. * * *. The company stated that it did not agree with the conclusion of the petition * * *. 1/ Bumble Bee estimates that U.S. processors were paying approximately * * * for raw tuna from the U.S.-flag vessels, * * *. According to counsel for the domestic industry, Bumble Bee * * * . Bumble Bee * * *. 2/ In June 1984, Castle & Cooke announced that it was divesting itself of Bumble Bee Seafoods. The current management of Bumble Bee is attempting to purchase the company. Also * * * and * * * (* * *) have indicated an interest in purchasing the Bumble Bee tuna operations.

In 1979, Bumble Bee closed its Astoria, Oreg., plant and purchased the Westgate cannery in San Diego. The San Diego plant was closed in June 1982; at the same time, Bumble Bee decided to divest itself of * * * tuna boats. The company's new strategy is * * *. On * * *, Bumble Bee contracted with * * * , * * * to supply * * * canned tuna in * * * containers under the * * *. The contract called for * * *. The price is to be approximately * * * per case. Bumble Bee has retained the right to * * *.

Other processors.--The other three major U.S. processors--C.H.B., Neptune, and Mitsubishi--together accounted for * * * percent of domestic shipments in 1983. C.H.B., * * *, is a publicly held corporation and has only one plant; it is located at Terminal Island, Calif. C.H.B. also owns * * * purse seine vessels, * * * of which are tied up and are currently for sale. The company's tuna division produces canned tuna almost exclusively for the private-label market. C.H.B. informed the Commission staff that * * *. 3/

Neptune, a wholly owned subsidiary of Mitsui (USA), New York, N.Y., was founded in 1961 by Nelson Rockefeller as the Inter Basic Economy Corp. Mitsui acquired the company in June 1973. In 1982 and 1983, * * *, * * *, * * *, together accounted for * * * percent of Neptune's shipments. Neptune recently * * *. Mitsubishi was the * * * U.S. importer of canned tuna before it acquired the Sun-Harbor-Caribe tuna cannery in Puerto Rico from the Westgate Corp. in October 1981. The Mitsubishi brand label "Three-Diamonds" * * *.

U.S. importers

Canned tuna is imported into the United States by approximately 180 importers. However, 10 importers together account for approximately * * * percent of total imports of canned tuna. The names and location of these importers are as follows:

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1/ Bumble Bee's only public statement on the petition is "that Bumble Bee does not agree with all the statements and conclusions in the petition."

2/ Commission staff meeting with Tim McCarthy, Vice president of Bumble Bee, June 6, 1984.

3/ Trancript of the hearing, pp. 54 and 55.

4/ In 1982, C.H.B. negotiated actively for * * *.

Firms

(1) * * *
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(2) * * *
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(3) * * *
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(4) * * *
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(10) * * *
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Most of the large, importers are large, established firms that deal in a number of food products other than tuna. A few of these firms also export food products other than tuna. * * *, also market large quantities of domestic canned tuna, usually retail-size canned tuna in water. * * * purchases white meat tuna in water from * * * (* * * pounds in 1983), * * *; * * * purchased from * * * retail- and institutional-sized canned tuna in water (* * * pounds in 1983); and * * * purchases canned tuna in water from * * * (* * * pounds in 1982). However, all importers except * * * sell predominantly imported canned tuna to nonrelated customers.

Most of the large importers have well-organized sales forces and a network of brokers in major U.S. cities; they call on buyers to sell tuna and other food products. Although about 60 percent of imported canned tuna is sold to the institutional market, the fastest growing segment for imported canned tuna is the private-label market (in retail-size containers), which accounts for about 20 percent of the imports. Buyers for large supermarket chains use imports for part of their private-label tuna. This enables the buyer to use the imports as a wedge in securing more favorable prices from the domestic processors. Although the advertised brand market is dominated by domestic processors, imported canned tuna also competes in that market. For

example "Deep Blue" (Camerican), 1/ "Empress" (SSC), and "Geisha" (Nozaki) have developed strong customer loyalties in certain limited geographic areas. In 1982 and 1983 * * * imported its * * * from Australia and its * * * label from Canada. Mitsubishi "Three Diamonds" label was successfully introduced as an import and then was converted to a domestic label. In total, nearly 20 percent of the imports are marketed under advertised brand labels. 2/

U.S. importers have also introduced the tongol specie of tuna into the United States. Tongol is generally caught in or near the Gulf of Siam, off Thailand. Tongol tuna usually weigh only 5 to 6 pounds each, but its white color and excellent texture make it quite similar to albacore. In Europe and Canada, regulations allow tongol to be labeled as white meat tuna. However, in the United States tongol must be labeled as light-meat tuna. Many institutional buyers prefer tongol, because their customers are able to use it instead of the more costly albacore. Also, several private-label buyers for supermarkets have switched to the imported tongol product.

U.S. importers have also introduced the Euthynnus specie of tuna to the United States. Euthynnus tuna usually weigh 5 to 6 pounds and are commonly called "Black Skipjack" because of their darker color and sour taste. * * * have stopped selling Euthynnus, * * * tuna product and * * * experienced customer complaints. * * * (the * * * importer) and other importers, however, have marketed the product, which can be used by customers who prefer price over quality.

SSC * * * , the largest U.S. importer during 1979-83, accounting for * * * percent of total U.S. imports of canned tuna during the period. SSC is a wholly owned subsidiary of Mitsui & Co., U.S.A. Inc., New York, N.Y., which acquired the company in July 1971, * * *. * * *. 3/ Mitsui also owns the * * * U.S. processor, Neptune. * * * introduced Japanese canned tuna in water to the U.S. market in the early 1950's. Originally U.S. importers imported the canned tuna in water as part of a barter agreement with Japan (in exchange for rice and other products). The * * * also purchases large amounts of canned tuna from U.S. processors (* * *). These purchases amounted to * * * pounds in 1982 and * * * pounds in 1983.

U.S. tuna-fishing fleet

The American Tunaboat Association is a copetitioner in this investigation. Counsel for the domestic industry has argued that since the tuna fleet is so intimately tied to the U.S. processors (by outright ownership, partial ownerships, loan guarantees, and advance trip expenses), the relevent industry in this investigation is an integrated U.S. tuna

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1/ The "Deep Blue" label was marketed predominantly in the Baltimore and Washington, D.C., area by the Giant supermarket chain.

2/ Star-Kist imports of canned tuna * * *.

3/ On Dec. 7, 1970, Dr. McDuffy of New York issued a medical report claiming that there was an excessive level of mercury in canned tuna. Consumers stopped buying the product, which caused financial problems for U.S. processors and importers.

industry of processors and the U.S.-flag purse seine tuna fleet. 1/ However, the respondents disagree and cite the fact that the type of end product, facilities and methods of production preclude the inclusion of the tuna boats within the domestic industry.

As previously mentioned, about 97 percent of the U.S. tuna catch of tropical tuna is landed by the purse seine fleet. The purse seine fleet is under constant change because of additions, sales of older vessels to foreign-flag tuna boat operators, losses at sea, and mortgage foreclosures.

Athough the total U.S. purse seine fleet has remained within a range of 103 to 140 vessels during the past 20 years, the capacity of the fleet has increased dramatically as older boats were retired and new boats built. In 1964, the fleet numbered 116 vessels and had a capacity of 77 million pounds. Ten years later, in 1974, the fleet had grown to 136 vessels with a capacity of 210 million pounds (an increase of 172 percent for the 10-year period). At the start of 1984, the fleet was down to 125 vessels with a capacity of 254 million pounds (a capacity increase of 21 percent for the 10-year period). 2/ Thus, the fleet experienced its greatest growth period in terms of capacity from 1964 to 1974. * * *.

From 1979 to 1983, 25 new purse seiners were built and added to the fleet; 15 vessels were transfered (from other fishing operations) to the fleet from 1981 to 1983. All of the new vessels and most of the transfers consisted of "super" purse seiners (each generally having carrying capacities of 1,200 tons (2.4 million pounds) or more). The cost of these new vessels ranged from $7 million to $10 million each. A majority of the vessels reportedly have variable mortgages rates, with escalations based on the prime rate. Thus, the interest on these boats has been subject to extraordinary fluctuations during 1979-83 (the prime rate reached as high as 22 percent during the period). 3/

Trip expenses (i.e. fuel, food, and equipment) for a 1,200-ton purse seiner (which may run as high as $400,000 per 100-day trip) increased rapidly during the late 1970's and early 1980's. Tuna boat owners have encountered skyrocketing fuel costs and, at the same time, a switch in fishing areas to

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1/ Star-Kist currently has interests ranging from outright ownership to a percentage ownership in * * * purse seine tuna boats. Van Camp at one time owned or had a partnership in * * * vessels before it began to divest itself of the boats. Similarly, Bumble Bee owned * * * boats and C.H.B. owned * * * boats, (see U.S. processors section). Transcript of the hearing, pp. 41 and 42.

2/ The American Tuna Boat Association informed the Commission on May 30, 1984, that the U.S. purse seine fleet is down to 117 vessels. Eight vessels have been sold to foreign flags since Jan. 1, 1984. Currently, 30 vessels have been "tied-up" (inactivated) by their owners.

3/ In hearings before the subcommittee on Fisheries and Wildlife Conservation and the Environment of the Committee on Merchant Marine and Fisheries, House of Representatives, on H.R. 3806, Sept. 20 and Nov. 10, 1983, Mr. August Felando, president of the American Tunaboat Association, stated that the replacement value of the tuna purse seine fleet would be approximately $1 billion. The recorded mortgage indebtedness of the fleet is $425 million, of which about $100 million was in the form of demand notes; actual indebtedness was much larger, according to Mr. Felando.

the Western Pacific. 1/ In 1980, only 7 or 8 U.S.-flag purse seiners fished in the Western Pacific, but in 1982 the number increased to 25 to 30 boats, and in 1983, 60 U.S.-flag vessels, about one-half of the fleet, were reported to be fishing in the Western Pacific. In 1983, the U.S. catch in the Western Pacific surpassed the U.S. catch in the Eastern Pacific. During 1980-83, the U.S. catch in the Western Pacific increased from 28 million to 340 million pounds.

The crews of the U.S.-flag vessels are largely composed of non-U.S. citizens. Only the officers of the boats must be U.S. citizens. Currently most of the crews of the U.S.-flag vessels are from Central America. * * *.

Channels of distribution

Domestically produced canned tuna is marketed by either salespersons of the domestic producers or by independent food brokers. Canned tuna produced in Puerto Rico and California is shipped directly from the cannery to purchaser. Tuna canned in American Samoa is * * * before entering the distribution chain. Advertised brands of canned tuna are usually sold and delivered directly to supermarket chains. Private-label brands are also shipped directly to the customers. Retail brands are also sold directly to large food distributors which then resell the product to smaller grocery stores and other food stores. Domestically canned tuna in institutional containers is sold either to wholesale distributors or directly to large purchasers such as hospitals, school districts, and so forth.

Imported canned tuna for the most part is sent directly to the purchaser after clearing U.S. customs at the port of entry. Very few importers maintain warehoused inventory. The majority of imported tuna is sold to food wholesaler/distributors. These businesses concentrate their sales in the food service industries, such as restaurants, cafeterias, and so forth. A growing portion of imported canned tuna is now entering the private-label retail market. In most cases, the product is first contracted for and then shipped direct to the customer from the country of export. A more detailed distribution of canned tuna, by types, appears later in this report.

## The Question of Increased Imports

Canned tuna

As shown in the following tabulation and in table 5, total U.S. imports of canned tuna increased each year during 1979-83, from 53 million pounds in 1979 to 122 million pounds in 1983, or by 128 percent:

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1/ Fishing yields for tuna in the eastern Pacific began to decline in 1980. Some claim that "El Nino" (the periodic warming of the waters of the Eastern Pacific) caused the tuna to relocate to the Western Pacific. Other authorities claim that "El Nino" only forced the tuna to swim deeper. Economics and the discovery of the western fishing grounds caused the shift of tuna boats to the Western Pacific. Also, there are fewer porpoises in the Western Pacific than in the Eastern Pacific. This reportedly makes tuna fishing easier in the Western Pacific. In any event, many authorities now agree that "El Nino" is subsiding, and fishing yields in the Eastern Pacific are increasing again.

| Year | Canned in oil (1,000 pounds) | Canned in water (1,000 pounds) | Total (1,000 pounds) |
|---|---|---|---|
| 1979---------- | 627 | 53,077 | 53,704 |
| 1980---------- | 446 | 63,107 | 63,553 |
| 1981---------- | 268 | 70,583 | 70,852 |
| 1982---------- | 213 | 87,365 | 87,579 |
| 1983---------- | 197 | 122,132 | 122,329 |
| January-March-- | | | |
| 1983---------- | 44 | 38,497 | 38,541 |
| 1984---------- | 46 | 33,890 | 33,936 |

Ninty-eight percent or more of imported canned tuna is packed in water because of the relatively high rate of duty (35 percent ad valorem) on canned tuna in oil. Imports of canned tuna in oil declined by 69 percent during 1979-83.

Imports of canned tuna in water increased from 53 million pounds in 1979 to 122 million pounds in 1983, or by 130 percent. However, in January-March 1984, such imports in water declined by 12 percent from the level reported in the corresponding period of 1983. Thailand is currently the largest supplier of canned tuna in water, accounting for 33 percent of such imports in 1983. In January-March 1984, imports of canned tuna in water, from Thailand increased by 86 percent over the level achieved in the corresponding period of 1983, but imports from nearly all other sources declined. Imports from Thailand will probably continue to increase during the next few years because of * * *. The unit values of canned tuna in water from Thailand declined from $1.49 per pound in 1981 to $1.08 per pound in 1983 and $1.02 per pound in January-March 1984 (table 6). The primary reason for this decline in unit values was the declining prices for raw tuna in 1982 and 1983.

Imports of canned tuna in water from the Philippines also increased significantly during 1979-83, from 7 million pounds in 1979 to 32 million pounds in 1983. However, in January-March 1984, imports from the Philippines declined by 51 percent from the level achieved in the corresponding period of 1983. * * *. The * * * imports in 1980 accounted for * * * percent of the Philippine's exports to the United States. According to leading canned tuna importers, dealing with the Philippines became * * * and * * * and * * *. Thus, * * * of * * *.

Prior to 1981, Japan was the largest U.S. source of imported canned tuna in water. U.S. imports from Japan declined from 28 million pounds in 1979 to 20 million pounds in 1983. Such imports continued to decline in January-March 1984 compared with those in the corresponding period of 1983. In 1979, Japan accounted for 53 percent of total U.S. imports, but by 1983, Japan's share had declined to 17 percent.

Table 5.--Canned tuna in oil or water: U.S. imports for consumption, by principal sources, 1979-83, January-March 1983, and Janury-March 1984

| Source | 1979 | 1980 | 1981 | 1982 | 1983 | January-March-- 1983 | January-March-- 1984 |
|---|---|---|---|---|---|---|---|
| | Quantity (1,000 pounds) | | | | | | |
| Thailand | 4,844 | 6,405 | 10,315 | 18,667 | 39,930 | 9,155 | 17,024 |
| Philippines | 6,998 | 13,777 | 21,451 | 27,631 | 32,018 | 9,638 | 4,676 |
| Japan | 28,366 | 24,794 | 21,271 | 26,481 | 20,387 | 7,741 | 5,662 |
| Taiwan | 12,282 | 15,947 | 15,771 | 10,704 | 18,710 | 5,901 | 5,597 |
| Malaysia | 292 | 66 | 696 | 755 | 3,083 | 770 | 407 |
| Australia | 0 | 0 | 58 | 1,930 | 2,799 | 2,194 | 0 |
| Indonesia | 0 | 0 | 146 | 595 | 2,634 | 870 | 436 |
| Canada | 0 | 1/ | 0 | 2 | 2,106 | 2,019 | 0 |
| Singapore | 0 | 28 | 65 | 120 | 332 | 115 | 29 |
| Spain | 336 | 146 | 170 | 120 | 133 | 30 | 33 |
| All other | 585 | 2,391 | 908 | 573 | 199 | 108 | 71 |
| Total | 53,704 | 63,553 | 70,852 | 87,579 | 122,331 | 38,541 | 33,936 |
| | Value (1,000 dollars) | | | | | | |
| Thailand | $ 5,135 | $ 8,875 | $15,400 | $22,711 | $43,259 | $10,632 | $17,369 |
| Philippines | 7,319 | 20,043 | 30,504 | 31,085 | 32,291 | 9,899 | 4,325 |
| Japan | 37,055 | 42,015 | 36,453 | 38,561 | 24,643 | 9,686 | 6,327 |
| Taiwan | 14,103 | 23,316 | 24,631 | 14,366 | 22,772 | 7,081 | 6,808 |
| Malaysia | 314 | 76 | 1,230 | 1,242 | 4,068 | 1,169 | 572 |
| Australia | - | - | 105 | 3,451 | 3,684 | 2,919 | - |
| Indonesia | - | - | 209 | 699 | 2,679 | 895 | 430 |
| Canada | - | 2/ | - | 5 | 2,986 | 2,861 | - |
| Singapore | - | 38 | 91 | 141 | 386 | 141 | 31 |
| Spain | 501 | 367 | 402 | 300 | 268 | 61 | 55 |
| All other | 645 | 2,523 | 1,333 | 786 | 287 | 132 | 110 |
| Total | 65,071 | 97,254 | 110,358 | 113,347 | 137,324 | 45,475 | 36,022 |
| | Unit value (per pound) | | | | | | |
| Thailand | $1.06 | $1.39 | $1.49 | $1.22 | $1.08 | $1.16 | $1.02 |
| Philippines | 1.05 | 1.45 | 1.42 | 1.13 | 1.01 | 1.03 | .92 |
| Japan | 1.31 | 1.69 | 1.71 | 1.46 | 1.21 | 1.25 | 1.12 |
| Taiwan | 1.15 | 1.46 | 1.56 | 1.34 | 1.22 | 1.20 | 1.22 |
| Malaysia | 1.08 | 1.14 | 1.77 | 1.64 | 1.32 | 1.52 | 1.41 |
| Australia | - | - | 1.80 | 1.79 | 1.32 | 1.33 | - |
| Indonesia | - | - | 1.43 | 1.18 | 1.02 | 1.03 | .99 |
| Canada | - | 1.84 | - | 2.52 | 1.42 | 1.42 | - |
| Singapore | - | 1.36 | 1.41 | 1.18 | 1.16 | 1.22 | 1.07 |
| Spain | 1.49 | 2.52 | 2.36 | 2.50 | 2.02 | 2.04 | 1.67 |
| All other | 1.10 | 1.06 | 1.47 | 1.37 | 1.44 | 1.22 | 1.54 |
| Average | 1.21 | 1.53 | 1.56 | 1.29 | 1.12 | 1.18 | 1.06 |

1/ Less than 500 pounds.
2/ Less than $500.

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

Table 6.--Canned tuna in water: U.S. imports for consumption, by principal sources, 1979-83, January-March 1983, and January-March 1984

| Source | 1979 | 1980 | 1981 | 1982 | 1983 | January-March-- 1983 | January-March-- 1984 |
|---|---|---|---|---|---|---|---|
| | Quantity (1,000 pounds) | | | | | | |
| Thailand | 4,785 | 6,405 | 10,315 | 18,652 | 39,930 | 9,155 | 17,024 |
| Philippines | 6,998 | 13,777 | 21,451 | 27,630 | 32,018 | 9,638 | 4,676 |
| Japan | 28,358 | 24,794 | 21,271 | 26,473 | 20,387 | 7,741 | 5,662 |
| Taiwan | 12,282 | 15,947 | 15,765 | 10,704 | 18,707 | 5,901 | 5,597 |
| Malaysia | 292 | 66 | 696 | 755 | 3,083 | 770 | 407 |
| Australia | 0 | 0 | 58 | 1,930 | 2,799 | 2,194 | 0 |
| Indonesia | 0 | 0 | 146 | 595 | 2,634 | 870 | 436 |
| Canada | 0 | 0 | 0 | 1 | 2,104 | 2,018 | 0 |
| Singapore | 0 | 28 | 65 | 120 | 332 | 115 | 29 |
| Republic of Korea | 27 | 127 | 31 | 49 | 68 | 59 | 20 |
| All other | 334 | 1,964 | 785 | 456 | 71 | 35 | 38 |
| Total | 53,077 | 63,107 | 70,583 | 87,365 | 122,132 | 38,497 | 33,890 |
| | Value (1,000 dollars) | | | | | | |
| Thailand | $ 5,104 | $ 8,875 | $15,400 | $22,691 | $43,259 | $10,632 | $17,369 |
| Philippines | 7,319 | 20,043 | 30,504 | 31,082 | 32,291 | 9,899 | 4,325 |
| Japan | 37,045 | 42,015 | 36,452 | 38,547 | 24,643 | 9,686 | 6,322 |
| Taiwan | 14,103 | 23,316 | 24,620 | 14,366 | 22,767 | 7,081 | 6,808 |
| Malaysia | 314 | 76 | 1,230 | 1,242 | 4,068 | 1,169 | 572 |
| Australia | - | - | 105 | 3,451 | 3,684 | 2,919 | - |
| Indonesia | - | - | 209 | 699 | 2,679 | 895 | 430 |
| Canada | - | - | - | 3 | 2,982 | 2,861 | - |
| Singapore | - | 38 | 91 | 141 | 386 | 141 | 31 |
| Republic of Korea | 49 | 189 | 58 | 79 | 69 | 60 | 23 |
| All other | 396 | 2,134 | 1,113 | 553 | 77 | 40 | 52 |
| Total | 64,330 | 96,685 | 109,783 | 112,853 | 136,906 | 45,383 | 35,931 |
| | Unit value (per pound) | | | | | | |
| Thailand | $1.07 | $1.39 | $1.49 | $1.22 | $1.08 | $1.16 | $1.02 |
| Philippines | 1.05 | 1.45 | 1.42 | 1.12 | 1.01 | 1.03 | 0.92 |
| Japan | 1.31 | 1.69 | 1.71 | 1.46 | 1.21 | 1.25 | 1.12 |
| Taiwan | 1.15 | 1.46 | 1.56 | 1.34 | 1.22 | 1.20 | 1.22 |
| Malaysia | 1.08 | 1.14 | 1.77 | 1.65 | 1.32 | 1.52 | 1.41 |
| Australia | - | - | 1.80 | 1.79 | 1.32 | 1.33 | - |
| Indonesia | - | - | 1.43 | 1.18 | 1.02 | 1.03 | 0.99 |
| Canada | - | - | - | 3.00 | 1.42 | 1.42 | - |
| Singapore | - | 1.36 | 1.41 | 1.18 | 1.16 | 1.23 | 1.07 |
| Republic of Korea | 1.81 | 1.48 | 1.86 | 1.61 | 1.02 | 1.02 | 1.15 |
| All other | 1.19 | 1.09 | 1.42 | 1.21 | 1.08 | 1.14 | 1.37 |
| Average | 1.21 | 1.53 | 1.56 | 1.29 | 1.12 | 1.18 | 1.06 |

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

The fourth largest source of U.S. imports of canned tuna in water is Taiwan. Imports from Taiwan increased irregularly from 12.3 million pounds in 1979 to 18.7 million pounds in 1983. In January-March 1984, imports from Taiwan declined marginally compared with the level acheived in the corresponding period of 1983. From 1979 through 1981, * * * accounted for large amounts of canned tuna imports from Taiwan. * * * share of Taiwan exports to the United States was * * * percent in 1979, * * * percent in 1980, and * * * percent in 1981.

Other significant exporters of canned tuna in water to the United States, based on import statistics for 1983, were Malaysia, Australia, Indonesia, and Canada. Of the aforementioned countries, exports from Australia and Canada were by * * *.

During 1979-83, among the U.S. * * * imported * * * of canned tuna in water. * * * stopped importing significant quantities of canned tuna in water in 1982, when it * * *. * * *.

Imports of canned tuna in water * * * during 1979-83 are shown in the following tabulation:

| Year | * * * imports of canned tuna in water (1,000 pounds) | Share of total U.S. imports (percent) |
|---|---|---|
| 1979 | *** | *** |
| 1980 | *** | *** |
| 1981 | *** | *** |
| 1982 | *** | *** |
| 1983 | *** | *** |

* * * 1981 in order to * * *. * * *. * * *.

* * * * * * *.

Imports of raw tuna

Virtually all U.S. imports of raw tuna are entered in fresh, chilled, or frozen (mostly frozen) form; some are entered as tuna loins, which are semiprocessed (but uncooked) tuna. As previously mentioned, the vast majority of raw albacore is imported. Such imports declined irregularly from 179 million pounds in 1979 to 115 million pounds in 1983. However, in January-March 1984, imports of albacore were 64 percent higher than the level achieved in the corresponding period of 1983 (table 7). Unit values for imported albacore increased rapidly from 68 cents per pound in 1979 to $1.01 per pound in 1981, but then fell sharply to 67 cents per pound in 1983. Japan and Taiwan are the largest exporters of albacore to the United States.

Imports of raw tuna species collectively called light-meat tuna increased from 453 million pounds in 1979 to 477 million pounds in 1981, but then fell sharply to 340 and 324 million pounds, in 1982 and 1983, respectively (table 8). In 1983, for the first time since 1976, U.S. processors used more domestically caught raw light-meat tuna than imports. Unit values of imports of raw light-meat tuna increased from 32 cents per pound in 1979, to 54 cents per pound in 1981, but then fell sharply to 40 cents per pound in 1983. Over the 1979-83 period, Japan has been the largest exporter of raw light-meat tuna to the United States, followed by Ghana, France, Brazil, and Panama.

