Lamb Meat: Evaluation of the Effectiveness of Import Relief

Investigation No. TA-204-8

Publication 3512

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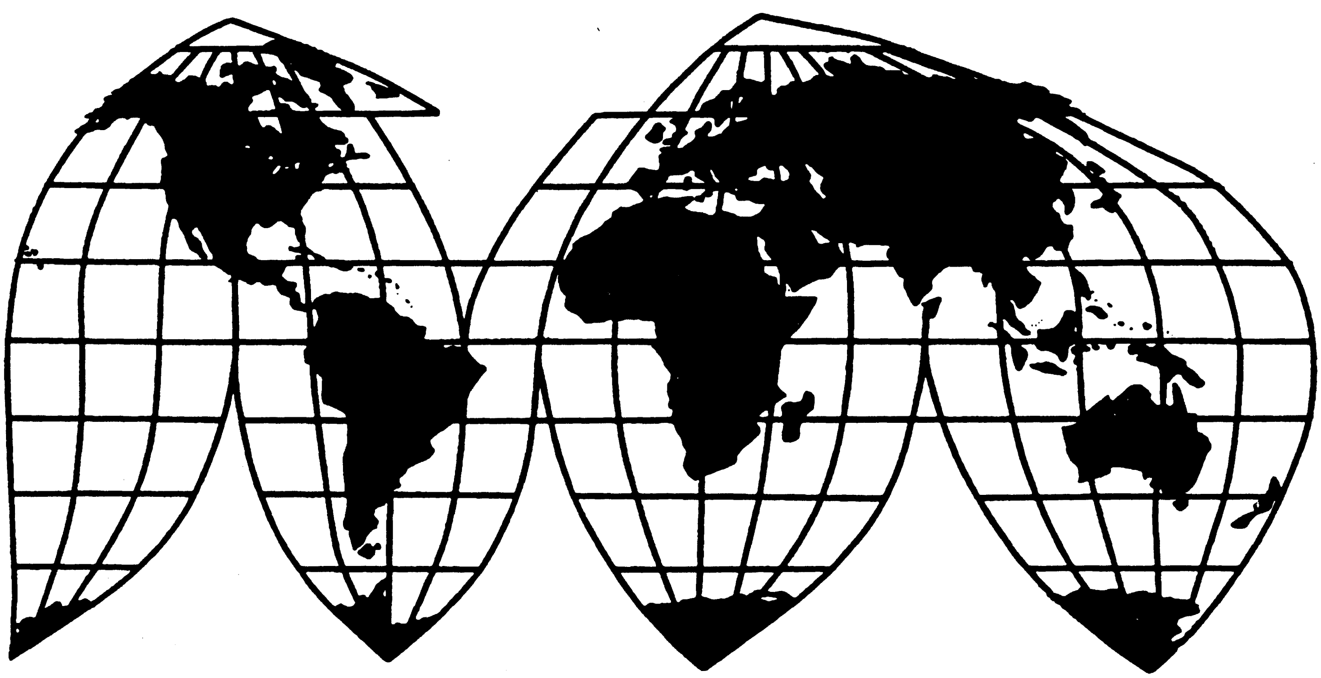
U.S. International Trade Commission



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Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

Washington, DC 20436

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Note.–Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

PART I: INTRODUCTION

BACKGROUND

On November 15, 2001, President Bush terminated the safeguard action imposed by President Clinton in July 1999 on imports of lamb meat. The action, taken under section 203 of the Trade Act of 1974 (the Act), was in the form of a tariff-rate quota (TRQ) on imports of fresh, chilled and frozen lamb meat for a period of three years and one day. Section 204(d) of the Act requires that the Commission, after termination of any action taken under section 203, is to "evaluate the effectiveness of the actions in facilitating positive adjustment by the domestic industry to import competition, consistent with the reasons set out by the President in the report submitted to the Congress under section 203(b)."[1] Accordingly, effective January 22, 2002, the Commission instituted investigation No. TA-204-8, Lamb Meat: Evaluation of the Effectiveness of Import Relief. The evaluation must be completed no later than 180 days after the termination of the relief, which in this case is May 14, 2002.[2]

President Clinton took the action in July 1999, after receiving a report from the Commission in April 1999 containing an affirmative injury determination and remedy recommendation under section 202 of the Act (investigation No. TA-201-68, *Lamb Meat*).[3] The Commission reported that it had determined that lamb meat was being imported into the United States in such increased quantities as to be a substantial cause of the threat of serious injury to the domestic industry producing an article like or directly competitive with the imported article.[4] The Commission conducted the investigation following receipt of a petition on October 7, 1998, from the American Sheep Industry Association (ASI), Englewood, CO; Harper Livestock Company, Eaton, CO; the National Lamb Feeders Association (NLFA), Salem, OR; Winters Ranch Partnership, Del Rio, TX; Godby Sheep Company, Eaton, CO; Talbott Sheep Company, Los Banos, CA; Iowa Lamb Corporation, Hawarden, IA; Ranchers' Lamb of Texas, Inc., San Angelo, TX; and Chicago Lamb & Veal Company, Chicago, IL.[5]

Subsequent to the receipt of the Commission's determination and remedy recommendation, the President, on July 7, 1999, issued Proclamation 7208, which imposed import relief in the form of the TRQ.[6] [7] As originally proclaimed, the safeguard measure applied to lamb meat imported during the

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[1] A copy of the report (memorandum), identified as *Action Under Section 203 of the Trade Act of 1974 Concerning Lamb Meat*, is presented in appendix A. 64 FR 37393, July 12, 1999.

[2] 67 FR 4284, January 29, 2002. A copy of the Commission's *Federal Register* notice is presented in appendix A. Entries of appearance were filed on behalf of Meat New Zealand and Meat and Livestock Australia. However, both organizations subsequently withdrew their entries.

[3] *See, Lamb Meat* (investigation No. TA-201-68, USITC Publication No. 3176, April 1999). The imported article covered by this finding was lamb meat, which is defined as the edible muscle of an immature sheep (usually under one year of age).

[4] The Commission was unanimous in its finding.

[5] On November 1, 2000, ConAgra Lamb Company, Greeley, CO, requested to be recognized as a petitioner to the investigation.

[6] Proclamation 7208 was subsequently amended by Proclamation 7214 of July 30, 1999, which made the relief effective for goods exported on or after July 22, 1999, thereby exempting some shipments from application of the relief. Copies of Presidential Proclamations 7208 and 7214 are presented in appendix A.

[7] In addition to the TRQ, the President, on July 7, 1999, directed the Administration to develop an effective

(continued...)

period July 22, 1999 through July 22, 2002; however, as discussed below, the TRQ was terminated early (effective November 15, 2001). On January 22, 2001, the Commission also submitted to the President and the Congress a midterm report, required under section 204(a) of the Act, that provided the results of the Commission's monitoring of developments with respect to the lamb meat industry since the imposition of the TRQ on imports of lamb meat.[8]

Information relating to the background and schedule of the investigation is presented in table I-1. The Commission held a public hearing on April 16, 2002; however, no parties appeared to offer testimony or make written submissions.

Table I-1
Lamb meat: Background and scheduling information related to the investigation

Effective date	Action	*Federal Register* citation
October 7, 1998	Petition properly filed with the Commission; institution of inv. No. TA-201-68	63 FR 56940, October 23, 1998
April 5, 1999	Commission's affirmative findings and recommendations transmitted to the President	64 FR 18448, April 14, 1999
July 7, 1999	Proclamation 7208 issued by the President imposing a TRQ on imports of fresh, chilled and frozen lamb meat	64 FR 37389, July 9, 1999
July 30, 1999	Proclamation 7214 issued by the President adjusting the administration of the TRQ to exempt from the measure goods that were exported prior to July 22, 1999	64 FR 42265, August 4, 1999
January 22, 2001	Commission's midterm monitoring report (inv. No. TA-204-3) submitted to the President and the Congress	Not applicable
November 15, 2001	Termination of TRQ	66 FR 57837, November 19, 2001
January 22, 2002	Institution of inv. No. TA-204-8 for the purpose of preparing a report to the President and the Congress on the effectiveness of the relief action	67 FR 4284, January 29, 2002
April 16, 2002	Date of the Commission's hearing	Not applicable
May 14, 2002	Commission's report transmitted to the President and the Congress	Not applicable

Source: *Federal Register* notices.

[7] (...continued)
adjustment assistance package to help the domestic lamb meat industry to make a positive adjustment to import competition. *See* the section of this report entitled "Domestic Lamb Industry Adjustment Assistance Program" for further details.

[8] *Lamb Meat* (investigation No. TA-204-3), USITC Publication No. 3389, January 2001.

THE WORLD TRADE ORGANIZATION DISPUTE

The U.S. lamb meat safeguard measure was challenged in October 1999 by Australia and New Zealand under the World Trade Organization (WTO) dispute settlement procedures. In December 2000 a WTO dispute panel issued a report finding that the lamb meat safeguard measure was inconsistent with WTO rules. The United States appealed the decision to the WTO Appellate Body, which in May 2001 upheld in part the ruling. The United States Trade Representative (USTR) announced on August 31, 2001 that a settlement agreement had been reached with Australia and New Zealand. Under the terms of the agreement the United States would end its TRQ but continue to provide adjustment assistance to domestic lamb producers through FY 2003. The U.S. lamb industry was reported to have given its full support to the agreement.[9] On November 14, 2001, the President issued Proclamation 7502 providing for early termination of the TRQ on lamb meat.[10]

THE PRODUCT

The imported product subject to this investigation is fresh, chilled or frozen lamb meat. Excluded from the scope of the investigation are imports of live lambs and sheep and meat of mature sheep (mutton).[11] Domestic and imported lamb meat can frequently be differentiated on the basis of three characteristics. First, domestic lamb carcasses and the cuts derived from them are typically larger than imported carcasses and cuts. In addition, domestic lamb meat is typically derived from animals that have been grain fed, whereas imported lamb meat is derived from animals that have been grass fed. Finally, domestic lamb meat is generally sold fresh or chilled, while imported lamb meat is often sold frozen. However, the volume of imported fresh, chilled lamb meat had increased over the period examined in the midterm review and in 1999 accounted for a majority (54.3 percent) of the lamb meat entering into the United States. In 2001, the volume of imported fresh, chilled lamb meat accounted for 63.8 percent of total U.S. imports of lamb meat.[12]

See the midterm report prepared by the Commission (*Lamb Meat* (investigation No. TA-204-3)) for additional information on the physical characteristics and uses of domestically grown lambs and those grown in Australia and New Zealand.

U.S. TARIFF TREATMENT

U.S. imports of fresh, chilled or frozen lamb meat are subject to import duties (tariffs) as provided for in subheadings 0204.10.00, 0204.22.20, 0204.23.20, 0204.30.00, 0204.42.20, and 0204.43.20 of the *Harmonized Tariff Schedule of the United States* (HTS). The column 1-general rate of duty for all subject lamb meat is 0.7 cent per kilogram; this rate represents the final stage of the duty reductions resulting from the Uruguay Round of multilateral trade negotiations. (The *ad valorem* equivalent for 2001 was 0.2 percent exclusive of TRQ duties and 5.8 percent when TRQ rates are included).

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[9] USTR Press Release dated August 31, 2001 at *www.ustr.gov*.

[10] A copy of Proclamation 7502 is presented in appendix A.

[11] In the United States, most sheep and lambs are kept mainly for the production of meat; however, some dual-purpose breeds are kept for the production of both wool and meat.

[12] *See* official statistics of the U.S. Department of Commerce (Commerce).

DESCRIPTION OF THE TARIFF-RATE QUOTA

Presidential Proclamation 7208 imposed a safeguard action (a TRQ) under section 203(a)(3) of the Act applicable to U.S. imports of the subject lamb meat. As discussed earlier, the safeguard measures applied to goods exported on or after July 22, 1999, and were to run for a period of 3 years and 1 day but were terminated early (effective November 15, 2001). U.S. imports under the TRQ trigger level were assessed a tariff rate of 9 percent *ad valorem* for year 1 of the TRQ, 6 percent for year 2, and 3 percent for year 3. The rate of duty for over-quota imports was 40 percent *ad valorem* for year 1, decreasing to 32 and 24 percent, respectively, over the next 2 years. These duty rates were in lieu of the general rate of duty of 0.7 cent per kilogram.

The in-quota quantity in year 1 was 31,851,151 kg (70.2 million pounds), to be increased by 857,342 kg (1.9 million pounds) annually in the second and third years of relief. Individual country allocations were established for Australia and New Zealand, and an "other countries" category was established within the TRQ (table I-2). The TRQ did not apply to lamb meat produced in Canada, Mexico, or Israel, with which the United States has entered into free trade agreements, and beneficiary countries under the Carribean Basin Economic Recovery Act and the Andean Trade Preference Act. These countries have accounted for a minor share of U.S. lamb meat imports. The safeguard TRQ provisions were set forth in HTS subheadings 9903.02.01 through 9903.02.06.

The in-quota quantities were tracked through an export certificate program which was established by USTR and monitored by the U.S. Customs Service.[13] Under the program only lamb meat imports that were issued an export certificate entered at the in-quota duty rate. The Australian and New Zealand Government authorities administered the export certificates for lamb meat exports to the United States. The export certificate program was agreed to by the U.S., Australian, and New Zealand Governments in part to ensure a steady supply of lamb meat from Australia and New Zealand to satisfy the demand of U.S. importers, retailers, and consumers.

Petitioners proposed during the midterm monitoring investigation (*Lamb Meat* (investigation No. TA-204-3)) that the safeguard measure be modified in order to compensate for the effects of the "devaluations" of the Australian and New Zealand currencies. They suggested that the rate of the currency devaluation for Australia and New Zealand for a given year be added to the new in-quota and out-of-quota tariff rates for the next quota year. Petitioners asserted that currency devaluations in Australia and New Zealand resulted in significantly lower priced exports to the United States.[14] Petitioners further requested that the annual quota year be divided into four equal quarters with separate licenses issued for one-fourth of the total yearly quota level in each quarter. Petitioners contended that

[13] The program was offered to countries that were provided a specific in-quota allocation under the TRQ. *See*, *USTR Implementation of the Temporary Tariff-Rate Quota for Imports of Lamb Meat*, 64 FR 56429 (October 20, 1999).

[14] Petitioners' prehearing brief submitted in *Lamb Meat* (investigation No. TA-204-3), pp. 8 and 57.

Table I-2
Fresh, chilled or frozen lamb meat subject to in-quota rates of duty: In-quota allocations, by country, quota years 1-3[1]

Country	Quota year		
	1	2	3
	Quantity (*pounds*)		
Australia	37,786,300	38,803,400	39,820,498
New Zealand	31,926,461	32,785,831	33,645,199
Other countries	506,988	520,633	534,281
Total	70,219,748	72,109,863	73,999,978

[1] Quota year 1 was July 22, 1999 through July 21, 2000; quota year 2 was July 22, 2000 through July 21, 2001; and quota year 3 was to be July 22, 2001 through July 22, 2002.

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

Source: USITC, *HTS (2000)*, Temporary Modifications Established Pursuant to Trade Legislation, p. 99-35. The in-quota quantities, reported in kilograms in the *HTS*, were converted to pounds using 2.204622 as the conversion factor.

administering the quota on a quarterly basis would provide greater stability to market supply.[15] Respondent parties[16] opposed petitioners' requests and argued that the safeguard action should be terminated. Respondent parties contended that the U.S. industry had not improved in any significant and sustainable way since the safeguard action was introduced. They claimed that the measure had been ineffective in facilitating adjustment by the U.S. industry, and that restraining import growth had contributed to the industry's continued decline.[17]

SUMMARY OF DATA PRESENTED IN THE REPORT

The majority of the data presented in this report are for the period 1997 to 2001; the Commission's report in the original import injury investigation (investigation No. TA-201-68) contained data for the 1993 to 1997 period. The trade, financial, and pricing information for the lamb industry is largely drawn from the Commission's report for the midterm review (*Lamb Meat* (investigation No. TA-204-3)), which was submitted to the President and Congress in January 2001. Additional questionnaires for this final evaluation were also sent to growers, feeders, packers, and breakers; the response rate,

[15] Petitioners' posthearing brief submitted in *Lamb Meat* (investigation No. TA-204-3), pp. 24-25.

[16] Respondent parties included foreign producers of lamb meat in Australia (i.e., Meat and Livestock Australia) and New Zealand (i.e., Meat New Zealand), the Governments of Australia and New Zealand, and the Lamb Meat Importers' Committee. Transhumance Holding Company, Inc. and the National Meat Association also entered entries of appearance and provided testimony at the Commission's hearing during the midterm review.

[17] *See* the report of the midterm review (*Lamb Meat* (investigation No. TA-204-3)) for further details.

however, from these firms was below that obtained during the midterm review on lamb meat.[18] However, where possible, narrative information has been included from the responses that were received. In addition, data from secondary sources, primarily from statistics compiled by the U.S. Department of Agriculture (USDA) and Commerce, have also been utilized.

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[18] (1) With reference to the growers, 30 firms returned usable questionnaires showing production of 102,542 lambs in 1999 compared to 94 usable questionnaires received in the midterm review showing production of 292,832 lambs in 1999 (which accounted for 6.2 percent of the U.S. lamb crop in 1999). (2) With reference to feeders, 7 firms returned usable questionnaires showing production of 1,130,582 lambs in 1999 compared to 16 usable questionnaires received in the midterm review showing production of 1,880,019 lambs in 1999 (which accounted for 74.3 percent of the slaughter lambs fed in U.S. feedlots in 1999). (3) With reference to packers, 4 firms returned usable questionnaires showing production of *** pounds compared to 5 usable questionnaires received in the midterm review showing production of 186.3 million pounds in 1999 (which accounted for 78.1 percent of U.S. production of lamb meat in 1999, based on USDA data). (4) With reference to breakers, 3 firms returned usable questionnaires showing production of *** pounds compared to 4 usable questionnaires received in the midterm review showing production of 60.4 million pounds (which accounted for 25.3 percent of the slaughter lambs fed in feedlots in 1999, based on USDA data).

Quantitative data for the 1999-2001 period have been compiled from responses to the current questionnaires; these data are presented in appendix B.

PART II: THE U.S. MARKET[1]

U.S. PRODUCERS

The domestic operations involved in producing lamb meat include lamb growers and feeders, and lamb meat packers and breakers (processors).

Growers

Sheep and lambs are raised throughout the United States but are concentrated in the West, where in many areas they are the only suitable agricultural crop. Some growers also engage in other sheep-raising activity, such as feeding. Growers can be divided into two categories: (1) purebred breeders, who keep purebred animals and sell rams for breeding purposes, and (2) commercial market lamb producers, who maintain flocks for the production of feeder or slaughter lambs. In 2001, the number of U.S. sheep-raising operations totaled 65,120, down by 10.4 percent from 1997 (72,680 operations).[2]

Questionnaires were sent during the midterm review to a geographically diverse sample of 162 growers and/or feeders of lambs based on USDA data showing the distribution of grower operations by state.[3] Responses were received from 116 firms (94 were usable), including 11 that sometimes feed their lambs to slaughter weight rather than send them to commercial feedlots.[4]

Feeders

Feeders are firms that maintain feedlots where lambs are fed on grain or other concentrates until they reach slaughter weight. Lamb feeding tends to be concentrated in the Western States, although there are some large feedlots in Iowa and Kansas. According to questionnaire data received during the midterm review (weighted by the number of lambs sold in 1999), 72.2 percent of lambs enter feedlots before slaughter. Feeders generally buy their lambs from ranchers or farmers, or feed lambs for other people on a fee-for-service or some type of partnership basis. Most lambs are born in the spring and shipped to feeders in the fall. Questionnaires were sent during the midterm review to 30 firms believed to be lamb feeders; usable responses were received from 16 feeder operations, including 2 growers that

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[1] *See* the midterm report (*Lamb Meat* (inv. No. TA-204-3)) for information on the foreign lamb meat industries in Australia and New Zealand. At the time of the midterm review, there were reportedly 17 producers of lamb meat in Australia that exported to the United States and 10 companies in New Zealand that exported lamb meat to the United States (9 of which were producers). No significant changes in the composition of the Australian lamb meat industry have occurred since the midterm report was issued. ***. ***. ***.

[2] The USDA defines a sheep-raising operation as a ranch having 1or more sheep on hand at any time during the year. USDA data show that in 2001, 90.8 percent of operations with animals kept for breeding purposes had from 1 to 99 head, 7.5 percent had from 100 to 499 head, 1.6 percent had from 500 to 4,999 head, and 0.1 percent had 5,000 or more head. USDA, National Agricultural Statistical Service (NASS), *Sheep and Goats*, various issues.

[3] *See* the midterm report prepared by the Commission (*Lamb Meat* (investigation No. TA-204-3)) for additional information on the construction of the sample of growers.

[4] For consistency of response, questionnaires for the current investigation were sent to the same domestic operations that were surveyed during the midterm review; 34 growers returned questionnaires (30 were usable).

also maintain feeder operations and ***, which maintains ownership of its lambs while they are in feedlots.[5]

Packers

Lamb packers are companies that slaughter lambs, regardless of whether they process lamb meat. Typically, plants deal with a single species of meat animal; however, a few plants may process other animals of a similar size, such as veal calves or goats. Some vertical integration exists, in that some packers further divide or "break" lamb carcasses into primal, subprimal, or retail cuts, and some also operate lamb feedlots.

