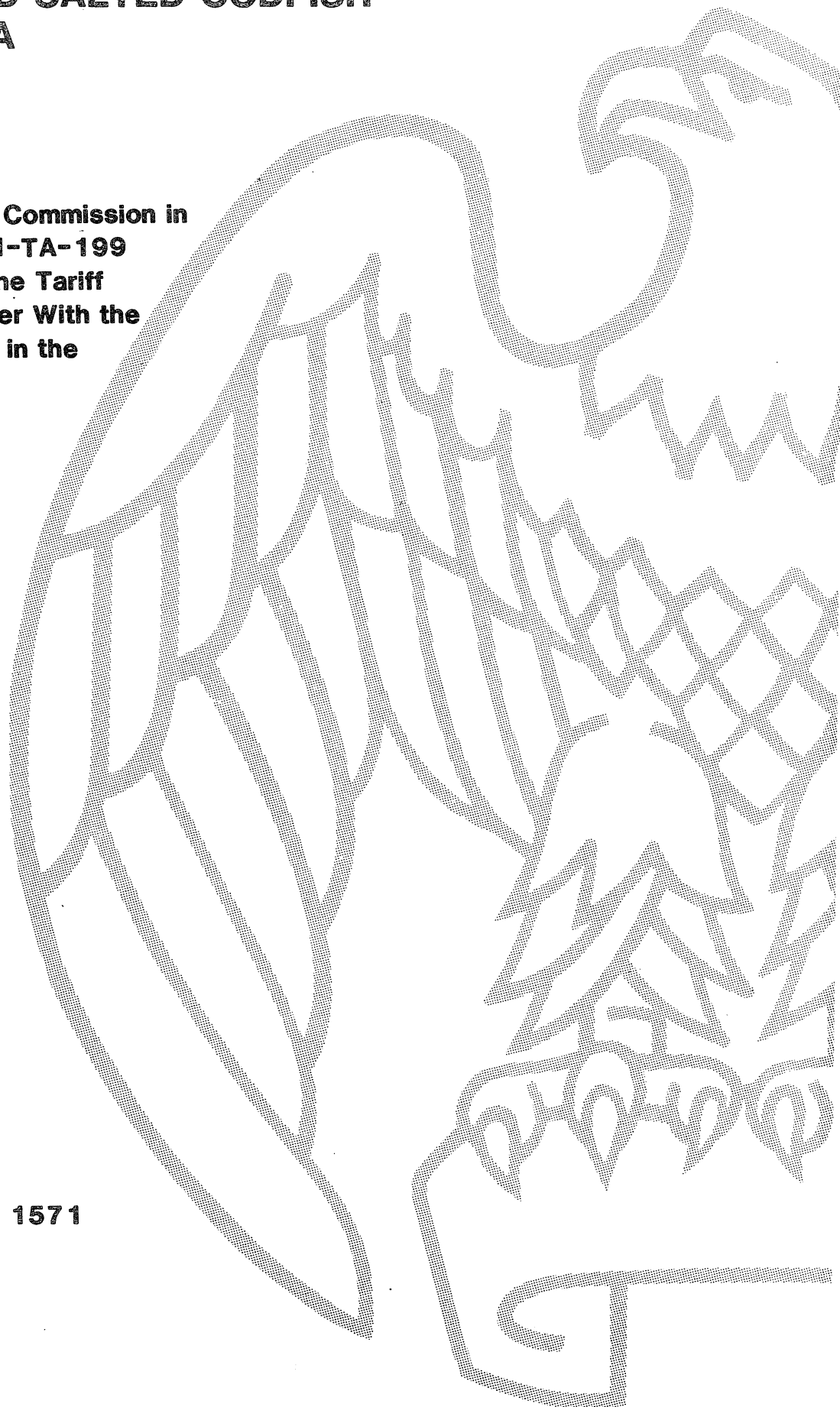


CERTAIN DRIED SALTED CODFISH FROM CANADA

**Determination of the Commission in
Investigation No. 731-TA-199
(Preliminary) Under the Tariff
Act of 1930, Together With the
Information Obtained in the
Investigation**

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-199 (Preliminary), Certain Dried
Salted Codfish from Canada

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that the establishment of an industry in the United States is materially retarded by reason of imports from Canada of cod, which has been dried and salted, whether or not whole, but not otherwise prepared or preserved, and not in airtight containers, provided for in item 111.22 of the Tariff Schedules of the United States (TSUS), which are alleged to be sold in the United States at less than fair value (LTFV).

Background

On July 19, 1984, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by Codfish Corporation alleging that an industry in the United States is materially injured by reason of imports from Canada of the subject merchandise which is allegedly being sold at LTFV. Accordingly, the Commission instituted a preliminary investigation under section 733(a) of the Tariff Act of 1930, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise.

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

2/ Vice Chairman Liebelier dissenting.

Notice of the institution of the Commission's investigation and of the public conference 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 on August 1, 1984 (49 F.R. 30810). The conference was held in Washington, D.C. on August 10, 1984, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF CHAIRWOMAN PAULA STERN, COMMISSIONER ALFRED E. ECKES,
COMMISSIONER SEELEY G. LODWICK, AND COMMISSIONER DAVID B. ROHR

On the basis of the record in investigation No. 731-TA-199, (Preliminary) we determine that there is a reasonable indication that the establishment of an industry in the United States is being materially retarded by reason of less than fair value ("LTFV") imports of heavy salted dried codfish from Canada.

Like product and the domestic industry

Dried salted codfish is a processed fish made from fresh cod, a groundfish caught on or near the sea bottom in cold or temperate waters, principally the North Atlantic but also in the northern Pacific Ocean. Dried salted codfish has historically been in greatest demand in tropical areas where refrigeration is not commonly available. 1/ Today, dried salted codfish is consumed in the United States primarily in Latin communities, with Puerto Rico being the most important domestic market. 2/

Heavy salted codfish is made by layering the codfish with heavy coverings of salt. The salt retards bacterial growth and reduces the moisture content of the fish to about 55 percent (fresh cod is approximately 80 percent water).

Light salted codfish is cured by controlled bacterial action in conjunction with salting. Light salted codfish is amber in color and has a texture similar to cheddar cheese. Wet salted cod of light cure is unstable, and must be dried as soon as possible after curing to prevent

1/ Report of the Commission ("Report") at A-2.

2/ Report at A-3.

decomposition. 3/ Respondents contend that for that reason light salted dried codfish cannot be produced by the petitioner in Puerto Rico. 4/

Wet salted codfish, or saltbulk, is dried to various moisture levels by exposure to warm, dry air. Drying serves to further retard spoilage by reducing the moisture content which then ranges from less than 32 percent to 54 percent. 5/

Petitioner Codfish Corporation is the only known significant processor of dried salted codfish in the United States. 6/ Codfish Corporation began operations in Ponce, Puerto Rico, in late 1982. As noted earlier, Puerto Rico is the major domestic market for dried salted codfish. 7/

"Like product" is defined by section 771(10) as:

a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation. 8/

With respect to the manner in which each is processed, as well as in texture, taste, method of preparation and consumer price, we find clear distinctions between light salted dried codfish and heavy salted dried

3/ Report at A-2.

4/ Post-Conference Brief of Canadian Saltfish Corporation et al. at 9.

5/ Report at A-2.

6/ Report at A-4. Two small companies were mentioned in the petition on producers of dried salted codfish. Both firms, Sea Klip Fish Co. Ltd., of Seattle, Washington, and Royal Seafood, Inc., of New Bedford, Massachusetts, did not respond to the Commission questionnaire and are believed to have ceased operations.

7/ Because the domestic industry consists solely of the Codfish Corporation, and Canadian imports are heavily concentrated in Puerto Rico, the Commission does not consider it necessary to determine whether or not a regional industry exists in this investigation. Puerto Rico is the only significant domestic market for heavy salted dried codfish and virtually all Canadian imports are directed to this market. Thus, the data for the domestic industry as a whole are the same as for a regional industry consisting only of Puerto Rico.