Ratios of imports to production

The increase in the quantity of imports of canned tuna over the 5-year period has resulted in an increase in imports relative to domestic production. The ratio of imports of canned tuna in oil and water increased sharply, from 8.8 percent in 1979 to 19.5 percent in 1983, as shown in the following tabulation:

| Period | Imports (million pounds) | U.S. production (million pounds) | Ratio of imports to production (percent) |
|---|---|---|---|
| 1979---------- | 54 | 617 | 8.8 |
| 1980---------- | 64 | 640 | 10.0 |
| 1981---------- | 71 | 649 | 10.9 |
| 1982---------- | 88 | 569 | 15.5 |
| 1983---------- | 122 | 626 | 19.5 |
| January-March-- | | | |
| 1983-------- | 39 | 143 | 27.3 |
| 1984-------- | 34 | 166 | 20.5 |

Imports of canned tuna in water declined slightly as a share of domestic production, from 21.5 percent in 1979 to 19.9 percent in 1981, but then increased dramatically to 24.8 percent in 1982 and 32.1 percent in 1983, as shown in the following tabulation.

| Period | Imports (million pounds) | U.S. production (million pounds) | Ratio of imports to production (percent) |
|---|---|---|---|
| 1979---------- | 53 | 246 | 21.5 |
| 1980---------- | 63 | 306 | 20.6 |
| 1981---------- | 71 | 357 | 19.9 |
| 1982---------- | 87 | 351 | 24.8 |
| 1983---------- | 122 | 380 | 32.1 |
| January-March-- | | | |
| 1983-------- | 38 | 84 | 45.2 |
| 1984-------- | 34 | 100 | 34.0 |

Table 7.—Fresh, chilled or frozen white meat (albacore) tuna: 1/ U.S. imports for consumption, by principal sources, 1979-83, January-March 1983, and January-March 1984

| Source | 1979 | 1980 | 1981 | 1982 | 1983 | January-March | |
|---|---|---|---|---|---|---|---|
| | | | | | | 1983 | 1984 |
| | Quantity (1,000 pounds) | | | | | | |
| Japan | 45,298 | 35,816 | 33,017 | 42,616 | 45,651 | 7,347 | 18,146 |
| Taiwan | 37,827 | 21,122 | 33,269 | 54,868 | 35,659 | 9,533 | 8,374 |
| French Indian Ocean Areas | 906 | 6,913 | 2,983 | 6,366 | 7,203 | 2,109 | 1,339 |
| Republic of Korea | 48,999 | 8,630 | 4,780 | 1,940 | 4,947 | 378 | 287 |
| Singapore | 5,546 | 5,520 | 5,912 | 3,980 | 4,228 | 339 | 3,845 |
| Canary Islands | 0 | 0 | 0 | 779 | 3,507 | 0 | 0 |
| Vanuatu (New Hebrides) | 10,650 | 10,427 | 8,745 | 1,914 | 2,427 | 2,427 | 0 |
| Azores | 0 | 0 | 0 | 0 | 1,852 | 0 | 0 |
| France | 0 | 0 | 0 | 5,476 | 1,589 | 1,589 | 0 |
| Brazil | 392 | 224 | 249 | 1,218 | 1,239 | 45 | 156 |
| All other | 29,155 | 38,754 | 37,624 | 25,987 | 6,584 | 1,355 | 9,042 |
| Total 1/ | 178,774 | 127,406 | 126,579 | 145,144 | 114,886 | 25,122 | 41,188 |
| | Value (1,000 dollars) | | | | | | |
| Japan | $34,545 | $33,868 | $36,142 | $40,156 | $30,414 | $5,094 | $13,580 |
| Taiwan | 17,255 | 16,682 | 31,694 | 49,132 | 23,272 | 6,238 | 6,412 |
| French Indian Ocean Areas | 181 | 3,850 | 2,650 | 5,729 | 4,628 | 1,572 | 803 |
| Republic of Korea | 37,468 | 7,945 | 5,883 | 1,634 | 3,494 | 340 | 236 |
| Singapore | 4,200 | 5,107 | 6,573 | 3,787 | 2,925 | 234 | 3,084 |
| Canary Islands | - | - | - | 908 | 2,076 | - | - |
| Vanuatu (New Hebrides) | 8,524 | 9,759 | 9,140 | 2,091 | 2,148 | 2,148 | - |
| Azores | - | - | - | - | 1,155 | - | - |
| France | - | - | - | 5,191 | 1,576 | 1,576 | - |
| Brazil | 78 | 187 | 272 | 1,068 | 946 | 27 | 107 |
| All other | 19,349 | 37,696 | 35,597 | 24,745 | 3,911 | 808 | 6,731 |
| Total 1/ | 121,601 | 115,094 | 127,951 | 134,441 | 76,545 | 18,037 | 30,954 |
| | Unit value (per pound) 2/ | | | | | | |
| Japan | $0.76 | $0.95 | $1.09 | $0.94 | $0.67 | $0.69 | $0.75 |
| Taiwan | .46 | .79 | .95 | .90 | .65 | .65 | .77 |
| French Indian Ocean Areas | .20 | .56 | .89 | .90 | .64 | .75 | .60 |
| Republic of Korea | .76 | .92 | 1.23 | .84 | .71 | .90 | .82 |
| Singapore | .76 | .93 | 1.11 | .95 | .69 | .69 | .80 |
| Canary Islands | - | - | - | 1.17 | .59 | - | - |
| Vanuatu (New Hebrides) | .80 | .94 | 1.05 | 1.09 | .89 | .89 | - |
| Azores | - | - | - | - | .62 | - | - |
| France | - | - | - | .95 | .99 | .99 | - |
| Brazil | .20 | .83 | 1.09 | .88 | .76 | .60 | .69 |
| All other | .66 | .97 | 0.95 | .95 | .59 | .60 | .74 |
| Average, all countries | .68 | .90 | 1.01 | .93 | .67 | .72 | .75 |

1/ Does not include tuna loins.

2/ Because of rounding, figures may not add to to totals shown.

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

Table 8.--Fresh, chilled, or frozen light-meat tuna: 1/ U.S. imports for consumption, by principal sources, 1979-83, January-March 1983, and January-March 1984

| Source | 1979 | 1980 | 1981 | 1982 | 1983 | January-March-- 1983 | January-March-- 1984 |
|---|---|---|---|---|---|---|---|
| | Quantity (1,000 pounds) | | | | | | |
| Japan | 70,662 | 122,480 | 75,134 | 44,739 | 60,640 | 10,900 | 4,920 |
| Ghana | 8,233 | 12,689 | 26,098 | 29,351 | 46,789 | 13,313 | 3,298 |
| France | 8,891 | 24,109 | 43,795 | 47,039 | 35,653 | 17,554 | 20,451 |
| Brazil | 477 | 10,234 | 13,610 | 29,916 | 28,587 | 7,398 | 4,560 |
| Panama | 55,680 | 35,719 | 31,520 | 47,830 | 24,893 | 5,635 | 11,591 |
| Republic of Korea | 16,222 | 15,337 | 26,139 | 10,424 | 22,011 | 4,808 | 3,647 |
| Venezuela | 11,169 | 8,955 | 21,982 | 21,198 | 20,630 | 3,712 | 4,397 |
| Philippines | 58,525 | 60,441 | 51,983 | 15,029 | 13,440 | 1,597 | 3,679 |
| Taiwan | 6,329 | 1,340 | 2,765 | 5,729 | 11,717 | 1,016 | 4,602 |
| Indonesia | 1,185 | 14,236 | 11,753 | 8,596 | 9,457 | 1,213 | 327 |
| All other | 215,503 | 159,335 | 171,939 | 80,059 | 50,376 | 11,833 | 15,682 |
| Total | 452,875 | 464,875 | 476,718 | 339,909 | 324,193 | 78,979 | 77,154 |
| | Value (1,000 dollars) | | | | | | |
| Japan | $18,932 | $62,623 | $38,608 | $19,126 | $21,850 | $ 4,399 | $1,710 |
| Ghana | 1,688 | 4,984 | 12,930 | 14,911 | 19,232 | 5,701 | 1,345 |
| France | 1,611 | 10,231 | 24,141 | 24,543 | 14,546 | 7,191 | 7,785 |
| Brazil | 210 | 5,019 | 7,169 | 14,641 | 11,199 | 2,849 | 1,704 |
| Panama | 22,744 | 18,799 | 18,271 | 25,833 | 11,124 | 2,871 | 4,218 |
| Republic of Korea | 3,433 | 5,615 | 12,677 | 5,262 | 8,384 | 1,633 | 1,331 |
| Venezuela | 2,711 | 3,069 | 12,794 | 10,940 | 8,708 | 1,574 | 1,841 |
| Philippines | 21,371 | 31,903 | 30,094 | 5,512 | 3,704 | 462 | 1,115 |
| Taiwan | 1,558 | 945 | 1,942 | 3,731 | 6,374 | 993 | 2,621 |
| Indonesia | 357 | 8,043 | 6,427 | 3,359 | 3,353 | 404 | 75 |
| All other | 70,171 | 75,014 | 94,575 | 39,411 | 19,708 | 4,260 | 6,611 |
| Total | 144,787 | 226,245 | 259,627 | 167,269 | 128,181 | 32,337 | 30,356 |
| | Unit value (cents per pound) | | | | | | |
| Japan | 27 | 51 | 51 | 43 | 36 | 40 | 35 |
| Ghana | 21 | 39 | 50 | 51 | 41 | 43 | 41 |
| France | 18 | 42 | 55 | 52 | 41 | 41 | 38 |
| Brazil | 44 | 49 | 53 | 49 | 39 | 38 | 37 |
| Panama | 41 | 53 | 58 | 54 | 45 | 51 | 36 |
| Republic of Korea | 21 | 37 | 49 | 50 | 38 | 34 | 36 |
| Venezuela | 24 | 34 | 58 | 52 | 42 | 42 | 42 |
| Philippines | 37 | 53 | 58 | 37 | 28 | 29 | 30 |
| Taiwan | 25 | 71 | 70 | 65 | 54 | 98 | 57 |
| Indonesia | 30 | 57 | 55 | 39 | 35 | 33 | 23 |
| All other | 33 | 47 | 55 | 49 | 39 | 36 | 42 |
| Average | 32 | 49 | 54 | 49 | 40 | 41 | 39 |

1/ Does not include tuna loins.

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

In the posthearing brief submitted on behalf of the Association Food Industries, Inc., Tuna Group, and so forth, (pp. 8 and 9) the respondents argued that if the tuna-harvesting and processing sectors are viewed as an integrated industry, then the Commission should consider the combined imports of canned and raw tuna, and such imports declined during 1979-83. The following tabulation shows the combined imports of canned tuna and raw tuna during 1979-83 (in thousands of pounds):

| Period | Canned tuna | Raw tuna | Total |
|---|---|---|---|
| 1979 | 53,704 | 631,649 | 685,353 |
| 1980 | 63,553 | 592,263 | 655,816 |
| 1981 | 70,852 | 603,295 | 674,147 |
| 1982 | 87,579 | 485,053 | 572,632 |
| 1983 | 122,329 | 439,059 | 561,388 |
| January-March-- | | | |
| 1983 | 38,541 | 104,101 | 142,642 |
| 1984 | 33,936 | 118,342 | 152,278 |

The respondents stated that the U.S. tuna fleets' share of the U.S. raw tuna market has increased commensurate with the drop in imports raw tuna. 1/ Furthermore, counsel on behalf of the Philippines pointed out that well over one-half of the tuna used for processing in the United States has been from foreign sources. 2/

## The Question of Serious Injury to the Domestic Industry

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

Total U.S. production of canned tuna increased from 617 million pounds in 1979 to 649 million pounds in 1981 but then fell sharply in 1982 to 569 million pounds. In 1983, the peak year for imports, production rebounded to 626 million pounds, and in January-March 1984, production increased by 16 percent over that reported in the corresponding period of 1983 (table 9).

1/ Barnett and Alasia posthearing brief, p. 92.
2/ Harris, Crestkoff, and Berg posthearing brief, p. 6.

Table 9.--Canned tuna: U.S. production, capacity, and capacity utilization, by firms and by types, 1979-1983, January-March 1983, and January-March 1984

| Period and firm | Production | | | Capacity | Capacity utilization |
|---|---|---|---|---|---|
| | In water | In oil | Total | | |
| | 1,000 pounds | | | Percent | |
| 1979: | | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** |
| Total | 246,258 | 371,197 | 617,455 | 888,507 | 69.5 |
| 1980: | | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** |
| Total | 306,450 | 333,450 | 639,900 | 976,394 | 65.5 |
| 1981: | | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** |
| Total | 357,493 | 291,526 | 649,019 | 990,296 | 65.5 |
| 1982: | | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** |
| Total | 351,473 | 217,178 | 568,651 | 983,960 | 57.8 |

See footnote at end of table.

Table 9.--Canned tuna: U.S. production, capacity, and capacity utilization, by firms and by types, 1979-83, January-March 1983, and January-March 1984--Continued

| Period and firm | Production | | | Capacity | Capacity utilization |
|---|---|---|---|---|---|
| | In water | In oil | Total | | |
| | 1,000 pounds | | | Percent | |
| 1983: | | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** |
| Total | 380,422 | 245,147 | 625,569 | 863,716 | 72.4 |
| January-March 1983: | | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| C.H.B. | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** |
| Total | 83,873 | 59,170 | 143,043 | 211,806 | 67.5 |
| January-March 1984: | | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** |
| Total | 100,426 | 66,031 | 166,457 | 221,304 | 75.2 |

1/ * * *.

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

During 1979-83, U.S. production of canned tuna in water grew by 54 percent, but production of canned tuna in oil fell by 34 percent. Of the six major U.S. processors, * * * (table 9).

U.S. production in American Samoa increased by almost * * * percent, and production in Puerto Rico increased by * * * percent during 1979-83, but production in California declined by almost * * * percent during the same period (table 10). In 1980, California canneries accounted for * * * percent

Table 10.--Canned tuna: U.S. production, by production areas, and by firms, 1/ 1979-83

(In thousands of pounds)

| Firm | California | Hawaii | Puerto Rico | American Samoa | Total |
|---|---|---|---|---|---|
| 1979: | | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Bumble Bee 2/ | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | 617,455 |
| 1980: | | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | 639,900 |
| 1981: | | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | 649,019 |
| 1982: | | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | 568,651 |
| 1983: | | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | 625,569 |

1/ Data for Star-Kist, Van Camp and Bumble Bee are based on estimates.

2/ In 1979 Bumble Bee produced * * * pounds of canned tuna in its Astoria, Oreg., plant, which closed that year.

3/ * * *.

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

of total U.S. production. However in 1983, the California canneries accounted for only * * * percent of U.S. production, and Puerto Rico and American Samoa accounted for * * * and * * * percent, respectively.

The decline in industrywide production in 1982 followed a buildup in inventories of canned tuna in late 1981. According to testimony in the hearing, the U.S. processors reduced their production in 1982 in order to work off their inventories. 1/ Furthermore, Bumble Bee began * * *. Van Camp also experienced * * * of its Ponce, P.R., plant. The plant was closed for extensive renovation in 1983. * * *.

According to industry sources, the shift of production to American Samoa is due to its proximity to the Western Pacific tuna fisheries, where catches are considerably higher, labor and production costs are lower, and tax incentives make production more profitable. 2/ In August 1984, Van Camp will temporarily close its American Samoa facilities for * * * in order to modernize, renovate, and increase its production capacity. The plant is scheduled to reopen * * *. On July 1, 1984, Van Camp closed its San Diego processing plant. 3/ * * *. During the period that Van Camp's American Samoa plant is undergoing renovation, the company will supplement it's canned tuna requirements with canned tuna * * *. 4/

Total U.S. production capacity increased by 14.3 percent during 1979-81, reaching 1 billion pounds in 1981 (table 11). However, in 1982, despite the startup of Mitsubishi's Ponce, P.R. plant, industrywide production capacity declined and continued to decline in 1983. The decline in production capacity was due primarily to the closing of Bumble Bee's San Diego plant in June 1982 and the temporary closing of Van Camp's Ponce plant in 1983. 5/ The closing of one of CHB's two Los Angeles plants * * * on production or production capacity. C.H.B. informed the Commission that it * * *. Excess capacity was eliminated industrywide during 1982 and 1983 in response to inventory control programs. (See U.S. inventory section).

Capacity utilization for the entire U.S. industry (including American Samoa) declined from 69.5 percent in 1979 to 57.8 percent in 1982 but then increased sharply to 72.4 percent in 1983. In January-March 1984, capacity utilization for all U.S. plants increased to 75.2 percent compared with 67.5 percent in January-March 1983. Star-Kist informed the Commission that in the first 5 months of 1984 its plants in Puerto Rico and American Samoa were running at a * * * utilization rate respectively. However, its California cannery is running at * * * utilization rate.

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1/ Transcript of the hearing, p. 292.

2/ Ibid., p. 201.

3/ Interview with John Baird, General Counsel of Ralston Purina Co., Van Camp's parent company, May 1, 1984.

4/ Transcript of the hearing, p. 152.

5/ Bumble Bee purchased its San Diego plant for * * * in December 1979, operated it for * * * in 1980, and * * * in 1981, but closed it in June 1982.

Table 11.--Canned tuna: U.S. capacity and capacity utilization, by production areas and by firms, 1979-83

| Firm and year | California | | Hawaii | | Puerto Rico | | American Samoa | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capacity | Capacity utilization | Capacity | Capacity utilization | Capacity | Capacity utilization | Capacity | Capacity utilization | Capacity | Capacity utilization |
| | 1,000 pounds | Percent | 1,000 pounds | Percent | 1,000 pounds | Percent | 1,000 pounds | Percent | 1,000 pounds | Percent |
| 1979: | | | | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | *** | *** | *** | *** | 888,507 | 69.5 |
| 1980: | | | | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | *** | *** | *** | *** | 976,394 | 65.5 |
| 1981: | | | | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | *** | *** | *** | *** | 980,296 | 65.5 |
| 1982: | | | | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | *** | *** | *** | *** | 983,960 | 57.8 |
| 1983: | | | | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | *** | *** | *** | *** | 863,716 | 72.4 |

1/ In November 1979 Bumble Bee closed its Astoria, Oreg., tuna cannery. During 1979, the Astoria plant had a productive capacity of approximately * * * pounds, with a capacity utilization rate of * * * percent.

2/ Mitsubishi started production in Puerto Rico in October 1981.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, and from responses to Commission's questions at the public hearing.

Note.--Data for Star-Kist, Van Camp, and Bumble Bee are based on careful estimates.

U.S. producers' domestic shipments

Total domestic shipments of canned tuna by U.S. processors declined steadily from 629 million pounds in 1979, to 598 million pounds in 1982, but then rose to 632 million pounds in 1983, the peak year for imports. In the first quarter of 1984, domestic shipments were slightly above the level achieved in the corresponding period of 1983 (table 12). Imports also declined during the period. Unit values for domestic shipments increased by 26 percent from 1979 to 1981 but then fell from $1.96 per pound in 1981 to to $1.65 per pound in 1983. The decline in the unit values for domestic shipments corresponds with the declining prices of raw tuna and large increases in imports of canned tuna in 1982 and 1983.

During 1979-83, Van Camp experienced the * * *. Van Camp's total domestic shipments fell from * * * in 1983 - a decline of * * * percent (table 13). In addition, Van Camp's share of domestic shipments declined from * * * percent in 1979 to * * * percent in 1983. In contrast, Star-Kist increased its share of total domestic shipments from * * * percent in 1979 to * * * percent in 1983. Star-Kist's domestic shipments increased irregularly from * * * million pounds in 1979 to * * * million pounds in 1983.

Neptune is the only U.S. processor * * * to * * *. Neptune's share of domestic shipments to * * * were * * * percent in 1982 and * * * percent in 1983. Neptune informed the Commission that these sales were * * *. 1/ Recently, Neptune * * * the "Rubinstein" brand label * * *. The company hopes to promote the Rubinstein label in 1984 and 1985. Neptune also packs the "Dagim Ta-Hor" kosher for Passover canned tuna.

1/ Counsel for the petitioners had claimed that these sales were * * * . Neptune's president, Mr. Oshsino, denied this allegation.

Table 12.--Canned tuna in water or oil: U.S. processors' domestic shipments from all plants (including American Samoa), by types, 1979-83, January-March 1983, and January-March 1984

| Product | 1979 | 1980 | 1981 | 1982 | 1983 | January-March-- | |
|---|---|---|---|---|---|---|---|
| | | | | | | 1983 | 1984 |
| | Quantity (1,000 pounds net weight) | | | | | | |
| Tuna in water: | | | | | | | |
| White meat | 78,834 | 86,809 | 84,153 | 81,867 | 102,549 | 27,353 | 28,683 |
| Light meat | 161,356 | 200,835 | 240,939 | 265,265 | 284,510 | 81,317 | 82,454 |
| Total, tuna in water | 240,190 | 287,644 | 325,092 | 347,132 | 387,059 | 108,670 | 111,137 |
| Tuna in oil: | | | | | | | |
| White meat | 51,288 | 43,613 | 35,443 | 30,987 | 35,604 | 9,215 | 10,040 |
| Light meat | 337,039 | 286,511 | 246,807 | 220,282 | 209,360 | 62,068 | 58,975 |
| Total, tuna in oil | 388,327 | 330,125 | 282,251 | 251,269 | 244,964 | 71,283 | 69,015 |
| Grand total | 628,517 | 617,768 | 607,342 | 598,401 | 632,022 | 179,953 | 180,152 |
| | Value (1,000 dollars) | | | | | | |
| Tuna in water: | | | | | | | |
| White meat | 150,091 | 184,928 | 197,816 | 198,470 | 198,810 | 54,486 | 55,039 |
| Light meat | 238,246 | 358,504 | 447,454 | 457,068 | 445,553 | 130,315 | 126,000 |
| Total, tuna in water | 388,337 | 543,432 | 645,270 | 655,538 | 644,363 | 184,801 | 181,039 |
| Tuna in oil: | | | | | | | |
| White meat | 87,203 | 87,051 | 79,000 | 71,370 | 66,187 | 18,304 | 17,653 |
| Light meat | 506,487 | 502,554 | 465,105 | 387,099 | 334,090 | 102,371 | 92,416 |
| Total, tuna in oil | 593,690 | 589,605 | 544,105 | 458,469 | 400,277 | 120,675 | 110,069 |
| Grand total | 982,027 | 1,133,037 | 1,189,375 | 1,114,007 | 1,044,640 | 305,476 | 291,108 |
| | Unit value (per pound) | | | | | | |
| Tuna in water: | | | | | | | |
| White meat | $1.90 | $2.13 | $2.35 | $2.42 | $1.94 | $1.99 | $1.92 |
| Light meat | 1.48 | 1.79 | 1.86 | 1.72 | 1.57 | 1.60 | 1.53 |
| Average, tuna in water | 1.62 | 1.89 | 1.98 | 1.89 | 1.66 | 1.70 | 1.63 |
| Tuna in oil: | | | | | | | |
| White meat | 1.70 | 2.00 | 2.23 | 2.30 | 1.86 | 1.99 | 1.75 |
| Light meat | 1.50 | 1.75 | 1.88 | 1.76 | 1.60 | 1.65 | 1.57 |
| Average, tuna in oil | 1.53 | 1.79 | 1.93 | 1.82 | 1.63 | 1.69 | 1.59 |
| Average, all tuna | 1.56 | 1.83 | 1.96 | 1.86 | 1.65 | 1.70 | 1.62 |

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

Table 13.--Canned tuna: Total shipments, by firms and by types, 1979-83, January-March 1983, and January-March 1984

| Period | Tuna in water | | | Tuna in oil | | | Total |
|---|---|---|---|---|---|---|---|
| | White meat | Light meat | Total | White meat | Light meat | Total | |
| 1979: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | 78,834 | 161,356 | 240,190 | 51,288 | 337,039 | 388,327 | 628,517 |
| 1980: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | 86,809 | 200,835 | 287,644 | 43,613 | 286,511 | 330,125 | 617,769 |
| 1981: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | 84,153 | 240,939 | 325,092 | 35,443 | 246,807 | 282,251 | 607,342 |
| 1982: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | 81,867 | 265,265 | 347,132 | 30,987 | 220,282 | 251,269 | 598,401 |
| 1983: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | 102,549 | 284,510 | 387,059 | 35,604 | 209,360 | 244,964 | 632,022 |

Table 13.--Canned tuna: Total shipments, by firms and by types, 1979-83, January-March 1983, and January-March 1984--Continued

| Period | Tuna in water | | | Tuna in oil | | | Total Tuna |
|---|---|---|---|---|---|---|---|
| | White Meat | Light Meat | Total | White Meat | Light Meat | Total | |
| January-March 1983: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | 27,353 | 81,317 | 108,670 | 9,215 | 62,068 | 71,283 | 179,953 |
| January-March 1984: | | | | | | | |
| Star Kist | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | 28,683 | 82,454 | 111,137 | 10,040 | 58,975 | 69,015 | 180,152 |

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

* * * * * * * (table 14). 1/

Table 14.--Canned tuna: Intracompany shipments from American Samoa to the U.S. mainland, by firms, and their share of total domestic shipments, 1979-83, January-March 1983, and January-March 1984

| Firm | 1979 | 1980 | 1981 | 1982 | 1983 | January-March-- | |
|---|---|---|---|---|---|---|---|
| | | | | | | 1983 | 1984 |
| Star-Kist | | | | | | | |
| 1,000 pounds-- | *** | *** | *** | *** | *** | *** | *** |
| Van Camp--do---- | *** | *** | *** | *** | *** | *** | *** |
| Total-do---- | *** | *** | *** | *** | *** | *** | *** |
| Share of total domestic shipments accounted for by American Samoa | | | | | | | |
| percent-- | *** | *** | *** | *** | *** | *** | *** |

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

Distribution of shipments of domestic and imported canned tuna

Distribution of domestic shipments.--As shown in table 15, shipments of the processors' nationally advertised brands declined irregularly from 445 million pounds in 1979 to 428 million pounds in 1982 but then rebounded to 461 million pounds in 1983. The increase of 33 million pounds in 1983 represented 63 percent of the increase registered in domestic consumption in 1983 (see market penetration section). Imports accounted for the rest of the growth in domestic consumption of canned tuna.