The packing industry is somewhat concentrated, with eight plants accounting for about 84 percent of the sheep and lambs slaughtered in 2001.[6] Questionnaires were sent during the midterm review to 14 firms believed to be packers of lamb meat, and 5 firms provided usable data.[7] ConAgra Lamb, ***, accounted for *** percent of total reported packing operations in 1999. ConAgra Lamb is headquartered in Omaha, NE. Iowa Lamb (Hawarden, IA), Ranchers' Lamb of Texas (San Angelo, TX), Transhumance,[8] and Wolverine (Detroit, MI) accounted for *** percent, *** percent, *** percent, and *** percent, respectively, of reported lamb meat packing operations in 1999.

Breakers

Breakers divide carcasses into primal, subprimal, or retail cuts for resale to nonbreaker wholesalers or retail outlets. As with packers, many of the breakers devote only a portion of their overall operations to the processing of lamb. Questionnaires were sent during the midterm review to 12 firms believed to be lamb meat breakers, and 4 companies provided usable data.[9] In 1999, Catelli Bros. ***, representing *** percent of reported lamb meat processing in 1999. Iowa Lamb accounted for *** percent of reported lamb meat processing in 1999. Premier Veal, headquartered in New York, represented *** percent of reported lamb meat processing in 1999. Transhumance ***, accounting for *** percent of total breaker operations in 1999, based on questionnaire responses.

U.S. IMPORTERS

The Commission sent questionnaires during the midterm review to 19 firms believed to be importers of lamb meat.[10] Fifteen firms responded affirmatively to the questionnaire. Seven firms

[5] Seven feeders, including 1 grower that also maintains feeder operations, returned usable questionnaires during the current investigation.

[6] USDA, NASS, *Livestock Slaughter 2001 Summary*, March 2002.

[7] Responses were received during the midterm review from ***. Four of these firms (namely, ***) responded to the current questionnaires.

[8] Transhumance is a holding company that includes a number of firms.

[9] Usable data were received during the midterm review from Catelli Bros., Iowa Lamb, Premier Veal, and Transhumance. ***.

[10] The U.S. importer list was compiled from information provided by the U.S. Customs Service.

reported importing from both Australia and New Zealand.[11] The majority of the lamb meat imported from Australia is fresh, chilled lamb meat, while the majority of imports from New Zealand is frozen lamb meat. The Commission did not mail importer questionnaires in the current investigation since official statistics on U.S. imports of fresh, chilled or frozen lamb are available from Commerce.

CHANNELS OF DISTRIBUTION

Most lamb meat is sold to retailers (predominantly grocery stores), hotels, restaurants, and institutions that prepare food for consumption. These establishments generally purchase lamb meat from breakers, wholesalers, or distributors.[12] Some packers also produce retail cuts as well and sell directly to retailers. The majority of the shipments of lamb meat reported by the packers during the midterm review, however, went to breakers. The breakers, in turn, reported that about *** percent of their shipments of lamb meat went to retailers, while approximately *** percent went to distributors and *** percent went directly to restaurants and food service establishments. The remainder of breakers' shipments went to others, such as wholesalers.

U.S.-produced and imported lamb meat are generally sold through the same channels of distribution. The channels of distribution for breakers remained roughly constant throughout the period examined, although an increasing amount of importers' shipments of lamb meat were sent directly to retailers as proportionally more fresh, chilled product entered the United States. (The majority of the frozen lamb meat imported from both Australia and New Zealand was shipped to distributors during the midterm review.)

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of lamb meat are presented in table II-1. Apparent consumption rose steadily from 1997 to 2001, increasing by 7.8 percent in terms of quantity, except for a slight decline from 1999 to 2000. The decline in apparent consumption in 2000 reflects a decline in U.S. producers' shipments, inasmuch as imports rose. Monthly consumption is generally higher during holiday periods, such as Easter.

U.S. IMPORTS[13]

U.S. imports of lamb meat based on Commerce official statistics are shown in table II-2. U.S. imports from all sources rose from 60.4 million pounds in 1997 to 108.2 million pounds in 2001, which represented an increase of 79.1 percent in terms of quantity. The value of such imports rose from $137.6 million in 1997 to $234.6 million in 2001, or by 70.5 percent. Australia and New Zealand accounted for virtually all U.S. lamb meat imports during the period. The share of lamb meat imports, by quantity, supplied by Australia rose steadily from 54.6 percent and 54.5 percent in 1997 and 1998, respectively, to 62.6 percent in 2001. The share of imports, by quantity, supplied by New Zealand peaked in 1998 at 44.7 percent and then declined steadily to 36.6 percent in 2001.

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[11] Only 1 U.S. producer, ***, reported importing lamb meat.

[12] Lamb meat, including carcasses, is increasingly sold as boxed lamb, which is lamb meat that has been divided into primal or subprimal cuts and sealed in air-tight plastic material.

[13] *See* the midterm report (*Lamb* (investigation No. TA-204-3)) for data on U.S. importers' inventories.

Table II-1
Lamb meat: U.S. producers' shipments, U.S. imports, by sources, and apparent U.S. consumption, 1997-2001

Item	Calendar year				
	1997	1998	1999	2000	2001
	Quantity (*1,000 pounds, carcass weight equivalent*)				
U.S. producers' shipments	246,219	242,908	241,456	222,954	222,380
U.S. imports from–					
Australia	32,969	42,438	48,587	57,883	67,774
New Zealand	26,417	34,799	33,991	35,227	39,576
All others	1,042	577	474	1,453	854
Total U.S. imports	60,428	77,813	83,052	94,563	108,204
Apparent consumption	306,647	320,722	324,508	317,517	330,584
	Value (*$1,000*)[1]				
U.S. producers' shipments	410,766	359,016	390,177	(2)	(2)
U.S. imports from–					
Australia	69,892	77,284	94,117	117,946	133,576
New Zealand	66,560	79,288	86,505	90,625	99,368
All others	1,195	1,130	1,211	2,033	1,703
Total U.S. imports	137,647	157,702	181,833	210,605	234,647
Apparent consumption	548,413	516,717	572,010	(2)	(2)

[1] Value is the landed, duty-paid value.
[2] Not available.

Source: U.S. producers' shipment quantities estimated by staff using lamb slaughter and average carcass weight statistics of USDA, adjusting for changes in stocks; U.S. producers' shipment values estimated by staff using packers' average unit values of U.S. shipments as reported in Commission questionnaires; and imports based on Commerce statistics converted to carcass weight equivalents using USDA conversion factors.

Table II-2
Fresh, chilled or frozen lamb meat: U.S. imports, by principal sources, 1997-2001

Source	Calendar year				
	1997	1998	1999	2000	2001
	Quantity (*1,000 pounds, carcass weight equivalent*)				
Australia	32,969	42,438	48,587	57,883	67,774
New Zealand	26,417	34,799	33,991	35,227	39,576
All others	1,042	577	474	1,453	854
Total	60,428	77,813	83,052	94,563	108,204
	Value (*$1,000*)[1]				
Australia	69,892	77,284	94,117	117,946	133,576
New Zealand	66,560	79,288	86,505	90,625	99,368
All others	1,195	1,130	1,211	2,033	1,703
Total	137,647	157,702	181,833	210,605	234,647
	Unit value (*per pound*)				
Australia	$2.12	$1.82	$1.94	$2.04	$1.97
New Zealand	2.52	2.28	2.54	2.57	2.51
All others	1.15	1.96	2.55	1.40	1.99
Total	2.28	2.03	2.19	2.23	2.17
	Share of total quantity (*percent*)				
Australia	54.6	54.5	58.5	61.2	62.6
New Zealand	43.7	44.7	40.9	37.3	36.6
All others	1.7	0.7	0.6	1.5	0.8
Total	100.0	100.0	100.0	100.0	100.0
	Share of total value (*percent*)				
Australia	50.8	49.0	51.8	56.0	56.9
New Zealand	48.4	50.3	47.6	43.0	42.3
All others	0.9	0.7	0.7	1.0	0.8
Total	100.0	100.0	100.0	100.0	100.0

[1] Value is the landed, duty-paid value.

Source: Compiled from official statistics of Commerce. The statistics were converted to carcass-weight equivalent on the basis of factors used by USDA. The factor used to convert bone-in lamb cuts (HTS subheadings 0204.22.20 and 0204.42.20) was 1.0 and the factor used to convert boneless lamb cuts (HTS subheadings 0204.23.20 and 0204.43.20) was 1.52. Import data are reported in kilograms.

Table II-3 shows U.S. imports of fresh, chilled or frozen lamb meat by principal sources and by types for 1997-2001. U.S. imports of fresh, chilled lamb meat from all sources rose steadily from 24.2 million pounds in 1997 to 69.1 million pounds in 2001, or by 185.7 percent. Imports of frozen lamb meat, in contrast, rose only by 8.0 percent on an overall basis during the 1997-2001 period. Further, U.S. imports of frozen lamb meat actually declined in 1998-1999 and again in 2000-2001. U.S. imports of fresh, chilled lamb meat as a share of total imports rose steadily from 40.0 percent in 1997 to 63.8 percent in 2001, whereas U.S. imports of frozen lamb meat declined from 60.0 percent of total imports in 1997 to 36.2 percent in 2001. Australia was the principal supplier of fresh, chilled lamb meat imports during 1997-2001, accounting for 73.8 percent of such imports in 2001. New Zealand, in contrast, was the leading supplier of frozen lamb meat during the period and accounted for 55.5 percent in 2001. The majority of U.S. imports during the period consisted of fresh, chilled or frozen bone-in cuts, followed by boneless cuts and then carcasses.

U.S. IMPORTS RELATIVE TO PRODUCTION

As shown in table II-4, the ratio of total imports to U.S. production rose steadily from 1997 to 2001. Further, the ratios of imports from Australia and New Zealand individually rose each year during the 1997-2001 period, except for a slight dip in the ratio of imports from New Zealand in 1999.

U.S. MARKET SHARES

Market shares based on U.S. producers' shipments and U.S. imports are presented in table II-5. The United States, Australia, and New Zealand supply virtually all of U.S. consumption of lamb meat. Between 1997 and 2001, U.S. producers lost market share by quantity, while Australia and New Zealand gained market share.

Table II-3
Fresh, chilled or frozen lamb meat: U.S. imports, by principal sources and by types, 1997-2001

Country	Type	1997	1998	1999	2000	2001
		Quantity (*pounds, carcass weight equivalent*)				
		Fresh, chilled				
Australia	Carcasses	1,329,524	3,834,841	4,368,545	5,517,708	7,023,061
	Bone-in cuts	8,622,896	13,700,908	17,381,740	23,011,066	30,185,208
	Boneless cuts	6,205,318	7,830,988	8,333,092	10,106,301	13,788,334
	Subtotal	16,157,738	25,366,737	30,083,377	38,635,075	50,996,603
New Zealand	Carcasses	73,641	17,339	40,876	3,492	0
	Bone-in cuts	4,992,492	7,617,115	9,131,487	8,249,777	10,489,896
	Boneless cuts	2,884,884	4,806,372	5,684,941	6,154,141	7,363,768
	Subtotal	7,951,017	12,440,826	14,857,304	14,407,411	17,853,664
All other	Carcasses	3,684	4,248	16,297	56,026	8,430
	Bone-in cuts	54,999	87,043	117,288	80,202	99,971
	Boneless cuts	7,305	56,666	1,414	16,946	103,945
	Subtotal	65,988	147,957	134,999	153,174	212,347
Total	Carcasses	1,406,849	3,856,428	4,425,718	5,577,226	7,031,492
	Bone-in cuts	13,670,387	21,405,066	26,630,515	31,341,045	40,775,075
	Boneless cuts	9,097,508	12,694,026	14,019,447	16,277,388	21,256,047
	Subtotal	24,174,744	37,955,520	45,075,680	53,195,660	69,062,614
		Frozen				
Australia	Carcasses	211,566	567,816	882,887	664,581	915,035
	Bone-in cuts	10,312,649	10,739,106	9,586,521	11,309,316	9,497,646
	Boneless cuts	6,286,725	5,763,861	8,034,703	7,274,218	6,364,623
	Subtotal	16,810,940	17,070,783	18,504,112	19,248,116	16,777,304
New Zealand	Carcasses	627,074	653,642	629,351	597,708	1,266,161
	Bone-in cuts	15,201,797	18,119,978	16,074,900	17,425,443	17,901,857
	Boneless cuts	2,637,100	3,584,418	2,429,346	2,796,323	2,554,547
	Subtotal	18,465,970	22,358,037	19,133,597	20,819,474	21,722,565
All other	Carcasses	313,061	29,707	0	16,380	138,126
	Bone-in cuts	481,778	244,709	200,087	955,944	446,597
	Boneless cuts	181,545	154,707	138,816	327,372	56,595
	Subtotal	976,384	429,123	338,903	1,299,696	641,319
Total	Carcasses	1,151,701	1,251,165	1,512,238	1,278,670	2,319,322
	Bone-in cuts	25,996,224	29,103,793	25,861,508	29,690,703	27,846,100
	Boneless cuts	9,105,369	9,502,985	10,602,866	10,397,914	8,975,765
	Subtotal	36,253,294	39,857,943	37,976,612	41,367,286	39,141,187
		Fresh, chilled and frozen				
Total		60,428,038	77,813,464	83,052,292	94,562,946	108,203,801

Source: Compiled from Commerce official statistics.

Table II-4
Lamb meat: U.S. production, U.S. imports, by sources, and ratios of imports to production, 1997-2001

Item	Calendar year				
	1997	**1998**	**1999**	**2000**	**2001**
	Quantity (*1,000 pounds, carcass weight equivalent*)				
U.S. production	250,779	241,713	238,475	227,669	220,844
U.S. imports from–					
Australia	32,969	42,438	48,587	57,883	67,774
New Zealand	26,417	34,799	33,991	35,227	39,576
All others	1,042	577	474	1,453	854
Total U.S. imports	60,428	77,813	83,052	94,563	108,204
	Ratio to U.S. production (*percent*)				
U.S. imports from--					
Australia	13.1	17.6	20.4	25.4	30.7
New Zealand	10.5	14.4	14.3	15.5	17.9
All others	0.4	0.2	0.2	0.6	0.4
Total U.S. imports	24.1	32.2	34.8	41.5	49.0

Source: U.S. production estimated by staff using lamb slaughter, farm production, and average carcass weight statistics of USDA; imports based on Commerce statistics converted to carcass-weight equivalents using USDA conversion factors.

Table II-5
Lamb meat: Apparent U.S. consumption and market shares, 1997-2001

Item	Calendar year				
	1997	1998	1999	2000	2001
	Quantity (*1,000 pounds, carcass weight equivalent*)				
Apparent consumption	306,647	320,722	324,508	317,517	330,584
	Value (*$1,000*)				
Apparent consumption	548,413	516,717	572,010	(1)	(1)
	Share of quantity (*percent*)				
U.S. producers' shipments	80.3	75.7	74.4	70.2	67.3
U.S. imports from–					
Australia	10.8	13.2	15.0	18.2	20.5
New Zealand	8.6	10.9	10.5	11.1	12.0
All others	0.3	0.2	0.1	0.5	0.3
Total U.S. imports	19.7	24.3	25.6	29.8	32.7
	Share of value (percent)				
U.S. producers' shipments	74.9	69.5	68.2	(1)	(1)
U.S. imports from–					
Australia	12.7	15.0	16.5	(1)	(1)
New Zealand	12.1	15.3	15.1	(1)	(1)
All others	0.2	0.2	0.2	(1)	(1)
Total U.S. imports	25.1	30.5	31.8	(1)	(1)

[1] Not available.

Source: U.S. producers' shipment quantities estimated by staff using lamb slaughter and average carcass weight statistics of USDA, adjusting for changes in stocks; U.S. producers' shipment values estimated by staff using packers' average unit values of U.S. shipments as reported in Commission questionnaires; and imports based on Commerce statistics converted to carcass weight equivalents using USDA conversion factors.

PART III: CONDITION OF THE U.S. INDUSTRY[1]

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Growers[2] and Feeders

Decisions made by growers largely determine the supply of domestic lamb meat in the U.S. market. Growers decide on a yearly basis if ewe lambs will be sold for slaughter or kept for breeding purposes. When the ewe lambs are kept for breeding rather than sold for slaughter, the growers are optimistic and plan for increased production of lambs in the future. Alternatively, the decision to sell ewe lambs for slaughter will lead to a declining lamb crop in the future. The lamb crop also depends on the number of lambs born per ewe.

Data regarding U.S. production of lambs, based on USDA statistics, are summarized in table III-1. The number of ewes one year old and older that were kept for breeding purposes declined to 4.1 million animals on July 1, 2001, down only 1.2 percent from July 1, 2000, compared to a decline of 14.2 percent from July 1, 1997 to July 1, 2000. The lambing rate was essentially flat. U.S. live lamb production, as measured by the lamb crop, declined by 15.4 percent between 1997 and 2000[3] and is projected to decline by another 2.5 percent in 2001 (compared to 2000). The number of replacement lambs under one year old peaked in 1998 then declined steadily, totaling 640,000 on July 1, 2001 for a decline of 20.0 percent. However, the inventory figure of 733,500 replacement lambs as of January 1, 2002 is 8.7 percent higher than the 675,000 lambs reported as of January 1, 2001.[4] An increase in the number of ewes retained for breeding purposes (including replacement lambs) in several major sheep producing States, including Texas and Colorado, contributed to the increase in the January 1, 2002 replacement lambs inventory. The newly established ewe lamb expansion payment program also contributed to the rise.[5]

Table III-2 presents questionnaire data on the number of lambs born during each of the periods shown. The lamb crop reported by growers increased by 2.0 percent from 1997 to 1999 but then declined by 4.7 percent between January-June 1999 and January-June 2000. Table III-2 also presents production data for feeders. The number of lambs fed, as reported by feeders, declined by 11.6 percent from 1997 to 1999 and by 5.6 percent between January-June 1999 and January-June 2000.

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[1] Data presented in Part III are based on U.S. producers' questionnaire responses in the midterm review unless otherwise noted. Also *see* the midterm report (*Lamb Meat* (investigation No. TA-204-3)) for data on purchases and direct imports by U.S. producers as well as for data on inventories maintained by U.S. packers and breakers.

[2] USDA data indicate that the number of sheep operations in the United States declined steadily from 72,680 in 1997 to 65,120 in 2001.

[3] Data are as of July 1 of the calendar year.

[4] USDA, NASS, *Sheep and Goats*, February 1, 2002, p. 5.

[5] USDA, ERS, *Livestock, Dairy and Poultry Situation and Outlook*, LDP-M-92, February 2002, p. 8.

Table III-1
Sheep and lambs: U.S. ewes kept, replacement lambs, lambing rate, and lamb crop, 1997-2001

Item	Calendar year				
	1997	1998	1999	2000	2001
Ewes kept, one year old and older[1] (*1,000 animals*)	4,795	4,555	4,380	4,115	4,065
Replacement lambs, under one year old[1] (*1,000 animals, includes ewes and rams*[2])	750	800	755	710	640
Lambing rate[3]	1.09	1.10	1.09	1.07	1.09
Lamb crop (*1,000 animals*)	5,356	5,007	4,719	4,530	4,415[4]

[1] As of July 1 of the year shown.
[2] Rams account for about 5 percent of replacement lambs.
[3] Number of lambs born per ewe.
[4] Projected based on 3,935,000 lambs born during January-June and 510,000 estimated to be born during July-December.

Source: USDA, NASS, *Sheep and Goats*, annual issues, and NASS, *Sheep*, July 17, 1998, July 16, 1999, July 21, 2000, and July 20, 2001.

Table III-2
Lambs: Lamb crop and production, 1997-99, January-June 1999, and January-June 2000

Item	Calendar year			January-June	
	1997	1998	1999	1999	2000
Lamb crop (*number of lambs born*)[1]	287,038	288,454	292,832	264,617	252,063
Production (*number of lambs fed*)[2]	2,127,135	1,865,538	1,880,019	950,910	897,495

[1] Lamb crop reported by growers in their questionnaire responses to the midterm review. Reporting growers accounted for 6.2 percent of the U.S. lamb crop in 1999.
[2] The number of lambs fed reported by feeders in their questionnaire responses to the midterm review. Reporting feeders accounted for 74.3 percent of the slaughter lambs fed in feedlots in 1999.

Source: Compiled from data submitted in response to Commission questionnaires during the midterm review.

Packers and Breakers

The tabulation below presents commercial lamb slaughter, based on official USDA statistics, and production of lamb meat by U.S. producers, estimated by staff using lamb slaughter, farm production, and average carcass weight statistics of USDA. As reported during the midterm review, both lamb slaughter and U.S. production of lamb meat decreased by 4.9 percent from 1997 to 1999. During 1999-2001, the number of lambs slaughtered declined by 12.6 percent, whereas U.S. lamb meat production

Item	Calendar year				
	1997	1998	1999	2000	2001
Commercial lamb slaughter (*number of lambs*)	3,686,700	3,585,500	3,506,100	3,286,500	3,065,000
U.S. production (*1,000 pounds*)	250,779	241,713	238,475	227,669	220,844
Average dressed weight of lambs/yearlings (*pounds*)	67.0	66.3	66.8	68.0	70.9

declined by only 7.4 percent. U.S. lamb meat production reflects both the number of lambs slaughtered and the average carcass weight. The average carcass weight rose from 67 pounds in 1999 to nearly 71 pounds in 2001, thus slowing the decline in lamb meat production during 1999-2001 despite the greater decrease in the number of lambs slaughtered.