8/ 19 U.S.C. § 1677(10).

codfish. These distinctions lead us to determine that light salted and heavy salted dried codfish are distinct like products.

The domestic industry against which the impact of the alleged less than fair value sales is to be assessed is defined as:

The domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product. 9/

There is no known domestic production of light salted dried codfish. Accordingly, there is no domestic industry producing that like product. With respect to heavy salted dried codfish, the domestic industry producing the like product consists of the Codfish Corporation of Ponce, Puerto Rico.

Material retardation of the domestic industry

In assessing the condition of the domestic industry in a preliminary investigation, the Commission looks to determine whether there is a reasonable indication that:

- (1) an industry in the United States
 - (A) is materially injured
 - (B) is threatened with material injury, or
- (2) the establishment of an industry is materially retarded. 10/

In the present investigation, we believe the most appropriate standard against which to measure the activities of the Codfish Corporation is that which goes to whether the establishment of a domestic industry is being materially retarded.

As used by the Commission, "material retardation" is a concept appropriate to assessing the activities of a "nascent" industry. One or more domestic companies must have demonstrated a "substantial commitment" to

9/ 19 U.S.C. § 1677(4).

10/ 19 U.S.C. § 1673b(a).

production. 11/ From this minimum level, the material retardation standard is examined in lieu of the more common material injury or threat of material injury standard in those cases in which commercial production may have already begun but the domestic industry has yet to attain a stable presence in the market. 12/ The establishment of any new industry is so inherently unique that material retardation must always be examined on a case-by-case basis.

Several factors persuade us that this is the appropriate standard to apply in this investigation. First, the Codfish Corporation has been in operation for less than two years. 13/ It has not managed yet to reach a level of production which by either its own or independent projections can be viewed as a "break even" point. 14/ Given that the domestic producer is attempting to establish its business using existing technologies but in a new environment and in a market historically dominated by Canadian imports, we cannot say that its operations to date demonstrate that it has or will be able to establish itself as a viable domestic industry. In examining the question of material retardation, we look to determine whether the level of activities of Codfish Corporation reflect merely the normal start-up conditions of a company entering an admittedly difficult market or whether the performance is

11/ In prior investigations where material retardation has been an issue, the Commission has required that there must be a sufficient indication that the industry has made a substantial commitment to commence production. See, e.g., Certain Commuter Airplanes from France and Italy, Invs. Nos. 701-TA-174 and 175 (Preliminary), USITC Pub. No. 1296 (1982); Salmon Gill Fish Netting of Manmade Fibers from Japan, Inv. No. 751-TA-5, USITC Pub. No. 1234 (1982).

In this investigation, petitioner has commenced production and has made shipments. However, petitioner has not been operating its facility long enough to allow for a traditional injury analysis. No historical level of success has been achieved.

12/ See General Counsel Memorandum GC-F-215.

13/ Report at A-4.

14/ Report at A-7.

worse than what could reasonably be expected and thus be deemed materially retarded. 15/

In assessing the condition of the domestic industry in this investigation, we do not have the same data available as in typical investigations. Further, Codfish Corporation is a small business and was not able to provide as detailed a questionnaire response as we normally receive. No data were available on inventories, wages paid, and hours worked by employees.

We do have data indicating that production of dried salted codfish for the first full year of operation (1983) was substantially less than the petitioner's projected break-even quantity. Production for January-June 1984 is below the volume for the same period in 1983. 16/ Capacity utilization for all fish was extremely low in both 1983 and 1984, though it was slightly better in January-June 1984. However, that rate includes fish other than codfish. Domestic shipments of codfish by Codfish Corporation were up in the first half of 1984 when compared to the first half of 1983. 17/

Codfish Corporation employed fewer than half the number of production and related workers in January-June 1984 than it did when the firm first opened in

15/ A major point of contention between the parties is the feasibility of a drying facility in the humid Puerto Rican climate. Another disadvantage pointed out by the Canadians is that Codfish Corporation must pay to ship moisture, for which there is no return in the marketplace. This is because a pound of saltbulk yields less than a pound of dried codfish, after drying. Codfish Corporation claims any disadvantage from climate or transportation costs is offset by other lower costs in Puerto Rico and direct access to the major market. The Canadian Saltfish Corporation engaged in discussions with Codfish Corporation regarding a joint venture operation of the drying plant in Ponce. Apparently they did not at that time consider the idea far-fetched, though they contend now that analysis reveals the drying plant can never operate economically. See Statement of William E. Wells, President, Canadian Saltfish Corporation at 7-8. These questions will be explored more thoroughly in any final investigation.

16/ Report at A-7.

17/ Report at Table 3.

December 1982. 18/ Financial information for Codfish Corporation is difficult to analyze since it is a new company, and has yet to absorb many start-up costs. The firm carries a large debt in relation to equity. It has a relatively large current debt as well as long term debt related to investment in physical facilities.

It is clear from information available to us that Codfish Corporation is not in a healthy condition. The firm has reported substantial operating and net losses for each reporting period thus far. It has not been able to achieve the scale of production necessary to gain cost effectiveness. The data thus far adduced in this investigation are sufficient to indicate that Codfish Corporation's performance is substantially below that which would be expected under normal conditions. Therefore, there is a reasonable indication that the establishment of an industry is being materially retarded.

Causation

For an affirmative determination there must be a reasonable indication that material retardation is by reason of the alleged LTFV sales. In this case, imports of dried salted codfish from Canada dropped slightly from 14.1 million pounds in 1982 to 13.98 million pounds in 1983. 19/

Information on market penetration is of limited relevance in this investigation because we are looking at an allegation of dumping not to establish a share of trade but to forestall the development of domestic competition in an import-dominated market. 20/ For example, the market share

18/ Report at A-8-9.

19/ Report at Table 7. These figures are considered understated because one large importer did not provide import volume for 1981 or 1982.

20/ See J. Viner, Dumping: A Problem in International Trade, at 23, 27.

held by Canadian imports has declined, though only slightly, and the domestic producer's share has increased. However, the data reveal that the domestic producer has not yet succeeded in obtaining a significant portion of the market.

Petitioner's argument in this investigation rests primarily on its assertion that the price of Canadian imports has been continually lowered in an effort to prevent his entrance in the market and price data are, therefore, a critical element of this investigation. A potential domestic producer must consider how much volume, at a particular price, is necessary for the project to succeed. If importers are willing to drop their prices, the volume of sales the new entrant must reach to break even increases. Therefore, if the petitioner's contentions are true, we would expect to see a drop in Canadian import prices during the period in which the new entrant is attempting to establish itself in the market.

In this preliminary investigation the data collected by the Commission reveal a drop in the weighted average prices of Canadian imports between 1982 and 1983, when Codfish Corporation entered the market. 21/ Our price data do not take into account the lowest price for 1982 because a large importer was unable to supply sales volume for that year in time for the conclusion of this preliminary investigation. It may be that the extent and significance of this price decrease has been overstated. However, we do see a significant decline in Canadian prices based on the information that is now available to us. In any final investigation among the additional information we expect to gather will be more definite information on pricing for 1982 onward.

21/ See Report at Tables 8 and 9.