Private-label shipments declined from 145 million pounds in 1979 to 125 million pounds in 1981 but then increased to 136 million pounds in 1983. Domestic shipments to the institutional market increased from 1979 to 1980 but then declined steadily over the next 3 years. As a share of total shipments the processors' nationally advertised retail brands increased from 70.7 percent of domestic shipments in 1979 to 73 percent in 1983 and 76.9 percent in January-March 1984. The market shares of the other categories declined.

1/ Both Star-Kist and Van Camp * * *.

Table 15.--Distribution of shipments of U.S.-processed canned tuna: U.S. shipments of U.S.-processed canned tuna in retail-sized containers for selected categories and total shipments of canned tuna in institutional-sized containers, 1979-83, January-March 1983, and January-March 1984

| Period | Processors' own brand 1/ | Private label | Institutional | Total |
|---|---|---|---|---|
| | Quantity (1,000 pounds) | | | |
| 1979 | 444,519 | 144,961 | 39,037 | 628,517 |
| 1980 | 437,895 | 136,561 | 43,313 | 617,769 |
| 1981 | 441,087 | 125,001 | 41,254 | 607,342 |
| 1982 | 427,866 | 134,098 | 36,437 | 598,401 |
| 1983 | 461,316 | 135,635 | 35,071 | 632,022 |
| January-March-- | | | | |
| 1983 | 132,786 | 39,337 | 7,830 | 179,953 |
| 1984 | 138,563 | 33,974 | 7,615 | 180,152 |
| | Share of total shipments (in percent) | | | |
| 1979 | 70.7 | 23.1 | 6.2 | 100.0 |
| 1980 | 70.9 | 22.1 | 7.0 | 100.0 |
| 1981 | 72.6 | 20.6 | 6.8 | 100.0 |
| 1982 | 71.5 | 22.4 | 6.1 | 100.0 |
| 1983 | 73.0 | 21.5 | 5.5 | 100.0 |
| January-March-- | | | | |
| 1983 | 73.8 | 21.8 | 4.4 | 100.0 |
| 1984 | 76.9 | 18.9 | 4.2 | 100.0 |

1/ Also referred to as advertised retail brands.

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

Distribution of imported canned tuna.--As shown in table 16, shipments of the importers advertised retail brand canned tuna increased from 8 million pounds in 1979 to 24 million pounds in 1983, or by 200 percent. In January-March 1984, imported shipments in the advertised retail brand category fell by 82 percent from the level of shipments in the corresponding period of 1983. Imported private-label shipments increased from 2.3 million pounds in 1979 and 1980 to 17.2 million pound in 1983, or by 650 percent. The imported private-label shipments, as a share of total shipments of U.S. imports, increased from 5.7 percent in 1979 to 18.5 percent in 1983. Imported shipments to the institutional market increased from 40.4 million pounds in 1979 to 93.1 million pounds in 1983. As a share of total shipments of imported canned tuna, institutional sales pack declined from 74.1 percent in 1979 to 55.9 percent in 1983.

U.S. landings

Commercial landings of raw tuna by U.S.-flag vessels declined from 508 million pounds in 1979 to 473 million pounds in 1982 but then increased sharply to 586 million pounds in 1983 as U.S. imports of raw tuna fell. 1/

1/ The petitioners' posthearing brief (at pp. 10 and 11) states that despite the increasing yield of thier purse seiners, the unit values of the fish harvest have declined, resulting in a drop in revenues earned. The Association of Food Industries, Inc., Tuna Group (posthearing brief, p. 11), states that the 40-percent increase in the U.S.-flag per vessel tuna harvest between 1982 and 1983 replaced imports as the primary source of raw tuna for U.S. processing operations. * * *.

Table 16.--Canned tuna: Shipments of imports in retail-sized containers for selected categories, and total shipments of canned tuna in institutional-sized containers, 1979-83, January-March 1983, and January-March 1984

| Period | Advertised retail brand | Private-label | Institutional | Total |
|---|---|---|---|---|
| | Quantity (1,000 pounds) | | | |
| 1979 | 8,177 | 2,292 | 29,972 | 40,441 |
| 1980 | 13,236 | 2,246 | 38,856 | 54,338 |
| 1981 | 16,929 | 4,126 | 34,619 | 55,674 |
| 1982 | 16,959 | 9,928 | 39,590 | 66,477 |
| 1983 | 23,893 | 17,205 | 52,027 | 93,125 |
| January-March-- | | | | |
| 1983 | 9,087 | 4,586 | 12,038 | 25,631 |
| 1984 | 1,630 | 4,145 | 12,642 | 18,417 |
| | Percent of total | | | |
| 1979 | 20.2 | 5.7 | 74.1 | 100.0 |
| 1980 | 24.4 | 4.1 | 71.5 | 100.0 |
| 1981 | 30.4 | 7.4 | 62.3 | 100.0 |
| 1982 | 25.5 | 14.9 | 59.6 | 100.0 |
| 1983 | 25.7 | 18.5 | 55.9 | 100.0 |
| January-March-- | | | | |
| 1983 | 35.1 | 17.9 | 46.8 | 100.0 |
| 1984 | 8.9 | 22.5 | 68.6 | 100.0 |

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. These data are from a sample covering between 76 and 86 percent of total imports during 1979-83.

As shown in the following tabulation, commercial landings in the United States, except landings in Puerto Rico and American Samoa, declined by 24 percent during 1979-83, but landings in Puerto Rico and American Samoa increased by 113 percent (in thousands of pounds, round-weight):

| Year | Atlantic, Gulf, and Pacific coasts, and Hawaii | Puerto Rico and American Samoa | Total |
|---|---|---|---|
| 1979 | 364,476 | 143,676 | 508,152 |
| 1980 | 399,432 | 100,606 | 500,038 |
| 1981 | 341,149 | 148,729 | 489,878 |
| 1982 | 261,409 | 211,679 | 473,088 |
| 1983 | 278,692 | 307,298 | 585,990 |

Source: Fisheries of the United States, April 1984, National Marine Fisheries Service.

Cannery receipts

As shown in table 17, both U.S.-flag landings and imports of raw tuna received by California canneries fell from 282,000 short tons (564 million pounds) in 1979 to 186,000 short tons (372 million pounds) in 1983, or by 34 percent. During the same period, landings in and imports into American Samoa and Hawaii increased by 41, percent from 81,000 short tons (162 million pounds) to 115,000 short tons (230 million pounds). Landings and imports in Puerto Rico declined slightly during 1979-83. Total U.S. cannery receipts increased from 1979 to 1980 but then fell by 18 percent over the next 2 years before increasing slightly in 1983.

The U.S. processors reduced their purchases of the imported raw tuna during 1979-83 while maintaining or increasing the quantity of raw tuna landed by U.S.-flag vessels. In 1983, the U.S. processors' purchases of raw tuna from U.S.-flag vessels exceeded their purchases of imported frozen tuna.

The world catch of raw tuna

The catch of raw tuna by the principal tuna-catching nations of the world for 1978 through 1981 (the latest year for which data are available) is shown in table 15. About 80 percent of the world catch is used for canning; the remainder is used for dried fish production or consumed as fresh fish. During 1978-81, Japan was by far the largest of the tuna-catching nations, but its catch dropped from 1.6 billion to 1.4 billion pounds, or by 14 percent. Japan is the largest supplier of raw tuna to the United States. The United States and Japan are also the largest tuna-canning nations (based on 1980 Food and Agriculture Organization (FAO) data) followed by Italy, Spain, Taiwan, and the Philippines. The United States, which normally has imported about one-half of its raw tuna requirements, used about 1.2 billion pounds of raw fish for canning in 1980, nearly one-third of the world catch, whereas Japan used about

Table 17.--Cannery receipts of raw tuna: U.S. flag vessels' domestically landed and imported raw tuna, by species and by cannery location, 1979-83

(In short tons)

| Species | California | | | | | American Samoa/Hawaii | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979 | 1980 | 1981 | 1982 | 1983 | 1979 | 1980 | 1981 | 1982 | 1983 |
| U.S. flag: | | | | | | | | | | |
| Albacore | 6,913 | 7,691 | 14,102 | 5,099 | 9,434 | 1,602 | 388 | 754 | 1,866 | 1,032 |
| Skipjack | 56,760 | 87,281 | 63,308 | 56,167 | 58,521 | 7,881 | 12,105 | 20,571 | 26,598 | 54,911 |
| Yellowfin 1/ | 111,727 | 98,610 | 85,583 | 79,584 | 66,703 | 658 | 1,913 | 14,534 | 13,924 | 23,297 |
| Total | 175,400 | 193,582 | 162,993 | 140,850 | 134,658 | 10,141 | 14,406 | 35,859 | 42,388 | 79,240 |
| Imported: 2/ | | | | | | | | | | |
| Albacore | 13,312 | 11,485 | 14,598 | 11,115 | 5,616 | 22,859 | 25,091 | 28,643 | 22,814 | 17,134 |
| Skipjack | 68,490 | 77,413 | 50,766 | 37,108 | 41,450 | 32,599 | 27,231 | 21,424 | 8,729 | 9,182 |
| Yellowfin 1/ | 24,791 | 16,280 | 19,349 | 8,174 | 4,415 | 15,855 | 19,800 | 19,943 | 9,637 | 9,667 |
| Total | 106,593 | 105,178 | 84,713 | 56,397 | 51,481 | 71,313 | 72,122 | 70,010 | 41,180 | 35,983 |
| Grand total | 281,993 | 298,760 | 247,706 | 197,247 | 186,139 | 81,454 | 86,528 | 105,869 | 83,568 | 115,223 |

| Species | Puerto Rico | | | | | Total | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979 | 1980 | 1981 | 1982 | 1983 | 1979 | 1980 | 1981 | 1982 | 1983 |
| U.S. flag: | | | | | | | | | | |
| Albacore | 12 | 19 | 2 | - | 4 | 8,527 | 8,098 | 14,858 | 6,965 | 10,470 |
| Skipjack | 29,503 | 15,781 | 13,950 | 19,689 | 41,608 | 94,144 | 115,167 | 97,829 | 102,454 | 155,040 |
| Yellowfin 1/ | 29,765 | 18,693 | 26,049 | 25,229 | 30,044 | 142,150 | 119,216 | 126,166 | 118,737 | 120,044 |
| Total | 59,280 | 34,493 | 40,001 | 44,918 | 71,656 | 244,821 | 242,481 | 238,853 | 228,156 | 285,554 |
| Imported: | | | | | | | | | | |
| Albacore | 52,063 | 46,149 | 44,056 | 60,670 | 50,105 | 88,234 | 82,725 | 87,297 | 94,599 | 72,855 |
| Skipjack | 87,898 | 105,076 | 115,819 | 81,270 | 84,676 | 188,987 | 209,720 | 188,009 | 127,107 | 135,308 |
| Yellowfin 1/ | 33,713 | 38,382 | 44,296 | 32,973 | 24,250 | 74,359 | 74,462 | 83,588 | 50,784 | 38,332 |
| Total | 173,674 | 189,607 | 204,171 | 174,913 | 159,031 | 351,580 | 366,907 | 358,894 | 272,490 | 246,495 |
| Grand total | 232, 954 | 224,100 | 244,172 | 219,831 | 230,687 | 596,401 | 609,388 | 597,747 | 500,646 | 532,049 |

1/ Includes bigeye, blackfin, and bluefin tuna.

2/ Includes only imported tuna destined for U.S. canneries; excludes tuna imported as flakes, tuna not fit for human consumption, and "sushi"-grade tuna.

Source: NOAA, NMFS, Statistics and Market News, Southwest Region.

Note.--This data will not match national figures as reported in "Fisheries of the United States."

220 million pounds. Thus, the FAO concludes that the serious weakening in consumer demand for canned tuna in the United States in 1980 and 1981 in conjunction with the then prevailing economic recession, resulted in reduced requirements for frozen (raw) tuna for canning and seriously affected the raw tuna industry worldwide. Accordingly, the FAO data show that the world catch of tuna declined irregularly from 4.0 billion pounds in 1978 to 3.7 billion pounds in 1981, or by about 9 percent (table 18).

Table 18.--Tuna: Catch of raw fish by the principal tuna-catching 1/ nations of the world, 1978-81 2/

| Countries | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|
| Japan | 1,596,130 | 1,565,266 | 1,582,903 | 1,366,852 |
| United States | 555,559 | 480,603 | 498,240 | 489,421 |
| Republic of Korea | 306,439 | 275,575 | 242,506 | 231,483 |
| Philippines | 213,846 | 207,232 | 174,163 | 211,642 |
| Spain | 220,460 | 211,642 | 218,255 | 167,550 |
| Mexico | 57,320 | 70,547 | 74,956 | 160,936 |
| France | 165,345 | 141,094 | 158,731 | 138,890 |
| Indonesia | 103,616 | 134,481 | 241,236 | 134,481 |
| Maldives | 39,683 | 48,501 | 61,729 | 57,320 |
| New Guinea | 108,025 | 59,524 | 74,956 | 52,910 |
| Solomon Island | 37,478 | 52,910 | 48,501 | 48,501 |
| Sri Lanka | 35,274 | 28,660 | 35,274 | 35,274 |
| Ecuador | 52,910 | 74,956 | 59,524 | 44,092 |
| Australia | 26,455 | 24,451 | 30,864 | 39,683 |
| Ivory Coast | 35,274 | 28,660 | 35,274 | 35,274 |
| Ghana | 8,818 | 11,023 | 13,228 | 33,069 |
| All other 3/ | 467,375 | 341,713 | 359,350 | 405,646 |
| Total | 4,030,009 | 3,758,843 | 3,838,209 | 3,664,045 |

1/ Albacore, yellowfin, skipjack, bigeye, and bluefin only.

2/ Data for 1982 and 1983 are not available.

3/ Includes Algeria, Angolia, Comoros, Cape Verde, Libya, Mauritania, Mauritius, Morocco, St. Helena, Senegal, Seychelles, Republic of South Africa, Tanzania, Bermuda, Canada, Culsa, Dominican Republic, Brasil, Peru, Uruguay, Venezuela, Pakistan, Singapore, Turkey, United Arab Emirates, Yeman Arab Republic, Denmark, West Germany, Italy, Malta, Norway, Poland, Portugal, Romania, Sweden, Yugoslavia, Cooks Island, Kiribati, New Zealand, Pacific Island, and Samoa.

Source: Food and Agriculture Organization, Yearbook of Fishery Statistics.

U.S. processors' inventories

Total U.S. processors' yearend inventories of canned tuna increased from 191 million pounds in 1979 to 246 million pounds in 1981 but then declined over the next 2 years to 180 million pounds in 1983 (table 19). The increase in inventories in 1981 has been attributed to the increase in prices for canned tuna in 1980 and 1981 and the subsequent consumer reluctance to purchase the product. As table 20 shows, total inventories, as a share of total shipments, grew from 30 percent in 1979 to 34 percent in the following year, and then rose further to 41 percent in 1981. Inventories then declined over the next 2 years to 29 percent in 1983.

Employment

Industrywide employment in the United States, hours worked, and wage data for 1979-83 are presented in tables 21-23. Table 21 presents aggregate data for all U.S. locations. 1/ Table 22 provides breakouts of employment, hours worked, and average wages for operations in (1) the continental United States, (2) Puerto Rico, and (3) American Samoa. Table 23 presents similar data on a company-by-company basis.

Average employment and total hours worked by production and related workers producing canned tuna at all reporting establishments declined irregularly between 1979 and 1983, but total wages increased, as shown in table 21. Average employment increased from 14,668 workers in 1979, to 14,906 workers in 1980 and then decreased during the next 3 years to 13,397 workers in 1983. Hours worked in canned tuna production declined irregularly from 25.7 million in 1979 to 21.7 million in 1982 before recovering to 24.0 million in 1983. However, the 1983 employment level was 6.5 percent lower than that recorded in 1979. Total wages paid to production and related workers in tuna-processing operations increased from $110.7 million in 1979 to $127.4 million in 1981 and then fell to $120.3 million in 1982 before rising to $131.8 million in 1983. Fringe benefits paid to these workers rose steadily from $24.2 million in 1979 to $29.1 million in 1983.

Although total employment and hours worked in canned tuna production have decreased irregularly during the 5-year period, trends have varied widely, by locations and by firms, as shown in tables 22 and 23. Employment in the continental United States and Puerto Rico declined between 1979 and 1983. However, employment in American Samoa increased steadily throughout the 5-year period. Average employment in the continental United States increased from * * * workers in 1979 to * * * workers in 1980 and then declined by * * * percent during the next 3 years to * * * workers in 1983. The overall decline in employment in Puerto Rico during the 5-year period was * * * percent. The average number of workers decreased steadily from * * * in 1979 to * * * in 1982 and then recovered to * * * in 1983. However, employment in tuna-processing operations in American Samoa rose by * * * percent, from * * *

1/ Persons engaged in canned tuna production consistently accounted for over 90 percent of total employment at the reporting establishments. Therefore, trends in total employment, hours worked, and wages paid for all operations of the tuna-processing establishments consistently moved in the same direction as the trends for the separate canned tuna operations.

Table 19.--Canned tuna: U.S. processors' yearend inventories, by types and by firms, 1979-83

(In thousands of pounds)

| Year and firm | Tuna in water | | | Tuna in oil | | | Total |
|---|---|---|---|---|---|---|---|
| | White meat | Light meat | Total | White meat | Light meat | Total | |
| 1979: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | 33,589 | 45,824 | 79,413 | 24,208 | 87,521 | 111,729 | 191,142 |
| 1980: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | 33,426 | 65,197 | 98,623 | 17,885 | 92,856 | 110,741 | 209,364 |
| 1981: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | 36,702 | 93,338 | 130,040 | 21,662 | 94,317 | 115,979 | 246,019 |
| 1982: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | 47,427 | 71,926 | 119,353 | 25,188 | 54,934 | 80,122 | 199,475 |
| 1983: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | 30,032 | 75,281 | 105,313 | 18,474 | 56,693 | 75,167 | 180,480 |

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

Table 20.--Canned tuna: U.S. processors' inventories, by types, as of Dec. 31 of 1979-83

| Item | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| | Quantity (1,000 pounds, net weight) | | | | |
| Tuna in water: | | | | | |
| White meat | 33,589 | 33,426 | 36,702 | 47,427 | 30,032 |
| Light meat | 45,824 | 65,197 | 93,338 | 71,926 | 75,281 |
| Total, tuna in water | 79,413 | 98,623 | 130,040 | 119,353 | 105,313 |
| Tuna in oil: | | | | | |
| White meat | 24,208 | 17,885 | 21,662 | 25,188 | 18,474 |
| Light meat | 87,521 | 92,856 | 94,317 | 54,934 | 56,693 |
| Total, tuna in oil | 111,729 | 110,741 | 115,979 | 80,122 | 75,167 |
| Grand total | 191,142 | 209,364 | 246,019 | 199,475 | 180,480 |
| | Ratio of inventories to shipments (percent) | | | | |
| Tuna in water: | | | | | |
| White meat | 42.6 | 38.5 | 43.6 | 57.9 | 29.3 |
| Light meat | 28.4 | 32.5 | 38.7 | 27.1 | 26.5 |
| Total, tuna in water | 33.1 | 34.3 | 40.0 | 34.4 | 27.2 |
| Tuna in oil: | | | | | |
| White meat | 47.2 | 41.0 | 61.1 | 81.3 | 51.9 |
| Light meat | 26.0 | 32.4 | 38.2 | 24.9 | 27.1 |
| Total, tuna in oil | 28.8 | 33.5 | 41.1 | 31.9 | 30.7 |
| Grand total | 30.4 | 33.9 | 40.5 | 33.3 | 28.6 |

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

Table 21.-Average number of workers employed in the reporting establishments producing canned tuna, hours worked by production and related workers for all products and for canned tuna, 1/ and wages and fringe benefits paid to them, 1979-83

| Location | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| Average number employed in the reporting establishments: | | | | | |
| All persons---------number-- | 15,831 | 16,498 | 15,385 | 15,050 | 14,749 |
| Production and related------ workers producing-- | | | | | |
| All products--------number-- | 15,299 | 15,902 | 14,863 | 14,556 | 14,239 |
| Canned tuna----------do---- | 14,668 | 14,906 | 14,581 | 13,436 | 13,397 |
| Hours worked by production and related workers producing-- | | | | | |
| All products---1,000 hours-- | 27,588 | 24,986 | 25,152 | 23,000 | 25,320 |
| Canned tuna----------do---- | 25,661 | 23,648 | 23,888 | 21,733 | 23,981 |
| Wages paid to production and related workers producing-- | | | | | |
| All products-1,000 dollars-- | 119,774 | 130,154 | 137,451 | 131,970 | 143,100 |
| Canned tuna----------do---- | 110,741 | 120,458 | 127,401 | 120,322 | 131,806 |
| Value of fringe benefits provided to production and related workers: 1,000 dollars-- | 24,220 | 25,499 | 25,936 | 26,470 | 29,147 |

1/ Includes operations in the continental United States, Puerto Rico, and American Somoa.

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

Table 22.--Average employment, hours worked, average hourly wages, and worker productivity, for production and related workers employed by U.S. firms in canned-tuna-processing operations, by areas, 1979-83

| Location | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| | Production and related workers (number) | | | | |
| Continental United States | *** | *** | *** | *** | *** |
| Puerto Rico | *** | *** | *** | *** | *** |
| American Samoa | *** | *** | *** | *** | *** |
| Total | 14,668 | 14,906 | 14,581 | 13,445 | 13,397 |
| | Hours worked (thousands) | | | | |
| Continental United States | *** | *** | *** | *** | *** |
| Puerto Rico | *** | *** | *** | *** | *** |
| American Samoa | *** | *** | *** | *** | *** |
| Total | 25,661 | 23,648 | 23,888 | 21,733 | 23,981 |
| | Average hourly wages 1/ | | | | |
| Continental United States and | *** | *** | *** | *** | *** |
| Puerto Rico | *** | *** | *** | *** | *** |
| American Samoa | *** | *** | *** | *** | *** |
| Total | $4.32 | $5.09 | $5.33 | $5.54 | $5.50 |
| | Average output per worker hour (pounds) | | | | |
| Continental United States and Puerto Rico | *** | *** | *** | *** | *** |
| American Samoa | *** | *** | *** | *** | *** |
| Total | 22.7 | 26.1 | 26.4 | 24.9 | 24.8 |

1/ Fringe benefits are not included.

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

Note.--Continental U.S. includes data for Hawaii. Because of rounding figures may not add to the totals shown.

Table 23.--Average employment, hours worked, and average hourly wages of production and related workers employed in canned tuna-processing operations in all U.S. locations, by firms, 1979-83

| Firm | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| | Production and related workers (number) | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | 1/ *** | 1/ *** | 1/ *** | 1/ *** | 1/ *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| Total | 14,668 | 14,906 | 14,581 | 13,445 | 13,397 |
| | Hours worked (thousands) | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | 1/ *** | 1/ *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| Total | 25,661 | 23,648 | 23,888 | 21,733 | 23,643 |
| | Average hourly wages 2/ | | | | |
| Star-Kist | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** |
| Mitsubishi | 3/ *** | 3/ *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** |
| Average | $4.32 | $5.09 | $5.33 | $5.54 | $5.50 |

1/ Mitsubishi did not begin its processing operations until 1981.
2/ Because of rounding, figures may not add to the totals shown.
3/ Fringe benefits are not included.

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

workers in 1979 to * * * workers in 1983. Trends in total hours worked in the continential United States, Puerto Rico, and American Samoa generally paralleled trends in average employment in those areas during 1979-83, as shown in table 22.

Average hourly wages in all U.S. locations increased steadily between 1979 and 1983, although actual wage levels and the extent of the increase vary widely for different locations. The average hourly wage rate per worker for all U.S. locations increased by 27 percent, from $4.32 per hour in 1979 to $5.50 per hour in 1983. The hourly wage in the continential United States has consistently been far higher than wages in either Puerto Rico or American Samoa, and the differences have been increasing. 1/ Between 1979 and 1983, wages in the continental United States increased by 37 percent, from * * * to * * * per hour. During this period, Puerto Rican wages increased by 36 percent, from * * * to * * * per hour. In American Samoa, where employment in canned tuna production increased significantly during 1979-83, hourly wages rose by * * * percent, from * * * per hour in 1979 to * * * per hour in 1983. In 1983, the hourly wage rate in American Samoa was less than * * * of the continental U.S. wage level. * * *.

Data presented in table 22 also indicate that productivity in tuna-canning operations, as measured by pounds of tuna processed per employee hour, increased irregularly by 9 percent between 1979 and 1983. The combined output per worker-hour at all locations rose from 22.7 pounds in 1979 to 26.4 pounds in 1981 and then declined during the next 2 years to 24.8 pounds in 1983. Levels of productivity in American Samoa were lower than levels for combined continental U.S. and Puerto Rican operations between 1980 and 1982, although the difference was small, as shown in table 23.

* * * * * * *.