U.S. capacity, production, and capacity utilization data for both packers and breakers that were reported in response to questionnaires issued during the midterm review are presented in table III-3. As shown, capacity increased for U.S. packers by 20.5 percent from 1997 to 1999, and remained unchanged for the interim periods. Production by U.S. packers decreased slightly by 0.2 percent from 1997 to 1999, and then decreased by 4.6 percent between January-June 1999 and January-June 2000. Capacity utilization decreased by 14.3 percentage points from 1997 to 1999. Reported capacity utilization for the January-June 2000 period was 3.3 percentage points less than it was in the same period in 1999. Capacity for U.S. breakers rose by 6.8 percent from 1997 to 1999 and by 48.6 percent between January-June 1999 and January-June 2000. ***. Production by U.S. breakers also increased, by 10.6 percent from 1997 to 1999 and by 8.4 percent between the interim periods. Capacity utilization increased by 2.2 percentage points from 1997 to 1999 before dropping by 17.6 percentage points between January-June 1999 and January-June 2000.

Table III-3
Lamb meat: U.S. packers' and U.S. breakers' capacity and production, 1997-99, January-June 1999, and January-June 2000

Capacity and production are in 1,000 pounds, cwe					
Item	Calendar year			January-June	
	1997	1998	1999	1999	2000
	Packers				
Capacity	223,096	257,638	268,888	133,729	133,729
Production[1]	186,554	188,359	186,252	96,728	92,252
Capacity utilization (*percent*)	83.6	73.1	69.3	72.3	69.0
	Breakers				
Capacity	88,782	94,834	94,834	47,419	70,461
Production[2]	54,634	63,309	60,441	30,892	33,485
Capacity utilization (*percent*)	61.5	66.8	63.7	65.1	47.5
Notes on next page.					

Continuation.

[1] Reporting packers accounted for 78.1 percent of U.S. production of lamb meat in 1999, based on USDA data presented in table II-4.
[2] Reporting breakers accounted for 25.3 percent of U.S. production of lamb meat in 1999, based on USDA data presented in table II-4.

Source: Compiled from data submitted in response to Commission questionnaires during the midterm review.

U.S. PRODUCERS' U.S. SHIPMENTS

Questionnaire data on U.S. shipments of lambs by growers and feeders and of lamb meat by packers and breakers are presented in table III-4. As shown, U.S. shipments of lambs by growers rose by 4.5 percent from 1997 to 1999 while the value of such shipments fell by 10.0 percent, resulting in a decline of 14.0 percent in the per-lamb unit value from 1997 to 1999. The quantity of U.S. shipments by growers, however, fell in January-June 2000 compared to January-June 1999, declining by 8.8 percent, while the value of U.S. shipments rose 3.2 percent, resulting in an increase of 13.1 percent in the per-lamb unit value in the interim periods.

U.S shipments of lambs by feeders, in terms of quantity, declined by 9.0 percent from 1997 to 1999 and fell again by 5.6 percent in January-June 2000 compared to January-June 1999. The value of U.S. shipments also fell (by 28.6 percent from 1997 to 1999 and by 2.1 percent during the interim periods) while the unit value per lamb decreased by 21.5 percent from 1997 to 1999 then rose by 3.7 percent in January-June 2000 compared to January-June 1999.

As shown in table III-4, U.S. shipment trends for packers of lamb meat were generally similar to those reported by the feeders, with the quantity, value, and unit values of U.S. shipments falling from 1997 to 1999 by 2.2 percent, 5.3 percent, and 3.0 percent, respectively. However, while the quantity of U.S. shipments by packers continued to decline in January-June 2000 compared to January-June 1999, falling by 6.3 percent, the value of such shipments rose by 9.1 percent, resulting in a 16.6-percent rise in the unit value during the interim periods.

Both the quantity and value of U.S. shipments of lamb meat by breakers rose from 1997 to 1999 and again from January-June 1999 to January-June 2000, with the quantity and value increasing by 13.4 percent and 7.9 percent, respectively, from 1997 to 1999 and by 5.8 percent and 12.2 percent, respectively, during the interim periods. The unit value of breakers' U.S. shipments declined by 4.7 percent from 1997 to 1999, then rose by 6.0 percent from January-June 1999 to January-June 2000.

The tabulation below presents data on shipments of lamb meat by U.S. packers, as estimated by staff using lamb slaughter and average carcass weight statistics of USDA, adjusted for changes in stocks. U.S. producers' shipments fell steadily by 9.7 percent from 1997 to 2001.

Item	Calendar year				
	1997	1998	1999	2000	2001
	Quantity (*1,000 pounds*)				
U.S. producers' shipments	246,219	242,908	241,456	222,954	222,380

Table III-4
Lambs and lamb meat: U.S. shipments by U.S. growers, U.S. feeders, U.S. packers, and U.S. breakers, 1997-99, January-June 1999, and January-June 2000

Item	Calendar year			January-June	
	1997	1998	1999	1999	2000
			U.S. growers		
Quantity (*number of lambs*)	237,626	240,661	248,362	74,160	67,650
Value (*1,000 dollars*)	24,090	20,760	21,672	6,838	7,058
Unit value (*per lamb*)	$101.41	$86.26	$87.26	$92.20	$104.32
			U.S. feeders		
Quantity (*number of lambs*)	2,115,728	1,858,840	1,924,300	947,982	894,457
Value (*1,000 dollars*)	283,761	203,273	202,618	113,665	111,258
Unit value (*per lamb*)	$134.12	$109.35	$105.29	$119.90	$124.39
			U.S. packers		
Quantity (*1,000 pounds*)	186,802	185,032	182,631	96,966	90,832
Value (*1,000 dollars*)	311,641	273,475	295,120	146,237	159,492
Unit value (*per pound*)	$1.67	$1.48	$1.62	$1.51	$1.76
			U.S. breakers		
Quantity (*1,000 pounds*)	53,304	61,503	60,430	30,285	32,028
Value (*1,000 dollars*)	113,784	118,187	122,741	60,234	67,544
Unit value (*per pound*)	$2.13	$1.92	$2.03	$1.99	$2.11

Note.--Interim data for growers are relatively low because most firms do not ship lambs until after June.

Source: Compiled from data submitted in response to Commission questionnaires during the midterm review.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Employment, wage, and productivity data (where available) reported during the midterm review for each of the production sectors in the domestic lamb industry are presented in table III-5. As shown, each employment indicator for lamb growers rose from 1997 to 1999. During January-June 2000 compared to January-June 1999, the number of production and related workers fell while hours worked, wages paid, and hourly wages continued to rise. The employment data reported by growers are, however, significantly understated. Most of the growers reported no employees over the period examined.[6] In addition, many of the growers who did report employment data indicated that most of

[6] According to a majority of the growers who did not report employment data, the owner of the ranch and additional family members are the only people working on the ranch. The owners reported that they do not employ any workers nor are any wages paid.

Table III-5
Average number of production and related workers (PRWs) employed and their hours worked, wages paid, and hourly wages, by production sector in the domestic lamb meat industry, as well as productivity and unit labor costs for lamb meat packers, 1997-99, January-June 1999, and January-June 2000

Item	Calendar year			January-June	
	1997	1998	1999	1999	2000
	Lamb growers				
PRWs	456	466	472	429	424
Hours worked by PRWs (*1,000 hours*)	841	872	892	517	525
Wages paid to PRWs (*1,000 dollars*)	4,511	4,524	4,577	2,292	2,322
Hourly wages	$4.17	$4.17	$4.20	$3.80	$3.96
	Lamb feeders				
PRWs	65	59	54	54	51
Hours worked by PRWs (*1,000 hours*)	176	158	131	65	67
Wages paid to PRWs (*1,000 dollars*)	1,649	1,603	1,636	779	830
Hourly wages	$10.13	$10.63	$13.28	$12.89	$13.34
	Lamb meat packers				
PRWs	720	804	803	817	804
Hours worked by PRWs (*1,000 hours*)	1,420	1,710	1,733	873	909
Wages paid to PRWs (*1,000 dollars*)	18,094	19,460	20,820	11,932	12,187
Hourly wages	$12.74	$11.38	$12.01	$13.67	$13.41
Productivity (*pounds per hour*)	131.4	110.2	107.5	110.8	101.5
Unit labor costs (*per pound*)	$0.10	$0.10	$0.11	$0.12	$0.13
	Lamb meat breakers				
PRWs	118	120	126	126	126
Hours worked by PRWs (*1,000 hours*)	261	265	278	139	139
Wages paid to PRWs (*1,000 dollars*)	4,170	4,226	4,264	2,132	2,136
Hourly wages	$15.97	$15.94	$15.36	$15.35	$15.32

Note.--Data for packers are overstated because one company, ***, was not able to break out its employment data between its packing and breaking operations and, therefore, data for both operations are included under packing operations. As a consequence, data for breakers are understated.

Source: Compiled from data submitted in response to Commission questionnaires during the midterm review.

their employees are on the job 24 hours a day, 7 days a week; therefore, an accurate account of hours worked is not available. A number of those growers also reported that, in addition to paying wages to their employees, the owners also pay for food, housing, and insurance coverage. As a result, the reported wages paid do not reflect the actual cost of labor to the growers.

The number of PRWs in the feeder segment of the industry decreased steadily on an annual basis with the number of hours worked likewise falling from 1997 to 1999, although a small increase in hours worked was reported during the interim periods while the number of PRWs continued to fall from January-June 1999 to January-June 2000. The hourly wages paid rose from 1997 to 1999 and again in interim 2000 compared to interim 1999. Employment data are, however, understated because 10 firms that are directly or indirectly involved in feeder operations did not report complete employment data. Most of these firms explained that only family members work on the ranch and no other workers are employed.

The number of PRWs in the packer sector increased on an overall basis from 1997 to 1999, but decreased between January-June 1999 and January-June 2000. The number of hours worked rose from 1997 to 1999, while hourly wages decreased from 1997 to 1998 before increasing in 1999. Hours worked rose between January-June 1999 and January-June 2000, and hourly wages declined over the same period. Wages paid increased steadily throughout the period reviewed while reported productivity fell. Unit labor costs remained steady, increasing by only small amounts from 1997 to 1999 and again in the interim periods.

Employment data for breakers are also presented in table III-5. The number of PRWs reported in the breaker segment of the industry and their hours worked each increased from 1997 to 1999 then remained constant between January-June 1999 and January-June 2000. Hourly wages, however, fell from 1997 to 1999 and then decreased again between January-June 1999 and January-June 2000.

FINANCIAL CONDITION OF U.S. PRODUCERS

Background

Usable data on live lamb operations were provided by 76 growers,[7] 3 grower/feeders,[8] and 10 feeders[9] in the midterm review.[10] The reporting growers accounted for approximately 5 percent of the U.S. lamb crop in 1999. The reporting feeders[11] represented approximately 17 percent of the slaughter lambs fed in feedlots in 1999, based on questionnaire data indicating that 72.2 percent of lambs slaughtered in 1999 were fed in feedlots.

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[7] Sixty-four growers have the calendar year as their fiscal yearend; other fiscal yearends are January (2), February (2), March (1), May (1), June (2), October (2), and November (2).

[8] All 3 grower/feeders have the calendar year as their fiscal yearend.

[9] Seven feeders have the calendar year as their fiscal yearend; 2 have June, and 1 has July.

[10] Interim data for the growers and grower/feeders are not presented because many of the firms did not provide interim data, others had one-half year's expense with no revenue, and others had a full year's revenue with one-half year's expense. The data were not considered meaningful.

[11] The feeder data do not include ***. *See* discussion in the packer and packer/breaker sections of the financial data.

Usable data on lamb meat operations were provided by two packers[12] and two packer/breakers.[13] The reporting packers and packer/breakers represent approximately 80 percent of the 1999 estimated commercial lamb slaughter derived from USDA data. No usable data were provided by the breakers.

Operations of Lamb Growers

The combined results of operations for the growers of live lambs are presented in table III-6.[14] The net sales values per slaughter lamb, feeder lamb, and ewe lamb decreased significantly in 1998 compared to 1997. The net sales value per feeder lamb increased slightly in 1999 compared to 1998, while the net sales values of slaughter lambs and ewe lambs continued to decrease. The net sales value per cull ewe decreased in 1998 compared to 1997 and then increased in 1999. The net sales value of all revenue per ewe in flock decreased in 1998 and 1999 compared to 1997. Total expenses per ewe in flock decreased in 1998 and 1999 compared to 1997 by an amount less than the decrease in net sales value, causing net losses in 1998 and 1999.

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[12] ***.

[13] ***.

[14] The grower data may not be a representative sample due to the number of questionnaires received and the variance of the data elements among the sample growers.

Table III-6
Results of operations of U.S. lamb growers, fiscal years 1997-99

Item	Fiscal year 1997	1998	1999
	Quantity (*number of ewes or lambs)*		
Average number of ewes in flock	236,459	240,538	241,288
Net sales quantity:			
Slaughter lambs	111,926	129,336	131,720
Feeder lambs	94,034	88,249	88,198
Ewe lambs	10,018	10,026	8,033
Cull ewes	29,545	28,293	27,868
Rams	1,335	898	1,196
Total sales quantity	246,858	256,802	257,015
	Value (*$1,000*)		
Net sales value:			
Slaughter lambs	11,905	12,303	12,511
Feeder lambs	8,790	6,978	7,052
Ewe lambs	947	854	623
Cull ewes	1,547	1,160	1,238
Rams	185	144	156
Wool	2,370	1,243	808
Other lamb revenue	827	502	544
Total net sales value	26,571	23,184	22,932
Expenses:			
Lambs purchased	932	511	252
Other lamb expenses	24,765	23,623	23,659
Total expenses	25,697	24,134	23,911
Net income or (loss) before income taxes	874	(950)	(979)

Table continued on next page.

Table III-6--*Continued*
Results of operations of U.S. lamb growers, fiscal years 1997-99

Item	Fiscal year		
	1997	1998	1999
	Ratio to net sales (*percent*)		
Net sales/revenue:			
Slaughter lambs	44.8	53.1	54.6
Feeder lambs	33.1	30.1	30.8
Ewe lambs	3.6	3.7	2.7
Cull ewes	5.8	5.0	5.4
Rams	0.7	0.6	0.7
Wool	8.9	5.4	3.5
Other lamb revenue	3.1	2.2	2.4
Total net sales/revenue	100.0	100.0	100.0
Expenses:			
Lambs purchased	3.5	2.2	1.1
Other lamb expenses	93.2	101.9	103.2
Total expenses	96.7	104.1	104.3
Net income or (loss) before income taxes	3.3	(4.1)	(4.3)
	Value (*per lamb or ewe)*		
Net sales/revenue:			
Slaughter lambs	$106.36	$95.12	$94.98
Feeder lambs	93.48	79.07	79.96
Ewe lambs	94.53	85.18	77.55
Cull ewes	52.36	41.00	44.42
Rams	138.58	160.36	130.43

Table continued on next page.

Table III-6--*Continued*
Results of operations of U.S. lamb growers, fiscal years 1997-99

Item	Fiscal year 1997	1998	1999
	Value *(per ewe in flock)*		
Net sales/revenue:			
Slaughter lambs	$50.35	$51.15	$51.85
Feeder lambs	37.17	29.01	29.23
Ewe lambs	4.00	3.55	2.58
Cull ewes	6.54	4.82	5.13
Rams	0.78	0.60	0.65
Wool	10.02	5.17	3.35
Other lamb revenue	3.50	2.09	2.25
Total net sales/revenue	112.37	96.38	95.04
Expenses:			
Lambs purchased	3.94	2.12	1.04
Other lamb expenses	104.73	98.21	98.06
Total expenses	108.67	100.33	99.10
Net income or (loss) before income taxes	3.70	(3.95)	(4.06)
	Number of firms reporting		
Net losses	27	48	43
Data	76	75	75

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

Operations of Lamb Grower/Feeders

The live lamb operations of the grower/feeders[15] are presented in table III-7. The combined net sales quantity of slaughter lambs increased in 1998 compared to 1997 and then decreased in 1999. However, the net sales value decreased in 1998, contributing to the *** in 1998 compared to the *** in 1997. The net sales value per slaughter lamb decreased in 1998 compared to 1997 and then increased in 1999 to a level still below 1997. Per-unit values per ewe in flock are not presented because the grower/feeders raise and feed lambs and also purchase lambs from other growers for feeding prior to slaughter.

[15] The data for the 3 grower/feeders are presented separately from growers and feeders because of the difficulty in separating growing operations from feeding operations.

Table III-7
Results of operations of U.S. lamb grower/feeders, 1997-99

*   *   *   *   *   *   *

Operations of Lamb Feeders

The live lamb operations of the lamb feeders are shown in table III-8. The net sales quantity and value of slaughter lambs trended downward from 1997 through 1999. The net sales value per slaughter lamb decreased significantly more than the decrease in total expenses, contributing to the larger loss in 1998 than in 1997. The net sales value per slaughter lamb increased in 1999 compared to 1998 while the total expenses continued to fall, contributing to the net income in 1999. In interim 2000, net sales value per slaughter lamb increased at a faster rate than total expenses, resulting in a significantly larger net income compared to interim 1999.

Table III-8
Results of operations of U.S. lamb feeders, fiscal years 1997-99, January-June 1999, and January-June 2000

Item	Fiscal year			January-June	
	1997	1998	1999	1999	2000
	Quantity (*number of lambs)*				
Slaughter lambs	675,814	500,929	424,486	183,970	204,279
	Value (*$1,000*)				
Net sales/revenue:					
Slaughter lambs	83,523	54,732	47,894	19,896	25,387
Feeding revenue	2,963	1,804	1,832	0	0
Wool	751	693	242	143	83
Other lamb revenue	669	660	862	43	84
Total net sales value	87,906	57,889	50,830	20,082	25,554
Expenses:					
Feeder lambs	66,934	47,092	37,908	15,630	19,383
Other lamb expenses	22,315	16,505	12,900	4,449	4,941
Total expenses	89,249	63,597	50,808	20,079	24,324
Net income or (loss)					
before income taxes	(1,343)	(5,708)	22	3	1,230

Table continued on next page.

Table III-8--*Continued*
Results of operations of U.S. lamb feeders, fiscal years 1997-99, January-June 1999, and January-June 2000

Item	Fiscal year			January-June	
	1997	1998	1999	1999	2000
	Ratio to net sales (*percent*)				
Net sales/revenue:					
Slaughter lambs	95.0	94.5	94.2	99.1	99.3
Feeding revenue	3.4	3.1	3.6	0.0	0.0
Wool	0.9	1.2	0.5	0.7	0.3
Other lamb revenue	0.8	1.1	1.7	0.2	0.3
Total net sales/revenue	100.0	100.0	100.0	100.0	100.0
Expenses:					
Feeder lambs	76.1	81.3	74.6	77.8	75.9
Other lamb expenses	25.4	28.6	25.4	22.2	19.3
Total expenses	101.5	109.9	100.0	100.0	95.2
Net income or (loss)					
before income taxes	(1.5)	(9.9)	0.0	0.0	4.8
	Value (*per lamb*)				
Net sales/revenue:					
Slaughter lambs	$123.59	$109.26	$112.83	$108.15	$124.28
Feeding revenue	4.38	3.60	4.32	0.00	0.00
Wool	1.11	1.38	0.57	0.78	0.41
Other lamb revenue	0.99	1.32	2.03	0.23	0.41
Total net sales/revenue	130.07	115.56	119.74	109.16	125.09
Expenses:					
Lambs purchased	99.04	94.01	89.30	84.96	94.88
Other lamb expenses	33.02	32.95	30.39	24.18	24.19
Total expenses	132.06	126.96	119.69	109.14	119.07
Net income or (loss)					
before income taxes	(1.99)	(11.39)	0.05	0.02	6.02
	Number of firms reporting				
Net losses	5	7	5	3	1
Data	10	10	10	6	6

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

Operations of Packers

The lamb meat operations of the reporting packers[16] [17] are shown in table III-9. The net sales value of lamb carcasses per pound increased each year from 1997 through 1999 while the per-pound value of pelts decreased. The total net sales value per pound decreased in 1998 compared to 1997 and then increased in 1999 to a level exceeding that in 1997; the cost of live lamb followed a similar trend. The combined companies realized ***.

Table III-9
Results of operations of U.S. packers of lamb meat, fiscal years 1997-99, January-June 1999, and January-June 2000

*   *   *   *   *   *   *

Operations of Packer/Breakers

Results of operations of the two reporting packer/breakers[18] [19] are presented in table III-10.[20] The packer/breakers realized an increasing sales value per pound in each comparative period for lamb meat/carcasses while the per-pound sales value of pelts decreased in each comparative period except interim 2000. The per-pound cost of lambs/carcasses fluctuated in tandem with the per-pound total net sales value, up in 1998, down in 1999, and up in interim 2000. The per-pound operating income ranged from ***.

Table III-10
Results of operations of U.S. packer/breakers of lamb meat, fiscal years 1997-99, January-June 1999, and January-June 2000

*   *   *   *   *   *   *

Capital Expenditures, Research and Development (R&D) Expenses, and Investment in Productive Facilities

Capital expenditures, R&D expenses, and the original cost and book value of property, plant, and equipment used in the production of live lambs for growers, grower/feeders, and feeders, and in the production of lamb meat for packers and packer/breakers, are shown in table III-11.