Our pricing data also show some instances of Canadian imports selling at a higher price than the domestic product. The lack of price underselling is not determinative in the present case. Because the domestic producer is attempting to enter a new market, at the expense of imports which have the benefit of an established sales network, it is not unreasonable for it to use price as a means of entry. However, if the Canadians continually lower their prices to preserve their market share by selling at less than fair value, the level at which the domestic producer must set its prices to gain market share will also fall. If this occurs, the establishment of the domestic industry is being materially retarded because the imports are making it increasingly difficult for the domestic producer to obtain the revenues it needs to establish itself in the market. 22/

This explanation of the price data is not the only possible explanation of what has occurred in this dynamic market where numerous transactions are made on an almost daily basis. It may be that the Codfish Corporation has been the leader in cutting prices, with the Canadian importers being forced to follow the prices downward. It may also be that the decline in price is merely reflective of a worldwide decline in market price for dried salted codfish or declining demand in Puerto Rico. At this stage of the

22/ In this case, we have unusual evidence consisting of correspondence between the former President of the Canadian Saltfish Corporation and the Minister of Fisheries for Newfoundland, in which the potential danger to Canadian dominance of the Puerto Rican market by a local drying plant is noted. Furthermore, we have a situation in which one of the importers alleged to be making LTFV sales engaged in negotiations with the sole domestic producer on the possibility of some sort of joint venture. The Canadian producer was thereby privy to intimate financial details of Codfish Corporation. This puts the Canadians in a unique position to comment on the viability of Codfish Corporation. However, it also puts them in the position of knowing the extent of Codfish Corporation's resources and its ability to maintain production with lower sales revenues over time.

investigation, however, there is insufficient data to support these alternative hypotheses. There is a reasonable explanation of price data, gathered to date, that supports the petitioner's argument. Thus, there is sufficient evidence for us to determine that a reasonable indication of material retardation of the establishment of an industry exists in the present investigation.

VIEWS OF VICE CHAIRMAN LIEBELER

I determine that there is no reasonable indication that an industry in the United States is materially injured, or threatened with material injury, or that the establishment of an industry is being materially retarded, by reason of allegedly dumped imports of certain dried salted codfish from Canada.

The petitioner has attempted to depict a market in which Canadian exporters of salted codfish have acted as a cartel and have responded to the entry of the domestic producer into the market by dropping the price in order to drive out the new domestic producer. This scenario is inconsistent with uncontradicted evidence provided by the respondent and developed by the Commission staff. 1/ Canadian prices for dried salted codfish began declining before the domestic producer entered the market. This decline has occurred as the result of a decrease in domestic demand attributable to many factors, foremost of which is the availability of substitutes which are less expensive and easier to prepare.

1/ Brief of the Respondent at 16-24 and App. 2; Report of the Commission ("Report") at A-4.

The prices charged in Puerto Rico by the Canadians have tracked the world price of dried salted codfish. 2/ Moreover, imports of small codfish of ordinary cure from Canada sold at higher prices than the domestic product in four of the six quarters covered by our preliminary investigation, 3/ and imports of medium codfish of ordinary cure sold at higher prices in all five quarters for which data was available. 4/ During this period, the domestic industry has grown from literally nothing to a small percentage of the domestic market.

Finally, there is evidence on the record that the domestic producer has had some quality control problems with his product. 5/ Such problems, though costly, are to be expected in any relatively new business enterprise.

For all of these reasons, I find that there is no reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of LTFV imports.

2/ Id.

3/ Report at A-15.

4/ Report at A-16.

5/ See e.g., Transcript at 87-88 & 133-34.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On July 19, 1984, the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) received a petition from the Codfish Corporation, a U.S. producer of dried fish, alleging that certain dried salted codfish from Canada, provided for in item 111.22 of the Tariff Schedules of the United States (TSUS), are being sold in the United States at less than fair value (LTFV). The Commission therefore instituted a preliminary antidumping investigation under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports. The statute directs that the Commission make its determination within 45 days after its receipt of the petition or, in this case, by September 4, 1984.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on August 1, 1984 (49 F.R. 30810). 1/ The public conference was held in Washington, D.C., on August 10, 1984. 2/ The briefing and vote in this investigation was held on August 27, 1984.

Nature and Extent of Alleged Sales at LTFV

The petition alleges that certain dried salted codfish from Canada are being sold in the United States at LTFV. The petitioner calculated LTFV margins for three sizes of ordinary cure dried salted codfish by comparing constructed values with export prices. Constructed values were calculated by adding the price of wet salted codfish in Canada, processing costs to convert wet salted codfish to dried salted codfish, and freight. Export prices were determined by actual offers for sale in Puerto Rico. Alleged LTFV margins for the three sizes are as follows: small (23.7 percent), medium (3.7 percent), and large (3.5 percent).

The Product

Description and uses

Dried salted codfish is an edible groundfish 3/ product produced by dehydrating wet salted codfish. This product, which is regarded as a low cost

1/ A copy of the Commission's notice of institution is presented in app. A. A copy of Commerce's notice of initiation is also presented in app. A.

2/ A list of witnesses appearing at the conference is presented in app. B.

3/ The term "groundfish" encompasses many types of fish which are generally found and caught on or near the sea bottom in cold or temperate waters. Common groundfish include cod, haddock, hake, pollock, cusk, and flounder, among others.

source of protein, is in greatest demand in tropical areas where refrigeration is not commonly available. Dried salted codfish is also popular as a traditional food in regions of historical consumption, such as Portugal, Italy, Greece, Spain, and Latin America.

The raw material used to produce dried salted codfish is wet salted codfish, also known as saltbulk or green fish. 1/ Wet salted codfish, which is considered inedible by most people, is prepared by removing the head and viscera from the fresh fish and then salting the carcass. The salt penetrates and preserves (cures) the protein in the fish. There are two types of cures: heavy salted and light salted. 2/

Heavy salted codfish is produced by alternately layering codfish and thick coverings of salt. The salt completely penetrates the fish in 21 days, killing any bacteria. During this time, the moisture content of the fish decreases to about 55 percent and the salt content rises to about 20 percent by weight. The resulting wet salted codfish is relatively stable and will resist decomposition for months if refrigerated.

Unlike heavy salted codfish, in which all the bacteria are destroyed, lightly salted codfish is cured by a combination of salt and bacterial action. The resulting product is amber in color and has a texture similar to cheddar cheese. Wet salted codfish produced with a light salted cure is unstable, and must be dried before shipment to prevent decomposition.

Wet salted codfish can be dried to various moisture levels. In the wet salted form, the codfish usually have a moisture content of at least 55 percent by product weight, compared with a moisture content for dried heavy salted codfish which ranges from below 32 percent to a high of 54 percent. 3/ Canadian export regulations, which conform to international standards, specify six types of dried heavy salted codfish:

<u>Heavy salted type</u>	<u>Moisture content</u> <u>(by weight)</u>
Extra hard dried-----	not over 32 percent
Hard dried-----	over 32 percent but not over 38 percent
Dry-----	over 38 percent but not over 40 percent
Semi-dry-----	over 40 percent but not over 44 percent

1/ Industry and National Marine Fisheries Service sources indicate that only about 1 percent of all freshly caught codfish in the United States is used to produce wet salted codfish. However, almost all wet salted codfish is used to produce dried salted codfish.

2/ The imported products covered by this investigation, ordinary cure and dry cure salted codfish, are produced from heavy salted codfish only. However, light salted codfish is used to produce other types of dried salted codfish.

3/ Light salted codfish may be dried to four moisture content levels ranging from not over 36 percent to 48 percent.

<u>Heavy salted type</u>	<u>Moisture content</u> (by weight)
Ordinary cure-----	over 44 percent but not over 50 percent
Soft dried-----	over 50 percent but not over 54 percent

Those types of dried codfish with moisture contents of under 40 percent (dry, hard dried, and extra hard dried) do not require refrigeration while those with moisture contents of over 40 percent will deteriorate without refrigeration.

In the drying process, wet salted codfish are placed on racks in dryers and the water is evaporated by the use of forced hot and cold air. After the desired moisture content has been achieved, the fish are removed from the dryers and either placed whole in large plastic bags, or folded into sections and placed in smaller polybags. The polybags are generally sold to retail stores in 20-pound boxes, and the large bags are sold in 50-pound cartons.