Wages have also varied widely among the six major U.S. processors, as shown in table 23. C.H.B., which cans tuna only in California, has consistently recorded * * * hourly wage levels, ranging from a low of * * * in 1979 to a high of * * * in 1983. Wages paid by Neptune and Mitsubishi have generally been * * * than hourly wages paid by the other four producers, except in 1982, when Mitsubishi's wages averaged * * *.

---

1/ * * *.
2/ * * *.
3/ * * *.

Exports

Only * * * had significant exports of canned tuna during 1979-83. As shown in the following tabulation, total exports of canned tuna were over * * * pounds per year during 1981-83 (in thousands of pounds):

| Company | 1979 | 1980 | 1981 | 1982 | 1983 | January-March-- | |
|---|---|---|---|---|---|---|---|
| | | | | | | 1983 | 1984 |
| * * *---------- | *** | *** | *** | *** | *** | *** | *** |
| * * *---------- | *** | *** | *** | *** | *** | *** | *** |
| * * *---------- | *** | *** | *** | *** | *** | *** | *** |
| Total-------- | *** | *** | *** | *** | *** | *** | *** |

* * *, * * *, and * * * are * * *'s principal export markets for canned tuna.

Financial experience of U.S. processors

Six U.S. processors of canned tuna, which accounted for almost all U.S. production of canned tuna in 1983, provided separate income-and loss data on their operations producing canned tuna for human consumption. They also provided data on the overall operations of their establishments in which canned tuna is produced. For four of the six reporting firms, net sales of canned tuna for human consumption accounted for over 90 percent of their establishment sales. The Commission generally requests and uses total establishment income-and-loss data whenever the net sales of the product which is the subject of the investigation represent 85 percent or more of the total net sales of all products produced in the establishment.

In discussions with processors, it was generally agreed that tuna for pets and certain other tuna products are byproducts of the production of tuna for human consumption. 1/ Fishmeal is derived from the remaining scrap of the tuna. From the accounting viewpoint, because of problems with respect to allocating the cost of raw tuna, which is the major cost, between (1) canned tuna for human consumption and (2) tuna for pets, other tuna products, and fishmeal, the net proceeds 2/ of byproducts and scrap should generally be

1/ At the hearing, counsel for the petitioners testified that pet food operations are entirely distinct from operations which produce tuna for human consumption and, further, that pet food is not sold in the same channels of distribution, nor is it meant for the same end-use customers. Largely on that basis, it was contended that pet food constitutes a very separate and distinct industry (transcript of the hearing, pp. 137 and 138). It should be noted, however, that the raw fish is harvested by the same vessels, and the same machinery and assembly line workers handle the fish at least until it is separated into that for human consumption and that for pet food.

2/ Net proceeds are the revenues received from the sales of byproducts less additional processing costs incurred to prepare byproducts to salable form.

treated as reductions in the cost of the main product (tuna for human consumption). 1/ Byproducts are incidental items that accompany production of the major product(s). This processing would not be performed solely to produce the byproducts. * * *--seems to be more representative of their financial experience than their operation on canned tuna for human consumption. These data, along with data from the other two firms ((* * *), on their operations on canned tuna for human consumption) are presented in table 24. * * * data for canned tuna for human consumption include the pet food and fishmeal as a byproduct as its data represent the total operations of its manufacturing tuna processing plant. Mitsubishi started its Ponce, P.R. operations in * * * 1981, when it purchased the ongoing plant of Sun Harbor Caribe (Westgate Corp). Mitsubishi's total establishment data * * *.

C.H.B.'s net sales of tuna for human consumption represent about * * * percent of total industry's net sales during 1979-83 and accounted for about * * * percent of its total establishment sales in 1979 and 1980, and for about * * * percent during 1981-83. * * *.

Total net sales of canned tuna for all producers increased by 27.0 percent from $1.0 billion in 1979 to $1.3 billion in 1981 and then declined to $1.2 billion in 1982 and 1983 or by 11 percent. * * *.

Operating income on canned tuna operations, increased in absolute dollars by 9.3 percent from $73.9 million in 1979 to $80.8 million in 1980. However, the return on net sales remained at 7.2 percent for both of those years. In 1981, operating income declined by 21.0 percent to $63.8 million, or 4.9 percent of net sales, despite increasing sales. Operating income declined sharply to $2.3 million in 1982, when it was equivalent to only 0.2 percent of net sales. In 1983 U.S. processors of canned tuna earned an aggregate operating income of $32.3 million, or 2.8 percent of net sales, representing an improvement over that in 1982 but substantially below the level of 7.2 percent experienced in 1979 and in 1980.

* * * * * * *.

The cost of goods sold, as a share of net sales, increased from about 83 percent in 1979 to a peak of 89.1 percent in 1982, when the industry reported a meager operating income, and then declined to 85.5 percent in 1983. This trend in the cost of goods sold resulted in a gross profit margin ranging from a high of 17.7 percent in 1980 to a low of 10.9 percent in 1982. General, selling, and administrative expenses in relation to total net sales averaged about 10.1 percent during 1979-81 and then increased to 10.7 percent in 1982 and 11.7 percent in 1983.

Net interest expense increased from $15.3 million (1.5 percent of net sales) in 1979 to $42.9 million (3.6 percent of net sales) in 1982 and then declined to $27.8 million (2.4 percent of net sales) in 1983. Bumble Bee * * *

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1/ Bumble Bee stated in its questionnaire response--

* * * * * * *.

Table 24.--Income-and-loss experience of U.S. processors on their canned tuna operations, by firms, accounting years 1979-83

| Item | Trade sales | Intercompany transfers | Total net sales | Cost of goods sold | Gross profit or (loss) | General, selling, and administrative expenses | Operating income or (loss) | Interest income or (expenses) net |
|---|---|---|---|---|---|---|---|---|
| | 1,000 dollars | | | | | | | |
| 1979: | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 968,040 | 59,657 | 1,027,697 | 852,533 | 175,164 | 101,224 | 73,940 | (15,332) |
| 1980: | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 1,044,027 | 71,664 | 1,115,691 | 917,861 | 197,830 | 117,047 | 80,783 | (19,935) |
| 1981: | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 1,226,878 | 80,602 | 1,307,480 | 1,112,889 | 194,591 | 130,795 | 63,796 | (39,098) |
| 1982: | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi 3/ | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist 4/ | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 1,116,128 | 85,965 | 1,202,093 | 1,071,367 | 130,726 | 128,407 | 2,319 | (42,943) |
| 1983: | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist 3/ | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 1,036,963 | 121,040 | 1,158,003 | 990,434 | 167,569 | 135,276 | 32,293 | (27,761) |

See footnotes at end of table.

Table 24.--Income-and-loss experience of U.S. processors on their canned tuna operations, by firm, accounting years 1979-83--Continued

| Item | Other income (expense) | Net income (loss) before income taxes | Depreciation and amortization | Cash flow (deficit) from operations | Ratio to total net sales-- General, selling, and administrative expenses | Cost of good sold | Gross profit (loss) | Pretax income (loss) | Operating income (loss) |
|---|---|---|---|---|---|---|---|---|---|
| | 1,000 dollars | | | | Percent | | | | |
| 1979: | | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B. | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | (3,902) | 54,706 | 16,561 | 71,267 | 9.9 | 83.0 | 17.0 | 5.3 | 7.2 |
| 1980: | | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 1,004 | 61,852 | 16,583 | 78,435 | 10.5 | 82.3 | 17.7 | 5.5 | 7.2 |
| 1981: | | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 3,528 | 28,226 | 18,608 | 46,834 | 10.0 | 85.1 | 14.9 | 2.2 | 4.9 |
| 1982: | | | | | | | | | |
| Bumble Bee 1/ | 2/ *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi 3/ | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist 4/ | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | (133,692) | (172,316) | 17,992 | (154,324) | 10.7 | 89.1 | 10.9 | (14.3) | 0.2 |
| 1983: | | | | | | | | | |
| Bumble Bee 1/ | 2/ *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist 4/ | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | (11,351) | (6,819) | 18,107 | 11,288 | 11.7 | 85.5 | 14.5 | (0.6) | 2.8 |

1/ * * *.
2/ * * *.
3/ * * *.
4/ * * *.

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| * | * | * | * | * | * | * | *. |
| * | * | * | * | * | * | * | *. |
| * | * | * | * | * | * | * | *. |

The industry reported a positive cash flow generated from canned tuna operations ranging from a low of $11.3 million in 1983 to a high of $78.4 million in 1980 and a negative cash flow of $154.3 million in 1982. Four firms reported operating losses in 1982, two firms, in 1983 and 1981, and one firm, in 1979.

Some concern was expressed by the petitioners at the public hearing 1/ in response to the question asked by Commissioner Lodwick with respect to considering the activities of pet food in view of the fact that pet food is one of the products coming out of the canneries. The appropriate course for the Commission according to petitioners counsel would be to allocate costs between pet food and tuna for human consumption rather than looking at overall profitability on all product lines. Counsel for the respondents objected to this division of profitability, * * *.

Hence, the income-and-loss data for U.S. producers' operations producing canned tuna only for human consumption are presented in table 25. Total net sales of canned tuna only for human consumption, increased by 27 percent from $960.7 million in 1979 to $1.2 billion in 1981 and then fell to $1.1 billion in 1982 and $1.07 billion in 1983, an overall decline of 12.0 percent from the level of 1981. The trends for canned tuna for only human consumption operating income ratios are similar to those for canned tuna (including pet food) operations, (table 25), discussed earlier, increasing from $40.4 million (4.2 percent of net sales) in 1979 to $71.8 million (6.9 percent of net sales) in 1980, and then declining to $64.1 million (5.3 percent of net sales) in 1981 and to $8.9 million (0.8 percent of net sales) in 1982. In 1983, operating income slightly increased to $13.5 million (1.3 percent of net sales), still much below the level of 1979 and 1980.

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1/ Transcript of the hearing, pp. 137 and 138.

Table 25.--Income-and-loss experience of U.S. processors on their operations producing canned tuna for human consumption only, by firms, accounting years 1979-83

| Item | Trade sales | Intercompany transfers | Total net sales | Cost of goods sold | Gross profit or (loss) | General, selling, and administrative expenses | Operating income or (loss) | Interest income or (expense) net |
|---|---|---|---|---|---|---|---|---|
| | 1,000 dollars | | | | | | | |
| 1979: | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune Packing | *** | *** | *** | *** | *** | *** | *** | *** |
| Ralston Purina-Van Camp | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 913,722 | 46,965 | 960,687 | 832,909 | 127,778 | 87,333 | 40,445 | (15,160) |
| 1980: | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune Packing | *** | *** | *** | *** | *** | *** | *** | *** |
| Ralston Purina-Van Camp | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 980,608 | 56,983 | 1,037,591 | 864,265 | 173,326 | 101,477 | 71,849 | (19,266) |
| 1981: | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune Packing | *** | *** | *** | *** | *** | *** | *** | *** |
| Ralston Purina-Van Camp | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 1,154,268 | 65,737 | 1,220,005 | 1,040,683 | 179,322 | 115,217 | 64,105 | (35,367) |
| 1982: | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi 3/ | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune Packing | *** | *** | *** | *** | *** | *** | *** | *** |
| Ralston Purina-Van Camp | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist 4/ | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 1,042,325 | 69,296 | 1,111,621 | 996,189 | 115,432 | 106,555 | 8,877 | (39,732) |
| 1983: | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune Packing | *** | *** | *** | *** | *** | *** | *** | *** |
| Ralston Purina-Van Camp | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist 3/ | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 971,310 | 101,843 | 1,073,153 | 942,210 | 130,943 | 117,397 | 13,568 | (24,598) |

See footnotes at end of table.

Table 25.--Income-and-loss experience of U.S. processors on their operations producing canned tuna for human consumption only, by firms, accounting years 1979-83--Continued

| Item | Other income or (expense) net | Net income or (loss) before income taxes | Depreciation and amortization | Cash flow of (deficit) from operations | Ratio to total net sales-- | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | General, selling, and administrative expenses | Cost of good sold | Gross profit or (loss) | Pretax income or (loss) | Operating income or (loss) |
| | 1,000 dollars | | | | Percent | | | | |
| 1979: | | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B. | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune Packing | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Ralston Purina-Van Camp | 2/ *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | (890) | 24,395 | 11,799 | 36,204 | 9.1 | 86.7 | 13.3 | 2.5 | 4.2 |
| 1980: | | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune Packing | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Ralston Purina-Van Camp | 2/ *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 1,410 | 53,993 | 12,485 | 68,839 | 9.8 | 83.3 | 16.7 | 5.2 | 6.9 |
| 1981: | | | | | | | | | |
| Bumble Bee 1/ | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune Packing | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Ralston Purina-Van Camp | 2/ *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | (10,336) | 18,402 | 14,421 | 33,633 | 9.4 | 85.3 | 14.7 | 1.5 | 5.3 |
| 1982: | | | | | | | | | |
| Bumble Bee 1/ | 3/ *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi 4/ | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune Packing | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Ralston Purina-Van Camp | 2/ *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist 5/ | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | (30,813) | (61,668) | 13,871 | (50,099) | 9.6 | 89.6 | 10.4 | (5.5) | 0.8 |
| 1983: | | | | | | | | | |
| Bumble Bee 1/ | 3/ *** | *** | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune Packing | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Ralston Purina-Van Camp | 2/ *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist 5/ | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | (39,341) | (50,393) | 14,591 | (39,284) | 10.9 | 87.8 | 12.2 | (4.7) | 1.3 |

1/ * * *.
2/ * * *.
3/ * * *.
4/ * * *.
5/ * * *.

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

Investment in productive facilities

Data provided by U.S. processors on their investment in productive facilities employed in the production of all products in their establishments and canned tuna are presented in table 26.

Investment in their establishments within which canned tuna are produced, valued at original cost, increased from $155.9 million in 1979 to $216.7 million in 1983, or by 39 percent. The book value of these facilities increased by $24.1 million during this period. Canned tuna investment increased by 35 percent, from $135.2 million in 1979 to $183.0 million in 1983, valued at original cost. The book value increased by $16.9 million from 1979 to 1983.

To provide an additional measure of profitability, the ratios of operating income or loss to original cost and book value of property, plant, and equipment are also presented in table 26. These ratios for both all products of the establishments and canned tuna followed the same trend as did the ratios of operating income or loss to net sales. Original cost and book value calculations are somewhat distorted by the time period during which the investments were made.

Capital expenditures.--All six major reporting firms furnished data relative to their capital expenditures for land and land improvements, buildings, and machinery and equipment used in the processing of all products of the reporting establishments and such expenditures employed in the processing of canned tuna. These data are presented in table 27. Overall establishment capital expenditures rose from $27.8 million in 1979 to $30.1 million in 1981 and then declined to $16.6 million in 1983. * * *. Without the capital expenditures of * * * in 1981, total capital expenditures reflect a downward trend each year during the period under investigation.

Capital expenditures relative to canned tuna also peaked in 1981 in large part because of the investments made by * * *. Such expenditures rose from $20.5 million in 1979, to $22.0 million in 1981, and then dropped to $14.1 million in 1982 and $14.6 million in 1983. Except for capital expenditure in 1981, the majority of expenditures were for machinery and equipment during 1979-83.

Table 26.--Investment in productive facilities and operating income or (loss) of U.S. processors 1/ of canned tuna, by firms, accounting years 1979-83

| Item | Investment in property, plant, and equipment | | | | Operating income or (loss) | | Ratio of operating income or (loss) to-- | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All products of establishment | | Canned tuna | | Establishment operations | Canned tuna | Establishment | | Canned tuna | | Net sales | |
| | Original cost | Book value | Original cost | Book value | | | Original cost | Book value | Original cost | Book value | Establishment | Canned tuna |
| | 1,000 dollars | | | | | | Percent | | | | | |
| 1979: | | | | | | | | | | | | |
| Bumblee Bee | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 155,884 | 111,610 | 135,183 | 99,095 | 67,509 | 34,014 | 43.3 | 60.5 | 25.2 | 34.3 | 7.2 | 3.9 |
| 1980: | | | | | | | | | | | | |
| Bumblee Bee | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 172,167 | 117,791 | 147,459 | 101,977 | 79,814 | 70,880 | 46.4 | 67.8 | 48.1 | 69.5 | 7.7 | 7.4 |
| 1981: | | | | | | | | | | | | |
| Bumblee Bee | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 194,480 | 127,334 | 166,798 | 109,935 | 67,225 | 67,534 | 34.6 | 52.8 | 40.5 | 61.4 | 5.5 | 5.9 |
| 1982: | | | | | | | | | | | | |
| Bumblee Bee | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 211,386 | 139,061 | 178,233 | 118,918 | 5,379 | 11,937 | 2.5 | 8.6 | 6.7 | 10.0 | 0.5 | 1.2 |
| 1983: | | | | | | | | | | | | |
| Bumblee Bee | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Van Camp | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |
| Total or average | 216,708 | 135,736 | 182,991 | 115,974 | 32,029 | 13,282 | 14.8 | 23.6 | 7.3 | 11.5 | 3.0 | 1.3 |

1/ * * *.

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

Table 27.--Canned tuna: U.S. processors' capital expenditures for land and land improvements, building or leasehold improvements, and machinery and equipment, 1979-83

(In thousands of dollars)

| Item | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| All products of establishment(s): | | | | | |
| Land and land improvements | 50 | - | - | 79 | - |
| Building and leasehold improvements | 2,107 | 3,201 | 12,045 | 2,368 | 2,256 |
| Machinery and equipment | 25,663 | 21,291 | 18,024 | 16,894 | 14,316 |
| Total | 27,820 | 24,492 | 30,069 | 19,341 | 16,572 |
| Canned tuna: 1/ | | | | | |
| Land and land improvements | 50 | - | - | 79 | - |
| Building and leasehold improvements | 1,193 | 2,100 | 11,632 | 2,218 | 1,579 |
| Machinery and equipment | 19,230 | 11,350 | 10,404 | 11,763 | 13,022 |
| Total | 20,473 | 13,450 | 22,036 | 14,060 | 14,601 |

1/ Van Camp's data include * * *.

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

Research and development expenditures.--Three U.S. processors' research and development expenses in connection with their canned tuna operations were compiled from questionnaire data and are presented in the following tabulation (thousands of dollars):

| Item | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| All canned tuna products | 2,370 | 2,670 | 2,781 | 3,377 | 2,854 |
| Tuna in water | 671 | 677 | 692 | 878 | 859 |
| Tuna in oil | 447 | 452 | 461 | 585 | 573 |
| Tuna otherwise prepared | - | - | 120 | 170 | 250 |

* * * * * * *.

Statements by U.S. processors on the effects of imports of canned tuna on their firm's growth, investment, and ability to raise capital.--Only Star-Kist, Bumble Bee, Mitsubishi and Neptune responded to this section of the questionnaire. U.S. processors (* * *) generally assert that imports of canned tuna have prevented expansion of their market shares and reduced the volume of sales in the private-label and institutional markets. Investments were made at * * *. With the recent large losses and poor cash flow, these firms were either unable to carry on their capital expansion programs or unable to obtain additional outside financing. One firm, * * * indicated that canned tuna imports * * *. The questionnaire responses of the U.S. processors are presented below:

Star-Kist:

* * * * * * *.

* * * * * * *.

* * * * * * *.

* * * * * * *.

* * * * * * *.

* * * * * * *.

Neptune:

* * * * * * *.

Mitsubishi:

* * * * * * *.

* * * * * * *.

Bumble Bee:

* * * * * * *.

* * * * * * *

Financial experience of the U.S. purse seine fleet

The majority of U.S. purse seine vessel operators provided separate income-and-loss data on their tuna-fishing operations. Commission questionnaires from these respondents accounted for 65 to 81 percent of the total U.S. purse seine fleet in 1979-83. 1/ All of the U.S. tuna processors provided income-and-loss data on their purse seine vessels.

Net sales of raw tuna by all of the reporting vessels increased sharply, from $114 million dollars in 1979 to $185 million dollars in 1980. This increase corresponds with the large increase in raw fish prices during the same period. The reporting vessels experienced continued increases in net sales of raw tuna from 1980 to 1982. However, in 1983 net sales declined by 6 percent from the 1982 level (table 28).

The purse seine fleet experienced a loss before depreciation in all years during 1979-83 except 1980. Income before depreciation declined irregularly from a loss of $3.7 million in 1979 to a loss of $41 million in 1982. In 1983, the purse seine fleet's loss was $14 million.

The expansion of the fleet with new and bigger boats caused the capacity of the fleet to increase much more rapidly than did the number of boats. Sales of tuna by the fleet increased in each year from 1979 to 1982, and by 83 percent over the 4-year period, as the number of boats increased by 29 percent. Boat owners responding to the Commission's questionnaire reported that tuna sales peaked in 1982 at over $209 million and fell by over 6 percent in 1983 as the number of boats decreased by almost 9 percent. Income before taxes was negative in all 5 years of the investigation. Losses peaked along with the number of boats in 1982 at 34 percent of net sales and then fell to 22 percent in 1983. The ratio of profit before depreciation to net sales is a positive 7 percent in 1980, but losses occurred in all other years, the worst being equal to 20 percent of net sales in 1982; this ratio narrowed to 7 percent in 1983.

Cost analysis of the U.S. purse seine fleet

Table 29 provides an analysis of the cost structure of the U.S. purse seine fleet. As a share of total expenses, excluding depreciation, fuel cost, transhipment fees (principally from the Western Pacific fishing area) and interest expenses show a significant upward trend.

---

1/ For 1982, 102 vessels reported, accounting for 81 percent of the fleet.

Table 28.--Fresh, chilled, or frozen tuna: Overall profit-and-loss data for tuna purse seiner boat owners, accounting years 1979-83

(In thousands of dollars)

| Item | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| Net sales of tuna | 114,225 | 184,837 | 187,991 | 209,270 | 196,365 |
| Crew cost | 37,324 | 55,921 | 53,822 | 56,634 | 50,485 |
| Fuel cost | 20,347 | 35,793 | 43,294 | 53,092 | 43,270 |
| Galley cost | 2,466 | 3,605 | 4,328 | 5,324 | 4,600 |
| License fees | 676 | 934 | 882 | 1,247 | 1,610 |
| Transhipment fees | 53 | 470 | 614 | 6,836 | 7,419 |
| Repairs | 18,150 | 24,169 | 23,761 | 32,061 | 24,218 |
| Gear cost | 2,150 | 2,910 | 3,845 | 4,375 | 4,672 |
| Insurance | 6,744 | 8,373 | 11,098 | 14,482 | 13,350 |
| Helicopter | 2,011 | 3,367 | 4,827 | 7,396 | 7,371 |
| Travel | 1,547 | 2,082 | 2,644 | 3,822 | 3,640 |
| Other costs | 9,987 | 9,923 | 11,785 | 17,049 | 11,051 |
| Administrative cost | 2,425 | 3,533 | 3,609 | 4,713 | 4,018 |
| Interest | 13,999 | 20,737 | 30,585 | 43,100 | 34,981 |
| Total expenses excluding depreciation | 117,879 | 171,817 | 195,094 | 250,131 | 210,685 |
| Income before depreciation (loss) | (3,654) | 13,020 | (7,103) | (40,861) | (14,320) |
| Depreciation | 12,335 | 16,569 | 22,114 | 29,633 | 28,715 |
| Income before taxes (loss) | (15,989) | (3,549) | (29,217) | (70,494) | (43,035) |
| Number of vessels | 79 | 83 | 86 | 102 | 93 |
| Number of reporting organizations | 56 | 56 | 56 | 56 | 56 |
| Ratio of income or (loss) before depreciation to net sales | (0.03) | 0.07 | (0.04) | (0.20) | (0.07) |
| Ratio of loss before taxes to net sales | (0.14) | (0.02) | (0.16) | (0.34) | (0.22) |

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

Table 29.--Fresh, chilled or frozen tuna: Individual cost items as a share of total expenses before depreciation for purse seine boat owners, accounting years 1979-83

(In percent)

| Item | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| Crew cost | 31.66 | 32.55 | 27.59 | 22.64 | 23.96 |
| Fuel cost | 17.26 | 20.83 | 22.19 | 21.23 | 20.54 |
| Galley cost | 2.09 | 2.10 | 2.22 | 2.13 | 2.18 |
| License fees | .57 | .54 | .45 | .50 | .76 |
| Transhipment fees | .04 | .27 | .31 | 2.73 | 3.52 |
| Repairs | 15.40 | 14.07 | 12.18 | 12.82 | 11.49 |
| Gear cost | 1.82 | 1.69 | 1.97 | 1.75 | 2.22 |
| Insurance | 5.72 | 4.87 | 5.69 | 5.79 | 6.34 |
| Helicopter | 1.71 | 1.96 | 2.47 | 2.96 | 3.50 |
| Travel | 1.31 | 1.21 | 1.36 | 1.53 | 1.73 |
| Other costs | 8.48 | 5.78 | 6.04 | 6.81 | 5.25 |
| Administrative cost | 2.06 | 2.06 | 1.85 | 1.88 | 1.91 |
| Interest | 11.88 | 12.07 | 15.68 | 17.23 | 16.60 |
| Total expenses excluding depreciation | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Depreciation | 10.46 | 9.64 | 11.34 | 11.85 | 13.63 |
| Number of vessels | 79 | 83 | 86 | 102 | 93 |
| Number of reporting organizations | 56 | 56 | 56 | 56 | 56 |

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

Fuel cost rose from 17.3 percent of total expenses before depreciation in 1979 to a peak of 22.2 percent of these expenses in 1981. Both the impact of rising fuel prices in the aftermath of the Oganization of Petroleum Exporting Countries (OPEC) oil embargo and the shift of many boats to Western and Southern Pacific fishing areas put upward pressure on fuel costs. Since fuel costs are variable costs, it is not surprising that they peaked in 1982, the year of greatest fish sales and, when the peak number of vessels (102) were operated by the 56 responding organizations.