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[16] ***.

[17] ***.

[18] ***.

[19] ***.

[20] The data for the 2 packer/breakers are presented separately from the packers because of the difficulty in separating packer operations from breaker operations.

Table III-11
Capital expenditures, R&D expenses, and value of assets of U.S. growers, grower/feeders, feeders, packers, and packer/breakers producing live lambs and lamb meat, fiscal years 1997-99, January-June 1999, and January-June 2000

Item	Fiscal year[1]			January-June	
	1997	1998	1999	1999	2000
	Value (*$1,000*)				
Capital expenditures:[2]					
Growers	2,182	1,717	1,383	(3)	(3)
Grower/feeders	***	***	***	(3)	(3)
Feeders	***	***	***	***	***
Packers	***	***	***	***	***
Packer/breakers	***	***	***	***	***
R&D expenses:[4]					
Growers	59	7	17	(3)	(3)
Grower/feeders	***	***	***	(3)	(3)
Feeders	(5)	(5)	(5)	(5)	(5)
Packers	(5)	(5)	(5)	(5)	(5)
Packer/breakers	***	***	***	***	***
See footnotes at end of table.					

Table III-11--*Continued*
Capital expenditures, R&D expenses, and value of assets of U.S. growers, grower/feeders, feeders, packers, and packer/breakers producing live lambs and lamb meat, fiscal years 1997-99, January-June 1999, and January-June 2000

Item	Fiscal year[1]			January-June	
	1997	1998	1999	1999	2000
	Value (*$1,000*)				
Fixed assets:[6]					
Growers:					
Original cost	15,801	17,953	18,557	(3)	(3)
Book value	9,611	10,328	10,433	(3)	(3)
Grower/feeders:					
Original cost	***	***	***	(3)	(3)
Book value	***	***	***	(3)	(3)
Feeders:					
Original cost	***	***	***	***	***
Book value	***	***	***	***	***
Packers:					
Original cost	***	***	***	***	***
Book value	***	***	***	***	***
Packer/breakers:					
Original cost	***	***	***	***	***
Book value	***	***	***	***	***

[1] Calendar year for the ***.
[2] Capital expenditures data were provided by 40 growers, 1 grower/feeder, and 2 feeders. Both packers and both packer/breakers provided capital expenditures data, except packer *** did not provide data for the interim periods.
[3] Not available.
[4] R&D expenses were provided by 5 growers, 1 grower/feeder, and the packer/breaker ***.
[5] None reported.
[6] Usable data for fixed assets were provided by 14 growers, 1 grower/feeder, and 1 feeder. Both packers and both packer/breakers provided fixed assets data, except packer *** did not provide data for the interim periods.

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

PART IV: IMPACT OF IMPORT RELIEF

OPERATION OF THE TARIFF-RATE QUOTA

Import Trends

Table IV-1 presents U.S. imports of lamb meat entered on an in-quota and over-quota basis under the TRQ.[1] As shown, 100.0 percent and 98.7 percent of the in-quota allocation for Australia was filled during quota years 1 and 2, respectively, and 92.7 percent and 96.0 percent of the in-quota allocation for New Zealand was filled during quota years 1 and 2.[2] In contrast, only 74.3 percent of the in-quota quantity was filled for all other sources combined in quota year 1 and only 20.6 percent was filled in quota year 2. Over-quota imports of lamb meat were reported for Australia, New Zealand, and for all other sources even though, in most cases, their in-quota allocation had not been filled (table IV-1). As indicated earlier, only lamb meat imports that had been issued an export certificate were eligible for the in-quota duty rate. If an exporter did not have an export certificate, the imports would enter at the over-quota rate. Exporters also did not have to fill their in-quota quantities before applying imports to the over-quota rate. Some exporters were believed to have shipped lower-valued product at the over-quota rate and then used the in-quota rate for exports of their higher-valued products.

Table IV-2 presents official Commerce import statistics for the August-July periods which correspond to quota years 1 and 2 as well as the comparable 12-month period that preceded quota year 1. As shown, U.S. imports of lamb meat from all sources decreased by 2.7 percent between August 1998-July 1999 and August 1999-July 2000 only to rise by 24.2 percent between August 1999-July 2000 and August 2000-July 2001. As indicated earlier, the TRQ was first imposed effective July 22, 1999. U.S. imports from Australia rose by 31.3 percent from August 1998-July 1999 to August 2000-July 2001 while U.S. imports from New Zealand increased by only 4.7 percent during the same two-year period. Imports from all other sources remained below 1.5 percent of total imports during each of the August-July periods, as shown in table IV-2.

Reported Significance of the Tariff-Rate Quota

Growers and feeders were asked in both the midterm review and the current investigation to describe the significance of the TRQ on their production, shipments, and employment. At the time of the midterm review, approximately half of the growers indicated that prices had stabilized or were slightly higher since the TRQ went into effect. Nearly a quarter of the growers reported, however, that they had seen no effect since the TRQ was implemented.[3] Grower responses in the current investigation were somewhat more negative with approximately one-third of the responding firms indicating that the TRQ had not had an effect on their operations. In addition, other firms indicated that the TRQ had only been of benefit early in the program. Only four firms now stated that their prices had stabilized or were slightly higher since the TRQ went into effect. In contrast, a number of firms indicated that their

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[1] *See* the section of this report entitled "Description of the tariff-rate quota" for an explanation of the terms of the quota.

[2] As explained earlier, the TRQ was terminated early and the data for quota year 3 are not comparable to the earlier years.

[3] Other growers reported an increase in employment, saving more replacement ewes for the future in anticipation of increased production, and renewed optimism in the industry.

Table IV-1
U.S. imports of fresh, chilled or frozen lamb meat: In-quota allocations and in-quota and over-quota quantities for Australia, New Zealand, and other countries, quota years 1-3[1]

Quota year and country	Allocation	In-quota imports	Over-quota imports	In-quota quantity filled
Quota year 1:	**Quantity (*pounds*)**			**Percent**
Australia	37,786,300	37,770,032	7,354,392	100.0
New Zealand	31,926,461	29,583,679	785,158	92.7
All other	506,988	376,737	12,965	74.3
Total	70,219,748	67,730,448	8,152,515	96.5
Quota year 2:				
Australia	38,803,400	38,293,691	22,753,278	98.7
New Zealand	32,785,831	31,487,842	3,206,477	96.0
All other	520,633	107,295	271	20.6
Total	72,109,863	69,888,828	25,960,026	96.9
Quota year 3:[2]				
Australia	39,820,498	9,766,623	987,031	(3)
New Zealand	33,645,199	5,374,037	33,025	(3)
All other	534,281	47,648	0	(3)
Total	73,999,978	15,188,309	1,020,057	(3)

[1] Quota year 1 is July 22, 1999 through July 21, 2000; quota year 2 is July 22, 2000 through July 21, 2001; and quota year 3 was to be July 22, 2001 through July 22, 2002.
[2] Presidential Proclamation 7502, dated November 14, 2001, provided for the elimination of quantitative limitations on lamb meat, effective November 15, 2001.
[3] Not applicable.

Note.–The in-quota and over-quota quantities reported in kilograms were converted to pounds using 2.204622 as the conversion factor.

Source: USITC staff telephone conversation with an official of the U.S. Customs Service, January 31, 2002.

Table IV-2
Fresh, chilled or frozen lamb meat: U.S. imports, by principal sources, August 1998 through July 1999, August 1999 through July 2000, and August 2000 through July 2001

Country	August 1998 through July 1999	August 1999 through July 2000	August 2000 through July 2001
	Imports (*1,000 pounds, product weight*)		
Australia	45,186	45,247	59,329
New Zealand	33,155	30,351	34,725
All others	461	1,059	1,151
Total	78,802	76,657	95,205

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

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

markets and lamb prices had fallen either in the last year or when the TRQ ended (in November 2001). *See* comments of growers and feeders presented in table IV-3.[4] Regarding feeders, most responded during both the midterm review and the current investigation that the TRQ has had no effect on their feeding operations. As shown in table IV-3, a number of firms indicated that the TRQ would have had a more positive effect had it been adjusted to compensate for the decline in the Australian and New Zealand currencies.[5] [6]

Almost all packers and breakers reported during both the midterm review and the current investigation that the TRQ had no effect on their firms' capacity, production, or shipments. One firm indicated during the midterm review that its employment, production, and shipments had increased since the TRQ went into effect. *See* also the comments of *** presented in table IV-4.[7] The reporting firms indicated that the number of lambs slaughtered decreased from 1,792,354 lambs in 1999 to 1,676,260 lambs in 2000 to 1,594,129 lambs in 2001 for a decline of 11.1 percent during the 1999-2001 period.[8]

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[4] *See* specific comments of ***.

[5] *See* specific comments of ***.

[6] In contrast, almost all the growers and feeders that responded during the current investigation indicated that the USDA's Lamb Meat Adjustment Assistance Program had a positive impact on their firm's operations. *See* the section of this report entitled "Other Lamb Industry Programs" for further information.

[7] Importers were also requested during the midterm review to explain the significance of the TRQ on their firms' imports, U.S. shipments of imports, and inventories. Eleven of the respondents provided explanations. Most of the responses indicated an increase in the price of imports and an adverse effect on market growth for lamb meat. Several firms reported that they are unable to satisfy consumer demand and still sell products priced competitively with other protein sources such as beef, pork, poultry, and fish.

[8] *Responses* to packer/breaker questionnaires received during the current investigation. *Compare* to the 12.6-percent decline shown in the USDA commercial lamb slaughter data that are shown in Part III.

Table IV-3
Reported significance of the TRQ on the operations of growers and feeders[1]

***–"The TRQ did nothing other than raise symbolism over substance."
***–"I believe the tariff kept our lamb prices steady to higher which will help production, shipments, and employment. ... There is no significance currently of the TRQ because there is no tariff. Imports are up and the U.S. market is down."
***–"This last year due to the large import numbers our lamb market dropped drastically."
***–"The imposed {TRQ} seemed to stabilize lamb prices (revenues) until this fall (2001) when prices dropped dramatically. However, input costs have not stabilized nor were they reduced during this period."
***–"The {TRQ} did not in the end have a positive effect on my firm because the value of the dollar stayed strong. Exporters believe there is very little downside on overseas meat prices with exchange rates being probably the biggest factor."
***–"No effect."
***–"The price has remained firmer over the last two years. This has helped us keep our operation somewhat profitable."
***–"Because of the imports the price of lamb has gone down. The tariff on imported lamb is not high enough. Continued imports are killing the sheep industry in the U.S."
***–"May not survive if things don't improve. ... Since the tariff ended, our prices have decreased by one-third."
***–"Can't measure {the} true effects since {the} program was never completely implemented ..."
***–"{The} program did help with our cash flow. However since the tariff was not indexed for currency changes the tariff rapidly became non-effective as our currency value increased. Not only are the foreigners facing cheaper operating expenses, the actual importer makes a huge currency gain when he brings the product into this country."
***–"The tariff helped slow up the amount of lamb imports, which had a positive effect on our domestic lamb prices. As the tariff is lifted we are seeing increased imports and lower domestic prices."
***–"Due to the current drought we have not seen many changes because our numbers are down."
***–"Currently our profits are at an all time low so it is hard for our firm to believe that the {TRQ} has had a positive effect. Because of record low slaughter lamb prices and record high import numbers, our firm is looking at the possibility of not feeding lambs in the future. ... At the beginning, the {TRQ} looked very promising. However, because of record low slaughter lamb prices, record high imports, and dry conditions, the {TRQ} has simply been a non-factor."
***–"The relief definitely helped. However, with drought conditions and low market prices, as of June 2001 forward {the} sheep industry is hurting."
Table continued on next page.

Table IV-3--*Continued*
Reported significance of the TRQ on the operations of growers and feeders[1]

***–"It gave us {the} incentive to expand our operation. We were seriously considering liquidation before this program. ... At the current time, the tariff seems to have had a minimal impact on our operation. It seemed to us that the tariff was too small to be a major deterrent to lamb imports. We experienced some market relief at the beginning of the tariff but it quickly diminished as the tariff reduction proceeded on."
***–"{The TRQ} is a big joke when so much overseas lamb is put on the market that we cannot even sell the product we raised in the United States and make a living. The current effect on our firm–we are out of business. We sold our sheep operation in October 2001."
***–"It gave confidence for expansion of {the} numbers in our flocks."
***–"The {TRQ} was not significant enough to stabilize prices of live lamb in the U.S. By the fall of 2000 prices were dropping. Domestic weekly lamb and sheep kill is at 50 percent of 10 years ago. Our costs continue to rise and, as I operated off assets, we continue to show a decrease in net worth. Profits shown in 2001 in my operations were all government support even with my sell out. ... Government support didn't offset the low lamb & wool prices, forcing us to sell after doing business since 1978."
***–"There was a clear benefit received from the tariff for our 2000 crop year; however, we had a horrible market during the 2001 growing season as reflected in the income reported. We need help!"
***–"I think it could have had a significant impact if it would have been implemented in a more timely manner. Also the quota had a very minimal effect because there wasn't any adjustment for the decline in the currency rate. Due to this we ended with even more lambs being imported into this country which had a negative effect on our markets."
***–"The {TRQ} was expected to reduce lamb imports and stabilize the American lamb market. This did not happen and imports continue to flood our markets, reducing the ability of sheep producers to produce lambs at a profit and create little incentive to increase numbers."
***–"The action taken by the President on tariff-rate quotas has raised the price of feeder and fat lambs. That has increased my revenue helping offset the higher operational expenses due to the drought. In previous years, prices for fat lambs were low before {TRQs} were imposed plus the price volatility in the fat lamb market has been less since the quotas were imposed. ... Overall it has had a positive effect on the domestic sheep business. However, there were problems in receiving the full effect intended. The strong American dollar or weaker Australian or New Zealand currency to the dollar has restricted the effect of tariff increases on foreign lamb."
***–"Market prices received for U.S. lamb continued to be severely depressed during the period, primarily due to the volume of imports from New Zealand and Australia since the tariffs were not adjusted upward to compensate for the change in the currency exchange rate."
***–"We are still in business and other producers in our area are not. ... There are many factors that affect our operation. The lamb imports seem to be a large one, labor is another problem that is getting more difficult, and the exchange rate on the dollar is possibly the largest. When imported lambs come into the U.S. and receive our dollar they go home and double or triple their money. ..."
Table continued on next page.

Table IV-3--*Continued*
Reported significance of the TRQ on the operations of growers and feeders[1]

***.–"Due to the {TRQ} the price of American lamb has increased enabling our company to purchase additional electric fencing. Our company's income has increased due to the price increase of the lambs. Now that the tariff has been revoked the lamb prices have decreased dramatically. The day to day operating costs are increasing and its going to be difficult to pay out our loan with a 60 cent lamb market."
***–"Lamb prices in 2001 after {the} early spring dropped horribly and have never recovered. Our 90 cents lambs in August 2000 were 60 cents and then 50 cents in August of 2001 and later that year. Packers were reluctant to even take lambs from the usual suppliers. We were fortunate to have been able to sell ours, although not always at the time we would have liked. We cannot stay in business {with} 50 cent and 60 cent lambs. The strong dollar abroad and increased imports are driving us out of business. We need country of origin labeling and no inspection of foreign meat. We need better consumer support for all domestic agricultural products including lamb. Safeway and Costco feature only imported lamb. How can we compete with these low cost products when our costs are so high ... costs which have been mostly increased due to government policies."
***–"We saw the value of our lamb products increase early but that value has lately diminished and so has our optimism. There was more interest in replacement ewes earlier than currently."
***–"The {psychological} boost in confidence in our industry was diminished when the {TRQ} was removed. The early removal was a huge disappointment. Although we are grateful for the assistance provided ... the problem of the flood of lamb imports into the U.S. and the strong U.S. dollar in comparison to the Australian and New Zealand currency remains an obstacle. Currently our firm is experiencing the worse financial crisis in over 100 year in operation. The lamb market this fall was at an unprecedented low. ... Costs are all up while revenue is drastically down. ... New and exciting ventures continue to emerge with opportunities to change our marketing structure but significant capital investment is required. With the current downfall in the lamb market, it is difficult to convince bankers that capital investment is a wise decision. ... All the while the foreign imports continue to absorb our current market without any expansion of new markets. If we had some control over the expanding lamb import situation, we would have confidence in making such investments. It is difficult to make comparison in our firm in regards to before and after the imposition of the relief because of the changing variables such as feed costs and weather. The assistance package certainly was a boost to our industry as a whole. The {TRQ}, although not as effective as we had wished due to the currency values, still provided a slow-down in the dramatic increase in imports for the time it was in place."
***–"We cannot measure the effect of the TRQ because we do not know what changes the importers did because of the TRQ. Because of the decrease of the value of foreign currency imports are priced less even with the TRQ in place. Imports may have been higher without the TRQ, but ... I don't want to make assumptions without having better information as to imports–value, types of cuts, and volume. ... From import levels and the three year TRQ, I believe importers figured they could 'tough it out' for 3 years and work to maintain or enhance imports to improve their market share."
***–"The President's decision to impose tariff restrictions on lamb entering the U.S. saved our fall lamb market. If the imports had continued our lamb prices would have decreased by 20 to 25 percent. ... The additional {revenue} on a medium sized operation would help your cash flow and allow a portion to be spent on capital expenditures (fencing, shearing, facilities, etc.)."
Table continued on next page.

Table IV-3-*Continued*
Reported significance of the TRQ on the operations of growers and feeders[1]

***–"Kept us raising lambs."
***–"Received wool incentive payments that helped reduce losses. Other than that–none."
***–"I wish it had a greater effect but the exchange rate has virtually neutralized this. However, I do feel more positive about the future. Like myself the vast majority of sheep operations are family level enterprises. At this time I see a slightly increased income. My efforts, however, do not "peak" for at least 3 years."
–"The {TRQ} has helped a lot, but still the U.S.-produced lamb costs are very high {and} we are {at a} disadvantage. ... The {TRQ} helped to slow down the declining of the sheep industry. *** are downsizing the business. The young people, as our children, don't see a future in the sheep industry ... For years now we start the yearly budget ... in debt, $ or more yearly."
[1] Listings drawn from firm responses to question III-10 of the grower/feeders questionnaire supplemented, in some instances, by firm responses to question II-9 and any additional comments that were supplied. In question III-10 firms were asked to describe the significance of the TRQ imposed by the President in terms of its current effect on the firms' revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values. In question II-9 firms were asked to describe the significance of the TRQ in terms of its effect on the firms' production, shipments, and employment. Source: Compiled from data submitted in response to Commission questionnaires during the current investigation.

Table IV-4
Reported significance of the TRQ on the operations of packers and breakers

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REPORTED EFFORTS BY THE DOMESTIC INDUSTRY TO COMPETE MORE EFFECTIVELY

Growers and feeders were asked during both the midterm review and the current investigation whether they had undertaken any efforts to compete more effectively in the U.S. market for lamb meat since either July 1998 (for the midterm review) or July 22, 1999 (for the current investigation). Seventy-two firms (or 69.3 percent of the responding firms) indicated in the midterm review that they had taken steps to compete more effectively; 32 (or the remaining 30.7 percent) reported they had not undertaken any efforts.[9] During the current investigation, 23 (or 60.5 percent of the responding firms) indicated that they had taken steps to compete more effectively and 15 (or the remaining 39.5 percent) reported they had not undertaken any efforts.[10] Table IV-5 presents a summary of responses from growers and feeders on efforts they have taken to compete.

[9] Twelve firms did not respond to the question, although several of these indicated that drought prevented them from taking any steps to compete.

[10] Two firms did not respond to the question.

Table IV-5
Efforts by growers and feeders to compete more effectively in the U.S. market for lamb meat since July 1998, by category

Total capital spending
• Purchased new equipment such as lamb feeders, fencing, water trucks, fresh water systems, tractors, and other farm equipment to become more efficient. • Major expansion (i.e., building, cooler area, docks etc.) to produce case-ready lamb. • Modernized barn. • Upgraded and purchased new facilities, corrals, and land for grazing. • Invested in *** plant. • Developed a new meat company, ***, specializing in selling to high-end niche markets. • Increased flock size to produce more lambs.
Production efficiencies
• Worked to improve the flock by culling and careful selection of breeding stock. • Purchased better stock, such as larger carcass rams, new bucks. • Purchased ewes bred specifically to produce twins and triplets. • Rented rams. • Carried feeder lambs to slaughter to enhance potential profit. • Instituted competitive bidding for feed and veterinarian supplies. • Fine tuned feeding practices; change of diet. • Purchased guard dogs for predator control; increased predator control efforts. • Installed a water system upgrade. • Improve winter forage. • Market lambs at lighter weights to minimize competition with imports. • Improved handling of wool. • Cut costs; minimized amount of labor required.
Organizational changes
• Started new business to yield grade 1 and 2 lamb meat for upscale market. • Worked on plans to initiate a lamb checkoff program on the national level. • Increased labor efficiencies. • Commenced direct marketing to improve sales. • Eliminated supervisory position to control costs. • Employed additional qualified, experienced workers. • Cut labor.
Diversification/expansions
• Improved and expanded facilities. • Leased additional grazing land; leased red rock cinder-product on sheep range. • Aided in developing the *** and encouraged value-based marketing. • Trying to have two lambings per year.