Dried salted codfish are marketed in four different sizes and in four different qualities or grades. The sizes in terms of length are small (12 inches to 16 inches), medium (16 inches to 21 inches), large (21 inches to 25 inches), and extra large (25 inches and over). Grades range from the highest quality "selected" through "choice" and "standard" (also known as "special"), to the lowest quality "commercial," which is virtually inedible.

U.S. tariff treatment

U.S. imports of dried salted codfish are classified under TSUS item 111.22, which contains both wet salted and dried salted cod, cusk, haddock, hake, and pollock. These products may be whole, or processed by removal of heads, fins, viscera, scales, vertebral columns, or any combination thereof, but are not otherwise processed. Imports from Canada and all other countries receiving the column 1 rate of duty 1/ are free of duty. This duty status has been in effect since January 1, 1970.

U.S. Market and Channels of Distribution

Apparent U.S. consumption

U.S. demand for dried salted codfish is concentrated in Puerto Rico where the product, known locally as bacalao, has been consumed for 200 years. Small quantities of the product are also consumed in New York, Miami, and the sun belt by ethnic groups of immigrants from areas of historical consumption such as Portugal, Italy, Greece, and Spain.

1/ The rates of duty in col. 1 are most-favored-nation rates and are applicable to imports from all countries except those communist countries and areas enumerated in general headnote 3(f) of the Tariff Schedules of the United States Annotated (TSUSA).

No official data are available on U.S. consumption of dried salted codfish. However, responses to the Commission's questionnaires indicate that Puerto Rico accounts for at least 90 percent of total U.S. consumption of dried salted codfish. The demand in Puerto Rico for all types of dried salted fish is estimated by both the petitioner and the respondents to be approximately 21 million pounds. 1/ Approximately 80 percent of this amount is codfish, the majority of which is the type provided for in TSUS item 111.22.

The petitioner states that demand for dried salted codfish in the United States is stable, 2/ while the respondents state that demand is falling. 3/ The responses to the Commission's importer's questionnaire are incomplete but show imports falling by 6 percent from 1981 to 1983. 4/ Other available data regarding consumption are official Canadian statistics for heavy salted dried codfish exports to the United States, 5/ and U.S. import statistics for the "basket" item under which this product is classified. These sources show declining trends of 33 percent and 19 percent, respectively, from 1981 to 1983.

U.S. producers

Codfish Corp., the petitioner in this investigation, is the only known U.S. producer of dried salted codfish. Codfish Corp. was incorporated in July 1981, and began operations in Ponce, Puerto Rico in late 1982. The firm has the capability to produce all types of dried fish, although it has only produced cod and pollock to date.

The petition states that two other firms produce dried salted codfish in the United States. These firms are Sea Klip Fish Co. Ltd., Seattle, Washington and Royal Seafood Inc., New Bedford, Massachusetts. The Commission sent questionnaires to both of these firms but did not receive responses, and attempts to reach them by telephone failed.

According to a former customer, Sea Klip ceased operations because of unfavorable economic conditions. The firm attempted to enter the Puerto Rican market, but did not succeed because of transportation costs and the fact that its large size fish product was not price competitive with the smaller fish sold in Puerto Rico. 6/

Royal Seafood, Inc. was reportedly a very small producer of dried salted codfish which served the Portuguese market in New Bedford, Massachusetts. This firm is believed to have gone out of business in June 1984. 7/

1/ Transcript, p. 98; staff interview of Mr. Da Cunha, Codfish Corp.; staff interview of Mr. Medina, Delca Distributors.

2/ Post-Conference Brief on Behalf of Petitioner, p. 22.

3/ Transcript, pp. 50, 80, 108-109; Statement of William E. Wells, p. 24.

4/ The responses are discussed in detail in the "U.S. importers" section of this report.

5/ Canada is believed to account for over 90 percent of all U.S. imports of dried salted codfish.

6/ Conversation between C.B. Stahmer, Commission's staff, and * * *.

7/ See telephone notes of C.B. Stahmer.

U.S. importers

In 1983, at least 40 firms imported products classified under TSUS item 111.22. The importers are located primarily along the U.S. Atlantic seaboard and in Puerto Rico. The importers located in the continental United States are usually large volume import distributors that also handle various other types of fish products and merchandise. The importers located in Puerto Rico range from small independent specialty stores to large agents of Canadian Saltfish Corporation.

Foreign ProducersCanada

There are at least 80 producers of dried salted codfish in Canada, with processing facilities located principally in Newfoundland, Nova Scotia, and New Brunswick. 1/ Canadian production of dried salted codfish from 1981 to 1983 accounted for between one-fifth and one-third of declining world production (by weight). Canadian Saltfish Corp., in St. Johns, Newfoundland, accounts for the bulk of exports of dried salted codfish to the United States.

United States and Canadian processing techniques for producing dried salted codfish are believed to be comparable. Canadian producers of dried salted codfish have an advantage over U.S. producers in exporting this product in that they have formed trade associations which set uniform standards and procedures for export market development and reporting activities.

In addition to Canadian Saltfish Corp., there are about 5 or 6 major Canadian producers of dried salted codfish that also export the Canadian product. 2/ These principal exporters are supplied by the numerous small producers. Data on Canadian exports of heavy salted dried codfish are shown in table 1. Canadian exports to the United States accounted for about 43 percent of total Canadian exports of this product in 1983.

Other countries

Norway is the world's largest producer of dried salted codfish, followed by Canada. Norway accounted for almost two-thirds to four-fifths of world production between 1981 and 1983. Other producers include Portugal, Iceland, and the United Kingdom.

1/ Transcript, p. 114.

2/ Ibid.

Table 1.--Dried salted codfish: Canadian exports of heavy salted dried codfish to the United States, other countries, and total exports, by moisture content, 1981-83

(In thousands of pounds)				
Item	1981	1982	1983	
United States:				
45-50 percent moisture content-----	9,208	6,748	6,039	
43-45 percent moisture content-----	3,848	4,061	3,663	
43 percent or less moisture content----	4,773	4,002	2,278	
Total to the United States-----	17,830	14,811	11,980	
Other countries-----	19,453	15,770	15,582	
Total exports-----	37,283	30,581	27,562	

Source: Post-conference brief of Canadian Saltfish Corporation, Consortium Exportations Gaspé Cured, Inc., National Sea Products, Ltd., South Western Nova Scotia Fish Packers Association, and United Maritime Fishermen, app. 1.

Note.--Because of rounding, figures may not add to the totals shown.

The Question of Alleged Material Injury

Codfish Corp. began production of dried salted codfish in December 1982 and began shipments in January 1983. The firm has a limited number of office personnel and had difficulty responding to the Commission's questionnaire. Data were not available on inventories, wages paid and hours worked. However, the firm was able to respond to most other sections of the questionnaire. No data were received from Sea Klip or Royal Seafood, two other recent U.S. producers of this product. However, neither firm is believed to have ever been a significant producer of dried salted codfish.

U.S. production

Codfish Corp. produced * * * pounds of dried salted codfish in 1983, as shown in the following tabulation:

<u>Period</u>	<u>Production</u> (1,000 pounds)
1983-----	***
January-June--	
1983-----	***
1984-----	***

Production then * * * from * * * pounds in January-June 1983 to * * * pounds in January-June 1984, or by * * * percent. Of Codfish Corp.'s 1983 dried salted codfish production, * * * pounds were ordinary cure and the remaining * * * pounds were dry cure.

Capacity and capacity utilization

The equipment, plant, and workers used by Codfish Corp. to produce dried salted codfish are also used to produce other types of dried salted fish, such as pollock. Thus, capacity and capacity utilization are extremely difficult to allocate to dried salted codfish only and are more accurately calculated on an establishment basis.