The phenomenal growth in trans-shipment fees from $53,000 in 1979 to $7.4 million in 1983 reflects the shift in fishing grounds. In 1979, transhipment fees were 0.04 percent of total expenses, but by 1983, they amounted to over 3.5 percent of total expenses excluding depreciation. Gear cost, insurance, helicopter expenses, and travel expenses also increased significantly, with the four categories combined accounting for 10.6 percent of expenses in 1979 but almost 14 percent in 1983.

Crew cost as a share of the nondepreciation cost structure reached a high of 32.6 percent in 1980 and fell to a low of 22.6 percent in 1982, when total crew cost hit a maximum of $56.6 million. Repairs cost showed a downward

trend from 15.4 percent of costs in 1979 to a low of 11.5 percent in 1983. This decline reflects, in part, newer equipment providing much better service under increased usage and longer distances traveled to Western Pacific fisheries. During 1979-83, the 56 organizations acquired a combined 19 new 1,200-ton super seiners and one new 1,500-ton boat. Falling labor and repair costs reflect, in part, this significant acquisition of new equipment.

The expansion of the purse seine fleet came at a time of rising interest rates, and the petitioners have testified that much of the financing was short term and subject to increases in the interest rate. The effect of this development was an increase in interest expense from $14 million in 1979 to over $43 million in 1982 before a decline to $35 million in 1983. The following tabulation shows the behavior of the prime rate as well as short- and long-term U.S. Treasury obligations during the period of the investigation (in percent):

| | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| Prime rate charged by banks | 12.67 | 15.27 | 18.87 | 14.67 | 10.79 |
| 3-month U.S. Treasury yield | 10.04 | 11.51 | 14.03 | 10.69 | 8.63 |
| 10-year U.S. Treasury yields | 9.44 | 11.46 | 13.91 | 13.00 | 11.10 |
| Number of new tuna boats acquired by respondents | 5 | 6 | 6 | 4 | 1 |
| Total boats reported | 79 | 83 | 86 | 102 | 93 |

Depreciation of new boats caused the fleet's depreciation to surge from $12.3 million in 1979 to $28.7 million in 1983. This increasing wedge of depreciation expense resulted in an increasing gap between before depreciation income and income after depreciation but before taxes as a portion of net sales. Tax law allowed full depreciation in 5 years for assets placed in service after 1980. Table 28 indicates depreciation was greater than predepreciation profits for 1980, more than three times the predepreciation losses in 1979 and 1981, and twice the predepreciation losses in 1983. Only in 1982 does the predepreciation loss exceed the contribution of depreciation to total losses for the fleet.

As could be expected, an increasing number of vessels have been unable to survive under these circumstances. According to the American Tuna Boat Association, 5 vessels are currently bankrupt, and 30 have been "tied up" in port by their owners. The tieups are often older boats of much less capacity than the newer super seiners and may be boats not large or reliable enough for extended Western Pacific fishing trips. * * *Detailed financial tables for the tuna vessels of U.S. processors and independent owners are set forth in appendix C.

## The Question of Increased Imports as a Substantial Cause of Serious Injury or the Threat Thereof

### U.S. consumption and the ratio of imports to consumption

Total U.S. consumption of canned tuna increased irregularly during 1979-83 from 682 million pounds in 1979 to a record 754 million pounds in 1983, or by 10.5 percent (table 30).

Table 30.--Canned tuna: Apparent U.S. consumption of canned tuna, by types, 1979-83, January-March 1983, and January-March 1984

| Product | 1979 | 1980 | 1981 | 1982 | 1983 | January-March-- 1983 | January-March-- 1984 |
|---|---|---|---|---|---|---|---|
| | Quantity (1,000 pounds) | | | | | | |
| Tuna in water | 293,267 | 350,751 | 395,675 | 434,497 | 509,191 | 147,167 | 145,027 |
| Tuna in oil | 388,954 | 330,571 | 282,519 | 251,482 | 245,161 | 71,327 | 69,061 |
| Total | 682,221 | 681,322 | 678,194 | 685,979 | 754,352 | 218,494 | 214,088 |
| | Ratio of imports to consumption (percent) | | | | | | |
| Tuna in water | 18.1 | 18.0 | 17.8 | 20.1 | 24.0 | 26.2 | 23.4 |
| Tuna in oil | 0.2 | 0.1 | 0.9 | 0.8 | 0.7 | 0.6 | 0.7 |
| Total | 7.9 | 9.3 | 10.4 | 12.8 | 16.2 | 17.6 | 15.9 |

Source: Compiled from official statistics of the Department of Commerce and from data obtained in response to questionnaires of the U.S. International Trade Commission.

During this period, U.S. consumption of canned tuna in water surpassed U.S. consumption of canned tuna in oil; canned tuna in water increased from 43 percent of apparent U.S. consumption in 1979 to 68 percent in 1983.

Imported canned tuna (in water or oil) increased its U.S. market share from 7.9 percent in 1979 to 16.2 percent in 1983. However, since the vast majority of imported canned tuna is in water, the petitioners in this investigation argue that the relevant U.S. industry for assesssing serious injury to a domestic industry is that which produces canned tuna in water.

Imports of canned tuna in water lost market share in 1980 and 1981, as the U.S. industry shifted production from canned tuna in oil to canned tuna in water. However, in 1982 and 1983, imports took an increasingly larger share of this expanding market. The ratio of imports to consumption increased to 20.1 percent in 1982 and 24.0 percent in 1983.

The Commission staff was able to estimate apparent U.S. consumption and import penetration in the three segments of the U.S. tuna market. However, it should be noted that figures for imports were based on the sample shown in

table 16 and then projected by percentage on the basis of total imports for the respective year (table 31). In two of the three segments of the U.S. tuna market (private-label and institutional pack), imports took an increasing * * *. In the institutional market imports grew from a 50-percent share in 1979 to a 66-percent share in 1983, and in the private-label segment, imports grew from a 2.1-percent share in 1979 to a 14.3-percent share in 1983. The nationally advertised brand market segment shows import growth, but it should be noted that large quantities of imported canned tuna for this market segment in 1983 * * *. Import growth in the nationally advertised brand market segment will increase sharply in 1984 * * *.

Per capita U.S. consumption of canned tuna (compiled by the National Marine Fisheries Service) declined irregularly during 1979-83, as shown in the following tabulation:

| Year | Quantity (pounds) |
|---|---|
| 1979 | 3.2 |
| 1980 | 2.9 |
| 1981 | 3.1 |
| 1982 | 2.7 |
| 1983 | 3.0 |

Per capita consumption of canned tuna as compiled from questionnaire responses are as follows:

| Year | Quantity (pounds) |
|---|---|
| 1979 | 3.05 |
| 1980 | 3.02 |
| 1981 | 2.98 |
| 1982 | 2.98 |
| 1983 | 3.25 |

## The Question of Threat of Serious Injury

### Production of canned tuna by major U.S. suppliers

Production of canned tuna in Thailand, the Philippines, Japan, and Taiwan--the countries that supplied about 90 percent of the U.S. imports in 1983--is shown in the following tabulation for 1979-83 (in millions of pounds):

Table 31.--Canned tuna: U.S. producers' shipments, imports for consumption, and apparent U.S. consumption, by types of packaging, 1979-83 1/

| Item | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| U.S. producers' shipments: | | | | | |
| Nationally advertised brands----1,000 pounds-- | 444,519 | 437,095 | 441,087 | 427,866 | 461,316 |
| Private label-------do---- | 144,961 | 136,561 | 125,001 | 134,098 | 135,635 |
| Institutional containers do---- | 39,037 | 43,313 | 41,254 | 36,437 | 35,071 |
| Total-------------do---- | 628,517 | 617,769 | 607,342 | 598,401 | 632,022 |
| Imports: 1/ | | | | | |
| Nationally advertised brands----1,000 pounds-- | 10,848 | 15,506 | 21,517 | 22,333 | 31,439 |
| Private label-------do---- | 3,061 | 2,606 | 5,214 | 13,049 | 22,630 |
| Institutional containers do---- | 39,795 | 45,441 | 44,121 | 52,197 | 68,260 |
| Total-------------do---- | 53,704 | 63,553 | 70,852 | 87,579 | 122,329 |
| Apparent U.S. consumption: | | | | | |
| Nationally advertised brands----1,000 pounds-- | 455,367 | 453,401 | 462,604 | 450,199 | 492,785 |
| Private label-------do---- | 148,022 | 139,167 | 130,215 | 147,147 | 158,265 |
| Institutional containers do---- | 78,832 | 88,754 | 85,375 | 88,634 | 103,331 |
| Total-------------do---- | 682,221 | 681,322 | 678,194 | 685,980 | 754,351 |
| Ratio of imports to consumption: | | | | | |
| Nationally advertised brands---------percent-- | 2.4 | 3.4 | 4.7 | 5.0 | 6.4 |
| Private label-------do---- | 2.1 | 1.9 | 4.0 | 8.9 | 14.3 |
| Institutional containers do---- | 50.5 | 51.2 | 51.7 | 58.9 | 66.1 |
| Total-------------do---- | 7.9 | 9.3 | 10.5 | 12.8 | 16.2 |

1/ Data by types of packing are based on staff estimates and projections.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and estimates based on questionnaires sampling of U.S. importers.

| Country | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| Thailand | *** | *** | *** | *** | *** |
| Philippines 1/ | *** | *** | *** | *** | *** |
| Japan | *** | *** | *** | *** | *** |
| Taiwan | *** | *** | *** | *** | *** |
| Total | 251 | 268 | 302 | 336 | 376 |

1/ Only 2 firms reporting.

Source: Supplemental imformation submitted to the ITC in response to staff requests made at the hearing.

Japan

Production of canned tuna in Japan, currently the third largest U.S. supplier of canned tuna, increased from * * * million pounds in 1979 (* * * percent of capacity) to * * * million pounds (* * * percent of capacity) in 1983, or by * * * percent. The share of Japan's production exported to the United States declined from * * * percent in 1980 to * * * percent in 1983. Nearly * * * percent of the tuna canned in Japan has been consumed in Japan in recent years.

The number of purse seiners in Japan increased from * * * in 1979 and 1980 to * * * in 1982 and 1983. During 1979-83 the number of longline boats declined irregularly from * * * to * * *, and the number of pole boats declined steadily from * * * to * * *. Packers neither own nor have financial interests in Japanese tuna boats. There are * * * packers of tuna in Japan; only * * * has been in operation less than 10 years. The average cost of production for a case (48 cans of 6.5 ounces) of chunk light tuna was * * * in 1982 and * * * in 1983. The average wage rate for cannery workers in Japan was * * * per hour in 1983.

Taiwan

Production of canned tuna in Taiwan, currently the fourth largest U.S. supplier, increased from * * * million pounds in 1979 to * * * million pounds in 1980 but then declined irregularly to * * * million pounds in 1983. During 1979-83, production ranged from * * * percent of capacity in 1980 and 1983 to * * * percent of capacity in 1982. The share of Taiwan's production exported to the United States increased from about * * * percent in 1979 to * * * percent in 1983. The number of tuna canneries in Taiwan declined from * * * in 1979 to * * * in 1983, mostly reflecting discontinued packer operations. The average wage rate for cannery workers in Taiwan increased from * * * cents per hour in 1979 to * * * cents per hour in 1983.

Thailand

As shown in the following tabulation, production of canned tuna in Thailand increased from * * * million pounds in 1979 to * * * million pounds

in 1983. Production capacity increased from * * * million pounds in 1979 to * * * million pounds in 1983; capacity utilization in 1983 was * * * percent.

| Year | Production (1,000 pounds) | Capacity (1,000 pounds) | Capacity utilization (percent) |
|---|---|---|---|
| 1979 | *** | *** | *** |
| 1980 | *** | *** | *** |
| 1981 | *** | *** | *** |
| 1982 | *** | *** | *** |
| 1983 | *** | *** | *** |

Thailand currently has * * * canned tuna processors and * * * operating canneries. The four largest Thai processors are Seagold Group, Thai Union, Unicord and SAFCOL. Together these four companies accounted for approximately 85 percent of canned tuna production in Thailand in 1983. The average wage rate for cannery workers in Thailand is * * * to * * * cents per hour. The Commission received cost of production data from two of the largest tuna processors in Thailand, Thai Union and SAFCOL. Thai Union reported that its cost of production for a case of 48 cans (6.5 ounces each) of light-meat tuna declined from * * * in 1981 to * * * in 1982 and * * * in 1983. SAFCOL reported its cost of production at * * * in 1981, * * * in 1982, and * * * in 1983.

As shown in the following tabulation, the canned tuna exports from Thailand to the United States were mostly of the local Thai tuna species of tongol and euthynnus during 1979-83 (in percent):

| Year | Tongol | Euthynnus | Skipjack |
|---|---|---|---|
| 1979 | *** | *** | *** |
| 1980 | *** | *** | *** |
| 1981 | *** | *** | *** |
| 1982 | *** | *** | *** |
| 1983 | *** | *** | *** |

Philippines

There are currently seven companies engaged in the production of canned tuna in the Philippines. Production of canned tuna by these firms increased from * * * million pounds in 1980 to * * * million pounds in 1982 and 1983. In 1982 approximately * * * percent of the canned tuna produced in the Philippines was exported to the United States, and in 1983 exports to the United States rose to * * * percent of total production. Production capacity information submitted by the Phillipines * * *.

Raw fish costs

As shown in table 32, raw fish costs for the U.S. processors increased from 1979 to 1981 but then declined substantially over the next 2 years. Tuna processors in Thailand were using mostly lower priced tongol and euthynnus for the entire 1979-83 period. These two species of tuna have lower prices because of their relatively small size and lower recovery rate during processing. The recovery rate for tongol and euthynnus is approximately 25 to 30 percent, but the recovery rate for skipjack and yellowfin averages about 40 percent. Both the Philippines and Japan also experienced lower raw fish costs than the U.S. producers for skipjack and yellowfin tuna in 1982 and 1983.

Prices

This section first discusses prices of raw tuna and retail prices of tuna and tuna substitutes, such as chicken and hamburger. It then examines average prices charged by processors and importers on sales of different categories of canned tuna to distributors, retailers, and institutional users.

According to purchases and sellers of processed tuna, prices within specific proudct classifications vary depending upon the country of origin and the species of tuna packed in the can. Because of this high degree of product differentiation, absolute price comparisons are not possible among aggregate measures of tuna products. Thus, price indexes, rather than absolute prices, are provided to facilitate comparison of trends in producers and importer prices. Indexes of prices paid by purchases are also discussed. 1/

Prices of tuna at all stages of distribution and processing have generally moved in the same direction during recent years. Raw tuna prices rose in 1974-81 and then declined through 1983. Similarly, prices of processed tuna increased in 1979-81 and then declined through January-March 1984. This pricing pattern held for tuna canned by both domestic and foreign firms.

Raw tuna prices.--Ex-vessel prices in California for albacore, skipjack, and yellowfin tuna for 1974-83 are presented in figure 1 and table 33. Prices of white-meat (albacore) tuna have been substantially higher than the prices of the other two categories of tuna. However, prices of all three categories have usually moved in the same direction from year to year. They increased during most years in the 1970's but declined during the 1980's. The price of albacore climbed from $719 per short ton in 1974 to $1,880 per short ton in 1981 and then fell to $1,393 per short ton in 1982. It declined by an additional 9 percent to $1,268 per short ton in 1983. The price of yellowfin doubled between 1974 and 1980 from $575 to $1,180 per short ton. It remained at that level in 1981 and then declined during the next 2 years to an average of $1,043 per short ton in 1983. The price per short ton of skipjack rose from $542 in 1974 to $1,063 in 1980 and then decreased sharply over the next 3 years to $791 in 1983.

1/ See app. E for additional discussion of prices and the results of the questionnaire survey of domestic processors and importers.

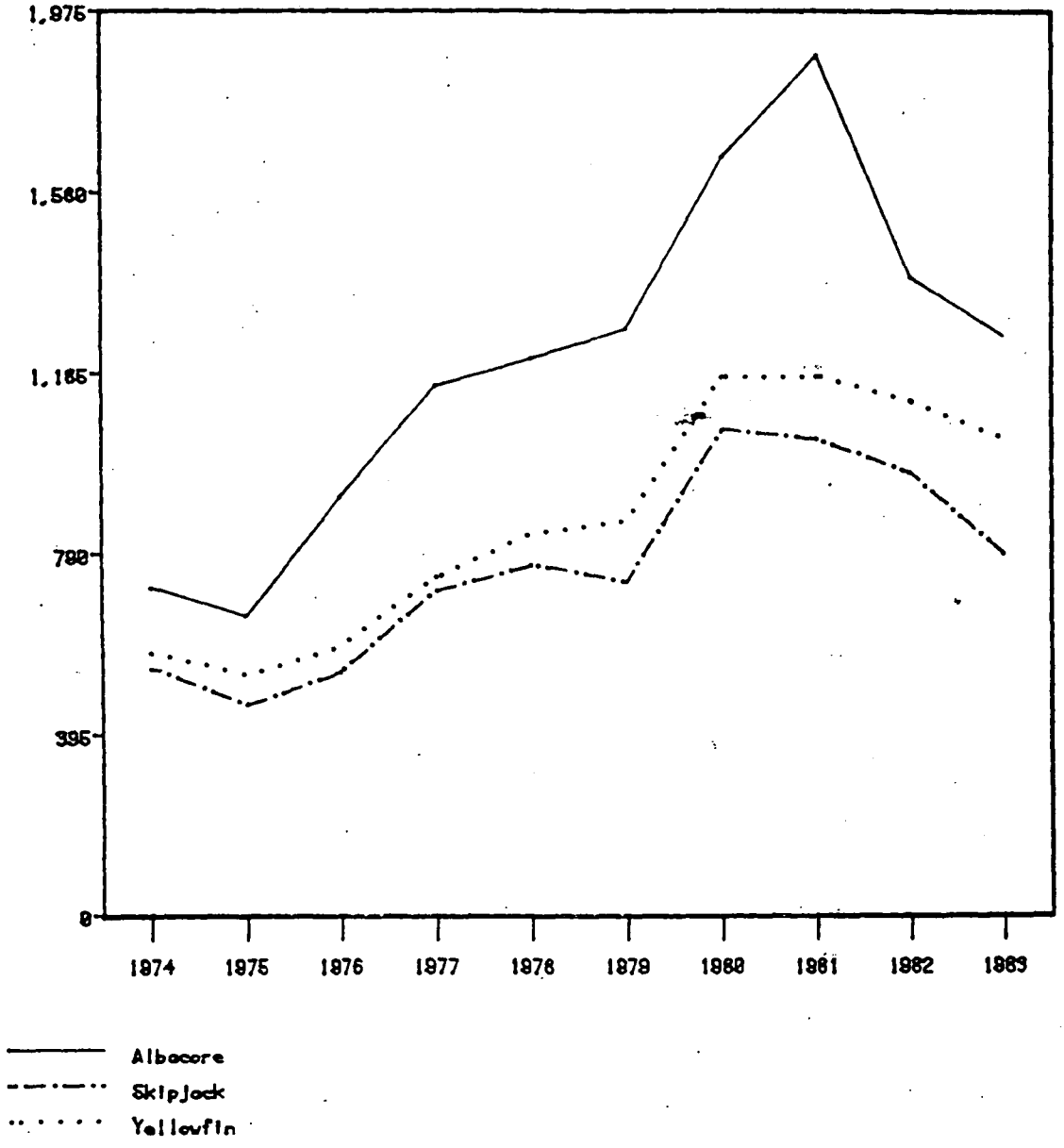
Table 32.--Fresh, Chilled on Frozen Tuna: Prices paid for fresh, chilled or frozen raw tuna by specie and by country of origin 1979-1983

| Year | U.S. Landings-Cal. | | | Thailand | | | | Philippines | | Japan | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Albacore | Yellowfin | Skipjack | Euthynnus | Tongol | Skipjack | Yellowfin | Skipjack | Yellowfin | Albacore | Skipjack |
| 1979 | $1,286 | $863 | $728 | *** | *** | *** | *** | *** | *** | *** | *** |
| 1980 | 1,659 | 1,180 | 1,063 | *** | *** | *** | *** | *** | *** | *** | *** |
| 1981 | 1,880 | 1,180 | 1,040 | *** | *** | *** | *** | *** | *** | *** | *** |
| 1982 | 1,393 | 1,123 | 967 | *** | *** | *** | *** | *** | *** | *** | *** |
| 1983 | 1,268 | 1,043 | 791 | *** | *** | *** | *** | *** | *** | *** | *** |

Source: U.S. prices are compiled from data of National Marine Fisheries Service. Data for Thailand, Philippines and Japan was submitted by counsel for the respondent Barnett and Alasia.

Figure 1.—Prices of raw tuna: Ex-vessel prices of California Landings, 1974-83

Dollars per short ton




Source: Compiled from National Marine Fisheries Service data.

Table 33.--Raw tuna: Ex-vessel prices for California landings, by types, 1974-83

(Per short ton)

| Year | Albacore | Skipjack | Yellowfin |
|---|---|---|---|
| 1974 | $719 | $542 | $575 |
| 1975 | 654 | 461 | 526 |
| 1976 | 917 | 534 | 591 |
| 1977 | 1,160 | 710 | 740 |
| 1978 | 1,220 | 766 | 836 |
| 1979 | 1,286 | 728 | 863 |
| 1980 | 1,659 | 1,063 | 1,180 |
| 1981 | 1,880 | 1,040 | 1,180 |
| 1982 | 1,393 | 967 | 1,123 |
| 1983 | 1,268 | 791 | 1,043 |

Source: Prices for 1974-76 were obtained from the National Marine Fisheries Service Statistical Digest. Prices for 1977-83 are preliminary data from Data Management and Statistics, National Marine Fisheries Service.

Retail prices.--It is a commonly held view that retail prices of canned tuna are significantly influenced by prices of other important high-protein products such as hamburger and chicken. 1/ According to this view, an increase in the price of hamburger or chicken would lead to an increased demand for tuna and higher tuna prices. Similarly, a decline in the price of hamburger or chicken would result in reduced demand for tuna and a tendency toward lower tuna prices.

Quarterly comparisons between retail prices of canned tuna and retail prices of hamburger and chicken for 1980-83 are presented in figure 2 and table 34. The data show that the price of tuna increased from $2.19 per pound in January-March 1980 to $2.57 per pound in January-March 1981. It remained above $2.50 per pound throughout 1981, and then declined steadily during the next 2 years to $2.19 per pound in October-December 1983. The price of chicken moved in the same direction as the price of tuna during parts of the 4-year period. It increased from $1.31 per pound in January-March 1980 to $1.48 per pound in October-December of that year, a period in which the price of tuna was increasing. The price of chicken decreased in 1982, as the price of canned tuna was also declining. However, chicken prices increased significantly in 1983, but the price of canned tuna continued to fall. The price of hamburger did not move closely with the price of tuna during 1980 and 1981. During much of this period it fluctuated irregularly between $1.78 and $1.86 per pound. However, the decline in hamburger prices from $1.79 per pound in January-March 1982 to $1.68 in October-December 1983 accompanied the decline in canned tuna prices that occurred during this period.

1/ This approach was taken in a study of the tuna industry prepared by Paine, Weber, Mitchell, and Hutchins, Inc., that was published in February 1984.

Processors' and importers' prices.--Quarterly prices of canned tuna were requested from processors and importers for January 1979-March 1984 for a wide range of product categories. The questionnaires requested price data specific to tuna packed in oil or water and marketed as advertised brand or under private label. Data were obtained from 5 domestic processors, 8 importers, and over 40 purchasers. Indexes of domestic processors and importers prices are presented in this section of the report. In addition, indexes of prices paid by purchasers of domestically produced and imported canned tuna are also provided.

F.o.b. prices received by processors and importers of white and light meat tuna packed in water and sold in institutional- and retail-size containers are presented in tables 35 through 37. Tuna is sold in retail containers as either an advertised or private-label brand. The data show that processors' and importers' prices of light-meat tuna rose steadily throughout 1979 and 1980 and then declined during the next 3 years, roughly paralleling the trend in retail prices of raw tuna.