Table continued on next page.

Table IV-5--*Continued*
Efforts by growers and feeders to compete more effectively in the U.S. market for lamb meat since July 1998, by category

Marketing efforts

- Formed producer cooperative to run and market lambs.
- Held lambs longer.
- Attended classes to learn marketing skills.
- Marketed to natural food stores.
- Home slaughter for local demand.
- Promoted better communication between buyers and growers.
- Participated in formation of regional lamb cooperative.
- Encouraged work with organization and state agencies in promotion and marketing lamb improvement.
- Participated in promotion and marketing efforts of ASI, CA Sheep Commission, Utah State Wool Program, Iowa Lamb Corp., Colorado Sheep and Wool Authority, Ranchers' Lamb of Texas, Heartland Lamb, and other state and regional lamb and sheep programs.
- Hired professional firm to market new product.
- Established trademark, logos, and brochures for various types of lamb meat, for example, California Lamb, Dakota Lamb, and Heartland Lamb.
- Utilized branded lamb meat labels from various regions around the country for exposure and advertising.
- Provided case ready products to retail outlets.
- Participated in LMAAP promotional program and in retail chain promotions.

Advertising and promotion

- Participated in the national, state, and regional programs mentioned above.
- Attended county fairs and provided taste samples to a captive audience.
- Participated in educational promotions.
- Donated lamb meat to community functions to encourage people to eat lamb. Operated a restaurant, using lamb as a featured item.
- Held discussions with butchers and chefs on providing lamb displays and encouraging customers to eat only American lamb.
- Advertised to supermarkets.
- Managed lamb promotion booths at state fairs.
- Local business promotion.

Eradication of scrapie, other disease

- Most respondents reported that there is no incidence of scrapie in their area.
- Others reported that they have entered the scrapie program.

Genetically engineered products

- Purchased good, registered rams to improve genetics.
- Updated and culled stock.
- Bred Texals and Suffolks to produce meat breed.
- Purchased rams from *** which should increase production.
- Participated in initiatives to enhance selection of sheep {ewes} and rams with superior genetics for production of lamb and wool.

Table continued on next page.

Table IV-5--*Continued*
Efforts by growers and feeders to compete more effectively in the U.S. market for lamb meat since July 1998, by category

Utilization of programs using industry funds for generic lamb promotion
• Virtually all respondents belong to national and/or state and regional organizations which use their funds to promote and market lamb meat.
All other efforts to compete
• Joined the newly formed National Sheep Association. • Joined marketing association. • Joined the California Sheep Commission. • Participated in lamb checkoff promotion study.
Source: Compiled from data submitted in response to Commission questionnaires during both the midterm review and the current investigation.

Growers and feeders were also requested during both the midterm review and the current investigation to report on measures they have adopted since July 22, 1999 to increase the size of their flocks. A majority of the responses in the midterm review indicated that their priority was retaining and increasing the number of ewe lambs after several years of declining flocks.[11] In contrast, by the time of the current investigation the majority of growers indicated that they had been unable to implement measures to increase the size of their flocks. A number of the growers who either did not or could not increase production during the midterm review and/or the current investigation indicated that drought in several sheep producing areas was a significant deterrent. Parts of Texas have been in an extended drought since the mid 1990s.[12]

Growers were also requested during both the midterm review and the current investigation to report on whether their flock size had remained stable. While a majority of firms indicated that their flock size had remained stable or increased at the time of the midterm review, only a little over one-third of the growers reported stable or increasing flocks in the current investigation. Drought was the reason most frequently cited in the current investigation for decreasing flock size along with poor market conditions, bank debt and cash flow problems, and increased predation. Several growers reported during the midterm review that their flock numbers remained stable because their operations depend on federal grazing permits and that they maintain the number of sheep that permits and private land will sustain.

Packers and breakers were also asked during both the midterm review and the current investigation whether they had undertaken any efforts to compete more effectively in the U.S. market for lamb meat since July 1998 (for the midterm review) or July 22, 1999 (for the current investigation). Six firms reported at the time of the midterm review that they had taken steps to compete more effectively, and four responded that they had not undertaken any such efforts. During the current investigation four firms reported having taken steps and two firms did not report any such efforts. Table IV-6 presents a

[11] Also, a number of respondents indicated purchasing bigger and better rams to breed more replacement ewes and others cited leasing more pasture, purchasing more equipment, and making changes to the feedlot system.

[12] The majority of the operations that cited drought as a continuing problem in the current investigation were in Texas. Others were located in Idaho and Montana.

Table IV-6
Efforts by packers and breakers to compete more effectively in the U.S. market for lamb meat since July 1998, by category

Total capital spending[1]
• Built distribution warehouse. • Built construction retail facility. • Increased market share. • Developed equipment retail program. • Developed competitive sales advantages through user friendly products. • Remodeled plant to receive *** carcasses. • Moved to next generation case ready machines.
Production efficiencies
• Installed conveyor and plant alteration. • Installed new inverted dressing to increase efficiency. • Installed new kill chain in plant. • Installed new fat and bone removal system. • Installed new saws. • Reorganized projection flow of fab floor. • Changed production method to obtain economies of scale. • Designed layout efficiencies in product flow. • Used latest technology in packaging equipment to improve appearance and case life.
Organizational changes
• Hired additional support staff knowledgeable in genetics with marketing and technology skills. • Created an ***. • ***. • Purchased equipment to set up ***. • Increased communication for product development. • Increased marketing personnel and market presence of branded fresh American lamb. • Set up regional vice presidents to be closer to customers and operations.
Diversification/expansions
• *** consumer and user friendly products. • Expansion to case ready packaging. • Increased visibility of fresh American lamb products. • Created new markets which will account for *** percent of total sales by September 2002.
Marketing efforts
• Coordinated marketing teams throughout country. • Retail marketing - develop brand identity of U.S. products. • Increased case ready sales.

Table continued on next page.

Table IV-6--*Continued*
Efforts by packers and breakers to compete more effectively in the U.S. market for lamb meat since July 1998, by category

Advertising and promotion
• Advertised to supermarkets and restaurants. • Food service magazine advertising. • Advertised product through retailers. • Consumer friendly packaging that increases product visibility. • Promotions designed to encourage continual support for producer/feeders.
[1] *See* also items listed under Production efficiencies and Diversifications/expansions. Source: Compiled from data submitted in response to Commission questionnaires during both the midterm review and the current investigations.

summary of responses from packers and breakers on their efforts to compete more effectively in the U.S. lamb meat market.

OTHER LAMB INDUSTRY PROGRAMS

Domestic Lamb Industry Adjustment Assistance Program

In addition to the TRQ applied on imports of fresh, chilled and frozen lamb meat, the President on July 7, 1999 directed the Administration to develop an effective adjustment assistance package to help the domestic lamb meat industry to make a positive adjustment to import competition.[13] Consequently, on January 13, 2000, the U.S. Secretary of Agriculture announced a 3-year, $100 million assistance package for sheep and lamb farmers.[14] The assistance measures were incorporated into a new program called the Domestic Lamb Industry Adjustment Assistance Program (the Program). The principal components of the Program include (1) productivity improvements, (2) market promotion, (3) domestic lamb meat purchases, (4) scrapie eradication, and (5) the newly established ewe lamb expansion payment program.[15]

As stated earlier, USTR announced the termination of the lamb meat TRQ effective November 15, 2001. It also announced in August 2001 that the United States will provide the U.S. lamb industry with up to $42.7 million in additional assistance through fiscal year 2003 to help the industry to continue adjusting to import competition.[16] USDA will fund the assistance program. Of the additional funds, USDA has allocated $37.7 million for the extension of the Lamb Meat Adjustment Assistance Program

[13] *Action Under Section 203 of the Trade Act of 1974 Concerning Lamb Meat*, 64 FR 37393 (July 12, 1999).

[14] USDA News Release, *Glickman Announces $100 Million Assistance Package for Sheep and Lamb Farmers*, January 13, 2000.

[15] For background and descriptive information on the Program *see* the midterm report (*Lamb Meat,* investigation No. TA-204-3, USITC Publication No. 3389, January 2001).

[16] USTR press release, *Bush Administration Settles Lamb Safeguard Issue with Australia & New Zealand*, August 31, 2001.

(LMAAP), including implementing a ewe lamb incentive program for Years 3 and 4.[17] The remaining $5 million is allocated to extend the domestic lamb meat purchases program. The following sections of the report briefly describe and update the status of the components of the Program since the Commission's midterm report was issued in January 2001.

Productivity Improvements

The productivity improvements section of the Program provides for funding in the form of guaranteed loans and direct payments to individual operators; a total of $65 million is to be distributed during the 3-year period from July 22, 1999 through July 31, 2002.[18] Of the $65 million, a total of $30 million is targeted for direct cash payments in the LMAAP. Although considerable delays occurred in the delivery of benefits under "Year 1," nearly $12.7 million has been distributed to sheep and lamb operations that met program requirements for genetic selection of rams, genetic testing of sheep, or facility improvements.[19]

Payments to sheep and lamb operations during "Year 2" and "Year 3" are based on the number of eligible feeder and slaughter lambs marketed. Distribution of funds for Year 2 were also delayed. However, from the beginning of Year 2 to date, over 3.5 million feeder lambs have been nominated for program participation, for which producers of qualifying lambs receive a $3 per animal incentive payment. In addition, over 650,000 lamb carcasses qualified for the slaughter lamb program, for which producers received either $5 (August through May) or $8 (June and July) per qualifying carcass.[20] As of December 27, 2001, USDA expended a total of $7.5 million for feeder lamb payments and a total of $3.0 million for slaughter lamb payments.[21] A fourth year of feeder and slaughter lamb payments was established as part of the additional $42.7 million assistance package announced in August 2001. Of this, approximately $11.7 million has been earmarked to the feeder lamb and slaughter lamb payment programs with $10.0 million allocated for Year 4 and $1.7 million for Year 3.[22] Many sheep producers claim that USDA's eligibility criteria for slaughter lamb payments are too narrow. ASI reported that only about 25 percent or less of the lambs marketed qualified under this program.[23]

Market Promotion

As reported in the Commission's midterm review, 15 grants totaling nearly $3.85 million were awarded to fund lamb marketing and promotion projects.[24] An additional 8 grants totaling over $1

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[17] USDA, Farm Service Agency (FSA), *Final Rule*, 67 FR 13707 (March 26, 2002).

[18] "Year 1" runs from July 22, 1999 through September 30, 2000; "Year 2" runs from August 1, 2000 through July 31, 2001; and "Year 3" runs from August 1, 2001 through July 31, 2002. An additional "Year 4" announced August 15, 2001 (*see* USTR press release discussed earlier) runs from August 1, 2002 through July 31, 2003.

[19] Submission from Martin O'Connor, USDA, Agricultural Marketing Service (AMS), February 11, 2002.

[20] USDA, AMS, Talking Points for Dr. Butler, ASI, January 24-26, 2002, San Antonio, TX.

[21] Submission from Martin O'Connor, USDA, AMS, February 11, 2002.

[22] USDA, FSA, LMAAP, *Final Rule*, 67 FR 13707 (March 26, 2002).

[23] ASI, Sheep Industry News, *Readers Write*, December 2001, p. 13.

[24] *Lamb Meat,* investigation No. TA-204-3, USITC Publication No. 3389, January 2001.

million were awarded during Year 2.[25] All market promotion projects are to be completed by July 21, 2002. The ASI, which was the leading petitioner in the original 201 investigation, was awarded 5 grants totaling $1.8 million. Projects initiated by ASI include a U.S. lamb consumer positioning campaign, a U.S. lamb information center, a U.S. lamb identification program, a U.S. lamb culinary outreach program, and a U.S. lamb retail program.[26]

Domestic Lamb Meat Purchases

On February 14, 2000, the Secretary of Agriculture announced that USDA will purchase up to $15 million of domestic lamb products over the next 3 years to assist sheep and lamb producers. As of January 31, 2002, USDA has purchased 3.5 million pounds of lamb roasts totaling approximately $14 million.[27] The domestic lamb meat purchases program was extended to a fourth year as part of the additional $42.7 million assistance package announced in August 2001. An additional $5.0 million has been earmarked for domestic lamb meat purchases.[28]

Scrapie Eradication

Scrapie is a degenerative and eventually fatal disease affecting the central nervous systems of sheep and goats. It is a member of a class of diseases called transmissible spongiform encephalopathies and has been likened to so-called "mad cow disease." There is no scientific evidence to indicate that scrapie poses a risk to human health. Eliminating scrapie in the United States is an important goal as the economic loss to domestic sheep and goat producers is estimated at between $20 million and $25 million annually.[29]

Since the Commission's midterm report was issued in January 2001, USDA's Animal Plant and Health Inspection Service (APHIS) published a final rule establishing a new program governing the interstate movement of sheep and goats.[30] The new program, which became effective September 20, 2001, will require that breeding animals or all sheep that are 18 months of age or older be officially identified in order to be moved in interstate commerce. The state in which the producer resides must also meet minimum standards for state scrapie control in order to move the breeding sheep and goats freely across state lines. The compliance date for these regulations is November 19, 2001 for most animals, and February 19, 2002 for white-faced commercial sheep over 18 months of age maintained for breeding purposes. Lambs under 18 months of age intended for slaughter are generally exempt from the identification requirement unless they have been exposed to scrapie or are from a suspect flock. The scrapie eradication program calls for a slaughter surveillance program that will randomly test slaughtered animals for the presence of scrapie. Animals that test positive for scrapie or have been highly exposed to

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[25] USDA, AMS News Release No. 024-01, *USDA Announces Cooperative Agreements for Additional Lamb Market Promotion*, January 18, 2001.

[26] ASI Convention, Lamb Marketing Projects, presentation by Martin O'Connor, USDA, AMS, January 25, 2002.

[27] USDA, AMS, Food Purchase Report, *USDA Buys Frozen Lamb*, January 31, 2002.

[28] USDA, AMS, Talking Points for Dr. Butler, ASI, January 24-26, 2002, San Antonio, TX.

[29] Cathy Cummins, ASI Director of Communications, News & Information, *Third-Eyelid Scrapie Test Now Available.*

[30] USDA, APHIS, *Scrapie in Sheep and Goats; Interstate Movement Restrictions and Indemnity Program, Final Rule*, 66 FR 43964 (August 21, 2001).

scrapie are eligible for indemnification.[31] These new rules and regulations are in response to the industry's efforts to eradicate scrapie. The program has a goal of eradicating scrapie by 2010 and attaining international scrapie-free standards by 2017.

In October 2001, USDA's APHIS approved the "third eyelid test" for scrapie for USDA program use.[32] The third eyelid test is an important testing device as there has been no practical live animal test developed. Signs of scrapie often do not develop until two to five years after the animal is infected, and the only way to confirm the presence of scrapie in a sheep has been through examination of brain tissue after the sheep is dead. The third eyelid test is currently being used by USDA's pilot projects on animals suspected of having scrapie or on exposed flocks, including a pilot program in Wyoming.[33]

Ewe Lamb Expansion Payment Program

Approximately $26 million of the additional funds made available to the domestic lamb industry as a result of the termination of the TRQ are allocated through LMAAP to a new ewe lamb expansion payment program. This program is intended to provide incentives for producers to retain their breeding animals, expand their herds, and increase the available supply of domestic lamb meat. To be eligible for payment under this program, a sheep and lamb operation must have been purchased or a ewe lamb retained to expand the sheep herd from August 1, 2001, through July 31, 2003 (Year 3 and Year 4). The producer must certify that the ewe lamb meets the following criteria–not older than 18 months of age; not produced an offspring; identified with an APHIS-approved scrapie program; and not possessing parrot mouth[34] or foot rot.[35] Payments for retaining or purchasing qualifying ewe lambs are targeted at $18 per ewe lamb. As reported in Part III of this report, the U.S. lamb industry has begun to retain more ewe lambs. Indeed, the January 1, 2002 replacement lambs inventory totaled 733,500 lambs, up 8.7 percent from 2001.

Market Development and Checkoff Program

Market Development

In 1996, Congress appropriated $20 million to create a revolving fund for use by the U.S. sheep industry. The National Sheep Industry Improvement Center (NSIIC)[36] was established as a revolving fund to assist the U.S. sheep and goat industries by strengthening and enhancing the production and marketing of sheep, goats, and their products in the United States. In November 1999, the NSIIC entered into a grant agreement with the National Livestock Producers Association (NLPA) that enables the NSIIC funds to be used for direct loans and loan guarantees to the sheep and goat industries.

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[31] ASI, Sheep Industry News, *Scrapie Eradication Calls for Industry-Wide Cooperation*, December 2001, p. 1.

[32] ASI Convention, presentation by Michael Gilsdorf and Diane Sutton, USDA, APHIS, *National Scrapie Eradication Program Update*, San Antonio, TX, January 24, 2002.

[33] USITC staff conversation with official of USDA, APHIS, February 14, 2002.

[34] USDA defines parrot mouth as a genetic defect resulting in the failure of the incisor teeth to meet the dental pad correctly.

[35] USDA defines foot rot as an infectious, contagious disease of sheep that causes severe lameness and economic loss from decreased flock production.

[36] For a description and background information on the NSIIC *see* the Commission's report, *Lamb Meat*, investigation No. TA-204-3, USITC Publication No. 3389, January 2001.

Members of the sheep industry are benefitting from loans made available through the NLPA's Sheep and Goat Fund. As of February 2002, a total of 11 loans, valued at over $5 million, have been approved.[37] Among the projects approved for loans include a sheep dairy in upstate New York to purchase milking equipment, a large-volume wool marketing cooperative based in Ohio to restructure existing loans and to maintain and upgrade wool handling equipment, a slaughter facility for lambs and goats in Pennsylvania for building and equipment upgrades to increase the facility's slaughter capacity, and a Texas processing and fabrication facility for the purchase of equipment needed for processing of lamb and goat carcasses and the construction of the building to house the processing plant.[38]

Another program established under the NSIIC is the Sheep and Goat Industry Grant Program. On October 31, 2001, NSIIC announced that approximately $200,000 is available in competitive grants for projects that will directly impact the U.S. sheep or goat industries through product or business development, producer information or education, marketing and promotion for sheep or goats or their products, genetic retention, or animal health programs.[39] Nine projects have been approved.[40]

Wool is another component of the U.S. sheep industry, and the American Wool Council, a division of ASI, is responsible for wool product development, research, marketing, and promotion. Funding for U.S. wool is separate from other lamb products and is currently being provided through payovers of tariffs collected on wool yarns and fabrics imported into the United States. The Trade and Development Act of 2000 establishes a Wool Research, Development and Promotion Trust Fund (Wool Trust Fund) and provides for up to $2.25 million annually for wool research, promotion, and production information for fiscal years 2000-03. On October 1, 2001, ASI began its second year of Wool Trust Fund activities and began its second Wool Outreach Program in which funds are being distributed to state sheep associations for wool-related projects.[41]

The U.S. sheep industry also received federal assistance under the Wool and Mohair Market Loss Assistance Program (WAMLAP). The WAMLAP was designed to provide relief to sheep producers who suffered economic loss due to low wool prices. WAMLAP I was made available to wool producers[42] who produced and sheared wool from January 1, 1999 to December 31, 1999.[43] WAMLAP II was implemented under section 814 of The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (the 2001 Act). WAMLAP II provided for payments to wool producers who produced and sheared wool during the 2000 marketing year. The Crop Year 2001 Agricultural Economic Assistance Act, section 5, provided for a supplemental payment to wool producers (WAMLAP III) for the 2000 marketing year who previously received a payment under the 2001 Act. The payment rates for WAMLAP I, WAMLAP II, and WAMLAP III are $0.20, $0.40, and $0.358 per pound, respectively. WAMLAP I payments to eligible wool producers totaled

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[37] NLPA press release, *National Livestock Producers Association Sheep & Goat Fund Establishes Loans for Additional Projects*, February 21, 2002.

[38] Id.

[39] USDA, NSIIC, *Inviting Grant Proposals for the Sheep and Goat Industry Grant Program*, 66 FR 54978 (October 31, 2001).

[40] USITC staff telephone conversation with official of NSIIC, February 21, 2002.

[41] ASI, Sheep Industry News, *What Has ASI Done for Me Lately?*, January 2002, p. 12.

[42] The WAMLAP was also available to mohair producers.

[43] The WAMLAP was mandated by Congress in the Agriculture Risk Protection Act of 2000.

$8,701,802; WAMLAP II payments totaled $17,599,788; and WAMLAP III payments totaled $15,480,190.[44]

In addition, a marketing assistance loan and a loan deficiency payment for wool are included in the recently passed Farm Security and Rural Investment Act of 2002 (Farm Bill of 2002).[45] The nonrecourse loans for wool and mohair extend from the 2002 through 2007 marketing years.[46] The nonrecourse loan deficiency payments may provide cash flow to producers over a longer planning forecast.[47]

Checkoff Program

On April 11, 2002, USDA's AMS issued a final rule establishing a national, industry-funded lamb promotion, research, and information order (program). The program provides for an industry board to carry out promotion, research, and information programs designed to increase the demand for lamb and lamb products, including pelts but excluding wool and wool products. The order will be continued subject to its approval in a delayed referendum conducted within three years after assessments first begin.[48]

Under the program, lamb producers, seedstock producers, feeders, and exporters will pay an assessment of one-half cent ($.005) per pound when live lambs are sold. The first handler, primarily packers, will pay an additional 30 cents per head of lambs purchased by the first handler for slaughter. It is estimated that this program will raise about $3 million annually. The program is to be administered by a board composed of 13 industry representatives appointed by the Secretary of Agriculture from industry nominations.[49] As reported in the midterm review, the checkoff program could be considered a membership-based coalition representing the U.S. industry that will provide promotion and research to the industry.