Codfish Corp. has the practical capacity to produce * * * million pounds of dried salted fish per year, based on operating the firm's facilities * * * hours per week, * * * weeks per year. As shown in table 2, the firm produced * * * million pounds of dried salted fish in 1983, and * * * pounds and * * * pounds in January-June 1983 and January-June 1984, respectively. Capacity utilization was * * * percent in 1983, and then * * * from * * * percent in January-June 1983 to * * * percent in January-June 1984. The president of the firm has stated that sales of * * * million pounds, representing a capacity utilization rate of * * * percent, are necessary for the firm to reach a financial break-even point.

Table 2.--Dried salted fish: Production, capacity, and capacity utilization by Codfish Corp., 1983, January-June 1983, and January-June 1984

Item	1983	January-June--	
		1983	1984
Production, all dried salted fish-----1,000 pounds--	***	***	***
Capacity-----do-----	***	***	***
Capacity utilization-----percent--	***	***	***

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

Domestic shipments

Domestic shipments of dried salted codfish by Codfish Corp. totaled * * * pounds, valued at * * *, in 1983 (table 3). Shipments then * * * from * * * pounds, valued at * * *, in January-June 1983 to * * * pounds, valued at * * * in January-June 1984. Codfish Corp. attributes * * * in the latter period to the shipment of approximately * * * pounds of dried salted codfish in fulfillment of a Government of Puerto Rico contract the company won in December 1983. 1/

Table 3.--Dried salted codfish: Domestic shipments by Codfish Corp., 1983, January-June 1983, and January-June 1984

Period	Quantity	Value
	<u>1,000 pounds</u>	<u>1,000 dollars</u>
1983-----	***	***
January-June--		
1983-----	***	***
1984-----	***	***

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

U.S. exports

Codfish Corp. exported * * * pounds of dried salted codfish, valued at * * *, to * * * in 1983. Exports during January-June 1983 totaled * * * pounds, valued at * * *, compared to * * * exports during January-June 1984.

U.S. inventories

Codfish Corp. was unable to provide any data on its inventories of dried salted codfish. The firm takes a physical inventory only at the end of its fiscal year (September 30) and does not maintain its records in a manner which allows the firm to derive inventory data at any other point in the year within a reasonable amount of time.

Employment and wages

Employment and wage data provided by Codfish Corp. in response to the Commission's questionnaire were not usable. However, it is known that employ-

1/ This was the first Government of Puerto Rico contract on which the company was allowed to bid. The Government of Puerto Rico purchases dried salted codfish annually for school lunch programs and hospitals.

ment of production and related workers by the firm declined steadily from about * * * in December 1982 to an average of * * * during 1983 and to * * * in January-June 1984. These workers are not represented by a union, and are paid * * *.

Financial experience of Codfish Corp.

Codfish Corporation, which accounted for virtually all U.S. production of dried salted codfish in 1983, provided income-and-loss data on an establishment basis only. 1/ These data are presented in table 4. Codfish Corp. was unable to provide financial data on its dried salted codfish operations because the firm's accounting records do not permit the separation of key financial data. 2/ Further, almost all the machinery, equipment, and workers used to process dried salted codfish are common to the processing of all types of dried salted fish produced in the plant.

Codfish Corp. started its operations for the processing of dried salted fish in December 1982. Total shipments of dried salted codfish accounted for * * * percent and * * * percent of total shipments of all dried salted fish in calendar year 1983 and January-June 1984, respectively. Codfish Corp. reported its financial data for its first fiscal operating year ending September 30, 1983 (audited), for the nine-month period ending June 30, 1983 (unaudited), and for the six-month period ending March 31, 1984 (unaudited). The cost of goods sold for both interim periods was determined by the gross profit method. 3/

The president of Codfish Corp., Mr. Paulo Da Cunha, reported that sales of dried salted fish began in January 1983. Net sales of all dried salted fish * * * by * * * percent from * * * in January-June 1983 to * * * in the six month period ending March 1984.

Codfish Corp's. break-even point is about * * * million pounds of dried salted fish. This firm is a new and a growing company, and has not yet reached this point. Hence, Codfish Corp. has reported gross, operating, and net losses for each reporting period. However, the operating losses * * * from * * *, or * * * percent of net sales, in the nine month period ending June 1983 to * * *, or * * * percent of net sales, in the six month period ending March 1984 because of * * *. The financial data reported in table 4 do not include any of the development and start-up costs of * * * incurred by Codfish Corp. during July 1981 to November 1982.

1/ Codfish Corp. produces no products other than dried fish.

2/ Conversation between Chandrakant Mehta, Commission's staff, and Rafael Perez Villarini, Certified Public Accountant for Codfish Corp., Aug. 8, 1984.

3/ The gross profit method is often used for developing interim statements when a physical inventory is not taken. This method is based on the assumption that approximately the same rate of gross profit margin is realized during the interim period as in the prior period. Codfish Corp. applied the gross profit rate for interim 1983 based on its actual gross profit margin reported in its 1983 fiscal year, and applied the gross profit rate for interim 1984 based on its Jan. 31, 1984 financial statement.

Table 4.--Selected financial data of Codfish Corp. on its operations producing all dried salted fish, accounting year 1983, interim 1983, and interim 1984

* * * * *

Codfish Corp. invested about * * * million in property, plant and equipment used in the processing of all dried salted fish. Out of this * * * million, * * * was for the leasing of equipment and * * * was for improvements made to facilities leased from the Municipality of Ponce. The Municipality of Ponce invested * * * million of the firm's total fixed assets. This amount was to be recovered with a return of * * * percent, computed for a period of * * * years in the case of the equipment costs and * * * years in the case of the improvements costs. Further, Codfish Corp. leased building facilities (* * * square feet) from the Municipality of Ponce at a monthly rental of * * * plus * * *. This rental payment will not start until February 1, 1987. The balance sheets of Codfish Corp. as of September 30, 1982 and September 30, 1983 are presented in table 5.

Codfish Corp. has issued 39,200 shares of common stock at \$10 par value per share. Mr. Paulo da Cunha, the firm's president, and his family own * * * shares, equal to 51 percent of the total outstanding common stock which they bought * * *. Other stockholders purchased the remaining * * * shares of stock at an average price of * * * per share (i.e. * * *) for a total amount of * * *. Mr. Petrovich, the head of the Ponce Port Authority, borrowed \$225,000 at * * * percent over the prime interest rate from * * * to buy 30 percent of the stock. ^{1/} This loan is guaranteed by Codfish Corp. The total investment by the stockholders in the company was \$750,000 as of September 30, 1983. On the same day, total accumulated losses were over * * *, resulting in * * * owners' equity of * * *.

^{1/} Post-conference brief of Canadian Saltfish Corp., p. 13.

Table 5.--Balance sheet of Codfish Corp. as of September 30, 1982
and as of September 30, 1983

* * * * *

William E. Wells, the president of Canadian Saltfish Corp., has alleged that Codfish Corp. would lose money at almost any level of production, and provided calculations in support of this claim for sales levels of * * * million pounds and * * * million pounds. 1/ This projection of losses * * * if the break-even point is about * * * million pounds, as estimated in a later study made by Citicorp in connection with a possible joint venture between Codfish Corp. and fish industry interests in the state of Alaska. 2/.

The Question of a Reasonable Indication of Threat of Material Injury

Data concerning exports of dried salted codfish for Canada are presented in the "Foreign producers" section of this report. Data regarding imports from Canada are presented in the "U.S. imports" section of this report.

The Question of the Alleged Material Retardation of Establishment

Codfish Corp. has alleged that it is suffering material retardation. 3/ The information presented in the "financial experience" section of this report concerning Codfish Corp.'s financing and profit-and-loss experience may be useful in assessing this allegation. The petitioner's original project study concerning the establishment of a codfish fishing and processing industry in Puerto Rico, which was conducted in 1981, may also be helpful in assessing this issue. A translation of this study is included in app. C of this report. 4/

* * * * *

1/ Statement of William E. Wells, exhibit 7; transcript, p. 59.

2/ Citicorp study, p. 29.

3/ Post-Conference Brief on Behalf of Petitioner, p. 1.