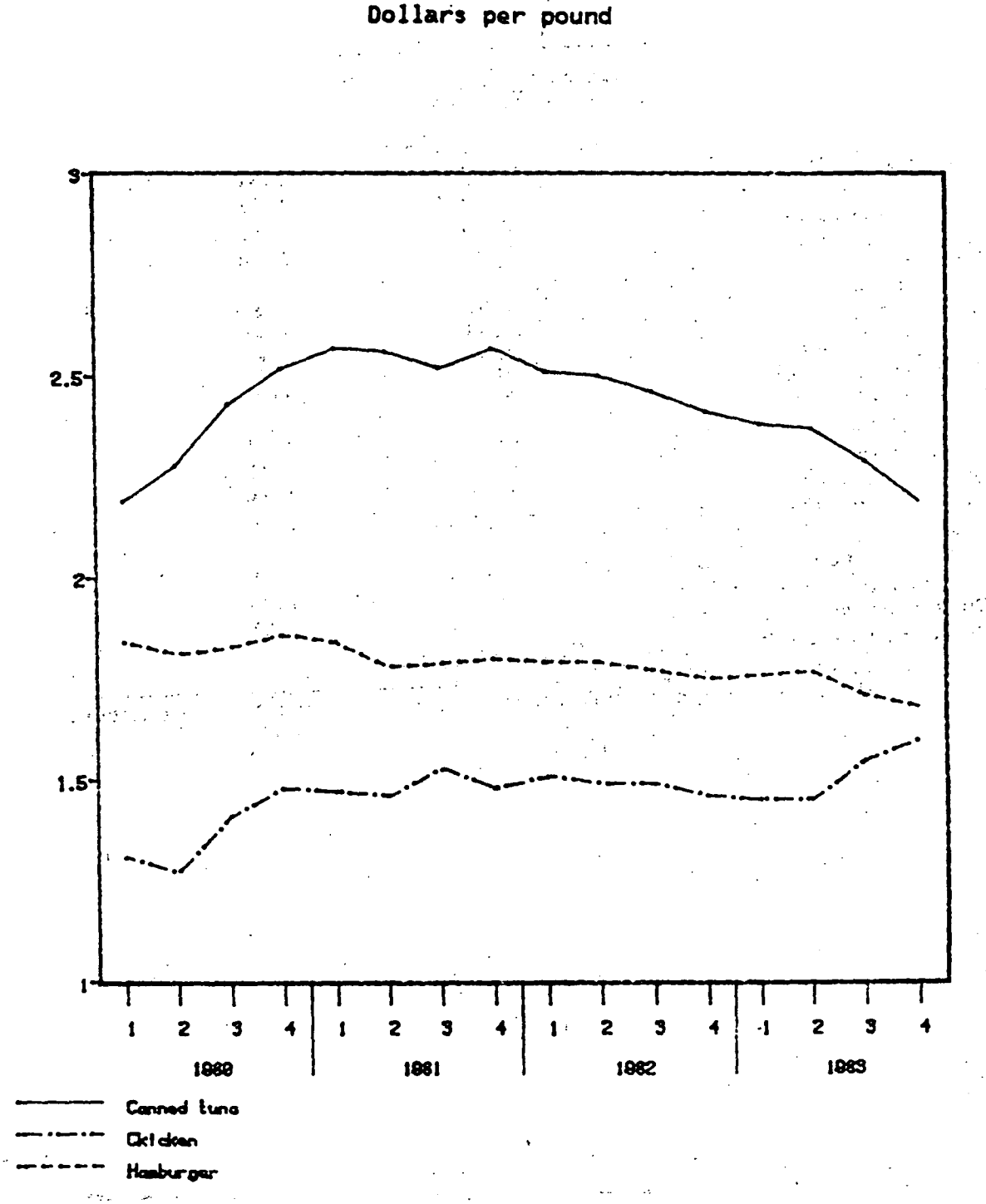
The price of domestic light-meat tuna packed in water and sold in institutional-sized containers increased by 38 percent before peaking in January-March 1981 and then subsequently delcined by 41 percent. The price of the same category of tuna processed by importers peaked in October-December 1980 before declining through January-March 1984.

Table 36 shows that the domestic price of light-meat tuna packed in water and sold in advertised brand retail containers increased by 35 percent, from January-March 1979 to January-March 1981, and then decreased during each of the next 11 quarters. The price of imported light-meat tuna packed in water and sold in retail containers of nationally advertised brands increased by 46 percent from January-March 1979 to October-December 1980. Prices then fell through October-December 1983 but increased again in the January-March 1984.

Table 37 shows a very similar pattern of domestic and foreign prices of light meat tuna canned in water and sold in retail-sized containers of private-label brands. The domestic price increased by 49 percent and peaked in October-December 1980 and was then followed by a decline. The price of imported tuna did not peak until January-March 1981 and then declined for the remainder of the period.

Prices reported by purchasers.--Indexes of net purchase prices paid by customers for both imported and domestic canned tuna, by types of containers, are presented in table 38 through 40. Prices of both domestic and imported canned tuna packed in water and sold in retail-sized containers of private-lable brands declined during 1982 and 1983 (table 38). Domestic prices of white and light meat tuna fell by 24 and 10 percent, respectively. Import prices fell by 20 and 17 percent, respectively.

Figure 2.—Prices of canned tuna and substitutes: Retail prices of canned tuna, chicken, and hamburger, by quarters, 1980-83




Source: Compiled from data published by the U.S. Department of Labor.

Table 34.--Canned tuna, chicken, and hamburger: Retail prices by quarters, 1980-83

(Per pound)

| Period | Canned tuna | Chicken | Hamburger |
|---|---|---|---|
| 1980: | | | |
| January-March | $2.19 | $1.31 | $1.84 |
| April-June | 2.28 | 1.27 | 1.81 |
| July-September | 2.43 | 1.41 | 1.83 |
| October-December | 2.52 | 1.48 | 1.86 |
| 1981: | | | |
| January-March | 2.57 | 1.47 | 1.84 |
| April-June | 2.56 | 1.46 | 1.78 |
| July-September | 2.52 | 1.53 | 1.79 |
| October-December | 2.57 | 1.48 | 1.80 |
| 1982: | | | |
| January-March | 2.51 | 1.51 | 1.79 |
| April-June | 2.50 | 1.49 | 1.79 |
| July-September | 2.46 | 1.49 | 1.77 |
| October-December | 2.41 | 1.46 | 1.75 |
| 1983: | | | |
| January-March | 2.38 | 1.45 | 1.76 |
| April-June | 2.37 | 1.45 | 1.77 |
| July-September | 2.29 | 1.55 | 1.71 |
| October-December | 2.19 | 1.60 | 1.68 |

Source: Compiled from data published by the U.S. Department of Labor.

Table 35.--Canned white and light meat tuna in water and oil, packed in institutional-sized containers: Weighted-average net selling price indexes of imported and domestic merchandise, by types and by quarters, January 1979-March 1984

(January-March 1979=100)

| Period | White meat, chunk, in water | | Light meat, chunk, in water | | Light meat, chunk, in oil | |
|---|---|---|---|---|---|---|
| | Average U.S. price | Average import price | Average U.S. price | Average import price | Average U.S. price | Average import price |
| 1979: | | | | | | |
| January-March | 100 | 100 | 100 | 100 | 100 | - |
| April-June | 90 | 97 | 93 | 100 | 92 | - |
| July-September | 92 | 104 | 98 | 103 | 92 | - |
| October-December | 104 | 111 | 104 | 112 | 96 | - |
| 1980: | | | | | | |
| January-March | 108 | 116 | 114 | 124 | 112 | - |
| April-June | 109 | 116 | 132 | 137 | 118 | - |
| July-September | 110 | 121 | 134 | 144 | 124 | - |
| October-December | 117 | 124 | 136 | 145 | 130 | - |
| 1981: | | | | | | |
| January-March | 127 | 133 | 138 | 139 | 129 | - |
| April-June | 128 | 135 | 127 | 136 | 129 | - |
| July-September | 124 | 136 | 121 | 128 | 128 | - |
| October-December | 124 | 140 | 113 | 122 | 128 | - |
| 1982: | | | | | | |
| January-March | 118 | 137 | 109 | 116 | 122 | - |
| April-June | 109 | 129 | 105 | 107 | 116 | - |
| July-September | 100 | 123 | 98 | 102 | 105 | - |
| October-December | 93 | 111 | 94 | 101 | 102 | - |
| 1983: | | | | | | |
| January-March | 86 | 103 | 91 | 98 | 99 | - |
| April-June | 80 | 97 | 90 | 96 | 94 | - |
| July-September | 81 | 98 | 87 | 91 | 96 | - |
| October-December | 86 | 101 | 86 | 94 | 101 | - |
| 1984: January-March | 85 | 99 | 82 | 90 | 110 | - |

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

Table 36.--Canned white and light meat tuna in water and oil, packed in retail-sized containers, nationally advertised brands: Weighted-average net selling price indexes of imported and domestic merchandise, by types and by quarters, January 1979-March 1984

(January-March 1979=100)

| Period | White meat, chunk, in water | | Light meat, chunk, in water | | Light meat, chunk, in oil | |
|---|---|---|---|---|---|---|
| | Average U.S. price | Average import price | Average U.S. price | Average import price | Average U.S. price | Average import price |
| 1979: | | | | | | |
| January-March | 100 | 100 | 100 | 100 | 100 | - |
| April-June | 99 | 112 | 100 | 102 | 100 | - |
| July-September | 102 | 102 | 105 | 109 | 105 | - |
| October-December | 104 | 106 | 108 | 113 | 107 | - |
| 1980: | | | | | | |
| January-March | 102 | 116 | 116 | 120 | 116 | - |
| April-June | 117 | 114 | 121 | 125 | 120 | - |
| July-September | 118 | 117 | 129 | 133 | 130 | - |
| October-December | 120 | 122 | 132 | 146 | 133 | - |
| 1981: | | | | | | |
| January-March | 128 | 132 | 135 | 142 | 135 | - |
| April-June | 131 | 138 | 143 | 140 | 133 | - |
| July-September | 130 | 137 | 133 | 137 | 134 | - |
| October-December | 130 | 136 | 130 | 129 | 130 | - |
| 1982: | | | | | | |
| January-March | 138 | 130 | 126 | 126 | 126 | - |
| April-June | 136 | 127 | 122 | 121 | 122 | - |
| July-September | 126 | 125 | 119 | 116 | 119 | - |
| October-December | 126 | 118 | 120 | 111 | 119 | - |
| 1983: | | | | | | |
| January-March | 114 | 108 | 116 | 108 | 116 | - |
| April-June | 122 | 112 | 110 | 105 | 110 | - |
| July-September | 107 | 106 | 110 | 102 | 110 | - |
| October-December | 106 | 107 | 107 | 98 | 106 | - |
| 1984: January-March | 104 | 105 | 107 | 109 | 107 | - |

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

Table 37.--Canned white and light meat tuna in water and oil, packed in retail-sized containers, private-label brands: Weighted-average net selling price indexes of imports and domestic merchandise, by types and by quarters, January 1979-March 1984

(January-March 1979=100)

| Period | White meat, chunk, in water | | Light meat, chunk, in water | | Light meat, chunk, in oil | |
|---|---|---|---|---|---|---|
| | Average U.S. price | Average import price | Average U.S. price | Average import price | Average U.S. price | Average import price |
| 1979: | | | | | | |
| January-March | 100 | 100 | 100 | 100 | 100 | - |
| April-June | 99 | 102 | 99 | 101 | 103 | - |
| July-September | 104 | 102 | 116 | 101 | 112 | - |
| October-December | 111 | 102 | 125 | 96 | 118 | - |
| 1980: | | | | | | |
| January-March | 117 | 115 | 131 | 108 | 127 | - |
| April-June | 119 | 123 | 143 | 120 | 135 | - |
| July-September | 121 | 116 | 148 | 130 | 141 | - |
| October-December | 130 | 123 | 149 | 130 | 142 | - |
| 1981: | | | | | | |
| January-March | 138 | 133 | 147 | 140 | 140 | - |
| April-June | 143 | 138 | 141 | 136 | 135 | - |
| July-September | 142 | 120 | 139 | 129 | 133 | - |
| October-December | 141 | 133 | 138 | 127 | 131 | - |
| 1982: | | | | | | |
| January-March | 135 | 143 | 129 | 123 | 125 | - |
| April-June | 124 | 143 | 125 | 113 | 120 | - |
| July-September | 114 | 114 | 118 | 108 | 113 | - |
| October-December | 109 | 111 | 115 | 108 | 110 | - |
| 1983: | | | | | | |
| January-March | 104 | 104 | 115 | 95 | 106 | - |
| April-June | 101 | 99 | 108 | 102 | 102 | - |
| July-September | 97 | 100 | 110 | 99 | 103 | - |
| October-December | 100 | 96 | 109 | 98 | 103 | - |
| 1984: January-March | 101 | 96 | 110 | 94 | 105 | - |

- Not available.

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

Table 38.--Canned white and light meat tuna in water, packed in retail-sized containers, private-label brands: Weighted-average net purchase indexes of prices paid by customers for imported and domestic canned tuna per container, by quarters, 1982 and 1983

(January-March 1980=100)

| Period | White meat, solid, packed in water, case of 48 7-oz cans | | Light meat, chunk, packed in water, case of 48 6.5 oz | |
|---|---|---|---|---|
| | Average U.S. | Average imports | Average U.S. | Average imports |
| 1982: | | | | |
| January-March | 100 | 100 | 100 | 100 |
| April-June | 98 | 96 | 99 | 95 |
| July-September | 91 | 89 | 95 | 90 |
| October-December | 83 | 91 | 95 | 92 |
| 1983: | | | | |
| January-March | 80 | 79 | 91 | 89 |
| April-June | 79 | 77 | 90 | 84 |
| July-September | 78 | 78 | 90 | 84 |
| October-December | 76 | 80 | 90 | 83 |

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

Table 39.--Canned white and light meat tuna in water, packed in retail-sized containers, nationally advertised brands: Weighted-average net purchase indexes of prices paid by customers for imported and domestic canned tuna per container, by quarters, 1982 and 1983

(January-March 1982=100)

| Period | White meat, solid, packed in water, case of 48 7-oz cans | | Light meat, chunk, packed in water, case of 48 6.5 oz | |
|---|---|---|---|---|
| | Average U.S. | Average imports | Average U.S. | Average imports |
| 1982: | | | | |
| January-March | 100 | 100 | 100 | 100 |
| April-June | 95 | 100 | 94 | 97 |
| July-September | 94 | 96 | 93 | 93 |
| October-December | 91 | 92 | 91 | 90 |
| 1983: | | | | |
| January-March | 89 | 84 | 86 | 89 |
| April-June | 89 | 81 | 87 | 85 |
| July-September | 87 | 85 | 84 | 85 |
| October-December | 84 | 82 | 81 | 84 |

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

Table 40.--Canned white and light meat tuna in water, packed in institutional-sized containers: Weighted-average net purchase indexes of prices paid by customers for imported and domestic canned tuna per container, by quarters, 1982 and 1983

(January-March 1982=100)

| Period | White meat, solid, packed in water, case of 6 66.5 oz cans | | Light meat, chunk, packed in water, case of 6 66.5 oz cans | |
|---|---|---|---|---|
| | Average U.S. | Average imports | Average U.S. | Average imports |
| 1982: | | | | |
| January-March | 100 | 100 | 100 | 100 |
| April-June | 100 | 94 | 99 | 96 |
| July-September | 95 | 83 | 93 | 89 |
| October-December | 92 | 79 | 91 | 90 |
| 1983: | | | | |
| January-March | 84 | 73 | 88 | 87 |
| April-June | 84 | 78 | 83 | 84 |
| July-September | 81 | 74 | 79 | 83 |
| October-December | 86 | 74 | 81 | 86 |

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

Similarly, prices of both light and white meat tuna packed in water and sold in retail-sized containers of nationally advertised brands declined from January-March 1982 to October-December 1983 (table 39). Domestic prices of white and light meat fell by 16 and 19 percent, respectively. Import prices fell by 18 and 16 percent, respectively.

The effects of transportation costs.--This section provides information on the costs of shipping raw tuna from the Western Pacific to Puerto Rico and Los Angeles, shipping canned tuna from three domestic processing facilities to their major domestic markets, and shipping tuna canned in foreign countries to the east and west coasts of the United States.

The cost of shipping raw tuna from the Western Pacific to Puerto Rico has declined substantially in 1982-84 (table 41). The transportation data are based on estimates by * * * year from 1982 to 1984. Although in 1982 it was cheaper to ship from Guam to Los Angeles rather than from Tinian or Samoa to Puerto Rico and cheaper in 1983 to ship from Taiwan and Samoa to Puerto Rico than from Guam to Los Angeles, these costs had become approximately equal by 1984.

Table 42 provides annual average freight and insurance costs required to deliver imports of fresh and frozen tuna from foreign countries to Puerto Rico and California from a wide sample based on data obtained from the Department of Commerce. Transportation costs are typically lower for delivery to San Juan than to Los Angeles.

Table 41.--Raw tuna: Processors' cost per ton of landed raw product delivered to Los Angeles and Puerto Rico from Guam, Tinian, and Samoa, 1982-84

(Per ton)

| Period | Guam to Los Angeles | Tinian to Puerto Rico | Samoa to Puerto Rico |
|---|---|---|---|
| Apr. 1, 1982 | *** | *** | *** |
| Apr. 1, 1983 | *** | *** | *** |
| Apr. 1, 1984 | *** | *** | *** |

Source: Star-Kist Foods.

The cost of shipping domestic canned tuna also varies. Table 43 indicates that for 1982 and 1983, the transportation cost to the United States of tuna processed in Puerto Rico is less than that of tuna processed in Samoa. However, the cost of shipping processed tuna from Samoa is decreasing over time, but the cost of shipping from Puerto Rico is increasing over time. For example, in 1982 it cost * * * per case to ship tuna canned from Samoa to Los Angeles. By 1984 this cost fell to * * *. Conversely, in 1982 it cost * * * per case to ship tuna canned from Puerto Rico to New York, and by 1984 the cost had risen to * * *.

The transportation costs of shipping canned tuna to the east and west coasts of the United States from Japan, Taiwan, and Thailand are shown in table 44. The shipping costs of supplying tuna to both the east and west coasts have decreased in 1979-1984. For each of the three countries it is more expensive to ship to the east than to the west coast.

Table 42.--Raw tuna: U.S. processors' freight and insurance costs for U.S. imports of fresh and frozen tuna into San Juan, P.R. and Los Angeles, Calif., 1982-84

(Per short ton)

| Period | San Juan | Los Angeles |
|---|---|---|
| 1982 | *** | *** |
| 1983 | *** | *** |
| 1984 (January-April) | *** | *** |

Source: Economic Consulting Services, Inc., from the U.S. Department of Commerce Import Data, IA245X and IM145X.

Table 43.--Domestic Canned tuna: Cost of transporting canned tuna from processing facilities to selected U.S. markets, 1982-84

(Per case of 48 cans of 6.5 ounces)

| Period | Samoa to-- | | | Puerto Rico to-- | | | Los Angeles to-- | |
|---|---|---|---|---|---|---|---|---|
| | Los Angeles | Chicago | Denver | Chicago | New York | Baltimore | Chicago | Denver |
| 1982 | *** | *** | *** | *** | *** | *** | *** | *** |
| 1983 | *** | *** | *** | *** | *** | *** | *** | *** |
| 1984 (January-March) | *** | *** | *** | *** | *** | *** | *** | *** |

Source: Star-Kist Foods.

Table 44.--Imported canned tuna: Cost of transporting canned tuna from foreign countries to U.S. east and west coasts, 1979-1984

(Per case of 48 cans of 6.5 ounces)

| Period | To east coast | | | To west coast | | |
|---|---|---|---|---|---|---|
| | Japan | Taiwan | Thailand 1/ | Japan | Taiwan | Thailand 1/ |
| 1979 | *** | *** | *** | *** | *** | *** |
| 1980 | *** | *** | *** | *** | *** | *** |
| 1981 | *** | *** | *** | *** | *** | *** |
| 1982 | *** | *** | *** | *** | - | *** |
| 1983 | *** | *** | *** | *** | - | *** |
| 1984 (January-March | *** | *** | *** | - | *** | *** |

1/ Excludes nonconference (spot-purchase) sales.

Source: Barnett and Alagia, counsel for the respondents.

Comparing the data in tables 43 and 44 indicates that domestic producers have a transportation cost advantage. In 1982 domestic producers could ship to the east coast from Puerto Rico for * * * per case, but it cost Japanese companies * * * to * * *, Taiwanese companies, * * *, and Thai companies, * * *. In 1982 the cost to domestic firms of shipping a case of tuna processed in Samoa to the west coast was * * * per case, but it cost Japanese companies * * * to * * *, Taiwanese companies, * * *, and Thai companies, * * *. These differences remained approximately the same in 1984 for shipments to either coast.

## The Question Of Other Possible Causes Of The Alleged Serious Injury Or Threat Thereof To the U.S. Industry

### The integrated industry

In their petition the U.S. industry argued that the relevent industry in this investigation consists of the U.S. processors and the purse seine fleet. The respondents in this investigation argued that the tuna industry should not be considered integrated between the processors and the purse seine fleet which harvests the raw tuna. The relationship traditionally between the processors and the purse seine fleet has been a legal contractual relationship, where individual vessels within the fleet sell their product, raw tuna, to the processors. Raw tuna is a worldwide commodity that exists within a worldwide market. Consequently, the price of raw tuna is subject to fluctuation of supply and demand variables.

The financial merging of the U.S. processors and the purse seine fleet has caused the inability of the U.S. processors to take advantage of the favorable oversupply of raw tuna during the past 2 years. Thus, the U.S. purse seine fleet was a main cause for the increases in U.S. canned tuna prices in 1980 and 1981, which virtually invited an influx of imports. The alleged serious injury to the U.S. industry is a direct result of the processors financial ties to the purse seine fleet. 1/

### The U.S. purse seine fleet expansion by U.S. processors

In the early 1970's, there was a shortage of raw tuna (among other high-protein animal food sources). Demand for canned tuna was rising, as per capita consumption in the U.S. increased from 2.4 pounds in 1971 to 2.9 pounds in 1972 and 3.1 pounds in 1973 and 1974. In the mid-1970's the U.S. processors made the decision to purchase new or used purse seine vessels in order to assure an adequate supply of raw tuna for the expanding U.S. market for canned tuna. Virtually the entire U.S. purse seine fleet was upgraded with new boats and modernized with new equipment. Although the total size of the fleet did not increase and the fleet's capacity increased by 21 percent (from 1979 to 1983), the debt service for the boat owners increased greatly. From 1979 to 1983, 25 new purse seiners were built and added to the fleet and 15 vessels were transferred to the fleet from 1981 to 1983. More importantly, the U.S. processors became owners and part owners of most of the

1/ Statements from Barnett & Alagia, counsel for the respondents, and * * *.

U.S. purse seine fleet. Questionnaires received from the vessels of the U.S. purse seine fleet indicate that during 1979-83, Van Camp owned, or had partial ownership, in * * * tuna vessels. Most of the Van Camp vessels were * * * percent owned by the company. Star-Kist had interests in over * * * tuna vessels; Bumble Bee had interests in * * * vessels, and C.H.B. owned * * * vessels.

Changed circumstances for the U.S. fleet

The economic picture of the 1970's changed drastically in the 1980's. First, the price of fuel increased sharply in 1979 due to price increases by OPEC and a temporary worldwide shortage of petroleum. The purse seine fleet, pressed by increasing operational costs in 1980, secured a 26-percent increase in the prices they received for raw tuna (table 33) from the U.S. processors. This increase was passed-through by the U.S. processors to their retail customers. The full effect of the price increase did not occur until late 1981 early 1982, as the price of a can of light-meat tuna surpassed the $1 price barrier.

Consumers resisted the high pricing for canned tuna and reduced their purchases, as per capita consumption fell to 2.7 pounds in 1982. 1/ Supermarkets stopped advertising canned tuna as "store-specials" because the consumer could no longer distinguish between the old shelf price and the the new "special price." Inventories began to increase, reaching 246 million pounds as of December 31, 1981 (table 20). Everything started to fall in 1982 as result of the bloated inventories. U.S. processors scaled back production and began shipping out of inventories. Consequently, the demand for raw tuna fell, and prices for the raw product fell accordingly.

At the same time, "El Nino" began to diminish the available tuna catch in the Eastern Pacific. Both U.S.-flag and foreign-flag vessels soon discovered a new tuna fishery in the Western Pacific. Consequently, many U.S.-flag vessels switched their fishing grounds to the Western Pacific. As shown in table 45, landings by U.S.-flag vessels (of raw tuna) from the Western Pacific increased from 14,000 short tons in 1980 to 170,000 short tons in 1983. Conversely, landings of tuna from the Eastern Pacific declined from 224,000 short tons in 1980 to 115,000 short tons in 1983. Thus, in 1982 and 1983, the U.S. purse seine fleet was forced to make longer and more expensive fishing trips to the Western Pacific, but at the same time, the price of raw tuna was falling rapidly.

The price of raw tuna was not only falling in the United States, but the entire worldmarket price for raw tuna was declining due to an oversupply situation. The newly discovered tuna fishery in the Western Pacific was also being utilized by the foreign tuna fleets. Many of the these foreign-flag vessels were older U.S. tuna vessels that were sold when the U.S. fleet was modernized. Thus, there were more vessels harvesting tuna in a newly

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1/ Industry sources have also commented that the decline in per capita consumption was due to more moderately priced protein sources, such as chicken and beef. Also, the recent recession reduced disposable income, and consumers were forced to restrict discretionary purchases.

Table 45.--Cannery receipts of raw tuna: U.S.-flag vessels' domestically landed and imported raw tuna, by species and by ocean locations of the catch, 1979-83 1/

(In short tons)

| Location | Albacore | | | | | Skipjack | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979 | 1980 | 1981 | 1982 | 1983 | 1979 | 1980 | 1981 | 1982 | 1983 |
| U.S. flag, albacore, and skipjack: | | | | | | | | | | |
| East Atlantic | 2/ | 20 | 2 | - | - | 2/ | 2,458 | 3,327 | - | 21 |
| West Atlantic | 2/ | - | 4 | - | 4 | 2/ | - | 108 | - | 3 |
| East Pacific | 2/ | 7,690 | 13,955 | 5,099 | 9,434 | 2/ | 100,615 | 73,823 | 59,925 | 40,103 |
| West Pacific | 2/ | 388 | 897 | 1,866 | 1,032 | 2/ | 12,094 | 20,571 | 42,529 | 114,913 |
| Indian | 2/ | - | - | - | - | 2/ | - | - | - | - |
| Total | 2/ | 8,098 | 14,858 | 6,965 | 10,470 | 2/ | 115,167 | 97,829 | 102,454 | 155,040 |

| Location | Yellowfin 3/ | | | | | Total, all species | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979 | 1980 | 1981 | 1982 | 1983 | 1979 | 1980 | 1981 | 1982 | 1983 |
| U.S. flag, yellowfin and total all species: | | | | | | | | | | |
| East Atlantic | 2/ | 1,898 | 1,966 | - | - | 2/ | 4,376 | 5,295 | - | 21 |
| West Atlantic | 2/ | 504 | 502 | 115 | 70 | 2/ | 504 | 614 | 115 | 77 |
| East Pacific | 2/ | 115,621 | 109,164 | 94,594 | 65,766 | 2/ | 223,926 | 196,942 | 159,618 | 115,303 |
| West Pacific | 2/ | 1,193 | 14,534 | 24,028 | 54,208 | 2/ | 13,675 | 36,002 | 68,423 | 170,153 |
| Indian | 2/ | - | - | - | - | 2/ | - | - | - | - |
| Total | 2/ | 119,216 | 126,166 | 118,737 | 120,044 | 2/ | 242,481 | 238,853 | 228,156 | 285,554 |

See footnotes at end of table.