ESTABLISHMENT OF THE NATIONAL SHEEP ASSOCIATION

The sheep industry's adjustment plan provided to the Commission during the original section 201 investigation[50] promoted the development of an industry-wide association, the National Sheep Association (NSA). The NSA was established in September 1999 as a new organization to bring together members from all segments of the sheep industry, including those who raise sheep, feed sheep,

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[44] Fax submission from USDA, FSA, Price Support Division, March 6, 2002. WAMLAP I and WAMLAP II as of October 11, 2001 and WAMLAP III as of December 28, 2001.

[45] *The New Farm Bill: "Farm Security and Rural Investment Act of 2002"*, approved by the House of Representatives on May 2, 2002 and approved by the Senate on May 8, 2002, found at Internet address *http://agriculture.house.gov/fbconfrpt.htm,* retrieved May 10, 2002.

[46] USITC staff telephone conversation with *** of ***, May 10, 2002.

[47] ASI, Sheep Industry News, *Wool Market a Victim of General Economy*, February 2002, p. 5.

[48] USDA, AMS, *Lamb Promotion, Research, and Information Order*, *Final Rule*, 67 FR 17848 (April 11, 2002).

[49] Id.

[50] Submission of Collier, Shannon, Rill & Scott, PLLC, *Lamb Meat Industry Adjustment Plan*, January 29, 1999, pp. 2-3. The adjustment plan focused on increasing demand for lamb meat and improving industry efficiency, product quality, and cost-effectiveness. The industry expected that import relief under section 203 would provide it with a period of stable market conditions, enabling it to compete more effectively with imports at the conclusion of the relief period. A copy of the petitioners' adjustment plan was presented in appendix E of the midterm report (*Lamb Meat,* investigation No. TA-204-3, USITC Publication No. 3389, January 2001).

and process and market wool and meat products.[51] Its stated purpose is to represent the entire U.S. industry and to engage in strategic planning, and implement research, educational, business, and promotional programs.[52] At the time of the midpoint review (i.e., in January 2001) the NSA was still in an early stage of development. A Board of Directors had been elected and was expected to assume its duties in January 2001. As of November 2000, NSA had 245 members. However, as of March 2002, NSA's membership had dropped to 165 members. Although the NSA had hoped to provide an organization that would represent the entire U.S. industry, it appears that the recently approved checkoff program will accomplish this goal. NSA is currently in the process of nominating new Board members for 1- and 2-year terms. After a new Board is seated NSA will once again send out membership notices. Among the recommendations to the Board will be that NSA place its emphasis on working on the goals of the original Quality Lamb Task Force with an emphasis on promotion, feeding, and marketing.[53]

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[51] A number of producers, feeders, and industry organizations, including ASI, were involved in coordinated efforts to set up NSA. NSA is based on individual memberships; consequently, ASI, as an association, cannot participate and vote in NSA as a representative of its members.

[52] NSA, *Statement of Purpose*, found at Internet address *http://www.nationalsheep.org/aboutnsa.htm*, retrieved September 27, 2000.

[53] USITC staff telephone conversation with ***, NSA, March 18, 2002.

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Both production and consumption-related factors affect the price of domestic lamb meat. Factors on the production side include prices of other outputs of the sheep flock, such as wool, pelts, and cull ewes; costs to maintain the sheep flock; marketing costs; and lamb-meat production costs. Margins between different levels of the production and distribution process also affect prices. Consumption-related factors include preferences for lamb meat, which are related to quality and ease of use; prices of imported lamb meat; prices of other meat products; and income. The TRQ, exchange rates, production factors in the home country, and prices in third-country markets affect import prices.

Production-Related Factors

The owner of the sheep flock decides the number of ewe lambs to sell for slaughter and the number to retain for breeding based on the expected future net revenue of retaining an additional ewe lamb versus the current revenue from selling the ewe lamb now. All outputs from the sheep flock are relevant in this decision. Several growers reported in their questionnaire responses that low wool prices deterred their ability to compete. One grower said that wool had historically contributed 25 percent of the revenue from his operation, but that wool prices were sometimes less than the cost of shearing.[1] Wool prices for U.S. 56s, a medium grade of wool,[2] from 1997 to 2001 are shown in figure V-1. Wool prices decreased sharply between the beginning of 1998 and the beginning of 2000 and have since improved slightly.

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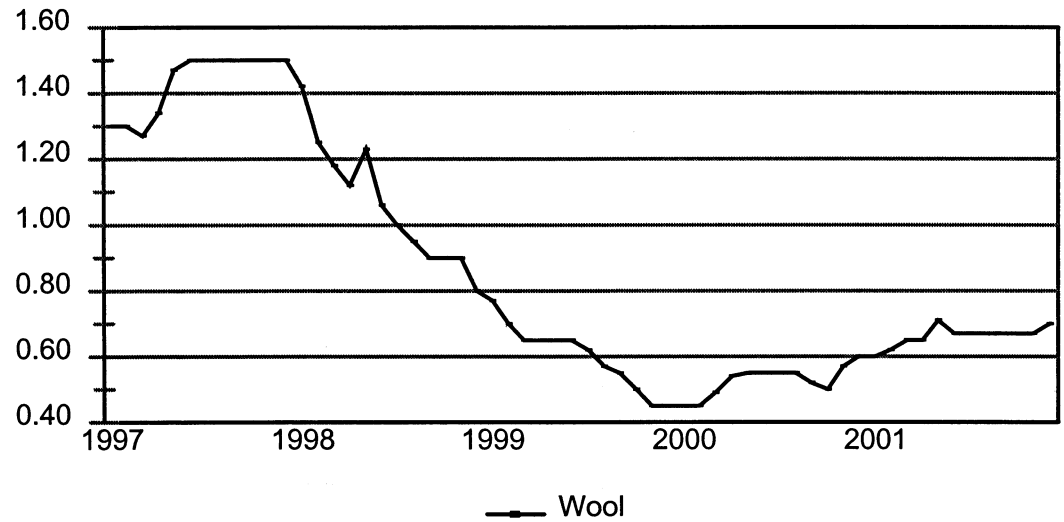
[1] The midterm report stated that from 3.5 to 8.9 percent of lamb growers' revenue between 1997 and 1999 was from wool sales. *Lamb Meat* (Investigation No. TA-204-3), USITC Publication No. 3389, January 2001, table IV-15.

[2] USDA, AMS, *U.S. Standards for Grades of Wool*, defines grade 56 as wool with an average fiber diameter of 26.40 to 27.84 microns, inclusive, and a standard deviation of fiber diameter of 7.59 microns or less. Effective December 21, 1968.

Figure V-1
Wool prices: Price ($/pound) of U.S. 56s (clean), by months, January 1997-December 2001



Source: USDA, *Cotton and Wool Outlook*, various issues.

The midterm report stated that between 1997 and 1999 from 5.0 percent to 5.8 percent of lamb growers' revenue was from sales of cull ewes.[3] Ewe prices were irregular, trending downward in 1998, then recovering, and ending in December 2001 about $5 per hundred weight (cwt) below the January 1997 value (figure V-2).

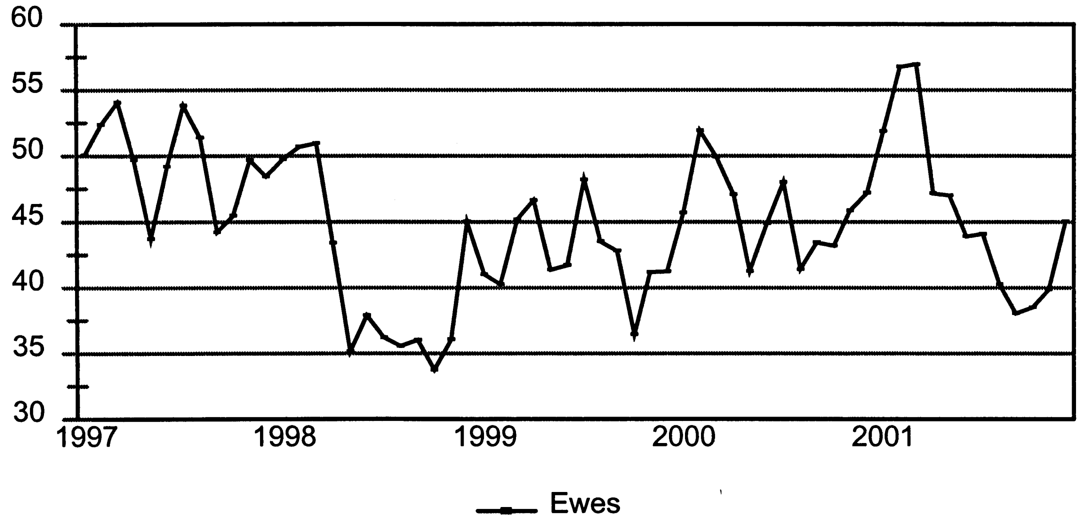
Packers usually extract and sell the pelt of the slaughtered animal; therefore, the pelt price affects the slaughter lamb price. Pelt prices were at historical highs in early 1998 but dropped precipitously in September 1998 (figure V-3). Pelt prices remained low through early 2000 and have since recovered somewhat.

Most growers reported that the percentage of lambs that they feed (as opposed to going directly to slaughter) had not changed since September 2000. A couple of operators in semi-arid regions stated that there was no choice but to feed in that type of environment. A couple of growers reported decreasing flock size because of drought. ***, a grower, reported that he sold half his flock in 1999. The ewes he retained were highly productive, and his lambing percentage increased, but so did labor and feed costs per ewe. In 2001 he sold most of the remaining ewes because of low lamb and wool prices.

Some feeders reported feeding lambs longer in 2001 in the hope that prices would improve, which they did not. When lambs reach their genetically maximum muscle mass, additional weight gain will be mostly in the form of fat. This type of carcass is often referred to as "over-finished." *** stated that overweight and overage lambs contributed to a price decline. In contrast, one grower reported marketing lambs at a lighter weight to target the ethnic holiday market.

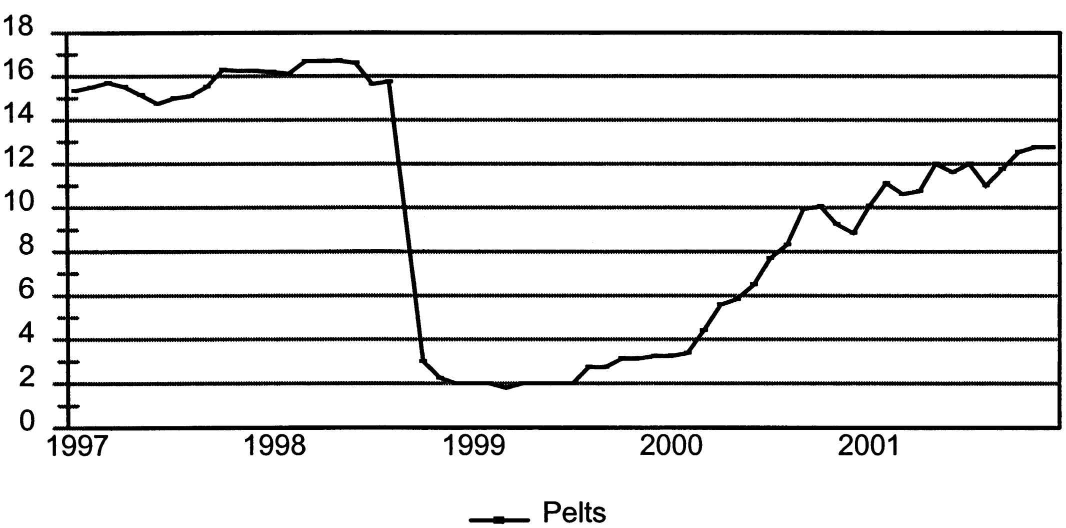
[3] *Lamb Meat* (Investigation No. TA-204-3), USITC Publication No. 3389, January 2001, table IV-15.

Figure V-2
Ewe prices at San Angelo, TX ($/cwt.), by months, January 1997-December 2001



Source: USDA, ERS, *Livestock, Dairy, and Poultry*, various issues.

Figure V-3
Prices for number 1 lamb pelts ($/pelt), by months, January 1997-December 2001



Source: Livestock Information Center.

Out of 37 reporting grower/feeders, only 14 reported that there had been significant changes in breeds of lamb or in the way lamb is marketed since September 2000. A few growers and feeders reported that there were more crossbred lambs whose characteristics increased the emphasis on meat carcass development and decreased the emphasis on wool production. The *** reported that many producers believe that traditional marketing methods through approximately one or two packers had failed and that people with small flocks were experimenting with direct marketing. The *** also reported the occurrence of an increase in cooperatives, some of which had succeeded while others had failed.

A pricing system will ideally communicate the concerns of consumers through the distribution system back to producers and encourage the production of qualities important to the consumer. For example, if prices are based on a system that clearly reflects the value of the meat to the consumer instead of strictly weight, growers would be encouraged to produce lamb meat that yields a higher value. ***, a packer, and ***, a breaker, reported that they purchase slaughter lambs and carcasses on a straight dollar-per-pound basis. *** and ***, packer/breakers, reported that they purchase lambs both on a straight dollar-per-pound basis and on a grade-and-yield basis. ***, a packer/breaker, reported that 90 percent of its purchases are on a grid/rail system that takes yield and grade into account and that the remaining 10 percent are on a straight dollar-per-pound basis.

Demand-Related Factors

Demand is ultimately derived from final consumers of lamb meat either at home or away from home. Consumption of lamb meat in the United States is much lower than in many other countries, and an important aspect of the industry's adjustment plan was to increase domestic demand through promotion, advertising, and improved marketing. From 1997 through 2001, per capita consumption of lamb meat in the United States was steady at 1.1 to 1.2 pounds per year.[4] *** reported that the demand for domestic lamb meat had not changed since September 2000.

*** contended that the average slaughter age and weight of domestic lambs had increased since September 2000 and that demand was less for these fatter, tougher domestic lambs. Although the data trend is irregular, USDA statistics do show an increase in the slaughter weight of sheep and lambs between August 2000 and February 2001 (figure V-4). *** lost a contract with *** to the imported product when it attempted to sell ***. *** reported that *** had switched all of its U.S. stores to imported lamb meat. It also claimed that the United States had become a dumping ground for imported loins and racks because of the premium that legs of lamb from Australia and New Zealand receive in the European Union. ***, a packer/breaker, stated that demand for the domestic product was down due to high prices, but that in September 2001 the domestic industry priced lamb meat more aggressively to compete with imports.

Promotion and Advertising

Out of 36 reporting grower/feeders, 25 reported that they or their firm had helped to fund advertising or other activities to promote the increased consumption of lamb meat since September 2000. The most common form of involvement consisted of contributing to state and national industry groups, such as ASI and the Texas Sheep and Goat Raisers Association, for promotional activities. The development of a national checkoff program to promote lamb meat was an important aspect of the industry's plan to promote lamb meat. Several growers and feeders stated in their questionnaire

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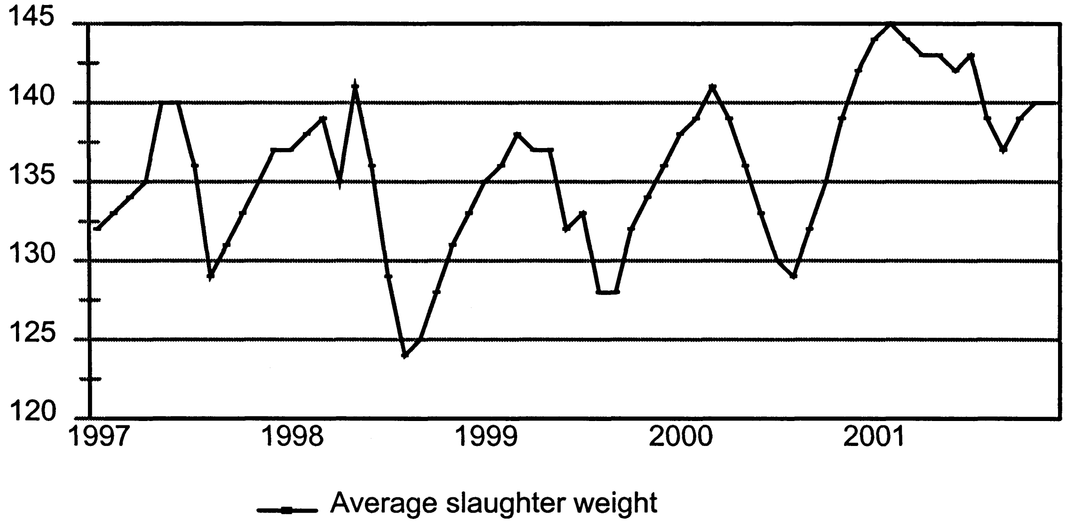
[4] ERS/USDA. Figures are retail weight for lamb and mutton consumption.

Figure V-4
Average live weight (pounds) of sheep and lambs slaughtered under federal inspection, by months, January 1997-December 2001



Source: USDA, NASS, *Livestock Slaughter Report*, various issues.

responses that a national checkoff program was needed for effective promotion and that they were still waiting for the USDA to implement the checkoff program.[5]

Out of 35 responding grower/feeders, 19 reported that their firm had not worked with a packer in an effort to slaughter lambs with less fat or that were more conducive to being butchered into "user-friendly cuts." A couple of growers and feeders remarked that packers had not communicated a need for them to do anything differently. A couple of other growers and feeders reported that packers were not interested in developing more "user-friendly cuts." *** stated that it developed a program to provide lamb meat throughout the year to a case-ready department and share profits with producers but that lack of interest caused the program to fail.

*** reported that it began offering case-ready cuts of lamb meat in the summer of 2001 and had introduced a "user-friendly" sirloin cut. *** reported that it had continued to expand the case-ready program and had spent promotional funds for advertising, samples, and rebates. *** reported developing leaner cuts, alternative cuts, and other "user-friendly" cuts and running ads with retailers to promote "fresh American lamb." *** reported that it had invested nearly *** in construction and development of a retail-ready processing plant. It also reported advertising in the food sections of newspapers, in grocery stores, and on television to promote "American lamb products." *** did not report any promotional activities.

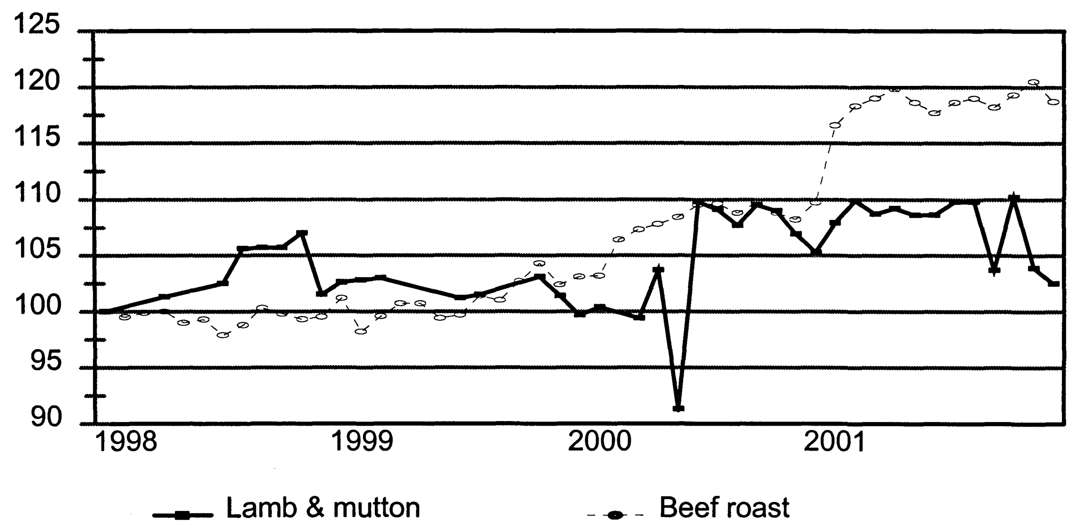
Substitutes

Other meat products compete with lamb meat for a share of the consumer budget. The USDA does not collect retail data on lamb meat, although the AMS collects data on lamb meat cuts at the wholesale level. Consumer price indexes for lamb meat and mutton and for beef roasts, arguably a

[5] See Part IV, "Checkoff Program."

relatively close substitute for lamb meat, are shown in figure V-5. These price indexes were both begun in December 1997. The number of reporting retailers was below the minimum necessary to make the data public for some months for the lamb meat and mutton series, but the series has been reported most of the time. Although the series is based on both lamb meat and mutton prices, lamb meat is consumed in much larger quantities than mutton, and the series is believed to be a reasonable approximation of changes in retail lamb meat prices. As shown, the price index for beef roasts trended upward more than the index for lamb meat and mutton, especially in 2001.