4/ This translation was done by Jack Simmons of the Commission's staff.

**The Question of the Causal Relationship Between Alleged
Material Injury and Alleged LTFV Imports from Canada**

U.S. imports

Imports of dried salted codfish are provided for in item 111.22, which is a "basket" item containing both wet and dried salted cod, cusk, haddock, hake, and pollock. 1/ U.S. imports from Canada under the item declined sharply from 31.5 million pounds in 1981 to 25.6 million pounds in 1983, or by 19 percent (table 6). Imports remained stable from January-June 1983 to January-June 1984, at 11 million pounds. Imports from Canada accounted for 97 percent or more of total U.S. imports under this item during each period.

Table 6.--Dried salted codfish, cusk, haddock, hake, and pollock 1/: U.S. imports for consumption, 1981-83, January-June 1983, and January-June 1984

Source	1981	1982	1983	January-June--	
				1983	1984
Quantity (1,000 pounds)					
Canada	31,548	30,286	25,572	11,111	11,056
Norway	549	418	609	206	403
Spain	2	1	80	1	40
All other	49	54	131	9	49
Total	32,149	30,759	26,392	11,327	11,548
Value (1,000 dollars)					
Canada	35,115	32,917	26,370	10,255	10,986
Norway	1,046	762	1,419	350	548
Spain	5	3	117	3	58
All other	98	133	206	13	77
Total	36,263	33,814	28,112	10,621	11,669
Unit value (per pound)					
Canada	\$1.11	\$1.09	\$1.03	\$0.92	\$0.99
Norway	1.90	1.82	2.33	1.70	1.36
Spain	2.09	2.18	1.47	2.34	1.43
All other	1.99	2.45	1.56	1.51	1.55
Average	1.13	1.10	1.07	.94	1.01

1/ TSUS item 111.22.

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

1/ Both heavy salted and light salted fish are included in this basket.

Imports of dried salted codfish, as reported by eight respondents to the Commission's importer's questionnaire, are presented in table 7. These eight importers are estimated to account for 75-80 percent of all U.S. imports of dried salted codfish from Canada in 1983. Imports decreased from 14.8 million pounds in 1981 to 14.0 million pounds in 1983, or by 5.6 percent. Such imports declined slightly from 7.7 million pounds in January-June 1983 to 7.5 million pounds in January-June 1984.

Table 7.--Dried salted codfish: U.S. imports for consumption from Canada, 1981-83, January-June 1983, and January-June 1984

Item	1981	1982	1983	January-June--	
				1983	1984
Quantity-----1,000 pounds--:	14,818	14,161	13,984	7,698	7,495
Value-----1,000 dollars--:1/	15,225	14,565	17,627	8,812	7,873
Unit value-----per pound--:	***	***	***	\$1.14	\$1.05

1/ Data are believed to be significantly understated as a large importer, * * *, did not provide data.

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

Market penetration

The Commission's usual analysis of market penetration (i.e. the ratio of imports to apparent consumption) is not meaningful in this investigation due to the fact that imports accounted for virtually all consumption prior to the sale of fish by Codfish Corp. in January 1983. Comparisons of the market share captured from imports by Codfish Corp. in subsequent periods (1983 and January-June 1983 and 1984) are limited due to the lack of data. However, if apparent consumption in 1983 is estimated to be the sum of Canadian exports to the United States and Codfish Corp's domestic shipments, Codfish Corp. accounted for * * * percent of apparent consumption.

Prices

U.S.-produced dried salted codfish and imports from Canada compete directly in sales to retailers in Puerto Rico. The Commission's questionnaires requested price data for the four largest selling types of this product: 1/ small codfish, choice ordinary cure; medium codfish, choice ordinary cure; polybag codfish; small ordinary cure; and small codfish, choice dry cure. The data were requested by quarters, from January-March 1982 to April-June 1984. All of the products are marketed in 50-pound boxes, with the exception of the polybag codfish, which is marketed in 20-pound boxes. Data supplied by four importers are used in this price section. One major importer, * * *, which consistently reported far lower prices than those of other importers, only provided complete data for 1983 and 1984. Although this firm provided quarterly prices for 1982, its quantities of shipments were not included with its prices and therefore this firm's data could not be used to compute weighted average prices during this period. Consequently, the weighted average import prices presented in tables 8, 9, and 10 are overstated for 1982. As a result, the sharp decline in import prices between 1982 and 1983 that is suggested by the data in these tables is also overstated.

Price trends.--In each of the four categories the U.S.-produced product decreased in price from the quarter in which it was first reported to the quarter in which it was last reported. 2/ The price of U.S.-produced small codfish, choice ordinary cure, declined from * * * in January-March 1983 to * * * in April-June 1984 (table 8). The U.S. price for medium codfish, choice ordinary cure, declined from * * * in January-March 1983 to * * * in January-March 1984 (table 9). U.S.-produced polybag codfish declined from * * * in January-March 1984 to * * * in April-June 1984 (table 10), and U.S.-produced small codfish, choice dry cure, declined from * * * in January-March 1983 to * * * in April-June 1984 (table 11).

The Commission developed a weighted average price for the imported Canadian dried salted codfish in each category and quarter. The price tables also display ranges of prices for the imported products in each quarter. For small codfish, choice ordinary cure, the importers' weighted average price stayed within a * * * price range during 1982, but it declined to * * * in January-March 1983 and decreased further to * * * in October-December 1983, before recovering to * * * in April-June 1984. However, there was a considerable range in the importers' prices for this product. For example, in April-June 1984 the importer's prices ranged from * * * to * * *. The lowest importer's price was usually below the U.S. producer's price during 1983 and 1984. For medium codfish, choice ordinary cure, the importers' weighted average price remained narrowly between * * * and * * * in 1982.

1/ The petitioner estimates that these four items account for at least 85 percent of all sales of dried salted codfish in Puerto Rico.

2/ Price controls were in effect on sales of dried salted codfish by retailers in Puerto Rico until Sept. 16, 1983. These controls allowed distributors to mark-up codfish by only 8.5 percent from their cost, which was freely negotiated with the producer and importers. Transcript, p. 76.

Table 8.—Small codfish, choice ordinary cure: Weighted average prices reported by the U.S. producer and importers, in dollars, and margins of underselling, in percent, January 1982-June 1984

Period	: U.S. : : produced :	: Imported : : weighted : : average : : price :	: Lowest : : import : : price :	: Highest : : import : : price :	Margin of underselling <u>1/</u>	
					<u>Dollar</u>	<u>Percent</u>
1982:						
January-March-----	<u>2/</u>	<u>3/</u> ***	***	***		
April-June-----	<u>2/</u>	<u>3/</u> ***	***	***		
July-September-----	<u>2/</u>	<u>3/</u> ***	<u>5/</u> ***	***		
October-December---	<u>2/</u>	<u>3/</u> ***	***	***		
1983:						
January-March-----	***	***	***	***	***	<u>4/</u> ***
April-June-----	***	***	***	***	***	***
July-September-----	***	***	***	***	***	<u>4/</u> ***
October-December---	***	***	***	***	***	***
1984:						
January-March-----	***	***	***	***	***	<u>4/</u> ***
April-June-----	***	***	***	***	***	<u>4/</u> ***

1/ Margins calculated from importers' weighted average price.

2/ No sales reported.

3/ Does not include the lowest import price, for which no quantity of sales was reported.

4/ Represents a margin of overselling.

5/ Does not include a response by * * *, which provided the lowest price reported in all other quarters.