Table 45.--Cannery receipts of raw tuna: U.S.-flag vessels' domestically landed and imported raw tuna, by species and by ocean locations of the catch, 1979-83 1/--Continued

(In short tons)

| Location | Albacore | | | | | Skipjack | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979 | 1980 | 1981 | 1982 | 1983 | 1979 | 1980 | 1981 | 1982 | 1983 |
| Imported, albacore and skipjack: | | | | | | | | | | |
| East Atlantic | 2/ | 14,434 | 17,105 | 19,815 | 16,935 | 2/ | 40,318 | 67,011 | 49,417 | 34,358 |
| West Atlantic | 2/ | 15,491 | 16,894 | 21,129 | 16,127 | 2/ | 6,548 | 8,754 | 17,119 | 18,070 |
| East Pacific | 2/ | 78 | 22 | 48 | 243 | 2/ | 23,982 | 9,409 | 11,916 | 4,502 |
| West Pacific | 2/ | 39,164 | 47,607 | 36,760 | 24,783 | 2/ | 138,332 | 101,763 | 46,892 | 75,066 |
| Indian | 2/ | 13,558 | 5,669 | 16,847 | 14,767 | 2/ | 540 | 1,072 | 1,763 | 3,312 |
| Total | 2/ | 82,725 | 87,297 | 94,599 | 72,855 | 2/ | 209,720 | 188,009 | 127,107 | 135,308 |

| Location | Yellowfin 3/ | | | | | Total, all species | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979 | 1980 | 1981 | 1982 | 1983 | 1979 | 1980 | 1981 | 1982 | 1983 |
| Imported, yellowfin and total, all species | | | | | | | | | | |
| East Atlantic | 2/ | 6,589 | 19,561 | 9,320 | 4,618 | 2/ | 61,341 | 103,677 | 78,552 | 55,911 |
| West Atlantic | 2/ | 2,193 | 5,200 | 3,058 | 6,446 | 2/ | 24,232 | 30,848 | 41,306 | 40,643 |
| East Pacific | 2/ | 30,892 | 16,039 | 19,200 | 7,492 | 2/ | 54,952 | 25,470 | 31,164 | 12,237 |
| West Pacific | 2/ | 34,292 | 42,478 | 18,434 | 18,814 | 2/ | 211,788 | 191,848 | 102,086 | 118,663 |
| Indian | 2/ | 496 | 310 | 772 | 962 | 2/ | 14,594 | 7,051 | 19,382 | 19,041 |
| Total | 2/ | 74,462 | 83,588 | 50,784 | 38,332 | 2/ | 366,907 | 358,894 | 272,490 | 246,495 |

See footnotes at end of table.

Table 45.--Cannery receipts of raw tuna: U.S.-flag vessels' domestically landed and imported raw tuna, by species and by ocean locations of the catch, 1979-83 1/--Continued

(In short tons)

| Location | Albacore | | | | | Skipjack | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979 | 1980 | 1981 | 1982 | 1983 | 1979 | 1980 | 1981 | 1982 | 1983 |
| U.S. flag and imported albacore and skipjack: | | | | | | | | | | |
| East Atlantic | 2/ | 14,454 | 17,107 | 19,815 | 16,935 | 2/ | 42,776 | 70,338 | 49,417 | 34,379 |
| West Atlantic | 2/ | 15,491 | 16,898 | 21,129 | 16,131 | 2/ | 6,548 | 8,882 | 17,119 | 18,073 |
| East Pacific | 2/ | 7,768 | 13,977 | 5,147 | 9,677 | 2/ | 124,597 | 83,232 | 71,841 | 44,605 |
| West Pacific | 2/ | 39,552 | 48,504 | 38,626 | 25,815 | 2/ | 150,426 | 122,334 | 89,841 | 189,979 |
| Indian | 2/ | 13,558 | 5,669 | 16,847 | 14,767 | 2/ | 540 | 1,072 | 1,763 | 3,312 |
| Total | 2/ | 90,823 | 102,155 | 101,564 | 83,325 | 2/ | 324,887 | 285,838 | 229,561 | 290,348 |

| Location | Yellowfin 3/ | | | | | Total | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979 | 1980 | 1981 | 1982 | 1983 | 1979 | 1980 | 1981 | 1982 | 1983 |
| U.S. flag and imported yellowfin and total, all species: | | | | | | | | | | |
| East Atlantic | 2/ | 8,487 | 21,527 | 9,320 | 4,618 | 2/ | 65,717 | 108,972 | 78,552 | 55,932 |
| West Atlantic | 2/ | 2,697 | 5,702 | 3,173 | 6,516 | 2/ | 24,736 | 31,462 | 41,421 | 40,720 |
| East Pacific | 2/ | 146,513 | 125,203 | 113,794 | 73,258 | 2/ | 278,878 | 222,412 | 190,782 | 127,540 |
| West Pacific | 2/ | 35,485 | 57,012 | 42,462 | 73,022 | 2/ | 225,463 | 227,850 | 170,509 | 288,816 |
| Indian | 2/ | 496 | 310 | 772 | 962 | 2/ | 14,594 | 7,051 | 19,382 | 19,041 |
| Total | 2/ | 193,678 | 209,754 | 169,521 | 158,376 | 2/ | 609,388 | 597,747 | 500,646 | 532,049 |

1/ Includes only U.S.-caught tuna destined for U.S. canneries; excludes U.S.-caught tuna landed at foreign sites, U.S.-caught tuna landed at U.S. sites but destined for foreign canneries and U.S.-caught tuna destined for the fresh-fish market.

2/ Not available.

3/ Includes bigeye, blackfin, and bluefin tuna.

Source: NOAA, NMFS, Statistics and Market News, Southwest Region.

Note.--This data will not match national figures as reported in "Fisheries of the United States."

discovered fishery. As shown in table 8 unit values of U.S. imports of fresh, chilled, or frozen light-meat raw tuna declined from 54 cents per pound in 1981 to 40 cents per pounds in 1983, and unit values of imports of fresh, chilled, or frozen albacore (table 7) declined from $1.01 per pound in 1981 to $0.67 per pound in 1983.

The foreign canneries were able to take advantage of the oversupply of raw tuna and to reduce their prices for their canned tuna. U.S. processors were unable to respond totally to the oversupply situation because of their ownership and financial commitments to the purse seine fleet. The price paid by U.S. processors for raw tuna was eventually lowered but not to the worldmarket level. Thus, U.S. processors were paying more for their raw tuna than their foreign competitors.

In addition, the situation was aggravated by the extraordinarly high debt service on the boats built and acquired in the late 1970's and early 1980's. As reported by the American Tuna Boat Association in testimony at a Congressional hearing in the fall of 1983, the U.S. purse seine fleet currently has a record mortgage indebtness of $425 million, of which $100 million is in the form of demand notes. Thus, the U.S. purse seine fleet is currently faced with increased "costs of production" by being forced to switch to the higher yield Western Pacific fishing grounds; declining revenues for raw tuna despite larger sales; and a very high debt service on the boats. The processors were forced to try to prop up prices in order to protect their financial investments in the purse seine fleet.

As could be expected, an increasing number of smaller, less efficient, vessels have been unable to survive under these circumstances. According to the American Tuna Boat Association, 5 vessels are currently bankrupt and 30 vessels, many of which are for sale, have been tied up in port by their owners.

U.S. processors' tuna boat losses

The U.S. tuna processors were caught in the same adverse condition as other owners of tuna vessels. However, the U.S. processors, by virtue of their size, have been able to take the necessary steps to minimize future loses from their own tuna vessels. * * *.

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* * * * * * *.

Domestic Industry's Advertising and Promotional Costs for the National Brand-Name Labels

At the public hearing the respondents argued that the three major U.S. processors of canned tuna, Star-Kist, Van Camp, and Bumble Bee, have engaged in a destructive price battle for market share in the nationally advertised brand market. 1/ Furthermore, the respondents argued that the domestic processors have not alleged injury in the nationally advertised retail sector apparently because of its predominance in that market. In the nationally advertised retail sector the domestic industry battles for market share with large advertising campaigns, store coupons, and store promotions.

* * * * * * *.

1/ Transcript of the hearing, p. 55.
2/ Ibid., pp. 229-231.

Table 46.--Canned tuna: Advertising discount promotional and coupon expenses of U.S. producers, by types, 1979-83 and January-March 1983 and 1984

(In thousands of dollars)

| Firm Name | 1979 | 1980 | 1981 | 1982 | 1983 | January-March-- | |
|---|---|---|---|---|---|---|---|
| | | | | | | 1983 | 1984 |
| Retail advertised brand: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van-Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | *** | *** | *** |
| Institutional Brand: | | | | | | | |
| Star-Kist | *** | *** | *** | *** | *** | *** | *** |
| Van-Camp | *** | *** | *** | *** | *** | *** | *** |
| Bumble Bee | *** | *** | *** | *** | *** | *** | *** |
| C.H.B | *** | *** | *** | *** | *** | *** | *** |
| Neptune | *** | *** | *** | *** | *** | *** | *** |
| Mitsubishi | *** | *** | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | *** | *** | *** |
| Grand total | 17,541 | 22,135 | 24,576 | 22,817 | 26,272 | 9,183 | 6,538 |

1/ Estimated.
2/ Not separately reported.

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

* * * * * * *.

## Processors Competitive Efforts Against Imports

Most of the U.S. processors of canned tuna agreed that import competition results primarily from the lowering of import prices in order to generate volume in the institutional and private-label segments of the market. 1/ These processors contended that such lowering of prices ultimately brings down the prices of tuna in the advertised brand sector of the market because of the customary price differences between private-label and advertised brands. At the hearing it was testified by the petitioners that the willingness of retail

1/ * * *.

customers to purchase advertised brands of tuna evaporates when the price spread between branded and private-label tuna is in the neighborhood of 10 cents per can. 1/

The processors were asked in the questionnaire to describe efforts they had made primarily to compete more effectively against this price-depressing effect of imports in the U.S. market since 1979 and to elaborate on circumstances surrounding their competitive efforts. Their responses, by company are summarized as follows.

Star-Kist

* * * * * * *.

Van Camp

* * * * * * *.

Bumble Bee

* * * * * * *.

C.H.B.

* * * * * * *.

Mitsubishi

* * * * * * *.

Neptune

* * * * * * *.

## Adjustments to be Made During Import Relief Period

At the public hearing the domestic industry addressed the five major areas in which the U.S. industry would be able to render itself more cost competitive during the period of import relief as follows: 1/

1. Processing improvements that will increase productivity and enhance cost efficiency;
2. A new polyester fishing net that will generate greater yields of fish at a lower cost;
3. Resumption of the development and implementation of navigational, communications, and fish-finding devices to reduce tunaboat costs and improve productivity;
4. Development of an infrastructure in the Western Pacific; and
5. Resumption of the refinancing of tuna boats.

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1/ Transcript of the hearing, pp. 62-63.

The U.S. tuna processors have targeted five stages of the processing operation for improvement that will increase productivity:

a) Automatic sizing machinery to replace the hand sorting operation. The automatic sizing is the first step to increasing yields from the raw tuna by insuring that the same size fish are processed together through the production line.

b) A temperature-sensing device that would pinpoint the exact moment that fish are fully thawed. This would replace the current process of thawing tuna of all sizes in large vats. Currently, the size variation of fish causes certain fish to thaw faster than others. The continuous thawing operation would allow raw tuna to be butchered at the proper time. Also, it would allow the industry to begin automatic butchering operations.

c) Automatic butchering machinery to replace the current hand butchering operation. The use of automatic butchering would lower the unit costs by replacing the expensive human labor content.

d) Contiunous cooking and cooling machinery that will improve the quality of the tuna and thereby enhance the industry's yield. This would replace the current practice of cooking and cooling tuna in batches with other tuna that are more or less the same size.

e) Improvement in the can-filling machinery to end the current problem of deviation in the amount of fish put into every can.

The purse seine fleet has also targeted several areas to improve their fishing operations. The introduction of a polyester fishing nets would enable vessels to increase fishing yields, because polyester nets sink much faster than the conventional nylon nets now in use, and more fish would be caught. However, the grave financial situation of tuna fleet precludes the $300,000 individual investment for new polyester nets. Also precluded by the current financial situation of the purse seine fleet are investments in new communication, navigational, and fish-finding electronic equipment. The period of import relief would enable the purse seine fleet to increase its saftey and increase its productivity by acquiring the latest electronic equipment.

During a period of relief, the U.S. industry would fully develop the infrastructure for the U.S. tuna fleet in a Western Pacific base (in American Samoa). A viable shipyard in American Samoa would enable U.S.-flag vessels to undergo repairs, recontruction, and overhauls at primary unloading ports. Currently, the U.S. vessels must travel to Singapore or Thailand to have repair work done. These repair trips incur a substantial cost for the tuna boats, both in terms of fuel cost and lost fishing days.

Finally, a 5-year period of relief would create a financial environment for the U.S. fleet to obtain fixed-term financing under more favorable conditions. Also, according to the petitioners, during the period of relief, fish prices would recover; thus, much of debt of the U.S. fleet could be retired.

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1/ Transcript of the hearing, pp. 98-105.

In an attempt to judge whether a period of temporary import relief would enable U.S. producers to compete more effectively with imports, the Commission requested the following information in its questionnaire:

1) What specific adjustments in your canned tuna operations would be made by your firm and/or its workers during the period of import relief?

2) The anticipated expenditure of funds.

3) The specific competitive advantage to be gained by the adjustment.

A summary of each primary producer's response follows:

Bumble Bee.--* * *. A complete text of Bumble Bee's questionnaire statement is presented in app. D.

C.H.B.--* * *.

Mitsubishi.--* * *:

* * * * * * *.

Neptune.--* * *.

Star-Kist.--* * *. Details on Star-Kist's plans for * * * are presented in appendix D. 1/

* * * * * * *.

* * * * * * *.

Van Camp.--* * *.

* * * * * * *.

The respondents have argued that the domestic industry's adjustment plans for a period of import relief are vague and unrealistic. The automation of tuna processing by the use of robotics would be unrealistic, because the costs would outweigh any savings. Furthermore, the respondents argue that tuna is a labor-intensive product that is best processed by human labor. The importers also claim that except for excessive profits, the U.S. industry would not be in any better position to compete with imports after the period of import relief.

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1/ See Star-Kist submission.

# APPENDIX A

## COMMISSION'S NOTICE OF INVESTIGATION AND CALENDAR OF PUBLIC HEARING

available from Mr. Ward's office subsequent to the meeting.

Dated: March 1, 1984.

Porter E. Ward,

*Chief, Office of Water Data Coordination.*

[FR Doc. 84-6071 Filed 3-6-84; 8:45 am]

BILLING CODE 4310-55-M

## INTERNATIONAL TRADE COMMISSION

### Agency Form Submitted for OMB Review

AGENCY: International Trade Commission.

ACTION: In accordance with the provisions of the Paperwork Reduction Act of 1980 (44 U.S.C. Chapter 35), the Commission has submitted a proposal for the collection of information to the Office of Management and Budget for review.

SUMMARY:

Purpose of Information Collection

The proposed information collection is for use by the Commission in connection with investigation No. 332-173, Conditions of Competition Affecting the Northeastern U.S. Groundfish and Scallop Industries in Selected Markets, instituted under the authority of section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)).

Summary of Proposals

(1) Number of forms submitted: four.

(2) Title of forms: Conditions of Competition Affecting the Northeastern U.S. Groundfish and Scallop Industries in Selected Markets—Questionnaires for U.S. Boat Owners, Producers, Importers, and Wholesalers/Retailers.

(3) Type of request: new.

(4) Frequency of use: nonrecurring.

(5) Description of respondents: Firms in the Northeastern United States involved in the harvesting, processing, importation, and distribution of groundfish and scallops.

(6) Estimated number of respondents: 700

(7) Estimated total number of hours to complete the forms: 15,000.

(8) Information obtained from the form that qualifies as confidential business information will be so treated by the Commission and not disclosed in a manner that would reveal the individual operations of a firm.

Additional Information or Comment

Copies of the proposed form and supporting documents may be obtained from Doug Newman, USITC (tel. no. 202-724-0787). Comments about the proposals should be directed to the Office of Information and Regulatory Affairs of OMB, Attention: Francine Picoult, Desk Officer for U.S. International Trade Commission. If you anticipate commenting on a form but find that time to prepare comments will prevent you from submitting them promptly you should advise OMB of your intent as soon as possible. Copies of any comments should be provided to Charles Ervin (United States International Trade Commission, 701 E Street NW., Washington, D.C. 20436).

Issued: February 29, 1984.

By order of the Commission.

Kenneth R. Mason,

*Secretary.*

[FR Doc. 84-6118 Filed 3-6-84; 8:45 am]

BILLING CODE 7020-02-M

### Agency Form Submitted for OMB Review

AGENCY: International Trade Commission.

ACTION: In accordance with the provisions of the Paperwork Reduction Act of 1980 (44 U.S.C. Chapter 35), the Commission has submitted a proposal for the collection of information to the Office of Management and Budget for review.

SUMMARY:

Purpose of Information Collection

The proposed information collection is for use by the Commission in connection with investigation No. 332-176, Competitive Assessment of the U.S. Foundry Industry, instituted under the authority of section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)).

Summary of Proposals

(1) Number of forms submitted: three.

(2) Title of form: Competitive Assessment of the U.S. Foundry Industry Questionnaire for U.S. Producers, Importers, and Purchasers.

(3) Type of request: new.

(4) Frequency of use: nonrecurring.

(5) Description of respondents: firms which produce, import, or purchase foundry products.

(6) Estimated number of respondents: 1100.

(7) Estimated total number of hours to complete the forms: 25,500.

(8) Information obtained from the form that qualifies as confidential business information will be so treated by the Commission and not disclosed in a manner that would reveal the individual operations of a firm.

Additional Information or Comment

Copies of the proposed form and supporting documents may be obtained from Patrick Magrath, (USITC, tel. No. 202-523-0341). Comments about the proposals should be directed to the Office of Information and Regulatory Affairs of OMB, Attention: Francine Picoult, Desk Officer for U.S. International Trade Commission (tel. No. 202-395-7231). If you anticipate commenting on a form but find that time to prepare comments will prevent you from submitting them promptly you should advise OMB of your intent as soon as possible. Copies of any comments should be provided to Charles Ervin (United States International Trade Commission, 701 E Street, N.W., Washington, D.C. 20436).

Issued March 1, 1984.

By order of the Commission.

Kenneth R. Mason,

*Secretary.*

[FR Doc. 84-6119 Filed 3-6-84; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. TA-201-53]

### Import Investigation; Certain Canned Tuna Fish

AGENCY: International Trade Commission.

ACTION: Institution of an investigation under section 201 of the Trade Act of 1974 (19 U.S.C. 2251) and scheduling of a hearing to be held in connection with the investigation.

EFFECTIVE DATE: February 15, 1984.

SUMMARY: Following receipt of a petition filed on February 15, 1984, on behalf of the United States Tuna Foundation; C.H.B. Foods, Inc.; the American Tuna Boat Association; the United Industrial Workers, AFL-CIO; the Fishermen's Union of America, AFL-CIO; the Fishermen's Union, ILWU, No. 33; the Commission instituted investigation No. TA-201-53 under section 201 of the Trade Act of 1974 to determine whether tuna fish in airtight containers, prepared or preserved in any manner, not in oil, provided for in items 112.30 and 112.34 of the Tariff Schedules of the United States (TSUS), and tuna fish in airtight containers, prepared or preserved in any manner, in oil, provided for in TSUS item 112.90, are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles. The Commission must

determination to the President by August 15, 1984.

FOR FURTHER INFORMATION CONTACT: Bill Schechter, Investigator, (202/523-0300), U.S. International Trade Commission, Washington, D.C. 20436.

SUPPLEMENTARY INFORMATION:

**Participation in the Investigation**

Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11), not later than 21 days after the publication of this notice in the Federal Register. Any entry of appearance filed after that date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation (19 CFR 201.11(d)). Each document filed by a party to this investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR 201.16(c)).

**Public Hearing**

The Commission will hold a public hearing in connection with this investigation beginning at 10:00 a.m., on June 5, 1984, in the Hearing Room, U.S. International Trade Commission Building, 701 E Street NW., in Washington, D.C. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission no later than the close of business (5:15 p.m.) on May 21, 1984.

**Prehearing Procedures**

To facilitate the hearing process, it is requested that persons wishing to appear at the hearing submit prehearing briefs enumerating and discussing the issues which they wish to raise at the hearing. An original and 22 copies of such prehearing briefs should be submitted to the Secretary no later than the close of business on May 29, 1984. Confidential submissions should be in accordance with the requirements of section 201.6 of the Commission's rules (19 CFR 201.6). Copies of any prehearing briefs submitted will be made available for public inspection in the Office of the Secretary. Any prepared statements submitted will be made a part of the transcript. Oral presentations at the hearing should, to the extent possible, be limited to issues raised in the prehearing briefs.

A prehearing conference will be held on May 29, 1984, at 10:00 a.m., in Room 117 of the U.S. International Trade Commission Building.

Persons not respresented by counsel or public officials who have relevant matters to present may give testimony without regard to the suggested prehearing procedures outlined above.

**Written Submissions**

As mentioned, parties to this investigation may file prehearing briefs by the date shown above. Posthearing briefs must be submitted no later than the close of business on June 18, 1984. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before June 18, 1984. A signed original and 22 copies of each submission must be filed with the Secretary to the Commission. All written submissions, except for confidential business information, will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Commercial or financial data and any information for which confidential treatment is desired should be submitted separately. The envelope and all pages of such submissions must be clearly marked "Confidential Business Information". Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's Rules (19 CFR 201.6).

**Remedy**

In the event that the Commission makes an affirmative injury determination in this investigation, any additional briefs on the question of remedy must be submitted to the Secretary no later than the close of business on July 27, 1984, and must conform with the requirements of § 201.6 of the Commission's rules.

**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.

For further information concerning the conduct of the investigation, hearing process, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 201 and Part 206, subparts A and B (19 CFR Part 201 and 206, subparts A and B).

Issued March 1, 1984.

By order of the Commission.

Kenneth R. Mason,
*Secretary.*

[FR Doc. 84-6118 Filed 3-6-84; 8:45 am]
BILLING CODE 7020-02-M

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[Investigation No. 337-TA-184]

**Import Investigation; Certain Foam Earplugs; Order No. 1**

Pursuant to my authority as Chief Administrative Law Judge of this Commission, I hereby designate Administrative Law Judge Donald K. Duvall as Presiding Officer in this investigation.

The Secretary shall serve a copy of this order upon all parties of record and shall publish it in the Federal Register.

Issued: February 28, 1984.

Donald K. Duvall,
*Chief Administrative Law Judge.*

[FR Doc. 84-6116 Filed 3-6-84; 8:45 am]
BILLING CODE 7020-02-M

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[Investigation No. 337-TA-185]

**Import Investigation; Certain Rotary Wheel Printing Systems; Investigation**

AGENCY: International Trade Commission.

ACTION: Institution of investigation pursuant to 19 U.S.C. 1337.

SUMMARY: Notice is hereby given that a complaint was filed with the U.S. International Trade Commission on January 27, 1984, under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), on behalf of Qume Corporation, 2530 Qume Drive, San Jose, California 95131. The complaint alleges unfair methods of completion and unfair acts in the importation into the United States of certain rotary wheel printing systems, or in their sale, by reason of alleged infringement of the claims of U.S. Letters Patent 4,118,129. The complaint further alleges that the effect or tendency of the unfair methods of competition and unfair acts is to destroy or substantially injure an industry, efficiently and economically operated, in the United States

# CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Certain Canned Tuna Fish

Inv. No. : TA-201-53

Date and time: June 5, 1984 - 10:00 a.m.

Sessions were held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington:

Congressional appearances:

Honorable Pete Wilson, United States Senator, State of California

Honorable John B. Breaux, United States Representative, State of Louisiana; Chairman, Subcommittee on Fisheries and Wildlife Conservation and the Environment, Committee on Merchant Marine and Fisheries

Honorable Duncan Hunter, United States Representative, State of California

Honorable Baltasar Corrada, Resident Commissioner, Puerto Rico

Honorable Fofo I.F. Sunia, Delegate, Territory of America Samoa

Government appearance:

Kevin T. Cronin, Attorney, Division of International Antitrust, Bureau of Competition

Dr. Edward C. Gallick, Division of International Antitrust, Bureau of Economics

In support of the petition:

Steptoe & Johnson--Counsel
Washington, D.C.
on behalf of

United States Tuna Foundation; C.H.B. Foods, Inc.; The American Tuna Boat Association; The United Industrial Workers, AFL-CIO, The Fishermen's Union of America, AFL-CIO; The Fishermen's Union, ILWU, No. 33

Robert Pasarow, C.H.B. Foods

Richard Beattie, Star-Kist Foods

Roy Scharer, Star-Kist Foods

August Felando, American Tunaboat Association

Joe Medina, Vessel Owner/Operator

George Sousa, Vessel Owner/Operator

Manuel Silva, Vessel Owner/Operator

Steven Edney, AFL-CIO

Edward Ryan, Star-Kist Foods

Harold Medina, American Tunaboat Association

Lyle LaRosh, Honor Marine Communications

Bruce Malashevich, Economic Consulting Services

Clark Chandler, Economic Consulting Services

David Burney, Esq., United States Tuna Foundation

Richard O. Cunningham )
Ms. Charlene Barshefsky )
Ms. Melinda Chandler )--OF COUNSEL
George Meidich )

In opposition to the petition:

Barnett & Alagia--Counsel
Washington, D.C.
on behalf of

The Association of Food Industries, Inc., Tuna Group, The Thai Tuna Foundation Processors Association, Tuna Packers Association of Japan & Taiwan Canners Association

ICF Incorporated, Washington, D.C.