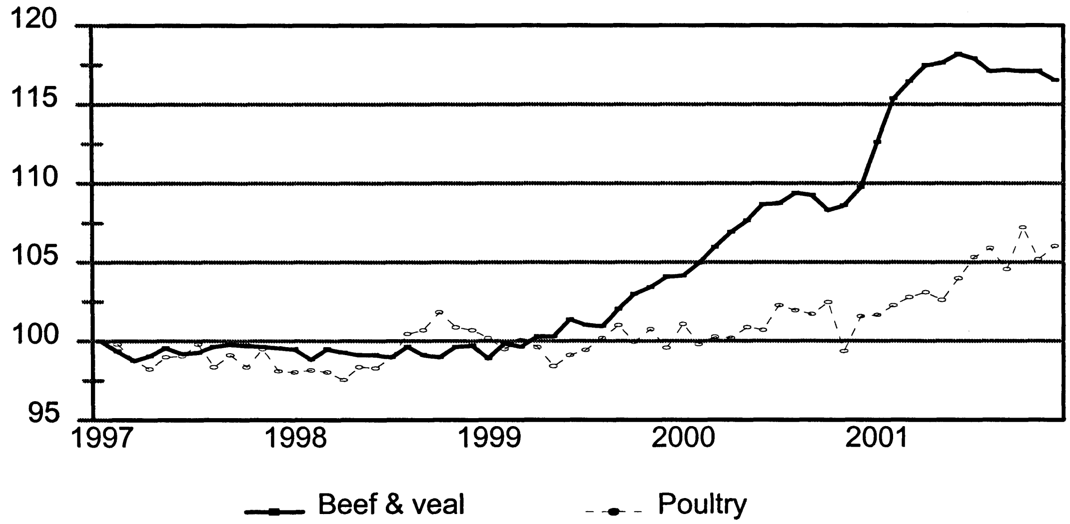
Figure V-5
Consumer price indexes: Lamb and mutton and uncooked beef roasts (December 1997=100), by months, December 1997-December 2001



Source: Bureau of Labor Statistics, all urban consumers, not seasonally adjusted.

Price indexes are shown for broader aggregates of potential substitutes, beef and veal and poultry, in figure V-6. Beef and veal prices trended significantly upward between January 1999 and June 2001. Increases in poultry prices were more modest and were somewhat similar to the increases in lamb and mutton prices. *** reported that the only significant change regarding substitute products was the current decline in U.S. poultry exports to Russia.

Figure V-6
Consumer price indexes: Beef and veal and poultry (January 1997=100), by months, January 1997-December 2001



Source: Bureau of Labor Statistics, all urban consumers, not seasonally adjusted.

Imports

*** reported that demand for imported lamb meat is higher than for domestic lamb meat because of the imports' consistent size and tenderness. Many grower/feeders believe imports negatively affected demand for domestic lamb meat. One grower/feeder (***) stated that prices were excellent between January and May 2001, but dropped dramatically in June 2001. ***, a grower, remarked that the market dropped in September 2000 and throughout the winter, rallied in the spring of 2001 for a while, and then dropped again. He attributed imports, the strong U.S. dollar, and the lack of domestic advertising as reasons for the decline in demand for U.S.-produced lamb.

Commerce began to collect data on more specific categories of imported lamb meat in August 1998; the first full year of data is 1999. Between 1999 and 2001, the fresh bone-in cuts were all characterized by large increases in the quantity of imports (table V-1). Frozen quantities also increased, although not as much as the fresh quantities, except for frozen loins, which actually decreased in 2001 to below their 1998 level. Landed duty-paid unit values of fresh bone-in cuts tended to increase or were steady except for shoulders, which have the lowest value of the reported cuts. Unit values were highest for the not-elsewhere-specified-or-included category, which includes racks, a high-value product. Unit values of frozen cuts also tended to increase except for loins.

Table V-1
Landed duty-paid unit values and quantities of bone-in lamb-meat cuts imported from Australia and New Zealand, by years, 1999-2001

Year	Shoulders	Legs	Loins	NESOI[1]
		Landed-duty-paid unit values (per pound)		
		Fresh, chilled		
1999	$1.00	$1.43	$3.35	$4.79
2000	0.93	1.42	3.50	5.08
2001	0.90	1.48	3.35	4.85
		Frozen		
1999	0.71	1.04	2.78	3.03
2000	0.81	1.24	2.32	3.07
2001	0.85	1.29	2.35	3.21
		Quantity (1,000 pounds)		
		Fresh, chilled		
1999	4,236	5,951	8,117	8,214
2000	5,603	7,030	9,636	8,999
2001	9,512	9,193	11,711	10,264
		Frozen		
1999	3,817	3,076	1,462	17,311
2000	5,188	3,076	1,270	19,203
2001	4,275	3,305	805	19,020

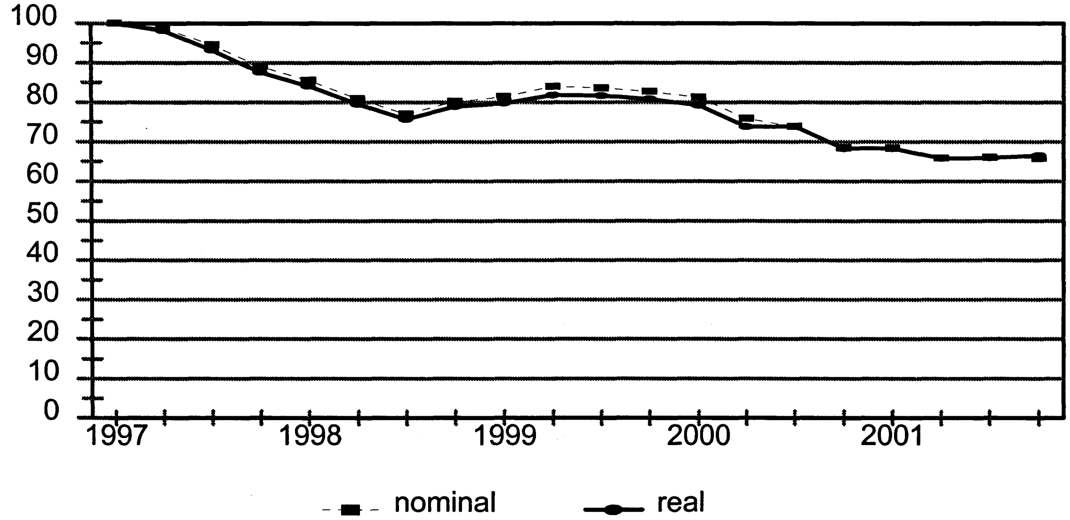
[1] Not elsewhere specified or included.

Source: Commerce statistics.

Australian and New Zealand Exchange Rates

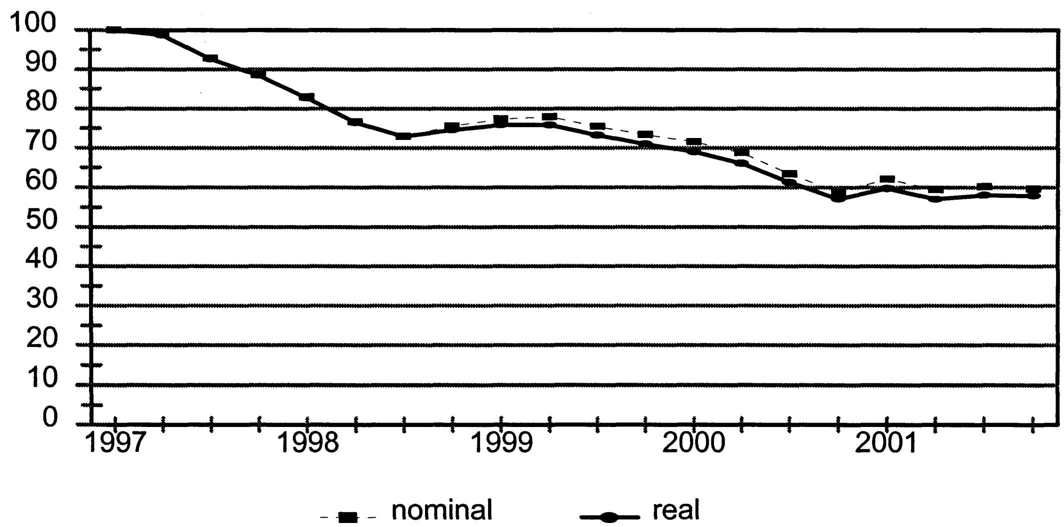
The real value of the Australian and New Zealand currencies followed similar trends relative to the U.S. dollar, and nominal and real values moved in unison (figures V-7 and V-8). Between the first quarter of 1997 and the third quarter of 1998, the nominal and real value of the Australian dollar fell by 23.0 percent and 24.3 percent, respectively, relative to the U.S. dollar. During the same period, the

Figure V-7
Exchange rates: Indexes (January-March 1997=100) of the nominal and real U.S. dollar price of the Australian dollar, by quarters, January 1997-December 2001



Source: IMF Financial Statistics, March 2002.

Figure V-8
Exchange rates: Indexes (January-March 1997=100) of the nominal and real U.S. dollar price of the New Zealand dollar, by quarters, January 1997-December 2001



Source: IMF Financial Statistics, March 2002.

nominal and real value of the New Zealand dollar each fell by 27.1 percent relative to the U.S. dollar. Between the third quarter of 1998 and the second quarter of 1999, the U.S. dollar price of the Australian dollar increased 9.0 and 8.1 percent, respectively, in nominal and real terms, and the U.S. dollar price of the New Zealand dollar increased 6.8 and 4.0 percent, respectively, in nominal and real terms. From the second quarter of 1999 through the second quarter of 2001, the Australian dollar depreciated relative to the U.S. dollar by 21.5 percent and 19.6 percent, respectively, in nominal and real terms, and the New Zealand dollar depreciated by 23.6 and 24.7 percent, respectively, in nominal and real terms. From the second quarter of 2001 through the fourth quarter of 2001, all indexes have been relatively stable.

Depreciation of the currencies of countries exporting to the United States can make tariff-based forms of relief less effective. This realization led the petitioners to propose adjusting the TRQ to account for the devaluation of the Australian and New Zealand currencies relative to the U.S. dollar.[6] *** alleged in its questionnaire response that the depreciation of the New Zealand dollar had contributed to declines of $20 to $30 per cwt. in the price paid to U.S. live producers.

PUBLIC PRICING DATA

USDA data show that feeder and slaughter lamb prices have been irregular between January 1997 and December 2001 and have overall trended downward (figure V-9). The largest decline occurred between February 1997 (March for feeders) and April 1998. After that, both feeder lamb and slaughter lamb prices recovered irregularly through the early spring of 2001 and then declined sharply through October 2001 and have since increased slightly. Steve Meyer of the Livestock Marketing Information Center stated that a drop in price of the magnitude that occurred in the summer of 2001 usually results from an increase in supply, a drop in demand, or some combination of the two.[7] He stated that slaughter numbers in June 2001 were below those for June 2000, but that heavier weights pushed meat production close to the previous year's figure. Although he did not identify a definite cause for the low prices in the summer of 2001, he stated that increased imports, production planning based on contradictory information, and lack of reliable price information could have contributed to the low price level. He alleged that many feedlot owners and packers underestimated the numbers of U.S. lambs in the market.[8] He also stated that some retail purchasers may have decreased purchases because of the lack of reliable price information to determine if they were paying a competitive price. The information problem allegedly occurred with the changing information available from the AMS under its mandatory price reporting system. Reporting rules were changed in August 2001 to permit more information to be published.[9]

Lamb carcass prices have been irregular between January 1997 and December 2001 and have overall trended downward (figure V-10). Lamb carcass prices reached a peak of $216.75 per cwt. in May 2000 and then trended irregularly but sharply downward through November 2001. The December 2001 level was slightly above the November 2001 level.

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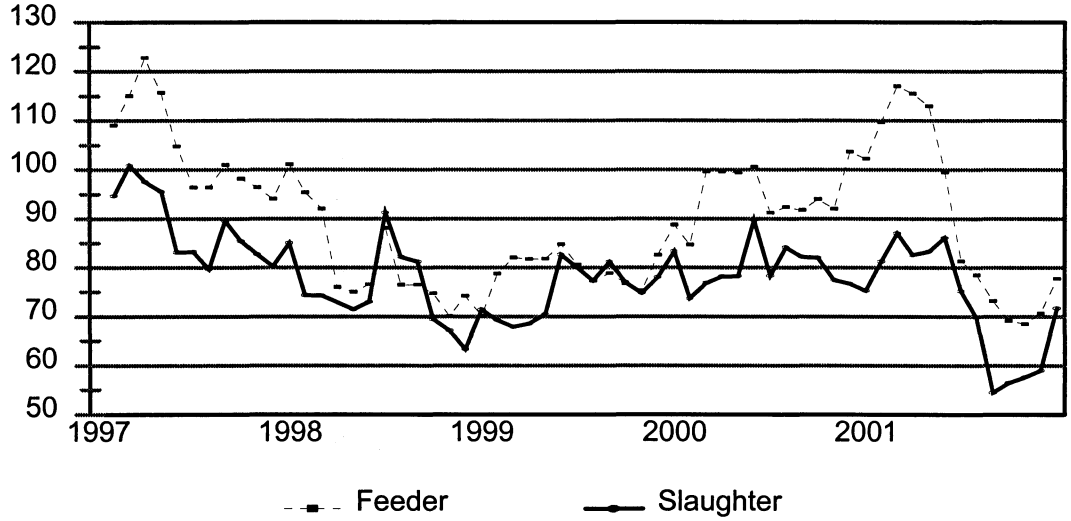
[6] Petitioners' prehearing brief for the midterm review, p. 57.

[7] Steve Meyer, Livestock Marketing Information Center, August 2001, "Sheep Industry News," reported at *www.sheepusa.org/news/augreport.shtml*, retrieved March 20, 2002.

[8] Id.

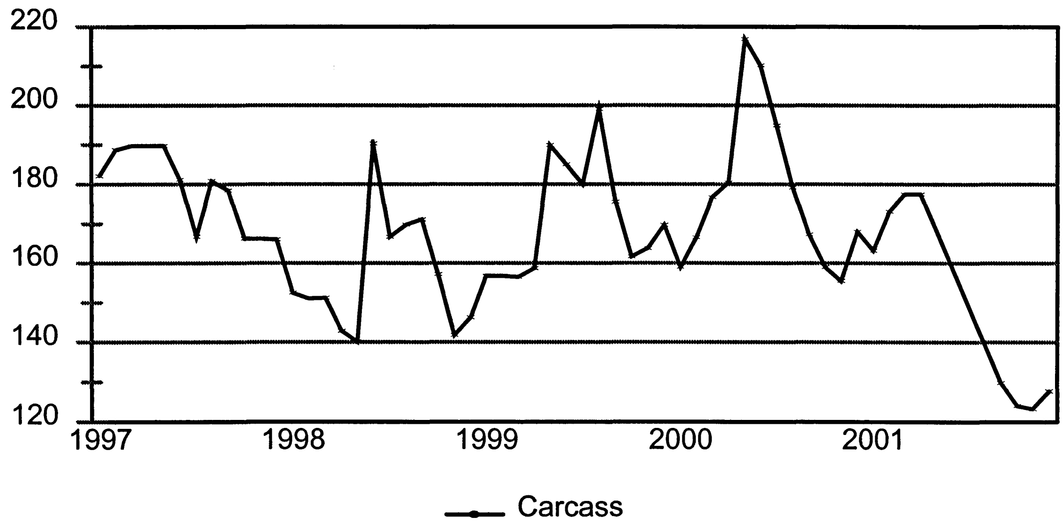
[9] Steve Meyer, Livestock Marketing Information Center, October 2001, "Sheep Industry News," reported at *www.sheepusa.org/news/octreport.shtml*, retrieved March 20, 2002.

Figure V-9
Monthly feeder and slaughter lamb prices ($/cwt.), January 1997-December 2001



Source: USDA, ERS, *Livestock, Diary, and Poultry*, various issues.

Figure V-10
Monthly lamb carcass prices ($/cwt.), choice-prime, east-coast, 55-65 pounds, January 1997-December 2001



Source: USDA, ERS, *Livestock, Diary, and Poultry*, various issues.

APPENDIX A

FEDERAL REGISTER NOTICES

Federal Register
Vol. 64, No. 131
Friday, July 9, 1999

Presidential Documents

Title 3—

The President

Proclamation 7208 of July 7, 1999

To Facilitate Positive Adjustment to Competition From Imports of Lamb Meat

By the President of the United States of America

A Proclamation

1. On April 5, 1999, the United States International Trade Commission (USITC) transmitted to the President a unanimous affirmative determination in its investigation under section 202 of the Trade Act of 1974, as amended (the "Trade Act") (19 U.S.C. 2252), with respect to imports of fresh, chilled, or frozen lamb meat, provided for in heading 0204 of the Harmonized Tariff Schedule of the United States (HTS). Under section 202 of the Trade Act, the USITC determined that such lamb meat is being imported into the United States in such increased quantities as to be a substantial cause of the threat of serious injury to the domestic industry producing a like or directly competitive article. Further, the USITC, pursuant to section 311(a) of the North American Free Trade Agreement Implementation Act (the "NAFTA Implementation Act") (19 U.S.C. 3371(a)), made negative findings with respect to imports of lamb meat from Canada and Mexico. The USITC also transmitted to the President its recommendation made pursuant to section 202(e) of the Trade Act with respect to the action that would address the threat of serious injury to the domestic industry and be most effective in facilitating the efforts of the domestic industry to make a positive adjustment to import competition.

2. Pursuant to section 203 of the Trade Act (19 U.S.C. 2253), and after taking into account the considerations specified in section 203(a)(2) of the Trade Act, I have determined to implement action of a type described in section 203(a)(3). However, pursuant to section 312(a) of the NAFTA Implementation Act (19 U.S.C. 3372(a)), I have determined that imports from Canada and Mexico, considered individually, do not account for a substantial share of total imports and do not contribute importantly to the threat of serious injury found by the USITC. Accordingly, pursuant to section 312(b) of the NAFTA Implementation Act (19 U.S.C. 3372(b)), I have excluded lamb meat the product of Canada or Mexico from the action I am taking under section 203 of the Trade Act.

3. Such action shall take the form of a tariff-rate quota on imports of fresh, chilled, or frozen lamb meat, provided for in HTS subheadings 0204.10.00, 0204.22.20, 0204.23.20, 0204.30.00, 0204.42.20, and 0204.43.20, imposed for a period of 3 years plus 1 day, with annual increases in the within-quota quantities in the second and third years, as provided for in the annex to this proclamation.

4. Except for products of Canada, Mexico, Israel, beneficiary countries under the Caribbean Basin Economic Recovery Act (CBERA) and the Andean Trade Preference Act (ATPA), and other developing countries that have accounted for a minor share of lamb meat imports, which shall all be excluded from this restriction, such tariff-rate quota shall apply to imports of lamb meat from all other countries and the in-quota quantity in each year shall be allocated among such countries. Pursuant to section 203(a)(1)(A) of the Trade Act (19 U.S.C. 2253(a)(1)(A)), I have further determined that these actions will facilitate efforts by the domestic industry to make a positive adjustment

to import competition and provide greater economic and social benefits than costs.

5. Section 604 of the Trade Act, as amended (19 U.S.C. 2483), authorizes the President to embody in the HTS the substance of the relevant provisions of that Act, and of other acts affecting import treatment, and actions thereunder, including the removal, modification, continuance, or imposition of any rate of duty or other import restriction.

NOW, THEREFORE, I, WILLIAM J. CLINTON, President of the United States of America, acting under the authority vested in me by the Constitution and the laws of the United States of America, including but not limited to sections 203 and 604 of the Trade Act, and section 301 of title 3, United States Code, do proclaim that:

(1) In order to establish a tariff-rate quota on imports of fresh, chilled, or frozen lamb meat classified in HTS subheadings 0204.10.00, 0204.22.20, 0204.23.20, 0204.30.00, 0204.42.20, and 0204.43.20, subchapter III of chapter 99 of the HTS is modified as provided in the annex to this proclamation.

(2) Such imported lamb meat that is the product of Canada, Mexico, Israel, and of beneficiary countries under the CBERA and the ATPA, and of developing countries listed in general note 4(a) to the HTS, shall be excluded from the tariff-rate quota established by this proclamation, and such imports shall not be counted toward the tariff-rate quota limits that trigger the over-quota rates of duty.

(3) In the event that a quota quantity established by this proclamation and allocated to a country or to "other countries" is significantly underutilized, the United States Trade Representative is authorized to reallocate all or part of the unfilled portion of such quota quantity to any other country or countries and, upon publication of notice in the **Federal Register**, to modify the HTS provisions created by the annex to this proclamation to reflect any such reallocation.

(4) Any provisions of previous proclamations and Executive orders that are inconsistent with the actions taken in this proclamation are superseded to the extent of such inconsistency.

(5) The modifications to the HTS made by this proclamation, including the annex hereto, shall be effective with respect to goods entered, or withdrawn from warehouse for consumption, on or after 12:01 a.m. e.d.t. on July 22, 1999, and shall continue in effect as provided in the annex to this proclamation, unless such actions are earlier expressly modified or terminated.

IN WITNESS WHEREOF, I have hereunto set my hand this seventh day of July, in the year of our Lord nineteen hundred and ninety-nine, and of the Independence of the United States of America the two hundred and twenty-fourth.