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

Table 9.--Medium codfish, choice ordinary cure: Weighted average prices reported by the U.S. producer and importers, in dollars, and margins of underselling, in percent, January 1982-June 1984

Period	: : U.S. : produced	: Imported: : weighted: : average: : price	: Lowest import price	: Highest import price	: Margin of underselling 1/		
						Dollar	Percent
1982:							
January-March-----	2/	3/ ***	***	***			
April-June-----	2/	3/ ***	***	***			
July-September-----	2/	3/ ***	***	***			
October-December-----	2/	3/ ***	***	***			
1983:							
January-March-----	***	***	***	***	***	4/	***
April-June-----	***	***	***	***	***	4/	***
July-September-----	***	***	***	***	***	4/	***
October-December-----	***	***	***	***	***	4/	***
1984:							
January-March-----	***	***	***	***	***	4/	***
April-June-----	2/	***	***	***			

1/ Margins calculated from importers' weighted average price.

2/ No sales reported.

3/ Does not include the lowest import price, for which no quantity of sales was reported.

4/ Represents a margin of overselling.

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

Table 10.--Polybag codfish (20 lb. box), small ordinary cure: Weighted average prices reported by the U.S. producer and importers, in dollars, and margins of underselling, in percent, January 1982-June 1984

Period	U.S. produced	Imported weighted average price	Lowest import price	Highest import price	Margin of underselling <u>1/</u>		
					Dollar	Percent	
1982:							
January-March-----	<u>2/</u>	<u>3/</u> ***	***	***			
April-June-----	<u>2/</u>	<u>3/</u> ***	***	***			
July-September-----	<u>2/</u>	<u>3/</u> ***	***	***			
October-December----	<u>2/</u>	<u>3/</u> ***	***	***			
1983:							
January-March-----	<u>2/</u>	***	***	***			
April-June-----	<u>2/</u>	***	***	***			
July-September-----	<u>2/</u>	***	***	***			
October-December----	<u>2/</u>	***	***	***			
1984:							
January-March-----	***	***	***	***	***	<u>4/</u>	***
April-June-----	***	***	***	***	***	<u>4/</u>	***

1/ Margins calculated from importers' weighted average price.

2/ No sales reported.

3/ Represents response of one importer. Does not include the lowest import price, for which no quantity of sales was reported.

4/ Represents margin of overselling.

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

Table 11.--Small codfish choice dry cure: Weighted average prices reported by U.S. producer and importers, in dollars, and margins of underselling, in percent, January 1982-June 1984

Period	U.S. produced	Imported weighted average price	Lowest import price	Highest import price	Margin of underselling <u>1/</u>	
					Dollar	Percent
1982:						
January-March-----	<u>2/</u>	<u>3/</u> ***				
April-June-----	<u>2/</u>	<u>3/</u> ***				
July-September-----	<u>2/</u>	<u>3/</u> ***				
October-December----	<u>2/</u>	<u>3/</u> ***				
1983:						
January-March-----	***	<u>3/</u> ***			***	***
April-June-----	***	<u>3/</u> ***			***	***
July-September-----	***	<u>3/</u> ***			***	***
October-December----	***	<u>3/</u> ***			***	***
1984:						
January-March-----	***	<u>3/</u> ***			***	***
April-June-----	***	<u>3/</u> ***			***	***

1/ Margins calculated from importers' weighted average price.

2/ No sales reported.

3/ Represents the response of one importer.

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

In January-March 1983, however, the weighted average importers' price declined to * * * then fell to * * * in April-June 1984 (table 9). At its greatest extent, in January-March 1983, the range of the importers' prices for this product was * * * to * * *. For polybag codfish, the single importer reporting prices in 1982 showed them to be between * * * and * * * (table 10). The weighted average, however, * * * in January-March 1983. The importers' price range, at its greatest extent in January-March 1983, was between * * * and * * *. The weighted average then increased irregularly, to * * * in April-June 1983 and to * * * in April-June 1984. Finally, for Canadian small codfish, choice dry cure, only one importer reported prices for the period covered by this investigation (table 11). This price * * * from * * * in January-March 1982 to * * * in July-September 1983. It * * * for the next two quarters before * * * to * * * in April-June 1984.

Margins of underselling.--In all categories and in most quarters, the importers' weighted average price was somewhat higher than the U.S. producer's price. For small codfish, choice ordinary cure (table 8), margins of underselling amounted to * * * percent in April-June 1983 and * * * percent in October-December. The importers' weighted average price was higher than the U.S. price, however, by * * * percent in January-March 1983, by * * * percent in July-September 1983, and by * * * percent during January-June 1984. For

medium codfish, choice ordinary cure, the importers' weighted average price was * * * percent higher than the U.S. producer's price in January-March 1983, * * * percent higher in July-October 1983, and * * * percent higher in January-March 1984 (table 9). For polybag codfish, the importers' weighted average price was higher than the U.S. producer's price by * * * percent in January-March 1984 and by * * * percent in April-June 1984 (table 10). For small codfish, choice dry cure, there was a * * * percent margin of * * * in January-March 1983. The importers' weighted average price, * * * (table 11).

Exchange rates.--Table 12 presents the nominal and real exchange rate indexes for U.S. dollars per Canadian dollars. The real exchange rate index that is displayed represents the nominal exchange rate index adjusted for the difference in the relative inflation rates between the United States and Canada.

Table 12.--U.S.-Canadian exchange rates: Indexes of the nominal and real exchange rates between the U.S. dollar and the Canadian dollar, by quarters, January 1982-March 1984

January-March 1982 = 100				
Period	:	Nominal Exchange Rate Index (US\$/CN\$)	:	Real Exchange Rate Index (US\$/CN\$)
1982:	:		:	
January-March-----:	:	100.0	:	100.0
April-June-----:	:	97.1	:	98.2
July-September-----:	:	96.7	:	98.6
October-December-----:	:	98.1	:	100.3
1983:	:		:	
January-March-----:	:	98.5	:	101.3
April-June-----:	:	98.2	:	102.1
July-September-----:	:	98.0	:	101.8
October-December-----:	:	97.6	:	101.4
1984:	:		:	
January-March-----:	:	96.3	:	100.5
April-June-----:	:	96.3	:	100.5

Source: International Monetary Fund, International Financial Statistics (Washington, D.C.: I.M.F., 1984).

As can be seen from the table, the nominal value of the Canadian dollar depreciated against the nominal value of the U.S. dollar by 3.7 percent between January-March 1982 and January-March 1984. The real (inflation-adjusted) index, however, shows that the Canadian dollar actually appreciated slightly against the U.S. dollar, by 2.1 percent in April-June 1983 and by 0.5 percent in January-March 1984.

Transportation costs

Dried salted codfish and wet salted codfish are shipped to Puerto Rico in refrigerated containers to prevent spoilage. Shipping rates to Puerto Rico, as provided by * * * and * * *, are as follows:

<u>To Puerto Rico from:</u>	<u>Cost</u> <u>(Cents per pound)</u>
Alaska (Kodiak)-----	<u>1/</u> 18
Boston-----	10.5
Canada-----	11-14

1/ * * *.

Codfish Corp. has purchased its raw material, wet salted codfish, from Alaska, Boston, and Canada. The transportation costs for this item, which contains water that will be evaporated, is greater than those for dried salted codfish. For example, wet salted codfish loses between 18 and 20 percent of its weight when converted to ordinary cure dried salted codfish. Transportation costs for dried salted codfish and wet salted codfish which will be converted to ordinary cure, on a dry equivalent basis, are presented in the following tabulation:

<u>To Puerto Rico from:</u>	<u>Dried salted codfish</u> <u>(cents per pound)</u>	<u>Wet salted codfish</u> <u>(dried equivalent) <u>1/</u></u>
Alaska (Kodiak)-----	18	21.24
Boston-----	10.5	12.39
Canada-----	11-14	12.98-16.52

1/ Assuming an 18 percent weight loss in conversion.

Lost sales

There were no specific allegations of lost sales in this investigation.

Lost revenues

Codfish Corp. provided three allegations of revenues lost due to imports from Canada in response to the lost revenues question in the Commission's questionnaire.