John Reilly, Principal

Lance Graef, Project Manager

PANEL:

David Kastan, Senior Vice President, SSC International, Inc.

Richard Sullivan, Executive Director, Association of Food Industries, Inc.

Joel Abramson, Executive Vice President, Camerican International, Inc.

Thomas Jembelis, Vice President, Nozaki America, Inc.

Jeremiah Begnal, Purchasing Manager, Rema Foods

PANEL:

Mory Gabrielse, Merchandising Director and Head Buyer, Gordon Foods Services

Ben Olewine, III, President, Olewines

William Rosenblum, President, J. R. Rosenblum

Robert Willoughby, Purchasing Director, Perloff Brothers dba Tartan Foods

Roger Drew-Bear, Manager, SAFCOL Holdings Ltd.

Nigel J. Hardy, General Manager, SAFCOL (Thailand) Limited

Richard A. Gladstone)
Sydney J. Butler )--OF COUNSEL
William S. Glading )

Harris, Berg & Creskoff--Counsel
Washington, D.C.
on behalf of

The Government of the Republic of the Philippines and the Tuna Canners Association of the Philippines, which consists of the following exporters of canned tuna from the Philippines: Century Canning Corporation; Judric Canning Corporation; Mar Fishing Co., Inc.; Philippine Tuna Canning Corporation; Premier Industrial and Development Corporation; Pure Foods Corporation; Sancano Canning Corporation and South Pacific Export Corp.

Herbert E. Harris, II)
Ms. Cheryl Ellsworth ) --OF COUNSEL

# APPENDIX B

## INCENTIVES GRANTED TO U.S. PROCESSORS TO ENCOURAGE PROCESSING OPERATIONS IN PUERTO RICO AND AMERICAN SAMOA

The tuna industry enjoys various tax benefits and other financial incentives by virtue of being located in Puerto Rico and American Samoa, which are U.S. possessions. 1/ Pursuant to section 936 of the Internal Revenue Act (26 U.S.C. § 936), a domestic corporation is allowed a tax credit equal to the taxable income from the active conduct of a trade or business within a possession of the United States. 2/ Thus, income derived from operations in Puerto Rico and American Somoa is effectively exempted from U.S. tax.

In addition, both Puerto Rico and American Samoa provide substantial exemptions from their own tax laws to tuna facilities. 3/

Puerto Rico

Tuna canneries and commercial fishing operations that supply them qualify for tax exemptions of up to 90 percent of "industrial development income" for 10 to 25 years, depending on industry location. 4/ The amount of the exemption decreases over time, from 90 percent during the first 5 years to 55 percent during years 16 to 20. The exemptions are also extendable for 10 years at slightly lower rates. The third major tax incentive involves the "toll-gate" tax. Normally, when dividends paid out of income derived from Puerto Rican sources are repatriated to the United States, they are subject to a 10-percent toll-gate tax. However, if 50 percent of a company's income is reinvested in designated Puerto Rican assets, and withdrawn according to a specified schedule, such dividends will be taxed at only 5 percent. The funds have been used to finance development activity. The Puerto Rico Industrial Development Authority also has provided financial assistance to the tuna industry in the form of industrial revenue bonds which have allowed tuna processors and fishing boats to borrow money at low interest rates. * * *.

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1/ Unless otherwise noted, the following discussion is based upon analysis of the Certificates of Tax Exemption issued by the American Samoa Government to Star-Kist Samoa, Inc., and Samoa Packing Co. (Van Camp), respectively, a summary of Puerto Rico's tax incentives, and interviews conducted by Sheila Landers with Mr. Edward Ryan of Star-Kist and Dr. Leon Shapiro, chief adviser to the head of Puerto Rico's Industrial Development Corporation.

2/ Sec. 936 applies to Guam, American Samoa, and Puerto Rico. Sec. 936 is derived from predecessor provisions which, in turn, are derived from sec. 21 of the China Trade Act, 1922 (42 Stat. 849). The purpose of this provision was to enable U.S. corporations doing business in China to compete with local British corporations that enjoyed a similar exemption from British taxes.

3/ Taxes imposed by American Samoa against corporate income are imposed at the same rate as the U.S. Government's taxes imposed on corporate income, or 46 percent. Puerto Rico's rate is 20 percent.

4/ Puerto Rico's Industrial Incentive Act of 1978, §§ 255a(a)(80, (d)(2) and (e)(31).

5/ * * *.

American Samoa

* * * * * * *.

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

# APPENDIX C

## FINANCIAL PERFORMANCE OF U.S. TUNA BOAT OPERATIONS AND SUPPLEMENTARY STATISTICAL TABLES

Financial Experience of the U.S. Processors' Purse Seine Fleet.--U.S. processors have taken varied approaches to the financial difficulties of the U.S. purse seine fleet. * * *.

Star-Kist.--

* * * * * * *

Van Camp.--

* * * * * * *

Bumble Bee.--

* * * * * * *

C.H.B. Foods.--

* * * * * * *

Financial Experience of Independent Tuna Purse Seine Owners

Independent tuna purse seine boat owners experienced a small profit before depreciation in 1979 and 1980 followed by a one percent loss in 1981 (table C-1). In 1982 this loss increased to 19 percent before subsiding to a 6 percent loss in 1983. The number of boats owned by the 28 independent reporting organizations increased dramatically from 23 in 1979 to 34 in 1983.

Cost analysis of the independents shows fuel costs and interest costs as increasing burdens from 1979 through 1982 (table C-8). In 1983 fuel cost fell one percent. Interest costs dropped dramatically from 24.3 percent of costs to 18.0 percent of the total cost as the prime rate and short and long term U.S. Treasury rates continued to fall. Crew costs fell annually while repair costs fell irregularly over the period, lessening in part the increased burden of fuel and interest costs.

Depreciation nearly doubled as a percentage of non-depreciation costs increasing from 9.7 in 1979 to 17.8 percent in 1983. This caused losses after depreciation to be significantly larger than before depreciation losses in the last three years of the investigation.

Financial Analysis for the U.S. Purse Seine Fleet.--The increased availability of fish from the development of the high yield western Pacific fishery has reduced U.S. processors concern about scarcity of fish while

increasing availability of modest cost transshipment has reduced concern about the origin of the tuna. The major producers have interests in plants in many areas of the world and are looking for diversified sourcing from a world market for tuna. They are lessening their participation in ownership and operation of U.S. flag tuna purse seine boats. * * *.

* * * * *

U.S. tuna processors became partners in boat ownership in an attempt to guarantee steady supplies of tuna through establishment of long term contracts with U.S. flag vessesls. The business environment presented few impediments to entry into tuna harvesting through boat ownership. None of the bankers interviewed during the investigation had required sophisticated financial projections or breakeven analysis in the loan making process even as interest rates rose to historically high levels. Projections about future prices and demand for tuna were based on extensions of past upward trends.

The Economic Tax Act of 1981 provided 5 years of accelerated cost recovery applicable to assets such as tuna boats put into service after 1980. The previous limit was 12 years. In addition, new boats could take a 10 percent tax credit while used boats were limited to a credit not to exceed $125,000.

The fleet build-up resulted in significant idle capacity and under-employment of purse seiners. Coupled with rising costs of fuel and interest this has resulted in underutilization of boats and upward pressure on the cost of production relative to revenues. Because of the financial linkage between some of the processors and some of the boat owners tuna cost of the processors may reflect the financial problem of the harvesting sector if preferential purchases were made from affiliated boat operations.

Table C-1.--Fresh, chilled or frozen tuna: Profit and loss data for independent tuna purse seine boat owners, accounting years 1979-83

(In thousands of dollars)

| Item | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| Net sales of tuna | | | | | |
| 1,000 thousand | 35,840 | 55,806 | 58,761 | 68,461 | 74,794 |
| Crew cost--do | 13,083 | 19,640 | 17,816 | 19,978 | 18,536 |
| Fuel cost--do | 5,305 | 9,613 | 12,616 | 17,586 | 17,272 |
| Galley cost--do | 692 | 1,120 | 1,435 | 1,893 | 2,061 |
| License fees--do | 165 | 253 | 407 | 373 | 807 |
| Transhipment fees--do | - | - | - | 792 | 1,464 |
| Repairs--do | 4,143 | 8,358 | 5,639 | 7,563 | 7,434 |
| Gear cost--do | 1,130 | 1,615 | 1,865 | 2,517 | 2,694 |
| Insurance--do | 2,127 | 2,825 | 3,892 | 4,995 | 5,925 |
| Helicopter--do | 414 | 845 | 1,015 | 1,601 | 2,018 |
| Travel--do | 109 | 287 | 338 | 413 | 603 |
| Other costs--do | 2,546 | 2,546 | 3,282 | 2,906 | 4,633 |
| Administrative cost--do | 1,023 | 1,213 | 1,214 | 1,297 | 1,514 |
| Interest--do | 4,564 | 5,681 | 10,016 | 19,843 | 14,285 |
| Total expenses excluding depreciation | | | | | |
| 1,000 dollars | 35,301 | 53,996 | 59,535 | 81,757 | 79,249 |
| Income before depreciation | | | | | |
| 1,000 dollars | 539 | 1,810 | (774) | (13,296) | (4,455) |
| Depreciation--do | 3,415 | 4,482 | 8,557 | 11,238 | 14,100 |
| Income or loss before taxes--do | (2,876) | (2,672) | (9,331) | (24,534) | (18,555) |
| Number of vessels | 23 | 25 | 28 | 31 | 34 |
| Number of reporting organizations | 28 | 28 | 28 | 28 | 28 |
| Ratio of income before depreciation to net sales--percent | 0.02 | 0.03 | (0.01) | (0.19) | (0.06) |
| Ratio of income before taxes to net sales percent | (0.08) | (0.05) | (0.16) | (0.36) | (0.25) |

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

Tables C-2 through C-7

Tables C-9 through C-14

* * * * *

Table C-8.--Fresh, chilled, or frozen tuna: Individual cost items as a share of total expenses before depreciation for independent tuna purse seine boat owners, accounting years 1979-83

(In percent)

| Item | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|
| Crew cost--------percent-- | 37.06 | 36.37 | 29.93 | 24.44 | 23.39 |
| Fuel cost----------do---- | 15.03 | 17.80 | 21.19 | 21.51 | 21.79 |
| Galley cost---------do---- | 1.96 | 2.07 | 2.41 | 2.32 | 2.60 |
| License fees--------do---- | .47 | 0.47 | .68 | .46 | 1.02 |
| Transshipment fees--do---- | - | - | - | .97 | 1.85 |
| Repairs-------------do---- | 11.74 | 15.48 | 9.47 | 9.25 | 9.38 |
| Gear cost-----------do---- | 3.20 | 2.99 | 3.13 | 3.08 | 3.40 |
| Insurance-----------do---- | 6.03 | 5.23 | 6.54 | 6.11 | 7.48 |
| Helicopter----------do---- | 1.17 | 1.56 | 1.70 | 1.96 | 2.55 |
| Travel--------------do---- | .31 | .53 | .57 | .51 | .76 |
| Other costs---------do---- | 7.21 | 4.72 | 5.51 | 3.55 | 5.85 |
| Administrative cost-do---- | 2.90 | 2.25 | 2.04 | 1.59 | 1.91 |
| Interest------------do---- | 12.93 | 10.52 | 16.82 | 24.27 | 18.03 |
| Total expenses excluding: depreciation---percent-- | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Depreciation--------do---- | 9.67 | 8.30 | 14.37 | 13.75 | 17.79 |
| Number of vessels--------- | 23 | 25 | 28 | 31 | 34 |
| Number of reporting organizations---------- | 28 | 28 | 28 | 28 | 28 |

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

# APPENDIX D

## BUMBLE BEE AND STAR-KIST'S STATMENTS

*  *  *  *  *

# APPENDIX E

# QUESTIONNAIRE PRICE DATA

Conversations with both sellers and purchasers indicate that there are multidimensional variations in canned tuna and its conditions of sale, which extend beyond the classifications requested in the Commission questionnaire. Thus, direct comparisons of prices are difficult, especially in certain instances such as producer and importer prices of light meat tuna in institutional containers and importer and purchaser prices of the same items. Although these prices in particular are much more likely to suffer from a variety of biases and not reflect actual prices, the results of the Commission's questionnaire survey are presented in tables E-1 through E-6.

Primary problems in responses by all parties involve differences in species of fish and country of origin. Because different processors pack different species, and quality and cost vary among species, price differentials can occur at all market levels of the product. For example, yellowfin and tongol light meat tuna generally command a premium over skipjack light meat tuna. Similarly, to the extent that certain species or qualities are associated with being packed in certain countries, prices will vary among countries. For example, purchasers report that Japan typically packs the highest quality products, which command a premium price for a given size category. Some purchasers also indicated that, at least in institutional containers, the amount of water relative to fish varies among companies, creating another source for differentials in price.

Even in the case of identical species, source, and quality of pack, price differentials can occur between the prices reported by sellers and those reported by the sample of purchasers for two major reasons. First, some of

the purchasers only reported their purchases from trading companies, such as Saiki Soji, Pacific Trading Co., and ITOH, but not from importers such as SSC and Nozaki. Purchasing directly from a trading company eliminates the import commission paid to an importing company, and results in a lower price paid to the trading company. Thus, these purchasers' prices could be lower than average prices reported by sellers. Second, prices typically vary inversely with the quantity purchased. For example, it is not at all certain that the sample of purchasers who returned usable questionnaires is unbiased with respect to the size of purchase. If the sample is biased towards purchases of large quantities, the prices reported would be less on average than the average price charged by sellers. Inspection of invoices provided by parties indicated that purchasers of large quantities of tuna sold in institutional containers pay lower prices than purchasers of smaller quantities.

Table E-1.--Canned white and light meat tuna in water and oil, packed in institutional size containers: Weighted averge net selling prices for the sales of imported and of domestic merchandise by quarters, January 1979-January-1984

(Price per container)

| Period | White meat, chunk, in water | | Light meat, chunk, in water | | Light meat, chunk, in oil | |
|---|---|---|---|---|---|---|
| | Average U.S. price | Average import price | Average U.S. price | Average import price | Average U.S. price | Average import price |
| 1979: | | | | | | |
| January-March | $42.79 | $43.55 | $32.48 | $31.52 | $36.43 | - |
| April-June | 38.28 | 42.49 | 30.42 | 31.65 | 33.67 | - |
| July-September | 39.52 | 45.62 | 31.84 | 32.66 | 33.60 | - |
| October-December | 44.58 | 48.67 | 33.92 | 35.31 | 35.06 | - |
| 1980: | | | | | | |
| January-March | 46.32 | 50.66 | 37.07 | 39.14 | 40.90 | - |
| April-June | 46.93 | 50.84 | 42.97 | 43.39 | 43.12 | - |
| July-September | 47.30 | 52.92 | 43.82 | 45.61 | 45.42 | - |
| October-December | 50.17 | 54.15 | 44.17 | 45.76 | 47.43 | - |
| 1981: | | | | | | |
| January-March | 54.47 | 58.22 | 44.87 | 43.90 | 47.27 | - |
| April-June | 54.79 | 59.10 | 41.24 | 42.98 | 47.17 | - |
| July-September | 53.20 | 59.41 | 39.48 | 40.45 | 46.77 | - |
| October-December | 53.23 | 61.21 | 36.89 | 38.72 | 46.93 | - |
| 1982: | | | | | | |
| January-March | 50.73 | 59.67 | 35.65 | 36.84 | 44.73 | - |
| April-June | 46.69 | 56.33 | 34.15 | 33.99 | 42.29 | - |
| July-September | 42.84 | 50.73 | 32.02 | 32.20 | 38.32 | - |
| October-December | 40.06 | 48.72 | 30.53 | 31.82 | 37.25 | - |
| 1983: | | | | | | |
| January-March | 36.97 | 45.05 | 29.78 | 31.01 | 36.20 | - |
| April-June | 34.45 | 42.49 | 29.34 | 30.32 | 34.47 | - |
| July-September | 34.81 | 42.72 | 28.29 | 28.98 | 35.10 | - |
| October-December | 37.04 | 44.08 | 28.08 | 29.76 | 37.05 | - |
| 1984: | | | | | | |
| January-March | 36.68 | 43.17 | 26.69 | 28.54 | 40.25 | - |

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

Table E-2.--Canned white and light meat tuna in water and oil, packed in retail size containers nationally advertised brands: Weighted averge net selling prices for the sales of imported and of domestic merchandise by quarters, January 1979-January-1984

(Price per container)

| Period | White meat, chunk, in water | | Light meat, chunk, in water | | Light meat, chunk, in oil | |
|---|---|---|---|---|---|---|
| | Average U.S. price | Average import price | Average U.S. price | Average import price | Average U.S. price | Average import price |
| 1979: | | | | | | |
| January-March | $41.88 | $38.46 | $28.45 | $25.43 | $28.41 | - |
| April-June | 41.67 | 43.38 | 28.66 | 25.93 | 28.65 | - |
| July-September | 43.04 | 39.41 | 30.01 | 27.79 | 29.98 | - |
| October-December | 43.88 | 41.07 | 30.81 | 28.80 | 30.42 | - |
| 1980: | | | | | | |
| January-March | 42.86 | 42.84 | 33.13 | 30.52 | 33.09 | - |
| April-June | 46.96 | 44.03 | 34.58 | 31.84 | 34.29 | - |
| July-September | 49.67 | 45.24 | 36.82 | 33.83 | 36.94 | - |
| October-December | 50.39 | 47.25 | 37.82 | 37.24 | 37.91 | - |
| 1981: | | | | | | |
| January-March | 53.90 | 50.92 | 38.41 | 36.33 | 38.48 | - |
| April-June | 55.20 | 53.45 | 38.20 | 35.50 | 37.87 | - |
| July-September | 54.48 | 52.96 | 38.02 | 35.02 | 38.15 | - |
| October-December | 54.78 | 52.60 | 37.15 | 32.80 | 37.11 | - |
| 1982: | | | | | | |
| January-March | 57.92 | 50.03 | 35.99 | 32.15 | 35.91 | - |
| April-June | 57.28 | 48.83 | 34.89 | 30.76 | 34.78 | - |
| July-September | 52.98 | 48.42 | 33.93 | 29.63 | 33.84 | - |
| October-December | 52.83 | 45.55 | 34.16 | 28.38 | 33.96 | - |
| 1983: | | | | | | |
| January-March | 47.74 | 41.77 | 33.09 | 27.60 | 33.19 | - |
| April-June | 47.15 | 43.31 | 31.29 | 26.88 | 31.52 | - |
| July-September | 45.13 | 40.94 | 31.34 | 26.06 | 31.35 | - |
| October-December | 44.76 | 41.26 | 30.49 | 25.00 | 30.32 | - |
| 1984: | | | | | | |
| January-March | 43.93 | 40.57 | 30.57 | 27.84 | 30.59 | - |

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

Table E-3.--Canned white and light meat tuna in water and oil, packed in retail size containers, private label brands: Weighted averge net selling prices for the sales of imports and of domestic merchandise by quarters, January 1979-January-1984

(Price per container)

| Period | White meat, chunk, in water | | Light meat, chunk, in water | | Light meat, chunk, in oil | |
|---|---|---|---|---|---|---|
| | Average U.S. price | Average import price | Average U.S. price | Average import price | Average U.S. price | Average import price |
| 1979: | | | | | | |
| January-March | $36.98 | $41.36 | $24.49 | 26.61 | $25.70 | - |
| April-June | 36.90 | 42.03 | 26.14 | 26.80 | 26.41 | - |
| July-September | 38.51 | 42.02 | 28.42 | 26.81 | 28.82 | - |
| October-December | 41.03 | 42.00 | 30.62 | 25.63 | 30.31 | - |
| 1980: | | | | | | |
| January-March | 43.36 | 47.44 | 32.09 | 28.75 | 32.70 | - |
| April-June | 44.01 | 50.95 | 34.91 | 31.95 | 34.81 | - |
| July-September | 44.76 | 47.81 | 36.14 | 34.50 | 36.19 | - |
| October-December | 48.08 | 50.84 | 36.52 | 34.54 | 36.56 | - |
| 1981: | | | | | | |
| January-March | 51.23 | 54.84 | 35.99 | 37.21 | 35.98 | - |
| April-June | 52.94 | 57.15 | 34.62 | 36.29 | 34.70 | - |
| July-September | 52.53 | 49.69 | 34.01 | 34.37 | 34.07 | - |
| October-December | 52.45 | 55.00 | 33.75 | 33.90 | 33.70 | - |
| 1982: | | | | | | |
| January-March | 50.16 | 59.35 | 31.63 | 32.65 | 32.22 | - |
| April-June | 45.96 | 59.13 | 30.58 | 30.12 | 30.74 | - |
| July-September | 42.50 | 47.20 | 28.84 | 28.84 | 29.01 | - |
| October-December | 40.61 | 45.92 | 28.10 | 28.79 | 28.20 | - |
| 1983: | | | | | | |
| January-March | 38.53 | 42.81 | 28.07 | 25.21 | 27.30 | - |
| April-June | 37.18 | 40.93 | 26.55 | 27.08 | 26.24 | - |
| July-September | 35.97 | 41.25 | 26.89 | 26.39 | 26.43 | - |
| October-December | 36.85 | 39.77 | 26.66 | 26.17 | 26.37 | - |
| 1984: | | | | | | |
| January-March | 37.21 | 39.57 | 26.87 | 24.96 | 26.87 | - |

- Data not available.

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

Table E-4.—Canned white and light meat tuna in water, packed in retail size containers, nationally advertised brands: Weighted average net purchase prices paid by customers for imported and domestic canned tuna, by quarters, January 1982–December 1983

(Price per container)

| Period | White meat, solid, packed in water, case of 48 7-oz. cans | | Light meat, chunk packed in water, case of 48 6-1/2 oz. cans | |
|---|---|---|---|---|
| | Average U.S. | Average imports | Average U.S. | Average imports |
| 1982: | | | | |
| January-March | $52.07 | $54.60 | $41.02 | $32.87 |
| April-June | 49.48 | 54.82 | 38.64 | 31.99 |
| July-September | 49.05 | 52.22 | 38.18 | 30.54 |
| October-December | 47.55 | 49.97 | 37.35 | 29.52 |
| 1983: | | | | |
| January-March | 46.52 | 45.81 | 35.44 | 29.16 |
| April-June | 46.42 | 44.36 | 35.86 | 28.10 |
| July-September | 45.43 | 44.65 | 34.46 | 27.91 |
| October-December | 43.91 | 49.68 | 33.29 | 27.66 |

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

Table E-5.—Canned white and light meat tuna in water, packed in retail size containers, private label brands: Weighted average net purchase prices paid by customers for imported and domestic canned tuna, by quarters, January 1982–December 1983

(Price per container)

| Period | White meat, solid, packed in water, case of 48 7-oz. cans | | Light meat, chunk packed in water, case of 48 6-1/2 oz. cans | |
|---|---|---|---|---|
| | Average U.S. | Average imports | Average U.S. | Average imports |
| 1982: | | | | |
| January-March | $48.18 | $49.37 | $32.03 | $31.06 |
| April-June | 47.41 | 47.26 | 31.86 | 29.41 |
| July-September | 43.84 | 43.98 | 30.54 | 28.09 |
| October-December | 39.80 | 44.71 | 30.52 | 28.63 |
| 1983: | | | | |
| January-March | 38.73 | 38.80 | 29.29 | 27.67 |
| April-June | 38.02 | 38.25 | 28.86 | 26.23 |
| July-September | 37.63 | 38.62 | 28.76 | 26.13 |
| October-December | 36.67 | 39.48 | 28.81 | 25.88 |

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

Table E-6.—Canned white and light meat tuna in water, packed in institutional size containers: Weighted average net purchase prices paid by customers for imported and domestic canned tuna, by quarters, January 1982-December 1983

(Price per container)

| Period | White meat, solid, packed in water, case of 48 7-oz. cans | | Light meat, chunk packed in water, case of 48 6-1/2 oz. cans | |
|---|---|---|---|---|
| | Average U.S. | Average imports | Average U.S. | Average imports |
| 1982: | | | | |
| January-March | $51.53 | $64.27 | $37.52 | $33.90 |
| April-June | 51.75 | 60.10 | 37.16 | 32.51 |
| July-September | 48.73 | 53.14 | 35.03 | 30.24 |
| October-December | 47.40 | 51.00 | 33.99 | 30.46 |
| 1983: | | | | |
| January-March | 43.54 | 47.10 | 33.02 | 29.58 |
| April-June | 43.52 | 50.03 | 31.00 | 28.59 |
| July-September | 41.92 | 47.33 | 29.46 | 28.02 |
| October-December | 44.16 | 47.34 | 30.40 | 29.08 |

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