William J Clinton

Billing code 3195–01–P

ANNEX

Modifications to the Harmonized Tariff Schedule of the United States

(a) Effective with respect to goods entered, or withdrawn from warehouse for consumption, on or after July 22, 1999, subchapter III of chapter 99 of the Harmonized Tariff Schedule of the United States is modified by inserting in numerical sequence the following new U.S. note, subheadings and superior text thereto, with the language inserted in the columns entitled "Heading/Subheading", "Article Description", "Rates of Duty 1-General", "Rates of Duty 1-Special", and "Rates of Duty 2", respectively.

"8. For purposes of the subheadings enumerated below, the in-quota quantities for fresh, chilled or frozen lamb meat shall be allocated as follows:

Subheadings	Country or Countries	Allocation
9903.02.01	Australia	17,139,582
	New Zealand	14,481,603
	Other countries	229,966
9903.02.03	Australia	17,600,931
	New Zealand	14,871,407
	Other countries	236,155
9903.02.05	Australia	18,062,279
	New Zealand	15,261,210
	Other countries	242,346

Heading/Subheading	Article Description	Rates of Duty 1-General	Rates of Duty 1-Special	Rates of Duty 2
	Carcasses and half-carcasses of lamb (provided for in subheading 0204.10.00 or 0204.30.00), other lamb cuts with bone in (provided for in subheading 0204.22.20 or 0204.42.20), and boneless lamb meat (provided for in subheading 0204.23.20 or 0204.43.20), all the foregoing fresh, chilled or frozen, except products of Canada, of Mexico, of Israel, of developing countries enumerated in general note 4(a) to this schedule, of beneficiary countries under the Caribbean Basin Economic Recovery Act (as enumerated in general note 7(a) to this schedule) or of beneficiary countries under the Andean Trade Preference Act (as enumerated in general note 11(a) to this schedule):			
	If entered during the period from July 22, 1999, through July 21, 2000 inclusive:			
9903.02.01	In quantities not in excess of 31,851,151 kg	9%		15.4¢/kg
9903.02.02	Other	40%		15.4¢/kg + 40%

	[Carcasses...:]		
	If entered during the period from July 22, 2000, through July 21, 2001, inclusive:		
9903.02.03	In quantities not in excess of 32,708,493 kg	6%	15.4¢/kg
9903.02.04	Other	32%	15.4¢/kg + 32%
	If entered during the period from July 22, 2001, through July 22, 2002, inclusive:		
9903.02.05	In quantities not in excess of 33,565,835 kg	3%	15.4¢/kg
9903.02.06	Other	24%	15.4¢/kg + 24%"

[FR Doc. 99-17749
[Filed 7-8-99; 11:48 am]
Billing code 3190-01-C

Federal Register
Vol. 64, No. 132
Monday, July 12, 1999

Presidential Documents

Title 3—

The President

Memorandum of July 7, 1999

Action Under Section 203 of the Trade Act of 1974 Concerning Lamb Meat

Memorandum for the Secretary of the Treasury, the Secretary of Agriculture, the United States Trade Representative, the Director of the Office of Management and Budget, [and] the Director of the National Economic Council

On April 5, 1999, the United States International Trade Commission (USITC) submitted a report to me that contained: (1) a determination pursuant to section 202 of the Trade Act of 1974, as amended (the "Trade Act"), that imports of lamb meat are being imported into the United States in such increased quantities as to be a substantial cause of threat of serious injury to the domestic lamb meat industry; and (2) negative findings made pursuant to section 311(a) of the North American Free Trade Agreement Implementation Act (the "NAFTA Implementation Act") with respect to imports of lamb meat from Canada and Mexico.

After considering all relevant aspects of the investigation, including the factors set forth in section 203(a)(2) of the Trade Act, I have implemented actions of a type described in section 203(a)(3). I have determined that the most appropriate action is a tariff-rate quota on imports of lamb meat with an increase in currently scheduled rates of duties for imports within and above the tariff-rate quota level. I have proclaimed such action for a period of 3 years and 1 day in order to facilitate efforts by the domestic industry to make a positive adjustment to import competition.

Specifically, I have established a tariff-rate quota for lamb meat in an amount equal to 31,851,151 kg. in the first year (July 22, 1999, through July 21, 2000), an amount that is equal to imports of lamb meat during calendar year 1998. The tariff-rate quota amount will increase by 857,342 kg. annually in the second and third years of relief. I have also established individual country allocations for product imported from Australia, New Zealand, and an "other country" category within the tariff-rate quota, which reflect the actual shares of each country in calendar year 1998. I have established increased rates of duty for imports within the tariff-rate quota amount: namely 9 percent *ad valorem* for imports in the first year of relief; 6 percent *ad valorem* for imports in the second year; and 3 percent *ad valorem* for imports in the third year. I have established increased rates of duty for imports above the tariff-rate quota levels: namely, 40 percent *ad valorem* in the first year of relief, 32 percent *ad valorem* in the second year, and 24 percent *ad valorem* in the third year.

I have also determined that implementation of adjustment assistance measures based on authorized programs of the Department of Agriculture will facilitate efforts by the domestic lamb meat industry to make a positive adjustment to import competition. In this regard, I instruct the United States Trade Representative (the USTR), the Secretary of Agriculture (the Secretary), the Director of the Office of Management and Budget, and the Director of the National Economic Council, in consultation with the U.S. industry, to transmit to me a set of substantial adjustment assistance measures that would improve the competitiveness of the U.S. industry and facilitate efforts by the industry to adjust to import competition.

I further determine, pursuant to section 312(a) of the NAFTA Implementation Act, that imports of lamb meat produced in Canada and Mexico do not account for a substantial share of total imports of lamb meat and are not contributing importantly to the threat of serious injury. Therefore, pursuant to section 312(b) of the NAFTA Implementation Act, the safeguard measure will not apply to imports of lamb meat, whether fresh/chilled or frozen, that are the product of Canada or Mexico. Similarly, the safeguard measure will not apply to imports of lamb meat that are the product of Israel, beneficiary countries under the Caribbean Basin Economic Recovery Act or the Andean Trade Preference Act, or other developing countries that have accounted for a minor share of lamb meat imports.

I have determined that the actions described above will facilitate efforts by the domestic industry to make a positive adjustment to import competition and provide greater economic and social benefits than costs. These actions will provide the domestic industry with necessary temporary relief from increasing import competition as well as assistance from existing U.S. Government programs, while also assuring our trading partners continued access to the United States market. The over-quota tariff rates I have established will provide substantial certainty to the domestic lamb industry regarding import levels.

Pursuant to section 204 of the Trade Act, the USITC will monitor developments with respect to the domestic industry, including the progress and specific efforts made by workers and firms to make a positive adjustment to import competition. The USITC will provide to me and to the Congress a report on the results of its monitoring no later than the date that is the mid-point of the period during which the action I have taken under section 203 of the Trade Act is in effect. In this regard, I instruct the USTR, in consultation with the Secretary, and the Director of the Office of Management and Budget to transmit to the USITC no later than 30 days from today a list of benchmarks that the USTR recommends that the USITC use in connection with its monitoring and in preparing its report. These benchmarks are to be focused on industry efforts to adjust to import competition and on price trends for domestic and imported lamb meat.

The United States Trade Representative is authorized and directed to publish this memorandum in the **Federal Register**.

William J. Clinton

THE WHITE HOUSE
Washington, July 7, 1999.

[FR Doc. 99-17789
Filed 7-9-99; 8:45 am]
Billing code 3190-01-M

Federal Register
Vol. 64, No. 149
Wednesday, August 4, 1999

Presidential Documents

Title 3—

The President

Proclamation 7214 of July 30, 1999

To Provide for the Efficient and Fair Administration of Action Taken With Regard to Imports of Lamb Meat and for Other Purposes

By the President of the United States of America

A Proclamation

1. On July 7, 1999, I issued Proclamation 7208, which implemented action of a type described in section 203(a)(3) of the Trade Act of 1974, as amended (19 U.S.C. 2253(a)(3)) (the "Trade Act"), with respect to imports of fresh, chilled, or frozen lamb meat, provided for in subheadings 0204.10.00, 0204.22.20, 0204.23.20, 0204.30.00, 0204.42.20, and 0204.43.20 of the Harmonized Tariff Schedule of the United States (HTS). Proclamation 7208 took effect on July 22, 1999.

2. Proclamation 7208 established import relief in the form of tariff-rate quotas (TRQs) and increased duties but did not make specific provision for their administration. I have determined under section 203(g)(1) of the Trade Act (19 U.S.C. 2253(g)(1)) that it is necessary for the efficient and fair administration of the action undertaken in Proclamation 7208 to exempt from the measure goods that were exported prior to July 22, 1999.

3. I have further determined under section 203(g)(1) of the Trade Act that in order to provide for the efficient and fair administration of the TRQs established in Proclamation 7208 it is necessary to delegate my authority to administer the TRQs under that section to the United States Trade Representative.

4. On May 28, 1999, I issued Proclamation 7202, which took certain actions to eliminate circumvention of the quantitative limitations applicable to imports of wheat gluten that were proclaimed in Proclamation 7103. I have determined that a technical correction in the description of an action taken in Proclamation 7202 is appropriate.

5. Section 604 of the Trade Act (19 U.S.C. 2483), authorizes the President to embody in the HTS the substance of the relevant provisions of that Act, and of other acts affecting import treatment, and actions thereunder, including the removal, modification, continuance, or imposition of any rate of duty or other import restriction.

NOW, THEREFORE, I, WILLIAM J. CLINTON, President of the United States of America, acting under the authority vested in me by the Constitution and the laws of the United States of America, including but not limited to sections 203 and 604 of the Trade Act, and section 301 of title 3, United States Code, do proclaim that:

(1) In order to provide for the efficient and fair administration of the TRQs on imports of fresh, chilled, or frozen lamb meat classified in HTS subheadings 0204.10.00, 0204.22.20, 0204.23.20, 0204.30.00, 0204.42.20, and 0204.43.20, subchapter III of chapter 99 of the HTS is modified as provided for in the Annex to this proclamation.

(2) The United States Trade Representative is authorized to exercise my authority pursuant to section 203(g) of the Trade Act to take all action necessary, including the promulgation of regulations, to administer the TRQs relating to imports of lamb meat provided for in HTS subheadings 0204.10.00, 0204.22.20, 0204.23.20, 0204.30.00, 0204.42.20, and 0204.43.20.

(3) The third sentence of initial paragraph 4 of Proclamation 7202 is hereby stricken and the following sentence is inserted in lieu thereof: "Such action shall take the form of a reduction in the European Community's 1999/2000 wheat gluten quota allotment in the amount of 5,402,000 kg., which represents the amount of wheat gluten that entered the United States in excess of the European Community's 1998 quota allocation."

(4) Any provisions of previous proclamations and Executive orders that are inconsistent with the actions taken in this proclamation are superseded to the extent of such inconsistency.

(5) The actions taken in this proclamation shall be effective on the date of signature of this proclamation and shall continue in effect through the close of the dates on which actions proclaimed in Proclamation 7202 and Proclamation 7208 cease to be effective, unless such actions are earlier expressly modified or terminated.

(6) The modifications to the HTS shall be effective with respect to goods exported on or after July 22, 1999, and shall continue in effect as provided in the Annex to this proclamation, unless such actions are earlier expressly modified or terminated.

IN WITNESS WHEREOF, I have hereunto set my hand this thirtieth day of July, in the year of our Lord nineteen hundred and ninety-nine, and of the Independence of the United States of America the two hundred and twenty-fourth.

William J. Clinton

Billing code 3195-01-P

ANNEX

Modifications to the Harmonized Tariff Schedule of the United States

(a) Effective with respect to goods that are exported on or after July 22, 1999, subchapter III of chapter 99 of the Harmonized Tariff Schedule of the United States is modified to read as follows:

For purposes of the subheadings enumerated below, the in-quota quantities for fresh, chilled or frozen lamb meat shall be allocated as follows:

Subheadings	Country or Countries	Allocation (kg)
9903.02.0'	Australia	17,139,582
	New Zealand	14,481,603
	Other countries	229,966
9903.02.03	Australia	17,600,931
	New Zealand	14,871,407
	Other countries	236,155
9903.02.05	Australia	18,062,279
	New Zealand	15,261,210
	Other countries	242,346

	Carcasses and half-carcasses of lamb (provided for in subheading 0204.10.00 or 0204.30.00), other lamb cuts with bone in (provided for in subheading 0204.22.20 or 0204.42.20), and boneless lamb meat (provided for in subheading 0204.23.20 or 0204.43.20), all the foregoing fresh, chilled or frozen, except products of Canada, of Mexico, of Israel, of developing countries enumerated in general note 4(a) to this schedule, of beneficiary countries under the Caribbean Basin Economic Recovery Act (as enumerated in general note 7(a) to this schedule) or of beneficiary countries under the Andean Trade Preference Act (as enumerated in general note 11(a) to this schedule):		
	If exported on or after July 22, 1999, through July 21, 2000, inclusive:		
9903.02.01	In quantities not in excess of 31,851,151 kg	9%	15.4¢/kg
9903.02.02	Other	40%	15.4¢/kg + 40%
	[Carcasses...:]		
	If exported on or after July 22,2000, through July 21, 2001, inclusive:		
9903.02.03	In quantities not in excess of 32,708,493 kg	6%	15.4¢/kg
9903.02.04	Other	32%	15.4¢/kg + 32%
	If exported on or after July 22, 2001, through July 22, 2002, inclusive:		
9903.02.05	In quantities not in excess of 33,565,835 kg	3%	15.4¢/kg
9903.02.06	Other	24%	15.4¢/kg + 24%"

[FR Doc. 99-20189
Filed 8-3-99; 8:45 am]
Billing code 3190-01-C

Federal Register
Vol. 66, No. 223
Monday, November 19, 2001

Presidential Documents

Title 3—

The President

Proclamation 7502 of November 14, 2001

To Provide for the Termination of Action Taken With Regard to Imports of Lamb Meat

By the President of the United States of America

A Proclamation

1. Proclamation 7208 issued July 7, 1999, implemented action of a type described in section 203(a)(3) of the Trade Act of 1974, as amended (19 U.S.C. 2253(a)(3)) (the "Trade Act"), with respect to imports of fresh, chilled, or frozen lamb meat, provided for in subheadings 0204.10.00, 0204.22.20, 0204.23.20, 0204.30.00, 0204.42.20, and 0204.43.20 of the Harmonized Tariff Schedule of the United States (HTS). Proclamation 7208 took effect on July 22, 1999.

2. Section 204(a)(1) of the Trade Act (19 U.S.C. 2254(a)(1)) requires the United States International Trade Commission (USITC) to monitor developments with respect to the domestic industry while action taken under section 203 remains in effect. If the initial period of such action exceeds 3 years, then the Commission must submit to the President a report on the results of such monitoring not later than the date that is the mid-point of the initial period of the action. The USITC report in Investigation Number TA–204–2, issued on January 22, 2001, has been submitted.

3. Section 204(b)(1)(A) of the Trade Act (19 U.S.C. 2254(b)(1)(A)) authorizes the President to reduce, modify, or terminate a safeguard action if, after taking into account any report or advice submitted by the USITC and after seeking the advice of the Secretary of Commerce and the Secretary of Labor, the President determines that changed circumstances warrant such reduction, modification, or termination. The President's determination may be made, *inter alia*, on the basis that the effectiveness of the action taken under section 203 has been impaired by changed economic circumstances.

4. In view of the information provided in the USITC's report, and having sought advice from the Secretary of Commerce and the Secretary of Labor, I determine that the effectiveness of the action taken under section 203 with respect to lamb imports has been impaired by changed economic circumstances. Accordingly, I have determined, pursuant to section 204(b)(1)(A) of the Trade Act, that termination of the action taken under section 203 with respect to lamb meat imports is warranted.

5. Section 604 of the Trade Act (19 U.S.C. 2483) authorizes the President to embody in the HTS the substance of the relevant provisions of that Act, and of other acts affecting import treatment, and actions thereunder, including the removal, modification, continuance, or imposition of any rate of duty or other import restriction.

NOW, THEREFORE, I, GEORGE W. BUSH, President of the United States of America, acting under the authority vested in me by the Constitution and the laws of the United States of America, including but not limited to sections 204 and 604 of the Trade Act, do proclaim that:

(1) The HTS is modified as provided in the Annex to this proclamation.

(2) Any provisions of previous proclamations and Executive Orders that are inconsistent with the actions taken in this proclamation are superseded to the extent of such inconsistency.

(3) The modifications to the HTS made by this proclamation shall be effective with respect to goods entered, or withdrawn from warehouse for consumption, after the close of November 14, 2001.

IN WITNESS WHEREOF, I have hereunto set my hand this fourteenth day of November, in the year of our Lord two thousand one, and of the Independence of the United States of America the two hundred and twenty-sixth.

Billing code 3190–01–P

Annex

Modifications to the Harmonized Tariff Schedule of the United States

Effective with respect to goods entered, or withdrawn from warehouse for consumption, after the close of November 14, 2001, subchapter III of chapter 99 of the Harmonized Tariff Schedule of the United States is hereby modified by striking U.S. note 8, subheading 9903.02.01 through 9903.02.06, and the superior text thereto.

[FR Doc. 01–28993
Filed 11–16–01; 8:45 am]
Billing code 3190–01–M

INTERNATIONAL TRADE COMMISSION

[Investigation No. TA–204–8]

Lamb Meat:[1] Evaluation of the Effectiveness of Import Relief

AGENCY: United States International Trade Commission.

ACTION: Institution of an investigation and scheduling of a hearing under section 204(d) of the Trade Act of 1974 (19 U.S.C. 2254(d)) (the Act).

SUMMARY: Pursuant to section 204(d) of the Act, the Commission has instituted investigation No. TA–204–8, Lamb Meat: Evaluation of the Effectiveness of Import Relief, for the purpose of evaluating the effectiveness of the relief action imposed by the President on imports of fresh, chilled, and frozen lamb meat under section 203 of the Act, which terminated on November 15, 2001.

The President imposed the relief action on July 7, 1999, in the form of a tariff-rate quota (TRQ) following receipt of an affirmative injury determination and relief recommendation from the Commission on April 5, 1999. See Proclamation 7208 of July 7, 1999 (64 FR 37389, July 9, 1999), as modified by Proclamation 7214 of July 30, 1999 (64 FR 42265, August 4, 1999). The TRQ was imposed for a period of 3 years and 1 day but was terminated on November 15, 2001. In addition to implementing the TRQ, the President directed the Secretary of Agriculture to establish adjustment assistance programs to facilitate efforts of the domestic lamb industry to make a positive adjustment to import competition. On January 13, 2000, the Secretary of Agriculture announced a 3-year $100 million assistance package for sheep and lamb farmers (Lamb Meat Adjustment Assistance Program (LMAAP)) which continues. Further, on August 31, 2001, USTR announced it would provide an additional $42.7 million to assist the domestic lamb industry to continue adjusting to import competition. Section 204(d) of the Act requires the Commission, following termination of a relief action, to evaluate the effectiveness of the action in facilitating positive adjustment by the domestic industry to import competition. The Commission is required to submit a report on the evaluation made to the President and the Congress no later than 180 days after the day on which the relief action taken under section 203(a) of the Act has terminated.

For further information concerning the conduct of this investigation, hearing procedures, and rules of general application, consult the Commission's rules of practice and procedure, part 201, subparts A through E (19 CFR part 201), and part 206, subparts A and F (19 CFR part 206).

EFFECTIVE DATE: January 22, 2002.

FOR FURTHER INFORMATION CONTACT: Debra Baker (202–205–3180), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its internet server (*http://www.usitc.gov*). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS–ON–LINE) at *http://dockets.usitc.gov/eol/public.*

SUPPLEMENTARY INFORMATION:

Participation in the investigation and service list.—Persons wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, not later than 14 days after publication of this notice in the **Federal Register**. The Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

Public hearing.—As required by statute, the Commission has scheduled a hearing in connection with this investigation. The hearing will be held beginning at 9:30 a.m. on April 16, 2002, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before April 8, 2002. All persons desiring to appear at the hearing and

[1] Lamb meat is provided for in subheadings 0204.10.00, 0204.22.20, 0204.23.20, 0204.30.00, 0204.42.20, and 0204.43.20 of the Harmonized Tariff Schedule of the United States.

make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on April 11, 2002, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the hearing are governed by sections 201.6(b)(2) and 201.13(f) of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 days prior to the date of the hearing.

Written submissions.—Each party is encouraged to submit a prehearing brief to the Commission. The deadline for filing prehearing briefs is April 10, 2002. Parties may also file posthearing briefs. The deadline for filing posthearing briefs is April 22, 2002. In addition, any person who has not entered an appearance as a party to the investigation may submit, on or before April 22, 2002, a written statement concerning the matters to be addressed in the Commission's report to the President. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain confidential business information must also conform with the requirements of section 201.6 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

In accordance with section 201.16(c) of the Commission's rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This investigation is being conducted under the authority of section 204(d) of the Trade Act of 1974; this notice is published pursuant to section 206.3 of the Commission's rules.

Issued: January 23, 2002.

By order of the Commission.

Marilyn R. Abbott,

Acting Secretary.

[FR Doc. 02–2072 Filed 1–28–02; 8:45 am]

BILLING CODE 7020–02–P

APPENDIX B

SUMMARY DATA

Table B-1
Lamb meat: Summary data concerning the U.S. market, 1999-2001

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Table B-2
Lamb growers and feeders: Summary data concerning the U.S. market, 1999-2001

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