The first allegation involved a sale of * * * pounds (* * * boxes) of small, ordinary cure codfish to * * * in * * * 1984. Codfish Corp. lowered its price from * * * per box to * * * per box, for a total reduction of * * * in response to a quote of * * * per box for Canadian codfish. * * * the bacalao buyer for * * *, stated that he has purchased bacalao from Codfish Corp., and has found * * *.

The second allegation involved a sale of * * * boxes of small, ordinary cure codfish to * * * in January 1984. In response to a quote on Canadian codfish, Codfish Corp. had to lower its price from * * * per box to * * * per box, for a total reduction of * * *. The staff was unable to contact this firm to check this allegation.

The final allegation involved a sale of * * * pounds (* * * boxes) of small, standard ordinary cure codfish to * * * in * * * 1983. Codfish Corp. lowered its initial quote from * * * per box to * * * per box in response to a quote on Canadian fish, for a total price reduction of * * *. * * * stated that he has purchased codfish from Codfish Corp., and that he * * *.

APPENDIX A

FEDERAL REGISTER NOTICES

[Investigation No. 731-TA-193
(Preliminary)]

**Certain Dried Salted Codfish From
Canada**

AGENCY: United States International
Trade Commission.

ACTION: Institution of preliminary
antidumping investigation and
scheduling of a conference to be held in
connection with the investigation.

EFFECTIVE DATE: July 19, 1984.

SUMMARY: The United States
International Trade Commission hereby
gives notice of the institution of a
preliminary investigation under section
733(a) of the Tariff Act of 1930 (19 U.S.C.
1673b(a)) to determine whether there is
a reasonable indication that an industry
in the United States is materially
injured, or is threatened with material
injury, or the establishment of an
industry in the United States is
materially retarded, by reason of
imports from Canada of cod, which has
been dried and salted, whether or not
whole, but not otherwise prepared or
preserved, and not in airtight containers,
provided for in item 111.22 of the Tariff
Schedules of the United States, which
are alleged to be sold in the United
States at less than fair value.

FOR FURTHER INFORMATION CONTACT:
Mr. David Coombs, Office of
Investigations, U.S. International Trade
Commission, 701 E Street, NW.,
Washington, D.C. 20436, telephone 202-
523-1376.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted
in response to a petition filed on July 19,
1984, by Codfish Corporation, Ponce,
Puerto Rico. The Commission must
make its determination in this
investigation within 45 days after the
date of the filing of the petition, or by
September 4, 1984 (19 CFR 207.17).

Participation

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 seven (7) days after the
publication of this notice in the *Federal
Register*. Any entry of appearance filed

after this date will be referred to the
Chairwoman, who shall determine
whether to accept the late entry for good
cause shown by the person desiring to
file the entry.

Service of Documents

The Secretary will compile a service
list from the entries of appearance filed
in this investigation. Any party
submitting a document in connection
with the investigation shall, in addition
to complying with § 201.8 of the
Commission's rules (19 CFR 201.8), serve
a copy of each such document on all
other parties to the investigation. Such
service shall conform with the
requirements set forth in § 201.16(b) of
the rules (19 CFR 201.16(b)).

In addition to the foregoing, each
document filed with the Commission in
the course of this investigation must
include a certificate of service setting
forth the manner and date of such
service. This certificate will be deemed
proof of service of the document.
Documents not accompanied by a
certificate of service will not be
accepted by the Secretary.

Written Submissions

Any person may submit to the
Commission on or before August 14,
1984, a written statement of information
pertinent to the subject matter of this
investigation (19 CFR 207.15). A signed
original and fourteen (14) copies of such
statement must be submitted (19 CFR
201.8).

Any business information which a
submitter desires the Commission to
treat as confidential shall be submitted
separately, and each sheet must be
clearly marked at the top "Confidential
Business Data." Confidential
submissions must conform with the
requirements of § 201.6 of the
Commission's rules (19 CFR 201.6). All
written submissions, except for
confidential business data, will be
available for public inspection.

Conference

The Director of Operations of the
Commission has scheduled a conference
in connection with this investigation for
9:30 a.m. on August 10, 1984, at the U.S.
International Trade Commission
Building, 701 E Street, NW., Washington,
D.C. Parties wishing to participate in the
conference should contact Mr. David
Coombs (202-523-1376), not later than
August 8, 1984, to arrange for their
appearance. Parties in support of the
imposition of antidumping duties in this
investigation and parties in opposition
to the imposition of such duties will
each be collectively allocated one hour

within which to make an oral presentation at the conference.

Public Inspection

A copy of the petition and all written submissions, except for confidential business data, will be available for public inspection during regular hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201). Further information concerning the conduct of the conference will be provided by Mr. Coombs.

This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: July 24, 1984.

Kenneth R. Mason,
Secretary.

[FR Doc. 84-20362 Filed 7-31-84; 8:45 am]

BILLING CODE 7020-02-M

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the United States Department of Commerce, we are initiating an antidumping duty investigation to determine whether certain dried salted codfish from Canada are being, or are likely to be, sold in the United States at less than fair value. We are notifying the United States International Trade Commission (ITC) of this action so that it may determine whether imports of this product materially injure, or threaten material injury to, a United States industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before September 4, 1984, and we will make ours on or before December 26, 1984.

EFFECTIVE DATE: August 14, 1984.

FOR FURTHER INFORMATION CONTACT: Mary Jenkins, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230, telephone: (202) 377-1756.

SUPPLEMENTARY INFORMATION:**The Petition**

On July 19, 1984, we received a petition in proper form filed by Codfish Corporation, Ponce, Puerto Rico, on behalf of the U.S. industry producing cod. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petitioner alleged that the imports of the subject merchandise from Canada are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act), and that these imports are materially injuring, or threaten material injury to, a United States industry. The petitioner based United States price on Canadian offers for sale to Puerto Rican wholesalers. Since the petitioner was unable to secure home market or third country prices for the merchandise subject to this investigation, foreign market value was based on the price of raw material in Canada and United States producers' costs of processing the raw material into the product under investigation. The petitioner states that U.S. processors' costs are approximately the same as those experienced in Canada. Using this comparison, there are apparent dumping margins from 4 to 24 percent.

[A-122-402]

Certain Dried Salted Codfish From Canada; Initiation of Antidumping Duty Investigation

AGENCY: International Trade Administration, Import Administration, Commerce.

Initiation of Investigation

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation and whether it contains information reasonably available to the petitioners supporting the allegations. We have examined the petition on cod, and we have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether cod from Canada are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by December 26, 1984.

Scope of Investigation

The term "certain dried salted codfish" covers cod, which has been dried and salted, whether or not whole, but not otherwise prepared or preserved, and not in airtight containers, as currently provided for in the Tariff Schedules of the United States item number 111.22.

Notification to ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information either publicly or under an administrative protective order without the consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by September 4, 1984, whether there is a reasonable indication that imports of cod from Canada are materially injuring, or threaten material injury to, a United States industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory procedures.

Dated: August 8, 1984.

Alan F. Holmer,
*Deputy Assistant Secretary for Import
Administration.*

APPENDIX B

WITNESSES APPEARING AT THE CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-199 (Preliminary)

CERTAIN DRIED SALTED CODFISH FROM CANADA

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigation on August 10, 1984, in the Hearing Room of the USITC Building, 701 E Street, N.W., Washington, D.C.

In support of the petition

Codfish Corporation
Paulo da Cunha, President

Frederick Bush & Associates)
Frederick Morris Bush, President) —Consultants
James Nunes & Associates)
James H. Nunes, President)

In opposition to the petition

O'Melveny & Myers—Counsel
Washington, D.C.
on behalf of

Canadian Saltfish Corp.
William Wells, President

Mendez & Co.
Jose Arturo Alvarez, Vice President

Canadian Fish Exporters
Robert Metafora, President

Gary N. Horlick)
Judith Hippler Bello) —OF COUNSEL

APPENDIX C

CODFISH CORP.'S MARKET FEASIBILITY STUDY

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